

1 Q. Further to the response to PUB-NLH-060, describe in detail the process used to
2 establish the annual performance targets, evaluation measures and related
3 payments for short term incentive payments.

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6 A. Hydro establishes annual performance targets through its corporate planning
7 process. Annually, Hydro develops a corporate plan for five goals in the areas of:
8 Safety, Environment, Business Excellence, People, and Community. The Corporate
9 Plan includes targets that reflect the performance measures used to assess progress
10 based on the intended outcomes of the goals, as well as priority initiatives or
11 activities for the planning period. Examples of targets are the System Average
12 Interruption Frequency Index (SAIFI), used to measure electricity customer
13 reliability, the residential customer satisfaction rating, and the operating
14 expenditure target. Initiatives include discrete activities or deliverables that will be
15 advanced or completed during the year and/or the planning period. Examples of
16 initiatives include: the filing of the General Rate Application by an agreed upon
17 deadline; the development of a multi-year Integration Plan, and the completion of
18 the current year activities in that plan.

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20 The Corporate Plan is updated annually. Targets are set to reflect Hydro's
21 commitment to improve performance or achieve performance that is at an
22 acceptable level. The factors considered in setting performance levels for targets
23 include:

- 24 • Longer term objective for the performance measure – for example, achieve and
25 sustain an all injury frequency rate of ≤ 0.5 ;
- 26 • Historical performance;

- 1 • Risks and opportunities impacting performance; and
- 2 • Financial and other resource constraints impacting the ability to complete the
- 3 work required to improve or sustain performance.

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5 The planning process is led by the President and other members of the Executive
6 Team and coordinated by the Manager, Planning, Risks and Controls. For each of
7 the five goals, the Executive Team member accountable identifies targets and
8 initiatives. For example, the Vice-President, Corporate Services and Regulatory
9 Affairs, who is responsible for Customer Service, identifies the customer satisfaction
10 target. The input from individual members of the Executive Team is consolidated
11 into a draft Corporate Plan, which is then reviewed and approved by Executive
12 Team and submitted to the Board of Directors. Please refer to PUB-NLH-126,
13 Attachment 1, which is a summary of Hydro’s corporate targets and measures that
14 is used to track performance.

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16 The Corporate Plan outlines the highest priority targets and initiatives for Hydro and
17 is used to develop the annual performance contracts (short-term incentives). For
18 2017, the annual performance contracts included two areas of performance -
19 corporate and divisional/departmental. Consistent with the priorities of Hydro, the
20 corporate performance section of the 2017 annual performance contract includes
21 select targets related to safety, reliability, and financial performance and initiatives
22 related to the integration of Muskrat Falls assets/interconnection to the North
23 American electricity grid and the filing of the General Rate Application.

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25 The Divisional/Departmental goals within the 2017 annual performance contracts
26 are specific to each position and developed by the Vice Presidents for each of their

1 eligible direct reports. These targets and initiatives reflect the corporate priorities
2 as well as Departmental/Divisional-specific priorities that include measures that
3 incumbents have direct impact on, such as customer satisfaction.

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5 Please also refer to Hydro's response to PUB-NLH-125.

| GOAL | HYDRO | | | | | |
|--------------------------------|--|-----------------------------------|---|---|--|-----------------------------|
| 1. SAFETY | Lead/Lag ratio 750:1 | All injury frequency(AIF) ≤ 0.60 | | | Lost time injury frequency(LTIF) ≤ 0.15 sustained | |
| | Complete 95% of planned activities outlined in 2017 Safety and Health Monitoring Plan ¹ | | | Complete 95% of Safety Culture action plan items from 2015 survey | | |
| 2. ENVIRONMENT | Complete ≥ 95% of Environmental Management System Targets | | | | | |
| | Energy Conservation ² | | | | | |
| | Hydro residential and commercial customers energy savings - 1,215 MWh | | | Hydro's internal energy efficiency savings – 220 MWh | | |
| 3. BUSINESS EXCELLENCE | | | | | | |
| Reliability & Asset Management | Achieve customer reliability targets ³ | | Asset Management | | Supply Adequacy | |
| | Outage Duration SAIDI ≤ 2.43 | Outage Frequency SAIFI ≤ 1.50 | Complete 2017 activities related to reliability improvement ⁴ | | Complete 2017 activities related to electricity supply adequacy ⁵ | |
| Project Execution | Achieve 2017 capital program delivery targets ⁶ | | | | Safety | Quality Cost Schedule |
| Customer Service | Refresh Customer Service Strategy and complete 90% of 2017 deliverables ⁷ | | Finalize plan for Newfoundland Power and key accounts and complete 90% of 2017 activities ⁸ | | Sustain commercial account satisfaction at ≥ 80% | |
| Finance | Net Income ≥ \$23.1M | Operating expenditures ≤ \$138.6M | | Return on rate base ≥ 5.34% | Cash from Operations ≥ \$108.2M | |
| Regulatory | 2013 General Rate Application compliance application filed and rates implemented ⁹ | | | File 2017 General Rate Application ¹⁰ | | |
| Integration | Confirm and execute Hydro plan for integration of MF assets , including interconnection activities and post-interconnection operations ¹¹ | | | | | |
| 4. PEOPLE | Develop a 3 year human resource strategy and action plan and complete 90% of priority 2017 actions ¹² | | Finalize action plans and complete planned deliverables from the 2016 Employee Engagement Survey (EES) survey | | Achieve progress toward 2021 target of 30% of the workforce from underrepresented groups ¹³ | |
| 5. COMMUNITY | Develop multi-year communications and stakeholder engagement plan and complete 90% of 2017 activities ¹⁴ | | | | | |

Footnotes

1. Safety and Health Monitoring Plan outlines monitoring activities and targets for key program areas including: Contractor Safety Management, Work Protection, Work Methods, Fall Protection, Confined Space, Grounding and Bonding and Hot Work Permits.
2. Residential and commercial customers energy savings relate to takeCHARGE and Hydro's own energy efficiency programs. Internal energy efficiency savings include energy savings in Hydro buildings/facilities.
3. Customer reliability: Frequency (SAIFI) and duration (SAIDI) of outages for all end user customers (Newfoundland Power and Hydro) resulting from Hydro assets/activities.
4. Asset Management: Reliability improvement activities include: complete 90% of integrated workplan activities; complete 100% of winter readiness activities; and, complete 90% of reliability improvement activities (Listing of action items confirmed Q1 2017).
5. Generation Supply/Adequacy: Planned 2017 activities include:
 - Island Interconnected System: Update Electricity Supply Risk Assessment and complete any actions identified for 2017
 - Happy Valley-Goose Bay: Advance service level agreement for gas turbine
6. Capital program delivery target performance: safety – 90% ; quality – 90%; cost - +/- 10%; and, schedule – 90%.
7. Customer Service Strategy: 2017 deliverables include: smart customer mobile solution pilot; increase eBilling subscription by 8%; complete Customer Service RSP refund responsibilities; re-design new Hydro customer bill; implement industrial billing software; complete customer service maturity assessment; and, develop a revenue protection strategy.
8. Newfoundland Power/Key Accounts: ensure all scheduled one-on-one customer meetings include a discussion/presentation on Industrial Energy Efficiency; research and share customer/industry specific best practices/case studies with key customer contacts throughout the year; and, update program marketing information demonstrating clear cost savings opportunities and ease of administration for customers, and share materials with industrial customers annually or as programs are changed/updated.

Footnotes

9. 2013 General Rate Application: Compliance application filed by January 31, 2017 and rates implemented by July 1, 2017.
10. General Rate Application (GRA): Application filed by July 28, 2017 or date agreed upon by the PUB and settlement discussions with parties initiated.
11. Integration: Develop multi-year work plan including all critical integration activities that may impact Hydro and complete 90% of planned 2017 activities. Work plan activities to include: 1. Execute agreements for interconnection, and ongoing operations and maintenance, of non-Hydro owned assets on the island; 2. Complete LIL and ML interconnection and commissioning related activities that are under Hydro's direction, and implement operational control of new assets by the NLSO; 3. In conjunction with Hydro Human Resource Strategy, identify and address people requirements, including orientation to new assets that Hydro will operate and/or maintain; 4. Identify regulatory issues, ensure alignment and recommend approach for matters relating to interconnection, including open access transmission service and NERC voluntary compliance; and, 5. Execute agreements for supply from off-island sources, including associated transmission service across the ML, LIL, and/or others as required.
12. Hydro Human Resource strategy: The three-year strategy and action plans will address key risk areas and focus on a limited number of priority initiatives in each year. Priority actions for 2017 include support of GRA and company cost management activities and human resource/labour relations readiness activities for 2018 bargaining and preparation for Muskrat Falls integration/electricity system interconnection.
13. Diversity & Inclusion: Progress planned for 2017 includes: 50% of new apprentices and graduate engineers will be hired from underrepresented groups, including women, and Hydro will work with Nalcor to review select human resource policies and implement changes to support diversity objective.
14. Communications and Stakeholder Engagement Plan: Plan approved by Leadership Team in September 2017 and 2017 activities identified and progressing.