

Response Provided in
unredacted form on the public
record by Horizon Utilities,
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EB-2010-0131

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Question 28

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Reference: E4/T2/S10/page 12 Incentive Plan

10 Please provide further documentation regarding Horizon's incentive plan (i.e., what
11 metrics are applied, which class(es) of employees are subject to the incentive plan, etc.)

12 **Response:**

13 Employee eligibility and metrics upon which incentive pay is calculated and paid is
14 detailed in the Horizon Utilities Annual Incentive Plan Document. ~~The document is being~~
15 ~~provided in confidence for reasons which are outlined in the cover letter accompanying~~
16 ~~Horizon Utilities interrogatory responses.~~



HORIZON UTILITIES CORPORATION

ANNUAL INCENTIVE PLAN

FISCAL YEAR 2010



HORIZON UTILITIES CORPORATION ANNUAL INCENTIVE PROGRAM

I Purpose of the Plan

Horizon Utilities Corporation seeks to encourage an incentive based performance culture by aligning employee efforts with the corporate vision and short and long-term strategic goals.

The Annual Incentive Program (AIP) for Horizon Utilities (the "Plan") provides eligible employees a variable compensation component, over and above the employees base line pay. The purpose of the Plan is to focus individual and corporate performance towards attaining Horizon's strategic goals.

II Objectives

The objectives of the Plan are to;

- Provide a financial reward that is directly related to performance in support of Horizon's business strategy
- Focus and reward individual achievements that support the company's strategic plans
- Motivate exceptional individual performance
- Incent and enhance rewards for above average financial returns

III Guidelines for Participation

Nothing contained herein shall be construed that participation in the Program is a contract of employment which confers upon the participant the right to continue in the employ of the company nor does it obligate the company to allow the employee to participate in the Program in future years.

IV Eligible Participants

For FY 2010, all salaried (non-union) employees are eligible for participation in the Program.

An individual must be in an eligible position for at least six (6) consecutive months during the Fiscal Year (January 1st to December 31st) to be eligible for participation in the AIP.

In order to be eligible for an award, the individual must be actively employed by Horizon Utilities on fiscal year end December 31st. However, the individual will

not be eligible for an award if he/she is terminated for cause prior to the date the incentive payments are issued.

Individuals entering the Program for the first time will be eligible for a pro-rata award for their first year of participation provided they become eligible before June 30th. For example, an employee hired or promoted into an eligible position on May 30th in the calendar year would be eligible for a pro-rated award based on 7 months of participation.

Any participant that has had a change in incentive percentage during the fiscal year due to a promotion/demotion will be eligible for a pro rata incentive award. The pro rata award will be based on the portion of the year at each respective incentive percentage, with the appropriate salary level applied.

Eligibility Levels within Horizon Utilities Corp. for 2009 are outlined below and are based on a percentage of base salary:

Grade	Threshold	Target	Outstanding
5, 6 (Directors)	7.5%	15%	22.5%
7, 8, 9B	5%	10%	15%
9A**, 10, 11	3.75%	7.5%	11.25%
12, 13, 14	2.5%	5%	7.5%

**Trades Management

V Termination of Employment

Eligible participants (Section IV) shall be considered for an AIP pro-rata payout for the period of active employment in the event of the death, retirement or not for cause termination during the performance period. In the event of death, the payment will be made to the Participant's estate. Should the employee have less than six months service in the performance period he/she would not be eligible for a payout.

No AIP payout in respect of the plan term will be payable in the event of termination for cause of a Participant during the performance period. Nor is an employee eligible if the employee chooses to leave the Corporation's employ during the bonus calendar year.

VI Annual Incentive Plan Components

Incentive awards are made up to two (2) components:

1. Corporate (organizational)
2. Individual personal goals and achievements

The total incentive award is broken down for FY 2010 by salary grade level:

Grade	Corporate Component	Individual Component
5, 6	60%	40%
7, 8,9A, 9B, 10, 11	50%	50%
12, 13, 14	40%	60%

VII Corporate/Organizational Incentive Goals

Horizon Utilities annually sets out strategic objectives that are supported by the Board of Directors and which align to the company's success and continued growth.

Financial success and continued enhancement to Shareholder value is the cornerstone of Horizon remaining a profitable company. As such, and as evident in the company's Balanced Scorecard, continuous improvement, productivity improvements and cost reductions support a healthy balance sheet that provide value to Customers by keeping rates reasonable and value to the Shareholders by providing a profit on their investment.

VIII Individual/Personal Goals

Annually at the end of the fourth quarter, Horizon's strategic goals and objectives for the upcoming year shall be cascaded down through each functional department. The purpose is to align the entire organization to work in the same direction in achieving the overall strategic business goals for the coming year.

Individual goals are those that the employee has direct impact and control over. These goals should align to their Supervisors goals and the overall objectives of the organization.

Annually Horizon sets organizational objectives, which are cascaded to the Director in each department and supported through a comprehensive and aligned departmental Work Plan. The Work Plan provides departmental initiatives and measures that support the organizations objectives.

From the Work Plan each individual sets personal objectives and measures that align and support their departments. Individual goals need to be clear and concise stretch goals that go beyond the individuals day to day job functions.

Human Resources will perform the quality and control on determining S.M.A.R.T objectives that align departmentally and organizationally and that support incentive pay over and above the employees expected performance and outputs.

IX Performance & Payout Periods

Performance will be assessed annually and payments will be made as soon as practical after the end of December and after the Corporation has received its annual audited financial statements.

Payouts will be calculated as a percentage of the participant's actual base salary earnings (Section IV). Payouts are subject to applicable taxes and deductions. As such they are eligible to be included as income for OMERS purposes but not for the LTD plan.

X Incentive is Re-earnable Income

The incentive payout is "re-earnable" each year and does not form part of the employee's base salary.

XI Amendment and Termination

The Company reserves the right at any time to amend or terminate this Plan in whole or in part by resolution of the Board.

XII Administration, Determinations and Interpretation

Any determinations which are required to be done by Horizon Utilities Corporation pursuant to this Plan shall be properly determined or done if determined or done by the Corporation.

Any disputes or disagreements which arise under or as a result of or in any way related to the interpretation, construction or application of this Plan shall be determined by the Corporation, and any such determinations shall be final, binding and conclusive for all purposes.

This Plan and all matters to which reference is made herein shall be governed by and interpreted in accordance with the laws of the Province of Ontario and those of Canada insofar as the latter may be applicable.
