



COLUMBIA POWER CORPORATION
STATEMENT OF EXECUTIVE COMPENSATION
FISCAL YEAR 2010/11

BACKGROUND

The mandate of Columbia Power Corporation (CPC) is to efficiently develop and operate commercially viable, environmentally sound and safe power project investments for the benefit of the Province and the residents of the Columbia Basin. In making power project investments, CPC's goal is to support the employment, economic development and resource management objectives of the Province, within the constraints of a commercial enterprise. CPC is committed to building a competent and skilled workforce that can effectively deliver on its current and future strategies within a competitive labour market. CPC's compensation program is a key factor in the organization's ability to attract, retain and motivate quality employees.

COMPENSATION PHILOSOPHY

CPC is committed to a total compensation program designed to:

- Attract, retain and motivate key talent and ensure succession of leadership
- Provide competitive salaries, and health and benefit programs within the hydro electric industry
- Align employee performance with pay based on contribution and achievement of the corporation's strategic goals and objectives
- Ensure fairness and maintain internal equity

CPC benchmarks its compensation levels using annual market survey results and competitive market data for the hydroelectric industry and targets its compensation at the 50th percentile.

CPC has a re-earnable variable incentive program. The incentive program is based on a percentage of base salary for eligible employees. Bonus payments are made only if the organization meets a minimum threshold of 50% of its target net income combined with the achievement of the stated Service Plan objectives.

COMPENSATION STRUCTURE

CPC manages its executive compensation in accordance with the statutory requirements and standards set out under the *Public Sector Employer's Act*.

The CPC pay structure, which covers executives and other employees, was developed in 2006 by an independent Human Resources Consultant. The pay structure was developed based on survey data compiled from power industry services organizations from within BC and across Canada as these are considered the key labour markets in which CPC competes for key talent.

The market survey compared salaries, benefits, incentives, bonuses, perquisites, and other forms of compensation using benchmark positions. Regression analysis was applied to reflect the revenue and budget responsibilities of the positions in comparison with the relative market.

An integral component of the CPC compensation plan involves the application of a job evaluation plan that objectively measures and ranks a diversity of job functions, responsibilities and qualifications that exist within the organization. The job evaluation plan provides a formal review process that ensures internal equity between positions is taken into account when establishing individual salaries.

GOVERNANCE

The Human Resources and Governance Committee (HRGC) of the Board has the responsibility to review and make the following compensation recommendations to the Board, in accordance with corporate governance.

- Review and recommend the CEO's compensation, perquisites, including incentives, bonuses, benefits, and retirement plans.
- Review and recommend the Corporation's compensation philosophy, strategy, and guidelines. Approve compensation amendments for periodic review by PSEC.
- In consultation with the CEO, review and recommend the appointment of and compensation, including perquisites, incentive, bonus, benefit and retirement plans, for the senior management team.
- Review with the CEO existing senior management resources, and performance evaluations, including recruitment and training programs, to ensure that compensation is linked to performance, and that qualified management will be available for succession to executive positions at CPC.
- Ensure recruitment of a new CEO conforms with Public Sector Employer's Council (PSEC) policies.
- Recommend a performance evaluation process for the Chief Executive Officer (the "CEO") and, when approved, ensure the process is implemented.
- Monitor the CEO's performance and report to the Board.
- Review with the CEO any significant outside commitments the CEO is considering before the commitment is made. This includes commitments to act as a director or trustee of for-profit and not-for-profit organizations.
- Review significant PSEC and Crown Corporation Employer's Association guidelines and recommendations
- Ensure that the organization has appropriate human resources policies and compensation policies that satisfy PSEC.

The Board has final approval on the above matters and the HRGC of the Board ensures that the processes are in place to carry out these activities.

EXECUTIVE COMPENSATION PLAN

Objectives of the Plan

The objectives of CPC's compensation program are to position CPC competitively in the labour market, allowing the Corporation to attract and retain qualified talent while rewarding performance. Total compensation for the CEO and other executives consists of base salary, a standard set of benefits equivalent to those provided to senior employees of the BC government (e.g. medical services plan, extended health and dental, disability benefits, life insurance, travel insurance, employment insurance, and employee and family assistance), pension plan, and a re-earnable variable incentive plan. Executive compensation is linked to the corporation's strategic goals and objectives.

Elements of the Compensation Program

1) Base Pay

Executive base salaries are set at levels relative to the labour market by using market mean salaries. Salary ranges are established at 20% above and below the mid-point salary with the mid-point salary representing a fully qualified and competent individual. Employees placed below the mid-point salary are generally new employees or employees who are still developing the knowledge, skills and abilities required to satisfactorily perform the duties of the position. Employees placed above the mid-point salary are considered fully competent and high performing individuals.

2) Variable Incentive Pay

The CEO and other named executive officers are eligible for incentive bonus pay of up to 15% and 10% of the individual's annual base salary, respectively. Incentive bonus payments are non-pensionable and are re-earnable each year based on the individual's contribution to the Corporation's overall performance during the previous fiscal year.

Upon Board review of the Corporation's profitability and level of attainment of its corporate goals and objectives for the fiscal year, the total amount to be allocated for incentive compensation is approved by the Board. The incentive bonus payments made to the CEO and other named executive officers are tied to the attainment of specific performance measures, benchmarks, and targets which are linked to the Corporation's strategic plan, service plan, operating and capital budgets, and established individual objectives.

The 2010/11 executive performance objectives and measures are: achievement of service plan objectives; financial performance measured against budgeted net income and audited financial statements including variance financial reports; final investment decision for the Waneta Dam Expansion project taking into account capital cost, project financing, revenue projections, and project risk assessment; and achievement of individual objectives.

The process for determining the annual incentive payment for the CEO is the responsibility of the Human Resources and Governance Committee and the Board. Annual incentive payments for other named executive officers are determined by the Board, in consultation with the CEO. A formula is used to determine the percentage of the incentive payment that the CEO and executives may qualify for, based on the weighted outcome of the individual's annual performance review and how well the individual met their annual corporate and personal performance objectives and targets.

3) **Pension Plan**

The named executive officers with the exception of the CEO and Advisor to the Board are covered under the Public Service Pension Plan. This is the same pension plan that applies to government employees.

4) **Benefits, Paid Time Off and Other Compensation**

The named executive officers receive the same standard set of benefits as other CPC employees. The CEO and Advisor to the Board are not eligible for the CPC benefit package.

Annual vacation entitlements for named executive officers range from 20 days per year to a maximum of 35 days per year after 25 years of service. As per PSEC guidelines, unused annual vacation can be carried forward to the following calendar year, with any unused remaining vacation paid out at the end of the second calendar year.

The named executives receive 18 flex days per year in recognition that employees at this level of the organization are expected to work in excess of the regularly scheduled hours of operation to fulfill their job responsibilities. Employees are encouraged to take their flex time as days off with pay during the calendar year or the outstanding balance is paid out at the end of the calendar year.

The named executive officers receive either a monthly car allowance or a CPC paid vehicle for their use which are fully taxable benefits.

2010/11 FISCAL YEAR COMPENSATION

Base Pay - Consistent with the government mandated net zero increase, CPC did not adjust its salary ranges in 2010/11. A 2.5% Board approved merit increase was considered for those executives whose salary was below the total compensation cap for the organization. Merit increases are paid only for superior performance, and when the executive is deemed to have made a significant contribution to the organization.

Variable Incentive Pay - CPC's variable incentive targets and weightings are consistent with PSEC guidelines and have an equal weighting for individual and organizational performance. The organizational performance of 79% was achieved for the fiscal year and this combined with the individual performance measures equaled the variable incentive payments for named executives.

There were no other monetary payments to executives or changes to compensation plans.

STATEMENT OF EXECUTIVE COMPENSATION

The Statement of Executive Compensation table shown below contains the compensation breakdown for the CEO, the Advisor to the Board and the four (4) highest ranking/paid named executive officers of CPC for the year April 1, 2010 to March 31, 2011. The compensation data is based on actual salaries and amounts received by the employees or paid by the employer on behalf of the employee during the year.

Statement of Executive Compensation
Fiscal year 2010/2011

Position and Name	Base Salary	Incentive Pay Plan (2)	Pension	Standard Benefits (3)	All Other Compensation (4)	Total	Previous 2 Years Totals
President & CEO (1) Jane Bird (Sept 1 - March 31)	\$ 116,666.62				\$ 16,570.34	\$ 133,236.96	2009/10=N/A 2008/09=N/A
Advisor to the Board (1) (in the absence of a CEO) Gerry Duffy (April 1 - Sept 30)	\$ 115,500.00				\$ 9,240.00	\$ 124,740.00	2009/10=\$34,650 2008/09=N/A
VP, Capital Projects Giulio Ambrosone	\$ 179,402.08	\$ 16,377.00	\$ 16,142.22	\$ 6,690.07	\$ 16,616.88	\$ 235,228.25	2009/10=\$258,692.19 2008/09=\$233,465.51
VP, Sales & Development Victor Jmaeff	\$ 179,402.08	\$ 14,713.00	\$ 16,142.22	\$ 7,496.77	\$ 34,405.82	\$ 252,159.89	2009/10=\$282,836.13 2008/09=\$242,745.53
VP, Human Resources & Corporate Services Debbie Martin	\$ 152,502.90	\$ 12,463.00	\$ 13,530.28	\$ 5,187.65	\$ 7,175.48	\$ 190,859.31	2009/10=N/A 2008/09=N/A
Director Finance, David de Git	\$ 130,524.45	\$ 10,651.00	\$ 11,410.83	\$ 7,342.05	\$ 12,063.36	\$ 171,991.69	2009/10=N/A 2008/09=N/A

(1) President & CEO, and Advisor to the Board are not registered under the Public Service Plan, and are not eligible for Incentive Plan or benefits.

(2) The Variable Incentive Plan payment is based on achievement of annual performance against, corporate, business and individual performance measures and targets, the amounts shown were earned in the prior fiscal year, but paid in 2010/2011.

(3) The amount shown under "Standard Benefits" represent employer dollar value contributions and premiums for standard benefits including CPP, EI, WorkSafeBC, Group Life Insurance, Medical Services Plan, and Extended Health & Dental.

(4) All "Other Compensation" includes car allowance, paid flex days, home internet and telephone (for VP, Sales & Development), vacation pay-outs, and in the case of Gerry Duffy and Jane Bird, GST & HST.



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June 6, 2011

Paul Straszak
President and CEO
Public Sector Employer's Council
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**Re: Columbia Power Corporation Statement of Executive Compensation
Fiscal Year 2010/11**

Dear Paul:

I am writing to advise you that as per its disclosure obligations, Columbia Power Corporation has submitted its Statement of Executive Compensation for the Fiscal Year 2010/11.

As Board Chair of the Columbia Power Corporation I am aware of the compensation paid to the executives and can verify that the compensation provided was within approved compensation plans.

Sincerely,

A handwritten signature in black ink, appearing to read "Lee Doney", with a large, stylized flourish at the end.

Lee Doney
Board Chair
Columbia Power Corporation