

COLUMBIA POWER CORPORATION
STATEMENT OF EXECUTIVE COMPENSATION
FISCAL YEAR 2007/08

COMPENSATION DISCUSSION AND ANALYSIS

Columbia Power Corporation (CPC) was established to develop, construct, market, and operate hydro electric dams and power projects in the Columbia / Kootenay region of the Province. CPC is currently undergoing a transformation that included a significant corporate restructuring and consolidation of the Corporation's office in Castlegar following closure of its Victoria office on December 31, 2007. The Corporation is committed to building a competent and skilled workforce that can effectively deliver on its current and future objectives within a competitive labour market.

All compensation paid to the CEO and executive officers of CPC must conform with statutory requirements and standards set out under the *Public Sector Employers' Act* and the Compensation Framework Policy that was announced by the government in December 2005 which requires the prior approval from the Minister of Finance of any changes to CPC's compensation plan.

The CPC pay structure, which covers executives and other employees, was developed in 2006 by an independent Human Resources Consultant who surveyed and analyzed the compensation practices of public and private sector organizations that compete with CPC for qualified executive, management, and professional personnel. A sample of power industry services organizations from within BC and across Canada were also considered since the power industry is a key labour market for executive and professional employees. 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.

Responsibility for determining executive compensation lies with the Board, following a review and the support of the Human Resources and Governance Committee of the Board. Changes to executive salaries and other forms of compensation require review by the Minister of Energy, Mines and Petroleum Resources, who is responsible for the Columbia Power Corporation, and approval by the Minister of Finance. The Public Sector Employers' Council Secretariat (PSEC) provides an oversight role throughout the compensation review process to ensure consistency with government human resource management policies, standards, and practices. The process for determining CEO compensation requires separate approval by the Minister of Finance.

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, group aviation insurance, employment insurance, and employee and family assistance), pension plan, and a Variable Incentive Plan.

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 employee. 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 high performing individuals.

The CEO and other named executive officers are eligible for incentive compensation of up to 15% and 10% of the individual's annual base salary, respectively. Incentive payments are non-pensionable and re-earnable each year based on the individual's contribution to the Corporation's overall performance during the previous fiscal year. Upon review by the Board 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 established by the Board. The incentive 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 performance against the strategic plan, service plan, and operating and capital budgets and established individual objectives. Examples of 2007/08 executive performance objectives and measures are: assessment of how well CPC met or exceeded its budgeted net income and Return on Equity taking into account audited financial statements and variance financial reports; assessment of the final stage of the proposed dam expansion project taking into account capital cost, project financing, revenue projections, and project risk assessment; and evaluation of the effectiveness of the Corporation's human resources following the re-organization and relocation of the head office to Castlegar.

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.

The CEO and other named executive officers receive the same standard set of benefits as other CPC employees. The benefits are provided under the Public Service Benefits Plan which is administered by the BC Public Service Agency. These are the same benefits that the provincial government employees receive.

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

The CEO is entitled to 25 days annual vacation leave. Annual vacation entitlement for other named executive officers range from 20 days per year for the first and second years of employment to a maximum of 35 days per year after 25 years of service.

The CEO and other named executive officers receive 18 days per year (Flexible Hours Days Policy) 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. The flex time may be taken as days off with pay during the calendar year or the outstanding balance is paid out at the beginning of the subsequent calendar year.

EXECUTIVE COMPENSATION

The Statement of Executive Compensation table shown below contains the compensation breakdown for the CEO and the four (4) highest ranking/paid named executive officers of the Columbia Power Corporation for the year April 1, 2007 to March 31, 2008.

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. The compensation information will cover a 3-year period, beginning with 2007/08 as the first reporting year and the full three year reporting requirement being met in the 2009/10 Statement of Compensation.

**STATEMENT OF EXECUTIVE COMPENSATION
FISCAL YEAR 2007/08**

Name and Principal Position	Base Salary	Variable Incentive Plan	Pension	Standard Benefits	Additional Compensation	Total Compensation
B. Chuddy President & CEO	\$161,753.87 ¹	\$24,000.00 ³	\$12,000.00 ⁴	\$11,900.48 ⁵	\$29,623.37 ⁶	\$239,277.72
E. Pietraszek Executive Vice President	\$120,472.61 ²	\$16,073.19 ³	\$11,659.22	\$7,433.72 ⁵	\$17,938.61 ⁷	\$185,411.60
V. Jmaeff Vice President, Sales & Development	\$157,531.53	\$14,412.41 ³	\$15,283.17	\$13,629.79 ⁵	\$21,920.39 ⁸	\$222,777.29
G. Ambrosone Vice President, Project Implementation	\$157,532.80	\$14,523.69 ³	\$15,283.21	\$11,961.81 ⁵	\$14,308.37 ⁹	\$213,609.88
B. Duncan Vice President, Strategic Planning & Regulation	\$149,145.34	\$7,457.27 ³	\$14,297.85	\$11,139.48 ⁵	\$10,390.22 ¹⁰	\$192,430.16

Footnotes to the Statement of Executive Compensation table:

¹ Pro-rated beginning June 1, 2007, the employees first day of work.

² Pro-rated to December 31, 2007. Included in the amount is \$11,834.25 that was paid to the employee to cover the period he performed as Acting President. Employment ended December 31, 2007; salary and benefits were continued during the balance of the reporting period.

³ The Variable Incentive Plan payments cover the period April 1, 2007 to March 31, 2008. Following a review of each employee's annual performance against corporate, business unit and individual performance measures and targets, the amounts shown were paid in June 2008.

⁴ The amount shown represents the employer's RRSP contribution as the employee is not registered under the Public Service Pension Plan, subject to future review.

⁵ The amounts shown represent employer dollar value contributions for standard benefits covering Canada Pension Plan, Employment Insurance, Workers Compensation, Group Life Insurance, Medical services Plan, Extended Health & Dental, Group Life and Accidental Death & Dismemberment benefits, Long Term Disability benefits, and Employee & Family Assistance Plan.

⁶ The amount shown represents a car allowance of \$7,727.28, Christmas bonus of \$100.00, flex days/hours payment of \$13,793.09, and employer-paid airline tickets totaling \$8,003.00 to cover the cost of travel to the employee's Ontario home pursuant to the employment agreement.

⁷ The amount shown represents a car allowance of \$6,594.61, Christmas bonus of \$100.00, flex days/hours payment of \$11,244.00.

⁸ The amount shown represents the taxable benefit for personal use of a CPC vehicle of \$7,727.28, Christmas bonus of \$100.00, flex days/hours payment of \$11,299.75.

⁹ The amount shown represents the taxable benefit for personal use of a CPC vehicle of \$2,908.62, Christmas bonus of \$100.00, flex days/hours payment of \$11,299.75.

¹⁰ The amount shown represents Christmas bonus of \$100.00 and flex days/hours payment of \$10,290.22.