

COLUMBIA POWER CORPORATION
STATEMENT OF EXECUTIVE COMPENSATION
FISCAL YEAR 2008/09

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 objectives 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 total compensation at the 50th percentile.

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 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, prerequisites, 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 prerequisites, 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

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 compensation is linked to the corporation's strategic goals and objectives. The pay policy is intended to position CPC competitively in the labour market, allowing the Corporation to attract and retain qualified talent while rewarding performance.

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.

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 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 established 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 2008/09 executive performance objectives and measures are: achievement of service plan objectives; 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; review of the schedule for the proposed 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.

Pension Plan

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.

Benefits, Paid Time Off and Other Compensation

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 CEO is entitled to 25 days annual vacation leave. Annual vacation entitlement for other named executive officers range from 20 days per year to a maximum of 35 days per year after 25 years of service. 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 CEO and other named executive officers 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. The flex time may be taken as days off with pay during the calendar year or the outstanding balance is paid out at the end of the calendar year.

The CEO and executives receive either a monthly car allowance or a CPC paid vehicle for their use which are fully taxable benefits.

STATEMENT OF 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 CPC for the year April 1, 2008 to March 31, 2009. 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 2008/2009**

Position and Name	Base Salary	Incentive Pay Plan (3)	Pension	Standard Benefits (4)	All Other Compensation (5)	Total	2007/2008 Total
Barry Chuddy President & CEO	\$ 202,537.49	\$ 24,000.00	(1) \$ 12,240.00	\$ 10,565.46	\$ 29,036.19	\$ 278,379.14	(6) \$ 239,277.72
Robert Kryzac CFO (2)	\$ 121,315.65	\$ -	\$ 11,477.82	\$ 12,767.81	\$ 23,504.73	\$ 169,066.01	N/A
Giulio Ambrosone VP, Project Implementation	\$ 176,230.00	\$ 14,523.69	\$ 17,103.18	\$ 9,704.14	\$ 13,757.32	\$ 231,318.33	\$ 213,609.88
Victor Jmaeff VP, Sales & Development	\$ 176,230.00	\$ 14,412.41	\$ 17,103.18	\$ 11,153.48	\$ 19,022.82	\$ 237,921.89	\$ 222,777.29
Amy Stevenson VP, Operations	\$ 147,046.42	\$ 9,176.64	\$ 14,137.50	\$ 10,780.21	\$ 17,408.31	\$ 198,549.08	N/A

Footnotes to the Statement of Executive Compensation table:

(1). President & CEO is not registered under the Public Service Pension Plan, the amount shown is RRSP contribution.

(2). Resigned Jan 19, 2009.

(3). 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 2008/09.

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

(5). All Other Compensation includes car allowance, paid flex days, Christmas Bonus, flight passes for the CEO in the amount of \$3,941.00 and rent for the total of \$2520.29, and a \$10,000 retention bonus for VP, Operations. Vacation Payout paid to the CFO upon his resignation in the amount of \$9,261.29.

(6) 2007/08 Total salary is based on the President & CEO's June 1, 2007 start date.