



LEONARD F. KELSEY
CHAIR AND CEO
len.kelsey@bcuc.com
web site: <http://www.bcuc.com>

SIXTH FLOOR, 900 HOWE STREET, BOX 250
VANCOUVER, B.C. CANADA V6Z 2N3
TELEPHONE: (604) 660-4700
BC TOLL FREE: 1-800-663-1385
FACSIMILE: (604) 660-1102

June 9, 2010

Paul Straszak
President and CEO
Provincial Employers' Sector Council
2nd Floor – 880 Douglas Street
Vancouver, BC V8W 2B7

Dear Mr. Straszak:

Re: Executive Compensation Plan

Please find enclosed the British Columbia Utilities Commission's Executive Compensation report for your review. This letter also confirms the compensation plan, individual figures are true and accurate, and the Commission has remained within its approved plan.

Best regards,

A handwritten signature in black ink that reads "Len Kelsey". The signature is written in a cursive, flowing style.

Len Kelsey

PURPOSE

As required, the BC Utilities Commission proactively discloses its executive compensation for its CEO and the following four highest paid executives who earn \$125,000 or more on an annual basis. To provide a context, the information below applies to all employees (except as noted) of the Commission.

BACKGROUND

The British Columbia Utilities Commission, located in Vancouver at 900 Howe Street, is a regulatory agency of the Provincial Government, operating under and administering the Utilities Commission Act. The Commission's function is quasi-judicial and it has the power to make legally binding rulings. Decisions and orders of the Commission may be appealed to the Court of Appeal on questions of law or jurisdiction.

The Commission's primary responsibilities are the regulation of utilities under its jurisdiction and the regulation of certain aspects of automobile insurance pursuant to the Insurance Corporation Amendment Act. The Administrative Tribunals Act also applies to matters before the Commission. In addition to its primary responsibilities, the Commission has regulatory responsibilities under the Utilities Commission Act for electricity transmission facilities, energy supply contracts and the issuance of gas marketing licenses. The Commission also reviews energy-related and basic automobile insurance matters referred to it by Cabinet; these reviews usually involve a public inquiry followed by a report and recommendations to Cabinet. In addition, under Part 7 of the Pipeline Act, the Commission establishes tolls and conditions of service for intra-provincial oil pipelines.

Through an open and transparent regulatory review process, the Commission ensures that:

- rates charged for energy are fair, just, and reasonable;
- energy utility operations provide safe, adequate, and secure service to their customers;
- the shareholders of public utilities under its jurisdiction are afforded a reasonable opportunity to earn a fair return on their invested capital;
- Insurance Corporation of British Columbia (ICBC) universal compulsory automobile insurance is adequate, efficient, just and reasonable; and
- ICBC optional insurance is not subsidized by other ICBC operations.

The work of the Commission is important to the citizens and businesses of British Columbia because regulation instills a high degree of public confidence that competing interests between monopolies, consumers and other stakeholders are reconciled. Likewise, regulation sends a message beyond British Columbia that the province is a safe and fair place to do business.

In addition to its regulatory responsibilities, the Commission provides the following services and assistance: reviews ratepayers' complaints about the actions of utilities, ICBC and independent gas marketers; adjudicates gas marketing disputes; provides copies of documentation prepared by the Commission (e.g. brochures, guidelines, orders, decisions, etc.); provides access to the Tariffs of regulated utilities and to the Code of Conduct and Rules for Gas Marketers; provides access to information filed in public hearings; responds to requests for general information regarding utilities and ICBC; and responds to requests for information regarding participating in Commission processes and making applications to the Commission.

COMMISSION STAFF

The Utilities Commission Act provides for the appointment of a Chair and Commissioners by the Lieutenant Governor in Council. During the 2009/2010 fiscal year, one full-time Commissioner, eight part-time Commissioners, and a Chair served as members at the Commission. As well, 27 Commission staff, including professional engineers, accountants, economists, and administrative staff supported the Commission's work. Commission staff are organized into an Information Services Group, three specialist professional divisions, and a group responsible for the electricity transmission inquiry (which, under the consequential amendments to Bill 17 has been terminated). The activities of the Commission are supported by the finance and administration department.

Information Services Group

The Information Services group, led by the Commission Secretary, includes an Assistant Commission Secretary, a Customer Choice Administrator, a Customer Service Specialist, a Web Administrator and several support positions. The Commission Secretary acts as the official contact for both regulated organizations and the public. The department responds to all requests for information (including Freedom of Information requests); receives and investigates natural gas marketer and utility customer complaints; prepares periodic reports and quarterly regulatory updates; provides research support; website services; library services and media interaction; and maintains the Commission's information resources and database of mailing lists.

Professional Divisions

The professional divisions consist of staff specialists with expertise and experience in the areas of accounting, economics, rate setting, business, and engineering. The functions of these divisions include the review of financial, accounting, social, and economic aspects of energy utility activities, as well as First Nations consultation, and regulation of ICBC's basic automobile insurance. The professional divisions also review energy supply and demand, including conservation impacts, and the reliability aspects of energy production, transmission, and distribution. In considering a matter under review by the Commission, these professionals have a responsibility to ensure the development of a full record of evidence. This often requires that staff be technical advisors to the Commission, and provide external expert witnesses to testify at hearings.

In 2009/2010, the professional divisions also included an electricity transmission group responsible for providing support to an inquiry into British Columbia's long-term electrical transmission requirements. The inquiry, as required under the Utilities Commission Act, was suspended by Government in December 2009.

Financial Administration Office

The financial administration office conducts background research and prepares decision support for executive policies and provides a range of administrative, financial, intra-governmental and human resources services to staff, the Chair and CEO, and commissioners.

FUNDING

The Commission is self-funded and its costs are recovered primarily through a levy on the organizations it regulates, specifically BC Hydro, BC Transmission Corporation, ICBC, Terasen Gas, and various pipelines. The Commission also recovers costs directly associated with applications and hearings.

COMPENSATION

Treasury Board establishes a compensation range for the Chair and CEO and full-time Commissioners and a day rate for part-time Commissioners. Directive 1/10 (April 1, 2010) outlines remuneration for appointees to administrative tribunals. Specific compensation for the Chair and CEO and full time Commissioners is set by a Ministerial Order.

Compensation for all remaining staff is reviewed and evaluated by a third party external source and a competitive salary range is determined. This group of staff is also eligible for a modest incentive payment and the terms of the incentive are discussed below.

The Commission's primary competitors for skilled recruits include public and private energy and utility companies, as well as other regulatory boards and commissions.

PERFORMANCE PLANNING INCENTIVE

Effective organizational performance requires that the efforts of all employees be directed toward the attainment of the organization's goals and objectives. The Chair and CEO establishes the Commission's objectives at the beginning of the year and employees work with their supervisors to establish individual goals to contribute to their successful performance and the overall success of the Commission. Performance is monitored and reviewed throughout the year and an assessment of an employee's performance is conducted by their direct supervisor and reviewed by the Chair and CEO.

The Commission performance-based incentive plan applies to all employees with the exception of the Chair and CEO and Commissioners. The typical incentive paid at the Commission, following a performance review, ranges between four to seven percent of the employee's current salary, ten percent being the maximum incentive an employee may receive, and zero is the minimum.

BENEFITS

The benefit plan is generally consistent with the benefit plan provided by departments of the Provincial Government and is administered for the Commission by the BC Public Service Agency. Benefits include: Medical Services Plan, Extended Health and Dental, Employee and Family Assistance, Wellness Program, Health Spending Account, Workers' Compensation, Employment Insurance, Life Insurance, Canada Pension, Public Service Pension and a Retirement Allowance. The benefit rate for Fiscal 2010 is 24.15 percent.

All employees are provided with four weeks annual vacation and an option to enrol in a flexible work schedule. Annual vacation increases occur after the eighth year of employment and range between one to two days a year, reaching a maximum entitlement of 35 days in the 25th year of employment.

SUMMARY COMPENSATION TABLE

Name & Principal Position	Total Salary	Bonus	*Performance Incentive Plan Compensation Paid	Pension	All Other Compensation	Total	Fiscal Year
				(Included in Benefit Calculation - next column)	(As described Benefits also includes; pension plan contributions and any parking or professional fees, as well as, vacation payouts etc.)		
Len Kelsey, Chair & CEO	\$ 180,073.81	N/A	N/A	\$ 17,803.69	\$ 46,376.83	\$ 226,450.64	F10
						\$ 201,886.09	F09
						\$ 142,567.50	F08 **
Doug Chong, Director Strategic Services	\$ 119,891.13	N/A	\$ 7,626.00	\$ 11,569.82	\$ 30,123.61	\$ 157,640.74	F10
						\$ 155,000.35	F09
						\$ 141,209.18	F08 ***
Jim Fraser, Director - Section 5	\$ 131,430.99	N/A	\$ 8,873.00	\$ 12,795.82	\$ 31,740.58	\$ 172,044.57	F10
						\$ 163,155.47	F09
						\$ 152,542.31	F08
Philip Nakoneshny, Director Rates & Finance	\$ 131,430.99	N/A	\$ 8,117.00	\$ 12,795.82	\$ 36,166.78	\$ 175,714.77	F10
						\$ 166,551.92	F09
						\$ 160,494.06	F08
Brian Williston, Director Engineering & Commodity Markets	\$ 131,430.99	N/A	\$ 8,873.00	\$ 12,795.82	\$ 34,696.03	\$ 175,000.02	F10
						\$ 166,981.38	F09
						\$ 159,889.97	F08

*Performance Incentives are paid out in the fiscal following the performance reviewed year, i.e. April 2008-2009 (F09), paid out April 2009 (F10). The Chair/CEO does not receive a performance incentive.

**Len Kelsey's term as Chair/CEO commenced July 16, 2008, prior to his appointment as Chair, Len Kelsey served as a Commissioner at the Commission.

***Doug Chong was promoted to Director of Strategic Services, January 2009.