

Public Sector Executive Compensation Reporting Form BC Hydro and Power Authority

June 2011

Statement of Executive Compensation

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Statement of Executive Compensation

1.1 PURPOSE

Public sector organizations must disclose the total compensation philosophy, program design and value provided to the Chief Executive Officer and the next four highest paid (or ranking) executives for the services they have provided to the organization. This document outlines the design, provisions, and total value of executive compensation for the fiscal year ending March 31, 2011 for BC Hydro, and its two subsidiaries; Powertech Labs and Powerex.

1.2 DEFINITIONS

This section defines terms used for the purposes of this disclosure.

Chief Executive Officer or CEO: the highest-ranking corporate officer, administrator, corporate administrator, executive, or executive officer in charge of management of a corporation, company, organization or agency.

Named Executive Officers or NEOs: are the **CEO and four** highest-ranking corporate officers, administrators, corporate administrators, executives or executive officers in charge of the management of a corporation, company, organization or agency.

Incentive plan: means any plan providing compensation that depends on achieving certain performance goals within a specified period, whether performance is measured by reference to the financial performance of the organization or an affiliate, or any other performance measure. Payments made under an incentive plan may be re-earnable in nature, that is, they are not rolled into the base salary in future years.

Pensions: Retirement offerings provided by the company including defined benefit and defined contribution pension plans.

Supplementary retirement plans (SRP): pension plan arrangements that are designed to supplement the pension benefit levels that are prescribed for registered pension plans by the *Federal Income Tax Act*.

Time Banks: Annual vacation and flex days may be banked and used as days off or paid out at a later date. Annual vacation can be banked for one year and flex days may be banked as dollars.

2.1 COMPENSATION DISCUSSION AND ANALYSIS

As a crown corporation, BC Hydro designs and administers executive compensation within its approved compensation plan for executives as required under the Public Sector Employer's Act. The Board and Human Resources and Safety Committee (HRSC) of the Board also play leadership roles in the development of BC Hydro's overall total compensation philosophy and its application to the executive team. Deviations or changes to and from BC Hydro's approved executive compensation plan are reviewed and approved by the Board or the HRSC prior to submission to the Public Sector Employers Council (PSEC) for final approval.

2.2 GOVERNANCE

Executive compensation is reviewed by both the Board and the HRSC. The terms of reference (as related to total compensation) for each are outlined below.

Board of Directors

- Approve the BC Hydro CEO's compensation package.
- Review the compensation design of Senior Officers acting upon the advice of the CEO and upon recommendation of the HRSC.
- Review and approve benefit and pension arrangements acting upon advice of the CEO and upon recommendation of the HRSC.

Human Resources and Safety Committee of the Board (HRSC)

- Approve the total compensation philosophy and annually review the compensation structure.
- Review the performance of the BC Hydro CEO and recommend to the Board, compensation for the CEO of BC Hydro including salary, incentive awards, perquisites, benefits and other remuneration.
- Review and approve the CEO's recommendations for Senior Officer performance based salary increases and incentive payments.
- Review and approve subsidiary COO and CEO performance based salary increases and incentive payments.

2.3 BUSINESS DRIVERS FOR BC HYDRO'S TOTAL COMPENSATION PHILOSOPHY

The design of BC Hydro's total compensation philosophy is a direct reflection of the nature of its business and human resource requirements. These characteristics include:

- A long term business planning cycle which includes sizeable, multi-year capital projects and sizeable public policy mandates directly influencing and impacting British Columbians.
- A need for operational certainty to meet stakeholder expectations of high reliability for power at a reasonable cost.

The total compensation design at BC Hydro is balanced and flexible in order to maximize attractiveness to prospective employees. The design has also been built to encourage long term employment, pay for performance, and a career within a company.

2.4 TOTAL COMPENSATION PHILOSOPHY

BC Hydro's total compensation programs will:

- Align employees with BC Hydro's strategic objectives through performance based pay
- Support our culture and HR strategy
- Balance internal equity and external competitiveness
- Maintain affordability
- Ensure regulatory compliance
- Support employee understanding, attraction, and retention

External competitiveness is determined by benchmarking the 50th percentile of BC Hydro's target market for labour on a total compensation basis. BC Hydro target market includes companies of a similar size in terms of revenue as well as those directly operating in the electrical utility sector in Canada.

2.5 PERFORMANCE MANAGEMENT AND PAY AT RISK

Executives participate in both a merit program and an incentive based variable pay program which together comprise the pay for the job. The merit program is a review of an individual's performance against the mandate of their role/portfolio and may result in a change in base salary. The objective of the executive variable pay plan is to put pay at risk, focus the executive team on specific performance objectives outlined in [BC Hydro's Service Plan](#) and provide a means to recognize achievements.

At the end of the fiscal year (April of each year), each executive summarizes his/her performance. The process consists of a discussion between the CEO and each Vice-President about the performance factors, measurement criteria and demonstrated results, including BC Hydro's overall performance. Based on these performance reviews, the CEO determines a final performance score and recommends to the HRSC performance based salary increases and performance based incentive pay for the executive team.

Executive incentive pay is based on objectives linked to BC Hydro's short term priorities. The F2011 short-term priorities and results achieved can be viewed in [BC Hydro's Service Plan](#).

2.6 ELEMENTS OF THE EXECUTIVE COMPENSATION PLAN

Each executive position typically has the following general compensation arrangements.

- **Base pay structure:** A salary range that outlines the typical range for base pay dependent on performance, knowledge, skills, and experience of the individual.
- **Variable Pay target and maximum percentages:** The potential performance pay amounts possible under different scenarios of performance against pre-set performance descriptions as described in section 2.5. Variable pay target percentages are either 20 or 25 per cent depending on the nature of the executive portfolio and can reach a maximum of two times the target percentage. The variable pay target percentage for the Powerex Managing Director is 150 per cent.
- **Annual Vacation Provisions:** Starting at three weeks, executives earn one additional day of vacation for each two years of service up to a maximum of 30 days. Different AV provisions may apply to some executives.
- **Flex Time Off:** 20 additional flexible days are provided in each calendar year of service. These can be used for time off or converted into a cash value. Flex time off may not be provided to all executives.
- **Executive Benefits:** Executives receive comparable benefits available to other management and exempt employees, though the employer paid coverage for life insurance, long term disability, extended health, and vision care is higher. Some subsidiary executives participate in the benefit plan for management and exempt employees.

- **Transportation Allowance:** A taxable monthly cash payment of \$1,100 per month is provided. Transportation allowances for some executives may be reduced, or may not be provided.
- **Expense Allowance:** A taxable monthly cash payment of \$500 per month is provided. Expense allowances for some executives may be reduced, or may not be provided.
- **Registered Pension Plan:** BC Hydro provides to employees a defined benefit pension plan. The formula for calculating the pension is 2 per cent multiplied by an executive's best 5 average consecutive years of plan earnings multiplied by their years of contributory service.
- **Executive Pension Plan:** The BC Hydro Executive Pension Plan offers eligible participants special provisions in addition to the benefits available through the BC Hydro Pension Plan. These special provisions include a lifetime bridge benefit, 100 per cent pensionable incentive pay as well as the option to purchase service, within the guidelines, to a maximum of 5 years. The executive pension plan for some subsidiary executives may be reduced or may not be provided.
- **Perquisites:** Typically, executives receive monthly paid parking, and paid medical evaluations either annually or biannually. Perquisites for some executives may be reduced, or may not be provided.

3.1 SUMMARY COMPENSATION TABLE

BC Hydro

Name and Principal Position	Salary	Incentive Plan Compensation Paid	Pension	All Other Compensation	Total	Previous 2 Years Totals
Cobb, DG, President & CEO ¹	\$301,069	\$73,400	\$72,257	\$20,916	\$467,641	N/A
Van Ruyven, B, Deputy CEO & Exec VP, Customer & Corporate Services ²	\$276,574	\$100,715	\$66,378	\$38,458	\$482,125	F10 \$505,939 F09 \$463,801
Reid, CW, Exec. VP, Finance & CFO	\$259,137	\$98,833	\$62,193	\$38,036	\$458,199	F10 \$459,033 F09 \$328,803
O'Riley, CK, Exec. VP, Generation ³	\$234,213	\$85,804	\$56,211	\$63,634	\$439,862	F10 \$457,655 F09 \$445,924
Reimer, GA, Exec. VP, Transmission & Distribution ⁴	\$183,885	\$67,637	\$44,132	\$33,164	\$328,819	N/A

¹ Mr. Cobb was hired in F2011 and joined BC Hydro effective May 25, 2010.

² Ms. Van Ruyven was acting CEO from January 1, 2010 to May 24, 2010. Incentive pay calculated based on 2 months as Acting CEO and 10 months as Deputy CEO & Exec. VP.

³ Mr. O'Riley received total timebank payouts of \$26,952 in F2011.

⁴ Mr. Reimer was hired in F2011 and joined BC Hydro effective June 7, 2010. Incentive pay has been pro-rated.

SUBSIDIARIES

Powertech

Name and Principal Position	Salary	Incentive Plan Compensation Paid	Pension	All Other Compensation	Total	Previous 2 Years Totals
Percy, E, President and COO (Former) ¹	\$52,116	\$105,747	\$54,201	\$218,448	\$430,512	F10 \$409,124 F09 N/A
Nguyen, K, CFO ²	\$165,192	\$57,129	\$14,114	\$32,909	\$269,344	N/A
Klimek, A, Director Smart Utility ³	\$146,242	\$37,138	\$8,978	\$14,989	\$207,347	N/A
Zawadzki, J, Director, Power Labs ⁴	\$138,944	\$23,706	\$15,388	\$19,503	\$197,541	F10 \$217,957 F09 N/A
Webster, C, Director, Clean Transportation	\$139,100	\$20,197	\$15,042	\$23,579	\$197,918	F10 \$208,683 F09 N/A

¹ Mr. Percy's salary reflects earnings while in the role of President & COO up to June 23, 2010. His other compensation also includes salary continuance payments of \$173,720 from June 24, 2010 to March 31, 2011.

² Ms. Nguyen transferred from BC Hydro effective August 3, 2010. Earnings from BC Hydro are also included.

³ Mr. Klimek was hired in F2011 and joined Powertech on June 1, 2010.

⁴ Mr. Zawadzki previously held role of Director, Asset Management prior to November 2010.

Powerex

Name and Principal Position	Salary	Incentive Plan Compensation Paid	Pension	All Other Compensation	Total	Previous 2 Years Totals
Conway, TM, President & CEO ¹	\$254,528	\$91,789	\$61,087	\$115,021	\$522,425	F10 \$434,991 F09 \$400,000
Bechard, TM, Managing Director ²	\$358,800	\$540,000	\$22,560	\$90,358	\$1,011,718	F10 \$636,315 F09 N/A
Irving, J, Chief Legal Officer ³	\$217,816	\$58,126	\$52,276	\$71,007	\$399,225	F10 \$385,633 F09 \$340,508
MacDougall, MW, Director, BC Market Access, Trade Policy & IT ⁴	\$174,624	\$60,617	\$19,972	\$36,733	\$291,947	F10 \$284,961 F09 N/A
Budhwar, A, Director, Risk Management ⁵	\$148,564	\$56,520	\$16,766	\$35,241	\$257,091	F10 \$244,995 F09 N/A

¹ Ms. Conway received total timebank payouts of \$69,800 in F2011.

² Mr. Bechard received total timebank payouts of \$72,920 in F2011.

³ Mr. Irving transferred from BCTC to Powerex effective July 5, 2010. Totals reflect earnings from BCTC and Powerex during the fiscal year. He received total timebank payouts of \$28,468 in F2011.

⁴ Mr. MacDougall received total timebank payouts of \$22,168 in F2011.

⁵ Mr. Budhwar received total timebank payouts of \$11,542 in F2011.

BC Hydro Board Attestation

I am aware of the executive compensation paid in the prior fiscal year and verify that compensation provided was within approved compensation plans.

Kim Baird

Kim Baird

Chair, BC Hydro Human Resources and Safety Committee

June 21/11

Date

Table Overview:

1. **Salary:** The dollar value of the base salary of the NEO earned during the year.
2. **Incentive Plan Compensation Paid:** The dollar value of all amounts paid for services performed during the covered fiscal year that is related to awards under an incentive plan.
3. **Pension:** Employers pension contributions made for each NEO inclusive of both registered and supplementary plan arrangements.
4. **All Other Compensation:** All other compensation not reported in any other column of this table. Examples include:
 - i. Perquisites, property or other personal benefits provided to the NEO that are not available to all employees. Included items for BC Hydro: executive expense allowance, car allowance, company paid parking, and executive medicals.
 - ii. The dollar value of any insurance premiums paid by, or on behalf of, the organization during the fiscal year for personal insurance for an NEO.
 - iii. The dollar value of any statutory employer contributions including, but not limited to, Canada Pension Plan, Employment Insurance and Workers Compensation.
 - iv. Any vacation or leave payouts.
 - v. Any specific retention arrangements.
 - vi. The dollar value of employer contributions to non-statutory benefits for each NEO such as:
 - Extended health and dental
 - Group life and accidental death and dismemberment
 - Long-term disability
 - Medical service plan
5. **Total:** The dollar value of total compensation for the fiscal year. For each NEO, this is the sum of the amounts reported.
6. **Previous 2 Years Totals:** The total value of all compensation for the previous 2 fiscal years. This would be the value reported in the previous 2 years (if NEO was reported in previous years).