

Public Sector Executive Compensation Reporting Form BC Hydro and Power Authority

June 2008

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, 2008.

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.

Organization: includes other types of business organizations such as partnerships, trusts and other unincorporated business entities which are covered by the *Public Sector Employers Act*.

External Management Company: includes a subsidiary, affiliate or associate of the external management company.

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.

Bonus plan: means any plan providing compensation that is not part of base salary, benefits and perquisites and does not depend upon achieving specified performance goals.

Plan: includes any plan, contract, or arrangement, where cash, or any other compensation may be received. A plan may be for one person or a category of employees. For the purposes of this statement of executive compensation, a plan includes statutory benefits such as the Canada Pension Plan, and includes benefits which are generally available to other employees in the organization.

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*.

Life insurance policy: Any premiums paid as a result of life insurance policies which have the intention of being used to provide a compensatory benefit in the future.

Leaves: Includes annual vacation days provided to an employee, sabbaticals, administrative leaves, and any other special leaves or 'days-off' over and above those which are statutorily required.

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 Resource Committee 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 Human Resource Committee prior to submission to the Public Sector Employers Council (PSEC) for final approval.

2.2 GOVERNANCE

On an annual basis, executive compensation is reviewed by both the Board and the Human Resources Committee. The terms of reference (as related to total compensation) for each are outlined below.

Board of Directors

- Approve the CEO's compensation package
- Review the compensation of Vice-Presidents, acting upon the advice of the CEO and upon the recommendation of the Human Resources Committee

Human Resources Committee of the Board

- Approve the total compensation philosophy and annually review the compensation structure
- Review and approve benefit and pension arrangements for subsidiary CEO's
- Review the performance of the CEO and recommend, to the Board, compensation for the CEO including salary, incentive awards, perquisites, benefits and other remuneration
- Review and approve the CEO's recommendations for vice-president performance based salary increases and incentive payments

The overall mandate of the Human Resource committee is to ensure a strong and effective leadership team that can effectively deliver on BC Hydro's overall service plan and related BC Energy Plan actions. Given the loss of three executives over the last year to significantly higher paid positions at other organizations, a key priority of the Human Resource Committee is to ensure attraction and retention of a stable executive team over the next 3 - 5 years.

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. Market data is collected annually through established third party survey sources, and positions are benchmarked in the following manner:

- Administrative roles: Local market, all industries
- Manager and Professional roles: Canada Wide, over \$1 billion in revenue, all industries
- Utility specific roles: Canadian Electric Utilities and Oil and Gas companies

2.5 PERFORMANCE MANAGEMENT AND PAY AT RISK

Each member of the executive leadership team participates 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 at BC Hydro 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 accomplishment of the plan. The program is managed through Personal Service Plans (PSPs) established with each member of the executive team and represents a combination of team measures and individual measures flowing either directly or indirectly from the service plan.

At the end of the fiscal year (April of each year), each executive team member summarizes his/her performance against his/her broad accountabilities and PSPs. 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 Human Resource Committee of the Board performance based salary increases and performance based incentive pay for the executive team.

2.6 ELEMENTS OF THE EXECUTIVE COMPENSATION PLAN

Each executive position 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, 25 or 30 per cent depending on the nature of the executive portfolio and can reach a maximum of two times the target percentage.
- **Annual Vacation Provisions:** Starting at three weeks, all executives earn one additional day of vacation for each two years of service up to a maximum of 30 days.
- **Flex Time Off:** 20 additional flexible days off are provided in each calendar year of service. These can be used for time off or converted into a cash value.
- **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.
- **Transportation Allowance:** A taxable monthly cash payment of \$1100 per month is provided.
- **Expense Allowance:** A taxable monthly cash payment of \$500 per month is provided.
- **Registered Pension Plan:** BC Hydro provides to employees a defined benefit pension plan. The formula for calculating the pension is 2% multiplied by an executives' 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% pensionable incentive pay as well as the option to purchase service, within the guidelines, to a maximum of 5 years.
- **Perquisites:** Typically, executives receive monthly paid parking, and paid medical evaluations either annually or biannually.

3.1 SUMMARY COMPENSATION TABLE

Name and Principal Position	Salary	Bonus	Incentive Plan Compensation Paid	Pension	All Other Compensation	Total	Previous 2 Years Totals
(a)	(\$) (b)	(\$) (c)	(\$) (d)	(\$) (e)	(\$) (f)	(\$) (g)	(h)
Elton, BG, CEO	\$294,025	\$0	\$169,920	\$72,036	\$34,916	\$570,897	N/A
Van Ruyven, B, Exec VP, CC&C	\$232,940	\$0	\$100,683	\$57,070	\$35,813	\$426,507	N/A
¹ CFO	\$232,940	\$0	\$0	\$57,070	\$47,659	\$336,949	N/A
O'Riley, CK, Sr VP, EARG	\$179,402	\$2,500	\$62,900	\$43,953	\$82,258	\$371,013	N/A
Conway, T CEO, Powerex	\$202,557	\$0	\$77,250	\$49,627	\$37,905	\$367,339	N/A

¹This position was filled by Mr. Alister Cowan up to April 5, 2008. As Mr. Cowan terminated prior to June 2008, when incentives for F08 were paid out, he did not receive an incentive for F08.

NOTE: All compensation amounts shown were administered in accordance with PSEC approved compensation plan and BC Hydro Board approval. Data represents the reporting period of April 1, 2007 to March 31, 2008.

Table Overview:

1. **Column (b):** The dollar value of the base salary of the NEO earned during the year.
2. **Column (c):** Any discretionary cash awards that were not based on pre-determined performance criteria that were communicated to an NEO, but rather for extraordinary results achieved during the year.
3. **Column (d):** The dollar value of all amounts paid for services performed during the covered fiscal year that is related to awards under an incentive plan.
4. **Column (e):** Employers pension contributions made for each NEO inclusive of both registered and supplementary plan arrangements.
5. **Column (f):** 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 benefits available to all employees
 - Long-term disability benefits available to all employees
 - Medical Service Plan premiums
 - Other life insurance policy (i.e. universal life insurance)
6. **Column (g):** The dollar value of total compensation for the fiscal year. For each NEO, this is the sum of the amounts reported in columns (b) through (f).
7. **Column (h):** The total value of all compensation for the previous 2 fiscal years. This would be the value reported in column (g) in the previous 2 years. As this is the first year of disclosure, no previous years are available.