

# Public Sector Executive Compensation Reporting Form BC Hydro and Power Authority

July 2012

## *Statement of Executive Compensation*

### **Table of Contents**

Item 1.....	General Provision
Item 2.....	Compensation Discussion and Analysis
Item 3.....	Summary Compensation Table

## Statement of Executive Compensation

### 1.1 PURPOSE

BC Hydro must disclose all compensation provided to the Chief Executive Officer and the next four highest 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, 2012 for BC Hydro, and its two subsidiaries; Powerex and Powertech.

### 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 executives 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 executive performance based salary increases and incentive payments.
- Review and approve subsidiary 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, and pay for performance.

## **2.4 TOTAL COMPENSATION PHILOSOPHY**

BC Hydro's total compensation programs:

- 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 other Canadian electric utilities and general industry companies of a similar size which includes public and private sector organizations.

## **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. Salaries have been frozen since 2009 for BC Hydro's Executive Team, except when job changes have occurred and promotional increases may have been applied.

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 Executive Team member 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 variable pay awards for the Executive Team.

Executive variable pay is based on objectives linked to BC Hydro's short term priorities. The F2012 short-term priorities and results achieved can be viewed in [BC Hydro's Service Plan](http://www.bchydro.com/about/accountability_reports/financial_reports/service_plan.html).  
([http://www.bchydro.com/about/accountability\\_reports/financial\\_reports/service\\_plan.html](http://www.bchydro.com/about/accountability_reports/financial_reports/service_plan.html))

## 2.6 ELEMENTS OF THE EXECUTIVE COMPENSATION PLAN

The current executive offer typically includes the following elements which align to and support the compensation philosophy described in sections 2.3 and 2.4. The design may differ for subsidiary executives.

- **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 variable 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 maximum for the BC Hydro CEO is 20 per cent and the variable pay target percentage for the Powerex Managing Director is 150 per cent.
- **Annual Vacation Provisions:** Executives receive five week of annual vacation. Different time off provisions may apply to some executives.
- **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 employee'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 registered 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.
- **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. The disclosed benefit value includes statutory benefits such as WorkSafe BC employer premiums.
- **Perquisites:** Executives may receive perquisites in the form of a vehicle allowance (up to \$1,100/month), paid parking and an expense allowance (up to \$600/month). The 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	Benefits	Pension	All Other Compensation <sup>1</sup>	Total	Previous Two Years Totals
Dave Cobb, President & CEO (Former) <sup>2</sup>	\$244,794	\$0	\$14,054	\$58,751	Timebank Payout: \$16,446 Perquisites: \$762	\$334,807	F11 \$467,641 F10 N/A
Charles Reid, President and CEO (Acting) <sup>3</sup>	\$290,148	\$88,000	\$18,441	\$69,636	Timebank Payout: \$13,000 Perquisites: \$14,097	\$493,322	F11 \$458,199 F10 \$459,033
Chris O'Riley, Exec VP, Generation	\$231,090	\$80,000	\$17,010	\$55,462	Timebank Payout: \$23,500 Perquisites: \$18,206	\$425,267	F11 \$439,862 F10 \$457,655
Greg Reimer, Exec VP, Transmission & Distribution <sup>4</sup>	\$234,117	\$77,000	\$17,084	\$56,188	Perquisites: \$17,000	\$401,389	F11 \$328,819 F10 N/A
Cheryl Yaremko, CFO (Acting) <sup>5</sup>	\$191,767	\$53,650	\$16,057	\$46,024	Perquisites: \$20,015	\$327,512	F11 \$315,061 F10 \$311,422
Debbie Nagle, Sr. VP and Chief HR Officer	\$200,100	\$71,500	\$16,259	\$48,024	Timebank Payout: \$25,830 Perquisites: \$19,412	\$381,125	F11 \$373,449 F10 \$358,663

<sup>1</sup> Perquisites include value of transportation allowance, paid parking, and expense allowance as described in section 2.6.

<sup>2</sup> Mr. Cobb resigned effective December 1, 2011.

<sup>3</sup> Mr. Reid became the acting President & CEO effective December 1, 2011. Previously he was the Exec VP, Finance and CFO.

<sup>4</sup> Mr. Reimer joined BC Hydro in F11 and therefore his full-year F12 earnings are higher than his partial-year F11 earnings

<sup>5</sup> Ms. Yaremko became the acting CFO effective December 1, 2011. Previously she was the Chief Accounting Officer.

**SUBSIDIARIES**

**Powerex**

<b>Name and Principal Position</b>	<b>Salary</b>	<b>Incentive Plan Compensation Paid</b>	<b>Benefits</b>	<b>Pension</b>	<b>All Other Compensation</b>	<b>Total</b>	<b>Previous 2 Years Totals</b>
Teresa Conway, President & CEO, Powerex	\$250,121	\$90,000	\$17,471	\$60,029	Timebank Payout: \$25,000 Perquisites: \$21,607	\$464,228	F11 \$522,425 F10 \$434,991
Thomas Bechard, Managing Director	\$360,180	\$540,000	\$16,725	\$21,114	Timebank Payout: \$36,000 Perquisites: \$2,485	\$976,504	F11 \$1,011,718 F10 \$636,315
John Irving, Chief Legal Officer	\$218,653	\$61,192	\$16,709	\$52,477	Timebank Payout: \$21,854 Perquisites: \$22,006	\$392,891	F11 \$399,225 F10 \$385,633
Mike MacDougall, Director, BC Market Access, Trade Policy & IT	\$175,300	\$70,085	\$13,046	\$18,767	Timebank Payout: \$19,416 Perquisites: \$3,949	\$300,562	F11 \$291,947 F10 \$284,961
Amit Budhwar, Director, Risk Management	\$163,450	\$65,347	\$12,811	\$17,400	Timebank Payout: \$9,782	\$268,789	F11 \$257,091 F10 \$244,995

### Powertech

Name and Principal Position	Salary	Incentive Plan Compensation Paid	Benefits	Pension	All Other Compensation	Total	Previous 2 Years Totals
Don Stuckert, President & CEO, Powertech and VP, Technology & Security <sup>1</sup>	\$210,105	\$56,700	\$16,502	\$50,425	Timebank Payout: \$6,720 Perquisites: \$17,754	\$358,205	F11 \$361,880 F10 \$366,869
Eamonn Percy, President and COO (Former) <sup>2</sup>	\$69,488	\$0	\$7,738	\$16,677	Perquisites: \$4,439	\$98,342	F11 \$430,512 F10 \$409,124
Kathy Nguyen, CFO (Former) <sup>3</sup>	\$172,616	\$36,831	\$12,993	\$18,457	Timebank Payout: \$18,757 Perquisites: \$119	\$259,773	F11 \$269,344 F10 N/A
Andrew Klimek, Director Smart Utility (Former) <sup>4</sup>	\$167,708	\$32,366	\$12,895	\$17,891	Timebank Payout: \$20,505 Severance: \$25,000	\$276,365	F11 \$207,347 F10 N/A
Jan Zawadzki, Director, Power Labs	\$138,944	\$26,556	\$12,323	\$14,573	Timebank Payout: \$14,358	\$206,754	F11 \$197,541 F10 \$217,957
Craig Webster, Director, Clean Transportation	\$139,100	\$25,136	\$12,326	\$14,591	Timebank Payout: \$9,557	\$200,710	F11 \$197,918 F10 \$208,683

<sup>1</sup> Mr. Stuckert became the Powertech President and CEO effective February 27, 2012. He is also BC Hydro's Vice-President, Technology and Security. His compensation did not change when he took over as Powertech CEO and his total includes all earnings for F12.

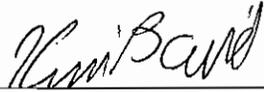
<sup>2</sup> Mr. Percy was terminated effective June 24, 2010. His reported salary is for salary continuance payments earned in F12. He remained eligible for benefits while on salary continuance.

<sup>3</sup> Ms. Nguyen was the Acting Powertech CEO from May 16, 2011 to February 24, 2012. Effective February 27, 2012 she moved to BC Hydro as the Policy, Strategy and Performance Reporting Lead. Her totals include all earnings for F12.

<sup>4</sup> Mr. Klimek joined BC Hydro in F11 and therefore his full-year F12 earnings are higher than his partial-year F11 earnings. Mr. Klimek was terminated effective December 7, 2011. His reported salary includes salary continuance payments he has been receiving since termination. He remains eligible for benefits while on salary continuance. He received a one-time lump sum severance payment of \$25,000 as part of his severance package.

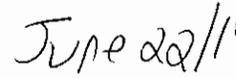
**BC Hydro Board Attestation**

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

Chair, BC Hydro Human Resources and Safety Committee



Date