



Suite 200, 445 -13th Avenue
Castlegar, B.C. V1N 1G1
Phone (250) 304-6060
Fax (250) 304-6083

June 2, 2014

Lee Doney
CEO & President of PSEC Secretariat
2nd Floor, 880 Douglas Street
Victoria, BC V8W 2B7

**Re: Columbia Power Corporation Statement of Executive Compensation Fiscal Year
2013/2014**

Dear Lee:

I am writing to advise you that as per its disclosure obligations, Columbia Power Corporation has submitted its Statement of Executive Compensation for the Fiscal Year 2013/2014.

As Board Vice Chair of the Columbia Power Corporation I am aware of the compensation paid to the executives and can verify that the compensation provided was within approved compensation plans.

Sincerely,

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

Tim Stanley
Board Vice Chair
Columbia Power Corporation



COLUMBIA POWER CORPORATION
STATEMENT OF EXECUTIVE COMPENSATION
FISCAL YEAR 2013/14

BACKGROUND

The mandate of Columbia Power Corporation 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, Columbia Power's goal is to support the employment, economic development and resource management objectives of the Province, within the constraints of a commercial enterprise. Columbia Power is committed to building a competent and skilled workforce that can effectively deliver on its current and future strategies within a competitive labour market. Columbia Power's compensation program is a key factor in the organization's ability to attract, retain and motivate quality employees.

COMPENSATION PHILOSOPHY

Columbia Power 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

Columbia Power benchmarks its compensation levels using market survey results and competitive market data for the hydroelectric industry and targets its compensation at the 50th percentile.

Columbia Power Vice Presidents and current CEO are eligible for a re-earnable annual holdback payment. The maximum holdback level for executive employees is 8% of base salary.

COMPENSATION STRUCTURE

Columbia Power manages its executive compensation in accordance with the statutory requirements and standards set out under the *Public Sector Employer's Act*.

The Columbia Power 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 Columbia Power competes for key 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 Columbia Power 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, perquisites, 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 perquisites, 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 Columbia Power.
- 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

Objectives of the Plan

The objectives of Columbia Power's compensation program are to position Columbia Power competitively in the labour market, allowing the Corporation to attract and retain qualified talent while rewarding performance. 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, travel insurance, employment insurance, and employee and family assistance), pension plan, and a re-earnable holdback payment. Executive compensation is linked to the corporation's strategic goals and objectives.

Elements of the Compensation Program

1) 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.

2) Holdback Payment

As of April 2013, the Vice Presidents, and current President and CEO of Columbia Power are eligible for a holdback payment of up to 8% of the individual's annual base salary. The exiting CEO was not eligible for a holdback. Holdback payments are non-pensionable and are 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 holdback payment is approved by the Board. The holdback payments made to the 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 2013/14 executive performance objectives and measures are: achievement of service plan objectives; financial performance measured against budgeted net income and audited financial statements including variance financial reports.

The annual holdback payments for the named executive officers are recommended to the Human Resources and Governance Committee by the CEO and approved by the Board. A formula is used to determine the percentage of the holdback payment that the 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.

3) **Pension Plan**

The named executive officers, with the exception of the exiting CEO, are covered under the Public Service Pension Plan. This is the same pension plan that applies to government employees.

4) **Benefits, Paid Time Off and Other Compensation**

The named executive officers receive the same standard set of benefits as other Columbia Power employees. The exiting CEO was not eligible for the Columbia Power benefit package.

Annual vacation entitlements for named executive officers range from 20 days per year to a maximum of 35 days per year after 25 years of service. As per Columbia Power HR guidelines, up to five (5) unused annual vacation days can be carried forward to the following calendar year, with any unused remaining vacation paid out at the end of the calendar year.

The named executives 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. Employees hired prior to January 1, 2011 are encouraged to take their flex time as days off with pay during the calendar year or the outstanding balance is paid out at the end of the calendar year. For employees hired after December 31, 2010, flexible days must be earned and used within the calendar year in which they have been granted, and will not be paid out in cash.

The Vice President's receive a monthly car allowance or a Columbia Power paid vehicle for their use which is a fully taxable benefit. As of January 2014 the current CEO is not eligible for a car allowance.

2013/14 FISCAL YEAR COMPENSATION

Base Pay - Consistent with the government mandated net zero increase Columbia Power did not adjust its salary ranges in 2013/14.

Holdback Payment – Columbia Power's holdback payment targets and weightings are consistent with PSEC guidelines and have an equal weighting for individual and organizational performance. The organizational performance of 100% was achieved for the fiscal year and this combined with the individual performance measures will equal the holdback payments for eligible named executives.

There were no other monetary payments to executives or changes to compensation plans.

STATEMENT OF EXECUTIVE COMPENSATION

The Statement of Executive Compensation spreadsheet attached contains the compensation breakdown for the CEO's and the four (4) highest ranking/paid named executive officers of Columbia Power for the year April 1, 2013 to March 31, 2014. 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.

| Name and Position (a) | Salary (b) | Bonus and / or Incentive Plan Compensation *(c) | Benefits (d) | Pension (e) | All Other Compensation (expanded below) | 2013/14 Total |
|-------------------------------------------|---------------|----------------------------------------------------------|-----------------|----------------|--------------------------------------------------|---------------|
| Jane Bird, President & CEO | \$ 83,332 | \$ - | \$ - | \$ - | \$ 4,487 | \$ 87,819 |
| Frank Wszelaki, President & CEO | \$ 186,767 | \$ 15,976 | \$ 7,724 | \$ 19,575 | \$ 17,090 | \$ 247,132 |
| Giulio Ambrosone, VP, Capital Projects | \$ 182,333 | \$ 16,871 | \$ 8,465 | \$ 19,162 | \$ 14,883 | \$ 241,714 |
| Karim Hirji, VP, Project Development | \$ 169,427 | \$ 12,938 | \$ 10,758 | \$ 17,752 | \$ 23,521 | \$ 234,396 |
| David de Git, Dir., Finance | \$ 144,936 | \$ 11,930 | \$ 10,467 | \$ 15,042 | \$ 11,507 | \$ 193,882 |
| Gene Anderson, Dir., Operations | \$ 140,911 | \$ 11,599 | \$ 4,189 | \$ 14,603 | \$ 6,798 | \$ 178,100 |
| | \$ - | \$ - | \$ - | \$ - | \$ - | \$ - |
| | | | | | | |

Summary Other Compensation Table at FISCAL, 2014

| Name and Position (a) | All Other Compensation | Severance (f) | Vacation payout (g) | Leave payout (h) | Vehicle / Transportation Allowance (i) | Perquisites / other Allowances (j) |
|-------------------------------------------|---------------------------|------------------|---------------------------|------------------------|-------------------------------------------------|---------------------------------------|
| Jane Bird, President & CEO | \$ 4,487 | \$ - | \$ - | \$ - | \$ - | \$ - |
| Frank Wszelaki, President & CEO | \$ 17,090 | \$ - | \$ 3,611 | \$ - | \$ 5,152 | \$ 8,327 |
| Giulio Ambrosone, VP, Capital Projects | \$ 14,883 | \$ - | \$ - | \$ 12,667 | \$ 2,216 | \$ - |
| Karim Hirji, VP, Project Development | \$ 23,521 | \$ - | \$ 13,077 | \$ 3,269 | \$ 7,175 | \$ - |
| David de Git, Dir., Finance | \$ 11,507 | \$ - | \$ 1,438 | \$ 10,069 | \$ - | \$ - |
| Gene Anderson, Dir., Operations | \$ 6,798 | \$ - | \$ - | \$ 6,798 | \$ - | \$ - |
| | \$ - | \$ - | \$ - | \$ - | \$ - | \$ - |

Notes:

- Jane Bird, President & CEO - Not on pension or benefits. Resigned July 31, 2013. GST (component of contract) = \$4,487
- COO Apr 1 - July 31, 2013 = \$61,278, Acting President & CEO Aug 1 – Dec 17, 2013 = \$71,965, officially President & CEO Dec 18 – Mar 31, 2014 = \$53,524
- Frank Wszelaki, President & CEO - Last relocation payment = \$8,027
- Parking = \$300
- Giulio Ambrosone, VP, Capital Projects - Flex payout \$12,667, Auto TB \$2,216

| | |
|--------------------------------------|------------------------|
| Karim Hirji, VP, Project Development | - Flex payout \$3,269 |
| David de Git, Dir., Finance | - Flex payout \$10,069 |
| Gene Anderson, Dir., Operations | - Flex payout \$6,798 |

* 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 the prior fiscal year, 2012/2013, but paid in 2013/2014.

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