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May 23, 2019

Christina Zacharuk  
President & CEO  
Public Sector Employers' Council Secretariat  
Suite 200, 880 Douglas Street  
Victoria, BC  
V8W 2B7

**Re: Columbia Power Corporation Statement of Executive Compensation Fiscal Year 2018/2019**

Dear Ms. Zacharuk:

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 2018/19.

Due to the unique arrangement wherein the President and CEO of Columbia Basin Trust is also the Acting President and CEO of Columbia Power, and compensation for this role is shared by both organizations, all compensation for this position is disclosed in the attached report for transparency purposes.

As Board Chair of 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 "John T. Stanley". The signature is written in a cursive, flowing style.

John T. Stanley  
Board Chair  
Columbia Power Corporation



## STATEMENT OF EXECUTIVE COMPENSATION

FISCAL YEAR 2018/19

### **BACKGROUND**

The mandate of Columbia Power Corporation is to enhance the Corporation's asset management process to ensure long-term profitability and reliability of the facilities through effective and efficient plant operations and maintenance. Columbia Power's compensation program is a key factor in the organization's ability to attract, retain and motivate quality employees.

Part of Columbia's Power mandate is to work with the Ministry of Children and Family Development, Ministry of Energy and Mines, the Ministry of Finance and the Columbia Basin Trust to explore structural options to further enhance value to both the Province and Basin residents while mitigating risk.

As of April 10, 2017, Johnny Strilaeff, CEO of Columbia Basin Trust, was named as the Acting President & CEO of Columbia Power Corporation. While the two organizations share the costs for this compensation equally, his total compensation is disclosed on the Executive Compensation statements for both organizations for transparency purposes.

### **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 through transparency 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 Executives are eligible for a re-earnable annual holdback payment. The maximum holdback level for executive employees is 8% of base salary.

### **CORE PRINCIPLES**

The following core principles guide the design, implementation and administration of Columbia Power's compensation philosophy:

- a. Performance: Compensation programs support and promote a performance based (merit) organizational culture. All salary increases are merit based.
- b. Differentiation: Differentiation of salary is supported where there are differences in the scope of the position and/or due to superior individual performance.
- c. Accountability: Compensation decisions are objective and based upon a clear and well documented business rationale.
- d. Transparency: Compensation programs are designed, managed and communicated in a manner that ensures the program is clearly understood by employees and the public while protecting individual personal information.

## 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.

Updates or revisions to the Columbia Power compensation structure will be conducted using industry specific primary comparators, such as BC Hydro and the utilities industry, as well as the Public Service Agency where applicable for similar roles. Our last update was conducted in November 2015.

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 Acting President & CEO's compensation, perquisites, including holdbacks, and benefits.
- Review and recommend the Corporation's compensation philosophy, strategy, and guidelines. Approve compensation amendments for periodic review by PSEC.
- In consultation with the Acting President & CEO, review and recommend the appointment of and compensation, including perquisites, professional development, holdback, and benefits for the senior management team.
- Review with the Acting President & 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 Acting President & CEO's performance and report to the Board.
- Review with the Acting President & CEO any significant outside commitments the Acting President & 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 Acting President & 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 President & CEO of Columbia Power are eligible for a holdback payment of up to 8% of the individual's annual base salary. 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 2018/19 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 HRGC by the Acting President & 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 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.

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 Presidents receive a monthly car allowance or a Columbia Power paid vehicle for their use which is a fully taxable benefit.

#### **2018/2019 FISCAL YEAR COMPENSATION**

Base Pay – As per approval from PSEC, Columbia Power did adjust its salary ranges in 2017/18 for by 1.9% effective January 1, 2018.

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. 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 fiscal year.

**Columbia Power Corporation**

**Summary Compensation Table at 2019**

Name and Position	Salary	Holdback/Bonus/ Incentive Plan Compensation	Benefits	Pension	All Other Compensation (expanded below)	2018/2019 Total Compensation	Previous Two Years Totals Total Compensation	
							2017/2018	2016/2017
Johnny Strilaeff, Acting President & CEO	\$ 208,573	-	\$ 45,390	-	\$ 6,470	\$ 260,433	\$ 259,780	
Giulio Ambrosone, VP, Capital Projects	\$ 89,413	\$ 14,929	\$ 877	-	\$ 1,021	\$ 106,240	\$ 224,550	\$ 231,708
David de Git, Director, Finance	\$ 52,315	-	\$ 4,489	\$ 5,153	\$ 32,467	\$ 94,424	\$ 186,303	\$ 186,920

**Summary Other Compensation Table at 2019**

<b>Name And Position</b>	<b>All Other Compensation</b>	<b>Severance</b>	<b>Vacation payout</b>	<b>Leave payout</b>	<b>Vehicle / Transportation Allowance</b>	<b>Perquisites / other Allowances</b>	<b>Other</b>
Johnny Strilaeff, Acting President & CEO	\$ 6,470	-	\$ 6,470	-	-	-	-
Giulio Ambrosone, VP, Capital Projects	\$ 1,021	-	\$ 308	-	-	-	\$ 713
David de Git, Director, Finance	\$ 32,467	-	\$ 326	-	-	-	\$ 32,141

**Notes**

Johnny Strilaeff, Acting President & CEO	<b>General Note:</b> Statutory & Health Benefits \$45,390 includes Benefit Allowance plus stat benefit premiums (CPP, EI, WCB). Johnny Strilaeff is the CEO of the Trust with a salary of \$194,997. On April 10, 2017 Johnny was appointed the Acting President & CEO of Columbia Power Corporation and receives an additional 10% of his Trust salary as compensation for this role. For transparency purposes, his total compensation is disclosed by both organizations.
Giulio Ambrosone, VP, Capital Projects	<b>General Note:</b> Employee Retired September 2018 <b>Other Note:</b> Auto Taxable Benefit
David de Git, Director, Finance	<b>General Note:</b> Employee Retired August 2018 Retiring Allowance \$32,141 <b>Other Note:</b> Employees with 20 years' service receive one-month's salary plus one-fifth more per year for each year of service in excess of 20 years to max of 3 months salary. Eligible amount is \$12,000 for years worked prior to 1996 and transferable to RRSP. Non-eligible amount is \$20,141 for years after 1996, is transferable with proof of RRSP contribution room.