

## Inter-office memo

To: Dave Cobb, President & CEO 13 May 2011

From: Rick Milone, Manager Total Rewards

CC: Debbie Nagle, Chief Human Resources Officer

Subject: Corporate Results and Related Impact on Variable Pay and Gainsharing

For F2011 corporate objectives related to finance, customer satisfaction and safety were established. The results of these objective impact M&P variable pay and Union gainsharing awards. The purpose of this memo is to identify the results of the objectives, the impact they will have on variable pay and gainsharing, and receive your sign-off as agreement.

### F2011 Objectives and Outcomes

The following table identifies the F2011 corporate objectives and results that impact variable pay and gainsharing.

Objective	Threshold	Goal	Maximum	Result
<b>Financial</b> <u>Operating Costs</u> \$710M  <u>Net Income</u> \$571M	Net income target of \$571M within 1.5% (\$562 to \$571M) Operating cost target of \$710M within 1.5% (\$699 to \$721M)	Achieve both targets	Goal plus improve on operating cost target by 1.5% (at or below \$699M)	Goal <u>Operating Costs*</u> \$706M  <u>Net Income*</u> \$589M  *as calculated for incentive pay purposes
<b>Customer Satisfaction</b> Percentage of customers satisfied or very satisfied with BC Hydro. Percentage must be reached for all of our 3 customer segments (Key Accounts, Small & Medium Business, Residential)	80%	83%	88%	Goal +  Overall = 88% Key Accounts = 88% (Met) Small & Medium Business = 88% (Goal) Residential = 87% (Goal)
<b>Safety</b> <u>Work Place Hazard Reduction</u> 8% more barriers put in place vs the total number of barriers in place at end of F10 <u>Evidence of Job Planning</u> Tool(s) implementation across Gen & T&D (e.g. Job Planning Folder, Job Activity sheet). <u>All Injury Frequency</u> (# of injuries per 200,000 hours worked): 1.8	One target met	Two targets met	Three targets met	Goal  <u>Work Place Hazard Reduction (Met)</u> 1,203 barriers (>8%)  <u>Job Planning (Not met)</u>  <u>All Injury Frequency (Met)</u> 1.7



### **F2011 M&P Variable Pay Corporate Multiplier**

As a result of the corporate objective results, the corporate multiplier that will be used in calculating M&P variable pay awards will be 1.04 as per the calculation below. The 1.04 corporate multiplier will serve to increase M&P variable pay awards by 4%.

Objective	Result	Rating	Weighting	Corp Multiplier
Financial	Goal	1.0	50%	0.50
Customer Satisfaction	Goal +	1.16	25%	0.29
Safety	Goal	1.0	25%	0.25
TOTAL				1.04

### **F2011 Gainsharing Percentages**

As a result of the corporate objective results, Union employees will receive 2.08% of their F2011 eligible earnings as a gainshare award as per the calculation below.

Objective	Result	Gainshare Value
Financial	Goal	1.00%
Customer Satisfaction	Goal +	0.58%
Safety	Goal	0.50%
TOTAL		2.08%

Union employees will also be eligible for an additional 0-2% dependent on their department level gainshare objective. Therefore, the maximum gainshare amount will be 4.08% if the employee achieves the maximum 2% department level gainshare result.


### **F2011 Approval**

Variable pay and gainshare awards are scheduled for payment on June 10, 2011. The 1.04 corporate multiplier identified above will be used in all salary grade 40-46 M&P employees F2011 variable pay calculations. The corporate multiplier is not used in calculating variable pay for M4's or Executives. The 2.08% gainshare award related to corporate outcomes will be provided to all eligible Union employees. All payments will be made based on the eligibility criteria outlined for each program.

Please review the corporate results and impacts outlined above and, if it is consistent with your understanding, endorse the use of the corporate multiplier and gainshare percentage by signing the approval line at the bottom of this document.

Rick Milone  
Manager, Total Rewards

The corporate results as identified in this document are consistent with my understanding, and I approve the M&P variable pay corporate multiplier and gainshare percentage that will occur as a result.

  
Dave Cobb  
President & CEO

Date May 24, 2011