

1 reason that more of his salary should be allocated to non-regulated operations. Yet, the
2 Company's proforma adjustment for Mr. Matthews still allocates his salary 60% to
3 regulated operations and 40% to non-regulated operations.

4 Furthermore, Avista's organizational chart, as shown in Exhibit ____ (JH-3),
5 (response to Record Request 004) indicates that Mr. Turner is also the President of Avista
6 Services, Inc., a non-regulated operation. Yet the Company still allocates 100% of his
7 salary to regulated operations.

8 Finally, from 1995 to 1999, Avista rapidly expanded its non-regulated operations
9 while regulated operations remained steady. This is evidenced by the following facts:
10 Revenue from non-regulated operations grew from \$94 million in 1995, to \$6.8 billion in
11 1999. In 1995, \$94 million comprised 12% of the total corporate revenue. In 1999, by
12 contrast, \$6.8 billion comprised 86% of the total corporate revenue. The Company had
13 only one subsidiary, Pentzer, in 1995. Avista's current organizational chart shows that
14 Avista now has 13 subsidiaries.

15 As Avista expanded its non-regulated operations, the Company did not
16 sufficiently allocate more executive salaries from regulated to non-regulated operations.
17 Staff's adjustment allocates more executive salaries to the non-regulated operations. This
18 adjustment allocates \$280,000 to non-regulated operations.

19 **Q: Please describe the methodology you used to derive the \$280,000 additional**
20 **allocation to non-regulated operations.**

21 **A:** I used the three year average of revenues, number of employees, and non-officers wages

