

**AVISTA CORP.
RESPONSE TO REQUEST FOR INFORMATION**

JURISDICTION:	WASHINGTON	DATE PREPARED:	04/13/2015
CASE NO.:	UE-150204 & UG-150205	WITNESS:	Jennifer Smith
REQUESTER:	Public Counsel	RESPONDER:	Annette Brandon
TYPE:	Data Request	DEPT:	Federal & State Regulation
REQUEST NO.:	PC – 010	TELEPHONE:	(509) 495-4324
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REQUEST:

- a) Please describe in detail any changes that have been made to the design or purpose of the executive LTIP since Avista's last general rate case.
- b) Please provide the total dollar amount of LTIP included in the test period in this case.

RESPONSE:

- a. The Executive Officer Long Term Incentive Plan (LTIP) is comprised of two components which serve two different purposes¹. Performance Shares account for 75% of the plan with metrics related to Cumulative Earnings-Per-Share (CEPS) and Total Shareholder Return (TSR). The purpose for this portion of the plan is to provide a direct link to the long-term interests of shareholders by assuring that performance shares will be paid only if the Company attains specified financial performance levels. This portion of the plan was modified in 2014 to include both Cumulative Earnings-Per-Share (CEPS) and Total Shareholder Return (TSR). In previous years, vesting of performance-based equity awards were 100% contingent on the Company's Total Shareholder Return (TSR) relative to our peer group over a three-year period. Under the new design, two-thirds of the awards are contingent on TSR relative to our peers and one-third is measured by our CEPS over a three-year period. This is the only change in the Company's LTIP plan since the last general rate case. The Company has excluded the Performance Share portion of the LTIP from the retail ratemaking because it is tied to shareholder performance.

Restricted Stock Unit (RSU) awards account for 25% of the LTIP and vest based on continued service. The purpose for this portion of the plan is to provide an incentive for employees to remain employed by the Company. The long-term nature of large-scale generation, transmission and distribution projects spanning multiple years are completed more efficiently with experienced, consistent leadership. In addition, it is the Company's policy to promote from within when possible, preserving the values inherent in our culture that drive customer satisfaction, reliability of service, etc. Employees with a long tenure of employment with the Company are well versed in the Company's culture and will continue to cultivate the values embedded within Avista. The Restricted Stock Unit portion of the plan is included in retail ratemaking because customers benefit from long term leadership with a vested interest in the efficient operation of the Company and high customer satisfaction².

¹ As with all components of the executive officer compensation, the Compensation Committee determines all material aspects of the long-term incentive reward – who receives the award, the amount of the award, the timing of the award, as well as any other aspects of the award that may be deemed material.

² Total CEO Long Term Incentive Plan has been excluded because both the restricted stock and performance shares have financial performance-related triggers.

- b. The amount of restricted stock expense included in this case, based on 2014 actual, is approximately \$675,000 on a system basis or \$325,000 Washington Electric.