

**BEFORE THE WASHINGTON STATE  
UTILITIES AND TRANSPORTATION COMMISSION**

In the Matter of the Petition of )  
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 )  
 AVISTA CORPORATION, d/b/a AVISTA )  
 UTILITIES, )  
 )  
 For Continuation of the Company’s Energy )  
 Recovery Mechanism, with Certain )  
 Modifications. )  
 \_\_\_\_\_ )

**Docket No. UE-060181**

**EXHIBIT NO.\_\_(MPG-10)**

**SPOKESMAN REVIEW ARTICLE: AVISTA CEO EARNS  
\$2.57 MILLION IN SALARY, OTHER COMPENSATION**

**April 21, 2006**

## Avista CEO earns \$2.57 million in salary, other compensation

[John Stucke](#)

Staff writer

February 16, 2006

Avista Corp. paid its Chairman and CEO Gary Ely \$2.57 million in salary, bonuses and stock grants last year.

The compensation – up from the \$875,000 paid in 2004 – reflects an incentive pay program that tracks the company's improving financial condition.

Avista spokeswoman Catherine Markson said the company's board of directors sought a long-term "link between compensation and performance."

The company reported that 26 percent of its executive pay is included in retail rates. The rest comes from Avista's \$771.1 million in stockholder's equity, which is the sum of its stock value and retained earnings.

Ely, 58, assumed the leadership post at Avista in the wake of the 2000-2001 electricity crisis that put the company in a cash crunch and sent its stock price tumbling below \$10 a share in 2002. Today, the company is steadily gaining. Profits are up, and Avista shares closed at \$19.20 Wednesday. To reward success, retain top-level executives and appeal to future leaders, the company's board initiated a long-term incentive pay program in 2003.

The plan provides that if, after three years, executives meet goals including financial success, customer satisfaction, service reliability and controlled operating costs, they would qualify for generous stock grants.

Last year was the first time executives were eligible to collect these special rewards, which the company calls performance shares.

These incentive payments could be a fixture of executive pay through at least 2008 if Avista continues its recovery, spokeswoman Jessie Wuerst said.

Performance shares are different from the familiar stock options that were a staple of executive compensation nationwide during the 1990s. Unlike stock options, performance shares are simply given to the recipients. Avista's top five executives were given a total of 139,440 shares, valued at \$2.48 million as of early January.

The company is still trying to improve its credit rating to investment grade, making strides during the past couple of years by raising rates to recoup lost revenue.

Critics have assailed the higher costs and higher salaries in the past. Avista, however, still has room to collect more money and reach its allowable return approved by regulators of the company's utility division. Executives have said they must perform a careful balancing act between pleasing shareholders and serving customers with affordable rates.

Avista's executive salaries, excluding incentive programs, are set in part to be competitive with other publicly traded

Executive	Salary	Bonus	Stock*	Total
Gary Ely, chairman, president, CEO	\$687,500	\$510,159	\$1,375,584	\$2,573,243
Malyn Malquist, senior VP, chief financial officer	\$314,010	\$155,340	\$331,080	\$800,430
Scott Morris, senior VP	\$302,500	\$149,646	\$331,080	\$783,226
David Meyer, VP, chief counsel for regulatory and gov. affairs	\$240,000	\$98,940	\$331,080	\$440,682
Karen Feltes, senior VP of human resources, corporate secretary	\$219,090	\$108,384	\$113,208	\$440,682

\* The value of "performance shares" awarded last year is based on a price of \$17.80 per share.

Source: Avista Corp.

companies that operate regulated utilities, according to Markson, a spokeswoman.

Though future incentive payments may not keep pace with last year's payout, salary increases have been set for this year. Avista will award raises to four of its five top executives ranging from 3.3 percent to 7.4 percent. Besides Ely, those executives are:

- Malyn Malquist, chief financial officer.
- Scott Morris, senior vice president.
- David Meyer, vice president and chief counsel for regulatory and governmental affairs.
- Karen Feltes, senior vice president of human resources and corporate secretary.