AVISTA CORP.
RESPONSE TO REQUEST FOR INFORMATION

JURISDICTION:	WASHINGTON	DATE PREPARED:	04/28/2014
CASE NO:	UE-140188 & UG-140189	WITNESS:	Elizabeth Andrews
REQUESTER:	Public Counsel	RESPONDER:	Falkner/Prince/Munson
TYPE:	Data Request	DEPT:	Finance and Human Resources
REQUEST NO.:	PC – 191	TELEPHONE:	(509) 495-4326
		EMAIL:	don.falkner@avistacorp.com

REQUEST:

The following questions/requests all relate to the Company's 401(k) ESOP plan and the related permanent book/tax difference that is resulting from, or associated with, this employee benefit plan:

a. Provide a description of the employee benefit plan, stating how it is implemented, and as applicable, which employee groups are eligible for participation.
b. Provide any brochures discussing/describing the employee benefit that may be distributed to employees.
c. Provide the amount of expense associated with this employee benefit plan included with Washington jurisdictional electric and Washington jurisdictional gas restated results of operations. Alternatively, please state/show where such employee benefit expense has been excluded from adjusted test year results of operations, or demonstrate that the total amount of expense for this employee benefit was recorded below-the-line during the test year.
d. Provide a full and complete description of how and when a permanent book/tax difference results from this employee benefit plan.
e. Provide the Internal Revenue Code authorizing this tax deduction.
f. Provide the actual total company permanent book/tax difference amount claimed for years 2010, 2011, 2013 (estimated if actual not yet finalized), and budgeted or forecasted for 2014 and 2015.
g. To the extent not fully addressed in response to other subparts of this request, please state/describe all reason why this permanent difference is designated as a "non-operating" difference.
h. To the extent not fully addressed in response to other subparts of this request, please state/describe all reason why this permanent difference should not be allocated/assigned at least in part to utility operations.
i. To the Company's knowledge, has any party proposed that this permanent book/tax difference be utilized in the development of the tax calculation that underlies the Washington retail jurisdictional electric or gas operations cost of service? If yes, please provide the docket number(s) wherein the issue was addressed.

RESPONSE:

a. The Investment & Employee Stock Ownership Plan of Avista Corporation offers employees a convenient way to save for retirement. It provides a systematic salary savings program and is a source of retirement income. All employees, excluding students and leased employees, participate in this Plan on the enrollment date that coincides with or immediately follows the date on which the employee commences employment. One of the investment options within the Plan is the Avista Corporation Stock Fund which was deemed an Employee Stock Ownership Plan (ESOP) in August 2005. Employees self elect whether to invest in the ESOP. If they elect to invest in the ESOP the dividends are automatically reinvested unless they elect to receive them in cash via dividend pass through.

b. Please see PC_DR_141 Attachment A.
c. The company's 401-k contributions are employee benefits. The ESOP dividend deduction is not an employee benefit; ownership of company stock in the 401-k trust is an employee option under the plan. The company's 401-k contributions are accounted for through employee benefit pool accounting which is ultimately assigned/allocated to O&M, capital, services, and jurisdictions, while the 401-k ESOP dividend is a component of the company's overall common equity accounting, and is a separate, non-income statement, non-utility, cash and common equity transaction that has no corresponding income deduction for Generally Accepted Accounting Purposes, thus making it what is known as a "permanent difference" for tax accounting. The 401-k ESOP deduction is a line item listed as a permanent, non-utility component of the company's current federal tax accrual, and as such, is excluded from the regulatory results of operations.
d. Please refer to (c) above.
e. IRC Section 404(k)
f. 2010-$1.4 million
   2011-$1.5 million
   2012-$1.5 million
   2013-$1.5 million
   2014-$1.5 million (est)
   2015-$1.5 million (est)
g. The federal tax deduction is associated with a common stock dividend distribution to an employee shareholder for shares held in a non-utility trust, and is not included in utility rate base. Common stock dividends are not specific components of utility income or the associated revenue requirement.
h. Company contributions to the employee 401-k plan are properly accounted for as employee benefit costs and included in financial and regulatory accounting as recoverable costs of utility service. Costs of common equity, however, are recovered through the cost of common equity component of the authorized rates of return approved by the utility commissions where the company serves. As noted in the response to (g) above, company common stock dividends issued to shares are held in a separate trust, wherein employees maintain ownership, among other options, of company stock for their individual use, and is not a component of utility cost of service; it is a component of the authorized rate of return.
i. The company is not aware of any proposal.

Avista Corp. Company Stock Fund
Dividend Option

Dividends are cash payments to shareholders, distributed from current earnings or accumulated profits. Currently, your dividends from the Avista Corp. Company Stock Fund are automatically reinvested. By reinvesting your dividends, you avoid current taxes on your dividends and increase your units in the Avista Corp. Company Stock Fund, helping your account to grow.

401(k) participants have the option of receiving the dividends from their investment in the Avista Stock Fund in cash. If you choose this option—which is called **"dividend pass through"**—a check will be sent to you on the date the quarterly dividend is paid, or shortly thereafter. Please note that any dividends you take in cash will be taxed at your ordinary tax rate for the year in which you receive them; they are not eligible for the lower dividend tax rate. If you wish to receive your dividend in cash, you can do so by contacting Vanguard and choosing this option.

Here are the three ways to choose the **dividend pass-through** option:

1. Go to www.vanguard.com and log on at the Retirement Plans area, then click the Plan Summary tab. On the right side of the page that's displayed, under the "Manage my money" heading, click Dividend election and make your distribution choice by clicking the appropriate button.
2. Call the automated VOICE® Network at **1-800-523-1188**. You will need your personal identification number (PIN) to use VOICE. If you do not have a PIN number, contact a Vanguard® Participant Services associate at the toll-free number above.
3. Call **1-800-523-1188** and ask a Participant Services associate to help you change your dividend option.

Remember, your dividends are automatically reinvested unless you make an election via the methods listed above. If you have any questions about your Avista Corp. Company Stock Fund dividends, please contact Vanguard at **800-523-1188.**