

Exhibit No. MC-4
Dockets UE-160228/UG-160229
Witness: Melissa Cheesman

BEFORE THE WASHINGTON
UTILITIES AND TRANSPORTATION COMMISSION

WASHINGTON UTILITIES AND
TRANSPORTATION COMMISSION,

Complainant,

v.

AVISTA CORPORATION d/b/a
AVISTA UTILITIES,

Respondent.

DOCKETS UE-160228 and
UG-160229 (*Consolidated*)

EXHIBIT TO
TESTIMONY OF

MELISSA CHEESMAN

STAFF OF
WASHINGTON UTILITIES AND
TRANSPORTATION COMMISSION

*Avista's Updated Restate Incentive Expenses
(Avista's 2nd Supplemental Response to Staff Data Request No. 91)*

August 17, 2016

AVISTA UTILITIES
Summary

	Labor ¹ %	Total Executive Pro Forma	Total Non-Executive Pro Forma	Total Benefit
<u>Washington Electric</u>				
Total Production	25.56%	\$ (38,068)	\$ 227,552	\$ 189,484
Total Transmission	7.78%	\$ (11,587)	\$ 69,263	\$ 57,676
Total Production and Transmission		\$ (49,655)	\$ 296,815	\$ 247,160
Total Distribution	23.12%	\$ (34,434)	\$ 205,829	\$ 171,396
Customer Accounts	11.29%	\$ (16,815)	\$ 100,511	\$ 83,696
Cust Service & Info	1.07%	\$ (1,594)	\$ 9,526	\$ 7,932
Sales & Marketing		\$ -	\$ -	\$ -
Admin and General - Proforma	31.18%	\$ (46,438)	\$ 277,585	\$ 231,147
Total		\$ (148,934)	\$ 890,266	\$ 741,332
Total WA Electric Expense		\$ (148,934)	\$ 890,266	\$ 741,332
check		\$ (148,934)	\$ 890,266	\$ 741,332

¹ Based on Labor and Wage adjustment

AVISTA UTILITIES

Summary

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<u>WA Gas Adjustment</u>	Labor ¹ %	Total		Total Benefit
		Executive Pro Forma	Non-Executive Pro Forma	
Total Production	3.48%	\$ (1,656)	\$ 5,205	\$ 3,549
Total Underground Storage	0.03%	\$ (14)	\$ 45	\$ -
Total Distribution	41.70%	\$ (19,845)	\$ 62,368	\$ 42,523
customer Accounts	23.74%	\$ (11,298)	\$ 35,506	\$ 24,208
Cust Service & Info	1.94%	\$ (923)	\$ 2,902	\$ 1,978
Sales & Marketing		\$ -	\$ -	\$ -
Admin & General - Pro-Forma	29.11%	\$ (13,854)	\$ 43,538	\$ 29,684
		\$ (13,854)	\$ 43,538	\$ 29,684
				\$ -
Total WA Gas Expense		\$ (47,591)	\$ 149,564	\$ 101,973
check		\$ (47,591)	\$ 149,564	\$ 101,973

¹ Based on Labor and Wage adjustment

NON-EXECUTIVE INCENTIVE COMPENSATION			
Non-Executive Incentive Compensation	Transaction Amount		
	512 Incentive Loading-NU	514 Incentive Loading-Union	Total
Accounting Period	Non-Union	Union	
201410	1,107,813	81,595	1,189,408
201411	979,810	74,758	1,054,569
201412	1,042,740	77,143	1,119,883
201501	509,564	44,634	554,199
201502	658,490	85,226	743,716
201503	731,527	51,002	782,528
201504	703,007	60,045	763,052
201505	714,376	58,295	772,671
201506	710,044	57,421	767,465
201507	226,457	19,281	245,738
201508	283,503	22,297	305,800
201509	296,086	23,306	319,392
Total Test Period Expense	7,963,417.63	655,002.51	8,618,420.14
O & M Percent	60.65%	60.65%	60.65%
Total O & M	\$ 4,829,813	\$ 397,259	\$ 5,227,072
Washington Electric	47.75%	47.75%	47.75%
Washington Electric Actual	2,306,235.61	189,691.18	2,495,926.79
Labor Expenses 2016	\$ 25,815,305	\$ 15,390,254	\$ 41,205,559
Incentive Loader	12%	1.40%	
Incentive	\$ 3,097,836.60	\$ 215,464	\$ 3,313,300
6 Yr Average Payout %	102.20%	102.20%	102.20%
Pro-Forma Incentive	\$ 3,165,989	\$ 220,204	\$ 3,386,193
WA Electric Adjustment	\$ 859,753	\$ 30,513	\$ 890,266
Washington Gas	14.21%	14.21%	14.21%
Washington Gas	686,316.40	56,450.51	742,766.90
Labor Expenses 2016	\$ 6,617,444	\$ 5,644,910	\$ 12,262,354
Incentive Loader	12%	1.40%	
Incentive	\$ 794,093.28	\$ 79,029	\$ 873,122
6 Yr. Average Payout %	102.20%	102.20%	102.20%
Pro-Forma Incentive	\$ 811,563	\$ 80,767	\$ 892,331
WA Gas Adjustment	\$ 125,247	\$ 24,317	\$ 149,564

Non-Executive Incentive Compensation represents correction for O & M Percent. Original adjustment was incorrectly pro-forming in O & M only Incentive Compensation vs Total system (O & M and Capital). The 60.65% (line 20) corrects this.

EXECUTIVE INCENTIVE COMPENSATION			
Executive Incentive Compensation	Transaction Amount		
	Incentive Compensation - Utility	Incentive Compensation - Non-Utility	Total
Accounting Period	GL Acct 920	GL Acct 417	
201410	199,965	77,764	277,729
201411	208,659	81,146	289,805
201412	-8,569	477,295	468,726
201501	136,146	68,063	204,209
201502	136,146	68,063	204,209
201503	241,979	88,146	330,126
201504	136,146	68,063	204,209
201505	-62,935	17,674	-45,261
201506	136,461	68,220	204,681
201507	-19,089	-34,128	-53,217
201508	111,898	55,940	167,838
201509	185,541	92,756	278,297
Total Test Period Expense	1,402,348.81	1,129,002.01	2,531,350.82

Washington Electric	47.54%		
Washington Electric Actual	666,676.62	.00	.00
Potential Payout @ 100%	\$ 1,004,520	\$ 1,506,780	\$ 2,511,300
6 year average	108.42%	95.61%	100.73%
Incentive	\$ 1,089,067.10	\$ 1,440,649	\$ 2,529,716
Washington Electric	47.54%	0.00%	
Pro-Forma Incentive	\$ 517,742	\$ -	\$ -

WA Electric Adjustment	\$ (148,934)	\$ -	\$ -
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Washington Gas	14.60%		
Washington Gas	204,742.93	.00	.00
Potential Payout at 100%	\$ 1,004,520	\$ 1,506,780	\$ 2,511,300
6 year average	108.42%	95.61%	100.73%
Incentive	\$ 1,089,067.10	\$ 1,440,649	\$ -
Washington Gas	14.43%	0.00%	0.00%
Pro-Forma Incentive	\$ 157,152		

WA Gas Adjustment	\$ (47,591)		
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¹Non-Utility Payout calculated based on total average executive officers multiplied by the EPS Targets of 60%.
Utility Payout based on total average executive officers multiplied by non-EPS metrics of 40%

Executive Compensation represents revised adjustment based on discussions with Staff and the need for additional transparency. In addition the 6 year average was updated to include 2015. Please see Staff_DR_130 Attachment A.