

**Exhibit No. MC-3
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 Initially Filed Restate Incentive Expenses

August 17, 2016

AVISTA UTILITIES

Summary

12 Months Ending 09/30/15

<u>Washington Electric</u>	Labor¹	Total	Total	Total
	%	Executive	Non-Executive	Benefit
		Pro Forma	Pro Forma	
Total Production	26.02%	\$ (130,826)	\$ (189,713)	\$ (320,538)
Total Transmission	7.66%	\$ (38,514)	\$ (55,849)	\$ (94,363)
Total Production and Transmission		<u>\$ (169,339)</u>	<u>\$ (245,562)</u>	<u>\$ (414,901)</u>
 Total Distribution	 24.77%	 \$ (124,541)	 \$ (180,599)	 \$ (305,140)
Customer Accounts	10.99%	\$ (55,256)	\$ (80,128)	\$ (135,385)
Cust Service & Info	1.01%	\$ (5,078)	\$ (7,364)	\$ (12,442)
Sales & Marketing		\$ -	\$ -	\$ -
 Admin and General - Proforma	 29.55%	 \$ (148,574)	 \$ (215,450)	 \$ (364,024)
Total		<u>\$ (502,789)</u>	<u>\$ (729,103)</u>	<u>\$ (1,231,892)</u>
 Total WA Electric Expense		 <u>\$ (502,789)</u>	 <u>\$ (729,103)</u>	 <u>\$ (1,231,892)</u>
check		\$ (502,789)	\$ (729,103)	\$ -

¹ Based on Labor and Wage adjustment

AVISTA UTILITIES

Summary

12 Months Ending 09/30/15

	Labor ¹ %	Total Executive Pro Forma	Total Non-Executive Pro Forma	Total Benefit
<u>Washington Gas</u>				
Total Production	3.24%	\$ (5,089)	\$ (10,768)	\$ (15,857)
Total Underground Storage	0.03%	\$ (47)	\$ (100)	\$ -
Total Distribution	44.55%	\$ (69,972)	\$ (148,060)	\$ (218,032)
customer Accounts	23.33%	\$ (36,643)	\$ (77,537)	\$ (114,179)
Cust Service & Info	1.82%	\$ (2,859)	\$ (6,049)	\$ (8,907)
Sales & Marketing		\$ -	\$ -	\$ -
Admin & General - Pro-Forma	27.03%	\$ (42,454)	\$ (89,833)	\$ (132,288)
		\$ (42,454)	\$ (89,833)	\$ (132,288)
				\$ -
Total WA Gas Expense		\$ (157,063)	\$ (332,347)	\$ (489,410)
check		\$ (157,063)	\$ (332,347)	\$ (489,410)

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

Washington Electric	47.75%	47.75%	47.75%
Washington Electric Actual	3,802,531.92	312,763.70	4,115,295.62
Labor Expenses 2016	\$ 25,815,305	\$ 15,390,254	\$ 41,205,559
Incentive Loader	12%	1.40%	
Incentive	\$ 3,097,837	\$ 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	\$ (636,543)	\$ (92,560)	\$ (729,103)
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Washington Gas	14.21%	14.21%	14.21%
Washington Gas	1,131,601.65	93,075.86	1,224,677.50
Labor Expenses 2016	\$ 6,617,444	\$ 5,644,910	\$ 12,262,354
Incentive Loader	12%	1.40%	
Incentive	\$ 794,093	\$ 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	\$ (320,038)	\$ (12,308)	\$ (332,347)
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EXECUTIVE INCENTIVE COMPENSATION			
Executive Incentive Compensation	Transaction Amount		
	Incentive Compensation - Utility (O & M)	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		666,662.60
Labor Expenses 2016	\$	1,789,728
Payout Opportunity ¹		23%
Incentive	\$	407,342
6 Yr. Average Payout %		40.23%
Pro-Forma Incentive	\$	163,874

WA Electric Adjustment	\$	(502,789)
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Washington Gas		14.60%
Washington Gas		204,742.93
Labor Expenses 2016	\$	520,726
Payout Opportunity		23%
Incentive	\$	118,517
6 Yr. Average Payout %		40.23%
Pro-Forma Incentive	\$	47,679

WA Gas Adjustment	\$	(157,063)
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¹Utility Payout calculated based on total average (56.9%) executive officers multiplied by the non-EPS Targets of 40%.