

**Exhibit No. MC-2
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**

Restate Short-Term Incentive Expense

August 17, 2016

AVISTA UTILITIES
WASHINGTON ELECTRIC RESULTS - PRO FORMA STUDY
RESTATING ADJUSTMENT
TWELVE MONTHS ENDED SEPTEMBER 30, 2015
(000'S OF DOLLARS)

Line No.	DESCRIPTION	Restate Incentive Expenses
	Restating Adjustment Number	2.16
REVENUES		
1	Total General Business	-
2	Interdepartmental Sales	-
3	Sales for Resale	-
4	Total Sales of Electricity	-
5	Other Revenue	-
6	Total Electric Revenue	-
EXPENSES		
Production and Transmission		
7	Operating Expenses	290
8	Purchased Power	-
9	Depreciation/Amortization	-
10	Regulatory Amortization	-
11	Taxes	-
12	Total Production & Transmission	290
Distribution		
13	Operating Expenses	213
14	Depreciation/Amortization	-
15	Regulatory Amortization	-
16	Taxes	-
17	Total Distribution	213
18	Customer Accounting	95
19	Customer Service & Information	9
20	Sales Expenses	-
Administrative & General		
21	Operating Expenses	255
22	Depreciation/Amortization	-
23	Taxes	-
24	Total Admin. & General	255
25	Total Electric Expenses	862
26	OPERATING INCOME BEFORE FIT	(862)
FEDERAL INCOME TAX		
27	Current Accrual	(302)
28	Debt Interest	-
29	Deferred Income Taxes	-
30	Amortized ITC - Noxon	-
31	NET OPERATING INCOME	(560)
RATE BASE		
PLANT IN SERVICE		
32	Intangible	-
33	Production	-
34	Transmission	-
35	Distribution	-
36	General	-
37	Total Plant in Service	-
ACCUMULATED DEPRECIATION/AMORT		
38	Intangible	-
39	Production	-
40	Transmission	-
41	Distribution	-
42	General	-
43	Total Accumulated Depreciation	-
44	NET PLANT	-
45	DEFERRED TAXES	-
46	Net Plant After DFIT	-
47	DEFERRED DEBITS AND CREDITS & OTHER	-
48	WORKING CAPITAL	-
49	TOTAL RATE BASE	-

AVISTA UTILITIES
WASHINGTON NATURAL GAS - PRO FORMA STUDY
RESTATING ADJUSTMENT
TWELVE MONTHS ENDED SEPTEMBER 30, 2015
(000'S OF DOLLARS)

Line No.	DESCRIPTION	Restate Incentive Expenses
	Restating Adjustment Number	2.14
	REVENUES	
1	Total General Business	\$ -
2	Total Transportation	-
3	Other Revenues	-
4	Total Gas Revenues	-
	EXPENSES	
	Production Expenses	
5	City Gate Purchases	-
6	Purchased Gas Expense	4
7	Net Nat Gas Storage Trans	-
8	Total Production	4
	Underground Storage	
9	Operating Expenses	1
10	Depreciation/Amortization	-
11	Taxes	-
12	Total Underground Storage	1
	Distribution	
13	Operating Expenses	60
14	Depreciation/Amortization	-
15	Taxes	-
16	Total Distribution	60
17	Customer Accounting	31
18	Customer Service & Information	2
19	Sales Expenses	-
	Administrative & General	
20	Operating Expenses	36
21	Depreciation/Amortization	-
22	Regulatory Amortizations	-
23	Taxes	-
24	Total Admin. & General	36
25	Total Gas Expense	134
26	OPERATING INCOME BEFORE FIT	(134)
	FEDERAL INCOME TAX	
27	Current Accrual	(47)
28	Debt Interest	-
29	Deferred FIT	-
30	Amort ITC	-
31	NET OPERATING INCOME	\$ (87)
	RATE BASE	
	PLANT IN SERVICE	
32	Underground Storage	\$ -
33	Distribution Plant	-
34	General Plant	-
35	Total Plant in Service	-
	ACCUMULATED DEPRECIATION/AMORT	
36	Underground Storage	-
37	Distribution Plant	-
38	General Plant	-
39	Total Accumulated Depreciation/Amortization	-
40	NET PLANT	-
41	DEFERRED TAXES	-
42	Net Plant After DFIT	-
43	GAS INVENTORY	-
44	GAIN ON SALE OF BUILDING	-
45	OTHER	-
46	WORKING CAPITAL	-
47	TOTAL RATE BASE	\$ -

AVISTA UTILITIES
Summary
Restating Adjustment 2.16

	Labor ¹ %	Staff Adjustment		
		Total Executive Pro Forma	Total Non-Executive Pro Forma	Total Benefit
<u>Washington Electric</u>				
Total Production	26.04%	\$ (42,033)	\$ 266,511	\$ 224,478
Total Transmission	7.66%	\$ (12,364)	\$ 78,398	\$ 66,033
Total Production and Transmission		\$ (54,397)	\$ 344,909	\$ 290,512
Total Distribution	24.76%	\$ (39,967)	\$ 253,411	\$ 213,444
Customer Accounts	10.99%	\$ (17,740)	\$ 112,479	\$ 94,740
Cust Service & Info	1.01%	\$ (1,630)	\$ 10,337	\$ 8,707
Sales & Marketing	0.00%	\$ -	\$ -	\$ -
Admin and General - Proforma	29.54%	\$ (47,682)	\$ 302,333	\$ 254,650
Total		\$ (161,416)	\$ 1,023,468	\$ 862,052
		(C)	(D)	
Total WA Electric Expense	100.00%	\$ (161,416)	\$ 1,023,468	\$ 862,052
check		\$ (161,416)	\$ 1,023,468	\$ 862,052

¹ Based on Labor and Wage adjustment -
File: "1) (WA 2016) FLB Forecast Labor Non-Executive.xlsx"
Tab (Worksheet): "Adjustment"

AVISTA UTILITIES

Summary

Restating Adjustment 2.14

	Labor ¹ %	Staff Adjustment		
		Total Executive Pro Forma	Total Non-Executive Pro Forma	Total Benefit
WA Gas Adjustment				
Total Production	3.24%	\$ (1,606)	\$ 5,942	\$ 4,336
Total Underground Storage	0.03%	\$ (15)	\$ 55	\$ 40
Total Distribution	44.55%	\$ (22,082)	\$ 81,706	\$ 59,624
customer Accounts	23.33%	\$ (11,564)	\$ 42,788	\$ 31,224
Cust Service & Info	1.82%	\$ (902)	\$ 3,338	\$ 2,436
Sales & Marketing		\$ -	\$ -	\$ -
Admin & General - Pro-Forma	27.03%	\$ (13,398)	\$ 49,574	\$ 36,176
		\$ (13,398)	\$	\$ 36,176
		(C)	(D)	
Total WA Gas Expense	100.00%	\$ (49,566)	\$ 183,403	\$ 133,837
check		\$ (49,566)	\$ 183,403	\$ 133,837

Based on Labor and Wage adjustment -
File: "1) (WA 2016) FLB Forecast Labor Non-Executive.xlsx"
Tab (Worksheet): "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
	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	7,963,418	655,003	8,618,420
Non-O&M Incentives	3,086,891	337,981	3,424,873
O&M Incentive Expense	4,876,526	317,021	5,193,548
Washington Electric	47.75%	47.75%	47.75%
Washington Electric Actual	2,328,725	151,390	2,480,115
WA- O&M Labor Expenses Test Period	\$ 24,755,935	\$ 14,727,707	\$ 39,483,642
Incentive Loader	12%	1.29%	
Incentive	\$ 2,975,663	\$ 189,987	\$ 3,165,651
6 Yr Average Payout %	110.67%	110.67%	110.67%
Restated Incentive	\$ 3,293,315	\$ 210,269	\$ 3,503,583
WA Electric Adjustment	\$ 964,589	\$ 58,879	\$ 1,023,468
Washington Gas	14.21%	14.21%	14.21%
Washington Gas	692,879	45,044	737,922
WA- O&M Labor Expenses Test Period	\$ 6,345,889	\$ 5,401,897	\$ 11,747,786
Incentive Loader	12%	1.29%	
Incentive	\$ 762,776	\$ 69,684	\$ 832,460
6 Yr. Average Payout %	110.67%	110.67%	110.67%
Restated Incentive	\$ 844,202	\$ 77,123	\$ 921,325
WA Gas Adjustment	\$ 151,323	\$ 32,080	\$ 183,403

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 417.1	
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
	-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	1,402,349	1,129,002	2,531,351

Washington Electric	47.54%		
Washington Electric Actual	666,658	.00	.00
Incentive Opportunity @ 100 %	\$ 980,759	\$ 1,471,138	\$ 2,451,897
6 Yr Average Payout %	108.37%		
Incentive - Total Company-wide	\$ 1,062,802	\$ -	\$ -
Washington Electric	47.54%	0.00%	0.00%
Restated Incentive	\$ 505,242	\$ -	\$ -
WA Electric Adjustment	\$ (161,416)	\$ -	\$ -

Washington Gas	14.60%		
Washington Gas	204,711	.00	.00
Potential Payout at 100%	\$ 980,759	\$ 1,471,138	\$ 2,451,897
6 Yr Average Payout %	108.37%		
Incentive	\$ 1,062,802	\$ -	\$ -
Washington Gas	14.60%	0.00%	0.00%
Restated Incentive	\$ 155,145		
WA Gas Adjustment	\$ (49,566)		

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.

Non-Executive Incentive Break-Out

Expenditure Organization:Z90	Exp Name	Expenditure Category: <All>	Task Number: <All>	Summary Exp Category: Non-Labor
Report Category	Expend: \$12	Incentive Loading: NU	514 Incentive Loading: Union	Total
CAP	\$ 1,684,739.49	\$	271,554.52	\$ 1,956,294.01
NONOP	\$ 131,332.96	\$	43.31	\$ 131,376.27
OPER	\$ 4,876,526.48	\$	317,021.12	\$ 5,193,547.60
OTHER	\$ 1,270,818.70	\$	66,383.56	\$ 1,337,202.26
Total for <All>	\$ 7,963,417.63	\$	655,002.51	\$ 8,618,420.14

Match to totals in the "Transaction Summary" tab

O&M Incentive Break-Out				
Non-O&M Incentive	\$ 3,086,891.13	\$	337,981.39	\$ 3,424,872.54
As a Percentage	38.8%		51.6%	39.7%
O&M Incentive	\$ 4,876,526.48	\$	317,021.12	\$ 5,193,547.60
	61.2%		48.4%	60.3%
Total	\$ 7,963,417.63	\$	655,002.51	\$ 8,618,420.14
Match to totals above on row 13			MATCH	
			100.0%	100.0%

Executive Incentive Break-Out

Executive Test Year Base Pay	4,128,452			
Award Opportunity as a Weighted-Average	59%			
Award Opportunity	2,451,897			
O&M Incentive Opportunity as a Percentage	40%			
O&M Incentive Opportunity @ 100 %	980,759			
EPS Incentive Opportunity as a Percentage	60%			
EPS Incentive Opportunity	1,471,138			
Award Opportunity	2,451,897			
			MATCH	

Match to totals in the "Transaction Summary" tab

Test period labor	File:	1) (WA 2016) F1B Forecast: Labor Non-Executive	2) (WA 2016) F1B Forecast: Labor Executive (historical).xlsx
WA Electric		\$ 39,483,642	\$ 39,483,642.00
ID Electric		\$ 19,291,806	\$ 19,291,806.00
WA Gas		\$ 11,747,786	\$ 11,747,786.00
ID Gas		\$ 4,978,010	\$ 4,978,010.00
OR Gas		\$ 7,180,477	\$ 7,180,476.99
		\$ 82,681,721	\$ 82,681,721.00

Match to totals in the "Transaction Summary" tab

CEO	100%	767,308	19%
Senior VP	60%	1,700,655	41%
VP	40%	1,660,489	16%
		4,128,452	59% Weighted-Average

Match to totals in the "Transaction Summary" tab

Test period Earnings	File:	2) (WA 2016) F1B Forecast: Labor Executive (historical).xlsx
WA Electric		\$ 47,544
ID Electric		\$ 23,000
WA Gas		\$ 531,073
ID Gas		\$ 208,521
OR Gas		\$ 332,288
		\$ 3,638,059

Total Test Period Earnings

WA Electric	\$ 41,213,127	47.74%
ID Electric	\$ 20,128,498	23.32%
WA Gas	\$ 12,278,859	14.22%
ID Gas	\$ 5,186,551	6.01%
OR Gas	\$ 7,512,765	8.70%
Total	\$ 86,319,780	100.00%

AVISTA UTILITIES
Washington - Electric Labor
12 Months Ending 09/30/15

File: 1) (WA 2016) FL3 Forecast Labor Non-Executive.xlsx
Tab (Worksheet): Washington Electric

		<u>Total WA</u>
Production		
Steam		
500	Supervision & Eng.	80,889
501	Fuel	513,799
502	Steam Expense	310,902
505	Electric Expense	300,992
506	Misc. Steam Pwr. Exp.	121,919
507		(11,658)
510	Supervision & Eng.	80,797
511	Structures	3,082
512	Boiler Plant	367,330
513	Electric Plant	37,405
514	Misc. Steam Plant	76,866
Total Steam		<u>1,882,323</u>
Hydro		
535	Supervision & Eng.	721,032
536	Water For Power	25,700
537	Hydraulic Expense	253,763
538	Electric Expense	2,689,668
539	Misc. Hydro Expense	57,478
541	Supervision & Eng.	352,958
542	0	102,552
543	Res., Dams & Wtrways	125,488
544	Electric Plant	770,028
545	Misc. Hydro Plant	171,636
Total Hydro		<u>5,270,303</u>
Other Generation		
546	Supervision & Eng.	66,495
548	Generation Expense	101,238
549	Misc. Other Gen.	12,154
551	Supervision & Eng.	164,522
552	Structures	247
553	Gen. & Elec. Equip.	221,292
554	Misc. Other Gen. Plant	21,433
Total Other Generation		<u>587,381</u>
Other Power Supply		
556	Sys. Control & Ld. Diap.	237,395
557/558	Other Expense	2,162,284
Total Other Power Supply		<u>2,419,679</u>
Total Production		<u>10,159,686</u>
Transmission		
560	Supervision & Eng.	699,143
561	Load Dispatching	977,333
562	Station Expense	105,393
563	Overhead Line Exp.	40,652
564	Underground Line Exp.	0
566	Misc. Trans. Exp.	279,007
567	Transmission Rent	13,274
568	Supervision & Eng.	280,957
569	Structures	171,206
570	Station Equip.	416,821
571	Overhead Lines	24,567
572	Underground Lines	2,826
573	Misc. Trans. Plant	18,103
Total Transmission		<u>3,029,282</u>
Distribution		
580	Supervision & Eng.	1,602,829
581	Load Dispatching	0
582	Station Expense	171,318
583	Overhead Line Exp.	631,677
584	0	385,322
585	St. Lt. & Signl. Sys.	6,729
586	Meter Expense	850,805
587	Cust. Install. Expense	221,342
588	Misc. Dist. Expense	2,796,763
589	Rent	11,852
590	Supervision & Eng.	336,173
591	Structures	107,275
592	Station Equipment	363,339
593	Overhead Lines	983,860
594	Undergrd. Lines	402,243
595	Line Transformers	292,493
596	St. Lt. & Signl. Sys.	234,206
597	Meters	8,414
598	Misc. Dist. Expense	168,669
Total Distribution		<u>9,575,309</u>
Customer Accounts		
901	Supervision	137,328
902	Meter Reading Exp.	1,440,922
903	Cust. Records & Coll.	2,771,480
905	Misc. Cust. Accts.	72,102
Total Cust Accounts		<u>4,421,832</u>
Cust Service & Info		
908	Cust. Assistance Exp.	279,088
909	Advertising	127,642
910	Miscellaneous	(264)
Total Cust Svc & Info		<u>406,466</u>
Sales		
911	Supervision	0
912	Demonstrating & Selling	0
913	Advertising	0
916	Misc Cust. Serv & Info	0
Total Sales		<u>0</u>
Admin & General		
920	Salaries	9,844,230
921	Office Supplies & Exp.	103,149
923	Outside Services	14,842
925	Injuries & Damages	0
926	Empl. Pensions & Bene.	0
927	Franchise Requirements	0
928	Reg. Comm. Expenses	846,165
930	Misc. General Exp.	142,076
935	Misc. of Gen. Plant	940,605
Total Admin & General		<u>11,891,067</u>
Total Electric Labor		<u>39,483,642</u>

AVISTA UTILITIES
Washington - Gas Labor
12 Months Ending 09/30/15

File: 1) (WA 2016) FLB Forecast Labor Non-Executive.xlsx
Tab (Worksheet): Washington Gas

Total WA

Production	
807-Administrative Expenses	0
807-Purchased Gas Expenses	0
813-Other Gas Expenses	389,974
Total Production	389,974
Underground Storage	
814-Oper. supervision & engineering	3,679
820-Meas. & reg. station expenses	0
Total Underground Storage	3,679
Distribution	
870-Oper. supervision & engineering	628,635
871-Distribution Load Dispatching	0
872	0
874-Mains & services expenses	1,096,352
875-Meas. & reg. station exp.-General	34,791
876-Meas. & reg. station exp.-Industrial	587
877-Meas. & reg. station exp.-City gate	32,019
878-Meter & house regulator expenses	77,862
879-Customer installations expenses	723,855
880-Other expenses 2011 to 2013	761,338
881-Rents	6,248
885-Maint. supervision & engineering	24,852
886-Structures & Improvements	0
887-Maint. of mains	473,840
888	0
889-Maint. meas. & reg. st. equip.-General	84,005
890-Maint. meas. & reg. st. equip.-Indust	10,892
891-Maint. meas. & reg. st. equip.-City gate	12,604
892-Maint. of services & lines	432,831
893-Maint. meters & house regulators	666,143
894	58,677
Total Distribution	5,125,531
Customer Accounts	
901-Supervision	86,656
902-Meter reading expenses	905,001
903-Customer records & collection exp	1,722,422
905-Misc. customer accounts expenses	45,513
Total Cust Accounts	2,759,592
Cust Service & Info	
908-Customer assistance expenses	138,272
909-Advertising	80,544
910-Misc Customer Service & Info Exp	(166)
Total Cust Svc & Info 2011 to 2013	218,650
Sales	
911-Supervision	0
912-Demonstrating & selling expenses	0
913-Advertising	0
916-Misc Sales Expense	0
Total Sales	0
Admin & General	
920-Administrative & general salaries	2,707,091
921 Office Supplies & Exp.	25,770
922 Admin Expense	0
923-Outside services employed	2,869
924-Property insurance	0
925-Injuries & damages	0
928-Regulatory commission expenses	221,355
930-Misc. general expenses	55,919
935-Maintenance of general plant	237,356
Total Admin & General	3,250,360
Total WA Gas Labor	11,747,786

AVISTA UTILITIES
Executive Compensation
12 Months Ending 09/30/15

File: 2) (WA 2016) FLB Forecast Labor Executive (historical).xlsx
Tab (Worksheet): Exec Utility Split

Employee	9/30/2015	Less	Less	Regular Labor	Utility/Subsidiary %				Utility			Non-Utility	Total
	Total Compensation	OL, Hol	Other Compensation*	9/30/2015	Utility 920	Utility 557	Utility 813	Non-Utility	920	557	813	417	
61582	867,275	84,692	99,967	682,616	97.0%			3.0%	744,289	0	0	23,019	767,308
83512	430,340	70,881	26,571	332,888	90.0%			10.0%	363,392	0	0	40,377	403,769
88740	395,348	59,504	26,463	309,381	90.0%			10.0%	331,997	0	0	36,889	368,886
02565	366,607	42,921	26,259	297,427	88.0%			12.0%	299,506	0	0	40,842	340,348
00188	331,749	83,060	25,404	223,285	95.0%			5.0%	291,028	0	0	15,317	306,345
85931	305,515	24,854	24,207	256,454		69.0%	30.0%	1.0%	0	194,103	84,392	2,813	281,308
11290	254,848	40,664	11,964	202,220	95.0%			5.0%	230,740	0	0	12,144	242,884
01750	0	0	0	0	72.0%			28.0%	0	0	0	0	0
45464	259,266	38,669	10,797	209,800	100.0%			0.0%	248,469	0	0	0	248,469
46832	293,838	35,469	14,819	243,570	92.5%			7.5%	258,111	0	0	20,928	279,039
05320	0	0	0	0	84.0%			16.0%	0	0	0	0	0
00365	291,362	20,489	25,689	245,184	98.0%			2.0%	260,360	0	0	5,313	265,673
64690	254,849	34,481	11,964	208,404	96.0%			4.0%	233,170	0	0	9,715	242,885
76183	9,520	1,413	97	8,010	13.0%			87.0%	1,225	0	0	8,198	9,423
94440	264,313	57,923	21,427	184,963	6.0%			100.0%	0	0	0	242,886	242,886
02552	129,230	11,308	0	117,922	100.0%			0.0%	129,230	0	0	0	129,230
	4,454,080	606,328	325,628	3,522,124					3,391,517	194,103	84,392	458,441	4,128,452

Regular Earning as defined by the 2015 Executive Officer Annual Cash Incentive Plan: **4,128,452** Total **3,670,012** Utility Only **MATCH**

Regular Earnings: Regular earnings will be used in calculating the final awards. The earnings to be used in the calculation are as follows: earnings designated regular (earnings code 01,32), light duty (29), alternative/dual (20), relief pay (08), retro pay (70), One Leave used (10), OL sick (14), OL supplement (15) & OL FMLA (16), short-term disability 100% (18) and STD 60% (80), workers compensation (19, 19A, 85, 85c, 86, 87, 88), holiday (25), jury duty (35), and military pay (36, 36c).
File: "3) PLAN DOC - 2015 Officer Incentive Plan Final.pdf", page 11.

*Other Compensation includes LTIP Payments (performance shares, dividends) and One Leave future accrual set.

Plan	Goals	2009					Payout Results
		Weight	Threshold	Target	Maximum	Actual	
Executive	Corporate EPS						
	Utility EPS	50%	\$1.30	\$1.37	\$1.50	\$1.60	150%
	Corporate EBITDA						
	Non-Utility EPS	10%	\$0.10	\$0.12	\$0.15	\$0.00	0%
	Utility Cost per Customer	30%	\$325.74	\$318.24	\$311.22	\$323.42	66%
	Customer Satisfaction Rating	6%		90%		93%	100%
	Reliability Index						
	Response Time						
	Performance Excellence						
	Capital Spending						
Reliability-CAIDI	2%		2hrs 9min		2hrs 6 min	100%	
Reliability-SAIFI	2%		1.29 outages		1.52 outages	0%	
Total payout as a percent of target		100.0%			102.7%		
Employee	Utility Cost per Customer	75%	\$325.74	\$318.24	\$311.22	\$323.42	66%
	Customer Satisfaction Rating	15%		90%		93%	100%
	Reliability Index						
	Response Time						
	Performance Excellence						
	Reliability-CAIDI	5%		2hrs 9min		2hrs 6 min	100%
	Capital Spending						
Reliability-SAIFI	5%		1.29 outages		1.52 outages	0%	
Total payout as a percent of target		100.0%			69.1%		

	2009 Weight	Actual Results
Corporate EPS	50%	150%
Utility EPS		75.0%
Corporate EBITDA		
Non-Utility EPS	10%	0%
Utility Cost per Customer	30%	66%
Customer Satisfaction	6%	100%
Reliability Index	0%	0%
Response Time		
Performance Excellence		
Capital Spending		
Reliability-CAIDI	2%	100%
Reliability-SAIFI	2%	0%
Total		102.7%

Utility Only	27.65%
Total O&M Weight	40%
Opportunity Payout %	69.13%

Executive Proof-out

Plan	Goals	2010				Payout Results
		Weight	Threshold	Target	Maximum	
Executive	Corporate EPS					
	Utility EPS	50%	\$1.45	\$1.57	\$1.65	100%
	Corporate EBITDA					
	Non-Utility EPS	10%	\$0.07	\$0.09	\$0.10	117%
	Utility Cost per Customer	30%	\$345.99	\$335.69	\$330.80	130%
	Customer Satisfaction Rating	6%		90%	93%	100%
	Reliability Index	4%		100%	116%	100%
	Response Time					4.0%
	Performance Excellence					
	Capital Spending					
Reliability-CAIDI						
Reliability-SAIFI						
Total payout as a percent of target		100.0%		110.7%		
Employee	Utility Cost per Customer	75%	\$345.99	\$335.69	\$330.80	130%
	Customer Satisfaction Rating	15%		90%	93%	100%
	Reliability Index	10%		100%	116%	100%
	Response Time					10%
	Performance Excellence					
	Reliability-CAIDI					
	Capital Spending					
	Reliability-SAIFI					
	Misc Dept Cost per Customer					
	Total payout as a percent of target		100.0%		122.6%	

Corporate EPS	50%	100%	50.0%
Utility EPS			
Corporate EBITDA			
Non-Utility EPS	10%	117%	11.7%
Utility Cost per Customer	30%	130%	39.0%
Customer Satisfaction	6%	100%	6.0%
Reliability Index	4%	100%	4.0%
Response Time			
Performance Excellence			
Capital Spending			
Reliability-CAIDI			
Reliability-SAIFI			
Total			110.7%

Utility Only	49.03%
Total O&M	
Weight	40%
Opportunity Payout %	122.58%

Executive Proof-out

Plan	Goals	Weight	2011			Payout Results		
			Threshold	Target	Maximum		Actual	% of Target
Executive	Corporate EPS							
	Utility EPS	50%	\$1.52	\$1.57	\$1.65	\$1.59	113%	56%
	Corporate EBITDA							
	Non-Utility EPS	10%	\$0.13	\$0.16	\$0.18	\$0.16	100%	10%
	Utility Cost per Customer	20%	\$357.52	\$346.85	\$341.70	\$356.05	20%	4%
	Customer Satisfaction Rating	5%		90%		94%	100%	5%
	Reliability Index	5%		100%		148%	100%	5%
	Response Time	5%		93%		96%	100%	5%
	Performance Excellence	5%		100%		100%	100%	5%
	Capital Spending							
	Reliability-CAIDI							
	Reliability-SAIFI							
	Total payout as a percent of target						90.2%	
Employee	Utility Cost per Customer	75%	\$357.52	\$346.85	\$341.70	\$356.05	20%	15%
	Customer Satisfaction Rating	10%		90%		94%	100%	10%
	Reliability Index	5%		100%		148%	100%	5%
	Response Time	5%		93%		96%	100%	5%
	Performance Excellence	5%		100%		100%	100%	5%
	Reliability-CAIDI							
	Capital Spending							
	Reliability-SAIFI							
	Misc Dept Cost per Customer							
	Total payout as a percent of target						39.6%	

Corporate EPS	50%	113%	56.3%
Utility EPS			
Corporate EBITDA			
Non-Utility EPS	10%	100%	10.0%
Utility Cost per Customer	20%	20%	3.9%
Customer Satisfaction	5%	100%	5.0%
Reliability Index	5%	100%	5.0%
Response Time	5%	100%	5.0%
Performance Excellence	5%	100%	5.0%
Capital Spending			
Reliability-CAIDI			
Reliability-SAIFI			
Total			90.2%

Utility Only	23.90%
Total O&M	
Weight	40%
Opportunity	59.75%
Payout %	

Executive Proof-out

Plan	Goals	2012				Payout		
		Weight	Threshold	Target	Maximum	Actual	% of Target	Results
Executive	Corporate EPS	50%	\$1.56	\$1.59	\$1.66	\$1.38	0%	0%
	Utility EPS							
	Corporate EBITDA							
	Non-Utility EPS	10%	\$0.16	\$0.17	\$0.19	(\$0.06)	0%	0%
	Utility Cost per Customer	20%	\$381.74	\$371.96	\$367.42	\$371.71	103%	21%
	Customer Satisfaction Rating	5%		90%		93%	100%	5%
	Reliability Index	5%		100%		113%	100%	5%
	Response Time	5%		93%		97%	100%	5%
	Performance Excellence	5%		100%		100%	100%	5%
	Capital Spending							
Reliability-CAIDI								
Reliability-SAIFI								
Total payout as a percent of target		100.0%					40.5%	
Employee	Utility Cost per Customer	75%	\$381.74	\$371.96	\$367.42	\$371.71	103%	77%
	Customer Satisfaction Rating	10%		90%		93%	100%	10%
	Reliability Index	5%		100%		113%	100%	5%
	Response Time	5%		93%		97%	100%	5%
	Performance Excellence	5%		100%		100%	100%	5%
	Reliability-CAIDI							
	Capital Spending							
	Reliability-SAIFI							
	Misc Dept Cost per Customer							
	Total payout as a percent of target		100.0%					102.05%

2012	Weight	Actual	Results
Corporate EPS	50%	0%	0.0%
Utility EPS			
Corporate EBITDA			
Non-Utility EPS	10%	0%	0.0%
Utility Cost per Custo	20%	103%	20.5%
Customer Satisfaction	5%	100%	5.0%
Reliability Index	5%	100%	5.0%
Response Time	5%	100%	5.0%
Performance Exceller	5%	100%	5.0%
Capital Spending			
Reliability-CAIDI			
Reliability-SAIFI			
Total			40.5%

Executive Proof-out

Utility Only	40.55%
Total O&M	
Weight	40%
Opportunity	
Payout %	101.37%

Plan	Goals	2013				Payout Results
		Weight	Threshold	Target	Maximum Actual % of Target	
Executive	Corporate EPS					
	Utility EPS	50%	\$1.64	\$1.70	\$1.84	150%
	Corporate EBITDA					
	Non-Utility EPS	10%	\$0.06	\$0.09	\$0.05	0%
	Utility Cost per Customer	20%	\$380.77	\$378.74	\$374.69	150%
	Customer Satisfaction Rating	8%		90%	95%	100%
	Reliability Index	8%		100%	131%	100%
	Response Time	4%		93%	97%	100%
	Performance Excellence	0%				4%
	Capital Spending					
Reliability-CAIDI						
Reliability-SAIFI						
Total payout as a percent of target		100.0%		125.0%		
Employee	Utility Cost per Customer	60%	\$380.77	\$378.74	\$374.69	150%
	Customer Satisfaction Rating	15%		90%	95%	100%
	Reliability Index	15%		100%	131%	100%
	Response Time	10%		93%	97%	100%
	Performance Excellence	0%				10%
	Reliability-CAIDI					
	Capital Spending					
	Reliability-SAIFI					
	Misc Dept Cost per Customer					
	Total payout as a percent of target		100.0%		130.0%	

2013	Weight	Actual	Results
Corporate EPS	50%	150%	75.0%
Utility EPS			
Corporate EBITDA	10%	0%	0.0%
Non-Utility EPS	20%	150%	30.0%
Utility Cost per Customer	8%	100%	8.0%
Customer Satisfaction	8%	100%	8.0%
Reliability Index	4%	100%	4.0%
Response Time	0%	0%	0.0%
Performance Excellence			
Capital Spending			
Reliability-CAIDI			
Reliability-SAIFI			
Total			125.0%

Utility Only	50.00%
Total O&M	
Weight	40%
Opportunity Payout %	125.00%

Executive Proof-out

Plan	Goals	2014				Payout Results
		Weight	Threshold	Target	Maximum Actual	
Executive	Corporate EPS					
	Utility EPS	50%	\$1.68	\$1.75	\$1.87	167%
	Corporate EBITDA					
	Non-Utility EPS	10%	\$0.09	\$0.12	\$0.15	167%
	Utility Cost per Customer	20%	\$380.18	\$378.17	\$363.64	150%
	Customer Satisfaction Rating	8%		90%	95%	100%
	Reliability Index	8%		100%	121%	100%
	Response Time	4%		93%	97%	100%
	Performance Excellence	0%				
	Capital Spending					
Reliability-CAIDI						
Reliability-SAIFI						
Total payout as a percent of target		100.0%			150.2%	
Employee	Utility Cost per Customer	60%	\$380.18	\$378.17	\$363.64	183%
	Customer Satisfaction Rating	15%		90%	95%	100%
	Reliability Index	15%		100%	121%	100%
	Response Time	10%		93%	97%	100%
	Performance Excellence	0%				
	Reliability-CAIDI					
	Capital Spending					
	Reliability-SAIFI					
	Misc Dept Cost per Customer					
	Total payout as a percent of target		100.0%			150.0%

2014	Weight	Actual	Results
Corporate EPS	50%	167%	83.5%
Utility EPS			
Corporate EBITDA			
Non-Utility EPS	10%	167%	16.7%
Utility Cost per Customer	20%	150%	30.0%
Customer Satisfaction	8%	100%	8.0%
Reliability Index	8%	100%	8.0%
Response Time	4%	100%	4.0%
Performance Excellence	0%	0%	0.0%
Capital Spending			
Reliability-CAIDI			
Reliability-SAIFI			
Total			150.2%

Executive Proof-out

Utility Only	50.00%
Total O&M Weight	40%
Opportunity Payout %	125.00%

Plan	Goals	2015					Payout Results
		Weight	Threshold	Target	Maximum	Actual	
Executive	Corporate EPS						
	Utility EPS	60%	\$1.86	\$1.96	\$2.06	\$1.90	68%
	Corporate EBITDA						
	Non-Utility EPS	0%					0%
	Utility Cost per Customer	20%	\$378.44	\$376.10	\$368.71	\$373.14	133%
	Customer Satisfaction Rating	8%		90%	95%	100%	100%
	Reliability Index	8%		100%	121%	100%	100%
	Response Time	4%		93%	97%	100%	100%
	Performance Excellence	0%		0%	0%	0%	0%
	Capital Spending						
Reliability-CAIDI							
Reliability-SAIFI							
Total payout as a percent of target							87.4%
Employee	Utility Cost per Customer	60%	\$378.44	\$376.10	\$368.71	\$373.14	133%
	Customer Satisfaction Rating	15%		90%	95%	100%	100%
	Reliability Index	15%		100%	121%	100%	100%
	Response Time	10%		93%	97%	100%	100%
	Performance Excellence	0%		0%	0%	0%	0%
	Reliability-CAIDI						
	Capital Spending						
	Reliability-SAIFI						
	Misc Dept Cost per Customer						
	Total payout as a percent of target						

Year	SUMMARY	
	Executive % Payout	Employee % Payout
2009	69.13%	69.1%
2010	122.58%	122.6%
2011	59.75%	39.6%
2012	101.37%	102.0%
2013	125.00%	130.0%
2014	125.00%	150.0%
2015	116.50%	119.8%
6 Yr. Average	108.37%	110.67%

2014	Weight	Actual	Results
Corporate EPS	60%	68%	40.8%
Utility EPS			
Corporate EBITDA	0%	0%	0.0%
Non-Utility EPS	20%	133%	26.6%
Utility Cost per Customer	8%	100%	8.0%
Customer Satisfaction	8%	100%	8.0%
Reliability Index	4%	100%	4.0%
Response Time	0%	0%	0.0%
Performance Excellence			
Capital Spending			
Reliability-CAIDI			
Reliability-SAIFI			
Total		87.4%	

Executive Proof-out

Utility Only	46.60%
Total O&M	
Weight	40%
Opportunity Payout %	116.50%

Avista Utilities
Avista Incentive Loader Development
Non-Executive Compensation

	Non Union	Union
Regular Worked / Paid Labor	75,067,706	46,838,318
Less E01 Labor (executive)	(4,085,416)	
Total Labor	70,982,290	46,838,318

Source: Discoverer Query for 2015 by Org group. Query brings in labor for Exp type 340 and 345, the Exp Types we load incentives on. E01 does not receive a loader for incentives as accruals for Officers is performed manually.

Incentive, 2015 at Target	7,882,787	558,221
Payroll Taxes 8.25%	650,330	46,053
Total Loaded Incentive	8,533,117	604,274

Source: Incentives at Target provided by HR department in the development of our accrual at 12/31/2015. Payroll taxes are added to the incentives to be accrued to ensure they are distributed appropriately with the underlying incentives.

Implied Rate	12.02%	1.29%
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(1)

Sample calculation derived from 2015 results.

(1) The 12% and 1.4% used in the case was based on the 2014 actual loader rate.

As of May 2016 the loader rate for non-union remains at 12%

As of May 2016 the loader rate is 1.5% for union.