

Exhibit No. \_\_\_\_ (DCG-18C)  
Dockets UE-150204/UG-150205  
Witness: David C. Gomez  
REDACTED VERSION

BEFORE THE WASHINGTON  
UTILITIES AND TRANSPORTATION COMMISSION

WASHINGTON UTILITIES AND  
TRANSPORTATION COMMISSION,

Complainant,

v.

AVISTA CORPORATION dba AVISTA  
UTILITIES,

Respondent.

DOCKETS UE-150204 and  
UG-150205  
(Consolidated)

EXHIBIT TO  
TESTIMONY OF

DAVID C. GOMEZ

STAFF OF  
WASHINGTON UTILITIES AND  
TRANSPORTATION COMMISSION

*Avista Supplemental Response to Staff DR 153C  
with Attachments A and B  
(Attachments provided on CD)*

July 27, 2015

CONFIDENTIAL PER PROTECTIVE ORDER  
REDACTED VERSION

**AVISTA CORP.  
RESPONSE TO REQUEST FOR INFORMATION**

JURISDICTION:	WASHINGTON	DATE PREPARED:	06/29/2015
CASE NO.:	UE-150204 & UG-150205	WITNESS:	Jim Kensok
REQUESTER:	UTC Staff - Gomez	RESPONDER:	Larry La Bolle
TYPE:	Data Request	DEPT:	State & Federal Regulation
REQUEST NO.:	Staff – 153C Supplemental	TELEPHONE:	(509) 495-4710
		EMAIL:	larry.labolle@avistacorp.com

**REQUEST:**

In the Company's confidential response to UTC Staff Data Request No. 140, Attachment C, Page 170 of 332, the Steering Committee Notes for June 16, 2014, refer to:

- A response from Ernst and Young to an Avista emails requesting a meeting. Please provide this emails and all documents, materials, emails and correspondence associated with it and the subsequent meeting with Ernst and Young.
- Please provide the details behind the impacts and costs associated with the decision to move the "go-live" date to Q1 of 2015 approved by the Steering Committee.
- Please provide all emails, correspondence, reports, communications and materials presented to Avista's Chair and/or Board of Directors seeking approval for the additional capital funding associated with the new "go-live" date.<sup>1</sup>
- Please provide the details around the Project [Compass] bonus plan and the amounts paid and to whom and for what purpose. Please state who approved this plan and provide all materials, analysis, correspondence, emails and data provided to the approver. In the response, please discuss whether and how the delay and cost overrun of the project were considered in each decision to pay any amount under the Project bonus plan.

**RESPONSE:**

- Avista is still in the process of searching for the pertinent e-mails and any other documentation pertinent to this request, and will supplement this response accordingly.
- The Company has previously described the timeline and costs ultimately required to successfully implement the Project, compared with its initial estimates, as provided in Exhibit No. JMK-2. Avista has also provided, in Staff\_DR\_140C Confidential Attachment B, detailed weekly Project Status reports that document the key activities associated with the implementation of Project Compass, which encompass the time period preceding and following the decision to move the Go Live to February 2015. The Company has also provided detailed information in Staff\_DR\_141C Confidential Attachments A and B, for each contract company that supported Project Compass, including the payment amount made in each year, and the contracts, statements of work, and the deliverables that were associated with each annual payment for each company. In addition, the Company will be supplementing Staff\_DR\_141C with additional detailed information related to

<sup>1</sup> Staff's review of the material provided in confidential responses to UTC Staff Data Request No. 140, Attachment C, Page 143, refer to the Avista Board of Directors first approving \$17.9 million (\$78 million to \$96 million (up to \$100 million)) change to the Project Compass budget in May of 2014. The Company's response to ICNU Data Request No. 20, Confidential Attachment A, shows that the Board subsequently approved an increase to the Project Compass maximum from the \$100 million to \$110 million in November of 2014. Using the Company's responses to UTC Staff Data Request No. 140, Attachment C, Staff calculates the cost impact of the new "go-live" to be approximately \$26.3 million.

expenditures made to contract companies, and the cost associated with Avista employee labor supporting the Project.

- Copies of the presentations made to the Company’s Finance Committee of its Board of Directors, supporting the revision of the Go Live date and implementation budget are provided as Staff\_DR\_153C Confidential Attachment A.
- Avista’s Project Compass bonus plan was developed early in the Project and focused on recognizing and rewarding employees for their individual contributions in achieving the successful implementation of the new systems, over what would be an intensive three-year process. Employees eligible under the plan included regular, full-time employees and certain part-time employees working on the Project. Bonuses were associated with key implementation stages of the Project, and the bonus amounts paid to each employee were tied their role and level of contribution. The bonus plan document is provided as Staff\_DR\_153C Attachment B. The initial bonus plan was approved by the Company’s senior executives responsible for the Project (Executive Steering Committee), and these executives also approved any amendment or addendum to the plan, as well as approving each of the bonus payouts associated with the achievement of each milestone in the plan. These Executive Steering Committee approvals are documented in the body of the plan, and the plan document constituted the material reviewed by the Committee. A summary of the bonus amounts paid out for each milestone achieved, as well as the total amount paid out over the course of the Project, is provided below.

Payout Date	Milestone	Amount Paid	Notes
Aug-12	Phase 1 Milestone met	\$47,450	Steering Committee Approval
Oct-13	Phase 2 & 3 Milestone met	\$183,350	Steering Committee Approval
Sep-14	Phase 4 Milestone met	\$157,950	Steering Committee Approval
Mar-15	Phase 5 Final Milestone met	\$386,450	Steering Committee Approval
	Total	\$775,200	(Budget total \$850,000)

The trigger for bonus payouts under the plan, as described above, was based on milestones achieved. Avista believes the ultimate time and cost required to complete the Project represents the reasonable time and costs required to successfully implement these systems. Avista does not agree that the increase in costs, from the original estimate, to complete the Project represents a “cost overrun,” but represents the costs necessary to successfully complete the Project based on the additional information and experience that was gained over the course of developing and implementing the new systems.

**Supplemental Response**

Provided as Staff\_DR\_153C Supplemental Confidential Attachment A, are the e-mail messages leading up to and following the subject meeting between Avista and Ernst and Young.

Attachments are redacted in their entirety.