

WUTC

DOCKET NO. UE-991606

EXHIBIT # 387

ADMIT

W/D

REJECT

**AVISTA UTILITIES
RESPONSE TO REQUEST FOR INFORMATION**

JURISDICTION: Washington
CASE NO: UE-991606
UG-991607

DATE PREPARED: 3/1/00

WITNESS: Tom Matthews
Kathy Mitchell

REQUESTER: Staff
TYPE: Data Request
DUE DATE: 2/21/00
REQUEST NO.: 177

RESPONDER: Kathy Mitchell
DEPT: Rates
TELEPHONE: (509) 495-4407
FIELD AUDIT: ___ Yes X No

REQUEST:

Please provide any studies or other support utilized in establishing the base salary and other compensation Mr. Matthews, Mr. Meyer, and Mr. Turner.

RESPONSE:

Executive officer compensation should assist in attracting and retaining key executives critical to long-term success. To that end the Company's philosophy is that the total compensation program should consist of an annual base salary, an annual incentive (the amount of which is dependent on corporate and individual performance) and long-term incentives (i.e., stock options, restricted stock and performance-based stock opportunities.) The Company considers but does not target executive officer compensation at the median of similarly situated executives. In order to hire, reward and retain the most competent executives the Company must provide compensation opportunities reflective of the competitive marketplace. (Please also refer to the Company's response to WUTC Request No 178.)

The Executive Compensation Committee reviews each executive officer's base salary at least annually, considering levels of pay among executives in the utility and diversified energy industries, internal pay-equity consideration, level of responsibilities, job complexity, experience, breadth of knowledge and job performance. All of the above factors are considered as appropriate, with no formal weightings given to any factor.

For example, as stated in the 1998 Proxy Statement, the Board was confident that Mr. Matthews had the background, skills, global and national experience and senior leadership ability critical to the future success of the Company. Based on those factors, as well as Mr. Matthews' total compensation and benefits package with his previous firm, the Executive Compensation Committee determined (and the full Board concurred) that a comparable compensation package was necessary and appropriate to recruit Mr. Matthews to the Company.

Please refer to the Company's replies to WUTC Request Nos. 174 and 176 for specific discussion regarding minimum guaranteed bonuses and signing bonuses, respectively.