

**AVISTA UTILITIES
RESPONSE TO REQUEST FOR INFORMATION**

JURISDICTION:	Washington	DATE PREPARED:	3/1/00
CASE NO:	UE-991606 UG-991607	WITNESS:	Tom Matthews Kathy Mitchell
REQUESTER:	Staff	RESPONDER:	Kathy Mitchell
TYPE:	Data Request	DEPT:	Rates
DUE DATE:	2/21/00	TELEPHONE:	(509) 495-4407
REQUEST NO.:	174	FIELD AUDIT:	___ Yes <u>X</u> No

REQUEST:

Please provide justification for giving minimum guaranteed bonuses to Mr. Matthews, Mr. Meyer and Mr. Turner even if targeted levels of financial and other performance goals are not satisfied.

RESPONSE:

Please note that only Mr. Matthews, under the terms of his employment agreement, receives a minimum guaranteed bonus. The amount of guaranteed bonus included in this case for Mr. Matthews is as follows. The Company had made an expense accrual for \$150,000 in 1998 for bonuses related to 1998 to be paid in 1999. The entire amount of that bonus was charged in error to Account 920. The Company's calculation of Officer Pro Forma Compensation recognizes that a portion of that incentive should have been charged to non-utility operations consistent with the percentage split of Mr. Matthew's salary charges. Our adjustment, therefore, removes 40% (or \$60,000) of the \$150,000 from utility operations, charging it to subsidiary operations. Furthermore, application of our jurisdictional allocation procedures results in \$42,408 and \$10,663 (per Table 18 of Attachment E page 3) being charged to the Washington Electric and Gas jurisdictions before federal income tax, respectively.

Bonus guarantees are not unusual for new hires at the executive level. These bonuses serve as an additional recruiting incentive, drawing the incumbent to the new organization. They also provide a means of keeping the executive whole - particularly if the hire is made around mid-year - so that a lost annual incentive opportunity from the incumbent's old company can be maintained for the first year at the incumbent's new company.

Please see the Company's response to WUTC Request No 177 for further discussion of executive compensation philosophy.

WUTC		
DOCKET NO.	<u>UE-991606</u>	
EXHIBIT #	<u>384</u>	
ADMIT	W/D	REJECT
<input checked="" type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>