

ELECTRIFYING PAYCHECK FOR CEO AVISTA'S MATTHEWS RECEIVES \$750,000 SALARY AND MUCH MORE

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Abstract:

Tom Matthews received a \$1 million signing bonus, \$2 million worth of stock, a \$750,000 salary and other compensation when he took command of the Spokane energy company July 1.

Avista, then the Washington Water Power Co., did not disclose Matthews' compensation when he was hired. But the provisions of his five-year contract are contained in a proxy statement mailed to shareholders last week.

"That's what the board based its offer on," Avista spokesman Pat Lynch said Wednesday. "Mr. Matthews was always the board's first choice."

Full Text:

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Avista Corp.'s chairman and chief executive officer came with a Texas-sized price tag when he was hired last year.

Tom Matthews received a \$1 million signing bonus, \$2 million worth of stock, a \$750,000 salary and other compensation when he took command of the Spokane energy company July 1.

The package substantially exceeds that afforded his predecessor, Paul Redmond, who retired last June after 34 years with the company.

Avista, then the Washington Water Power Co., did not disclose Matthews' compensation when he was hired. But the provisions of his five-year contract are contained in a proxy statement mailed to shareholders last week.

The document shows that other executives also received cash awards in conjunction with a restructuring effort undertaken once Matthews was aboard.

Matthews, 55, was hired after a nine-month search by the board of directors. He had been working for NGC Corp., a Houston-based oil and gas business where he was paid slightly more than \$1 million annually.

Matthews also had an extensive history with other energy companies, including Texaco, Tenneco and Exxon.

"That's what the board based its offer on," Avista spokesman Pat Lynch said Wednesday. "Mr.

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Matthews was always the board's first choice."

He said Avista's executive pay plan has been upgraded to provide more performance incentives and attract more talent from outside the traditional utility industry.

"It's a change from where we've been before," Lynch said.

He noted that none of the compensation shown in the proxy is built into utility rates paid by Avista customers. The company has not sought an electricity rate increase in Washington in more than a decade, he said, and one currently before Idaho regulators is based on a 1997 test year.

Although the utility business remains the core of Avista's business, under Matthews the company has moved aggressively to expand activities in other energy fields such as commodity trading and billing services.

Revenues have climbed to \$3.5 billion, but net income has lagged. Avista stock closed Wednesday at \$15.81, the lowest price in more than a year.

In part, Matthews' fortunes will rest on his ability to reverse that decline.

He was granted 100,000 options to purchase stock at \$22.62 per share and another 50,000 at \$18.63 per share. One-quarter of the options become exercisable after one year, with a like amount exercisable on succeeding anniversary dates.

All expire after 10 years.

Matthews will realize a profit on those options only to the extent the market price for Avista common stock exceeds the option exercise price.

Also, the stock worth \$2 million that was awarded on July 1 is worth one-third less at this week's prices.

Those shares do not vest until the third, fourth and fifth anniversaries of his employment at Avista,

Of the signing bonus, \$300,000 was granted immediately, the rest was deferred. He collected \$354,808 in salary for six months of service, plus a \$150,000 bonus that was guaranteed.

He will receive a \$300,000 bonus next year.

Matthews will also be awarded a \$1 million package of options or shares annually, based on an assumption the company's stock will increase in value at a compound annual rate of 15 percent.

The proxy shows the compensation for only the top six Avista executives.

Redmond was paid \$364,615 for his six months of service prior to Matthews taking over, plus \$31,480 in incentive payouts by Avista subsidiary Pentzer Corp., and \$268,375 in deferred compensation including unused leaves and a 401(k) plan.

He also exercised options valued at \$696,239 in one Pentzer subsidiary while retaining others with a value at excess of \$1.1 million.

Former president Les Bryan received \$295,308 before resigning in October, plus \$360,000 in return for a four-year non-compete agreement.

Senior Vice President Jon Eliassen, Executive Vice President Gary Ely and Vice President Rob Fukai received \$215,692, \$211,654 and \$191,741 respectively, plus cash awards and other deferred compensation.

Proxies for the other two private electric utilities in Washington - PacifiCorp and Puget Sound Energy - were not available for comparison.

[Illustration]

Color Photo; Caption: Avista Corp. CEO Tom Matthews.

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