

Utility commissions review compensation

It's certainly understandable that customers care about the salaries Avista pays its employees.

Rates have gone up and times are tough for some customers, so it's natural to hear some questions about what Avista employees are paid.

Avista employee salaries are targeted to be competitive within the market. These salaries and incentives are reviewed by the utility commissions when rates are set.

How are rates and compensation related?

- The salaries of all Avista officers combined make up less than **½ a penny of every dollar customers pay in rates.**
- What's really driving rates is the direct cost of energy, which is volatile, and is **at least 60 cents of every dollar.**
- Avista **invests about \$250 million dollars every year to maintain and upgrade a complex system** of pipes, poles, wires, dams and substations to provide safe, reliable service.
- Avista strives to manage costs to keep rates as reasonable as possible.



The salaries and incentives of all officers combined make up **less than ½ a penny of every dollar customers pay in rates.**

The cost of energy is a much bigger part of rates – **60 cents of every dollar for electricity and 65 cents for natural gas.**

The remaining cost covers the equipment and people needed to deliver safe, reliable service.

Want more in-depth info? Click on "Join the Conversation" on AVAnet or go to www.avistautilities.com

Executive salaries are less than ½ a penny of every dollar or about 18 cents per month

It seems there's more concern everywhere about executive compensation. All publicly traded companies disclose executive salaries and it often makes media headlines.

It's certainly true that top executives can earn a lot of money. Different people might think that's fair or unfair. But here are some facts:

- Each year, the Board of Directors reviews independently gathered salary information about comparable executive positions at similar utilities. **Avista salaries are targeted to be competitive within the market.**
- The state utility commissions also review executive salaries and incentives to determine what is reasonable to include in rates.
- Not all executive compensation is included in rates. For instance, about 83% of the top 5 officers' compensation is included in rates. **Currently no incentive compensation is included in rates.**



Quick Facts

- One-half of a penny of every dollar that customers pay in rates goes toward all executive salaries .
- Not all executive compensation is included in rates, and **no incentive compensation is included in rates.**
- Avista employs more than 1,500 people who live, work and play in the communities where they serve.
- Over the next five years, Avista expects to invest about \$1.2 billion dollars to maintain a system that delivers safe, reliable service to more than one million people in three states.

Compare

Regional Power Company CEO Compensation Summary

Source: Company 2011 Proxy Statements

Company	Service Provided	States Served	2010 Total Compensation
IDACORP I (Idaho Power)	Electric	2	\$3,692,862
Avista	Electric & Natural Gas	3	\$3,245,967*
Northwest Natural Gas	Natural Gas	2	\$2,786,298
Portland General Electric	Electric	1	\$1,728,845

*Not all executive compensation is included in rates.

Executive compensation is tied to company performance

The annual and long-term incentives that are part of the total compensation package are paid to executives **only if performance goals are met**. These goals include customer service measures, such as customer satisfaction and reliability, and other financial performance goals.

It's important to customers that Avista remain financially sound and profitable because that's what allows us to deliver safe, reliable energy. It also allows us to borrow money to invest in the energy system at less cost, keeping costs reasonable for customers in the long run.

Avista executives oversee the safety and performance of more than 1,500 employees who deliver safe, reliable service to more than one million people in the three states we serve.

Avista hires talented people

Compensation and benefit levels help Avista hire and retain employees and leaders who stand up for the shared values that are important to Avista and the customers and communities we serve. **Strong leadership** contributes to making Avista a **stable company**, even in very challenging times. It also helps allow us to **continually invest in the energy system**, building and maintaining the wires, poles and pipes needed to deliver a vital service.

A system of checks and balances

Ultimately, the CEO and senior officers are held accountable for their operating decisions by regulators, shareholders, customers and employees. Balancing the needs of multiple groups in the communities we serve can be challenging. Yet this system of checks and balances often yields the best outcome for all concerned.

