

**PUBLIC UTILITY COMMISSION OF OREGON  
STAFF REPORT  
PUBLIC MEETING DATE: April 15, 2003**

REGULAR \_\_\_\_\_ CONSENT  X  EFFECTIVE DATE \_\_\_\_\_

**DATE:** April 9, 2003

**TO:** John Savage through Lee Sparling and Ed Busch

**FROM:** Ed Krantz

**SUBJECT:** AVISTA UTILITIES: Accept the Annual Budget of Expenditures for 2003

**STAFF RECOMMENDATION:**

I recommend that Avista Utilities' 2003 Annual Budget of Expenditures be accepted for accounting purposes only. Ratemaking treatment should be reserved for a ratemaking proceeding.

**DISCUSSION:**

Officers' Compensation

The attached Schedule 1 shows budgeted 2003 officers' salaries for Avista Utilities (Avista or Company). The Company's executive officers are budgeted to receive total salaries of \$2.49 million and total compensation of \$2.69 million, excluding potential payments from Avista's executive incentive compensation plan. Total compensation is 8.1 percent higher than in last year's budget. For comparable positions, total budgeted compensation increased by 5.4 percent. Schedule 2 shows budgeted salaries allocated to Oregon for 2003 are 1.5 percent higher than in 2002.

Schedule 3 shows total officers' cash compensation (including bonuses) for 1998 through 2002. Bonuses have been shown for the years they would normally have been paid. For example, 2002 bonuses, declared for the 2001 plan year, would normally be paid in 2002. Total cash compensation for comparable positions decreased by 3.4 percent in 2002.

On Schedule 4, officers' salary changes are compared to Consumer Price Index (CPI) changes for the years 1997 through 2002. The table shifts data between years in an effort to reflect proper matching. Since budgets present values at the beginning of the budget

year, the 2003 budget, for example, is shown on this table as 2002. As of the end of the period, salaries for comparable positions are 7.9 percent higher than they would have been if CPI percentage increases had been granted during the period. When bonuses are included, the difference from the CPI for comparable positions through 2001 is 28.0 percent lower. In a general rate case, staff typically proposes to exclude all officers' bonuses, and salary changes are limited to a percentage increase measuring cost changes, such as the CPI.

### Memberships and Dues

"Above-the-line" memberships and dues in utility industry, technical and professional organizations allocated to Oregon operations are budgeted at \$14,055 in 2003, compared with \$25,344 in 2002.

### Pensions

Avista's budget indicates that contributions to the plan for 2003 have not been determined, and all administration and actuarial costs will be paid directly from the pension fund. During 2001, the most recent report year available, employer contributions to the retirement plan were \$0.

### Political Activities

As with the 2002 budget, Avista's 2003 budget shows no proposed payments for political advertising, and \$58,000 is budgeted "below the line" for lobbyist and political contributions.

## **PROPOSED COMMISSION MOTION:**

Avista Utilities' 2003 Annual Budget of Expenditures be accepted for accounting purposes only. Ratemaking treatment should be reserved for a ratemaking proceeding.

### Attachments

AvistaBDG03