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Extravagance cited in testimony

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By Elaine Williams of the Tribune

Utilities commission staff offers ideas for trimming proposed rate hikes

A blue rectangular graphic with white text that reads "What's better than FREE?". The word "FREE" is in a larger, bold font and has a question mark at the end.

Cruises on Lake Coeur d'Alene and "extravagantly catered" meals are among the reasons staff of the Idaho Public Utilities Commission is suggesting Avista shift half of the \$1.2 million annually it spends for its board of directors from ratepayers to shareholders.

The recommendation is contained within almost 300 pages of testimony filed recently by IPUC staff suggesting how Avista could trim its proposed increases in electrical and gas rates.

"Because the board of directors' fiduciary responsibility is to protect shareholder value and the board serves at the behest of shareholders, who have the opportunity to elect or retain board members, it is reasonable for shareholders to pay at least half of the expenses for board fees, meeting and travel," according to the testimony of Donn English, a senior auditor in the utilities division of the IPUC.

The greatest share of the \$1.2 million compensates Avista's 10 board members, who make \$63,000 plus \$45,000 in stock annually, said Debbie Simock, a spokeswoman for Avista.

"Some board members fly to board meetings via first class and receive limousine transportation from the airport. Also board retreats consisted of extravagantly catered lunches and dinners along with cruises on Lake Coeur d'Alene," according to English's testimony.

The limousine ride and first class flight was for one board member one time, said Gene Fadness, a spokesman for the IPUC in Boise. Fadness declined to provide other details such as foods served because he said the audit is not a part of the public record.

Avista will review the audit when it receives it, and if it finds ratepayers paid for anything they shouldn't have, those costs will be shifted to shareholders, Simock said.

English also recommends removing about \$75,000 in expenses in the rate request. Among them are charitable contributions and donations, sponsorships for tables and booths and fundraising events, golf scrambles, sympathy flowers for employees, retirement and holiday parties and clothing with the Avista logo.

Simock said Avista will review those expenses as well and remove any that shouldn't be in the rate case.

The staff's testimony covers a broad range of other compensation issues such as the pay union employees receive and the fact Avista has a defined benefit retirement plan. About 45 percent of Avista's employees belong to a union. They received a 3.5 percent pay increase in 2008 and are getting a 4 percent pay increase in 2009, Simock said. The increase for 2010 hasn't been set yet.

At least some of those employees are entitled to other incentive pay, but that pay is tied directly to performance that helps customers such as ending outages as quickly as possible, Fadness said.

Avista has a defined benefit retirement plan that all full-time, permanent employees receive, Simock said.

The IPUC staff is recommending Avista consider other less costly options, but did not include any reductions in the retirement plan as a part of cutting the revenue Avista would receive, Fadness said. "The staff was definitely sending a signal. ... If the costs continue to increase and the company doesn't respond, the staff may recommend something more definitive in the future."

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