



Revised February 2007

## **COMPENSATION & ORGANIZATION COMMITTEE CHARTER**

### **I. PURPOSE**

The purpose of the Compensation & Organization Committee (“Committee”) of the Board of Directors (“Board”) of Avista Corporation (“Company”) is to be directly responsible for executive compensation, to produce a report that the rules and regulations of the Securities and Exchange Commission (“SEC”) require to be included in or incorporated by reference into the Company’s annual report and proxy statement, to oversee incentive, equity-based and other compensatory plans in which executive officers and key employees of the Company participate, and oversee the organizational structure and executive personnel of the Company.

### **II. COMPOSITION**

The Committee shall be comprised of three or more directors as determined by the Board. Members of the Committee shall be appointed to, and removed from, the Committee by the Board. All of the Committee members shall (i) satisfy the independence requirements of the New York Stock Exchange, (ii) qualify as “non-employee directors” for purposes of Rule 16b-3 under the Securities Act of 1934, and (iii) to the extent the Board has members meeting such qualifications, qualify as an “outside director” for purposes of Section 162(m) of the Internal Revenue Code of 1986, as amended.

### **III. MEETINGS**

The Committee shall meet at least four times annually, or more frequently as circumstances dictate.

### **IV. RESPONSIBILITIES AND DUTIES**

The Committee is charged by the Board with the responsibility to:

At Least Annually:

1. Develop and periodically review compensation policies and practices applicable to executive officers, including the criteria upon which executive compensation is based, the specific relationship of corporate performance to executive compensation and the composition in terms of base salary, deferred compensation and incentive or equity-based compensation and other benefits.
2. Review and approve corporate goals and objectives relevant to Chief Executive Officer (“CEO”) and the Chief Operating Officer (“COO”). Evaluate the CEO’s and COO’s performance in light of those goals and objectives, and determine and approve the CEO’s and COO’s compensation levels based on this evaluation. Report the approved

compensation to the full Board for their information. Consider and approve compensation, equity awards, and benefits of all other executive officers of the Company.

3. Make recommendations to the Board regarding executive compensation/benefit opportunities in an effort to ensure that the Company is positioned to hire, develop, reward, and retain the most competent executives possible. Set specific strategic corporate performance goals and establish short-term and long-term incentive opportunities that link corporate objectives with executive pay.
4. Supervise and evaluate incentive, equity-based and other compensatory plans in which executive officers and key employees participate, including approving guidelines and size of grants and awards, making grants and awards and imposing limitations and conditions on grants and awards.
5. Produce the Committee report as required by the SEC for inclusion in the Company's annual proxy statement. Review and discuss with management the Compensation Discussion and Analysis ("CD&A") and based upon such review and discussion, determine whether to recommend to the Board that the CD&A be included either in the Company's annual report on Form 10-K or its annual meeting proxy statement.
6. Review and approve any executive employment, severance, change-in-control or special or supplemental employee benefit agreements or arrangements, and any material amendments to any of the foregoing.
7. Oversee succession planning for the CEO, as well as other executive officers and key positions.
8. Review and assess this Charter, and submit to the Corporate Governance/Nominating Committee any recommended changes for review by the Corporate Governance/Nominating Committee. After such review by the Corporate Governance/Nominating Committee, recommend any changes to the Charter to the full board.
9. Perform a self-assessment relative to the Committee's purpose, duties, and responsibilities outlined herein.

Periodically:

10. Review management proposals with respect to organizational structure and executive personnel and make recommendations to the full Board, as appropriate.
11. Approve policy and maintain oversight responsibility for all administrative and design aspects for the pension, 401(k), deferred compensation, and other employee benefit plans. Review management's plans with respect to said employee benefit plans. If legally required, make recommendations to the full Board for approval. The Committee has established a Benefit Plan Administrative Committee (BPAC) for the primary purpose of overseeing administrative and investment matters related to various employee benefit plans. The BPAC regularly reports to the Compensation & Organization Committee regarding the execution of its responsibilities and duties.
12. Report to the Board on any significant matters arising from the Committee's work.

## **V. AUTHORITY**

By adopting this Charter, the Board delegates to the Committee full authority in its discretion to:

1. Perform each of the responsibilities of the Committee described above.
2. Delegate such of its authority and responsibilities as the Committee deems proper to members of the Committee or subcommittee.
3. Engage and terminate compensation consultants, independent counsel and such other advisers as the Committee determines necessary to carry out its responsibilities. Authority to select, retain, terminate and approve the fees or other retention term of any such consultant or adviser shall be vested solely in the Committee.