

## **CORPORATE GOVERNANCE/NOMINATING COMMITTEE CHARTER**

### **I. PURPOSE**

The Corporate Governance/Nominating Committee (“Governance/Nominating Committee” or the “Committee”) is established by the Board of Directors for the primary purpose of advising and making recommendations to the Board on corporate governance matters regarding:

- board structure (including committees) effectiveness,
- director nominations/recruitment/retention,
- directors compensation, and
- policies and procedures

The Committee will report annually to the Board regarding the execution of its duties and responsibilities.

### **II. COMPOSITION AND MEETINGS**

The Governance/Nominating Committee shall consist of four directors. All Committee members shall be independent directors (as defined by applicable rules and regulations), and free from any relationship (including disallowed compensatory arrangements) that, in the opinion of the Board, would interfere with the exercise of his or her independent judgment as a member of the Committee. Two directors from two separate classes of directors shall constitute the four members. However, a director whose term expires at the next Annual Meeting of Shareholders shall not serve on the Committee. (Per Avista Corp. Board resolution adopted May 11, 2001.)

At the invitation of the Committee, the Chief Executive Officer may serve in an advisory capacity to the Committee, but will not have the privilege of a vote.

The Committee shall meet at least four times annually, or more frequently as circumstances dictate. The Committee may engage internal and/or external advisors, including search firms used to identify director candidates, to provide information, analysis, and consultation to assist the Committee in carrying out its duties. The Committee will have the sole authority to approve such advisor’s fees and other retention terms.

### **III. RESPONSIBILITIES AND DUTIES**

To fulfill its responsibilities and duties, the Governance/Nominating Committee shall:

#### **Board Structure/Effectiveness**

1. At least annually, review and make recommendations regarding board composition, board organizational structure (including committees), and practices of the board including desired qualifications of directors and committee members; board size; the types, responsibilities, and size of board committees; director retirement policy; director retention; director term limits (if any), etc.

2. Make recommendations to the Board on committee membership and the chair of each committee.
3. Develop/update board guidelines and procedures to be used in evaluating board effectiveness.
4. Serve as a forum for ideas and suggestions to help ensure effectiveness. Make recommendations to the full board as appropriate.
5. Review (at least every two years) board committee charters to ensure that responsibilities are appropriately reflected and that there is no duplication. Consult with committees, as appropriate. Recommend any revisions to charters to respective committees.

#### **Director Nominations/Recruitment/Retention**

6. Review qualifications and consider performance of incumbent directors in determining whether to recommend such directors for re-election to the board.
7. Consult with directors whose terms are expiring in connection with an Annual Meeting of Shareholders to affirm their continued interest and/or availability to serve as a director.
8. If advisable, recommend to the full board removal of a director.
9. Evaluate any potential conflicts of incumbent or prospective board members (e.g., interlocking directorships, business relationships).
10. Develop and update, as appropriate, guidelines for recruitment and selection of directors to better prepare the board to identify corporate needs as director retirements/vacancies occur and as the needs of the business change in order to bring the desired knowledge, experience, and expertise to the board.
11. Develop a list of potential director candidates for consideration in the event of a vacancy on the board and update list as appropriate. Seek out possible candidates and otherwise aid in attracting highly qualified candidates as directors.
12. Review any nominees proposed by shareholders in accordance with the provisions set forth in the Bylaws.
13. Present recommendations for director nominees to the full board for approval.

#### **Director Compensation**

14. Recommend to the full board the amount and form of annual retainer (cash and/or stock), meeting fees, stock options, and any other compensation or benefits to be paid to directors. Periodically review compensation of directors of subsidiaries.
15. Review directors' compensation at least every two years.

#### **Other**

16. Review the Company's corporate governance guidelines and recommend to the Board such changes as may be appropriate.

17. Review adequacy of information provided to directors on an ongoing basis and in conjunction with board meetings.
18. Review adequacy of number of Board and Committee meetings.
19. Recommend guidelines to help ensure appropriate level of oversight as it relates to subsidiaries; recommend Avista Corp. board representatives to serve on the Boards of Directors of significant Avista Corp. subsidiaries.
20. Annually, perform a self-assessment relative to the Committee's purpose, duties and responsibilities outlined herein.
21. Oversee the process of the Board's self-evaluation and of the Board's evaluation of management.
22. Undertake such additional activities within the scope of its primary functions as the Committee may determine from time to time.
23. The Chair of the Governance/Nominating Committee has been designated by the Board to serve as the lead director with respect to executive sessions held by the Board when employee directors are not present.

#### **IV. PROCESS FOR SELECTING BOARD CANDIDATES**

The Board or the Governance/Nominating Committee will consider any candidate proposed in good faith by a shareholder.

In evaluating director nominees, the Committee considers the following, among other criteria:

- the appropriate size of the Company's Board of Directors;
- the needs of the Company with respect to the particular talents and experience of its directors;
- the knowledge, skills and executive leadership experience of nominees, as well as working experience at the executive leadership level in his/her field of expertise;
- familiarity with the energy/utility industry;
- recognition by other leaders as a person of integrity and outstanding professional competence with a proven record of accomplishments;
- experience in the regulatory arena;
- knowledge of the business of, and/or facilities for, the generation, transmission, and/or distribution of electric energy;
- enhance the diversity and perspective of the Board; and
- knowledge of the customers, community and employee base.

The Committee's goal is to assemble a Board of Directors that brings together a variety of perspectives and skills derived from high quality business and professional experience. The Committee may also consider such other factors as it may deem are in the best interests of the Company and its shareholders. It has been deemed appropriate for at least one, and preferably several, members of the Board to meet the criteria for an "Audit Committee Financial Expert" as defined by SEC rules.

The Committee identifies nominees by first evaluating the current members of the Board willing to continue in service. Current members of the Board with skills and experience that are relevant to the Company's business and who are willing to continue in service are considered for re nomination. If any member of the Board does not wish to continue in service or if the Committee decides not to nominate a member for re-election, the Committee then identifies the desired skills and experience of a new nominee in light of the criteria set forth above. Current members of the Board of Directors are polled for suggestions as to individuals meeting the criteria described above. The Committee may also consider candidates recommended by management, employees, or others. The Committee may also, at its discretion, engage executive search firms to identify qualified individuals.