



**Avista Corp.**

1411 East Mission P.O. Box 3727  
Spokane, Washington 99220-0500  
Telephone 509-489-0500  
Toll Free 800-727-9170

April 16, 2018

Public Utility Commission of Oregon  
201 High St SE  
Suite 100  
Salem, OR 97301

Attention: Filing Center

*RE: UM 1897 (Application of Hydro One to Exercise Influence)/Settlement in the Idaho  
Merger Proceedings*

Please find attached an electronic copy of the Stipulation and Settlement in the Hydro One/Avista Merger case in Idaho (Case AVU-E-17-09/AVU-G-17-05).

Sincerely,

/s/ Paul Kimball

Paul Kimball  
Regulatory Analyst

Enclosure

David J. Meyer, Esq.  
Vice President and Chief Counsel of  
Regulatory and Governmental Affairs  
Avista Corporation  
1411 E. Mission Avenue  
P.O. Box 3727  
Spokane, Washington 99220  
Phone: (509) 495-4316, Fax: (509) 495-8851

Elizabeth Thomas, Partner  
Kari Vander Stoep, Partner  
K&L Gates LLP  
On Behalf of Hydro One Limited  
Olympus Equity LLC  
925 Fourth Avenue, Suite 2900  
Seattle, WA 98104-1158  
Liz.thomas@klgates.com  
kari.vanderstoep@klgates.com

Brandon Karpen  
Deputy Attorney General  
Idaho Public Utilities Commission Staff  
P.O. Box 83720  
Boise, ID 83720-0074  
Phone: (208) 334-0312, Fax: (208) 334-3762

**BEFORE THE IDAHO PUBLIC UTILITIES COMMISSION**

---

|                                |   |                                   |
|--------------------------------|---|-----------------------------------|
| IN THE MATTER OF THE JOINT     | ) |                                   |
| APPLICATION OF HYDRO ONE       | ) | CASE NO. AVU-E-17-09              |
| LIMITED AND AVISTA CORPORATION | ) | AVU-G-17-05                       |
| FOR APPROVAL OF MERGER         | ) |                                   |
| AGREEMENT                      | ) | <b>STIPULATION AND SETTLEMENT</b> |

---

This Settlement Stipulation and Agreement (hereinafter “Stipulation”) is entered into by and among the following parties in this case: Hydro One Limited (“Hydro One”), acting through its indirect, wholly-owned subsidiary Olympus Equity LLC, and Avista Corporation (“Avista”) (sometimes hereafter jointly referred to as “Joint Applicants” or the “Companies”), the Staff of the Idaho Public Utilities Commission (“Staff”), Clearwater Paper Corporation (“Clearwater”), Idaho Forest Group, LLC (“Idaho Forest Group”), Idaho Conservation League (“ICL”), the Community Action Partnership Association of Idaho (“CAPAI”) and the Washington and Northern Idaho District Council of Laborers (WNIDCL). These entities are collectively referred to as the “Parties,” and represent all of the parties in the above-referenced cases. The Settling

Parties understand this Stipulation is subject to approval by the Idaho Public Utilities Commission ("IPUC" or the "Commission").

## **I. INTRODUCTION**

1. The terms and conditions of this Stipulation are set forth herein. The Parties agree that this Stipulation represents a fair, just and reasonable compromise of all the issues raised in the proceeding, is in the public interest and its acceptance by the Commission represents a reasonable resolution of the multiple issues identified in this case. The Parties, therefore, recommend that the Commission, in accordance with RP 274, approve the Stipulation and all of its terms and conditions without material change or condition.

## **II. BACKGROUND**

2. On July 19, 2017, Avista announced that it had entered into a merger agreement with Hydro One. On September 14, 2017, the Joint Applicants filed the above-captioned Joint Application for approval of the merger. Approval of the Joint Application would result in Avista becoming a wholly-owned subsidiary of a Hydro One holding company. The Joint Applicants have requested approval by August 14, 2018, and have made the same request in other state jurisdictions.

3. Petitions to intervene in this proceeding were filed by Clearwater, Idaho Forest Group, Idaho Conservation League, CAPAI and the WNIDCL. The Commission granted these interventions through IPUC Order Nos. 33914, 33916 and 33932.

4. A settlement conference was noticed and held in the Commission offices on April 4, 2018, and was attended by the Parties to this case. As a compromise of positions in this case, and for other consideration as set forth below, the Parties agree to the following terms:

### **III. TERMS OF THE STIPULATION AND SETTLEMENT**

5. Overview of Settlement. The Parties agree that Exhibit A contains the complete list of Commitments that Joint Applicants collectively and individually agree to make in exchange for the support of the Parties in this proceeding (hereinafter referred to as "Commitments"). The Commitments are comprised of general Commitments applicable to all the states in which Avista's service territory extends and Idaho-specific Commitments which apply only to the activities and operations of Joint Applicants within Idaho. By virtue of executing this Stipulation, the Joint Applicants agree to perform all of the Commitments set forth in Exhibit A according to the provisions of each Commitment, as set forth therein.

6. In the process of obtaining approvals of the Proposed Transaction in other states, the Commitments may be expanded or modified as a result of regulatory decisions or settlements. The Joint Applicants agree as set forth in Commitment No. 74 of Exhibit A hereto that the Commission shall have an opportunity and the authority to consider and adopt in Idaho any commitments or conditions adopted elsewhere to which the Joint Applicants agree, even if such Commitments and conditions are agreed to after the Commission enters its order in this docket. To facilitate the Commission's consideration and adoption of the commitments and conditions from other jurisdictions, the Parties urge the Commission to issue an order accepting this Stipulation as soon as practical, but to reserve in such order the explicit right to re-open Exhibit A to add (without modification of the language thereof except such non-substantive changes as are necessary to make the commitment or condition applicable to Idaho) commitments and conditions accepted in another state jurisdiction, subject to the limitations set forth in Commitment No. 74 of Exhibit A. To provide input to the Commission to facilitate a prompt decision regarding the desirability or lack of desirability for these out-of-state

commitments and conditions to be adopted in Idaho, the Parties agree to and recommend the following process, which is set forth in Commitment No. 74 of Exhibit A hereto:

- Within five calendar days after Applicants file a stipulation with new or amended commitments with a commission in another state jurisdiction, Applicants will send a copy of the stipulation and commitments to the Non-Applicant Parties.
- Within five calendar days after a commission in another state jurisdiction issues an order that accepts a stipulation to which Applicants are a party and imposes new or modified commitments, that order, together with all commitments of any type agreed to by Applicants in such other state, will be filed with the Commission and served on all parties to this docket by the most expeditious means practical.
- Within ten calendar days after the last such filing from the other states (“Final Filing”), the Non-Applicant Parties may file with the Commission any response they wish to make, including their position as to whether any of the covenants, commitments and conditions from the other jurisdictions (without modification of the language thereof except such non-substantive changes as are necessary to make the commitment or condition applicable to Idaho) should be adopted in Idaho.
- Within five calendar days after any such response filing, the Applicants may file a reply with the Commission.
- If any of the dates above fall on Saturday, Sunday, or a holiday, the next business day will be considered as the due date.
- The Parties agree to support in their filings the issuance by the Commission of an order regarding the adoption of such commitments as soon as practical thereafter, recognizing that the Proposed Transaction cannot close until final state orders have been issued approving the Proposed Transaction.

#### **IV. OTHER GENERAL PROVISIONS**

7. The Parties, by signing this Stipulation, acknowledge that the Joint Applicants have satisfied the standard under Idaho Code Section 61-328 for approval of the Proposed Transaction and request that the Commission issue its order approving the Joint Application and this Stipulation. The Parties encourage the Commission to enter a final Idaho approval order by no later than August 14, 2018.

8. The Parties submit this Stipulation to the Commission and recommend approval in its entirety pursuant to RP 274. Parties shall support this Stipulation before the Commission, and no Party shall appeal a Commission Order approving the Stipulation or an issue resolved by the Stipulation. If this Stipulation is challenged by any person not a party to the Stipulation, the Parties to this Stipulation reserve the right to file testimony, cross-examine witnesses and put on such case as they deem appropriate to respond fully to the issues presented, including the right to raise issues that are incorporated in the settlement terms embodied in this Stipulation. Notwithstanding this reservation of rights, the Parties to this Stipulation agree that they will continue to support the Commission's adoption of the terms of this Stipulation.

9. The Parties agree that this Stipulation represents a compromise of the positions of the Parties in this case. As provided in RP 272, other than any testimony filed in support of the approval of this Stipulation, and except to the extent necessary for a Party to explain before the Commission its own statements and positions with respect to the Stipulation, all statements made and positions taken in negotiations relating to this Stipulation shall be confidential and will not be admissible in evidence in this or any other proceeding.

10. If the Commission rejects any part or all of this Stipulation or imposes any additional material conditions on approval of this Stipulation, each Party reserves the right, upon written notice to the Commission and the other Parties to this proceeding, within 14 days of the date of such action by the Commission, to withdraw from this Stipulation. In such case, no Party shall be bound or prejudiced by the terms of this Stipulation, and each Party shall be entitled to seek reconsideration of the Commission's order, file testimony as it chooses, cross-examine witnesses, and do all other things necessary to put on such case as it deems appropriate. In such case, the Parties immediately will request the prompt reconvening of a prehearing conference for

purposes of establishing a procedural schedule for the completion of the case, in accordance with law.

11. The Parties agree that this Stipulation is in the public interest and that all of its terms and conditions are fair, just and reasonable.


12. No Party shall be bound, benefited or prejudiced by any position asserted in the negotiation of this Stipulation, except to the extent expressly stated herein, nor shall this Stipulation be construed as a waiver of the rights of any Party unless such rights are expressly waived herein. Execution of this Stipulation shall not be deemed to constitute an acknowledgment by any Party of the validity or invalidity of any particular method, theory or principle of regulation or cost recovery. No Party shall be deemed to have agreed that any method, theory or principle of regulation or cost recovery employed in arriving at this Stipulation is appropriate for resolving any issues in any other proceeding in the future. No findings of fact or conclusions of law other than those stated herein shall be deemed to be implicit in this Stipulation.

13. The obligations of the Parties under this Stipulation are subject to the Commission's approval of this Stipulation in accordance with its terms and conditions and upon such approval being upheld on appeal, if any, by a court of competent jurisdiction.

14. This Stipulation may be executed in counterparts and each signed counterpart shall constitute an original document.

DATED this \_\_\_\_ day of April, 2018.

**HYDRO ONE LIMITED**

By:   
Elizabeth Thomas, Partner, K&L Gates LLP  
Kari Vander Stoep, Partner, K&L Gates LLP  
On Behalf of Hydro One Limited and  
Olympus Equity LLC

**AVISTA CORPORATION**

By:   
David J. Meyer  
Attorney for Avista Corporation

**STAFF OF THE IDAHO PUBLIC UTILITIES COMMISSION**

By: \_\_\_\_\_  
Brandon Karpen  
Deputy Attorney General

**CLEARWATER PAPER CORPORATION**

By: \_\_\_\_\_  
Peter Richardson / Greg Adams  
Attorneys for Clearwater Paper

**IDAHO FOREST GROUP, LLC**

By: \_\_\_\_\_  
Ron L. Williams  
Attorney for Idaho Forest Group, LLC

**IDAHO CONSERVATION LEAGUE**

By: \_\_\_\_\_  
Benjamin Otto  
Idaho Conservation League

**WASHINGTON AND NORTHERN IDAHO DISTRICT COUNCIL OF LABORERS**

By: \_\_\_\_\_  
Danielle Franco-Malone  
Schwerin Campbell Barnard Iglitzin & Lavitt,  
LLP

**COMMUNITY ACTION PARTNERSHIP ASSOCIATION OF IDAHO**

By: \_\_\_\_\_  
Brad Purdy  
Attorney for CAPAI




**HYDRO ONE LIMITED**

By: \_\_\_\_\_  
Elizabeth Thomas, Partner, K&L Gates LLP  
Kari Vander Stoep, Partner, K&L Gates LLP  
On Behalf of Hydro One Limited and  
Olympus Equity LLC

**AVISTA CORPORATION**

By: \_\_\_\_\_  
David J. Meyer  
Attorney for Avista Corporation

**STAFF OF THE IDAHO PUBLIC UTILITIES COMMISSION**

For: By:  4/13/2018  
Brandon Karpen  
Deputy Attorney General

**CLEARWATER PAPER CORPORATION**

By: \_\_\_\_\_  
Peter Richardson / Greg Adams  
Attorneys for Clearwater Paper

**IDAHO FOREST GROUP, LLC**

By: \_\_\_\_\_  
Ron L. Williams  
Attorney for Idaho Forest Group, LLC

**IDAHO CONSERVATION LEAGUE**

By: \_\_\_\_\_  
Benjamin Otto  
Idaho Conservation League

**WASHINGTON AND NORTHERN IDAHO DISTRICT COUNCIL OF LABORERS**

By: \_\_\_\_\_  
Danielle Franco-Malone  
Schwerin Campbell Barnard Iglitzin & Lavitt,  
LLP

**COMMUNITY ACTION PARTNERSHIP ASSOCIATION OF IDAHO**

By: \_\_\_\_\_  
Brad Purdy  
Attorney for CAPAI

**HYDRO ONE LIMITED**

By: \_\_\_\_\_  
Elizabeth Thomas, Partner, K&L Gates LLP  
Kari Vander Stoep, Partner, K&L Gates LLP  
On Behalf of Hydro One Limited and  
Olympus Equity LLC

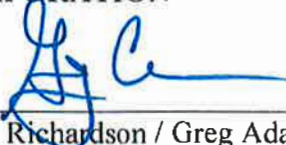
**AVISTA CORPORATION**

By: \_\_\_\_\_  
David J. Meyer  
Attorney for Avista Corporation

**STAFF OF THE IDAHO PUBLIC  
UTILITIES COMMISSION**

By: \_\_\_\_\_  
Brandon Karpen  
Deputy Attorney General

**CLEARWATER PAPER  
CORPORATION**

By:  \_\_\_\_\_  
Peter Richardson / Greg Adams  
Attorneys for Clearwater Paper

**IDAHO FOREST GROUP, LLC**

By: \_\_\_\_\_  
Ron L. Williams  
Attorney for Idaho Forest Group, LLC

**IDAHO CONSERVATION LEAGUE**

By: \_\_\_\_\_  
Benjamin Otto  
Idaho Conservation League

**WASHINGTON AND NORTHERN  
IDAHO DISTRICT COUNCIL OF  
LABORERS**

By: \_\_\_\_\_  
Danielle Franco-Malone  
Schwerin Campbell Barnard Iglitzin & Lavitt,  
LLP

**COMMUNITY ACTION PARTNERSHIP  
ASSOCIATION OF IDAHO**

By: \_\_\_\_\_  
Brad Purdy  
Attorney for CAPAI

**HYDRO ONE LIMITED**

By: \_\_\_\_\_  
Elizabeth Thomas, Partner, K&L Gates LLP  
Kari Vander Stoep, Partner, K&L Gates LLP  
On Behalf of Hydro One Limited and  
Olympus Equity LLC

**AVISTA CORPORATION**

By: \_\_\_\_\_  
David J. Meyer  
Attorney for Avista Corporation

**STAFF OF THE IDAHO PUBLIC  
UTILITIES COMMISSION**

By: \_\_\_\_\_  
Brandon Karpen  
Deputy Attorney General

**CLEARWATER PAPER  
CORPORATION**

By: \_\_\_\_\_  
Peter Richardson / Greg Adams  
Attorneys for Clearwater Paper

**IDAHO FOREST GROUP, LLC**

By: Ron Williams  
Ronald L. Williams  
Attorney for Idaho Forest Group, LLC

**IDAHO CONSERVATION LEAGUE**

By: \_\_\_\_\_  
Benjamin Otto  
Idaho Conservation League

**WASHINGTON AND NORTHERN  
IDAHO DISTRICT COUNCIL OF  
LABORERS**

By: \_\_\_\_\_  
Danielle Franco-Malone  
Schwerin Campbell Barnard Iglitzin & Lavitt,  
LLP

**COMMUNITY ACTION PARTNERSHIP  
ASSOCIATION OF IDAHO**

By: \_\_\_\_\_  
Brad Purdy  
Attorney for CAPAI

**HYDRO ONE LIMITED**

By: \_\_\_\_\_  
Elizabeth Thomas, Partner, K&L Gates LLP  
Kari Vander Stoep, Partner, K&L Gates LLP  
On Behalf of Hydro One Limited and  
Olympus Equity LLC

**AVISTA CORPORATION**

By: \_\_\_\_\_  
David J. Meyer  
Attorney for Avista Corporation

**STAFF OF THE IDAHO PUBLIC UTILITIES COMMISSION**

By: \_\_\_\_\_  
Brandon Karpen  
Deputy Attorney General

**CLEARWATER PAPER CORPORATION**

By: \_\_\_\_\_  
Peter Richardson / Greg Adams  
Attorneys for Clearwater Paper


**IDAHO FOREST GROUP, LLC**

By: \_\_\_\_\_  
Ron L. Williams  
Attorney for Idaho Forest Group, LLC

**IDAHO CONSERVATION LEAGUE**

By: \_\_\_\_\_  
Benjamin Otto  
Idaho Conservation League

**WASHINGTON AND NORTHERN IDAHO DISTRICT COUNCIL OF LABORERS**

By:  \_\_\_\_\_  
Danielle Franco-Malone  
Schwerin Campbell Barnard Iglitzin & Lavitt, LLP

**COMMUNITY ACTION PARTNERSHIP ASSOCIATION OF IDAHO**

By: \_\_\_\_\_  
Brad Purdy  
Attorney for CAPAI

**HYDRO ONE LIMITED**

By: \_\_\_\_\_  
Elizabeth Thomas, Partner, K&L Gates LLP  
Kari Vander Stoep, Partner, K&L Gates LLP  
On Behalf of Hydro One Limited and  
Olympus Equity LLC

**AVISTA CORPORATION**

By: \_\_\_\_\_  
David J. Meyer  
Attorney for Avista Corporation

**STAFF OF THE IDAHO PUBLIC UTILITIES COMMISSION**

By: \_\_\_\_\_  
Brandon Karpen  
Deputy Attorney General

**CLEARWATER PAPER CORPORATION**

By: \_\_\_\_\_  
Peter Richardson / Greg Adams  
Attorneys for Clearwater Paper

**IDAHO FOREST GROUP, LLC**

By: \_\_\_\_\_  
Ron L. Williams  
Attorney for Idaho Forest Group, LLC

**IDAHO CONSERVATION LEAGUE**

By:  \_\_\_\_\_  
Benjamin Otto  
Idaho Conservation League

**WASHINGTON AND NORTHERN IDAHO DISTRICT COUNCIL OF LABORERS**

By: \_\_\_\_\_  
Danielle Franco-Malone  
Schwerin Campbell Barnard Iglitzin & Lavitt,  
LLP

**COMMUNITY ACTION PARTNERSHIP ASSOCIATION OF IDAHO**

By:  \_\_\_\_\_  
Brad Purdy  
Attorney for CAPAI

**Exhibit A**

**MASTER LIST OF COMMITMENTS IN IDAHO**

**Table of Contents**

|   | Page     |
|---|----------|
| <b>Reservation of Certain Authority to the Avista Board of Directors .....</b>    | <b>4</b> |
| 1. Authority Reserved: .....  | 4        |
| 2. Executive Management:.....   | 4        |
| 3. Board of Directors: .....  | 4        |
| 4. Avista’s Brand and Plan for the Operation of the Business: .....               | 5        |
| 5. Capital Investment for Economic Development:.....                              | 5        |
| 6. Continued Innovation: .....  | 5        |
| 7. Union Relationships:.....  | 5        |
| 8. Compensation and Benefits: .....   | 5        |
| 9. Avista’s Headquarters:.....  | 5        |
| 10. Local Staffing: .....   | 5        |
| 11. Community Contributions: .....  | 5        |
| 12. Community Involvement: .....  | 6        |
| 13. Economic Development:.....  | 6        |
| 14. Membership Organizations:.....  | 6        |
| 15. Safety and Reliability Standards and Service Quality Measures:.....           | 6        |
| <b>Rate Commitments .....</b>   | <b>6</b> |
| 16. Treatment of Net Cost Savings:.....   | 6        |
| 17. Treatment of Transaction Costs:.....  | 6        |
| 18. Travel Expenses:.....   | 7        |
| 19. Rate Credits:.....  | 7        |
| <b>Regulatory Commitments .....</b>   | <b>9</b> |
| 20. State Regulatory Authority and Jurisdiction:.....                             | 9        |
| 21. Compliance with Existing Commission Orders:.....                              | 9        |
| 22. Separate Books and Records:.....  | 9        |
| 23. Access to and Maintenance of Books and Records: .....                         | 9        |
| 24. Cost Allocations Related to Corporate Structure and Affiliate Interests:..... | 10       |

## Exhibit A

|  |           |
|--|-----------|
| 25. Ratemaking Cost of Debt and Equity: .....  | 11        |
| 26. Avista Capital Structure:.....   | 12        |
| 27. FERC Reporting Requirements: .....   | 12        |
| 28. Participation in National and Regional Forums:.....                                  | 12        |
| 29. Treatment of Confidential Information:.....  | 12        |
| 30. Commission Enforcement of Commitments:.....  | 12        |
| 31. Submittal to State Court Jurisdiction for Enforcement of Commission Orders: .....    | 12        |
| 32. Annual Report on Commitments: .....  | 12        |
| 33. Commitments Binding:.....  | 13        |
| <b>Financial Integrity Commitments .....</b>   | <b>13</b> |
| 34. Capital Structure Support:.....  | 13        |
| 35. Utility-Level Debt and Preferred Stock: .....  | 13        |
| 36. Continued Credit Ratings:.....   | 13        |
| 37. Credit Ratings Notification: .....   | 13        |
| 38. Restrictions on Upward Dividends and Distributions: .....                            | 13        |
| 39. Pension Funding: .....   | 14        |
| 40. SEC Reporting Requirements: .....  | 14        |
| 41. Compliance with the Sarbanes-Oxley Act:.....   | 14        |
| <b>Ring-Fencing Commitments .....</b>  | <b>14</b> |
| 42. Golden Share:.....   | 14        |
| 43. Independent Directors:.....  | 14        |
| 44. Non-Consolidation Opinion:.....  | 15        |
| 45. Olympus Equity LLC:.....   | 16        |
| 46. Restriction on Pledge of Utility Assets:.....  | 16        |
| 47. Hold Harmless; Notice to Lenders; Restriction on Acquisitions and Dispositions:..... | 16        |
| 48. Olympus Holding Corp. and Olympus Equity LLC Sub-entities: .....                     | 17        |
| 49. No Amendment of Ring-Fencing Provisions:.....  | 17        |
| 50. No Inter Company Debt:.....  | 18        |
| 51. No Inter Company Lending: .....  | 18        |
| <b>Resource Planning Commitments .....</b>   | <b>18</b> |
| 52. Renewable Energy Resources:.....   | 18        |

**Exhibit A**

53. Regulatory Integrated Resource Planning (IRP) Sideboards:.....18

54. Energy Imbalance Market (“EIM”): .....19

55. Transport Electrification: .....19

**Environmental Commitments.....19**

56. Greenhouse Gas and Carbon Initiatives:.....19

57. Greenhouse Gas Inventory Report:.....19

**Energy Efficiency, Weatherization, Community and Low-Income Assistance Commitments .....19**

58. Funding for Energy Efficiency, Weatherization, Conservation, and Low-Income Assistance Programs: .....19

59. Clearwater Paper DSM Assistance: .....20

60. Idaho Forest Group (IFG) DSM Assistance: .....20

61. Community Contributions: .....21

62. Addressing Other Low-Income Customer Issues: .....21

63. Fee Free Payment Program:.....21

64. Improve Penetration of Low-Income Programs: .....21

65. Tribal Communities: .....21

**Miscellaneous Commitments .....21**

66. Sources of Funds for Hydro One Commitments: .....21

67. Service Rules for Gas Utilities:.....21

68. Meters: .....22

69. Colstrip Planning: .....22

70. Montana Community Transition Fund: .....22

71. Colstrip Transmission Planning:.....22

72. Contract Labor: .....23

73. Most Favored Nations:.....23



## Exhibit A

### Reservation of Certain Authority to the Avista Board of Directors

1. **Authority Reserved:** Consistent with and subject to the terms of Exhibits A and B to the Merger Agreement (referred to as “Delegation of Authority”) contained in Appendix 5 of the Joint Application, decision-making authority over commitments 2-15 below is reserved to the Board of Directors of Avista Corporation (“Avista”) and not to Hydro One. Any change to the policies stated in commitments 2-15 requires a two-thirds (2/3) vote of the Avista Board, provided that Avista must obtain approval for such changes from all regulatory bodies with jurisdiction over the Commitments before such changes can go into effect, and provide written notice to all parties to Case No. AVU-E-17-09/AVU-G-17-05 of such request for approval:

### Governance

2. **Executive Management:** Avista will seek to retain all current executive management of Avista, subject to voluntary retirements that may occur. This commitment will not limit Avista’s ability to determine its organizational structure and select and retain personnel best able to meet Avista’s needs over time. The Avista board retains the ability to dismiss executive management of Avista and other Avista personnel for standard corporate reasons (subject to the approval of Hydro One Limited (“Hydro One”) for any hiring, dismissal or replacement of the CEO);
3. **Board of Directors:** After the closing of the Proposed Transaction, Avista’s board will consist of nine (9) members, determined as follows: (i) two (2) directors designated by Hydro One who are executives of Hydro One or any of its subsidiaries; (ii) three (3) directors who meet the standards for “independent directors” - under section 303A.02 of the New York Stock Exchange Listed Company Manual (the “Independent Directors”) and who are residents of the Pacific Northwest region, to be designated by Hydro One (collectively, the directors designated in clauses (i) and (ii) hereof, the “Hydro One Designees”), subject to the provisions of Clause 2 of Exhibit A to the Merger Agreement; (iii) three (3) directors who as of immediately prior to the closing of the Proposed Transaction<sup>1</sup> are members of the Board of Directors of Avista, including the Chairman of Avista’s Board of Directors (if such person is different from the Chief Executive Officer of Avista); and (iv) Avista’s Chief Executive Officer (collectively, the directors designated in clauses (iii) and (iv) hereof, the “Avista Designees”). The initial Chairman of Avista’s post-closing Board of Directors shall be the Chief Executive Officer of Avista as of the time immediately prior to closing for a one year term. If any Avista Designee resigns, retires or otherwise ceases to serve as a director of Avista for any reason, the remaining Avista

---

<sup>1</sup> “Proposed Transaction” means the transaction proposed in the Joint Application of Avista and Hydro One filed on September 14, 2017.

## Exhibit A

Designees shall have the sole right to nominate a replacement director to fill such vacancy, and such person shall thereafter become an Avista Designee.

The term “Pacific Northwest region” means the Pacific Northwest states in which Avista serves retail electric or natural gas customers, currently Alaska, Idaho, Montana, Oregon and Washington;

### Business Operations

4. **Avista’s Brand and Plan for the Operation of the Business:** Avista will maintain Avista’s brand and Avista will establish the plan for the operation of the business and its Subsidiaries;
5. **Capital Investment for Economic Development:** Avista will maintain its existing levels of capital allocations for capital investment in strategic and economic development items, including property acquisitions in the university district, support of local entrepreneurs and seed-stage investments;
6. **Continued Innovation:** Avista will continue development and funding of its and its subsidiaries’ innovation activities;
7. **Union Relationships:** Avista will honor its labor contracts and has the authority to negotiate, enter into, modify, amend, terminate or agree to changes in any collective bargaining agreement or any of Avista’s other material contracts with any labor organizations, union employees or their representatives;
8. **Compensation and Benefits:** Avista will maintain compensation and benefits related practices consistent with the requirements of the Merger Agreement;

### Local Presence/Community Involvement

9. **Avista’s Headquarters:** Avista will, and Hydro One agrees Avista will, maintain (a) its headquarters in Spokane, Washington; (b) Avista’s office locations in each of its other service territories, and (c) no less of a significant presence in the immediate location of each of such office locations than what Avista and its subsidiaries maintained immediately prior to completion of the Proposed Transaction;
10. **Local Staffing:** Avista will maintain Avista Utilities’ staffing and presence in the communities in which Avista operates at levels sufficient to maintain the provision of safe and reliable service and cost-effective operations and consistent with pre-acquisition levels;
11. **Community Contributions:** For five years after the close of the Proposed Transaction, Avista will maintain a \$4,000,000 annual budget for charitable contributions (funded by both Avista and the Avista Foundation) and additionally, a \$2,000,000 annual contribution will be made to Avista’s charitable foundation. No approval from any regulatory bodies with jurisdiction over the Commitments is

## Exhibit A

- required for any changes to this commitment from and after the sixth year following closing; however any such changes will continue to require a two-thirds (2/3) vote of the Avista Board. Avista agrees it will endeavor, over time, to distribute this annual budget across the service territory in proportion to each state's portion of the system;<sup>2</sup>
12. **Community Involvement:** Avista will maintain at least Avista's existing levels of community involvement and support initiatives in its service territories; including involvement with low-income service agencies and support initiatives;
  13. **Economic Development:** Avista will maintain at least Avista's existing levels of economic development, including the ability of Avista to spend operations and maintenance funds<sup>3</sup> to support regional economic development and related strategic opportunities in a manner consistent with Avista's past practices;
  14. **Membership Organizations:** Avista will maintain the dues paid by it to various industry trade groups and membership organizations; and
  15. **Safety and Reliability Standards and Service Quality Measures:** Avista has established Service Quality Performance Standards, Customer Guarantees and a Service Quality Measure Report Card for its customers in Washington. Avista is currently working with the Idaho Commission Staff to develop similar performance standards, customer guarantees and a reporting mechanism for its customers in Idaho. Following Idaho Commission approval of such standards, customer guarantees and a reporting mechanism, Avista will not seek, and Hydro One agrees Avista will not seek, to remove or reduce any associated penalty provisions for ten (10) years after the date of the merger.

### Rate Commitments

16. **Treatment of Net Cost Savings:** Any net cost savings that Avista may achieve as a result of the Proposed Transaction will be reflected in subsequent rate proceedings, as such savings materialize. To the extent the savings are reflected in base retail rates they will offset the Rate Credit to customers, up to the offsetable portion of the Rate Credit.
17. **Treatment of Transaction Costs:**

---

<sup>2</sup> Note that Commitment 61 contains an additional commitment relating to charitable contributions; pursuant to that commitment Hydro One will cause Avista to make a one-time contribution of \$7,000,000 to Avista's charitable foundation at or promptly following closing of the Proposed Transaction.

<sup>3</sup> Operations and maintenance funds dedicated to economic development and non-utility strategic opportunities will be recorded below-the-line to a nonoperating account.

## Exhibit A

- a. Costs associated with the Proposed Transaction will be separately tracked as non-utility costs with no charges, either allocated or direct, to be recovered from Avista customers. After the consummation of the Proposed Transaction, any remaining transaction costs or other costs of Olympus Holding Corp. or Hydro One will not appear on Avista's utility books, i.e. such costs will be recorded as non-utility. Avista shall furnish the Commission with journal entries and supporting detail showing the nature and amount of all costs of the Proposed Transaction (including but not limited to management time, BOD time, in-house and outside counsel time, any consultants engaged, etc.) since the Proposed Transaction was first contemplated, as well as the accounts charged, within 120 days of a Commission order in this docket.
  - b. Avista will exclude, and Hydro One agrees Avista will exclude, from Avista general rate cases, or any other method of cost recovery, all costs related to the Proposed Transaction including but not limited to: (i) all legal work from in-house counsel and outside counsel; (ii) any financial advisory fees associated with the Proposed Transaction; (iii) the acquisition premium; (iv) costs related to M&A consulting and advice (v) preparation of and materials for presentations relating to the Proposed Transaction (vi) any senior executive compensation or any Avista board of director time tied to a change of control of Avista; and (vii) any other costs directly related to the Proposed Transaction.
  - c. Technology expenditures and investments related to software and hardware compatibility issues between Avista and Hydro One and its affiliates shall not be recovered from Idaho ratepayers except to the extent such costs are offset by savings over time.
- 18. Travel Expenses:** Avista's corporate travel expenses recovered in rates, including variable costs of flying the Avista corporate jet and commercial travel for all directors and executives, shall not exceed 105% of 2017 expenses, adjusted annually for inflation.
- 19. Rate Credits:**
- Avista and Hydro One are proposing to flow through to Avista's retail customers in Idaho a Rate Credit of approximately \$15.8 million<sup>4</sup> over a 5-year period, beginning at the time the merger closes.

---

<sup>4</sup> The exact agreed-upon figure is \$15,811,050, which is equal to 5% of the Idaho base revenue as of 02/01/18. Idaho electric base revenue is \$259,473,000, and Idaho natural gas base revenue (including natural gas costs – Schedules 150/155) is \$56,748,000. Five percent of those revenues are \$12,973,650 (electric) and \$2,837,400 (natural gas).

## Exhibit A

|                          | <b>Rate Credit Proposal</b>              |                           |
|--------------------------|--|---------------------------|
|                          | <b>Idaho Annual<br/>Credit Years 1-5</b> | <b>Idaho Total Credit</b> |
| <b>Total Credit</b>      | \$3.2 Million                            | \$15.8 Million            |
| <b>Offsetable Credit</b> | \$527,510                                | \$2.6 Million             |

The Total Rate Credit to customers for the five years following the closing will be approximately \$3.2 million<sup>5</sup> per year. A portion of the annual total Rate Credit will be offsetable, in the amount of \$527,510<sup>6</sup>. During the 5-year period the financial benefits will be flowed through to customers either through the separate Rate Credit described above or through a reduction to the underlying cost of service as these benefits are reflected in the test period numbers used for ratemaking. At the time of the close, the \$3.2 million benefit will be provided to customers through a separate Rate Credit, as long as the reduction in costs (of up to \$527,510 annually) has not already been reflected in base retail rates for Avista's customers.

To the extent Avista demonstrates in a future rate proceeding that cost savings, or benefits, directly related to the Proposed Transaction are already being flowed through to customers through base retail rates, the separate Rate Credit to customers would be reduced by an amount up to the offsetable Rate Credit amount. The portion of the total Rate Credit that is not offsetable effectively represents acceptance by Hydro One of a lower rate of return during the 5-year period.

The \$15.8 million represents the "floor" of benefits that will be flowed through to Avista's customers, either through the Rate Credit or through benefits otherwise included in base retail rates. To the extent the identifiable benefits exceed the annual offsetable Rate Credit amounts, these additional benefits will be flowed through to customers in base retail rates in general rate cases as they occur. Avista and Hydro One believe additional efficiencies (benefits) will be realized over time from the sharing of best practices, technology and innovation between the two companies. It will take time, however, to identify and capture these benefits. The level of annual net cost savings (and/or net benefits) will be tracked and reported on an annual basis, and compared against the offsetable level of savings.

---

<sup>5</sup> The exact amount agreed upon is \$3,162,210 per year. The annual Idaho electric Rate Credit for each of the five years is \$2,594,730. The annual Idaho natural gas Rate Credit for each of the five years is \$567,480.

<sup>6</sup> The offsetable portion of the Rate Credit is calculated using a pro rata share of the jurisdictional total of the rate credit (i.e. Idaho's share of the total system offsetable Rate Credit is 31.03%, therefore Idaho's share of the \$1.7 million offsetable portion is \$527,510).

## Exhibit A

Any application of offsetable savings will be reviewed by the Commission before the offset is applied, and Avista bears the burden of proof to prove that savings have materialized and the offset to rate credits should apply.

### Regulatory Commitments

20. **State Regulatory Authority and Jurisdiction:** Hydro One and its subsidiaries, including Avista, as applicable and as appropriate, will comply with all applicable laws, including those pertaining to transfers of property, affiliated interests, and securities and the assumption of obligations and liabilities. As required by and consistent with applicable laws, venue for resolution of proceedings related to these matters will be at the appropriate state utility commission(s). Hydro One and its subsidiaries, including Avista, will make their employees and officers available to testify before the Commission at the Commission's request to provide information relevant to the matters within its jurisdiction.

21. **Compliance with Existing Commission Orders:** Hydro One and its subsidiaries, including Avista, acknowledge that all existing orders issued by the Commission with respect to Avista or its predecessor, Washington Water Power Co., will remain in effect, and are not modified or otherwise affected by the Proposed Transaction.

Hydro One and its subsidiaries, including Avista, as applicable and as appropriate, will comply with all applicable future Commission orders that remain in force.

22. **Separate Books and Records:** Avista will maintain separate books and records from its affiliates.

23. **Access to and Maintenance of Books and Records:** Hydro One, Olympus Holding Corp. and its subsidiaries, including Avista, will provide reasonable access to Avista's books and records; access to financial information and filings; access rights with respect to the documents supporting any costs that may be allocable to Avista; and access to Avista's board minutes, audit reports, and information provided to credit rating agencies pertaining to Avista.

Hydro One, Olympus Holding Corp. and its subsidiaries, including Avista, will maintain the necessary books and records so as to provide documents relating to all corporate, affiliate, or subsidiary transactions with Avista, or that result in costs that may be allocable to Avista.

The Proposed Transaction will not result in reduced access to the necessary books and records that relate to transactions with Avista, or that result in costs that may be allocable to Avista. Avista will provide Commission Staff and other parties to regulatory proceedings reasonable access to books and records (including those of Hydro One, Olympus Holding Corp. or any affiliate or subsidiary companies) required to verify or examine transactions with Avista, or that result in costs that may be allocable to Avista.

## Exhibit A

Nothing in the Proposed Transaction will limit or affect the Commission's rights with respect to inspection of Avista's accounts, books, papers and documents in compliance with all applicable laws. Nothing in the Proposed Transaction will limit or affect the Commission's rights with respect to inspection of Hydro One and Olympus Holding Corp.'s accounts, books, papers and documents pursuant to all applicable laws; provided, that such right to inspection shall be limited to Hydro One and Olympus Holding Corp.'s accounts, books, papers and documents that pertain solely to transactions affecting Avista's regulated utility operations.

Olympus Holding Corp. and its subsidiaries, including Avista, will provide the Commission with access to written information provided by and to credit rating agencies that pertains to Avista. Olympus Holding Corp. and each of its subsidiaries will also provide the Commission with access to written information provided by and to credit rating agencies that pertains to Olympus Holding Corp.'s subsidiaries to the extent such information may affect Avista.

Hydro One and its affiliates agree that the Commission may have access to all the accounting records of Hydro One and its affiliates that are the bases for charges to Avista, to determine the reasonableness of the costs and the allocation factors used by Hydro One and its affiliates, or its subdivisions to assign costs to Avista and amounts subject to allocation or direct charges. Hydro One and its affiliates agree that they will not raise lack of jurisdiction as a means of denying such access, and agree to cooperate fully with such Commission investigations.

- 24. Cost Allocations Related to Corporate Structure and Affiliate Interests:** Avista agrees to provide, and Hydro One agrees Avista will provide, cost allocation methodologies used to allocate to Avista any costs related to Hydro One or its other affiliates and subsidiaries, and commits that there will be no cross-subsidization by Avista customers of unregulated activities.

The cost-allocation methodology provided pursuant to this commitment will be a generic methodology that does not require Commission approval prior to it being proposed for specific application in a general rate case or other proceeding affecting rates. The cost-allocation methodology provided pursuant to this commitment also will establish a procedure for ensuring that additional costs or revenues resulting from changing currency exchange rates will not be reflected in rates charged to Idaho customers.

Avista will bear the burden of proof in any general rate case that any corporate and affiliate cost allocation methodology is reasonable for ratemaking purposes. Neither Avista nor Hydro One or its affiliates and subsidiaries will contest the Commission's authority to disallow, for retail ratemaking purposes in a general rate case, unreasonable, or misallocated costs from or to Avista or Hydro One or its other affiliates and subsidiaries.

## Exhibit A

With respect to the ratemaking treatment of affiliate transactions affecting Avista, Hydro One, and Olympus Holding Corp. and its subsidiaries, as applicable, will comply with the Commission's then-existing practice; provided, however, that nothing in this commitment limits Avista from also proposing a different ratemaking treatment for the Commission's consideration, or limit the positions any other party may take with respect to ratemaking treatment.

Avista will notify the Commission of any change in corporate structure that affects Avista's corporate and affiliate cost allocation methodologies. Avista will propose revisions to such cost allocation methodologies to accommodate such changes. Avista will not take the position that compliance with this provision constitutes approval by the Commission of a particular methodology for corporate and affiliate cost allocation.

Avista will notify the Commission prior to the implementation of plans by Avista or Hydro One or any of Hydro One's affiliates:

- a. To form an affiliate for the purposes of transacting business with Avista's regulated operations;
- b. To commence new business transactions between an existing affiliate and Avista;  
or
- c. To dissolve an affiliate that has transacted substantial business with Avista.

- 25. Ratemaking Cost of Debt and Equity:** Avista will not advocate for, and Hydro One agrees Avista will not advocate for, a higher cost of debt or equity capital as compared to what Avista's cost of debt or equity capital would have been absent Hydro One's ownership.

For future ratemaking purposes:

- a. Determination of Avista's debt costs will be no higher than such costs would have been assuming Avista's credit ratings by at least one industry recognized rating agency, including, but not limited to, S&P, Moody's, Fitch or Morningstar, as such ratings in effect on the day before the Proposed Transaction closes and applying those credit ratings to then-current debt, unless Avista proves that a lower credit rating is caused by circumstances or developments not the result of financial risks or other characteristics of the Proposed Transaction;
- b. Avista bears the burden to prove prudent in a future general rate case any pre-payment premium or increased cost of debt associated with existing Avista debt retired, repaid, or replaced as a part of the Proposed Transaction; and
- c. Determination of the allowed return on equity in future general rate cases will include selection and use of one or more proxy group(s) of companies engaged in



## Exhibit A

businesses substantially similar to Avista, without any limitation related to Avista's ownership structure.

26. **Avista Capital Structure:** At all times following the closing of the Proposed Transaction, Avista's actual common equity ratio will be maintained at a level no less than 44 percent. This commitment does not restrict the Commission from ordering a hypothetical capital structure.
27. **FERC Reporting Requirements:** Avista will continue to meet all the applicable FERC reporting requirements with respect to annual and quarterly reports (e.g., FERC Forms 1, 2, 3q) after closing of the Proposed Transaction.
28. **Participation in National and Regional Forums:** Avista will continue to participate, where appropriate, in national and regional forums regarding transmission issues, pricing policies, siting requirements, and interconnection and integration policies, when necessary to protect the interest of its customers.
29. **Treatment of Confidential Information:** Nothing in these commitments will be interpreted as a waiver of Hydro One's, its subsidiaries', or Avista's rights to request confidential treatment of information that is the subject of any of these commitments.
30. **Commission Enforcement of Commitments:** Hydro One and its subsidiaries, including Avista, understand that the Commission has authority to enforce these commitments in accordance with their terms. If there is a violation of the terms of these commitments, then the offending party may, at the discretion of the Commission, have a period of thirty (30) calendar days to cure such violation.

The scope of this commitment includes the authority of the Commission to compel the attendance of witnesses from Olympus Holding Corp. and its affiliates, including Hydro One, with pertinent information on matters affecting Avista. Hydro One and Olympus Holding Corp. and its subsidiaries waive their rights to interpose any legal objection they might otherwise have to the Commission's jurisdiction to require the appearance of any such witnesses.

31. **Submittal to State Court Jurisdiction for Enforcement of Commission Orders:** Hydro One, Olympus Holding Corp., and Avista will jointly file with the Commission prior to closing the Proposed Transaction an affidavit affirming that they will submit to the jurisdiction of the relevant state courts for enforcement of the Commission's orders adopting the commitments made by and binding upon them and their affiliates where noted, and subsequent orders affecting Avista.
32. **Annual Report on Commitments:** By May 1, 2019 and each May 1 thereafter through May 1, 2029, Avista will file, and Hydro One agrees Avista will file, a report with the Commission regarding the status of compliance with each of the commitments as of December 31 of the preceding year. The report will, at a minimum, provide a description of the performance of each of the commitments, will

## Exhibit A

be filed in Case No. AVU-E-17-09/AVU-G-17-05 and served to all parties to the docket. If any commitment is not being met, relative to the specific terms of the commitment, the report must provide proposed corrective measures and target dates for completion of such measures. Avista will make publicly available at the Commission non-confidential portions of the report.

33. **Commitments Binding:** Hydro One, Olympus Holding Corp. and its subsidiaries, including Avista, acknowledge that the commitments being made by them are binding only upon them and their affiliates where noted, and their successors in interest. Hydro One and Avista are not requesting in this proceeding a determination of the prudence, just and reasonable character, rate or ratemaking treatment, or public interest of the investments, expenditures or actions referenced in the commitments, and the parties in appropriate proceedings may take such positions regarding the prudence, just and reasonable character, rate or ratemaking treatment, or public interest of the investments, expenditures or actions as they deem appropriate.

If Hydro One or any other entity in the chain of Avista's ownership determines that Avista or any other entity has failed to comply with an applicable Commitment, the entity making such determinations shall take all appropriate actions to achieve compliance with the Commitment.

### Financial Integrity Commitments

34. **Capital Structure Support:** Hydro One will provide equity to support Avista's capital structure that is designed to allow Avista access to debt financing under reasonable terms and on a sustainable basis.
35. **Utility-Level Debt and Preferred Stock:** Avista will maintain separate debt and preferred stock, if any, to support its utility operations.
36. **Continued Credit Ratings:** Each of Hydro One and Avista will continue to be rated by at least one nationally recognized statistical "Rating Agency." Hydro One and Avista will use reasonable best efforts to obtain and maintain a separate credit rating for Avista from at least one Rating Agency within the ninety (90) days following the closing of the Proposed Transaction. If Hydro One and Avista are unable to obtain or maintain the separate rating for Avista, they will make a filing with the Commission explaining the basis for their failure to obtain or maintain such separate credit rating for Avista, and parties to this proceeding will have an opportunity to participate and propose additional commitments.
37. **Credit Ratings Notification:** Hydro One and Avista agree to notify the Commission within two business days of any downgrade of Avista's credit rating to a non-investment grade status by S&P, Moody's, or any other such ratings agency that issues such ratings with respect to Avista.
38. **Restrictions on Upward Dividends and Distributions:**

## Exhibit A

- a. If either (i) Avista's corporate credit/issuer rating as determined by both Moody's and S&P, or their successors, is investment grade, or (ii) the ratio of Avista's EBITDA to Avista's interest expense is greater than or equal to 3.0, then distributions from Avista to Olympus Equity LLC shall not be limited so long as Avista's equity ratio is equal to or greater than 44 percent on the date of such Avista distribution after giving effect to such Avista distribution, except to the extent the Commission establishes a lower equity ratio for ratemaking purposes. Both the EBITDA and equity ratio shall be calculated on the same basis that such calculations would be made for ratemaking purposes for regulated utility operations.
  - b. Under any other circumstances, distributions from Avista to Olympus Equity LLC are allowed only with prior Commission approval.
  - c. If Avista does not have an investment-grade rating from both Moody's and S&P, or from one of these entities, or its successor, if only one issues ratings with respect to Avista, and the ratio of EBITDA to Avista's interest expense is less than 3.0, no dividend distribution to Olympus Equity LLC or its successors will occur.
39. **Pension Funding:** Avista will maintain its pension funding policy in accordance with sound actuarial practice. Hydro One will not seek to change Avista's pension funding policy.
  40. **SEC Reporting Requirements:** Following the closing of the Proposed Transaction, Avista will file required reports with the SEC.
  41. **Compliance with the Sarbanes-Oxley Act:** Following the closing of the Proposed Transaction, Avista will comply with applicable requirements of the Sarbanes-Oxley Act.

### Ring-Fencing Commitments

42. **Golden Share:** Entering into voluntary bankruptcy shall require the affirmative vote of a "Golden Share" of Avista stock. The Golden Share shall mean the sole share of Preferred Stock of Avista as authorized by the Commission. This share of Preferred Stock must be in the custody of an independent third-party, where the third-party has no financial stake, affiliation, relationship, interest, or tie to Avista or any of its affiliates, or any lender to Avista, or any of its affiliates. This requirement does not preclude the third-party from holding an index fund or mutual fund with negligible interests in Avista or any of its affiliates. In matters of voluntary bankruptcy, this Golden Share will override all other outstanding shares of all types or classes of stock.
43. **Independent Directors:** At least one of the nine members of the board of directors of Avista will be an Independent Director who, consistent with Commitment 3, meets

## **Exhibit A**

the standards under 303A.02 of the New York Stock Exchange Listed Company Manual. At least one of the members of the board of directors of Olympus Equity LLC will be an Independent Director who, consistent with Commitment 3, meets the standards under 303A.02 of the New York Stock Exchange Listed Company Manual. The same individual may serve as an Independent Director of both Avista and Olympus Equity LLC. The organizational documents for Avista will not permit Avista, without the consent of a two-thirds majority of all its directors, including the affirmative vote of the Independent Director at Avista (or if at that time Avista has more than one Independent Director, the affirmative vote of at least one of Avista's Independent Directors), to consent to the institution of bankruptcy proceedings or the inclusion of Avista in bankruptcy proceedings. In addition to an affirmative vote of this Independent Director, the vote of the Golden Share shall also be required for Avista to enter into a voluntary bankruptcy.

### **44. Non-Consolidation Opinion:**

- a. Within ninety (90) days of the Proposed Transaction closing, Avista and Olympus Holding Corp. will file, and Hydro One agrees they will file, a non-consolidation opinion with the Commission which concludes, subject to customary assumptions and exceptions, that the ring-fencing provisions are sufficient that a bankruptcy court would not order the substantive consolidation of the assets and liabilities of Avista with those of Olympus Holding Corp. or its affiliates or subsidiaries (other than Avista and its subsidiaries).
- b. Hydro One and Olympus Holding Corp. must file an affidavit with the Commission stating that neither Hydro One, Olympus Holding Corp. nor any of their subsidiaries, will seek to include Avista in a bankruptcy without the consent of a two-thirds majority of Avista's board of directors including the affirmative vote of Avista's independent director, or, if at that time Avista has more than one independent director, the affirmative vote of at least one of Avista's independent directors.
- c. If the ring-fencing provisions in these commitments are not sufficient to obtain a non-consolidation opinion, Olympus Holding Corp. and Avista agree to promptly undertake, and Hydro One agrees to cause them to undertake, the following actions:
  - i. Notify the Commission of this inability to obtain a non-consolidation opinion.
  - ii. Propose and implement, upon Commission approval, such additional ring-fencing provisions around Avista as are sufficient to obtain a non-consolidation opinion subject to customary assumptions and exceptions.
  - iii. Obtain a non-consolidation opinion.

## Exhibit A

45. **Olympus Equity LLC:** Olympus Holding Corp.'s indirect subsidiaries will include Olympus Equity LLC and Avista. See the post-acquisition organizational chart in Attachment C to the Master List of Commitments in Idaho. Following closing of the Proposed Transaction, all of the common stock of Avista will be owned by Olympus Equity LLC, a new Delaware limited liability company. Olympus Equity LLC will be a bankruptcy-remote special purpose entity, and will not have debt.
46. **Restriction on Pledge of Utility Assets:** Avista agrees to, and Hydro One will cause Avista to agree to, prohibitions against loans or pledges of utility assets to Hydro One, Olympus Holding Corp., or any of their subsidiaries or affiliates, without Commission approval. In addition, the Applicants agree that Avista's assets will not be pledged by Avista or any of its affiliates, including Hydro One and Olympus Holding Corp. and any of their subsidiaries or affiliates, for the benefit of any entity other than Avista.
47. **Hold Harmless; Notice to Lenders; Restriction on Acquisitions and Dispositions:**
- a. Hydro One, its affiliates, and subsidiaries including Avista will hold Avista customers harmless from any business and financial risk exposures associated with Olympus Holding Corp., Hydro One, and Hydro One's other affiliates.
  - b. Pursuant to this commitment, Avista will file, and Hydro One agrees Avista will file, with the Commission, prior to closing of the Proposed Transaction, a form of notice to prospective lenders describing the ring-fencing provisions included in these commitments stating that these provisions provide no recourse to Avista assets as collateral or security for debt issued by Hydro One or any of its subsidiaries, other than Avista.
  - c. In furtherance of this commitment:
    - i. Hydro One, its affiliates, and subsidiaries including Avista commit that Avista's regulated utility customers will be held harmless from the liabilities of any unregulated activity of Avista or Hydro One and its affiliates. In any proceeding before the Commission involving rates of Avista, the fair rate of return for Avista will be determined without regard to any adverse consequences that are demonstrated to be attributable to unregulated activities. Measures providing for separate financial and accounting treatment will be established for each unregulated activity.
    - ii. Hydro One, its affiliates, and subsidiaries including Avista will notify the Commission subsequent to Hydro One's, its affiliates', or subsidiaries' including Avista's board approval and as soon as practicable following any public announcement of: (1) any acquisition by Hydro One, its affiliates, and subsidiaries including Avista of a regulated or unregulated business that is equivalent to five (5) percent or more of Hydro One's capitalization; or (2) any change in control or ownership of Avista, except that the notice of a

## Exhibit A

change to the upstream ownership of Avista or Olympus Holding Corp. among wholly owned subsidiaries of Hydro One may be provided in either an updated organizational chart included in the annual report filing described in Commitment 32 or in a separate notice filing. Notice pursuant to this provision is not and will not be deemed an admission or expansion of the Commission's authority or jurisdiction over any transaction or in any matter or proceeding whatsoever.

Within sixty (60) days following the notice required by this subsection (c)(ii)(2), Avista and Olympus Holding Corp. or its affiliates, as appropriate, will seek Commission approval of any sale or transfer of any material part of Avista, or of any transaction or series of transactions, regardless of size, that would result in a person or entity, other than a wholly owned subsidiary of Hydro One, directly or indirectly, acquiring a controlling interest in Avista or Olympus Holding Corp. The term "material part of Avista" means any sale or transfer of stock representing ten percent (10%) or more of the equity ownership of Avista.

- iii. Hydro One, Olympus Holding Corp. and Avista will provide notification of and file for Commission approval of the divestiture, spin-off, or sale of any integral Avista asset, including power plants, as required by Idaho Code §61-328. This notification and approval requirement does not limit any jurisdiction that the Commission may have.
  - iv. Neither Avista nor Hydro One will assert in any future proceedings that, by virtue of the Proposed Transaction and the resulting corporate structure, the Commission is without jurisdiction over any transaction that results in a change of control of Avista.
- d. If and when any subsidiary of Avista becomes a subsidiary of Hydro One or one of its subsidiaries other than Avista, Avista and Hydro One will so advise the Commission within thirty (30) days and will submit to the Commission a written document setting forth Avista's proposed corporate and affiliate cost allocation methodologies.

**48. Olympus Holding Corp. and Olympus Equity LLC Sub-entities:** Olympus Holding Corp. will not operate or own any business and will limit its activities to investing in and attending to its shareholdings in Olympus Equity LLC, which, in turn, will not operate or own any business and will limit its activities to investing in and attending to its shareholdings in Avista.

**49. No Amendment of Ring-Fencing Provisions:** Hydro One, Olympus Holding Corp. and Avista commit that no material amendments, revisions or modifications will be made to the ring-fencing provisions as specified in these regulatory commitments without prior Commission approval pursuant to a limited re-opener for the sole purpose of addressing the ring-fencing provisions.

## Exhibit A

50. **No Inter Company Debt:** Avista will notify the Commission before entering into any inter-company debt transactions with Olympus Holding Corp., Hydro One, or any of their subsidiaries or affiliates. Avista shall comply with Idaho Code §61-901, et seq. for any debt transactions over a one year term.
51. **No Inter Company Lending:** Without prior Commission approval, Avista will not lend money to Olympus Holding Corp., Hydro One, or any of their subsidiaries or affiliates.

### Resource Planning Commitments

52. **Renewable Energy Resources:** Avista will continue to offer renewable power programs in consultation with stakeholders.

Communications with customers shall accurately reflect the environmental attributes associated with power delivered to such customers. Hydro One and Avista acknowledge that Avista retains the burden of proof to demonstrate the prudence of any resource acquisition.

Nothing in this Commitment prohibits Avista from selling renewable energy credits that arise from resources included in base rates applicable in Idaho.

Hydro One acknowledges Avista's obligations under applicable renewable portfolio standards, and Avista will continue to comply with such obligations.

53. **Regulatory Integrated Resource Planning (IRP) Sideboards:** Avista and its affiliates agree to consider in all resource planning and acquisition efforts both demand-side and renewable energy resources that are consistent with the Idaho Commission's resource evaluation and acquisition rules and policies.

Avista and its affiliates agree that "Resources" to be considered in all IRPs include Power Purchase Agreements ("PPAs").

Avista commits to calculating a variable generation resource's contribution to capacity in terms of that resource's contribution to resource adequacy and that resource's ability to reduce the loss of load probability in some or all hours or days utilizing the Effective Load Carrying Capability ("ELCC") methodology or an appropriate approximation.

Avista will work with an independent third-party consultant, with expertise in renewable energy resources, to ensure that the utility has up-to-date resource cost and performance assumptions, as well as the appropriate learning curves, for use in the 2019 IRP process.

Unless it conflicts with any instructions contained in the Commission's acknowledgement letter in response to Avista's current integrated resource plan (IRP), beginning with the next IRP, Avista commits to modeling a range of potential

## Exhibit A

costs for greenhouse gas emissions, and will work with its IRP Advisory Group to determine the appropriate values to model.

54. **Energy Imbalance Market (“EIM”):** Avista is currently refreshing its EIM analysis and will release it publicly by the end of 2018. Avista commits to hold workshops with the Commission and interested stakeholders to review the analysis and discuss the prudent next steps.

The goal is to convene the workshop within 30 days of the release of the EIM analysis.

55. **Transport Electrification:** Avista commits, and Hydro One agrees that Avista commits, to initiate a stakeholder process within 60 days of the close of the Proposed Transaction to explore opportunities for transport electrification that benefits all Idaho customers.

### Environmental Commitments

56. **Greenhouse Gas and Carbon Initiatives:** Hydro One acknowledges Avista’s Greenhouse Gas and Carbon Initiatives contained in its current Integrated Resource Plan, and Avista will continue to work with interested parties on such initiatives.
57. **Greenhouse Gas Inventory Report:** Avista will report greenhouse gas emissions as required.

### Energy Efficiency, Weatherization, Community and Low-Income Assistance Commitments

58. **Funding for Energy Efficiency, Weatherization, Conservation, and Low-Income Assistance Programs:** Hydro One will arrange funding of \$5,308,847 over a 10-year period to fund energy efficiency, weatherization, conservation, and low-income assistance programs. The funding will be disbursed as directed by the Energy Efficiency, Weatherization, Conservation, and Low-Income Assistance Committee (“EWCL”), a new committee of stakeholders tasked with determining which existing or new programs should receive this funding to address energy efficiency, weatherization, conservation, and low-income needs in Avista’s Idaho service territory. The committee will initially consist of representatives from the following stakeholders: Avista, Commission staff, the Lewiston CAP, Idaho Conservation League, the Idaho Forest Group, and Clearwater Paper. The Committee may add members at its discretion. The EWCL will consider the needs of all parties and remain flexible on the timing of any disbursements.

The EWCL will convene within 90 days after the close of the Proposed Transaction, will present a 10-year funding plan to Avista by June 1, 2019 and will revise this plan periodically as needed.



## Exhibit A

59. **Clearwater Paper DSM Assistance:** Avista agrees to work with Clearwater Paper to attempt to qualify the following projects for DSM funding under Tariff Schedule 90, upon closing of the Proposed Transaction:

- Variable speed drives on the No. 1 paper machine hydropulper
- Variable speed drives on the No. 4 power boiler demineralized water pumps
- Energy efficient chillers and compressors for the Lurgi system
- A variable speed drive on the No.1 paper machine white water system
- Variable speed drives on the two waste water outfall pumps

The total estimated cost of the projects is \$750,000. Tariff Schedule 90 allows for possible DSM funding of up to 70% of the cost of the project, subject to meeting certain specified cost-effectiveness criteria. The portion of the estimated cost of these identified projects that is not reimbursed under Schedule 90 will be considered for funding through Commitment 58. The EWCL will consider the needs of all parties and remain flexible on the timing of any disbursements.

60. **Idaho Forest Group (IFG) DSM Assistance:** Avista agrees to work with Idaho Forest Group (IFG) to attempt to qualify the following projects for DSM funding under Tariff Schedule 90, upon closing of the Proposed Transaction:

- Installation of information technology to gather plant information data (PI Data) on energy usage at IFG's Lewiston plant, and through an installed interface, transmit real time energy load information data for each operating station to IFG and Avista. This may serve as a useful demonstration project for data interfaces with other customers on Avista's system. The total estimated cost is \$300,000.
- Replacement of aging compressors, saws and other equipment with state of the art machinery at IFG's Lewiston and Grangeville plants, in order to increase productivity and energy efficiency.

Tariff Schedule 90 allows for possible DSM funding of up to 70% of the cost of the project, subject to meeting certain specified cost-effectiveness criteria. The portion of the estimated cost of these identified projects that is not reimbursed under Schedule 90 will be considered for funding through Commitment 58. The EWCL will consider the needs of all parties and remain flexible on the timing of any disbursements.

## Exhibit A

61. **Community Contributions:** Hydro One will cause Avista to make a one-time \$7,000,000 contribution to Avista's charitable foundation at or promptly following closing.<sup>7</sup>
62. **Addressing Other Low-Income Customer Issues:** Avista will continue to work with low-income agencies to address other issues of low-income customers, including funding for bill payment assistance.
63. **Fee Free Payment Program:** Avista will continue to offer the Fee Free Payment Program to its residential customers.
64. **Improve Penetration of Low-Income Programs:** Hydro One and Avista will work with the Lewiston CAP to undertake a targeted effort with a goal of improving the penetration rate of low-income programs with a focus on underserved, vulnerable, and high energy burden households. This commitment may include expanding marketing, outreach, and data analysis as appropriate.
65. **Tribal Communities:** In implementing these conditions, Avista will reach out to tribal communities to encourage participation of members of such communities in receiving the benefits of this settlement.

### Miscellaneous Commitments

66. **Sources of Funds for Hydro One Commitments:** Throughout this list of merger commitments, any commitment that states Hydro One will arrange funding is not contingent on Hydro One's ability to arrange funding, particularly from outside sources, but is a firm commitment to provide the dollar amount specified over the time period specified and for the purposes specified. To the extent Avista has retained earnings that are available for payment of dividends to Olympus Equity LLC consistent with the ring fencing provisions of this list of merger commitments, such retained earnings may be used. Funds available from other Hydro One affiliates may be used without limitation. Avista will not seek cost recovery for any of the commitments funded or arranged by Hydro One in this list of merger commitments. Hydro One will not seek cost recovery for such funds from ratepayers in Canada or the United States.
67. **Service Rules for Gas Utilities:** Avista will meet with Commission Staff to review the Commission's Service Rules for Gas Utilities (IDAPA 31.31.01) to determine which provisions should be retained and/or modified, and, if the participants agree, incorporate those changes into Avista's tariff.

---

<sup>7</sup> Note that Commitment 11 contains additional provisions relating to Avista's charitable contributions.

## Exhibit A

68. **Meters:** Avista will meet with Commission Staff to review its meter placement and protection policies and practices and determine, if the participants agree, what additional steps should be taken to revise Avista’s current policies and practices.
69. **Colstrip Planning:** Hydro One and Avista agree to support a December 31, 2027, end of life for depreciation purposes in the processes described below. Hydro One and Avista also agree that issues relating to the potential accelerated depreciation of Avista’s interest in Colstrip Units 3 and 4 and related matters should be addressed in three existing, interrelated Commission proceedings as follows:
- *GNR-U-18-01 -- Investigation Into the Impact of Federal Tax Code Revisions on Utility Costs and Ratemaking:* As part of this docket, not less than \$12.0 Million regulatory liability should be created using the unprotected Excess DFIT/Deferral of January – May 2018 tax credit. The Commission Staff anticipates resolution of this proceeding by June 1, 2018. This \$12.0 Million regulatory liability would then be available to offset costs associated with accelerated depreciation of Colstrip Units 3 and 4 or other use as determined appropriate in AVU-E-18-03/AVU-G-18-02.
  - *AVU-E-18-03 / AVU-G-18-02 -- Avista Corporation’s Application to Change Its Electric and Natural Gas Depreciation Rates:* As part of this docket, the Commission will determine whether, as proposed by Hydro One and Avista, December 31, 2027, should be set as the “useful life” for Colstrip Units 3 and 4 for depreciation purposes. The Parties will work towards resolution of this proceeding by January 1, 2019.
  - *Avista’s Application 2019 Electric Integrated Resource Plan (IRP):* Avista’s 2019 IRP will analyze multiple retirement dates for Colstrip Units 3 and 4, including but not limited to, the “end of useful life” date determined in AVU-E-18-03/AVU-G-18-02. The other retirement dates analyzed, as well as the method, inputs, and assumptions for those scenarios planning analyses, will be determined with input from the IRP stakeholder advisory group. Avista anticipates that the first draft of its 2019 IRP will be released in May 2019 and its second draft will be released in August 2019.
70. **Montana Community Transition Fund:** Hydro One and Avista will arrange funding of \$3.0 Million (on a system basis) towards a Colstrip community transition fund.
71. **Colstrip Transmission Planning:** Avista will work with the other Path 8 (MT-to-NW) owners (Northwestern Energy and BPA) to resolve questions surrounding the ability of new generation to use the Colstrip line once Colstrip Units 1 and 2 retire, and also when Units 3 and 4 retire.

At least one year prior to any closure of Colstrip Units 3 and 4, Avista will develop a transition plan for its Colstrip transmission assets. Avista will hold at least one

## Exhibit A

workshop with Commission Staff and stakeholders to determine the transition plan's impacts to Idaho ratepayers.

Avista will work with stakeholders and Commission Staff and file this transition plan with the Commission. In developing this transition plan, to the extent practicable, Avista should participate in 1) the workshops on this topic that PSE and the Commission will be holding in 2018 (per the PSE GRC settlement), and 2) the BPA/Governor Bullock Transmission Task Force that commenced work on December 8, 2017, and will work through the middle of 2018.

Hydro One agrees Avista will conduct the activities described in the foregoing paragraphs.

72. **Contract Labor:** The parties agree that employees, contractors, and subcontractors of Avista shall be paid a fair and competitive wage, and that Avista shall utilize principles of fairness in bidding and contracting work in the state of Idaho. Avista agrees to employ highly skilled and trained workers. Such training and education can be obtained through college programs, technical schools, apprenticeships, or union hall programs, including those of the Washington and Northern Idaho District Council of Laborers. The parties recognize that no employee, contractor, or subcontractor of the Company is required or prohibited from participation in any labor organization. The Parties agree that Commitment 72 is severable, and if this provision is declared void, invalid, or unenforceable in whole or in part, such declaration shall not affect the remaining provisions of this Commitment List.
73. **Most Favored Nations:** The Applicants agree that upon the joint request of the Non-Applicant Parties, or a request of less than all Non-Applicant Parties which is unopposed by any Non-Applicant, the Commission shall have an opportunity and the authority to consider and adopt in Idaho any commitments to which the Applicants agree in other jurisdictions, even if such commitments are agreed to after the Commission enters its order in this docket. To facilitate the Commission's consideration and possible adoption of the commitments from other jurisdictions, the Parties recommend that the Commission issue an order accepting this Stipulation as soon as practical, but to reserve in such order the explicit right to re-open to add commitments accepted in another state jurisdiction.

The Applicants further agree that upon the request of any Non-Applicant Party prior to the Commission's action on this Stipulation, if Applicants agree with any commitments in other jurisdictions, within five days of such a request, Applicants will meet and confer with the Non-Applicant Parties to discuss whether such commitments should be added to the existing list of commitments already agreed to by the Parties in this Stipulation.

## **Exhibit A**

### **Process for Consideration:**

- Within five calendar days after Applicants file a stipulation with new or amended commitments with a commission in another state jurisdiction, Applicants will send a copy of the stipulation and commitments to the Non-Applicant Parties.
- Within five calendar days after a commission in another state jurisdiction issues an order that accepts a stipulation to which Applicants are a party and imposes new or modified commitments, that order, together with all commitments of any type agreed to by Applicants in such other state, will be filed with the Commission and served on all parties to this docket by the most expeditious means practical.
- Within ten calendar days after the last such filing from the other states (“Final Filing”), the Non-Applicant Parties may file with the Commission any response they wish to make, including their position as to whether any of the covenants, commitments and conditions from the other jurisdictions (without modification of the language thereof except such non-substantive changes as are necessary to make the commitment or condition applicable to Idaho) should be adopted in Idaho.
- Within five calendar days after any such response filing, the Applicants may file a reply with the Commission.
- If any of the dates above fall on Saturday, Sunday, or a holiday, the next business day will be considered as the due date.
- The Parties agree to support in their filings the issuance by the Commission of an order regarding the adoption of such commitments as soon as practical thereafter, recognizing that the Proposed Transaction cannot close until final state orders have been issued approving the Proposed Transaction.

### **Limitations on Adjustment:**

- Only commitments specific to gas service may form the basis for adjustments specific to gas service.
- Only commitments specific to electric service may form the basis for adjustments specific to electric service.
- Any commitments relating to support of communities in Montana are not subject to this provision.
- As Avista does not operate as a utility in Alaska, any commitments made in Alaska are not subject to this provision.
- For purposes of financial commitments or commitments having a financial impact, commitments should be proportionate to Avista’s corresponding business function in

## **Exhibit A**

Idaho in relation to its corresponding total company business function. Accordingly, commitments should be allocated among Avista's WA, ID and OR jurisdictions based on the following: 1) Rate Credit is allocated based on base revenues; 2) all other financial commitments are allocated using the Company's jurisdictional "four factor" allocation methodology, routinely employed for purposes of allocating common costs, as discussed in Mr. Ehrbar's testimony in this proceeding. For purposes of this provision, "financial commitments or commitments having a financial impact" do not include ring fencing provisions.