



August 30, 2018

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

Re: Docket No. UM 1897- In the Matter of HYDRO ONE LIMITED, Application for Authority to Exercise Substantial Influence over the Policies and Actions of AVISTA CORPORATION

Attention: Oregon Commission Secretary:

Enclosed for filing with the Commission are an original and fifteen copies of pre-filed Supplemental Testimony and Exhibits Regarding Management Changes at Hydro One of:

- **Paul Dobson**, Acting Chief Executive Officer and Chief Financial Officer for Hydro One;
- **Thomas Woods**, Interim Chair of the Board of Directors for Hydro One;
- **James Scarlett**, Executive Vice President and Chief Legal Officer for Hydro One;
- **Scott Morris**, Chairman of the Board and Chief Executive Officer of Avista;
- **Christopher Lopez**, Senior Vice President, Finance of Hydro One;
- **Mark Thies**, Senior Vice President, Chief Financial Officer and Treasurer of Avista; and
- **John Reed**, President and Chief Executive Officer of Concentric Energy Advisors, Inc.

If you have any questions, please do not hesitate to contact David Meyer on behalf of Avista Corporation at 509-495-4316 or david.meyer@avistacorp.com or Elizabeth Thomas on behalf of Hydro One Limited, at 206-370-7631 or liz.thomas@klgates.com or Kari Vander Stoep on behalf of Hydro One Limited, at 206-370-7804 or kari.vanderstoep@klgates.com.

RESPECTFULLY SUBMITTED this 30th day of August, 2018.

K&L GATES LLP on Behalf of Hydro One
Limited and Olympus Equity LLC

AVISTA CORPORATION

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cc: Parties

CERTIFICATE OF SERVICE

I HEREBY CERTIFY that I have this day served the Supplemental Testimony Regarding Management Changes at Hydro One in Oregon regarding the Hydro One Limited request for an Order Authorizing Hydro One Limited to Exercise Substantial Influence over Avista Corporation (UM 1897) upon the parties listed below by mailing a copy thereof, postage prepaid and/or by electronic mail.

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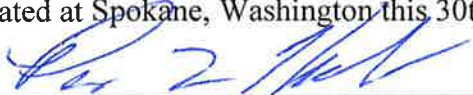
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I declare under penalty of perjury that the foregoing is true and correct.

Dated at Spokane, Washington this 30th day of August 2018.



Paul Kimball
Senior Regulatory Analyst

BEFORE THE
PUBLIC UTILITY COMMISSION OF OREGON

DOCKET NO. UM 1897

SUPPLEMENTAL TESTIMONY OF PAUL DOBSON
REPRESENTING HYDRO ONE

Paul Dobson Introduction

1 **I. INTRODUCTION**

2 **Q. Please state your name, business address and present positions with Hydro**
3 **One Limited.**

4 A. My name is Paul Dobson, and my business address is 483 Bay Street, South
5 Tower, 8th Floor, Toronto, Ontario M5G 2P5. I am the Chief Financial Officer (CFO) and
6 acting Chief Executive Officer (CEO) for Hydro One Limited (“Hydro One”).

7 **Q. Have you filed direct and rebuttal testimony in this proceeding?**

8 A. No.

9 **Q. Are you sponsoring any exhibits that accompany your testimony?**

10 A. Yes. Attached to my testimony is:

- 11 • Exhibit 1401 - Paul Dobson Biography

12
13 A table of contents for my testimony is as follows:

14	Description	Page
15	I. INTRODUCTION	1
16	II. BACKGROUND	2
17	III. COMMITMENT TO MERGER	3

18
19 **Summary of Testimony**

20 **Q. Please summarize your testimony.**

21 A. My testimony introduces myself as Hydro One’s CFO and acting CEO and
22 reiterates Hydro One’s commitment to the merger.

1 **II. BACKGROUND**

2 **Q. Please describe your professional background.**

3 A. I hold an honours bachelor's degree from the University of Waterloo as well as
4 an MBA from the University of Western Ontario and I am a CPA, CMA. I worked at CIBC for
5 10 years in finance, strategy and business development roles in both Canada and the United
6 States. Since 2003, I have held senior leadership positions in finance, operations, information
7 technology and customer service across the Centrica Group, the parent company of Direct
8 Energy. Prior to joining Hydro One in 2018, I served as CFO for Direct Energy Ltd. (Direct
9 Energy), Houston, Texas, where I was responsible for overall financial leadership of a \$15
10 billion revenue business with three million customers in Canada and the United States. Please
11 see my attached Biography (Exhibit 1401) for more detail.

12 **Q. When did you become CFO of Hydro One?**

13 A. I became CFO of Hydro One on March 1, 2018.

14 **Q. What is your role as CFO of Hydro One?**

15 A. I am responsible for the following lines of business: Corporate Finance
16 (including Treasury), Risk, Regulatory Affairs, Internal Audit, Investor Relations, Technology,
17 and Pensions.

18 **Q. When did you become acting CEO of Hydro One?**

19 A. I became acting CEO of Hydro One on July 11, 2018.

20 **Q. When you became acting CEO of Hydro One, did you continue your role as**
21 **CFO?**

22 A. Yes.

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III. COMMITMENT TO MERGER

Q. Does Hydro One remain committed to this merger?

A. Yes. We remain committed to the merger and the strategic rationale for the merger remains.

Q. When do you anticipate this merger closing?

A. We anticipate closing in Q4 of this year.

Q. Does this conclude your testimony?

A. Yes it does.

BEFORE THE
PUBLIC UTILITY COMMISSION OF OREGON

DOCKET NO. UM 1897

PAUL DOBSON
Exhibit No. 1401

Paul Dobson Biography



Paul Dobson
Chief Financial Officer

Paul Dobson is the Chief Financial Officer (CFO) at Hydro One. As CFO, Mr. Dobson is responsible for finance, treasury, controller, internal audit, technology and regulation. Prior to joining Hydro One in 2018, Mr. Dobson served as CFO for Direct Energy Ltd. (Direct Energy), Houston, Texas, where he was responsible for overall financial leadership of a \$15 billion revenue business with three million customers in Canada and the United States. Since 2003, Mr. Dobson has held senior leadership positions in finance, operations, information technology and customer service across the Centrica Group, the parent company of Direct Energy. Prior to Direct Energy, Mr. Dobson worked at CIBC for 10 years in finance, strategy and business development roles in both Canada and the United States. Mr. Dobson also brings considerable experience in mergers and acquisitions and integrating acquired companies across North America and in the United Kingdom. Mr. Dobson is a dual Canadian-U.S. citizen who holds an honours bachelor's degree from the University of Waterloo as well as an MBA from the University of Western Ontario and is a CPA, CMA.

BEFORE THE
PUBLIC UTILITY COMMISSION OF OREGON

DOCKET NO. UM 1897

SUPPLEMENTAL TESTIMONY OF HYDRO ONE INTERIM CHAIR
THOMAS WOODS
REPRESENTING HYDRO ONE

Hydro One's New Board of Directors and CEO Search

I. INTRODUCTION

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Q. Please state your name, business address and present position with Hydro One Limited.

A. My name is Thomas D. (Tom) Woods, and my business address is 483 Bay Street, South Tower, 8th Floor, Toronto, Ontario M5G 2P5. I am the Interim Chair of the Board of Directors for Hydro One Limited (“Hydro One”).

Q. Have you filed direct and rebuttal testimony in this proceeding?

A. No.

Q. Are you sponsoring any exhibits that accompany your testimony?

A. Yes. Attached to my testimony is:

- Exhibit 1501 - Curriculum Vitae (“CV”) of Thomas Woods

A table of contents for my testimony is as follows:

Description	Page
I. INTRODUCTION	1
II. BACKGROUND	2
III. NEW HYDRO ONE BOARD	5
IV. SELECTION OF NEW CEO FOR HYDRO ONE	12

Summary of Testimony

Q. Please summarize your testimony.

A. My testimony introduces Hydro One’s new board of directors (“Board”),

1 summarizes how Hydro One's new Board was selected, and describes the timeline and
2 selection process for Hydro One's new Chief Executive Officer ("CEO").

3

4

II. BACKGROUND

5 **Q. When did you join Hydro One's Board?**

6 A. On August 14, 2018, Hydro One announced its new 10-member Board. As
7 described in more detail in the prefiled Supplemental Testimony of James Scarlett, Exh. 1600
8 ("Scarlett Testimony"), Hydro One's Executive Vice President and Chief Legal Officer, the
9 Province of Ontario ("Province") and Hydro One agreed on July 11, 2018, that Hydro One's
10 existing Board would resign by August 15 and Hydro One's CEO would retire, effective
11 immediately. The July 11, 2018 Letter Agreement between the Province and Hydro One
12 ("July 2018 Letter Agreement," Exhibit 1601 to Scarlett Testimony) provided that the
13 Province and Hydro One's five other largest shareholders would nominate and announce by
14 August 15, 2018, the new directors for Hydro One's Board. Since July 11, the Province has
15 nominated four of the new directors. Three of Hydro One's five largest shareholders other
16 than the Province participated in an Ad Hoc Nominating Committee and have nominated the
17 other six new directors. I was nominated by the Province to join the Hydro One Board.

18 **Q. How was the Ad Hoc Nominating Committee formed after the July 2018**
19 **Letter Agreement was signed by the Province and Hydro One?**

20 A. Following execution of the July 2018 Letter Agreement, the former Chair of the
21 Hydro One Board coordinated the establishment of the Ad Hoc Nominating Committee
22 (consistent with the process set out in Section 4.7 of the Governance Agreement between the
23 Province and Hydro One (Exhibit 803 to former CEO Mayo Schmidt's Rebuttal Testimony)).

1 Section 4.7 provides that the Ad Hoc Nominating Committee is to be comprised of one
2 representative of each of the five largest beneficial owners of Hydro One's common shares
3 (other than the Province). In determining the five largest shareholders, it is important to note
4 that Canadian ownership reporting requirements only obligate shareholders to report their
5 shareholdings when they become a holder of 10 percent or more of any class of its voting or
6 equity securities. In addition, the Ontario *Electricity Act, 1998* and Hydro One's articles of
7 incorporation preclude any person or company (or combination of persons or companies acting
8 jointly or in concert), other than the Province, from owning, or exercising control or direction
9 over, more than 10 percent of any class or series of voting securities, including common shares
10 of Hydro One. As such, no one owns more than 10 percent of Hydro One's common shares
11 other than the Province. As a result, the former Chair needed to rely on market knowledge and
12 due diligence to identify Hydro One's five largest shareholders (other than the Province) and
13 representatives of three of the said five shareholders agreed to participate on the Ad Hoc
14 Nominating Committee.

15 **Q. How were you selected to serve as Interim Board Chair?**

16 A. I was selected following an agreement reached between the Province and the
17 Ad Hoc Nominating Committee.

18 **Q. Please describe your professional background and previous experience**
19 **servicing on corporate boards.**

20 A. My curriculum vitae ("CV") is attached as Exhibit 1501. I previously had a 37-
21 year career with CIBC and Wood Gundy, the predecessor firm of CIBC World Markets. I
22 started in Investment Banking, advising companies raising financing in the equity and debt

1 capital markets as well as mergers and acquisitions, and later was Head of Canadian Corporate
2 Banking, Chief Financial Officer, Chief Risk Officer and Vice Chairman.

3 I also serve on the boards of Bank of America Corporation, Alberta Investment
4 Management Corporation, Providence St. Joseph's St. Michael's Health Care (Board Chair),
5 and CIBC Children's Foundation. Previous directorships include TMX Group Inc., DBRS
6 Limited, Jarislowsky Fraser Limited, and Covenant House (Board Chair). I have a Bachelor of
7 Applied Science in Industrial Engineering from University of Toronto, and an MBA from
8 Harvard Business School.

9 **Q. Why are you qualified to serve on Hydro One's Board?**

10 A. As required by Section 4.2 of the Governance Agreement between the Province
11 and Hydro One, all individuals on the Hydro One Board must meet certain criteria. First, I am
12 independent of Hydro One and the Province, as required by Sections 4.2.2 and 4.2.3 of the
13 Governance Agreement. Second, I meet the requirements of Section 4.2.1 of the Governance
14 Agreement, which provide that Hydro One directors must have: (i) significant experience and
15 expertise in business or that is applicable to business, (ii) served in a senior executive or
16 leadership position, (iii) broad exposure to and understanding of the Canadian or international
17 business community, (iv) skills for directing the management of a company, and (v)
18 motivation and availability, in each case to the extent requisite for a business of the
19 complexity, size and scale of the business of Hydro One and on a basis consistent with the
20 highest standards for directors of leading Canadian publicly listed companies. Third, I meet
21 the requirements of applicable securities and other laws and the requirements of the Toronto
22 Stock Exchange, as required by Section 4.2.4 of the Governance Agreement.

1 a member of the Senior Executive Team where his responsibilities included regulatory affairs,
2 law and governance. Prior to joining OMERS, he was a Senior Partner at McCarthy Tetrault
3 LLP where his practice focused on mergers and acquisitions, infrastructure, governance and
4 private equity.

5 Board experience includes numerous advisory assignments, including governance
6 advisory assignments, with boards of directors including OMERS, Stelco, Hammerson, and
7 includes existing or prior director appointments and board committee leadership roles with
8 companies like Porter Airlines, 407 ETR, the Financial Services Regulatory Authority and
9 Face the Future Foundation. He served until recently on the Public Policy Committee of the
10 Canadian Coalition for Good Governance and on the Securities Advisory Committee of the
11 Ontario Securities Commission. He co-founded The Canadian Council for Public and Private
12 Partnerships which led to a long-term interest in infrastructure policy and delivery of
13 infrastructure based services to Canadians.

14 Mr. Cowper-Smith has a Bachelor of Laws (LLB) and Master of Laws (LLM) from
15 Osgoode Hall Law School at York University. He is a member of the Law Society of Upper
16 Canada and holds the director designation through the Institute of Corporate Directors and is a
17 regular faculty presenter for the Directors College.

18 Russel Robertson: Mr. Robertson is a corporate director and former Executive Vice
19 President and Head, Anti-Money Laundering, BMO Financial Group (“BMO”). Mr. Robertson
20 has served as Chief Financial Officer, BMO Financial Group and Executive Vice President,
21 Business Integration where he oversaw the integration of Harris Bank and M&I Bank forming
22 BMO Harris Bank. Before joining BMO, he spent over 35 years as a Chartered Professional

1 Accountant holding various senior positions including the positions of Vice-Chair, Deloitte &
2 Touche LLP (Canada) and Canadian Managing Partner, Arthur Andersen LLP (Canada).

3 Mr. Robertson also serves on the boards of Bausch Health Companies Inc. and
4 Turquoise Hill Resources. Previous directorships include Virtus Investment Partners, Inc.

5 Mr. Robertson has a Bachelor of Arts (Honours) in Business Administration from the
6 Ivey School of Business at the University of Western Ontario. He is a Chartered Professional
7 Accountant (FCPA, FCA) and a Fellow of the Institute of Chartered Accountants (Ontario). He
8 is also a member of the Institute of Corporate Directors.

9 **Q. Who are the six directors nominated by the Ad Hoc Nominating**
10 **Committee?**

11 A. The following six individuals were nominated by the Ad Hoc Nominating
12 Committee.

13 Anne Giardini, O.C., Q.C.: Ms. Giardini is a corporate director and Chancellor of
14 Simon Fraser University. She previously had a 20-year career with Weyerhaeuser Company
15 Limited (“Weyerhaeuser”), including as Canadian President. Before her tenure as President,
16 she was Vice President and General Counsel at Weyerhaeuser where she worked on corporate,
17 legal, policy and strategic matters. Ms. Giardini has been a newspaper columnist and is the
18 author of two novels.

19 Ms. Giardini also serves on the boards of Nevsun Resources Ltd., Canada Mortgage &
20 Housing Corporation, World Wildlife Fund (Canada), BC Achievement Foundation,
21 TransLink and the Greater Vancouver Board of Trade. Previous directorships include
22 Thompson Creek Metals Company, Inc. and Weyerhaeuser Company Limited.

23 Ms. Giardini has a BA in Economics from Simon Fraser University, a Bachelor of

1 Laws from the University of British Columbia and a Master of Law from the University of
2 Cambridge (Trinity Hall). She is licensed to practice law in British Columbia (and formerly in
3 Ontario and Washington State). In 2016, Ms. Giardini was appointed an Officer of the Order of
4 Canada.

5 David Hay: Mr. Hay is a corporate director. He is former Vice-Chair and Managing
6 Director of CIBC World Markets Inc. with power, utilities and infrastructure as a major focus.
7 Formerly, he was President and Chief Executive Officer of New Brunswick Power
8 Corporation, Managing Director of Delgatie Incorporated and held senior investment banking
9 roles, including Senior Vice-President and Director responsible for mergers and acquisitions
10 with Merrill Lynch Canada and Managing Director of European mergers and acquisitions with
11 Merrill Lynch International. He spent the early part of his career as a practicing lawyer and
12 taught part-time at both the University of Toronto and University of New Brunswick.

13 Mr. Hay also serves on the boards of EPCOR, SHAD (Chair), the Council of Clean and
14 Reliable Energy and as Chair of the Acquisition Committee of the Beaverbrook Art Gallery.
15 Prior directorships include Toronto Hydro-Electric System Limited (Vice Chair).

16 Mr. Hay has a Bachelor of Laws from Osgoode Hall Law School, York University and
17 a Bachelor of Arts from the University of Toronto (Victoria College). He also holds a
18 professional director designation from the Institute of Corporate Directors (ICD.D).

19 Timothy Hodgson: Mr. Hodgson is a Managing Partner of Alignvest Capital
20 Management. Prior to that, Mr. Hodgson was Special Advisor to Governor Mark Carney at
21 Bank of Canada. Mr. Hodgson also held various positions in New York, London, Silicon
22 Valley and Toronto with Goldman Sachs and served as Chief Executive Officer of Goldman
23 Sachs Canada. Mr. Hodgson has held roles with Salomon Brothers, Price Waterhouse & Co.

1 and Merrill Lynch Canada.

2 Mr. Hodgson also serves on the boards of Alignvest Acquisition II Corporation (Chair),
3 PSP Investments and MEG Energy Corp. Previous directorships include Alignvest Acquisition
4 Corporation, KGS-Alpha Capital Markets L.P., The Global Risk Institute, The Ivey School of
5 Business, The Next36, Bridgeport Health and CanWest Media Works Inc.

6 Mr. Hodgson has a Bachelor of Commerce from the University of Manitoba and a
7 Masters of Business Administration from The Richard Ivey School of Business at Western
8 University. He is a Chartered Accountant and a member of the Institute of Corporate Directors.

9 Jessica McDonald: Ms. McDonald is Interim President and Chief Executive Officer of
10 Canada Post Corporation. Previous roles include President and Chief Executive Officer of
11 British Columbia Hydro & Power Authority and Executive Vice President of HB Global
12 Advisors Corp., as well as a successful practice in mediation and negotiation on major
13 commercial and industrial projects. In addition, Ms. McDonald has held many positions with
14 the B.C. government, including the most senior public service position in the provincial
15 government as Deputy Minister to the Premier, Cabinet Secretary and Head of the BC Public
16 Service, responsible for overseeing all aspects of government operations.

17 Ms. McDonald also serves on the boards of Canada Post Corporation, Coeur Mining
18 Inc. and Trevali Mining Corporation, and is on the Member Council of Sustainable
19 Development Technology Canada. Previous directorships include Powertech Labs (Chair) and
20 Powerex Corp.

21 Ms. McDonald has a Bachelor of Arts (Political Science) from the University of British
22 Columbia. She is also a member of the Institute of Corporate Directors of Canada.

23 William Sheffield: Mr. Sheffield is a corporate director. He is the former Chief

1 Executive Officer of Sappi Fine Papers, headquartered in South Africa. Previously, he held
2 senior roles with Abitibi-Consolidated, Inc. and Abitibi-Price, Inc. He began his career in the
3 steel industry and held General Manager, Industrial Engineering and Cold Mill Operating roles
4 at Stelco, Inc.

5 Mr. Sheffield also serves on the boards of Houston Wire & Cable Company, Velan,
6 Inc., Burnbrae Farms Ltd., Longview Aviation Capital and Family Enterprise Xchange.
7 Previous directorships include Canada Post Corporation, Ontario Power Generation, Corby
8 Distilleries, Royal Group Technologies and SHAD.

9 Mr. Sheffield has a Bachelor of Science (Chemistry) from Carleton University and an
10 MBA from McMaster University. He holds a professional director certification from the
11 Institute of Corporate Directors and a similar designation from the National Association of
12 Corporate Directors in the U.S. He also completed the Family Enterprise Advisors Program
13 (FEA) at the University of British Columbia.

14 Melissa Sonberg: Ms. Sonberg is a corporate director and Adjunct Professor and
15 Executive-in-Residence at McGill University's Desautel Faculty of Management. She spent
16 the early part of her career in the healthcare industry before joining Air Canada, where she
17 held leadership positions in a range of customer facing, operational and corporate functions.
18 Ms. Sonberg was part of the founding executive team of Aeroplan, now part of AIMIA. Ms.
19 Sonberg held positions of Senior Vice President, Human Resources & Corporate Affairs and
20 Senior Vice President, Global Brands, Communications and External Affairs at AIMIA.

21 Ms. Sonberg also serves on the boards of Exchange Income Corporation, MD Financial
22 Holdings, Inc., Canadian Professional Sales Association, Group Touchette, Women in Capital
23 Markets and Equitas – International Centre for Human Rights. Previous directorships include

1 Rideau, Inc., Via Rail Canada, University of Ottawa, International Advisory Board and the
2 McGill University Health Centre.

3 Ms. Sonberg has a Bachelor of Science (Psychology) from McGill University and a
4 Masters of Health Administration from the University of Ottawa. She is a Certified Human
5 Resource Executive and holds a professional director certification from the Institute of
6 Corporate Directors.

7 **Q. Did the Province play any role in the selection of the Ad Hoc Nominating**
8 **Committee's six nominees?**

9 A. No.

10 **Q. Do all of the Board nominees selected by the Province and the Ad Hoc**
11 **Nominating Committee meet the requirements of Sections 4.2.1, 4.2.2, 4.2.3, and 4.2.4 of**
12 **the Governance Agreement previously described in your testimony?**

13 A. Yes.

14 **Q. Were there additional criteria considered by the Province and Ad Hoc**
15 **Nominating Committee in selecting their nominees besides the requirements of Sections**
16 **4.2.1, 4.2.2, 4.2.3, and 4.2.4 of the Governance Agreement?**

17 A. Yes. Section 4.2.5 of the Governance Agreement provides that the Province
18 and Ad Hoc Nominating Committee, in selecting their nominees, should consider the
19 aspirational goals established in Hydro One's Skills Matrix, Board Diversity Policy or any
20 other policy relating to the composition of the Board forming part of Hydro One's governance
21 policies, procedures and practices listed in Schedule "C" to the Governance Agreement.

22 Further, Section 4.2.6 of the Governance Agreement provides that the majority of the
23 Board must at all times be resident Canadians (as defined in the *Business Corporations Act*

1 (Ontario) (“OBCA”). Neither the Province nor the Ad Hoc Nominating Committee will
2 nominate any person for election or appointment as a Director if, as a result of that nominee
3 being elected or appointed as a Director, this requirement would not be met.

4 **Q. Does the new Board meet the requirements of Sections 4.2.5 and 4.2.6 of**
5 **the Governance Agreement?**

6 A. Yes.

7 **Q. Now that the Province and Ad Hoc Nominating Committee have selected**
8 **Hydro One’s new Board, what additional steps must be taken to confirm these**
9 **nominations?**

10 A. On August 13, 2018, the Hydro One Board passed resolutions in a sequential
11 fashion appointing all 10 replacement directors. Each of the newly appointed directors shall
12 serve on the Board until the earlier of the 2019 annual meeting of shareholders of Hydro One
13 or until his or her successor is elected or appointed in accordance with the Governance
14 Agreement and OBCA. No other steps are required to confirm the appointment of the new
15 directors.

16

17 **IV. SELECTION OF NEW CEO FOR HYDRO ONE**

18 **Q. Will the new Hydro One Board select a new CEO for Hydro One?**

19 A. Yes. Pursuant to Section 3.3 of the Governance Agreement, the Hydro One
20 Board selects Hydro One’s CEO.

21 **Q. How will the new Board select the new CEO for Hydro One?**

22 A. The selection of a new CEO for Hydro One will be one of the new Board’s
23 highest priorities in the coming weeks and months. The Board Chair will establish a CEO

1 Selection Committee, which will in turn appoint an Executive Recruiting firm. Internal and
2 external candidates will be interviewed, and a preferred candidate will be selected.
3 Negotiations with the preferred candidate will then take place in an effort to enter into an
4 agreement to be appointed CEO.

5 **Q. Can you predict when the Hydro One Board will announce the new CEO**
6 **for Hydro One?**

7 A. At this time, I cannot predict when this announcement will be made. As with
8 any CEO search for a corporation the size of Hydro One, the search and negotiations with the
9 finalist may take several months.

10 **Q. Does Hydro One have an interim or acting CEO?**

11 A. Yes. Hydro One's Chief Financial Officer, Paul Dobson, was named Hydro
12 One's acting CEO on July 11. Mr. Dobson will continue to serve as acting CEO while Hydro
13 One's new Board conducts a search for Hydro One's new CEO.

14 **Q. Are the interests of Hydro One's customers, employees, or investors at risk**
15 **during the search for a permanent CEO?**

16 A. Absolutely not. I have the greatest respect for Mr. Dobson and believe he will
17 manage Hydro One as its acting CEO with the utmost integrity and skill during the Board's
18 CEO search process. The Hydro One Board should not rush its selection process, and it has no
19 need to do so with the continuing leadership of Mr. Dobson and the other executives and
20 managers who have continued to serve Hydro One's customers, employees, and investors since
21 July 11.

22 **Q. Are you aware of any directive from the Province that would call into**
23 **question the merger or would suggest that Hydro One would not honor the commitments**

1 **made in the merger agreement itself or in the Stipulation negotiated by all parties?**

2 A. No, I am not.

3 **Q. Does this conclude your testimony?**

4 A. Yes it does.

BEFORE THE
PUBLIC UTILITY COMMISSION OF OREGON

DOCKET NO. UM 1897

THOMAS WOODS
Exhibit No. 1501

Curriculum Vitae (“CV”) of Thomas Woods



TOM WOODS

tomwoods110@gmail.com

M – 416 - 726 - 7032

H – 416 - 482 - 3155

128 Imperial St.
Toronto, Ontario
M5P 1C6

- Current Boards**
- Alberta Investment Management Corporation (AIMCo)
 - Bank of America Corporation
 - Providence St Joseph's St Michael's Health Care (Board Chair)
 - University of Toronto – Mechanical & Industrial Engineering Advisory Board

- Career**
- Canadian Imperial Bank of Commerce, Toronto (1977-2014)
 - Vice-Chairman – 2013-2014⁽¹⁾
 - SEVP & Group Chief Risk Officer – 2008-2013⁽²⁾
 - EVP/SEVP & Group Chief Financial Officer – 2000-2008⁽³⁾
 - SVP & Group Controller – 1999-2000
 - CIBC World Markets, Toronto and Montreal
 - Chief Financial Officer – 1998-1999
 - Head, Canadian Corporate Banking – 1996-1997
 - Investment Banking Dept. – 1977-1996⁽⁴⁾

- Education**
- University of Toronto, BAsC Industrial Engineering – 1975
 - Harvard Business School, MBA – 1977

- Previous Boards** - see attached

- Family**
- Wife – Ruth (COO, Osler Hoskin law firm)
 - Children – Shannon (Architect – B+H - Singapore), Derek (Financial Analyst – IHS Markit - London)

⁽¹⁾ Vice-Chairman, CIBC – (retired Dec. 31, 2014)

- reported to the CEO
- responsibility for coverage of client CEOs

- *Asset/Liability Committee; Global Risk Committee*
- *Business Strategy Group (strategic planning / M&A)*

... continued

(2) *SEVP & Group Chief Risk Officer, CIBC – 2008-2013 (July)*

- *reported to the CEO; 650 employees*
- *together with the CEO and the senior management team, focus was de-risking the bank; managed successfully in a challenging environment*
- *named the “Strongest Bank in North America” (3rd in world) by Bloomberg for each of 2012 and 2013*
- *CRO position had ultimate authority (delegated by CEO) for approval of all loans, financial modeling for risk assessment of capital markets / other businesses*
- *Chair of Asset/Liability Committee and Global Risk Committee; quarterly investor webcast presentations*

(3) *EVP & Group Chief Financial Officer, CIBC – 2000-2003*

SEVP & Group Chief Financial Officer, CIBC – 2003-2008

- *reported to the CEO (2003-2008); 700 employees*
- *financial statement preparation, financial planning, internal control systems, investor / rating agency / regulatory relations, purchasing, tax*
- *Chair of CIBC Pension Fund Board*
- *first Canadian company and the first North American bank to receive Sarbanes Oxley certification*
- *quarterly investor webcast presentations and BNN television interviews; annual shareholder meeting presentations*
- *no financial restatements during this time*

(4) *Wood Gundy – 1977-1989 (when acquired by CIBC)*

<u>Tom Woods - Boards</u>	<u>Date of Commencement</u>	<u>Date Stepped Down</u>	
Alberta Investment Management Corporation (AIMCo)	Oct 2015	<i>Current</i>	Director Chair – Audit Cttee. Investment Cttee
Bank of America Corporation	Apr 2016	<i>Current</i>	Director Enterprise Risk Cttee. Governance Cttee.
Canadian Council on Children & Youth	Jan 1989	Mar 1992	Director Chair – Finance Cttee.
Canadian Opera Company	Apr 2006	Oct 2012	Director Chair – Finance Cttee.
Covenant House International (N.Y.)	Mar 2007	May 2014	Director Chair – Finance Cttee.
Covenant House Toronto	Nov 2001	Nov 2012	Board Chair Chair – Finance Cttee.
De La Salle College, Toronto	Sep 2003	Sep 2007	Director Chair, Finance Cttee.
DBRS Limited and DBRS, Inc.	Aug 2015	Nov 2016	Director
First Caribbean International Bank ⁽¹⁾⁽²⁾	Dec 2006	Sep 2010	Director Chair – Finance Cttee. Chair – Risk Cttee.
Hummingbird (Sony) Centre for the Performing Arts	Apr 2000	Apr 2006	Director Chair – Finance Cttee.
Intria Items Inc. ⁽²⁾⁽³⁾	Dec 2001	Nov 2005	Director
Invest in Kids	Dec 1996	Dec 2007	Director Chair – Finance Cttee.
Jarislowsky Fraser Ltd.	Jan 2017	May 2018 ⁽⁴⁾	Director Chair – HR Cttee.
Metrowerks Inc. ⁽¹⁾	Jan 1996	Mar 1999 ⁽⁴⁾	Director
Providence St Joseph's St Michael's Health Care	Aug 2017	<i>Current</i>	Board Chair
St. Joseph's Health Centre, Etobicoke, Ont.	Jul 2013	Aug 2017	Director Chair, Finance & Audit Cttee. Pension Cttee.
Royal Ontario Museum Foundation	Mar 1997	Aug 2000	Director
TMX Group ⁽¹⁾⁽²⁾ (Toronto/Montreal Stock Exchange)	Jul 2012	Dec 2014 ⁽⁵⁾	Director Derivatives Cttee.
University of Toronto Mechanical & Industrial Engineering	Feb 2011	<i>Current</i>	Director (Advisory Board)

(1) Publicly traded company (2) CIBC Appointee (3) CIBC joint venture with Fiserv Inc. (4) Company sold (5) Stepped down on Dec 31, 2014 upon retirement from CIBC

BEFORE THE
PUBLIC UTILITY COMMISSION OF OREGON

DOCKET NO. UM 1897

SUPPLEMENTAL TESTIMONY OF JAMES SCARLETT
REPRESENTING HYDRO ONE

**Province of Ontario Election, Replacement of Hydro One Board, Retirement of Hydro One's CEO, the
Hydro One Accountability Act, Protections for Avista, and Adoption of Mayo Schmidt's Testimony**

1 **I. INTRODUCTION**

2 **Q. Please state your name, business address and present position with Hydro**
3 **One Limited.**

4 A. My name is James (“Jamie”) Scarlett, and my business address is 483 Bay Street,
5 South Tower, 8th Floor, Toronto, Ontario M5G 2P5. I am Executive Vice President and Chief
6 Legal Officer for Hydro One Limited (“Hydro One”).

7 **Q. Have you filed direct and rebuttal testimony in this proceeding?**

8 A. No.

9 **Q. Are you sponsoring any exhibits that accompany your testimony?**

10 A. Yes. Attached to my testimony are:

- 11 • Exhibit 1601 - July 2018 Letter Agreement between Hydro One and Her
12 Majesty The Queen in Right of Ontario
- 13 • Exhibit 1602 - Schedule 1 of the *Urgent Priorities Act, 2018*, titled the *Hydro*
14 *One Accountability Act, 2018*

15 A table of contents for my testimony is as follows:

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11

12 **Summary of Testimony**

13 **Q. Please summarize your testimony.**

14 A. My testimony addresses the following topics: (i) the June 7, 2018 election of
15 Premier Doug Ford and the Progressive Conservative Party, (ii) the July 11, 2018 Letter
16 Agreement (“July 2018 Letter Agreement”) and the resignation of Hydro One’s Board and
17 retirement of Hydro One’s Chief Executive Officer (“CEO”) Mayo Schmidt, (iii) the *Hydro*
18 *One Accountability Act, 2018*, (iv) the settlement commitments designed to protect Avista’s
19 independence and financial health from Provincial interference, (v) Avista’s and Hydro One’s
20 proposal to add a new commitment and amend its commitment regarding Avista’s post-merger
21 board in response to the events after the June 7, 2018 Ontario election involving Hydro One,

1 and (vi) my adoption of Mayo Schmidt's previously filed testimony and exhibits in this
2 proceeding.

3

4

II. JUNE 7, 2018 ELECTION

5 **Q. Please describe the outcome of the Province of Ontario's election on June**
6 **7, 2018.**

7 A. On June 7, 2018, voters in Ontario elected a new government that will be led by
8 the Progressive Conservative Party, replacing the Liberal Party government led by Kathleen
9 Wynne. The Premier is Doug Ford of the Progressive Conservative Party. The Ontario Premier
10 is the equivalent of a state governor in the United States. The Progressive Conservative Party
11 has a substantial majority in the Legislative Assembly of Ontario.

12 **Q. Has the new government taken office?**

13 A. The new government was sworn in on June 29, 2018.

14 **Q. What promises did Premier Ford make during his campaign regarding**
15 **Hydro One?**

16 A. During the campaign, Premier Ford stated that he would remove Hydro One's
17 CEO Mayo Schmidt and some or all of the members of Hydro One's Board of Directors.
18 Premier Ford also promised to reduce electricity rates for Ontario residents.

19 **Q. What mechanisms were available to Premier Ford to fulfill these campaign**
20 **promises regarding Hydro One's CEO and Board of Directors?**

21 A. As explained in Hydro One's June 19, 2018 Response to Administrative Law
22 Judge Patrick Power's Bench Request issued on June 14, 2018, if Premier Ford and his
23 Progressive Conservative Party wished to seek to remove some or all of Hydro One's Board

1 and its CEO, they could accomplish these objectives either (i) through procedures established
2 by Section 4.7 of the Governance Agreement (the “Governance Agreement”) between Hydro
3 One and Her Majesty the Queen in Right of Ontario (the “Province”), or (ii) through legislation.
4 The Governance Agreement is Exhibit 803 to former Hydro One CEO Mayo Schmidt’s
5 testimony filed in this docket on March 29, 2018.

6 **Q. Please explain the procedures in Section 4.7 of the Governance Agreement.**

7 A. The Governance Agreement establishes an independent Hydro One Board with
8 the following features: the CEO is selected by the Board (not the Province), the Province
9 nominates 40% of the Board’s directors (or its proportionate share, whichever is less) proposed
10 for election, the Nominating and Governance Committee (now known as the “Governance
11 Committee”) nominates the remaining directors proposed for election, and other than the CEO,
12 each director must be independent of Hydro One and the Province.

13 In order to remove the Hydro One Board, the Province must follow the procedures in
14 Section 4.7 of the Governance Agreement:

15 (1) serve a Removal Notice on Hydro One requesting the removal of Hydro One’s Board
16 at a shareholder meeting (the Removal Notice does not apply to Hydro One’s CEO even though
17 he is a Board member; the Province also can exempt the chair of the Board from its Removal
18 Notice) (Section 4.7.1);

19 (2) the chair of the Board will establish a committee comprising representatives of
20 Hydro One’s five largest shareholders, except the Province (the “Ad Hoc Nominating
21 Committee”) (Section 4.7.2);

22 (3) the Ad Hoc Nominating Committee and the Province will work together to develop
23 a slate of new Board members to be considered at an upcoming shareholder meeting (the

1 “Removal Meeting”) (Section 4.7.3);

2 (4) once the slate of new Board members is established, the shareholder Removal
3 Meeting must be held within 60 days (Section 4.7.4); and

4 (5) at the Removal Meeting, the Province must vote in favor of the slate of new Board
5 members established by the Ad Hoc Nominating Committee and the Province (Section 4.7.6).

6 Under the Section 4.7 procedures, Hydro One’s shareholders must remove the entire
7 Hydro One Board; they cannot remove just certain Board members. (Section 4.7.1) Further, the
8 Board cannot be replaced with any board members who were part of the previous Board.
9 (Section 4.7.3) All nominees must be vetted by the Ad Hoc Nominating Committee (Sections
10 4.7.3 and 4.3) and must meet the qualification standards set in Section 4.2 of the Governance
11 Agreement -- each director nominee must be an individual of high quality and integrity who
12 has: (i) significant experience and expertise in business or that is applicable to business, (ii)
13 served in a senior executive or leadership position, (iii) broad exposure to and understanding of
14 the Canadian or international business community, (iv) skills for directing the management of
15 a company, and (v) motivation and availability, in each case, to the extent appropriate for a
16 business of the complexity, size and scale of the business of Hydro One and on a basis consistent
17 with the highest standards for directors of leading Canadian publicly listed companies.

18 Section 4.7 does not permit shareholders to hire or fire Hydro One’s CEO. Section 4.7
19 simply provides a process by which Hydro One’s shareholders can install a new Board. Section
20 2.3(b) of the Governance Agreement reserves to the Board the authority to appoint, terminate,
21 supervise and compensate the CEO, Chief Financial Officer and other senior officers of Hydro
22 One.

23 **Q. Please explain the legislative path available to Premier Ford.**

1 A. As an alternative to following the Section 4.7 procedures in the Governance
2 Agreement, Premier Ford and his Progressive Conservative Party also had the option of passing
3 legislation during the special legislative session convened in July that would give the Province
4 the authority to remove and replace the Hydro One CEO and its Board.

5
6 **III. JULY 11, 2018 LETTER AGREEMENT**

7 **Q. What did Hydro One’s executive team and Board do after Premier Ford**
8 **was elected and his Progressive Conservative Party took a majority of the seats in the**
9 **Ontario Legislature?**

10 A. On July 4, 2018, discussions were held between representatives of the Board and
11 of the Ontario Premier’s office, respectively. On July 5, 2018, discussions were held between
12 legal counsel to the Board and a representative of the Ontario Premier’s office and privileged
13 and confidential discussions were held among the Board Chair, another representative of the
14 Board and the Board’s legal counsel. Subsequently, representatives of the Board, the Board’s
15 legal counsel and representatives of the Ontario Premier’s office held various discussions and
16 meetings during July 6, 2018 through July 8, 2018. These discussions involved representatives
17 from the Cabinet Office, and representatives of the Ministry of Energy, Northern Development
18 and Mines, the Ministry of Finance and the Attorney General, and led to the July 2018 Letter
19 Agreement being approved by Cabinet and entered into between Hydro One and Ontario as
20 represented by the Honorable Greg Rickford, the Minister of Energy, Northern Development
21 and Mines. The July 2018 Letter Agreement between Hydro One and Her Majesty The Queen
22 in Right of Ontario is attached as Exhibit 1601.

23 **Q. Why did Hydro One enter into the July 2018 Letter Agreement with the**

1 **Province?**

2 A. The replacement of the Board and the CEO was one of the campaign promises
3 made by Premier Doug Ford during the election campaign for the election that took place on
4 June 7, 2018. In light of this, the Board of Hydro One determined that it would be in the best
5 interests of Hydro One to voluntarily resign to facilitate the orderly replacement of the Board
6 in a sequential manner on an expedited basis. Rather than wait for Premier Ford to trigger the
7 procedures in the Governance Agreement or pursue legislation with potentially intrusive
8 provisions, a process for replacing the Board was documented in the July 2018 Letter
9 Agreement. In doing so, the Province and Hydro One complied with the spirit and intent of
10 Section 4.7 of the Governance Agreement. In order to serve the best interests of the company,
11 the parties agreed to forego the requirement to hold a shareholders' meeting, thereby expediting
12 the process and reducing uncertainty.

13 **Q. What process for selecting the new Board was established in the July 2018**
14 **Letter Agreement?**

15 A. The July 2018 Letter Agreement provides that (i) an Ad Hoc Nominating
16 Committee comprised of representatives of each of Hydro One's five largest shareholders (or a
17 lesser number depending on how many of the five largest shareholders wished to serve on the
18 Ad Hoc Nominating Committee), excluding the Province, would be formed to nominate six
19 directors of the new Board; and (ii) the Province would nominate four directors. The new
20 directors must meet the requirements set out in the Governance Agreement. As noted above,
21 Section 4.2 of the Governance Agreement outlines the qualifications for director nominees.
22 The new Board would then appoint a replacement Chair of the Board from among their number
23 consistent with Section 3.2 of the Governance Agreement.

1 The process prescribed by the July 2018 Letter Agreement to select Hydro One’s new
2 10-member Board, which consists of four Provincial designees and six designees chosen by the
3 Ad Hoc Nominating Committee of Hydro One’s largest investors besides the Province, follows
4 the requirements of Sections 4.3 and 4.7 of the Governance Agreement.

5 **Q. Has the process been completed for selecting Hydro One’s new Board as**
6 **provided in the July 2018 Letter Agreement,?**

7 A. Yes. As explained in the Supplemental Testimony of Hydro One Interim Chair
8 Thomas Woods (Exhibit 1500, “Woods Testimony”), the Ad Hoc Nominating Committee was
9 formed and three of the five largest Hydro One shareholders participated, excluding the
10 Province. The Ad Hoc Nominating Committee selected six members for the Board, and the
11 Province selected four members. Hydro One announced the members of the new Board on
12 August 14, 2018. See Woods Testimony, §§ II and III.

13 **Q. Are the new Board members announced on August 14 appointed on an**
14 **interim basis?**

15 A. No. As with previous Board members, the new Board members are subject to
16 annual approval of the Hydro One shareholders, consistent with the Governance Agreement
17 and the *Business Corporations Act* (Ontario) (“*OBCA*”). Section 2 of the July 2018 Letter
18 Agreement provides:

19 Each of the Replacement Directors nominated and appointed to the Board pursuant to
20 section 1 of this Agreement shall serve on the Board until the earlier of the 2019 annual
21 meeting of shareholders of Hydro One or until his or [*sic*] resignation or his or her
22 successor is elected or appointed in accordance with the Governance Agreement and the
23 *OBCA*.

24 Exhibit 1601, § 2.

25 **Q. What led to the retirement of former CEO Mayo Schmidt?**

1 A. The Governance Agreement requires that the CEO be appointed by the Board
2 and annually have his appointment confirmed by a special resolution of the Board (*i.e.*, two-
3 thirds of the votes cast at a directors' meeting, or consented to in writing by all directors). See
4 Section 3.3 of the Governance Agreement. In light of the events outlined above and the
5 anticipated difficulty of him attempting to carry out his duties as CEO without the support of
6 Hydro One's single largest shareholder, the former CEO Mayo Schmidt retired from his
7 positions, having determined that it would be in the best interests of Hydro One and its
8 stakeholders to do so.

9 **Q. What process for selecting the new CEO was established in the July 2018**
10 **Letter Agreement?**

11 A. The new Board will appoint a replacement CEO, who will become the eleventh
12 Board member. The status of the CEO search is described in Exhibit 1500, Woods Testimony,
13 § IV.

14 **Q. Does the July 2018 Letter Agreement contain any other provisions besides**
15 **those described above relating to the replacement of the Hydro One Board and CEO?**

16 A. Hydro One has agreed to consult with the Province in respect of future matters
17 of executive compensation. Further, Paul Dobson, Hydro One's chief financial officer, has
18 been appointed as acting chief executive officer until such time as the replacement board of
19 directors can appoint a new CEO.

20

21 **IV. HYDRO ONE ACCOUNTABILITY ACT, 2018**

22 **Q. Did the new government convene a special legislative session after the June**
23 **7, 2018 election?**

1 A. Yes. Premier Ford and the Progressive Conservative Party convened a special
2 legislative session on July 11, 2018.

3 **Q. Did the Progressive Conservative Party introduce legislation impacting**
4 **Hydro One?**

5 A. On Monday, July 16, 2018, the new Provincial government introduced the
6 *Urgent Priorities Act, 2018*, which, included as Schedule 1, the *Hydro One Accountability Act,*
7 *2018*. The *Hydro One Accountability Act, 2018* is attached as Exhibit 1602.

8 **Q. Please summarize the requirements of the *Hydro One Accountability Act*.**

9 A. The *Hydro One Accountability Act* (the “Act”) addresses concerns about
10 compensation for Hydro One executives located in Ontario. It requires the board of Hydro One
11 to establish a new compensation framework for the Board of Directors, CEO, and other
12 executives in consultation with the Province and the other five largest shareholders. The Act
13 gives the Management Board of Cabinet authority to approve this compensation framework and
14 any amendments to it as well as to issue directives governing the compensation of the directors,
15 CEO, and other executives.

16 The Act also amends the *Ontario Energy Board Act, 1998* to require the Ontario Energy
17 Board to exclude any amount in respect of compensation paid to the CEO and executives from
18 consumer rates for Hydro One or its subsidiaries.

19 The Act requires Hydro One to annually publish on its website a record of the total
20 compensation of executives as prescribed by regulation. The Act also requires Hydro One to
21 publish on its website any proposed changes to its compensation frameworks for the board,
22 CEO, or other executives at least 30 days prior to the date on which it seeks Management Board
23 of Cabinet approval for those changes pursuant to the Act.

1 **Q. Does the Act provide the Province and Hydro One immunity from certain**
2 **judicial challenges?**

3 A. The Act also provides the Crown and Hydro One with immunity from civil
4 liability resulting from:

- 5 • the enactment, operation, administration or repeal of any provision of the Act;
- 6 • anything done or not done under the Act;
- 7 • anything related in any way to the involvement of the Government of Ontario in
8 compensation matters, or other aspects of the corporate governance, of Hydro
9 One or any of its subsidiaries;
- 10 • any alleged misrepresentation within the meaning of applicable securities laws
11 in any prospectus, document or other public statement related in any way to the
12 involvement of the Government of Ontario in compensation matters at Hydro
13 One or any of its subsidiaries; or
- 14 • any adverse market consequences or diminishment in the value of any securities
15 in Hydro One, or any of its subsidiaries, or any other investment, resulting from
16 the enactment of the Act, anything done or not done in order to comply with the
17 Act or the involvement of the Government of Ontario in the corporate
18 governance of Hydro One or any of its subsidiaries.

19 **Q. Please describe the legislative status of the Act and when it became law.**

20 A. The *Urgent Priorities Act*, which includes Schedule 1, the *Hydro One*
21 *Accountability Act*, went through first, second, and third readings in the Ontario Legislature.
22 The Legislature did not amend the legislation. The *Urgent Priorities Act* then received Royal
23 Assent on July 25, 2018, which is the day it came into force as the law of Ontario. Schedule 1

1 provides that the *Hydro One Accountability Act* comes into force on a day to be named by
2 proclamation of the Lieutenant Governor. That proclamation was delivered on August 15, and
3 the Act is now effective.

4 **Q. Will the Act apply to the executives of Avista if the merger of Hydro One**
5 **and Avista is consummated?**

6 A. No. As defined in the Act, the term “subsidiary” excludes any subsidiary
7 incorporated in a jurisdiction outside of Canada.

8

9 **V. THE FUTURE OF THE GOVERNANCE AGREEMENT**

10 **Q. Do you believe that the Governance Agreement continues to govern the**
11 **relationship between the Province and Hydro One?**

12 A. Yes. Pursuant to Section 16 of the July 2018 Letter Agreement between Hydro
13 One and the Province (Exhibit 1601), except for the provisions of the *Hydro One Accountability*
14 *Act* which are principally limited to compensation matters pertaining to Hydro One and its
15 subsidiaries incorporated within Canada, the Province ratified and reaffirmed its commitment
16 to the Governance Agreement, which Governance Agreement remains in full force and effect:

17 16. Reaffirmation: By entering into this Agreement, the Province ratifies and reaffirms
18 its obligations under the Governance Agreement and agrees that, except as specifically
19 set out in this Agreement with respect to the subject matter hereof, (i) the execution,
20 delivery and effectiveness of this Agreement or any other documents delivered in
21 connection herewith shall not amend, modify or operate as a waiver or forbearance of
22 any right, power, obligation, remedy or provision under the Governance Agreement,
23 and (ii) such agreement shall continue in full force and effect.

24 Exhibit 1601, § 16.

25 The Governance Agreement requires that the Province act as an investor and not a
26 manager of Hydro One, and the Province’s decision-making authority in respect of Hydro One

1 is restricted to that of any other investor with respect to voting its shares in any decisions that
2 are brought forward for shareholder approval. The Province also has the right to nominate 40
3 percent of the Board of Directors (other than the CEO), but all directors remain subject to an
4 annual vote by all shareholders of Hydro One.

5 As noted above, although the Province's rights as a shareholder are limited by the
6 Governance Agreement, the Province retains legislative authority to pass legislation with
7 respect to subjects within its jurisdiction, such as the *Hydro One Accountability Act, 2018*.

8 **Q. Do you know if the Province intends to take any further actions with respect**
9 **to Hydro One?**

10 A. I am not aware of any further actions that the Province intends to take with
11 respect to Hydro One. As I mentioned above, Premier Ford has stated that he would like to
12 reduce electricity rates for Ontario residents. I do not know what, if any, further actions that
13 the Province may take to address electricity rates, and am not aware of any pending legislation
14 that would impact Hydro One's management or rates. I do not believe that any such action
15 would affect the agreed-upon commitments reflected in the filed Stipulated Settlement, which
16 insulate Avista's customers from provincial affairs, as discussed below.

17

18 **VI. SETTLEMENT COMMITMENTS DESIGNED TO PROTECT AVISTA'S**
19 **INDEPENDENCE AND FINANCIAL HEALTH**

20 **Q. Administrative Law Judge Patrick Power's June 14, 2018 Bench Request**
21 **suggests that there may be concern as to whether the Province, through Premier Ford and**
22 **the Ontario Legislature, will directly interfere with Avista's independence and financial**
23 **health if the merger is consummated. Do you think that concern is reasonable?**

1 A. No. All of the parties to this proceeding filed a Stipulation and Settlement with
2 the Public Utility Commission of Oregon (the “Commission”) on May 25, 2018 (“Stipulated
3 Settlement”). The Stipulated Settlement includes 115 merger commitments (each, a “Stipulated
4 Commitment,” collectively, the “Stipulated Commitments”) that were designed by all of the
5 parties to ensure the independence and financial health of Avista. Through Hydro One’s and
6 Avista’s opening testimony filed on September 14, 2017, the intervenors’ reply testimony filed
7 on February 12, 2018, and Hydro One’s and Avista’s rebuttal testimony filed on March 29,
8 2018, all of the parties to this proceeding carefully explored the risks to Avista if it was acquired
9 by a Canadian utility whose largest shareholder is the Province of Ontario. Through three in-
10 person and numerous telephonic settlement conferences, all of the parties discussed these risks
11 and developed a set of 115 Stipulated Commitments designed to ensure the independence and
12 financial health of Avista in light of the fact that Hydro One’s largest shareholder is the Province
13 of Ontario.

14 I firmly believe that the 115 Stipulated Commitments will fully protect Avista’s
15 independence and financial health if the merger is consummated, and the events since the June
16 7, 2018 election do not change my conclusion.

17 The Province will not have jurisdiction to directly affect, interact with, or directly
18 interfere with the management and strategic direction of Avista if the merger is consummated.
19 The Province cannot pass laws that apply to Avista. Rather, if the merger is consummated,
20 Hydro One’s ownership of Avista will be constrained by the 115 Stipulated Commitments, any
21 commitments included in the Commission’s order approving the merger, and the laws of the
22 United States and the five states in which Avista operates (Oregon, Washington, Idaho,
23 Montana, and Alaska).

1 or any of its affiliates (other than Avista), notwithstanding anything to the
2 contrary in the merger agreement, and its exhibits and attachments, between
3 Hydro One and Avista.

4 ***79. Headquarters***

5 Avista and Parent agree that Avista will maintain its headquarters in
6 Spokane, Washington. Any change in the location of Avista headquarters will
7 require Commission approval.

8 ***80. Local Staffing***

9 Avista will maintain Avista's staffing and presence in the communities
10 in which Avista operates at levels sufficient to maintain the provision of safe
11 and reliable service and cost-effective operations, consistent with Pre-Merger
12 levels.

13 The Supplemental Testimony of Hydro One's Expert Witness John Reed (Exhibit 2000,
14 "Reed Testimony") discusses these governance commitments and explains how they represent
15 the state-of-the-art for a utility merger. Reed Testimony, § III.

16 **Q. What tools do the Stipulated Commitments provide the Commission to**
17 **ensure Hydro One's long-term financial support of Avista's safety and reliability**
18 **standards, service quality measures, and customer service metrics?**

19 A. In addition to the protections provided by the independence of Avista's post-
20 merger board, Stipulated Commitment Nos. 7, 10-13, 20-24, 26-27, 75-76, and 80 limit the
21 Avista post-merger board's and Hydro One's ability to take any actions in the future that would
22 diminish Avista's safety and reliability standards, service quality measures, and customer
23 service metrics:

24 ***7. Long-Term Ownership***

25 Hydro One and Avista agree not to sell Avista's Oregon natural gas
26 operations for three (3) years following the Commission's approval of the
27 Proposed Transaction. During that time, Avista and Hydro One agree to provide
28 safe and reliable service and commit to keeping Avista's Oregon natural gas
29 operations in the same or better condition than existed prior to the Proposed
30 Transaction.

1 ***10. Safety and Reliability Standards and Service Quality Measures***

2 Avista and Parent agree that neither the proposed Hydro One merger, nor
3 future acquisitions, may diminish delivery of safe and reliable utility service in
4 Oregon as compared to Avista's performance pre-close of the Proposed
5 Transaction.

6 Avista and Parent agree that Avista will continue to fully comply with
7 US Code of Federal Regulations (CFR) Title 49 Parts 190 to 199 (Pipeline
8 Safety), as applicable.

9 Avista and Parent agree that Avista will maintain and improve, to the
10 extent reasonably practicable, Avista's natural gas safety and reliability and
11 resilience standards, policies, and service quality measures.

12 ***11. Avista Call Center***

13 Avista will maintain a call center managed by high-performing personnel
14 to ensure the maintenance of high quality service and customer standards in
15 Oregon. Personnel at such call centers will have training and experience
16 commensurate with Avista's Oregon pre-Proposed Transaction customer
17 service system and standards.

18 ***12. Avista Oregon Regulatory Affairs and Liaison Staff***

19 Avista regulatory liaison staff will retain high-performing personnel.
20 Personnel will have training and experience in Oregon regulatory matters,
21 commensurate with Avista's operations in Oregon prior to the Proposed
22 Transaction.

23 ***13. Opening and Closing Oregon Bills***

24 Avista and Parent commit that Avista will prepare all opening and
25 closing bills using actual reads acquired manually or electronically in
26 accordance with Oregon's administrative rules, unless the open or close date is
27 within +/- 5 days of regular normal cycle read, whereupon a prorated read may
28 be used.

29 ***20. Oregon Customer Satisfaction***

30 Avista and Parent commit that the level of customer satisfaction with
31 telephone service, as provided by Avista's Contact Center, will be at least 90
32 percent, where:

33 a. The measure of customer satisfaction is based on customers who
34 respond to Avista's quarterly survey of customer satisfaction, known as the
35 Voice of the Customer, as conducted by its independent survey contractor;

1 b. The measure of satisfaction is based on customers participating in the
2 survey who report the level of their satisfaction as either “satisfied” or “very
3 satisfied”; and

4 c. The measure of satisfaction is based on the statistically-significant
5 survey results for both electric and natural gas service for Avista’s entire service
6 territory for each quarter surveyed, and will also separately be reported for
7 Oregon customers only.

8 ***21. Level of Oregon Customer Complaints to the Commission***

9 Avista commits, and Parent agrees, that the number of complaints filed
10 with the Commission by Avista’s natural gas customers will not exceed the rate
11 of 0.3 complaints per 1,000 customers for the calendar year.

12 ***22. Oregon Live Customer Service***

13 Avista commits, and Parent agrees, that the percentage of customer calls
14 answered by a live representative within 60 seconds will be at least 80 percent
15 per month, where:

16 a. The measure of response time is based on results from Avista’s
17 Contact Center, and is initiated when the customer requests to speak to a
18 customer service representative or presses a key to bypass an IVR system if in
19 use; and

20 b. Response time is based on the combined results for both electric and
21 natural gas customers for Avista’s entire service territory.

22 ***23. Oregon Emergency Response Time***

23 Avista and Parent commit that Avista’s average response time to a
24 natural gas system emergency in Oregon will not exceed 55 minutes for the
25 calendar year (or consistent with future Commission standards), where:

26 a. Response time is measured from the time of the customer call to the
27 arrival of a field service technician; and

28 b. “Natural gas system emergency” is defined as an event when there is
29 a natural gas explosion or fire, fire in the vicinity of natural gas facilities, police
30 or fire are standing by, leaks identified in the field as “Grade 1,” high or low gas
31 pressure problems identified by alarms or customer calls, natural gas system
32 emergency alarms, carbon monoxide calls, natural gas odor calls, runaway
33 furnace calls, or delayed ignition calls.

34 ***24. Oregon Service Appointment Scheduling***

1 Avista and Parent commit that Avista will keep mutually agreed upon
2 appointments for natural gas service re-lights, connections and reconnections
3 where a service line is already installed, scheduled in the time windows of either
4 8:00 a.m. – 12:00 p.m. (morning), or 12:00 p.m. – 5:00 p.m. (afternoon), except
5 for the following instances:

- 6 a. When the customer or applicant cancels the appointment;
7 b. The customer or applicant fails to keep the appointment; or
8 c. Avista reschedules the appointment with at least 24-hours' notice.

9 ***26. Oregon Billing Inquiries***

10 Avista and Parent commit that Avista will respond to all billing inquiries
11 at the time of the initial contact, and for those inquiries that require further
12 investigation, Avista will investigate and respond to the customer within 10
13 business days.

14 ***27. Oregon Customer Service Investigations***

15 Avista and Parent commit that Avista will investigate customer-reported
16 problems with a meter, or conduct a meter test within 15 business days of the
17 request, and report the results to the customer within 15 business days from the
18 date of the report or request.

19 ***75. Avista Management Direction***

20 Avista and Parent agree that Avista management will continue to ensure
21 that delivery of safe and reliable high quality utility service at just and reasonable
22 rates in Oregon is included in its mission and is a top corporate priority post-
23 merger.

24 ***76. Capital Investment for Safe Pipelines and Controls***

25 Avista and Parent agree that Avista will maintain its existing levels of
26 capital investment where needed to improve the safety of regulated pipelines
27 and associated controls for the next ten years. Over that period, Parent agrees to
28 provide capital, receiving usual Commission rate case treatment, as necessary to
29 improve the safety of pipelines and associated controls.

30 ***80. Local Staffing***

31 Avista will maintain Avista's staffing and presence in the communities
32 in which Avista operates at levels sufficient to maintain the provision of safe
33 and reliable service and cost-effective operations, consistent with Pre-Merger
34 levels.

1 drop below one-half of one percent above the required target based on the
2 applicable Credit Ratings in Table 2, then Avista and Parent will:

3 a) Within 5 business days, notify the Commission explaining why.

4 b) Within 30 days of providing notice, provide a plan and timeline
5 ("Compliance Plan") that is subject to Commission review, modification,
6 rejection, or approval for maintaining Avista's common equity ratio at or above
7 the required CEF.

8 c) Subsequent to the filing of the Compliance Plan, Avista shall file
9 progress reports every 90 calendar days detailing its efforts to restore its equity
10 component to the required CEF or above, in addition to detailing how Avista has
11 met each requirement in the Compliance Plan.

12 d) If Hydro One and Avista find it reasonably likely that Avista common
13 equity ratio could fall below one half of one percent above the required CEF in
14 Table 2 based on a preceding or projected thirteen month average, Avista and
15 Parent shall provide a report to Staff with its projections and take the steps listed
16 above.

17 ***46. Avista Debt and Preferred Stock***

18 Avista and Parent agree that any debt, commercial paper programs,
19 revolving credit facilities and preferred stock of Avista will be maintained
20 separately to support Avista utility operations. Parent and Avista agree that no
21 incremental new debt related to financing the transaction at closing or thereafter
22 for this or future Parent or affiliate M&A will be in any way incurred,
23 guaranteed, or pledged with Avista assets or otherwise by Avista. Avista's
24 financial integrity will be protected from the separate operations of the Parent
25 and its affiliates. Should any entity claim or assert otherwise in any forum,
26 whether regulatory, political, legal or otherwise, the Parent will assert that said
27 debt or other financial instrument and any penalties or interest or other
28 obligations thereon is the sole responsibility of the Parent and its subsidiaries
29 other than Olympus Holding Corp. and all entities in the chain below it. Neither
30 Parent nor Avista will include in any of their debt or credit agreements cross-
31 default provisions between the debt of Avista and the debt of Parent or any
32 current and future Affiliates, or any government or political subdivision thereof
33 with a direct or indirect ownership interest in the Parent. Parent and Avista agree
34 that in no way may the assets of Avista be used to guarantee the finances,
35 securities, transactions, or credit of any government or subdivision thereof, and
36 that the acquisition of power to exercise substantial influence over Avista by any
37 person or entity in the future may only occur subject to Commission approval as
38 required by ORS 757.511 and as specified in these commitments. Except as
39 provided in commitments 62 and 63 Avista will enter into no inter-company debt
40 transactions with, or lend money to, or borrow money from: Parent, or current
41 or future affiliates, or any government or political subdivision thereof with a

1 direct or indirect ownership interest in the Parent. Avista commits, and Hydro
2 One agrees, that neither Avista nor Avista's subsidiaries will, without the
3 approval of the Commission:

4 a) Make loans or transfer funds (other than dividends and payments
5 pursuant to the MSA or equivalent cost allocation manual) to Parent or its
6 affiliates;

7 b) Assume any obligation or liability as guarantor, endorser, surety, or
8 otherwise for Parent or its affiliates;

9 c) Transfer any of Avista utility assets or property to Parent or its
10 affiliates, or any government or political subdivision thereof;

11 d) Seek to pledge Avista's assets as backing for any hedging,
12 indebtedness, or securities of Parent or its affiliates;

13 e) Enter into cross-default provisions involving Parent or its affiliates; or

14 f) Participate in a money pool.

15 ***47. First Mortgage Bonds (FMB)***

16 Avista and Parent agree that Avista will also maintain adequate: (a)
17 interest coverage and (b) pool of qualified Avista assets to maintain the ability
18 to issue FMB.

19 ***48. Continued Credit Ratings***

20 Avista and Parent agree that Avista debt (other than private placement
21 debt), will continue to be rated by both S&P and Moody's without substitution,
22 except as provided under the definition of Rating Agencies. Avista will make
23 Rating Agencies' credit ratings and all related presentations to or from Avista
24 and Rating Agencies, and Rating Agencies' reports and analysis pertaining to
25 Avista, available to the Commission upon the Commission's request.

26 ***49. Revolving Credit Facilities and Associated Letters of Credit***

27 Parent and Avista agree that Avista will prudently manage its revolving
28 credit facilities and, as part of the renewal of the current credit facilities, will
29 proactively arrange for multiple one year maturity extensions and accordion
30 features allowing enlargement of facilities to protect Avista from unnecessary
31 credit risk, if available at a reasonable cost in the market. Further, Parent and
32 Avista agree to prudently diversify institutions participating in revolving Avista
33 credit facilities to preclude concentration in any one country or institution.

1 Avista will share no credit facilities with Parent or affiliates or any
2 government or political subdivision thereof with a direct or indirect ownership
3 interest in the Parent.

4 ***50. Restrictions on Upward Dividends and Distributions***

5 No upward dividends, distributions or like payments are authorized from
6 Avista (special, one-time, or otherwise) to Olympus Equity LLC if any of the
7 following conditions are present:

8 a) The ratio of Avista's earnings before interest, tax, depreciation and
9 amortization (EBITDA) to Avista's interest expense is not greater than or equal
10 to 3.0;

11 b) Avista's CEF as calculated for ratemaking purposes in Oregon is less
12 than set forth in Table 2 based on FMB credit ratings. Table 2's application is
13 further described in Commitment 45, "Common Equity Floor (CEF) in Capital
14 Structure" (for example, if Avista's S&P FMB rating is "A" AND Moody's FRB
15 rating is "A2", then the CEF shall be 46%); or

16 c) Avista's S&P or Moody's long-term (local currency) issuer credit
17 ratings drop below Investment Grade. Note that subsection (c) is an exception
18 to the definition of Credit Ratings, but not an exception to the definition of
19 Investment Grade.

20 For five years after the closing of the Proposed Transaction, Avista and
21 Parent agree to decline to request any extraordinary or special upward dividends
22 or payouts. Further as an exception to ORS Chapter 757 inclusive of ORS
23 757.420, Avista and Parent consent that the Commission shall have 60 days to
24 review any application for a special upward dividend made beyond five years
25 post Proposed Transaction, and agree that comprehensive supporting
26 justification will be filed with the Commission in support of any said future
27 application.

28 Without prior Commission approval, Avista and Parent agree that
29 Avista's regular quarterly dividends from Avista to Olympus Equity LLC, or
30 otherwise upward toward Hydro One, may grow at a Compound Annual Growth
31 Rate (CAGR) of no more than seven (7) percent CAGR.¹⁴

32 In all cases, Parent and Avista agree that Hydro One shall notify the
33 Commission of:

34 i. Any intention to transfer more than five (5) percent of Avista retained
35 earnings, out of Avista, at least seven (7) days prior to starting this transfer;

1 ii. Any intention to transfer more than ten (10) percent of Avista retained
2 earnings out of Avista over a six-month period, at least 30 days prior to starting
3 those transfers;

4 iii. Any intention to declare a special cash dividend payment at least 30
5 days before declaring the special cash dividend or like transfer of funds; and

6 iv. Its most recent quarterly cash dividend payment within 30 days after
7 declaring each dividend.

8 Annual Affiliated Interest (AI) reports must itemize all Parent M&A
9 divestitures, and reorganization activities since the prior annual AI report.

10 ***53. Sources of Funds for Hydro One Commitments and Guarantees***
11 ***(Other than for Customer Service, Communities and Charitable Purposes)***

12 a. Within 18 months of the close of the Proposed Transaction, Hydro
13 One will establish and maintain a Canadian \$2 billion universal shelf prospectus
14 in Canada which will allow it to issue debt, common equity and preferred equity.

15 b. Hydro One agrees to increase its Canadian \$250 million credit facility
16 to at least \$500 million, increasing its liquidity and enabling it to fund any equity
17 injection required at Avista on short notice.

18 c. Hydro One agrees that Avista will continue to be able to issue FMBs,
19 and that Hydro One will be supportive of Avista's FMB credit ratings.

20 d. Hydro One agrees that it will not allow Avista's S&P or Moody's
21 long-term (local currency) issuer credit ratings to drop below Investment Grade.
22 Note that this is an exception to the definition of Credit Ratings, but not an
23 exception to the definition of Investment Grade.

24 ***77. Equal or Better Access to Financial Markets in the U.S. and***
25 ***Canada***

26 Avista and Parent agree to make reasonable commercial efforts to
27 prioritize access for Avista to financial markets at equal or lower cost than absent
28 the Proposed Transaction for Long-Term Debt and Credit Facilities in the U.S.
29 Hydro One agrees to consider listing on the New York Stock Exchanges (NYSE)
30 as and when appropriate and advisable. Parent agrees to make reasonable
31 commercial efforts to investigate and arrange innovative financing opportunities
32 that include independent opportunities for Avista financing, utilizing the same
33 investment banks and arranged sellers in the U.S. and Canada, where Avista is
34 responsible for Avista's issuances and proportional cost, but afforded
35 proportional access to larger aggregate securities offerings to achieve lower all-
36 in issuance cost.

1 organization chart (as those companies in between may change over time; but
2 see commitments regarding ORS 757.511 and 757.480).

3 ***2. No Amendment of Any Commitment Without Commission Approval***

4 Avista and Parent commit that no amendments, revisions, or
5 modifications will be made to the any of the commitments herein without prior
6 Commission approval. Also see “Most Favored Nation” Commitment.

7 ***110. Commitments Binding***

8 Parent and Avista acknowledge that the commitments herein are fully
9 binding on each of them individually, severally and on their successors in
10 interest.

11 ***111. Commission Enforcement of Commitments***

12 Avista and Parent understand and agree that the Commission has
13 authority to enforce the commitments herein. If a commitment is violated, the
14 Commission may impose such penalty as the Commission finds appropriate for
15 the severity of the violation.

16 The scope of this commitment includes the authority of the Commission
17 to request and where necessary to require attendance of witnesses from Avista
18 and Parent. Avista and Parent agree they will not interpose any legal objection
19 they might otherwise have to the Commission's jurisdiction to require the
20 appearance of any such witnesses.

21 ***112. Submittal to State Court Jurisdiction for Enforcement of***
22 ***Commission Orders***

23 Avista and Parent will file with the Commission prior to closing the
24 Proposed Transaction an affidavit affirming that Avista and Parent will submit
25 to the jurisdiction of Oregon courts for enforcement of violations of these
26 commitments and subsequent Commission orders affecting Avista and Parent.

27 **Q. Several of the Stipulated Commitments in the Oregon Stipulated Settlement**
28 **require Avista’s shareholder, Hydro One, and not Avista’s ratepayers, to provide funding**
29 **for certain programs (Stipulated Commitment No. 16 - Oregon Low Income**
30 **Weatherization; Stipulated Commitment No. 17 - Oregon Low-Income Rate Assistance**
31 **Program; Stipulated Commitment No. 32 - Oregon SENDOUT Seats; Stipulated**
32 **Commitment No. 33 - On Bill Repayment Program; Stipulated Commitment No. 40 - Rate**

1 **Credit; Stipulated Commitment No. 89 - Other Community Contributions; Stipulated**
2 **Commitment No. 90 - General Community Contributions and Involvement). How can**
3 **the Commission be certain that Hydro One, as Avista’s sole shareholder, will ensure the**
4 **funding for these Stipulated Commitments?**

5 A. First, with respect to the \$7,541,159 rate credit provided in Stipulated
6 Commitment No. 40, that credit will simply flow through to Avista customers in the bills issued
7 by Avista. Shortly after the merger, Avista will file a tariff rider, Schedule 473, requesting
8 approval, which will ensure Avista’s Oregon customers begin receiving the benefit of the rate
9 credit immediately. Hydro One will bear the burden of these rate credits, as they will reduce
10 the earnings potentially available to Hydro One as dividends.

11 Second, Stipulated Commitment Nos. 16, 17, 32, 33, 89, and 90 all clearly state that the
12 funds for these programs will be provided directly by Hydro One (Stipulated Commitment Nos.
13 33, 89) or, if provided by Avista, cannot be recovered in the rates of Avista customers
14 (Stipulated Commitment Nos. 16, 17, 32, 90). Therefore, Hydro One, as Avista’s sole
15 shareholder, ultimately bears the cost of these commitments if the merger is consummated.

16 Third, Stipulated Commitment No. 91 establishes that if Avista has retained earnings
17 that would otherwise be available to Hydro One as dividends, those retained earnings can be
18 used to fund Stipulated Commitment Nos. 16, 17, 32, 33, 89, and 90:

19 ***91. Sources of Funds for Hydro One and Avista Commitments***

20 Throughout the list of commitments herein, any commitment that states
21 that Hydro One or Avista will provide funding is a firm commitment to provide
22 the exact dollar amount specified, over the time period specified, and for the
23 purposes specified. To the extent Avista has retained earnings that are available
24 for payment of dividends to Olympus Equity LLC consistent with the ring-
25 fencing provisions of this list of commitments, such retained earnings may be
26 used.

1 Stipulated Commitment No. 91.¹ In essence, funds otherwise available for payment of
2 dividends to Olympus Equity and on up the chain will instead be directed to funding these
3 commitments: (i) \$1,275,000 over five years for Oregon Low Income Weatherization
4 (Stipulated Commitment No. 16); (ii) \$500,000 over five years for the Oregon Low-Income
5 Rate Assistance Program (LIRAP) (Stipulated Commitment No. 17); (iii) \$30,000 annually for
6 10 years for Oregon SENDOUT Seats (Stipulated Commitment No. 32); (iv) a one-time
7 investment of \$105,000 for the On Bill Repayment Program (OBRP) (Stipulated Commitment
8 No. 33); and (v) the charitable contributions in Stipulated Commitment Nos. 89 and 90. With
9 this approach, there is no need for cash to flow from Hydro One to Avista.

10 Fourth, as noted in response to the previous question, Stipulated Commitment Nos. 1
11 and 110 establish that Hydro One is bound by the Stipulated Commitments, Stipulated
12 Commitment No. 111 subjects Hydro One to the jurisdiction of the Commission for
13 enforcement of the Stipulated Commitments, and Stipulated Commitment No. 112 provides
14 that “Avista and Parent will file with the Commission prior to closing the Proposed Transaction
15 an affidavit affirming that Avista and Parent will submit to the jurisdiction of Oregon courts for
16 enforcement of violations of these commitments and subsequent Commission orders affecting
17 Avista and Parent.” Therefore, Hydro One, as Avista’s sole shareholder, has submitted to the
18 jurisdiction of the Commission and Oregon courts for the enforcement of all of the Stipulated
19 Commitments, including those that require Hydro One funding. Agreements by foreign
20 corporations to submit to the jurisdiction of United States courts are routinely upheld.

21 Fifth, if the merger is consummated, the Province will not have jurisdiction to modify

¹ Avista’s ability to use retained earnings to meet these commitments also will be governed by Hydro One’s commitments in Stipulated Commitment Nos. 44, 47, and 50.

1 or nullify the 115 Stipulated Commitments and any commitments included in the Commission's
2 order approving the merger. Hydro One is bound by these contractual obligations. Even though
3 the Province is a shareholder of Hydro One, Hydro One is the entity that bears the full legal
4 responsibility for the 115 Stipulated Commitments and any commitments included in the
5 Commission's order approving the merger if the merger is consummated. The Province is not
6 a party to Hydro One's contracts and commitments in this proceeding and no action on the part
7 of the Province is required for Hydro One to fulfill its obligations.

8 **Q. Does Section 8.1 of the Governance Agreement make any of Hydro One's**
9 **financial and funding commitments in the Stipulated Settlement subject to Provincial**
10 **appropriations?**

11 A. No, none of the commitments are contingent on Provincial funding because none
12 calls for any payment by the Province. Section 8.1 of the Governance Agreement states:

13 ***8.1 Financial Obligations of the Province***

14 Pursuant to the [Financial Administration Act (Ontario)], any payment
15 required to be made by the Province pursuant to this Agreement is subject to
16 there being sufficient appropriation by the Legislative Assembly of Ontario for
17 the fiscal year in which the payment is to be made or the payment having been
18 charged to appropriation for a previous year.

19 This provision in the Governance Agreement applies only to "any payment required to be made
20 by the Province pursuant to this [Governance] Agreement" The Province has no payment
21 obligations, whatsoever, pursuant to Hydro One's contracts and commitments related the
22 Proposed Transaction. Therefore, to the extent Section 8.1 limits the Province's payment
23 obligations to the availability of appropriated funds, such limitations have no bearing or legal
24 relationship to Hydro One's contractual obligations with respect to the Proposed Transaction.

25 **Q. Testimony previously filed in this proceeding by Avista's CEO Scott Morris**

1 **and Hydro One’s former CEO Mayo Schmidt emphasized the strong relationship between**
2 **the two CEOs and the cultural compatibility of Hydro One and Avista. Does the**
3 **retirement of Mr. Schmidt and the Province’s actions change this justification for the**
4 **Proposed Transaction?**

5 A. No. While the strong relationship between Mr. Morris and Mr. Schmidt
6 certainly contributed to a meeting of the minds on the terms of the merger agreement between
7 Hydro One and Avista, any corporate transaction of this size is not dependent on the relationship
8 of two executives. Eventually, executives retire or leave a company to pursue other
9 opportunities. Both sides understood this and negotiated a merger agreement, the delegation of
10 authority described in Mr. Morris’s and Mr. Schmidt’s opening testimony (Exhibits 100 and
11 200, respectively), and merger commitments that provide a very clear framework for the
12 interaction of the two companies. Hydro One’s commitments to (i) an Avista board with Avista
13 directors and independent directors (as defined by the NYSE rules) (“Independent Directors”)
14 from the Pacific Northwest, (ii) continued headquarters in Spokane, WA, (iii) the continued
15 service of Avista’s executives, management, and employees, (iv) Avista board control over the
16 hiring and replacement of Avista’s CEO, (v) Avista’s day-to-day management of its business,
17 and (vi) substantial charitable and community contributions, are all preserved in contractual
18 documents that continue long past the tenure of any single executive involved in the negotiation
19 of the Proposed Transaction. Moreover, the commitments are sufficiently clear and detailed
20 that responsibility for implementation will fall not on the CEOs but on other staff.

21

1 **VII. PROPOSED NEW OR AMENDED COMMITMENTS**

2 **Q. Despite your conclusion that the merger commitments in the Stipulated**
3 **Settlement will fully protect Avista from Provincial interference if the merger is**
4 **consummated, have Hydro One and Avista proposed any additional commitments to**
5 **respond to the events in the Province since July 11, 2018?**

6 A. Yes. Hydro One and Avista have proposed one additional merger commitment
7 since July 11, 2018:

8 Avista Employee Compensation: Any decisions regarding Avista employee
9 compensation shall be made by the Avista Board consistent with the terms of the Merger
10 Agreement between Hydro One and Avista, and current market standards and prevailing
11 practices of relevant U.S. electric and gas utility benchmarks. The determination of the
12 level of any compensation (including equity awards) approved by the Avista Board with
13 respect to any employee in accordance with the foregoing shall not be subject to change
14 by Hydro One or the Hydro One Board.

15 *See* First Supplemental Report to Hydro One Limited’s Response to July 14, 2018 Bench
16 Request (July 18, 2018), p. 8.

17 Although the *Hydro One Accountability Act* does not apply to Avista if the merger is
18 consummated, Avista and Hydro One have agreed upon this additional commitment to provide
19 further protection to Avista’s employees, such that Avista will be able to continue to recruit and
20 retain the most highly qualified employee talent base for Avista’s customers.

21 **Q. Have Avista and Hydro One discussed making any revisions to the**
22 **Stipulated Commitments to respond to the events after the June 7, 2018 Ontario election**
23 **involving Hydro One?**

24 A. Yes. Avista and Hydro One propose to amend the last clause in Stipulated
25 Commitment No. 5 as follows:

26 ***5. Avista Board of Directors (BOD)***

1 Avista and Hydro One agree that after closing of the Proposed Transaction,
2 Avista will have a separate board of directors from Hydro One that consists of
3 nine (9) members, determined as follows:

4 **Five Hydro One Designated Directors:**

5 Two executives of Hydro One or any of its subsidiaries, and

6 Three Independent Directors who are residents of the Pacific Northwest
7 Region.

8 **Four Avista Designated Directors:**

9 Three directors who as of immediately prior to the closing of the
10 Proposed Transaction are members of the Board of Directors of Avista,
11 including the Chairman of Avista's Pre-Merger Board of Directors (if
12 such person is different from the Chief Executive Officer of Avista), and

13 Avista's Chief Executive Officer.

14 At least two of the Avista directors must be Independent Directors.

15 The initial Chairman of Avista's post-closing Board of Directors shall be the
16 Chief Executive Officer of Avista as of the time immediately prior to closing for
17 a one year term. If any Avista designee resigns, retires or otherwise ceases to
18 serve as a director of Avista for any reason, the remaining Avista designees shall
19 have the sole right to nominate a replacement director to fill such vacancy, and
20 such person shall thereafter become an Avista designee.

21 Hydro One shall have the unfettered right to designate, remove and replace the
22 Hydro One designees as directors of the Avista Board with or without cause or
23 notice at its sole discretion, subject to the requirement that:

24 (i) two of such directors are executives of Parent or any of its
25 subsidiaries; and

26 (ii) three of such directors are Independent Directors who are residents
27 of the Pacific Northwest region, while such requirement is in effect
28 (subject in the case of clause (ii) hereof to Hydro One determining, in
29 good faith, that it is not able to appoint an Independent Director who is
30 a resident of the Pacific Northwest region in a timely manner, in which
31 case Hydro One may replace any such director with an employee of
32 Hydro One or any of its subsidiaries on an interim basis, not exceeding

1 six months, after which time Hydro One shall replace such interim
2 director with an Independent Director who is a resident of the Pacific
3 Northwest region; provided, however, that this exception to clause (ii)
4 hereof shall not apply if, at any time a circumstance arises, and during
5 the pendency of any such circumstance, whereby the Province of Ontario
6 (“Ontario”) exercises its rights as a shareholder of Parent, uses
7 legislative authority or acts in any other manner whatsoever, that
8 results, or would result, in Ontario appointing nominees to the board of
9 directors of Parent that constitute, or would constitute a majority of the
10 directors of such board).

11 **Q. What is the purpose of the new text in Stipulated Commitment 5?**

12 A. This proposed amendment to Stipulated Commitment No. 5 is designed to
13 protect the independence of the Avista board in the event that the Province takes some action
14 in the future to control a majority of the Hydro One Board. If that event occurs, this amendment
15 is triggered and blocks Hydro One’s limited right to replace any of its three Independent
16 Director designees on the Avista board with a Hydro One executive or employee.

17
18 **VIII. ADOPTION OF MAYO SCHMIDT TESTIMONY**

19 **Q. Are you aware of testimony previously submitted by Mayo Schmidt?**

20 A. Yes.

21 **Q. What testimony was previously submitted by Mayo Schmidt?**

22 A. The testimony previously submitted by Mayo Schmidt includes:

- 23 • Hydro One Exhibit 200 – Direct Testimony of Mayo M. Schmidt, submitted
24 September 14, 2017, including Exhibits 201 and 202
- 25 • Hydro One Exhibit 800 – Rebuttal Testimony of Mayo M. Schmidt, submitted
26 March 29, 2018, including Exhibits 801 - 806

1 • Hydro One’s Errata Exhibit 801 – correction to Exhibit 801, which was attached
2 to Ex. 800, submitted April 16, 2018

3 • Joint Testimony Exhibit 100 – Joint Testimony in Support of Stipulation,
4 submitted June 19, 2018

5 **Q. Do you adopt Mayo Schmidt’s testimony as your own?**

6 A. Yes, subject to (i) the Province’s ability to introduce, or threaten, legislation, as
7 evidenced by the events that have transpired, (ii) the passage of the *Hydro One Accountability*
8 *Act, 2018*, and (iii) the government’s promise to reduce rates in Ontario.

9 **Q. Does this conclude your testimony?**

10 A. Yes it does.

BEFORE THE
PUBLIC UTILITY COMMISSION OF OREGON

DOCKET NO. UM 1897

JAMES SCARLETT
Exhibit No. 1601

July 2018 Letter Agreement between Hydro One and Her Majesty The Queen in Right of Ontario

Hydro One Inc.
483 Bay Street
8th Floor South Tower
Toronto, Ontario M5G 2P5
www.HydroOne.com



David F. Denison
Chair of the Board

July 11, 2018

Her Majesty The Queen in Right of Ontario
as represented by the Ministry of Energy, Northern Development and Mines
900 Bay Street
4th Floor, Hearst Block
Toronto, ON M7A 2E1

Attention: The Honourable Greg Rickford, Minister

Dear Sirs/Mesdames:

Re: Hydro One Limited Governance Arrangements and Related Matters

This letter agreement (the "**Agreement**") sets out the agreement between Hydro One Limited ("**Hydro One**") and the Province (as defined below) with respect to the process to facilitate the orderly replacement of the entire Board of Directors of Hydro One, the retirement of Hydro One's Chief Executive Officer, and related governance and compensation matters. This Agreement is effective as of the date hereof and shall be a legal and binding agreement enforceable against each of the parties hereto in accordance with the terms hereof.

Removal and Replacement of the Board of Directors

1. The Hydro One Board of Directors (the "**Board**"), led by the Chair of the Board and with the cooperation of the Province, will facilitate the orderly resignation of all of the fourteen (14) existing directors on the Board (the "**Directors**") and their replacement on a future effective date to be mutually agreed upon by the Province and Hydro One as soon as reasonably practicable and, in any event, by no later than August 15, 2018, through an expedited process as follows:
 - a. Promptly following your acceptance of this Agreement, and in any event within five (5) Business Days hereof, the Chair of the Board shall coordinate the establishment of an Ad Hoc Nominating Committee consistent with the process set out in the Governance Agreement comprised of one representative of each of the five largest beneficial owners of Voting Securities of Hydro One, excluding the Province, or if one of such five beneficial owners of Voting Securities is not willing to provide a representative to serve on the committee, then the four representatives from the four of the five largest beneficial owners of Voting Securities shall form the committee, or if two of such five beneficial owners of Voting Securities are not willing to provide a representative to serve on the committee, then the three representatives from the three of the five largest beneficial owners of Voting Securities shall form the committee, or if three or more of such five beneficial owners of Voting Securities are

not willing to provide representatives to serve on the committee, then one representative of each of the three largest beneficial owners of Voting Securities who is willing to provide a representative to serve on the committee.

- b. Following the establishment of the Ad Hoc Nominating Committee, the Province and the Ad Hoc Nominating Committee, acting reasonably, shall identify, nominate and confirm a slate of ten (10) replacement Director nominees to be appointed to the Board (the “**Replacement Directors**”). Following their appointment to the Board, the Replacement Directors shall increase the size of the Board to eleven (11) members upon the appointment of a Replacement CEO, which Replacement CEO shall be appointed to the new Board pursuant to section 13 of this Agreement and consistent with the Governance Agreement. In accordance with the Governance Agreement, the Province shall be entitled to nominate the number of nominees that is equal to 40% of the Replacement Directors to be elected (being four nominees) and the Ad Hoc Nominating Committee shall be entitled to nominate the remaining 60% of the Replacement Directors to be elected (being six nominees). The Province and the Ad Hoc Nominating Committee will work expeditiously to identify, nominate, confirm and appoint all of the Replacement Directors as soon as reasonably practicable and, in any event, by August 15, 2018. The Replacement Directors (and each of them, as applicable) must meet the requirements set out in section 4.2 of the Governance Agreement, as applicable.
 - c. Following the identification and nomination of all of the Replacement Directors and, in any event, by August 15, 2018, the existing Chair of the Board shall call a meeting of the Board at which the existing Board shall accept the resignations of each of the existing Directors and fill the vacancies created by such resignations with the Replacement Directors in a sequential manner as contemplated by section 4.6.2(a) of the Governance Agreement. For greater certainty, the requirements to provide a Removal Notice or call and hold a Removal Meeting under the Governance Agreement are waived in connection with the replacement of the existing Directors with the Replacement Directors in the manner contemplated under this section 1.
 - d. Prior to the appointment of the Replacement Directors, the Province may designate one or more of its nominees for Replacement Directors to act as a liaison with Hydro One, the current Chair and the Ad Hoc Nominating Committee with respect to the identification, nomination, confirmation and appointment process for the Replacement Directors outlined in this Agreement.
 - e. Once all of the Replacement Directors have been appointed to fill all of the vacancies created on the Board in accordance with section 1.c of this Agreement, the newly appointed Board shall then appoint a new Chair of the Board in accordance with section 3.2 of the Governance Agreement and in consultation with the Province.
2. Each of the Replacement Directors nominated and appointed to the Board pursuant to section 1 of this Agreement shall serve on the Board until the earlier of the 2019 annual meeting of shareholders of Hydro One or until his or resignation or his or her successor is elected or appointed in accordance with the Governance Agreement and the OBCA.
 3. Each of the existing Directors shall be entitled to receive all remuneration, benefits, awards and other entitlements previously granted, awarded or earned on or prior to June 30, 2018, including all payments relating to director deferred share units acquired in lieu of cash board

fees on or prior to June 30, 2018 (plus dividend equivalents), without modification, amendment or derogation, and shall not be required to forfeit, return or have clawed back any previously granted, earned or awarded remuneration, benefits, awards or other entitlements. For greater certainty, the existing Directors' rights to indemnity under applicable law, the by-laws or other constating documents of any Hydro One Entity or any agreement between an existing Director and any Hydro One Entity and to coverage under and to contribution and indemnification pursuant to any directors' and officers' insurance policies of any Hydro One Entity shall continue following their resignation and retirement in accordance with their respective terms. Hydro One and the Province acknowledge and agree that, with immediate effect as of the date of this Agreement, the Board has voluntarily agreed to reduce the compensation of the existing Directors to the levels that existed as of December 31, 2017 pursuant to the then-existing director compensation policies, and the Board shall pass a resolution fixing such rate of compensation for the Directors with effect from and after the date hereof. It is further acknowledged and agreed that each of the existing Directors has voluntarily agreed to forego any further remuneration, benefits, awards or other compensation for his or her service as a Director following June 30, 2018 through to the effective date of resignation and retirement from the Board. For greater certainty, nothing under this section 3 shall prevent the replacement Board of Hydro One appointed under sections 1 and 2 of this Agreement from, following their appointment to the Board, determining the remuneration of the directors of Hydro One going forward in accordance with section 2.3(c) of the Governance Agreement.

4. The director deferred share units (plus dividend equivalents) referred to in section 3 above may be cash-settled based on the June 29, 2018 closing price of the Hydro One common shares on the Toronto Stock Exchange (the "**TSX**"), provided that the closing price of such common shares on another date as soon as practicable after June 29, 2018 may be used to the extent required or deemed advisable by Hydro One in its discretion. Director deferred share units will continue to accrue dividends until their date of settlement pursuant to the terms of the applicable plan.
5. The existing Directors shall not be required to meet or maintain any share ownership requirements of Hydro One from and after their resignation and retirement from the Board.
6. Each of the existing Directors, the Province, and Hydro One (on behalf of itself and its affiliates) shall execute mutual releases, including non-disparagement provisions, in form satisfactory to each of them, with effect upon each Director's resignation from the Board and subject to the payment of amounts owed to them in accordance with this Agreement in their capacity as Directors. For greater certainty, (i) the Province's non-disparagement commitments shall apply to all official government publications, communications or statements (written or oral and in any medium whatsoever) and (ii) such release shall not release any rights of the Directors to the compensation, indemnification and insurance contemplated under section 3 hereof.

Retirement of Hydro One Chief Executive Officer

7. Mayo Schmidt ("**Mr. Schmidt**"), the current President and Chief Executive Officer of Hydro One, shall retire pursuant to his employment agreement with Hydro One dated August 20, 2015, as amended (the "**Employment Agreement**") and Hydro One's existing Long Term Incentive Plan first adopted on August 31, 2015, as amended to-date (the "**Plan**") as an employee and officer of Hydro One and each other applicable Hydro One Entity and resign as a director of Hydro One and each other applicable Hydro One Entity, effective as of 5:00

p.m. (Toronto time) on July 11, 2018 (the “**Retirement Date**”). Mr. Schmidt’s Retirement as President and Chief Executive Officer of Hydro One shall be approved by the Board in accordance with section 11 of the Employment Agreement and subsection 12.2(c) of the Plan.

8. In connection with such Retirement, Mr. Schmidt shall be entitled to receive all remuneration, benefits, awards and other entitlements previously granted, awarded or earned through to the Retirement Date as more particularly set out below in accordance with the terms of his Employment Agreement, the Plan and all other applicable compensation plans and policies of Hydro One in effect as of the date hereof. The Province acknowledges and agrees that a statement of all such remuneration, benefits, awards and other entitlements payable to Mr. Schmidt in connection with his Retirement on or after the Retirement Date based on achievement of target performance and a specified price per unit for the Awards, together with the presentation thereof that would be expected to appear in Hydro One’s 2019 management information circular, has been separately provided to you (the “**Retirement Compensation**”). Hydro One represents and warrants that the information contained in the Retirement Compensation is accurate and complete in all material respects and reflects all compensation payable to Mr. Schmidt in connection with his Retirement. The parties further acknowledge and agree with respect to the Retirement Compensation that:
 - a. Mr. Schmidt shall receive the following amounts from Hydro One, as set out in the Retirement Compensation:
 - i. base salary prorated to the Retirement Date;
 - ii. the target short-term incentive plan (“**STIP**”) bonus for the 2018 fiscal year prorated to the Retirement Date;
 - iii. the release of his benefit allowance prorated to the Retirement Date;
 - iv. the release of his accrued pension benefits, deferred share units (“**DSUs**”) (plus dividend equivalents), and employee share ownership plan (“**ESOP**”) common shares of Hydro One as of the Retirement Date, in accordance with the existing terms of the applicable STIP, DSU and ESOP policies and plans of Hydro One; and
 - v. a one-time lump sum cash payment of \$400,000 in lieu of all post-retirement benefits and allowances as provided in his contract or otherwise.
 - b. The Awards (as such term is defined in the Plan) previously granted to Mr. Schmidt pursuant to the Plan, consisting of Restricted Share Units and Performance Share Units (as such terms are defined under the Plan), as well as the DSUs, may be cash-settled at target levels at a specified price per unit. The DSUs will continue to accrue dividend equivalents until their date of settlement pursuant to the terms of the Plan; the RSUs and PSUs shall cease to accrue dividend equivalents after the Retirement Date. All Options will be cancelled on the Retirement Date for no consideration.

- c. Payments made to Mr. Schmidt shall be subject to applicable withholding tax, shall be paid without interest and, in the event of Mr. Schmidt's death, shall be made to his successors and assigns including the estate, heirs, executors, trustees, administrators and/or personal legal representatives of Mr. Schmidt, as applicable.
 - d. In no case shall the amounts paid pursuant to this section 8 exceed the aggregate amount of the remuneration, benefits, awards and other entitlements set out in the Retirement Compensation. For greater certainty, other than the payment referred to in section 8.a.v above, all such remuneration, benefits, awards and other entitlements represent recognized obligations of Hydro One as at the Retirement Date.
 - e. For greater certainty, Mr. Schmidt's existing rights to indemnity under applicable law, the by-laws or other constating documents of any Hydro One Entity or any agreement between Mr. Schmidt and any Hydro One Entity and to coverage under and to contribution and indemnification pursuant to any directors' and officers' insurance policies of any Hydro One Entity shall continue following his Retirement and resignation, as applicable, as an employee, officer and director of Hydro One and each other applicable Hydro One Entity, in accordance with their respective terms.
9. Mr. Schmidt shall not be required to meet or maintain any share ownership requirements of Hydro One from and after the Retirement Date.
10. The Province shall take no action or fail to take any action whatsoever, the result of which would or could reasonably be expected to, directly or indirectly, result in any modification, amendment, derogation from or supplement to any of Mr. Schmidt's existing arrangements relating to his Retirement Compensation as specified under this Agreement.
11. Mr. Schmidt shall not be entitled to receive the Separation Package (as such term is defined in the Employment Agreement) or any other severance payment, retiring allowance, change of control payment or any other compensation in connection with his Retirement on the Retirement Date except as set out in the Retirement Compensation, and any amounts paid in excess of the aggregate Retirement Compensation shall be repayable by Mr. Schmidt (or his successors and assigns, as applicable) to Hydro One.
12. Mr. Schmidt, the Province, and Hydro One (on behalf of itself and its affiliates) shall execute a mutual release, including non-disparagement provisions, in form satisfactory to each of them with effect upon Mr. Schmidt's Retirement and resignation as an employee, officer and director of Hydro One and each other applicable Hydro One Entity. The Province's non-disparagement commitments shall apply to all official government publications, communications or statements (written or oral and in any medium whatsoever).
13. The Replacement Directors appointed to the Board in accordance with sections 1 and 2 of this Agreement shall, following their appointment, identify, select and appoint a replacement President and Chief Executive Officer of Hydro One (the "**Replacement CEO**") in accordance with section 3.3 of the Governance Agreement, which CEO shall also serve as one of the Replacement Directors. The existing Board shall appoint an acting President and Chief Executive Officer, in consultation with the Province, for the interim period from Mr. Schmidt's Retirement Date until the appointment and election of the Replacement CEO by the Replacement Directors.

Hydro One Executive Management Team

14. The Province acknowledges and agrees that, for greater certainty, the terms and conditions of employment of Hydro One's executive leadership team other than Mr. Schmidt (the "**Executives**") under their respective employment agreements, the Plan, all related Award Agreements under the Plan, and the other compensation plans and policies of Hydro One remain in full force and effect from and after the date hereof. The Province further agrees that the Executives shall remain entitled to receive, and the Province shall take no action that would require or result in the forfeiture, return or claw back (other than in accordance with Hydro One's policies) of, any remuneration, benefits, awards or other entitlements (whether vested or unvested) granted, earned or awarded prior to the date of cessation of employment of such Executives with Hydro One. For greater certainty, the foregoing does not address any severance entitlements of such Executives, under contract or otherwise.
15. The parties acknowledge and agree that the replacement Board of Hydro One appointed under sections 1 and 2 of this Agreement shall be responsible for determining the compensation of executives of Hydro One in accordance with the Governance Agreement and the other compensation plans and policies of Hydro One in effect from time to time, and nothing in this Agreement shall limit the actions that the Replacement Directors may take in carrying out their duties and responsibilities in this regard, provided that it is the intention of the parties that the Province, as the single largest shareholder of Hydro One, shall be consulted in a manner to be discussed and agreed upon between the Province and the replacement Board appointed under sections 1 and 2 of this Agreement on future matters relating to Hydro One's executive compensation arrangements.

General Provisions

16. Reaffirmation: By entering into this Agreement, the Province ratifies and reaffirms its obligations under the Governance Agreement and agrees that, except as specifically set out in this Agreement with respect to the subject matter hereof, (i) the execution, delivery and effectiveness of this Agreement or any other documents delivered in connection herewith shall not amend, modify or operate as a waiver or forbearance of any right, power, obligation, remedy or provision under the Governance Agreement, and (ii) such agreement shall continue in full force and effect. Until each existing Director resigns as contemplated in this Agreement, such existing Director shall remain a director of Hydro One (unless such Director otherwise resigns, dies or is replaced) and shall be entitled to take such actions as a director as it determines to be appropriate, consistent with his or her fiduciary duties and the principles set out in section 4.7.4 of the Governance Agreement, provided such actions are not inconsistent with the terms of this Agreement.
17. Defined Terms: Unless otherwise defined, capitalized terms used in this Agreement shall have the respective meanings ascribed to such terms in the Governance Agreement dated as of November 5, 2015 between Hydro One and Her Majesty The Queen in Right of Ontario (the "**Province**", "**you**" or "**your**"), as represented by the Minister of Energy (the "**Governance Agreement**").
18. Non-Disparagement: The Province shall not, directly or indirectly, on its own behalf or on behalf of any other person, take, engage in or authorize any action or make any statement (written or oral and in any medium whatsoever) in any official government publication, communication or statement that (i) defames, criticizes, ridicules, disparages or is derogatory or otherwise would reasonably be expected to be deleterious or damaging to any

of the directors, officers, employees, agents and/or representatives of Hydro One or any other Hydro One Entity or encourages the making of such statements or the taking of such actions by someone else, or (ii) is inconsistent with the provisions of this Agreement. Hydro One agrees not to, directly or indirectly, on its or any other Hydro One Entity's own behalf or on behalf of any other person, take, engage in or authorize any action or make any statement (written or oral and in any medium whatsoever) that defames, criticizes, ridicules, disparages or is derogatory or otherwise would reasonably be expected to be deleterious or damaging to the Province in connection with the actions or matters contemplated by this Agreement, or encourages the making of such statements or the taking of such actions by someone else. Nothing in this section 18 shall prevent or restrict (i) any statement made in the Legislative Assembly of Ontario or communications in any form by elected officials who are not members of the government, or (ii) any party from making statements that are truthful if and to the extent required by applicable law or legal process.

19. Public Announcement: Each of Hydro One and the Province shall publicly announce the entering into of this Agreement promptly following the execution hereof, provided that the parties shall consult with each other with respect to the timing and content of any press releases, announcements or public statements relating to this Agreement or the subject matter hereof, having regard to the Province's governmental responsibilities and policy objectives as contemplated in sections 2.2.1(d) and 2.2.2 of the Governance Agreement, on the one hand, and the obligations of Hydro One as a reporting issuer subject to applicable securities laws and the rules of the TSX, on the other hand. For clarity, nothing in this Agreement shall restrict Hydro One from repeating in its public disclosure documents filed with securities regulatory authorities any statements or disclosure (in substance) previously made in accordance with this section 19 and this section 19 is subject to each party's overriding obligation to make disclosure or filings required from time to time under applicable laws or stock exchange rules, as applicable.
20. Governing Law: This Agreement shall be interpreted and enforced in accordance with, and the respective rights and obligations of the parties shall be governed by, the laws of the Province of Ontario and the federal laws of Canada applicable therein.
21. Enurement; Assignment: This Agreement shall enure to the benefit of and be binding upon the parties and their respective successors and permitted assigns. This Agreement may not be assigned by either party except with the prior written consent of the other party.
22. Entire Agreement; Amendments: This Agreement, together with the Governance Agreement, constitute the entire agreement between the parties with respect to the subject matter hereof and supersedes all prior agreements, understandings, negotiations and discussions, whether written or oral. There are no conditions, covenants, agreements, representations, warranties or other provisions, express or implied, collateral, statutory or otherwise, relating to the subject matter hereof except as provided herein. This Agreement may be amended only by an instrument in writing executed by each of the parties hereto.
23. Counterparts: This Agreement may be executed and delivered in any number of counterparts, with the same effect as if all parties had signed and delivered the same document, and all counterparts shall be construed together to be an original and will constitute one and the same agreement.

Yours very truly,

HYDRO ONE LIMITED

By: "David Denison"
Name: David F. Denison
Title: Chair of the Board of Directors

The foregoing is acknowledged, accepted and agreed to this 11th day of July, 2018.

**HER MAJESTY THE QUEEN IN RIGHT
OF ONTARIO AS REPRESENTED BY
THE MINISTER OF ENERGY,
NORTHERN DEVELOPMENT AND
MINES, AND MINISTER OF
INDIGENOUS AFFAIRS**

By: "Greg Rickford"
The Honourable Greg Rickford

BEFORE THE
PUBLIC UTILITY COMMISSION OF OREGON

DOCKET NO. UM 1897

JAMES SCARLETT
Exhibit No. 1602

Schedule 1 of the *Urgent Priorities Act, 2018*, titled the *Hydro One Accountability Act, 2018*

**SCHEDULE 1
HYDRO ONE ACCOUNTABILITY ACT, 2018**

INTERPRETATION

Definitions

1 In this Act,

“Chief Executive Officer” means the person holding the position of President and Chief Executive Officer of Hydro One Limited; (“chef de la direction”)

“compensation” means anything paid or provided, directly or indirectly, to or for the benefit of a person who performs duties and functions that entitle the person to be paid, and includes salary, benefits, perquisites and all forms of non-discretionary and discretionary payments; (“rémunération”)

“executive” means any person who holds the office of executive vice-president, vice-president, chief administrative officer, chief operating officer, chief financial officer, chief information officer, chief legal officer, chief human resources officer or chief corporate development officer, or holds any other executive position or office, regardless of the title of the position or office; (“cadre supérieur”)

“Minister” means the Minister of Energy, Northern Development and Mines or such other member of the Executive Council as may be assigned the administration of this Act under the *Executive Council Act*; (“ministre”)

“subsidiary” has the same meaning as in the *Business Corporations Act*, but does not include a subsidiary incorporated in a jurisdiction outside Canada. (“filiale”)

EXECUTIVE AND DIRECTOR COMPENSATION

Compensation framework

2 (1) The board of directors of Hydro One Limited shall, within six months of the day this subsection comes into force, establish a new compensation framework for the board, the Chief Executive Officer and other executives in consultation with the Government of Ontario and the other five largest shareholders of Hydro One Limited.

Severance entitlements

(2) For greater certainty, the compensation framework must include policies governing the severance and other entitlements of the Chief Executive Officer and other executives in connection with any termination of their employment with Hydro One Limited.

Management Board approval

(3) The compensation framework established by Hydro One Limited under subsection (1), and any amendments to the framework, are not effective until they are approved by the Management Board of Cabinet.

Directives

3 (1) The Management Board of Cabinet may issue directives,

- (a) governing the compensation of the directors and the Chief Executive Officer and other executives of Hydro One Limited, including, without being limited to, directives restricting the total annual compensation payable to such persons; and
- (b) governing the development, form, manner and timing of the compensation framework provided for in subsection 2 (1) and any amendments to that framework.

Compliance

(2) Hydro One Limited and its board of directors shall comply with every directive made under subsection (1).

Publication

(3) Every directive made under subsection (1),

- (a) shall be made available to the public on request; and
- (b) shall be publicly posted on at least one Government of Ontario website.

Status

(4) Part III (Regulations) of the *Legislation Act, 2006* does not apply with respect to directives made under subsection (1).

Same, subsidiaries

4 Sections 2 and 3 apply, with necessary modifications, to each of Hydro One Limited’s subsidiaries.

Expiry

5 Sections 2, 3 and 4 cease to have effect on January 1, 2023.

TERMINATION OF RIGHTS AND CROWN IMMUNITY

No cause of action

6 (1) No cause of action arises against the Crown or any current or former member of the Executive Council or any current or former employee or agent of or adviser to the Crown, or against Hydro One Limited or any of its subsidiaries, or any of their current or former officers, directors, employees or agents, as a direct or indirect result of,

- (a) the enactment, operation, administration or repeal of any provision of this Act;
- (b) anything done or not done under this Act;
- (c) anything related in any way to the involvement of the Government of Ontario in compensation matters, or other aspects of the corporate governance, of Hydro One Limited or any of its subsidiaries;
- (d) any alleged misrepresentation within the meaning of applicable securities laws in any prospectus, document or other public statement related in any way to the involvement of the Government of Ontario in compensation matters at Hydro One Limited or any of its subsidiaries; or
- (e) any adverse market consequences or diminishment in the value of any securities in Hydro One Limited, or any of its subsidiaries, or any other investment, resulting from the enactment of this Act, anything done or not done in order to comply with this Act or the involvement of the Government of Ontario in the corporate governance of Hydro One Limited or any of its subsidiaries.

Proceedings barred

(2) No proceeding, including but not limited to any proceeding for a remedy in contract, restitution, tort, misfeasance, bad faith, trust or fiduciary obligation, and any remedy under applicable securities laws or any other statute, that is directly or indirectly based on or related to anything referred to in subsection (1) may be brought or maintained against the Crown or any current or former member of the Executive Council or any current or former employee or agent of or adviser to the Crown, or against Hydro One Limited or any of its subsidiaries, or any of their current or former officers, directors, employees or agents.

Application

(3) Subsection (2) applies to any action or other proceeding claiming any remedy or relief, including specific performance, injunction, declaratory relief, any form of compensation or damages, or any other remedy or relief, and includes a proceeding to enforce a judgment or order made by a court outside of Canada.

Retrospective effect

(4) Subsections (2) and (3) apply regardless of whether the cause of action on which the proceeding is purportedly based arose before, on or after the day this subsection comes into force.

Proceedings set aside

(5) Any proceeding referred to in subsection (2) or (3) commenced before the day this subsection comes into force shall be deemed to have been dismissed, without costs, on the day this subsection comes into force.

GENERAL

Salary disclosure

7 (1) Despite any other Act or agreement, not later than March 31 of each year, Hydro One Limited shall publish on its public website a record of the total annual compensation paid in the previous year by Hydro One Limited to or in respect of executives provided for in the regulations made under subsection (3).

Publication of proposed compensation changes

(2) The board of directors of Hydro One Limited shall publish on its website any proposed changes to its compensation frameworks for the board, the Chief Executive Officer or other executives at least 30 days prior to the date on which it seeks approval from the Management Board of Cabinet under subsection 2 (3).

Regulations

(3) The Lieutenant Governor in Council may make regulations governing the application of this section, including, without being limited to,

- (a) providing for executives or categories of executives whose compensation must be published under subsection (1);
- (b) requiring and specifying additional information to be published;
- (c) providing for the contents of the notice required under subsection (2);

- (d) requiring and governing the application of this section, with necessary modification, to executives of subsidiaries of Hydro One Limited.

Information and reports

8 (1) The Minister may request Hydro One Limited and such other persons and entities as the Minister considers appropriate to give the Minister information the Minister considers necessary for the purpose of administering the provisions of this Act, including information that,

- (a) discloses the financial or other details of any employment agreement or other contract with any director, Chief Executive Officer or other executive in respect of their employment by Hydro One Limited or any of its subsidiaries; or
- (b) discloses anything related to the compensation paid, payable or available to a director, Chief Executive Officer or other executive of Hydro One Limited or any of its subsidiaries.

Compliance

- (2) A person or entity who receives a request from the Minister for information or a report shall comply with the request.

Authorization

(3) The Minister may directly or indirectly collect personal information that the Minister is authorized to collect under this Act, and use it for the purpose of administering the provisions of this Act.

No notice to individual required

(4) Subsection 39 (2) of the *Freedom of Information and Protection of Privacy Act* does not apply with respect to any personal information collected under this section.

Regulations

9 (1) The Lieutenant Governor in Council may make any regulations that the Lieutenant Governor in Council considers necessary or desirable for carrying out the purposes, provisions and intent of this Act.

Same

(2) Without limiting the generality of subsection (1), the Lieutenant Governor in Council may make regulations defining or clarifying the meaning of any word or expression used in this Act but not otherwise defined.

Ontario Energy Board Act, 1998

10 Section 78 of the *Ontario Energy Board Act, 1998* is amended by adding the following subsection:

Same, Hydro One executive compensation

(5.0.2) In approving or fixing just and reasonable rates for Hydro One Limited or any of its subsidiaries, the Board shall not include any amount in respect of compensation paid to the Chief Executive Officer and executives, within the meaning of the *Hydro One Accountability Act, 2018*, of Hydro One Limited.

REPEAL, COMMENCEMENT AND SHORT TITLE

Repeal

11 (1) Subject to subsection (2), this Act is repealed on a day to be named by proclamation of the Lieutenant Governor.

(2) A proclamation may provide for the repeal of different provisions of this Act on different dates.

Commencement

12 (1) Subject to subsection (2), the Act set out in this Schedule comes into force on the day the *Urgent Priorities Act, 2018* receives Royal Assent.

(2) Sections 1 to 10 come into force on a day to be named by proclamation of the Lieutenant Governor.

Short title

13 The short title of the Act set out in this Schedule is the *Hydro One Accountability Act, 2018*.

BEFORE THE
PUBLIC UTILITY COMMISSION OF OREGON

DOCKET NO. UM-1897

SUPPLEMENTAL TESTIMONY OF SCOTT L. MORRIS
REPRESENTING AVISTA CORPORATION

Supplemental Testimony Regarding Management Changes at Hydro One

1 **I. INTRODUCTION**

2 **Q. Will you please state your name, business address, and position with**
3 **Avista Corporation?**

4 A. My name is Scott L. Morris and I am employed as the Chief Executive Officer
5 of Avista Corporation (“Avista”), at 1411 East Mission Avenue, Spokane, Washington. I also
6 serve as the Chairman of the Board of Avista.

7 **Q. Are you the same Scott L. Morris who sponsored pre-filed direct**
8 **testimony, on behalf of Avista Corporation (Avista)?**

9 A. Yes, I sponsored direct testimony and exhibits.

10 **Q. Are you sponsoring any exhibits in this testimony?**

11 A. Yes, I am sponsoring Exhibit 1701, which is a map that shows foreign
12 ownership of American utilities. It is provided for no other purpose than to show the extent of
13 foreign ownership of utilities in this country, and that such a phenomenon is not unique to this
14 transaction (the “Proposed Transaction”).

15 **Q. Please summarize your Supplemental Testimony.**

16 A. The intent of my testimony is to reaffirm Avista’s commitment to the Proposed
17 Transaction following the July 11, 2018 agreement between Hydro One and the Province of
18 Ontario that called for the orderly replacement of the Board of Directors of Hydro One as well
19 as the retirement of Mayo Schmidt as the chief executive officer. As I will discuss in this
20 Supplemental Testimony, specific merger protections, by way of agreed-upon commitments
21 (each, a “Stipulated Commitment”, collectively “Stipulated Commitments”) contained within
22 the filed Settlement Stipulation (“Stipulation”), protect Avista from political interference or
23 influence by the Province of Ontario, preserve Avista’s self-governance, and protect Avista

1 and our customers from harm. The structural safeguards included as part of this Proposed
2 Transaction were designed to withstand the test of time and changes in Hydro One
3 management, and I continue to believe that all of the reasons previously stated in support of
4 the merger remain equally true today, and that approval is in the public interest.

5 **Q. Before further discussing relevant Merger Commitments that insulate**
6 **Avista from Provincial interference, do you still believe that the Proposed Transaction**
7 **is beneficial to Avista's customers?**

8 A. I do. While the actions taken by the Board of Directors of Hydro One and the
9 retirement of Mayo Schmidt certainly took everyone by surprise, it is important to reflect upon
10 the Stipulated Commitments agreed to by the parties. Following the closing of the Proposed
11 Transaction, the customers, employees and communities Avista serves will see little or no
12 change in Avista's operations, irrespective of actions taken in Ontario. Avista will maintain
13 its existing corporate headquarters in Spokane, Washington, and will continue to operate as a
14 stand-alone utility in Washington, Oregon, Idaho, Montana and Alaska (through Alaska
15 Electric Light & Power). It will maintain its office locations throughout its service areas,
16 continue to operate under the same Avista name, and seek to retain its existing employees and
17 management team. All of these elements together with other provisions embedded within the
18 Merger Agreement and agreed to in the Stipulation are designed to ensure that Avista's culture
19 and its way of doing business will continue for the long-term. I have total confidence that the
20 robust Stipulated Commitments developed by Avista and Hydro One, along with Commission
21 Staff, CUB, AWEC and OSIDCL will ensure the way Avista conducts business will continue
22 for the long-term.

1 **Q. Will Avista’s operations, or the Commission’s jurisdiction over Avista, be**
2 **adversely affected by the merger?**

3 A. No. As the Joint Parties in Support of the Stipulation stated, there are several
4 Stipulated Commitments included in the Stipulation that confirm the Commission’s ongoing
5 jurisdiction over Avista and that confirm that Avista’s operations will continue in a manner
6 substantially similar to the present after the consummation of the Proposed Transaction.¹ I
7 have stressed this point in my meetings with Avista employees that I have held since the
8 management changes were announced at Hydro One. First and foremost, every Stipulated
9 Commitment agreed to by Hydro One and Avista in the Stipulation cannot be changed without
10 approval or oversight of the Commission. Second, to protect Avista from unforeseen events
11 and outside influence, we designed, purposefully, an Avista Board of Directors heavily
12 weighted toward representation from the Pacific Northwest. It is that Board that will be
13 responsible for the management of Avista, not the Hydro One Board of Directors, much less
14 the Province of Ontario. The Proposed Transaction includes extensive safeguards that have
15 been incorporated into the agreed upon Stipulated Commitments to protect and insulate Avista
16 and its customers from any change in management at Hydro One. As further discussed by
17 Hydro One’s Executive Vice President and Chief Legal Officer, Mr. James Scarlett (Exhibit
18 1600), the Province has ratified and reaffirmed its commitment to the Governance Agreement,
19 which Governance Agreement remains in full force and effect and, among other things,
20 requires that the Province act as an investor and not a manager of Hydro One. The structural
21 safeguards were designed to withstand the test of time, and the inevitable changes in

¹ JOINT TESTIMONY/100, Joint Parties/ Page 10, ll. 3-6.

1 management. In the end, I am confident that the structures and Stipulated Commitments
2 included in the Stipulation are strong, and ultimately protect Avista and its customers.

3 **Q. Are these structures and Stipulated Commitments somewhat unique in**
4 **the world of utility mergers?**

5 A. Yes. Hydro One expert witness, Mr. John Reed of Concentric Energy Advisors
6 (Exhibit 2000), testifies that these negotiated Stipulated Commitments and governance
7 provisions are “state-of-the-art” in terms of protecting the customer and assuring operational
8 independence. This is based on his extensive review of other transactions.

9

10 **II. REASONS FOR THE PROPOSED TRANSACTION**

11 **Q. Are the reasons for the Proposed Transaction still as compelling now as**
12 **they were when you agreed to the merger with Hydro One?**

13 A. Absolutely. In my pre-filed direct testimony (Exh. 100, pp. 8-10), I explained
14 that the merger with Hydro One will allow Avista and its customers to benefit from being part
15 of a larger organization (the benefits of scale), while at the same time preserving local control
16 of Avista and the retention of Avista’s employees and management team, as well as its culture
17 and way of doing business. That is unchanged as a result of the management changes at Hydro
18 One.

19 With regard to scale, Avista’s perspective was that the number of investor-owned
20 electric and/or natural gas utilities in North America has decreased significantly over the years
21 through consolidation. When comparing the size of investor-owned utilities from largest to
22 smallest, Avista is one of the smallest investor-owned utilities remaining in North America.

23 A bar chart indicative of the investor-owned utilities in North America, from largest to

1 smallest, is attached to my direct testimony in Exhibit 101. The merger of Avista and Hydro
2 One will place the combined company toward the middle of the range of investor-owned
3 utilities, in terms of size. Avista's view is that, through consolidation, larger utilities have the
4 opportunity to spread costs, especially the costs of new technology, over a broader customer
5 base and a broader set of infrastructure to the benefit of customers.

6 Hydro One has more than 1.3 million electric distribution customers, and Avista has
7 approximately 378,000 electric customers and approximately 342,000 natural gas customers
8 (approximately 102,000 of which reside in Oregon as of the end of 2017). This combination
9 will provide opportunities for efficiencies in the long-term through the sharing of best
10 practices, technology and innovation. Avista's view was that the merger will provide benefits
11 to Avista's customers that otherwise would not occur. That view is unaffected by the
12 management changes at Hydro One.

13 As previously noted, many of these benefits of scale will not occur in the near-term
14 following the closing of the Proposed Transaction, but are expected to occur over the long-
15 term. After all approvals are received and the companies merge, both companies have stated
16 that they will work together to identify, evaluate and execute on opportunities to reduce costs
17 for both companies through, among other things, the sharing of technology, best practices,
18 and business processes. To the extent that such savings materialize, the benefits from these
19 cost savings will be reflected in subsequent rate proceedings.

20 In the end, Avista's choice to merge with Hydro One will allow Avista and its
21 customers to benefit from being a part of a larger organization, while at the same time
22 preserving local control of Avista as well as its culture and its way of doing business.
23 Agreements to preserve Avista, essentially as it is today, for the long-term are memorialized

1 in the Merger Agreement. The Proposed Transaction also provides benefits to Avista's
2 customers, employees, shareholders, and the communities Avista serves; including immediate
3 financial benefits to Avista's customers. Those have been exhaustively discussed in prior
4 testimony supporting the Stipulation.

5

6

III. MERGER PROTECTIONS

7 **Q. Many of the Stipulated Commitments offered in the Stipulated**
8 **Commitments were designed to preserve Avista self-governance and demonstrate the**
9 **separation between Avista and Hydro One. Please describe these governance Stipulated**
10 **Commitments, and how they are affected by events in Ontario.**

11 A. Certainly. First, Avista will have a nine-member board separate from Hydro
12 One that will govern Avista's management and operations. Stipulated Commitment No. 5
13 ensures that Avista's post-merger Board of Directors and existing executive leadership will
14 manage Avista - not Hydro One's Board. Stipulated Commitment No. 5 states the following:

15 "Avista and Hydro One agree that after closing of the Proposed Transaction,
16 Avista will have a separate Board of Directors from Hydro One that consists of
17 nine (9) members, determined as follows:

18 **Five Hydro One Designated Directors:**

19 Two executives of Hydro One or any of its subsidiaries, and.

20 Three Independent Directors who are residents of the Pacific Northwest
21 Region.

22 **Four Avista Designated Directors:**

23 Three directors who as of immediately prior to the closing of the Proposed
24 Transaction are members of the Board of Directors of Avista, including the
25 Chairman of Avista's Pre-Merger Board of Directors (if such person is
26 different from the Chief Executive Officer of Avista), and Avista's Chief
27 Executive Officer.

28 At least two of the Avista directors must be Independent Directors.

1 The initial Chairman of Avista's post-closing Board of Directors shall be the
2 Chief Executive Officer of Avista as of the time immediately prior to closing
3 for a one year term. If any Avista designee resigns, retires or otherwise ceases
4 to serve as a director of Avista for any reason, the remaining Avista designees
5 shall have the sole right to nominate a replacement director to fill such vacancy,
6 and such person shall thereafter become an Avista designee.

7 Hydro One shall have the unfettered right to designate, remove and replace the
8 Hydro One designees as directors of the Avista Board with or without cause or
9 notice at its sole discretion, subject to the requirement that:

- 10 (i) two of such directors are executives of Parent or any of its
11 subsidiaries; and
12 (ii) three of such directors are Independent Directors who are residents of
13 the Pacific Northwest region, while such requirement is in effect
14 (subject in the case of clause (ii) hereof to Hydro One determining, in
15 good faith, that it is not able to appoint an Independent Director who
16 is a resident of the Pacific Northwest region in a timely manner, in
17 which case Hydro One may replace any such director with an
18 employee of Hydro One or any of its subsidiaries on an interim basis,
19 not exceeding six months, after which time Hydro One shall replace
20 such interim director with an Independent Director who is a resident
21 of the Pacific Northwest region)."

22 I believe that the unique construct of the Board, which consists of four Avista
23 designees, and five total directors that are deemed Independent Directors, will have enough
24 independence and separation from influence by Hydro One (and the Province of Ontario).

25 Further, Stipulated Commitment No. 4 assures that Avista's CEO will be selected by
26 Avista's board -- not Hydro One or the Province, and that Avista's executive management
27 will remain in place and must be selected by Avista's Board -- not Hydro One. Stipulated
28 Commitment No. 4 states the following:

29 Subject to the remaining provisions of this commitment and subject to
30 voluntary retirements and resignations that may occur, Avista and Parent agree
31 that Avista will retain all current executive management of Avista for a period
32 of three years. This commitment will not limit Avista's ability to determine its
33 organizational structure and select and retain personnel best able to meet
34 Avista's needs over time. The post-Proposed Transaction Avista board retains
35 its current ability to dismiss executive management of Avista and other Avista

1 personnel for standard corporate reasons. Any decision to hire, dismiss or
2 replace the Chief Executive Officer of Avista **shall be within the discretion of**
3 **the Avista Board of Directors**, and shall not require any approval of Hydro
4 One or any of its affiliates (other than Avista), notwithstanding anything to the
5 contrary in the merger agreement, and its exhibits and attachments, between
6 Hydro One and Avista. (emphasis added)

7 **Q. Certain of these Stipulated Commitments were developed to ensure that**
8 **Avista cannot be subjected to political interference or influence by the Province. Do you**
9 **believe these Stipulated Commitments are adequately designed to prevent the Province**
10 **or any other party from exercising inappropriate control over Avista?**

11 A. Yes. I believe the structure of Avista's board would protect it from
12 inappropriate influence by the Province. Although the Province is permitted under the
13 Governance Agreement to nominate 40% of Hydro One's Board members, those Board
14 members must be independent of the Province and Hydro One. Hydro One's management
15 and Board, and not the Province, will be responsible for selecting five of Avista's nine Board
16 members (three of whom must be independent and reside in the Pacific Northwest).

17 **Q. Do you believe there are adequate financial and bankruptcy ring fencing**
18 **Stipulated Commitments to protect all Parties and customers?**

19 A. Yes. The Stipulated Commitments appended to the Stipulation contain a
20 substantial number of financial and bankruptcy/ring-fencing protections that will protect the
21 financial health of Avista. Neither Hydro One, nor the Province, can deprive Avista of its
22 capital and assets. In fact, to the contrary, Hydro One is duty-bound to provide the necessary
23 capital to enable Avista to provide safe and reliable and cost-effective service to its customers.
24 (See Stipulated Commitment No. 76). There are also Stipulated Commitments that (i) Avista
25 will continue to have its own credit ratings, (ii) assure that Hydro One will provide equity

1 capital injections as needed for maintaining the financial integrity of Avista such that Avista
2 maintains an investment grade credit rating, and (iii) provide restrictions on dividends and
3 distributions that help preserve Avista's financial integrity, Hydro One and Avista also
4 committed to issue a single share of preferred stock referred to as the Golden Share to an
5 independent third party to address any bankruptcy concerns. All of these Stipulated
6 Commitments are further discussed in Mr. Thies' supplemental testimony.

7 **Q. Are there other specific Stipulated Commitments that serve to protect**
8 **against outside control the Province of Ontario?**

9 A. Yes. There are several commitments (Stipulated Commitment Nos. 73 – 87)
10 that assure all the existing pieces that make Avista "Avista" will remain in place. More
11 specifically, the following Stipulated Commitments highlight this. Stipulated Commitment
12 No. 75 speaks to Avista's management direction:

13 Avista and Parent agree that Avista management will continue to ensure that
14 delivery of safe and reliable high quality utility service at just and reasonable
15 rates in Oregon is included in its mission and is a top corporate priority post-
16 merger.

17 Stipulated Commitment No. 79 speaks to maintaining Avista's headquarters location:

18 Avista and Parent agree that Avista will maintain its headquarters in Spokane,
19 Washington. Any change in the location of Avista headquarters will require
20 Commission approval.

21 Stipulated Commitment No. 80 addresses local staffing:

22 Avista will maintain Avista's staffing and presence in the communities in which
23 Avista operates at levels sufficient to maintain the provision of safe and reliable
24 service and cost-effective operations, consistent with Pre-Merger levels.

25 And Stipulated Commitment No. 81 protects pension and post retirement expenses and
26 assets:

1 Avista and Parent agree that Avista will maintain its pension funding policy in
2 accordance with sound actuarial practice, and comply with Commission Orders
3 regarding best practices on pension policies. Hydro One will not seek to change
4 Avista's pension funding policy or to obtain funds from Avista's pension and
5 post-retirement assets.

6 I believe this preservation of Avista's headquarters, its culture and its way of doing
7 business, among other things, are important commitments to our employees and Avista's
8 customers, as they continue to expect and experience reliable service and a high level of
9 customer satisfaction. This demonstrates our commitment to best serve the public interest,
10 given our rich heritage of serving customers with safe, reliable, and cost-effective service.

11 **Q. Are there significant Stipulated Commitments which recognize the**
12 **Commission's authority over Avista's operations?**

13 A. Yes, in my view, there are two Stipulated Commitments that protect the interest
14 of all Parties, and explicitly recognize that the Commission's authority over Avista's
15 operations will remain unchanged by the merger, that the parties will comply with all
16 applicable laws and regulations, and that recognize the Commission's jurisdiction over all
17 matters of concern. First, Stipulated Commitment No. 2 provides that none of the Stipulated
18 Commitments offered as part of the merger can be amended, revised, or modified without
19 prior Commission approval.

20 **No Amendment of Any Commitment without Commission Approval**

21 Avista and Parent commit that no amendments, revisions, or modifications will
22 be made to the any of the commitments herein without prior Commission
23 approval. Also see "Most Favored Nation" Commitment.

24
25 Nor can Avista or Hydro One undergo a corporate reorganization, create an entity that
26 may exercise substantial influence over Avista, or sell Avista without prior Commission
27 Approval, as provided in Stipulated Commitment No. 9:

1 **Reorganization and Sale Triggers**

2 Parent and Avista agree to comply with and interpret ORS 757.511 (Application
3 for authority to exercise influence over utility) as triggered if any of the entities
4 in the post-Proposed Transaction chain of corporate entities between Hydro
5 One and Avista, and including Hydro One, undergoes a corporate
6 reorganization or if any of those entities enter into a transaction that results in
7 the addition of a new entity in the chain of entities that may exercise any
8 substantial influence over Avista.

9
10 Additionally, Parent and Avista agree to interpret ORS 757.480 (Approval
11 needed prior to disposal, mortgage or encumbrance of certain operative utility
12 property or consolidation with another public utility) to require Commission
13 approval of any transaction which results in a merger of Avista with another
14 public utility, without regard to whether that public utility provides service in
15 Oregon.

16
17 **Q. Do you believe the Stipulated Commitments filed in the Stipulation ensure**
18 **that Avista could not be negatively impacted in any way, and that these Stipulated**
19 **Commitments preserve Avista self-governance and local control for the purpose of**
20 **maintaining safe and reliable service to Avista’s utility customers?**

21 A. Yes. In my view the Stipulated Commitments offered in the Stipulation were
22 negotiated and designed to provide separate governance and financial ring-fencing between
23 Avista and Hydro One, and to preserve Company headquarters in Spokane, along with
24 retention of existing management and employees. All of the protections described above in
25 addition to all of the other Stipulated Commitments included in the Stipulation ensure that
26 Avista will continue as a financially sound, stand-alone utility and will bind Hydro One,
27 regardless of political developments and change in management. In short, all of these
28 Stipulated Commitments were designed by the Parties to “stand the test of time.”

29 Furthermore, Avista and Hydro One have committed that none of the Stipulated
30 Commitments can be amended without approval from Avista’s state regulators, which assures

1 that the Commission will continue to regulate Avista as it always has, to ensure that Avista's
2 customers are protected and continue to only pay fair, just, and reasonable rates.

3

4 **IV. ADDITIONAL COMMITMENT**

5 **Q. Notwithstanding the above discussion, are Avista and Hydro One offering**
6 **an additional commitment based on the recent changes in management at Hydro One?**

7 A. Yes. As discussed in the First Supplemental Report to the Bench Request
8 issued filed on July 18, 2018, Hydro One and Avista provided the following new commitment:

9 "Avista Employee Compensation: Any decisions regarding Avista employee
10 compensation shall be made by the Avista Board consistent with the terms of the
11 Merger Agreement between Hydro One and Avista, and current market standards and
12 prevailing practices of relevant U.S. electric and gas utility benchmarks. The
13 determination of the level of any compensation (including equity awards) approved by
14 the Avista Board with respect to any employee in accordance with the foregoing shall
15 not be subject to change by Hydro One or the Hydro One Board."
16

17 This new commitment provides further protection to Avista's employees, such that it
18 is only the Avista Board, and not the Hydro One Board nor the Province of Ontario, which
19 will determine how Avista will be able to continue to recruit and retain the most highly
20 qualified employee talent base for our customers.

21 **Q. Have Avista and Hydro One discussed making any revisions to the**
22 **Stipulated Commitments to respond to the events after the June 7, 2018 Ontario election**
23 **involving Hydro One?**

24 A. Yes. Avista and Hydro One propose to amend the last clause in Stipulated
25 Commitment No. 5 as follows:

26 ***5. Avista Board of Directors (BOD)***

1 Avista and Hydro One agree that after closing of the Proposed Transaction,
2 Avista will have a separate board of directors from Hydro One that consists of
3 nine (9) members, determined as follows:

4 **Five Hydro One Designated Directors:**

5 Two executives of Hydro One or any of its subsidiaries, and

6 Three Independent Directors who are residents of the Pacific Northwest
7 Region.

8 **Four Avista Designated Directors:**

9 Three directors who as of immediately prior to the closing of the
10 Proposed Transaction are members of the Board of Directors of Avista,
11 including the Chairman of Avista's Pre-Merger Board of Directors (if
12 such person is different from the Chief Executive Officer of Avista),
13 and

14 Avista's Chief Executive Officer.

15 At least two of the Avista directors must be Independent Directors.

16 The initial Chairman of Avista's post-closing Board of Directors shall be the
17 Chief Executive Officer of Avista as of the time immediately prior to closing
18 for a one year term. If any Avista designee resigns, retires or otherwise ceases
19 to serve as a director of Avista for any reason, the remaining Avista designees
20 shall have the sole right to nominate a replacement director to fill such vacancy,
21 and such person shall thereafter become an Avista designee.

22 Hydro One shall have the unfettered right to designate, remove and replace the
23 Hydro One designees as directors of the Avista Board with or without cause or
24 notice at its sole discretion, subject to the requirement that:

25 (i) two of such directors are executives of Parent or any of its
26 subsidiaries; and

27 (ii) three of such directors are Independent Directors who are residents
28 of the Pacific Northwest region, while such requirement is in effect
29 (subject in the case of clause (ii) hereof to Hydro One determining, in
30 good faith, that it is not able to appoint an Independent Director who is
31 a resident of the Pacific Northwest region in a timely manner, in which

1 case Hydro One may replace any such director with an employee of
2 Hydro One or any of its subsidiaries on an interim basis, not exceeding
3 six months, after which time Hydro One shall replace such interim
4 director with an Independent Director who is a resident of the Pacific
5 Northwest region; provided, however, that this exception to clause (ii)
6 hereof shall not apply if, at any time a circumstance arises, and during
7 the pendency of any such circumstance, whereby the Province of
8 Ontario (“Ontario”) exercises its rights as a shareholder of Parent,
9 uses legislative authority or acts in any other manner whatsoever, that
10 results, or would result, in Ontario appointing nominees to the board
11 of directors of Parent that constitute, or would constitute a majority of
12 the directors of such board).

13 **Q. What is the purpose of the new text in Stipulated Commitment 5?**

14 A. This proposed amendment to Stipulated Commitment No. 5 is designed to
15 protect the independence of the Avista board in the event that the Province takes some action
16 in the future to control a majority of the Hydro One Board. If that event occurs, this
17 amendment is triggered and blocks Hydro One’s limited right to replace any of its three
18 Independent Director designees on the Avista Board with a Hydro One executive or employee.

19 **V. FOREIGN OWNERSHIP OF UNITED STATES UTILITIES**

20 **Q. There have been general concerns among a small group of customers in**
21 **certain portions of Avista’s service territory about a foreign company purchasing an**
22 **American utility. Do you share these concerns?**

23 A. No, I do not. First, all of the protections discussed briefly above dictate how
24 Avista will, or will not be, affected by Hydro One’s ownership. Second, this is not the first
25 transaction in the United States where a foreign entity purchased all or a portion of an
26 American utility. Approximately 30 States have utilities that are owned by foreign entities,
27 including many that are owned by Canadian entities (utilities, pension funds, etc.). Exhibit

1 No. 1701 provides a map showing where there is foreign ownership of American utilities. In
2 addition, we are unaware of any issues resulting from foreign ownership. It is also important
3 to remember that the Proposed Transaction has also been cleared by the Committee on Foreign
4 Investment in the United States (CFIUS). In the end, I believe the purchase of Avista by
5 Hydro One should not be seen as something new, novel or scary – such transactions are
6 actually quite common, and if designed well, have and will continue to provide benefits for
7 American utility customers. And, as Mr. Reed notes in his testimony (Exhibit 2000), this
8 Proposed Transaction has been designed with “state-of-the-art” protections.

9 **Q. Do you have any concluding comments?**

10 A. Yes. As I stated earlier, I understand that the recent events in Ontario were
11 unexpected. However, when the smoke clears and one looks at this Proposed Transaction
12 through the lens of the Stipulated Commitments, nothing fundamental has changed. The
13 reason for the Proposed Transaction still holds – Hydro One will in essence be the primary
14 shareholder of Avista, but the Avista Board, along with Avista management under the
15 oversight of this Commission, will continue to operate a well-run utility for the benefit of our
16 customers. The Parties carefully crafted protections and commitments to withstand the test
17 of time, and the inevitable changes in management. I fully support the Proposed Transaction,
18 believe it is in the public interest (especially given the rate credits, low-income funding, and
19 community support), and request the Commission approve the Proposed Transaction.

20 **Q. Does this conclude your Supplemental Testimony?**

21 A. Yes.

BEFORE THE
PUBLIC UTILITY COMMISSION OF OREGON

DOCKET NO. UM-1897

SCOTT L. MORRIS
Exhibit No. 1701

Map of Foreign Ownership of American Utilities

BEFORE THE
PUBLIC UTILITY COMMISSION OF OREGON

DOCKET NO. UM 1897

SUPPLEMENTAL TESTIMONY OF CHRISTOPHER F. LOPEZ
REPRESENTING HYDRO ONE

Updated Hydro One Financials, Financial Commitments and Risk Mitigation

1 **I. INTRODUCTION**

2 **Q. Please state your name, business address and present position with Hydro**
3 **One Limited.**

4 A. My name is Christopher F. Lopez, and my business address is 483 Bay Street,
5 South Tower, 8th Floor, Toronto, Ontario M5G 2P5. I am Senior Vice President of Finance
6 for Hydro One Limited (“Hydro One”).

7 **Q. Have you filed direct and rebuttal testimony in this proceeding?**

8 A. Yes. My prior testimony describes the proposed merger (“Proposed
9 Transaction”), the corporate structure, financing arrangements, ring-fencing, access to capital,
10 rate credits, cost allocations and related benefits to Avista’s customers.

11 **Q. Are you sponsoring any exhibits that accompany your testimony?**

12 A. No.

13 A table of contents for my testimony is as follows:

1	Description	Page
2	I. INTRODUCTION	1
3	II. SUMMARY OF RECENT DEVELOPMENTS IN ONTARIO	3
4	III. FINANCIAL STRENGTH OF HYDRO ONE.....	5
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9
10

Summary of Testimony

11 **Q. Please summarize your testimony.**

12 A. My supplemental testimony will describe recent events and demonstrate that
13 the benefits of this transaction for Avista ratepayers remain unchanged since the parties’
14 settlement documents were filed¹ and that recent political developments in Ontario create no
15 risks for Avista or its customers. Specifically, I will:

- 16 • Summarize the recent developments in Ontario;
- 17 • Summarize and reaffirm my previous testimony explaining how Hydro One is
18 financially healthy and Avista will benefit from having a parent with strong access to
19 capital markets;
- 20 • Review the merger commitments relating to Hydro One’s financial support for Avista;

¹ UM-1897, All-Party Stipulation (May 25, 2018) (including “Stipulated Commitments”); *see also*, Joint Testimony, Joint Parties Ex. 100.

- 1 • Confirm that Hydro One stands by these commitments and continues to provide the
2 benefits associated with having a financially healthy parent company; and
- 3 • Explain why the Ontario election, the July 11, 2018 Letter Agreement between the
4 Province of Ontario (the “Province”) and Hydro One (the “July 2018 Letter
5 Agreement”) and subsequent events have no effect on these commitments and
6 benefits.

7

8 **II. SUMMARY OF RECENT DEVELOPMENTS IN ONTARIO**

9 **Q. Please summarize recent developments relating to management of Hydro**
10 **One.**

11 A. There are four developments that I will summarize: the June 7, 2018 election;
12 the July 2018 Letter Agreement; the *Hydro One Accountability Act, 2018*; and the August 14,
13 2018 appointment of new board members.

14 **Q. Please describe the June 7, 2018 election as it relates to Hydro One.**

15 A. On June 7, 2018, voters in the Province elected a new majority government led
16 by Premier Doug Ford of the Progressive Conservative Party, which replaced the previous
17 Liberal government led by former premier Kathleen Wynne. The new government was sworn
18 in on June 29, 2018. During the campaign, Mr. Ford stated that he wanted to remove Hydro
19 One’s chief executive officer (“CEO”) Mayo Schmidt and some or all of the members of
20 Hydro One’s Board of Directors (“Board”).

21 During the campaign, members of a different political party, the New Democratic
22 Party or “NDPs,” stated that they would try to “bring Hydro One back into public hands” by
23 buying back some or all of Hydro One’s shares held by entities other than the Province. The

1 New Democratic Party did not win enough seats to form the provincial government. Mr. Ford
2 and other members of the Progressive Conservative Party, by contrast, made statements
3 throughout the campaign generally supportive of privatization in Ontario's energy sector and
4 did not suggest they would support returning Hydro One to Crown Corporation status.

5 **Q. Please describe the July 2018 Letter Agreement.**

6 A. On July 11, 2018, the 1st Session of the 42nd Parliament of the Legislative
7 Assembly of Ontario commenced. The same day, Hydro One, on behalf of itself and its
8 wholly-owned subsidiary, Hydro One Inc. ("HOI"), announced that following an approach by
9 Hydro One to the Province, they had entered into an agreement for the purpose of the orderly
10 replacement of the Hydro One and HOI boards and the retirement of Mayo Schmidt as the
11 CEO effective July 11, 2018. *See* Exhibit 1600 (prefiled Supplemental Testimony of James
12 Scarlett ("Scarlett Testimony")) and Exhibit 1601 thereto (July 2018 Letter Agreement). The
13 Scarlett Testimony describes the July 2018 Letter Agreement in detail.

14 **Q. Please describe the *Hydro One Accountability Act, 2018*.**

15 A. On July 16, 2018, the new Provincial government introduced Bill 2, the *Urgent*
16 *Priorities Act, 2018*, which enacts or amends various statutes via Schedules to the Bill. It
17 received Royal Assent on July 25, 2018, and is therefore in full force and effect. The
18 Schedules come into force as provided in each Schedule. Schedule 1 is a new Act entitled the
19 *Hydro One Accountability Act, 2018* and took effect on August 15, 2018. This Schedule deals
20 with the compensation framework (and related disclosure obligations) for the directors, CEO
21 and executives of Hydro One and its subsidiaries (except subsidiaries incorporated in
22 jurisdictions outside Canada). The Scarlett Testimony describes the Act in detail. Exhibit
23 1602 to the Scarlett Testimony contains a copy of the *Hydro One Accountability Act, 2018*.

1 This legislation has no impact on (1) Hydro One's contractual commitment to proceed
2 with its acquisition of Avista, (2) the settlement stipulations Hydro One negotiated with
3 parties in Oregon, Washington, Idaho, Montana, and Alaska, or (3) the authority of Avista's
4 state regulators to continue to regulate Avista if the merger with Hydro One is consummated.

5 **Q. Please describe the new Hydro One Board.**

6 A. The new Hydro One Board took office on August 14, 2018. The members of
7 the Board and the process for their appointment are described in detail in Exhibit 1500
8 (prefiled Supplemental Testimony of Hydro One Interim Chair Thomas Woods) and the
9 Scarlett Testimony.

10 **Q. Do any of these developments affect Hydro One's proposed acquisition of**
11 **Avista?**

12 A. No, they do not affect the Proposed Transaction, and Hydro One remains
13 committed to the Proposed Transaction. The transaction was designed to stand the test of
14 time, through changes in personnel at any level. Bill 2 has no application to Avista because it
15 is expressly limited to Canada. The appointment of the new Hydro One Board, consistent
16 with the Governance Agreement,² demonstrates that Hydro One is continuing to operate as it
17 has in the past. Hydro One is stable and financially strong. Hydro One remains fully capable
18 of performing all of its obligations under all the merger commitments.

19
20 **III. FINANCIAL STRENGTH OF HYDRO ONE**

21 **Q. You previously testified that Hydro One was financially strong and is**
22 **viewed by credit rating agencies as a prudent, well-managed company. Is that still the**

² Schmidt, Hydro One Ex. 803.

1 **case?**

2 A. Yes, the credit rating agencies continue to view Hydro One as a prudent, well-
3 managed company. This is demonstrated by strong investment grade credit ratings from
4 Moody's Investors Service ("Moody's"), Standard & Poor's ("S&P"), and Dominion Bond
5 Rating Service ("DBRS"): (i) HOI has an "A (CreditWatch Negative)" long-term credit
6 rating from S&P, a "Baa1 (Stable Outlook)" rating on senior unsecured debt from Moody's,
7 and an "A (High) (Stable Outlook)" rating from DBRS; and (ii) Hydro One has an "A
8 (CreditWatch Negative)" long-term credit rating from S&P. By comparison, Avista's credit
9 ratings are "BBB (CreditWatch Positive)" from S&P and "Baa1 (Negative Outlook)" from
10 Moody's.

11 **Q. Have rating agencies commented on the recent developments that you**
12 **describe?**

13 A. Yes, several have commented. For example, on July 16, 2018, Moody's
14 published its "Credit Outlook" report. This is a bi-weekly report outlining Moody's outlook
15 on credit implications of current events. The July 16 report includes a section on Hydro One
16 entitled "Hydro One's Board and CEO Are Forced Out, a Credit Negative." The report
17 concludes that "Ontario's willingness to force out the current board clearly demonstrates that
18 the utility is not immune to direct political interference, a credit negative." The report also
19 concludes that if the Province follows through on its promise to reduce some customer rates
20 by 12%, and that reduction reduces Hydro One's revenue and cash flow, it would be

1 materially credit negative for Hydro One. Reiterating previous statements by Moody's,³ the
2 report states that Hydro One's completion of the acquisition of Avista is credit negative for
3 both Hydro One and HOI. Finally, the report notes that Hydro One will be following an
4 established process for establishment of a new board.

5 **Q. Did the publication of this Credit Outlook change Moody's credit rating**
6 **of HOI or Hydro One?**

7 A. No, it did not.

8 **Q. Have the recent developments you described resulted in any changes to**
9 **credit ratings of Hydro One by Moody's, S&P or DBRS?**

10 A. No, they have not. Neither Moody's nor DBRS have ratings for Hydro One
11 (that is, Hydro One Limited). Hydro One Inc., the company that holds our regulated utility in
12 Ontario, has ratings from Moody's and from DBRS. Those ratings likewise have not changed
13 as a result of recent developments.

14 **Q. Are these sorts of comments from rating agencies cause for concern about**
15 **the financial health of Hydro One and its suitability as a parent company for Avista?**

16 A. No, they are not.

17 **Q. Please explain.**

18 A. First, the ratings themselves demonstrate that the rating agencies believe Hydro
19 One remains financially sound. None of the issues that the agencies commented on resulted
20 in a change to the actual ratings. Strong investment grade credit ratings indicate that the

³ See Moody's Investor Service, *Rating Action: Moody's downgrades HOI to Baa1 from A3; rating outlook stable* (June 20, 2018), https://www.moodys.com/research/Moodys-downgrades-Hydro-One-Inc-to-Baa1-from-A3-rating--PR_385523; see also, Moody's Investor Service, *Rating Action: Moody's Affirms Hydro One's senior unsecured A3 ratings; outlook changed to negative* (July 19, 2017), https://www.moodys.com/research/Moodys-Affirms-Hydro-Ones-senior-unsecured-A3-ratings-outlook-changed--PR_370021.

1 company has access to capital on reasonable terms and conditions.

2 Hydro One's second quarter results, announced on August 14, 2018, underscore its
3 financial stability. Hydro One reported earnings per share (EPS) of Canadian \$0.34 and
4 adjusted EPS of Canadian \$0.33, compared to Canadian \$0.20 in the prior year, an increase of
5 70% and 65%, respectively.⁴ Our "culture of continuous improvement yielded high
6 performance metrics at the contact centre, billing accuracy in excess of regulatory
7 requirements and a further Canadian \$6 million decrease in overdue accounts receivable due
8 to proactive support programs."⁵ Paul Dobson, our CFO and Acting President and CEO,
9 stated that, "Hydro One's strong second quarter financial results coupled with continuously
10 improving operational and customer service metrics highlight the underlying strength of the
11 business as well as the Company's positive momentum since the Initial Public Offering in
12 2015."⁶

13 In Q2, Hydro One obtained Canadian \$4.4 billion in credit lines. Hydro One Inc.
14 obtained Canadian \$1.4 billion in long-term debt. The long-term debt included a Canadian
15 \$750 million 31-year tranche that was issued at a 3.63%, the lowest interest rate in the history
16 of the company.

17 Second, Hydro One remains a very suitable parent company for Avista for all the
18 reasons discussed in prior testimony. The companies are culturally aligned. Hydro One's
19 market capitalization is approximately three times the size of Avista and will provide Avista
20 with improved access to capital markets as described in Section IV below. Hydro One is a

⁴ News Release, Hydro One, Hydro One Reports Strong Second Quarter Results, (Aug. 14, 2018), <http://hydroone.mediaroom.com/2018-08-14-Hydro-One-Reports-Strong-Second-Quarter-Results> (last visited Aug. 14, 2018).

⁵ *Id.*

⁶ *Id.*

1 strategic investor, rather than a financial investor, and its interests are aligned with Avista's
2 for long-term success. Hydro One has made a number of commitments to preserve Avista's
3 ability to run its own business on an ongoing basis, for the benefit of Avista's customers.

4 Finally, Avista is wholly protected from any potential financial turbulence at Hydro
5 One by the financial and ring-fencing commitments described in Section V below.

6 **Q. Have the recent developments you described resulted in any changes to**
7 **Hydro One's stock price?**

8 A. Hydro One's stock price has changed, although it is impossible to know all the
9 causes for the changes. Hydro One's stock price decreased Canadian \$1.21 (or 6.0%) in the
10 month ended July 31 to close at Canadian \$19.0. This decline was greater than the average
11 decline of 3.9% in the Utilities - Regulated sector for the same period.⁷ During the month of
12 August, Hydro One's stock price stabilized, and closed at Canadian \$19.22 on Tuesday,
13 August 28.

14 **Q. Are changes in Hydro One's stock price cause for concern about Hydro**
15 **One's ability to finance the Proposed Transaction and to satisfy such merger**
16 **commitments as providing equity on an as-needed basis, maintaining investment-grade**
17 **ratings for Hydro One and Avista, establishing a Canadian \$2 billion universal shelf**
18 **prospectus,⁸ and increasing its Canadian \$250 million credit facility to at least \$500**
19 **million⁹?**

20 A. No, the changes in Hydro One's stock price have no meaningful impact on the

⁷ News Bites Canadian Markets, *Monthly: Hydro One loses CAD620 million (US\$474 million) in MCap in July, biggest drop in Utilities - Regulated sector* (July 31, 2018), LexisNexis Newsdesk (subscription req'd).

⁸ Stipulated Commitment No. 53.a.

⁹ Stipulated Commitment No. 53.b.

1 Proposed Transaction.

2 **Q. Please explain.**

3 A. Since May 2018, Hydro One's access to capital and its ability to finance Avista
4 remains largely unchanged. The decline in Hydro One's stock price does not impact Hydro
5 One's ability to finance the Proposed Transaction. We expect the convertible debentures to
6 be fully converted to equity at the previously agreed equity price around the time of the
7 closing of the Proposed Transaction. The equity from the convertible debentures, and the
8 planned US\$2.6 billion debt financing, which is supported by the US\$2.6 billion in bridge
9 financing, is sufficient to fund the transaction.

10 Within our current plans we have sufficient financing flexibility to satisfy the merger
11 commitments. Should Hydro One need to access equity markets to meet the merger
12 commitments, it would issue new equity at the prevailing price at that time.

13 **Q. Several of the Stipulated Commitments in the Oregon settlement require**
14 **Avista's shareholder, Hydro One, and not Avista's ratepayers, to provide funding for**
15 **certain programs (Stipulated Commitment No. 16 - Oregon Low Income**
16 **Weatherization; Stipulated Commitment No. 17 - Oregon Low-Income Rate Assistance**
17 **Program; Stipulated Commitment No. 32 - Oregon SENDOUT Seats; Stipulated**
18 **Commitment No. 33 - On Bill Repayment Program; Stipulated Commitment No. 40 -**
19 **Rate Credit; Stipulated Commitment No. 89 - Other Community Contributions;**
20 **Stipulated Commitment No. 90 - General Community Contributions and Involvement).**
21 **How can the Public Utility Commission of Oregon ("Commission") be certain that**
22 **funding will be available for these Stipulated Commitments in light of the developments**
23 **described above?**

1 A. First, with respect to the \$7,541,159 rate credit provided in Stipulated
2 Commitment No. 40, that credit will simply flow through to Avista customers in the bills
3 issued by Avista. Shortly after the merger, Avista will file a tariff rider, Schedule 473,
4 requesting approval, which will ensure Avista's Oregon customers begin receiving the benefit
5 of the rate credit immediately. Hydro One will bear the burden of these rate credits, as they
6 will reduce the earnings potentially available to Hydro One as dividends.

7 Second, we have always anticipated that much of the necessary funding would come
8 from Avista's retained earnings:

9 91. Sources of Funds for Hydro One and Avista Commitments

10 Throughout the list of commitments herein, any commitment that states
11 that Hydro One or Avista will provide funding is a firm commitment to
12 provide the exact dollar amount specified, over the time period specified, and
13 for the purposes specified. To the extent Avista has retained earnings that are
14 available for payment of dividends to Olympus Equity LLC consistent with the
15 ring-fencing provisions of this list of commitments, such retained earnings may
16 be used.

17 Stipulated Commitment No. 91.¹⁰ In essence, funds otherwise available for payment of
18 dividends to Olympus Equity and on up the chain will instead be directed to funding these
19 commitments: (i) \$1,275,000 over five years for Oregon Low Income Weatherization
20 (Stipulated Commitment No. 16); (ii) \$500,000 over five years for the Oregon Low-Income
21 Rate Assistance Program (LIRAP) (Stipulated Commitment No. 17); (iii) \$30,000 annually
22 for 10 years for Oregon SENDOUT Seats (Stipulated Commitment No. 32); (iv) a one-time
23 investment of \$105,000 for the On Bill Repayment Program (OBRP) (Stipulated Commitment
24 No. 33); and (v) the charitable contributions in Stipulated Commitment Nos. 89 and 90. With

¹⁰ Avista's ability to use retained earnings to meet these commitments also will be governed by Hydro One's commitments in Stipulated Commitment Nos. 44, 47, and 50.

1 this approach, there is no need for cash to flow from Hydro One to Avista.

2 Third, as discussed above, Hydro One remains financially healthy and I have no
3 reason to think that will change.

4 Fourth, the Commission will have full enforcement authority over the binding
5 commitments included in the Stipulated Settlement, as described in more detail in Exhibit
6 1600 (Scarlett Testimony).

7 Finally, to the extent that there is concern that the Province will not provide the
8 funding for these commitments, the Province will not be involved in meeting these
9 commitments – the obligations are those of Hydro One, not of its shareholders.

10

11

IV. AVISTA'S ACCESS TO CAPITAL

12 **Q. How will having Hydro One as a parent affect Avista's access to capital?**

13 A. By being part of a larger, financially strong holding company, Avista's access
14 to capital will improve. Avista is a relatively small utility company as compared with other
15 utility companies in the U.S. As shown in Avista CEO Scott Morris's testimony,¹¹ Bank of
16 America Merrill Lynch determined that at the time the Hydro One acquisition was announced
17 in July 2017, Avista's market capitalization of \$2.7 billion was smaller than all but four
18 publicly-traded U.S. electric utilities covered by Value Line. Post-merger, the combined
19 Hydro One/Avista company would have a market capitalization of approximately \$13 billion,
20 placing the new combined company near the middle of U.S. electric utilities by market
21 capitalization.

22 Being part of the larger Hydro One organization will provide Avista with increased

¹¹ Morris, Avista Ex. 101, page 1.

1 scale that may enhance its ability to compete for capital with larger utility holding companies
2 in the U.S. Hydro One has deep and broad banking relationships. Banks aggressively pursue
3 Hydro One's business. Once Avista is part of Hydro One, it too may realize the benefits of
4 Hydro One's strong financial relationships. Many small and medium size utility companies,
5 such as Avista, are finding that mergers that allow them to increase their size and financial
6 strength are important in order to allow them continued access to capital markets on
7 reasonable terms to finance the ongoing capital needs associated with serving their customers.

8

9

V. RING-FENCING COMMITMENTS

10 **Q. Please describe the merger commitments that “ring-fence” Avista’s**
11 **financial position and insulate Avista’s customers from any adverse financial impacts**
12 **associated with the Proposed Transaction.**

13 A. Hydro One, Avista, and all parties (collectively, the “Parties”) filed a
14 Stipulated Settlement on May 25, 2018. The Parties negotiated numerous commitments
15 designed to provide separate governance and financial ring-fencing between Avista and
16 Hydro One. Certain of these merger commitments were developed to ensure that Avista
17 cannot be subjected to political interference or influence by the Province. Key provisions
18 include:

19 **Avista Board Composition.** Avista will have a nine-member board separate from
20 Hydro One that will govern Avista’s management and operations. Three of the five Avista
21 directors selected by Hydro One (not by the Province) must be independent under NYSE
22 rules. Further, those three directors must be residents of the Pacific Northwest. Two of the
23 four directors selected by Avista must be independent under NYSE rules. *See* Stipulated

1 Commitment No. 5.

2 **Olympus Equity LLC Board Composition.** Olympus Equity LLC's three-member
3 board must include one independent director. *See* Stipulated Commitment No. 6.

4 **Avista CEO Selection.** Avista's CEO must be selected by Avista's board -- not
5 Hydro One or the Province. *See* Stipulated Commitment No. 4.

6 **Avista Management.** Avista's executive management will remain in place and must
7 be selected by Avista's board -- not Hydro One. *See* Stipulated Commitment No. 4.

8 **Employee Retention.** Avista's employees will be retained. *See* Stipulated
9 Commitment Nos. 11, 12, 79, 80.

10 **Equity Support from Hydro One.** Hydro One is required to provide Avista with
11 enough equity so that Avista can access debt on reasonable terms. *See* Stipulated
12 Commitment Nos. 44, 47. Therefore, neither Hydro One, nor the Province, can deprive
13 Avista of its capital and assets. Moreover, Hydro One is specifically required to establish and
14 maintain, within 18 months of closing, a Canadian \$2 billion universal shelf prospectus in
15 Canada which will allow it to issue debt, common equity and preferred equity; and to increase
16 its Canadian \$250 million credit facility to at least \$500 million, increasing its liquidity and
17 enabling it to fund any equity injection required at Avista on short notice. *See* Stipulated
18 Commitment Nos. 53.a, 53.b.

19 **Separate Avista Credit Ratings.** Avista will continue to have its own credit ratings.
20 Hydro One is required to provide Avista with sufficient equity to ensure that Avista's credit
21 ratings remain investment grade. *See* Stipulated Commitment Nos. 45, 48. Therefore, again,
22 neither Hydro One, nor the Province, can deprive Avista of its capital and assets.

23 **Restrictions on Dividends.** Avista will be prohibited from issuing dividends if

1 certain financial metrics relating to the equity floor, credit ratings and debt coverage are not
2 met. Basically, this operates to keep retained earnings at the Avista level where they will
3 improve Avista's financial strength. *See* Stipulated Commitment No. 50. This too prevents
4 Hydro One from depriving Avista of its capital and assets.

5 **Golden Share and Other Protections against Bankruptcy Proceedings.** Several of
6 the Stipulated Commitments protect Avista from being drawn into bankruptcy proceedings
7 that are not in the best interest of Avista and its customers. Avista will issue a single share of
8 preferred stock referred to as the Golden Share to an independent third party. The vote of this
9 share will be required to place Avista into voluntary bankruptcy. *See* Stipulated Commitment
10 No. 55. Further, Avista's entry into voluntary bankruptcy would require the consent of a two-
11 thirds majority of all of its directors, including the affirmative vote of a majority of the
12 Independent Directors at Avista, which would have to include the affirmative vote of at least
13 two Avista-designated Independent Directors. *See* Stipulated Commitment No. 56. Hydro
14 One and Avista must also provide a non-consolidation opinion to confirm the effectiveness of
15 the ring-fencing measures to prevent the substantive consolidation of the assets and liabilities
16 of Avista with those of the entities above it in the corporate chain of ownership. *See*
17 Stipulated Commitment No. 57. The corporate structure also includes Olympus Equity LLC,
18 a bankruptcy-remote special purpose entity that will have no debt. *See* Stipulated
19 Commitment No. 58. Therefore, neither Hydro One, nor the Province, can obtain Avista's
20 capital and assets through a bankruptcy proceeding unless that would be in the best interests
21 of Avista's customers.

22 **Restriction on Pledge of Assets.** Avista's utility assets can be pledged only for the
23 benefit of Avista, not Hydro One. *See* Stipulated Commitment No. 59. Therefore, neither

1 Hydro One nor the Province can strip Avista of its capital and assets.

2 **Q. In light of recent events, have Hydro One and Avista proposed any**
3 **additional commitments?**

4 A. Yes, Avista and Hydro One have agreed upon an additional commitment to
5 provide further protection to Avista's employees, such that Avista will be able to continue to
6 recruit and retain the most highly qualified employee talent base for our customers:

7 Avista Employee Compensation: Any decisions regarding Avista employee
8 compensation shall be made by the Avista Board consistent with the terms of the
9 Merger Agreement between Hydro One and Avista, and current market standards and
10 prevailing practices of relevant U.S. electric and gas utility benchmarks. The
11 determination of the level of any compensation (including equity awards) approved by
12 the Avista Board with respect to any employee in accordance with the foregoing shall
13 not be subject to change by Hydro One or the Hydro One Board.¹²

14

15 **VI. PROPOSED TRANSACTION FINANCING**

16 **Q. Please describe how the acquisition of Avista by Hydro One will be**
17 **financed.**

18 A. As I previously testified, Hydro One is committed to maintaining an
19 investment-grade balance sheet through and after completion of the acquisition. Hydro One
20 plans to finance this all-cash transaction using a mix of long-, medium- and short-term debt
21 together with a convertible debenture installment receipts offering. Hydro One is planning to
22 issue the debt financing in U.S. dollars totaling US\$2.6 billion (and issued convertible
23 debenture installment receipts in Canada of Canadian \$1.54 billion or approximately US\$1.2
24 billion). We expect the convertible debenture to be fully converted to equity around the time

¹² UM-1897, First Supplemental Report to Hydro One Limited's Response to June 14, 2018 Bench Request, at ¶ 26 (July 18, 2018).

1 of the closing of the Proposed Transaction. The planned US\$ debt financing contemplates a
2 combination of 5-year, 10-year and 30-year US\$ denominated notes.

3 **Q. Have recent developments led to any changes in this plan?**

4 A. No, the financing plan described above is still in place.

5

6 **VII. AVISTA'S FUTURE FINANCIAL HEALTH**

7 **Q. Do the commitments in the Application ensure that Hydro One will**
8 **preserve Avista's credit ratings?¹³**

9 A. As previously discussed, there is evidence that Avista's credit rating may be
10 improved as a result of the Proposed Transaction -- in fact, Avista's credit rating outlook was
11 revised from Stable to Positive by S&P upon announcement of the deal. Further, Hydro One
12 has specifically committed to preserve an investment-grade credit rating for Avista and to
13 provide Avista capital structure support. Specifically, Stipulated Commitment No. 44
14 provides that Hydro One will provide equity capital injections as needed for maintaining the
15 financial integrity of Avista such that Avista maintains an investment grade credit rating. An
16 interlocking provision, Stipulated Commitment No. 35, provides that, "Avista will not
17 advocate for a higher cost of debt or equity capital as compared to what Avista's cost of debt
18 or equity capital would have been absent Hydro One's ownership." Thus, Hydro One has
19 fully protected Avista's credit rating against any negative effects from the Proposed
20 Transaction.

21 **Q. Does this conclude your supplemental testimony?**

22 A. Yes it does.

¹³ Muldoon, Commission Staff Ex. 200, pages 3 (line 21) - 4 (line 2).

BEFORE THE
PUBLIC UTILITY COMMISSION OF OREGON

DOCKET NO. UM-1897

SUPPLEMENTAL TESTIMONY OF MARK T. THIES
REPRESENTING AVISTA CORPORATION

Supplemental Testimony Regarding Management Changes at Hydro One

1 **Q. Please state your name, business address, and present position with**
2 **Avista Corp.**

3 A. My name is Mark T. Thies. My business address is 1411 East Mission
4 Avenue, Spokane, Washington. I am employed by Avista Corporation as Senior Vice
5 President, Chief Financial Officer and Treasurer.

6 **Q. Are you the same Mark T. Thies who sponsored pre-filed direct**
7 **testimony, on behalf of Avista Corporation (Avista)?**

8 A. Yes, I sponsored direct testimony and exhibits, as well as rebuttal testimony,
9 in this Docket.

10 **Q. Are you sponsoring any exhibits in this testimony?**

11 A. Yes, I am sponsoring Exhibit 1901, which is the Golden Share agreement
12 (“Services and Indemnity Agreement”) between GSS Holdings (AGS), Inc. (“HoldCo”), a
13 Delaware corporation, Global Securitization Services, LLC (“Global”), a Delaware limited
14 liability company, and Avista. HoldCo is an affiliate of Global. Global formed HoldCo, as
15 a special purpose entity (SPE) on July 17, 2018 for the sole purpose of holding one share of
16 limited voting preferred stock in Avista Corporation.

17 **Q. What is the purpose of this additional testimony?**

18 A. The purpose of this additional testimony is to reconfirm the benefits of this
19 transaction (the “Proposed Transaction”) from a financial perspective and highlight the
20 extensive financial safeguards incorporated into the agreed upon commitments (each, a
21 “Stipulated Commitment”, collectively “Stipulated Commitments”) in the Settlement
22 Stipulation (“Stipulation”) filed on May 25, 2018, which were designed to protect and
23 insulate Avista and its customers from a change in management at Hydro One or changes in

1 the political landscape of the Province of Ontario and ensure Avista's ability to continue as a
2 financially sound, stand-alone utility.

3 As I will discuss further below, neither Hydro One, nor the Province, can deprive
4 Avista of its necessary capital and assets; indeed, quite the opposite is true. Hydro One is
5 duty-bound to provide sufficient capital to allow Avista to provide safe, reliable, and cost-
6 effective service.

7 **Q. Have any of the benefits of the Proposed Transaction to Avista and its**
8 **stakeholders changed as a result of recent developments in Ontario?**

9 A. No, the benefits highlighted in both my and Mr. Morris' direct testimony
10 have not changed. The number of investor-owned electric and natural gas utilities in North
11 America has decreased significantly over the years through consolidation. Through
12 consolidation, these larger utilities have the opportunity to spread costs, especially the costs
13 of new technology, over a broader customer base and a broader set of infrastructure. The
14 partnership of Avista and Hydro One will provide opportunities for efficiencies in the long-
15 term through the sharing of best practices, technology and innovation. The Proposed
16 Transaction will provide benefits to Avista's customers that otherwise would not occur.
17 These benefits will not only be viewed favorably by customers, but also by debt holders and
18 rating agencies. An efficient, well-run business increases the opportunity to achieve
19 financial metrics to support favorable credit ratings.

20 The merger with Hydro One will not only allow Avista and its customers to benefit
21 from being a part of a larger organization (the benefits of scale), but at the same time
22 preserves local control of Avista and the retention of Avista's culture and its way of doing
23 business. We believe this preservation of local control and management of Avista is

1 important to many stakeholders including, among others, our customers, our employees, the
2 communities we serve, the vendors we do business with, lenders, and rating agencies. None
3 of this has changed as a result of recent developments in Ontario.

4 **Q. Are there any new financial risks to Avista in light of the recent**
5 **management changes at Hydro One?**

6 A. No. As I will discuss in further detail below, there are extensive financial
7 safeguards and ring-fencing Stipulated Commitments agreed to by all parties as part of the
8 Stipulation that were intentionally designed to ensure Avista will continue as a financially
9 sound, stand-alone utility.




10 **Q. Will Avista continue to maintain its own capital structure following the**
11 **closing of the Proposed Transaction?**

12 A. Yes. Avista will maintain its own capital structure after the Proposed
13 Transaction is consummated and will continue to fund its ongoing operations with both debt
14 and equity sources.

15 **Q. Does Hydro One, or the Province of Ontario, have the ability to withhold**
16 **equity contributions to Avista?**

17 A. No. As described in Stipulated Commitment No. 44, Hydro One will provide
18 equity injections to support Avista's capital structure. This commitment to maintain a strong
19 equity component in Avista's capital structure plays a significant role in supporting financial
20 metrics that ensure Avista's access to its usual and customary financial markets under
21 reasonable terms and on a sustainable basis. Further, Stipulated Commitment No. 45
22 requires Hydro One to make necessary equity injections to maintain an applicable Common
23 Equity Floor for Avista defined in the Stipulation and seen below in Table 1.

Table No. 1: Common Equity Floor Requirement per Table 2 in Stipulation

FMB Credit Ratings		S&P	Moody's	Common Equity Floor
Investment Grade	A	AAA	Aaa	44%
		AA+	Aa1	
		AA	Aa2	
		AA-	Aa3	
		A+	A1	
	Low	A	A2	46%
		A-	A3	
		BBB+ 	Baa1 	
	Low	BBB	Baa2	48%
		BBB-	Baa3	
 Co. will file Plan w Commission				
Below Investment Grade		BB+ (or below)	Ba1 (or below)	No Dividend

Q. Will the Commission be made aware of material changes to Avista's common equity layer?

A. Yes, another aspect of Stipulated Commitment No. 45 requires Avista and Hydro One to notify the Commission within 5 business days if the actual or projected common equity floor will drop below one-half of one percent above the required target common equity floor based on Table 1 above. Additionally, a compliance plan, subject to Commission review, for maintaining Avista's common equity ratio at or above the required

1 common equity floor would be filed within 30 days. Detailed progress reports every 90
2 calendar days would also be filed with the Commission.

3 **Q. Could the Province of Ontario cause Hydro One to require Avista to pay**
4 **extra dividends or could Hydro One seek a substantial dividend increase?**

5 A. No. As agreed to in Stipulated Commitment No. 50, for five years after the
6 closing of the proposed merger, there will not be a request for any extraordinary or special
7 upward dividends or payouts. Further, the Commission shall have 60 days to review any
8 application for a special upward dividend made beyond five years, and Avista and Hydro
9 One agree that comprehensive supporting justification will be filed with the Commission in
10 support of any such future application.

11 Additionally, Avista and Hydro One agree that Avista's regular quarterly dividends
12 from Avista to Olympus Equity LLC, or otherwise upward toward Hydro One, may grow at
13 a Compound Annual Growth Rate (CAGR) of no more than seven (7) percent CAGR.

14 **Q. How will the Commission be made aware of dividend payments made**
15 **from Avista to Hydro One?**

16 A. As further agreed to in Stipulated Commitment No. 50, Hydro One shall
17 notify the Commission of:

- 18 i. Any intention to transfer more than five (5) percent of Avista retained
19 earnings, out of Avista, at least seven (7) days prior to starting this transfer;
- 20 ii. Any intention to transfer more than ten (10) percent of Avista retained
21 earnings out of Avista over a six-month period, at least 30 days prior to
22 starting those transfers;
- 23 iii. Any intention to declare a special cash dividend payment at least 30 days
24 before declaring the special cash dividend or like transfer of funds; and
- 25 iv. Its most recent quarterly cash dividend payment within 30 days after
26 declaring each dividend.

1 **Q. Are there Stipulated Commitments that protect Avista’s customers’**
2 **assets from being pledged as collateral?**

3 A. Yes. Avista’s utility assets can be pledged as collateral only for the benefit of
4 Avista, not Hydro One, as agreed to in Stipulated Commitment No. 59. Therefore, neither
5 Hydro One, nor the Province, can strip Avista of its capital or loan, pledge, or transfer
6 Avista’s assets to Hydro One or any affiliates of Hydro One.

7 **Q. Could Hydro One cut Avista’s capital budget?**

8 A. Avista will have necessary funds available to provide safe and reliable
9 service to customers. In accordance with Stipulated Commitment No. 10, Avista and Hydro
10 One agree that neither the proposed Hydro One merger, nor future acquisitions, may
11 diminish the delivery of safe and reliable utility service in Oregon as compared to Avista’s
12 performance prior to the closing of the Proposed Transaction. Avista will, under the
13 leadership of the Avista Board, make the necessary investments in order to ensure safe and
14 reliable utility service, and will make the necessary capital expenditures to effectuate that.
15 Per Stipulated Commitment No. 76, Avista will maintain its existing levels of capital
16 investment where needed to improve the safety of regulated pipelines and associated
17 controls. Over that period, Hydro One agrees to provide capital, as necessary to improve the
18 safety of pipelines and associated controls.

19 **Q. Are there any other safeguards that maintain the integrity of Avista’s**
20 **financial health?**

21 A. Yes. There are several other financial obligations included in Stipulated
22 Commitment Nos. 43-53 that provide Avista adequate protection of its financial health. I
23 will highlight a couple below.

1 As outlined in Stipulated Commitment No. 50, Avista will be prohibited from
2 issuing dividends if certain financial metrics relating to the equity floor, credit ratings and
3 debt coverage are not met as outlined. Basically, this operates to keep retained earnings at
4 the Avista level where they will improve Avista's financial strength.

5 Stipulated Commitment No. 53 ensures that Hydro One will not allow Avista's S&P
6 or Moody's long-term issuer credit rating to drop below Investment Grade and ensure Avista
7 can access the debt markets on reasonable terms.

8 Additionally, per Stipulated Commitment No. 47, Avista and Hydro One agree that
9 Avista will also maintain adequate: (a) interest coverage and (b) a pool of qualified Avista
10 assets to maintain the ability to issue First Mortgage Bonds. Therefore, neither Hydro One,
11 nor the Province, can deprive Avista of its capital and assets.

12 **Q. Are there protections in place to protect Avista from being drawn into**
13 **bankruptcy proceedings that are not in the best interest of Avista and its customers?**

14 A. Yes, there are various bankruptcy ring-fencing provisions. First, as outlined
15 in Stipulated Commitment No. 55, Avista will issue a single share of preferred stock
16 referred to as the Golden Share to an independent third party. The vote of this share will be
17 required to place Avista into voluntary bankruptcy. Additionally, as outlined in Stipulated
18 Commitment No. 56, Avista's entry into voluntary bankruptcy would require the consent of
19 a two-thirds majority of all of its directors, including the affirmative vote of a majority of the
20 independent directors (per NYSE rules) at Avista, which would have to include the
21 affirmative vote of at least two Avista-designated independent directors. Further, Stipulated
22 Commitment No. 57 requires a non-consolidation opinion filed with the Commission to
23 confirm the effectiveness of the ring-fencing measures to prevent the substantive

1 consolidation of the assets and liabilities of Avista with those of Hydro One or any of its
2 affiliates or subsidiaries.

3 **Q. Has the holder of the “Golden Share” been selected?**

4 A. Yes. Avista and Hydro One have selected GSS Holdings (AGS), Inc. as the
5 holder of the “Golden Share”.

6 **Q. Please explain how you believe GSS Holdings (AGS), Inc. meets the**
7 **definition and purpose of the Golden Share holder as provided in Commitment No. 55.**

8 A. Certainly. Commitment No. 55, reads, in pertinent part, as follows:

9 “Entering into voluntary bankruptcy shall require the affirmative vote of a
10 “Golden Share” of Avista stock. The Golden Share is defined in the
11 Definitions section of these commitments and is the sole share of Preferred
12 Stock of Avista as authorized by the Commission. This share of Preferred
13 Stock must be in the custody of an independent third-party, where the third-
14 party has no financial stake, affiliation, relationship, interest, or tie to Hydro
15 One or any of its affiliates including Avista, or is any lender to Hydro One or
16 its affiliates, or Avista or its affiliates. The holder of the Golden Share must
17 be approved by the Commission. In matters of voluntary bankruptcy, this
18 Golden Share will override all other outstanding shares of all types or classes
19 of stock and the holder of the Golden Share solely represents the interests of
20 Avista’s utility customers.”

21

22 The following information describes the holder of this share:

23 1. GSS Holdings (AGS), Inc. is an affiliate of Global Securitization Services,
24 LLC (“Global”). Founded in 1996, Global is a privately held limited
25 liability company owned by its senior management.

26

27 2. Global is a member of the Structured Finance Industry Group, and the
28 firm is dedicated to providing professional and responsible management of
29 special structures such as the Golden Share (see attached Exhibit 1901 for
30 more information about Global).

31

32 3. GSS Holdings (AGS), Inc. does not and will not conduct any business
33 activities other than holding the Golden Share, will not incur any liabilities
34 other than those necessary to carry out the duties of holding the Golden

1 Share, and will not sell, assign, transfer, pledge, hypothecate or otherwise
2 convey the Golden Share.

3
4 4. GSS Holdings (CHGE), Inc., another affiliate of Global, holds a similar
5 Golden Share for Central Hudson Gas & Electric Corporation.

6
7 5. GSS Holdings (NY Utility), Inc., another affiliate of Global, holds similar
8 Golden Shares for New York State Electric & Gas Corporation and
9 Rochester Gas and Electric Corporation.

10
11 6. GSS Holdings (NG), Inc., another affiliate of Global, holds similar Golden
12 Shares for National Grid plc companies Keyspan Gas East Corporation,
13 Niagara Mohawk Power Corporation, and The Brooklyn Union Gas
14 Company.

15
16 7. An affiliate of Global was approved by the Oregon Public Utility
17 Commission as the holder of the Portland General Electric Company's
18 Golden Share.

19 A copy of the Services and Indemnity Agreement has been provided as Exhibit No. 1901.

20 Avista and Hydro One request that the Commission expressly approve GSS Holdings
21 (AGS), Inc. as the holder of the Golden Share as part of its approval of the Transaction
22 itself.

23 **Q. Do you have any concluding remarks?**

24 A. Yes. All of the benefits of the Proposed Transaction and structured
25 safeguards remain intact, notwithstanding political developments in Ontario and
26 management changes at Hydro One. The Stipulated Commitments negotiated by the parties
27 were designed to achieve these protections and preserve the benefits. Nothing has changed
28 in that regard.

29 **Q. Does that conclude your Supplemental Testimony?**

30 A. Yes, it does.

BEFORE THE
PUBLIC UTILITY COMMISSION OF OREGON

DOCKET NO. UM 1897

MARK T. THIES
Exhibit No. 1901

Golden Share Agreement

SERVICES AND INDEMNITY AGREEMENT

This Services and Indemnity Agreement, dated as of [●], 2018 (this “Agreement”), is among GSS Holdings (AGS), Inc. (“HoldCo”), a Delaware corporation, Global Securitization Services, LLC (“Global”), a Delaware limited liability company, and Avista Corporation, a Washington corporation (the “Company”).

WHEREAS, HoldCo is an affiliate of Global; and

WHEREAS, HoldCo has been requested and has agreed to hold one share of limited preferred voting stock (the “Share”) to be issued by the Company.

NOW, THEREFORE, in consideration of the mutual promises herein contained, and other good and valuable consideration, receipt and sufficiency of which is hereby acknowledged, the parties hereto agree as follows:

Section 1. HoldCo’s Service.

(a) HoldCo agrees to hold the Share as provided subject to the rights and preferences with respect to the Share as provided in the Amended and Restated Articles of Incorporation of the Company dated as of [●], as may be amended from time to time (the “Company Articles”) and the Amended and Restated Bylaws of the Company dated as of [●], as may be amended from time to time (the “Company Bylaws” and, together with the Company Articles, the “Company Governing Documents”).

(b) In consideration of HoldCo holding the Share pursuant to Section 1(a) of this Agreement, and for other good and valuable consideration, the receipt and sufficiency of which are hereby acknowledged by the Company, the Company shall pay to Global a fee in the amount of \$5,000.00 per year for each year that the Share continues to be outstanding and held by HoldCo. Such fee for the first year of this Agreement shall be due and payable by the Company to Global upon the execution of this Agreement, and such fee for subsequent years shall be due and payable by the Company to Global no later than each respective anniversary date hereof (the “Payment Date”). Invoices in respect of such annual fee will be issued by Global by no later than 30 days prior to the Payment Date during the term of this Agreement and sent to: Avista Corporation, 1411 East Mission Avenue, Spokane, Washington 99220, Attn: Marian Durkin, Senior Vice President, General Counsel, Corporate Secretary and Chief Compliance Officer.

(c) HoldCo and Global hereby agree to maintain in strict confidence all information regarding the Company and its affiliates, including without limitation, information regarding transactions to which the Company or any of its affiliates is a party, except as may be required by law to be disclosed.

(d) The Company shall reimburse Global for any reasonable, documented fees and out-of-pocket expenses incurred pursuant to this Agreement customary for the type of corporations formed in Delaware such as HoldCo. Such fees and expenses shall be payable by the Company to Global within thirty (30) days of demand to the Company; provided that the Company receives from Global an invoice therefor together with satisfactory evidence of such fees and expenses.

[Signature Page to Services and Indemnity Agreement]

(e) The Company agrees to inform HoldCo and Global, as necessary and in a timely manner, of any information which is material with respect to any matter as to which HoldCo is asked to vote in its capacity as the holder of the Share.

Section 2. Indemnification by Company.

(a) In consideration of HoldCo's service as the holder of the Share, recognizing that the Company benefits from such service, and subject to Sections 2(b), 4, 5, 6 and 14, the Company hereby agrees to indemnify and hold HoldCo and Global (collectively, the "Indemnitees") harmless from and against any and all claims, liabilities, losses, damages, judgments, settlements, costs and expenses (including, without limitation, court costs and reasonable attorneys' fees and disbursements) (individually, a "Loss" and collectively, "Losses") that the Indemnitees may sustain or incur as a result of (i) HoldCo's service as the holder of the Share or (ii) any act or omission of HoldCo as the holder of the Share, irrespective of the time when the claim giving rise to such Loss or Losses is asserted or when the amount of such Loss or Losses is established, excluding however any Losses resulting from the gross negligence or willful misconduct of any Indemnitee.

(b) Upon the Indemnitees' written verification to the reasonable satisfaction of the Company of the amount and cause of any Loss or Losses incurred by the Indemnitees or either of them, the Company shall pay each such Loss covered by this Section directly as and when due to the Indemnitee entitled thereto.

Section 3. HoldCo and Global Representations, Warranties and Covenants. HoldCo and Global represent and warrant that HoldCo was incorporated on July 17, 2018. HoldCo has not engaged in any business other than in connection with its ownership of the Share and has no other assets or liabilities other than this Agreement, the Share and its rights as a shareholder under the Company Governing Documents. HoldCo and Global covenant that HoldCo will not engage in any business activities and will not incur any liabilities other than pursuant to this Agreement. HoldCo and Global covenant that HoldCo will not sell, assign, transfer, pledge, hypothecate or otherwise convey the Share without the prior written consent of the Company and in conformity with the Company Governing Documents. For as long as HoldCo owns the Share, HoldCo and Global each covenant that HoldCo will remain duly qualified and in good standing to do business in each jurisdiction in which the nature of HoldCo's business or the ownership of its assets and properties makes such qualification necessary other than in such jurisdictions where the failure to be so qualified or in good standing would not, individually or in the aggregate, reasonably be expected to have a material adverse effect on HoldCo. For as long as HoldCo owns the Share, HoldCo and Global each covenant that it will not dissolve, liquidate or wind-up HoldCo.

Section 4. Duty to Defend; Advance of Expenses. If any judicial or administrative proceeding, or threatened proceeding, including any government investigation, whether civil criminal or otherwise (individually, an "Action" and collectively, "Actions"), is asserted, commenced or brought against the Indemnitees, or any of them, for which the Indemnitees may be indemnified by the Company pursuant to Section 2(a), the Company shall have the right (in its sole discretion) to retain and direct counsel to defend such Action, and shall permit the Indemnitees to monitor the defense thereof. The Indemnitees shall cooperate fully with the

Company and with such counsel in such defense. The Company shall assume responsibility for all reasonable fees and disbursements of such counsel.

Section 5. Reimbursement by Indemnitees. The Indemnitees hereby agree that if it is determined that the Indemnitees, or any of them, are not entitled to indemnification pursuant to the provisions of Section 2(a) and the Company shall have paid any amounts to or on behalf of such Indemnitees, then promptly after such determination shall have been made, the Indemnitees, or those of them not entitled to indemnification as aforesaid, shall jointly and severally repay all amounts paid by the Company to or on behalf of the Indemnitees in connection with all matters as to which it has been determined that such Indemnitees are not entitled to indemnification.

Section 6. Notice of Claims; Settlements.

(a) If the Indemnitees, or any of them, receives complaints, claims or other notices of any actions, Losses or other liabilities that may give rise to indemnification under Section 2, the Indemnitees shall promptly notify the Company in writing of each such complaint, claim or other notice; but the omission to so notify the Company shall not relieve the Company from any liability under this Agreement, except to the extent that the Company is prejudiced as a result of such failure.

(b) The Company shall not be obligated to indemnify the Indemnitees for any settlements of any action or Losses otherwise covered by the indemnity provided hereunder that are effected without the Company's prior written consent, which consent shall not be unreasonably withheld.

Section 7. No Lawsuits. Except to the extent provided in Section 2(a) including, but not limited to, to the extent of any gross negligence or willful misconduct on the part of an Indemnitee or in connection with the enforcement of representations, warranties or covenants set forth in Section 3, the Company agrees that it will not assert, commence or bring any action against the Indemnitees, or prosecute any lawsuit in state or federal court against the Indemnitees on account of HoldCo's service as holder of the Share, or as a result of any act or omission by the Indemnitees covered by the Company's agreement to indemnify under Section 2.

Section 8. Notices. Any notice or other communication under this Agreement shall be in writing and deemed given upon receipt by a party at its address set forth on the signature page hereof or at such other address as such party shall hereafter furnish in writing.

Section 9. Counterparts; Modification; Headings.

(a) This Agreement may be executed in any number of counterparts, each of which shall constitute one and the same instrument, and any party may execute this Agreement by signing any such counterpart. A signature to this Agreement transmitted electronically shall have the same authority, effect and enforceability as an original signature.

(b) No modification of this Agreement shall be binding unless executed in writing by the parties hereto or their respective successors and permitted assigns.

(c) Section headings are not part of this Agreement, but are solely for convenience of reference and shall not affect the meaning or interpretation of any provisions of this Agreement.

Section 10. Successors and Assigns; Sole Benefit. This Agreement shall be binding upon and shall inure to the benefit of the parties hereto and their respective heirs, executors, administrators, successors and assigns. Nothing expressed or referred to herein is intended or shall be construed to give any person other than the Company or the Indemnitees and the Indemnitees' heirs, executors, administrators, successors and assigns any legal or equitable rights, remedies or claims under or with respect to any provisions of this Agreement. Subject to Section 16, no party hereto may assign its obligations under this Agreement without the prior consent of the other parties hereto.

Section 11. Agreement Not Exclusive. The right to indemnification provided to the Indemnitees under this Agreement shall be independent of, and neither subject to nor in derogation of, any other rights to indemnification or exculpation to which HoldCo or Global may be entitled, including, without limitation, any such rights that may be asserted under any other agreement, applicable corporate law, the Company Governing Documents or any other contract or insurance.

Section 12. Costs of Enforcement. The Company shall pay all reasonable, documented costs and expenses incurred by the Indemnitees in the enforcement of their rights under this Agreement, including, without limitation, all reasonable court costs and attorney's fees.

Section 13. Severability. If any provision of this Agreement, or the application thereof to any person, place or circumstance, shall be held by a court of competent jurisdiction to be invalid, unenforceable or void, the remainder of this Agreement and such provisions as applied to other persons, places and circumstances shall remain in full force and effect.

Section 14. No Violation of Law. The Company shall be relieved of any obligation to make payment of an amount to an Indemnitee pursuant to the terms of this Agreement if payment of such amount would constitute a violation by the Company of applicable law or regulation, but only so long as, and only to the extent that, such payment constitutes such a violation.

Section 15. Governing Law. This Agreement shall be governed by and construed and enforced in accordance with the laws of the State of New York, without reference to applicable principles of conflict of laws. The parties hereto irrevocably (a) submit to the non-exclusive jurisdiction of any New York State court sitting in New York City or the United States District Court for the Southern District of New York in any action or proceeding arising out of or relating to this Agreement, (b) waive, to the fullest extent they may effectively do so, any defense based on inconvenient forum, improper venue or lack of jurisdiction to the maintenance of any such action or proceeding, and (c) waive all right to trial by jury in any action, proceeding or counterclaim arising out of this Agreement or the transactions contemplated hereby.

Section 16. Prior Approval. This Agreement (and any rights or obligations hereunder) may not be assigned by HoldCo or Global to any party without the prior approval of any such assignee by any applicable state utility regulatory authority with jurisdiction over the Company.

Section 17. Termination. Except as otherwise specified, this Agreement shall be in full force and effect from the date hereof until it is terminated by the parties in accordance herewith. This Agreement may be terminated by any party upon thirty (30) days prior written notice of termination to the other parties; provided that no termination of this Agreement shall be effective until a replacement holder of the Share has been appointed and consented to by the Company and any applicable state utility regulatory authority with jurisdiction over the Company. In the event of a termination of this Agreement by Global or HoldCo, Global or HoldCo shall provide a pro rata refund of the annual fee paid in advance for the year in which such termination is effected.

Section 18. Survival. The provisions of this Section 18 and Sections 1(c), 2, 4, 5, 6, 7, 11, 14, 15 and the last sentence of Section 17 shall survive termination or expiry of this Agreement.

[Signature Page Follows]

IN WITNESS WHEREOF, each of the parties hereto has caused this Agreement to be executed by its duly authorized officers, as of the day and year first above written.

GSS HOLDINGS (AGS), INC.

By: _____
Name:
Title: Vice President
Address: 68 South Service Road, Suite 120
Melville, NY 11747

GLOBAL SECURITIZATION SERVICES, LLC

By: _____
Name: Kevin P. Burns
Title: President
Address: 114 West 47th Street, Suite 2310
New York, NY 10036

AVISTA CORPORATION

By: _____
Name:
Title:
Address: 1411 East Mission Avenue
Spokane, WA 99220

BEFORE THE
PUBLIC UTILITY COMMISSION OF OREGON

DOCKET NO. UM 1897

SUPPLEMENTAL TESTIMONY OF JOHN REED,
CONCENTRIC ENERGY ADVISORS, ON BEHALF OF HYDRO ONE LTD.
AND AVISTA CORPORATION

**Reasonableness and Sufficiency of the Governance, Bankruptcy, and Financial
Ring-Fencing Stipulated Settlement Commitments**

1 **I. INTRODUCTION**

2 **Q. Please state your name and business address.**

3 A. My name is John J. Reed. I am President and Chief Executive Officer of
4 Concentric Energy Advisors, Inc. (“Concentric”) and CE Capital Advisors, Inc. (“CE Capital”),
5 which has its headquarters at 293 Boston Post Road West, Suite 500, Marlborough,
6 Massachusetts 01752.

7 **Q. On whose behalf are you submitting this testimony?**

8 A. I am testifying on behalf of Hydro One Limited (“Hydro One”) and Avista
9 Corporation (“Avista”). Hydro One filed an Application seeking an order authorizing Hydro
10 One, acting through its indirect subsidiary Olympus Equity LLC, to exercise substantial
11 influence over the policies and actions of Avista (the “Proposed Transaction” and “Application
12 for Approval of Transaction”). Hydro One and Avista subsequently executed an all-party
13 stipulation (“Stipulated Settlement”) with the Staff of the Public Utility Commission of Oregon
14 (“Staff”), the Oregon Citizens’ Utility Board (“CUB”), the Alliance of Western Energy
15 Consumers (“AWEC”), and the Laborers’ International Union of North America with its
16 affiliated District Counsel and Local Unions (“LiUNA”) (individually a “Party” and
17 collectively the “Parties”). The Stipulated Settlement was filed with the Public Utility
18 Commission of Oregon (“Commission”) on May 25, 2018.

19 **Q. Please describe your educational background and professional experience**
20 **in the energy and utility industries.**

21 A. I have more than 40 years of experience in the energy industry and have worked
22 as an executive in, and consultant and economist to, the energy industry. Over the past 29 years,
23 I have directed the energy consulting services of Concentric, Navigant Consulting, and Reed

1 Consulting Group. I have served as Vice Chairman and co-CEO of the nation's largest publicly-
2 traded consulting firm and as Chief Economist for the nation's largest gas utility. I have
3 provided regulatory policy and regulatory economics support to more than 100 energy and
4 utility clients and have provided expert testimony on regulatory, economic, and financial
5 matters on more than 150 occasions before the Federal Energy Regulatory Commission
6 ("FERC"), Canadian regulatory agencies, state utility regulatory agencies, various state and
7 federal courts, and before arbitration panels in the United States and Canada. As an industry
8 expert, I have been involved in numerous utility transactions over the past 20 years, including
9 mergers, divestitures, asset acquisitions, and reorganizations. In addition to this transaction, I
10 have advised clients involved in utility transactions in Arizona, Connecticut, Delaware, the
11 District of Columbia, Hawaii, Kansas, Illinois, Indiana, Iowa, Louisiana, Maryland,
12 Massachusetts, Michigan, Minnesota, New Hampshire, New Jersey, New York, Pennsylvania,
13 Rhode Island, Texas, Utah, and Wisconsin. I have appeared as an expert witness in several
14 jurisdictions on the topics of merger policy standards, acquisition financing plans, merger
15 benefits analyses, affiliate codes of conduct, impacts on competition and energy markets, and
16 merger-related commitments or conditions. I am a graduate of the Wharton School of Business
17 at the University of Pennsylvania, and previously attended the University of Kansas. My
18 background is presented in more detail in Exhibit 2001.

19 **Q. Please describe Concentric's activities in energy and utility engagements.**

20 A. Concentric provides financial and economic advisory services to many energy
21 and utility clients across North America. Our regulatory, economic, and market analysis
22 services include utility ratemaking and regulatory advisory services, energy market
23 assessments, market entry and exit analysis, corporate and business unit strategy development,

1 demand forecasting, resource planning, and energy contract negotiations. Our financial
2 advisory activities include both buy- and sell-side merger, acquisition and divestiture
3 assignments, due diligence and valuation assignments, project and corporate finance services,
4 and transaction support services. In addition, we provide litigation support services on a wide
5 range of financial and economic issues on behalf of clients throughout North America. CE
6 Capital is a fully registered broker-dealer securities firm specializing in merger and acquisition
7 activities. As CEO of CE Capital, I hold several securities licenses that cover all forms of
8 securities and investment banking activities

9 **Q. What is the purpose of your testimony?**

10 A. The purpose of my testimony is to provide my assessment of the reasonableness
11 and sufficiency of the governance, bankruptcy, and financial ring-fencing commitments made
12 in the Stipulated Settlement (each, a “Stipulated Commitment,” collectively the “Stipulated
13 Commitments”) attached as Appendix A to the Stipulated Settlement¹ in light of the recent
14 political developments in the Province of Ontario (the “Province”) and changes in Hydro One’s
15 executive management and board of directors.

16 **Q. What is your understanding of the recent political developments in the**
17 **Province and the governance changes at Hydro One?**

18 A. Hydro One agreed on July 11, 2018, that its existing Board of Directors would
19 resign by August 15 and Hydro One’s President and Chief Executive Officer (the “CEO”)
20 would retire, effective immediately. On August 14, 2018, Hydro One announced its new 10-
21 member Board of Directors (the “Board”). Hydro One’s new Board is in the process of
22 selecting a new CEO. It is my understanding that the replacement of Hydro One’s Board was

¹ UM-1897, All-Party Stipulation (May 25, 2018) (“Stipulated Settlement”).

1 generally consistent with the Governance Agreement (the “Governance Agreement”) between
2 Hydro One and Her Majesty the Queen in Right of Ontario (the “Province”), as described in
3 the Supplemental Testimony of James Scarlett, Exhibit 1600 (“Scarlett Testimony”), and with
4 the July 11, 2018 Letter Agreement between Hydro One and the Province, Exhibit 1601 (“July
5 2018 Letter Agreement”), provided as an attachment to the *Hydro One First Supplemental*
6 *Report to Hydro One Limited’s Response to June 14, 2018 Bench Request* (“First Supplemental
7 Report”).²

8 On July 16, 2018, the new Provincial government introduced the *Urgent Priorities Act,*
9 *2018*, which, included as Schedule 1, the *Hydro One Accountability Act, 2018*. The *Urgent*
10 *Priorities Act* received Royal Assent on July 25, 2018, which is the day it came into force as
11 law in Ontario. Schedule 1, the *Hydro One Accountability Act*, came into force on the day
12 named by proclamation of the Lieutenant Governor, which occurred on August 15. The *Hydro*
13 *One Accountability Act* requires, among other things, the Board of Hydro One to establish a
14 new compensation framework for the Board, CEO, and other executives in consultation with
15 the Province and the other five largest shareholders. The *Hydro One Accountability Act* will
16 not apply to Avista if Avista becomes a subsidiary of Hydro One.

17 Please refer to the Scarlett Testimony and the First Supplemental Report for a more in-
18 depth discussion of these recent developments at Hydro One.

19 **Q. How is the remainder of your testimony organized?**

20 A. Section II summarizes my key conclusions. In Section III, I evaluate the
21 governance Stipulated Commitments made by Hydro One and Avista. Section IV provides my

² See UM-1897, First Supplemental Report to Hydro One Limited’s Response to June 14, 2018 Bench Request (July 18, 2018).

1 evaluation of the ring-fencing Stipulated Commitments made by Hydro One and Avista.
2 Finally, Section V presents my conclusions regarding the Proposed Transaction.

3 **Q. Are you sponsoring any exhibits as part of your testimony?**

4 A. Yes. Attached to my testimony are:

- 5 • Exhibit 2001 - Resume and testimony listing
- 6 • Exhibit 2002 - Recent Merger Governance Conditions
- 7 • Exhibit 2003 - Recent Merger Bankruptcy Ring-Fencing Conditions
- 8 • Exhibit 2004 - Recent Merger Financial Ring-Fencing Conditions

9 A table of contents for my testimony is as follows:

10	Description	Page
11	I. INTRODUCTION	1
12	II. SUMMARY OF KEY CONCLUSIONS.....	6
13	III. THE STIPULATED SETTLEMENT’S GOVERNANCE COMMITMENTS..	8
14	IV. THE STIPULATED SETTLEMENT’S RING-FENCING	
15	COMMITMENTS.....	16
16	V. CONCLUSIONS.....	23
17		
18		

1 **Q. Please summarize your key conclusions regarding the governance, ring-**
2 **fencing and other commitments in the Stipulated Settlement.**

3 A. The Stipulated Settlement provides a robust, state-of-the-art set of governance,
4 ring-fencing, and other commitments both to provide the appropriate separation of Avista from
5 Hydro One and its other affiliates and subsidiaries, and to protect Avista customers from
6 potential future risks. The Stipulated Commitments are very robust and well in excess of
7 industry norms established by commitments made in other recent utility mergers and
8 acquisitions.

9 The Stipulated Commitments were specifically designed to address Hydro One's
10 ownership of Avista and the Province's role as the largest investor in Hydro One. The
11 Stipulated Commitments also address the Ontario Energy Board's (the "OEB"), an agent of the
12 Province which regulates natural gas and electricity utilities in Ontario, regulation of Hydro
13 One. Among other things, the OEB sets rates and licenses all participants in the electricity and
14 natural gas sectors. While the OEB is an independent agency, it is still subject to provincial
15 legislation. In summary, these Stipulated Commitments provide for:

- 16 • The independence of Avista's Board of Directors, CEO, and executives
17 whereby seven of Avista's nine Directors will either be independent as
18 defined by the New York Stock Exchange ("NYSE") rules
19 ("Independent Directors") or appointed by Avista, making it impossible
20 for Hydro One, the Province, or any shareholder to direct the governance
21 or management of Avista;
- 22 • The focus of Avista management on the delivery of safe and reliable high
23 quality utility service at just and reasonable rates in Oregon;

- 1 • Continued capital investment, where needed, to improve pipeline safety;
- 2 • Hydro One's provision of equity to support Avista's capital structure and
- 3 efforts to prioritize access for Avista to financial markets at equal or
- 4 lower cost than absent the Proposed Transaction; and
- 5 • Ring-fencing of Avista including maintaining separate capital structures,
- 6 credit ratings and debt instruments, prohibiting inter-company debt and
- 7 lending, restriction on pledging utility assets, and restrictions on Avista's
- 8 upwards dividends and distributions, as well as restrictions and
- 9 protections in the unlikely event of a bankruptcy.

10 The efficacy of the Stipulated Commitments is unchanged by recent events. If anything,
11 recent events highlight the validity of these commitments and the unusual level of separation
12 they provide between Hydro One and Avista and restrictions on Hydro One and the Province
13 as it pertains to Avista.

14 Taken as a whole, and in combination with the Commission's on-going regulatory
15 oversight and authority over Avista, these Stipulated Commitments are appropriate and fully
16 address potential risks by ensuring that customers are protected from potential risks of the
17 Proposed Transaction and will continue to enjoy safe and reliable electric service.

18

19 **III. THE STIPULATED SETTLEMENT'S GOVERNANCE COMMITMENTS**

20 **Q. Please briefly highlight the Stipulated Settlement's governance-related**
21 **commitments.**

22 A. The Stipulated Settlement's governance-related commitments start with specific
23 requirements regarding Avista's Board of Directors. As discussed by Hydro One's Executive

1 Vice President and Chief Legal Officer James Scarlett,⁴ if the Proposed Transaction is approved
2 and closes, Avista will continue to be governed by its own, independent Board of Directors,
3 separate from the Hydro One Board. Stipulated Commitment No. 5 requires that Avista's Board
4 of Directors consist of nine members: (1) five Independent Directors, as defined by the NYSE
5 rules, three of whom are also residents of the Pacific Northwest and are designated by Hydro
6 One, and two of whom are designated by Avista and are members of Avista's current Board,
7 (2) two additional Avista designated Directors, including Avista's CEO, and (3) two executives
8 of Hydro One or any of its subsidiaries. The implementation of Stipulated Commitment No. 5
9 will result in seven of the nine members of Avista's post-closing Board of Directors being either
10 NYSE-independent or designated by Avista, ensuring continued Avista focus for its Board of
11 Directors.

12 **Q. How do the NYSE rules define "Independent" and what is its import for**
13 **Avista's post-closing governance?**

14 A. The NYSE rules define "independent" as "no material relationship" with the
15 company "either directly or as a partner, shareholder or officer of an organization that has a
16 relationship with the company".⁵ In establishing this definition, the NYSE noted that
17 "[e]ffective boards of directors exercise independent judgment in carrying out their
18 responsibilities. Requiring a majority of independent directors will increase the quality of board
19 oversight and lessen the possibility of damaging conflicts of interest."⁶ Stipulated Commitment

⁴ Scarlett Testimony at p. 15, Exhibit 1600.

⁵ See NYSE Listed Company Manual, Section 303A.01 and 02,
<http://wallstreet.cch.com/LCMTTools/PlatformViewer.asp?selectednode=chp%5F1%5F4%5F3&manual=%2Fm%2Fsections%2Fm%2Dsections%2F>.

⁶ NYSE Listed Company Manual, Section 303A.01, Commentary.

1 No. 5 relies upon the definition of “independent” articulated in section 303A.02 of the NYSE
2 Listed Company Manual with respect to Hydro One and its subsidiaries, including Avista, and
3 goes on to require that the Independent Directors have had no material relationship with parent
4 or its subsidiaries or affiliated entities currently or within the previous 3 years.

5 **Q. Does the Stipulated Settlement ensure that the composition of Avista’s**
6 **Board of Directors provided for in Stipulated Commitment No. 5 be maintained in the**
7 **future as individual Directors may turn over?**

8 A. Yes. Stipulated Commitment No. 5 specifically provides that if any Avista
9 designee resigns, retires or otherwise ceases to serve as a director of Avista for any reason, the
10 remaining three Avista designees shall nominate a replacement director to fill such vacancy. In
11 the case of the Hydro One designated Directors, Hydro One may replace these Directors
12 provided that three are Independent. Nominations are approved by the Avista Board of
13 Directors. Stipulated Commitment No. 5 also provides Hydro One with some limited latitude
14 in satisfying this commitment: if it were unable to appoint an Independent Director residing in
15 the Pacific Northwest in a timely manner, Hydro One could appoint an interim Director for a
16 no more than a six-month term who is an employee of Hydro One or one of its subsidiaries
17 while it found a suitable Independent Director. This limited latitude supports the selection and
18 appointment of the most qualified Independent Directors.

19 **Q. Are you aware of Hydro One and Avista’s proposal to limit Hydro One’s**
20 **latitude with respect to Hydro One’s designated Independent Directors on the Avista post-**
21 **merger board?**

22 A. Yes. Hydro One and Avista propose to amend Stipulated Commitment No. 5 to
23 eliminate this limited latitude under certain circumstances. As discussed in the Scarlett

1 Testimony, Hydro One and Avista propose that this exception shall not apply if, at any time a
2 circumstance arises, and during the pendency of any such circumstance, whereby the Province
3 exercises its rights as a shareholder of Hydro One, or uses legislative authority, or acts in any
4 other manner whatsoever, that results, or would result, in Ontario appointing nominees to the
5 Board of Directors of Hydro One that constitute, or would constitute a majority of the directors
6 of such board.

7 **Q. What is the importance of this amendment to Stipulated Commitment No.**
8 **5?**

9 A. This proposed amendment to Stipulated Commitment No. 5 provides extra
10 protection for the independence of the Avista Board in the event that the Province takes some
11 action in the future to control a majority of the Hydro One Board. If that event occurs, this
12 amendment is triggered and blocks Hydro One's limited right to replace any of its three
13 Independent Director designees on the Avista board with a Hydro One executive or employee.
14 This limitation makes clear that there are no circumstances under which the Province or Hydro
15 One can control the Avista Board.

16 **Q. Does the Stipulated Settlement include any other specific governance**
17 **commitments?**

18 A. Yes. Stipulated Commitment No. 4 provides that Avista will retain its current
19 executives post-closing of the Proposed Transaction and for at least three years subject to
20 standard turnover. Any decisions to hire, dismiss, or replace the Avista CEO shall be at the
21 sole discretion of the Avista Board of Directors. This commitment reinforces Avista's control
22 over its executives.

1 **Q. Has Hydro One made any additional governance-related commitments**
2 **incremental to those made in the Stipulated Settlement?**

3 A. Yes. In response to recent events, Hydro One and Avista have proposed an
4 additional commitment to provide additional clarity regarding the responsibility of the Avista
5 Board of Directors. In the First Supplemental Report, Hydro One made the following additional
6 commitment:

7 Avista Employee Compensation: Any decisions regarding Avista employee
8 compensation shall be made by the Avista Board consistent with the terms
9 of the Merger Agreement between Hydro One and Avista, and current
10 market standards and prevailing practices of relevant U.S. electric and gas
11 utility benchmarks. The determination of the level of any compensation
12 (including equity awards) approved by the Avista Board with respect to any
13 employee in accordance with the foregoing shall not be subject to change
14 by Hydro One or the Hydro One Board.⁷

15 This new commitment makes clear that the Avista Board, and not the Hydro One
16 Board, the Province, or any other party, will make decisions regarding Avista employee
17 compensation.

18 **Q. Did you evaluate how the governance Stipulated Commitments compare to**
19 **other recent utility mergers and acquisitions in the U.S.?**

20 A. Yes. I considered 40 transactions involving the merger or acquisition of a U.S.
21 investor owned utility (“IOU”) that have been completed since 2010. My review was based
22 upon publicly-available information about these transactions including state commission orders
23 and information published by SNL Financial, an industry-specific financial market data source
24 for public and private companies worldwide.

⁷ See First Supplemental Report at ¶ 26.

1 **Q. How do the governance Stipulated Commitments compare to governance**
2 **commitments made in these other IOU transactions?**

3 A. The governance Stipulated Commitments compare very favorably with the
4 governance commitments made in these other IOU transactions. Exhibit 2002 provides a
5 summary of the governance conditions in these transactions. As shown in that exhibit, none of
6 the transactions I reviewed included all of the governance commitments made by the Parties in
7 the Stipulated Commitments. In particular, the new commitment regarding executive
8 compensation was not made or required in any of the other transactions I reviewed or have been
9 involved in. Further, commitments similar to Stipulated Commitment No. 5, Avista Board of
10 Directors, and Stipulated Commitment No. 4, Executive Management, are rarely used or
11 required.

12 **Q. Why is comparing the Stipulated Commitments made by Hydro One and**
13 **Avista to the commitments made by counterparties to IOU transactions informative?**

14 A. While the commitments made in a given transaction should be specific to that
15 transaction's specific circumstances, there are clear industry norms regarding the nature of
16 merger commitments. Some amount of governance-related commitments, bankruptcy-related
17 commitments, and financial ring-fencing are seen in many transactions. The Parties' Stipulated
18 Commitments, however, are well beyond industry norms. I discuss this further in my review
19 of bankruptcy and financial ring-fencing commitments. The import of this observation is
20 simply that more restrictive commitments are being made by Hydro One and Avista through
21 the Stipulated Commitments to ensure that Avista and its Oregon customers are protected from
22 risk.

1 **Q. Did your comparison include foreign acquisitions of U.S. IOUs?**

2 A. Yes. Ten of the transactions I reviewed involved the acquisition of a U.S. IOU
3 by a foreign entity. Of these ten transactions, nine involved a Canadian acquirer. *See* Exhibit
4 2002. None of these transactions included all of the Parties' governance Stipulated
5 Commitments. Only two, Alta Gas' acquisition of WGL and Fortis' acquisition of CH Energy,
6 contained both a majority Independent Board requirement and a commitment to offer
7 employment to all executives of the acquired utility.

8 **Q. Are there examples of mergers involving the acquisition of a U.S. IOU by a**
9 **foreign government?**

10 A. Yes. While less common, there are examples of foreign government ownership
11 of U.S. IOUs. EPCOR Utilities Inc., an Edmonton, Alberta-based water and wastewater utility
12 company owned by the City of Edmonton, has acquired four U.S. water utilities collectively
13 serving approximately 175,000 customers for a combined transaction value of approximately
14 \$510 million.⁸ Each of these transactions was approved by the Arizona Public Service
15 Commission ("APSC"). No governance commitments were made, nor were any governance
16 conditions required by the APSC in these transactions.

17 **Q. Does the Stipulated Settlement include other commitments supportive of its**
18 **governance commitments?**

19 A. Yes. Several other Stipulated Commitments make clear and binding Hydro
20 One's commitment to Avista's management and provision of safe and reliable utility service
21 regardless of changes at Hydro One or the Province. Stipulated Commitment No. 75 specifies

⁸ 2011 acquisition of Chaparall, 2012 acquisition of Arizona-American Water, 2013 acquisition of North Mohave, and 2016 acquisition of Willow Valley Water Company. Source: SNL.

1 that the delivery of safe and reliable high quality utility service at just and reasonable rates in
2 Oregon is included in Avista management's mission and is a top corporate priority post-merger.
3 Stipulated Commitment No. 76 specifies Avista will maintain existing levels of capital
4 investment where needed, and Hydro One will provide capital where needed, to improve the
5 safety of regulated pipelines and associated controls. Avista will also maintain both its staffing
6 and presence in the communities in which Avista operates at levels sufficient to maintain the
7 provision of safe and reliable service and cost-effective operations, consistent with pre-merger
8 levels (Stipulated Commitment No. 80) and its headquarters in Spokane, Washington
9 (Stipulated Commitment No. 79). Collectively, these Stipulated Commitments support the
10 Stipulated Settlement's governance commitments.

11 **Q. Do the recent political developments in Ontario and changes in governance**
12 **at Hydro One have any impact on the Stipulated Settlement's governance commitments?**

13 A. No. The governance Stipulated Commitments clearly separate and insulate
14 Avista from the governance of Hydro One and its largest shareholder, the Province. The
15 efficacy of this separation and insulation was demonstrated through the recent developments in
16 the Province, in particular in the acknowledgement and commitment that the *Hydro One*
17 *Accountability Act, 2018* will not apply to Avista if Avista becomes a subsidiary of Hydro One,
18 as discussed in the Scarlett Testimony, Exhibit 1600. The governance Stipulated Commitments
19 provide Avista and its Oregon customers with appropriate independence and protections; recent
20 events have not created any need for modifications to these commitments. Further, these
21 governance commitments are binding (Stipulated Commitment No. 110), the Commission has
22 the authority to enforce them and, if a commitment is violated, impose a penalty (Stipulated
23 Commitment No. 111), and Hydro One will submit to the jurisdiction of Oregon courts for the

1 enforcement of the commitments (Stipulated Commitment No. 112). Taken as a whole, and in
2 combination with the Commission's on-going regulatory oversight and authority, as well as the
3 bankruptcy and financial ring-fencing commitments that I discuss later in my testimony, the
4 Stipulated Settlement's governance commitments provide customers with appropriate
5 protections and assurances that they will continue to enjoy safe and reliable electric service at
6 rates that reflect their Commission-approved cost of service.

7 8 **IV. THE STIPULATED SETTLEMENT'S RING-FENCING COMMITMENTS**

9 **Q. In addition to its governance commitments, have you also reviewed the**
10 **ring-fencing Stipulated Commitments?**

11 A. Yes, I have. While the governance commitments address the independence of
12 the going-forward governance of Avista under Hydro One ownership, the ring-fencing
13 Stipulated Commitments provide a similar level of protection and separation of Avista's going-
14 forward financial management. The Stipulated Settlement categorizes the ring-fencing
15 Stipulated Commitments as either bankruptcy or financial. The governance and bankruptcy
16 and financial ring-fencing commitments work together to provide clear objectives, practices
17 and policies, and restrictions to protect Avista and its Oregon customers from potential risks,
18 including potential risks perceived with the recent governance changes at Hydro One and
19 political changes in the Province.

20 **Q. Please briefly highlight the Stipulated Settlement's bankruptcy ring-**
21 **fencing commitments.**

22 A. The Stipulated Settlement includes a number of ring-fencing commitments
23 which are intended to protect Avista in the unlikely event of a bankruptcy. Stipulated

1 Commitment No. 55 provides for a “Golden Share” in the event the Avista Board wished to
2 declare voluntary bankruptcy. The “Golden Share” is the sole share of Preferred Stock
3 authorized by the Commission and held by an independent third-party with no financial stake,
4 affiliation, relationship, interest, or tie to Hydro One or any of its affiliates including Avista.
5 The holder of the Golden Share must be approved by the Commission and solely represents the
6 interests of Avista’s utility customers. Any declaration of voluntary bankruptcy would require
7 the vote of the holder of the Golden Share and in any matters of bankruptcy the Golden Share
8 will override all other outstanding shares of all types or classes of stock. In addition to the
9 holder of the Golden Share, a majority vote of the Independent Directors, including the
10 affirmative vote of at least two of the Avista-designated Independent Directors, is required for
11 Avista to enter into voluntary bankruptcy (Stipulated Commitment No. 56). Finally, Stipulated
12 Commitment No. 58 provides that all of the common stock of Avista will be owned by Olympus
13 Equity LLC, a bankruptcy-remote special purpose entity, with no debt. Olympus Equity LLC’s
14 sole purpose is to invest in and attend to Avista.

15 Stipulated Commitment Nos. 54, 59, 61, 62 and 63 work together to provide for the
16 separation and independence of Avista from Hydro One and Hydro One’s other affiliates.
17 Stipulated Commitment No. 54 prohibits the co-mingling of Avista cash flows with Hydro One
18 and its other affiliates and requires that the handling of Avista’s cash flows to be entirely
19 consistent with Avista’s corporate purposes. Stipulated Commitment Nos. 59, 62 and 63
20 prohibit the pledging of Avista utility assets, inter-company debt, and inter-company lending
21 without prior Commission approval. Stipulated Commitment No. 61 requires the notification
22 of the Commission of any acquisition or disposition of a regulated or unregulated business.

1 Finally, and importantly, Stipulated Commitment No. 57 requires Hydro One and
2 Avista to file with the Commission within 90-days of the closing of the Proposed Transaction
3 a non-consolidation opinion, which is a legal opinion addressing the likelihood of the utility
4 becoming an involuntary party to the bankruptcy of an affiliate, concluding that the Stipulated
5 Commitments are sufficient that any U.S. bankruptcy court or Canadian bankruptcy court
6 would not order the substantive consolidation of the assets and liabilities of Avista with Hydro
7 One or any of its other affiliates or subsidiaries in the unlikely event of bankruptcy. If the
8 Stipulated Settlement's ring-fencing commitments are not sufficient to secure such a non-
9 consolidation opinion, then Hydro One must propose and implement upon the Commission's
10 approval additional ring-fencing protections sufficient to obtain a non-consolidation opinion.

11 **Q. How do the Stipulated Settlement's bankruptcy ring-fencing commitments**
12 **compare to other recent utility mergers and acquisitions?**

13 A. The Stipulated Settlement's bankruptcy ring-fencing commitments compare
14 very favorably with the bankruptcy commitments made in other IOU transactions effectuated
15 since 2010. Exhibit 2003 provides a summary of the bankruptcy ring-fencing conditions in
16 these 40 recent transactions. As shown in that exhibit, the bankruptcy ring-fencing Stipulated
17 Commitments made by the Parties are rarely offered or required. As shown in that exhibit, only
18 one of the transactions I reviewed included all of the bankruptcy ring-fencing commitments in
19 the Stipulated Settlement. In fact, most transactions included none or very few of the
20 bankruptcy ring-fencing Stipulated Commitments. These bankruptcy ring-fencing Stipulated
21 Commitments, in combination with the governance Stipulated Commitments made by the
22 Parties, provide a very strong degree of separation of Avista from Hydro One post-merger. The

1 efficacy of this separation and insulation is unaffected by the recent developments in the
2 Province.

3 **Q. Please briefly highlight the Stipulated Settlement's financial ring-fencing**
4 **commitments.**

5 A. Importantly, Stipulated Commitment No. 43 guarantees that Oregon customers
6 will not experience any increases in the cost of capital which is attributable to the Proposed
7 Transaction. This Stipulated Commitment insulates Avista's Oregon customers from potential
8 financial risk associated with the Proposed Transaction. In addition, Stipulated Commitment
9 No. 36 requires that Avista customers be held harmless from any business and financial risk
10 exposure associated with Hydro One and its other affiliates and that notice will be provided to
11 all current and prospective lenders describing the ring-fencing Stipulated Commitments and
12 stating that there is no recourse to Avista assets as collateral or security for debt issued by Hydro
13 One or any of its subsidiaries.

14 Stipulated Commitment No. 50 restricts the ability of Avista to declare a dividend,
15 distribution or like payment to Olympus Equity LLC if specified interest expense coverage,
16 common equity floor and credit ratings are not maintained by Avista. In addition, Stipulated
17 Commitment No. 50 restricts the amount of regular quarterly dividends and limits the annual
18 growth in dividend payouts, prohibits any extraordinary or special dividends or payouts for five
19 years post-closing, and requires Commission notification in certain circumstances. The import
20 of these dividend restrictions is to maintain a payout ratio of dividends to earnings that is
21 consistent with pre-merger levels and to prohibit dividends entirely if Avista's financial
22 integrity is not maintained. This Stipulated Commitment ensures that Avista's financial

1 integrity and its ability to prudently invest in its utility operations cannot be compromised by
2 dividends and distributions to its new parent.

3 Stipulated Commitment Nos. 44 and 53 work together to address Avista's post-closing
4 access to capital. Hydro One will provide Avista with equity to support Avista's capital
5 structure and allow it to access financial markets on reasonable terms (Stipulated Commitment
6 No. 44). Further, Hydro One will establish and maintain a universal shelf prospectus in Canada
7 which will allow it to issue at least \$2 billion in debt or equity; increase its Canadian credit
8 facility to at least \$500 million; will not allow Avista's credit ratings to decline below
9 investment grade; and will be supportive of Avista's credit ratings (Stipulated Commitment No.
10 53).

11 Stipulated Commitment Nos. 45 and 47 also work together to address Avista's post-
12 closing capital structure. Stipulated Commitment No. 47 requires Avista to maintain adequate
13 interest coverage and assets to maintain its ability to issue First Mortgage Bonds. Stipulated
14 Commitment No. 45 specifies the use of a common equity floor in Avista's capital structure to
15 maintain Avista credit ratings.

16 Other Avista credit-related commitments are made in Stipulated Commitment Nos. 46,
17 48 and 49. Avista will also maintain separate debt and preferred stock and will not participate
18 in inter-company lending or money pools, will not assume or guarantee any obligations of
19 Hydro One or its other affiliates, or transfer any of its assets to Hydro One or any of its affiliates
20 (Stipulated Commitment No. 46). Avista's debt will continue to be separately rated by Standard
21 & Poor's and Moody's (Stipulated Commitment No. 48). Avista will prudently manage its
22 credit facilities and will not share credit facilities with Hydro One or any government or

1 political subdivision thereof with a direct or indirect ownership interest in Hydro One
2 (Stipulated Commitment No. 49).

3 Finally, the Stipulated Settlement's other financial ring-fencing commitments require
4 Securities Exchange Commission reporting (Stipulated Commitment No. 51) and compliance
5 with the Sarbanes-Oxley Act (Stipulated Commitment No. 52).

6 Collectively, these Stipulated Commitments, and the Stipulated Settlement's other ring-
7 fencing commitments, work together to protect Avista and its Oregon customers from potential
8 financial risks which may be attributable to the Proposed Transaction.

9 **Q. How do the Stipulated Settlement's financial ring-fencing commitments**
10 **compare to other recent utility mergers and acquisitions?**

11 A. The Stipulated Settlement's financial ring-fencing commitments compare very
12 favorably with financial ring-fencing commitments made in other IOU transactions effectuated
13 since 2010. Exhibit 2004 provides a summary of the financial ring-fencing conditions in these
14 40 recent transactions. As shown in that exhibit, none of the transactions I reviewed included
15 all of the financial ring-fencing commitments in the Stipulated Settlement. In fact, most
16 transactions included only a few of the financial ring-fencing Stipulated Commitments. These
17 financial ring-fencing Stipulated Commitments, in combination with the governance and
18 bankruptcy ring-fencing Stipulated Commitments made by the Parties, provide for the
19 continued prudent financial management of Avista and ensure that Avista's financial
20 management cannot be harmed by Hydro One ownership.

1 **Q. Do the recent political developments in the Province and changes in**
2 **governance at Hydro One have any impact on the Stipulated Settlement's financial ring-**
3 **fencing commitments?**

4 A. No. The financial ring-fencing Stipulated Commitments agreed to by the Parties
5 provide Avista and its Oregon customers with appropriate assurances, independence and
6 protections. These commitments insulate Avista and its Oregon customers from Hydro One
7 and anything the Province may do in its role as an investor in Hydro One. As I discussed earlier,
8 the commitment to a common equity floor in Avista's capital structure (Stipulated Commitment
9 No. 45) ensures that Avista will maintain a capital structure that supports strong credit ratings
10 regardless of any changes at Hydro One or in the Province. The commitments to a \$2 billion
11 universal shelf prospectus in Canada and to increase the Canadian credit facility to at least \$500
12 million (Stipulated Commitment No. 53) support Avista's continued access to capital regardless
13 of any changes at Hydro One or in the Province. The dividend restrictions agreed to by the
14 Parties in the Stipulated Settlement ensure that Avista cannot be stripped of its capital
15 (Stipulated Commitment No. 50).

16 Recent events have not created any need for modifications to these commitments. Any
17 recent or future changes at Hydro One or in the Province have no impact on the fact that the
18 Stipulated Commitments are binding (Stipulated Commitment No. 110), that the Commission
19 has the authority to enforce them and, if a commitment is violated, impose a penalty (Stipulated
20 Commitment No. 111), and that Hydro One will submit to the jurisdiction of Oregon courts for
21 the enforcement of the commitments (Stipulated Commitment No. 112).

1 **Q. Are the ring-fencing commitments included in the Stipulated Settlement**
2 **appropriate for the Proposed Transaction?**

3 A. Yes. Taken as a whole, and in combination with the other Stipulated
4 Commitments and the Commission's on-going regulatory oversight and authority, the ring-
5 fencing Stipulated Commitments provide customers with appropriate assurances that they will
6 continue to enjoy safe and reliable electric service at rates that reflect their Commission-
7 approved cost of service.

8

9

V. CONCLUSIONS

10 **Q. Do the recent developments at the Province and Hydro One have any**
11 **impact on the public interest in Oregon?**

12 A. No, these developments do not affect the public interest. For all the reasons
13 described above, the Stipulated Commitments are fully protective of the public interest in
14 Oregon, as well as the interests of Avista's Oregon customers.

15 **Q. If the Province took action in the future to exercise influence over or control**
16 **of the Board of Hydro One, would that negatively impact Avista and its customers or the**
17 **public interest in Oregon?**

18 A. No. The governance, bankruptcy and financial ring-fencing and other Stipulated
19 Commitments, coupled with the Commission's on-going regulatory oversight of Avista and the
20 laws of the United States in the five states in which Avista operates (Oregon, Washington,
21 Idaho, Montana, and Alaska) put parameters around how Avista will be owned and operated
22 post-merger. As I discussed earlier, the Stipulated Commitments are binding regardless of any
23 actions the Province might take in the future. The Province has no ability to directly influence

1 Avista. The Province cannot pass laws that apply to Avista. Further, even in the speculative
2 scenario where the Province took control of Hydro One and directed the two Hydro One
3 executives on Avista's post-merger board to pursue initiatives that would benefit Hydro One
4 and/or Ontario to the detriment of Avista's financial resources or service, the remaining seven
5 independent or Avista-designated directors on Avista's post-merger board could override that
6 direction.

7 **Q. Are the Stipulated Commitments included appropriate for the Proposed**
8 **Transaction?**

9 A. Yes. The Stipulated Commitments are robust and ensure, as intended, that recent
10 developments at Hydro One and the Province, as well as potential future changes, can have no
11 adverse effect on Oregon customers or on the interest of the public in Oregon. Nothing in the
12 recent developments even suggests that Avista's financial management, access to capital, cost
13 of capital, quality of service, rates, or Hydro One's attention to Avista's needs will be adversely
14 affected. The Stipulated Settlement provides a comprehensive set of commitments that
15 collectively ensure the appropriate level of separation between Avista and Hydro One and
16 Hydro One's other affiliates. The package of Stipulated Commitments exceeds industry norms
17 established by the 40 utility transactions completed since 2010 that I reviewed. These
18 commitments insulate Avista, protect its customers from potential risks, and support the public
19 interest. In combination with the Commission's on-going regulatory oversight and authority,
20 the Stipulated Commitments ensure that stakeholders will experience the benefits from the
21 Proposed Transaction, will be insulated from potential risks, and will continue to ensure safe
22 and reliable service at rates that reflect their Commission-approved cost of service.

1 **Q. Does this conclude your testimony?**

2 A. Yes, it does.

BEFORE THE
PUBLIC UTILITY COMMISSION OF OREGON

DOCKET NO. UM 1897

JOHN REED
Exhibit No. 2001

Resume and Testimony Listing



RESUME OF JOHN J. REED

John J. Reed
Chairman and Chief Executive Officer

John J. Reed is a financial and economic consultant with more than 35 years of experience in the energy industry. Mr. Reed has also been the CEO of an NASD member securities firm, and Co-CEO of the nation's largest publicly traded management consulting firm (NYSE: NCI). He has provided advisory services in the areas of mergers and acquisitions, asset divestitures and purchases, strategic planning, project finance, corporate valuation, energy market analysis, rate and regulatory matters and energy contract negotiations to clients across North and Central America. Mr. Reed's comprehensive experience includes the development and implementation of nuclear, fossil, and hydroelectric generation divestiture programs with an aggregate valuation in excess of \$20 billion. Mr. Reed has also provided expert testimony on financial and economic matters on more than 400 occasions before the FERC, Canadian regulatory agencies, state utility regulatory agencies, various state and federal courts, and before arbitration panels in the United States and Canada. After graduation from the Wharton School of the University of Pennsylvania, Mr. Reed joined Southern California Gas Company, where he worked in the regulatory and financial groups, leaving the firm as Chief Economist in 1981. He served as executive and consultant with Stone & Webster Management Consulting and R.J. Rudden Associates prior to forming REED Consulting Group (RCG) in 1988. RCG was acquired by Navigant Consulting in 1997, where Mr. Reed served as an executive until leaving Navigant to join Concentric as Chairman and Chief Executive Officer.

REPRESENTATIVE PROJECT EXPERIENCE

Executive Management

As an executive-level consultant, worked with CEOs, CFOs, other senior officers, and Boards of Directors of many of North America's top electric and gas utilities, as well as with senior political leaders of the U.S. and Canada on numerous engagements over the past 25 years. Directed merger, acquisition, divestiture, and project development engagements for utilities, pipelines and electric generation companies, repositioned several electric and gas utilities as pure distributors through a series of regulatory, financial, and legislative initiatives, and helped to develop and execute several "roll-up" or market aggregation strategies for companies seeking to achieve substantial scale in energy distribution, generation, transmission, and marketing.

Financial and Economic Advisory Services

Retained by many of the nation's leading energy companies and financial institutions for services relating to the purchase, sale or development of new enterprises. These projects included major new gas pipeline projects, gas storage projects, several non-utility generation projects, the purchase and sale of project development and gas marketing firms, and utility acquisitions. Specific services provided include the development of corporate expansion plans, review of acquisition candidates, establishment of divestiture standards, due diligence on acquisitions or financing, market entry or expansion studies, competitive assessments, project financing studies, and negotiations relating to these transactions.

Litigation Support and Expert Testimony

Provided expert testimony on more than 400 occasions in administrative and civil proceedings on a wide range of energy and economic issues. Clients in these matters have included gas distribution



RESUME OF JOHN J. REED

utilities, gas pipelines, gas producers, oil producers, electric utilities, large energy consumers, governmental and regulatory agencies, trade associations, independent energy project developers, engineering firms, and gas and power marketers. Testimony has focused on issues ranging from broad regulatory and economic policy to virtually all elements of the utility ratemaking process. Also frequently testified regarding energy contract interpretation, accepted energy industry practices, horizontal and vertical market power, quantification of damages, and management prudence. Has been active in regulatory contract and litigation matters on virtually all interstate pipeline systems serving the U.S. Northeast, Mid-Atlantic, Midwest, and Pacific regions.

Also served on FERC Commissioner Terzic's Task Force on Competition, which conducted an industry-wide investigation into the levels of and means of encouraging competition in U.S. natural gas markets and served on a "Blue Ribbon" panel established by the Province of New Brunswick regarding the future of natural gas distribution service in that province.

Resource Procurement, Contracting and Analysis

On behalf of gas distributors, gas pipelines, gas producers, electric utilities, and independent energy project developers, personally managed or participated in the negotiation, drafting, and regulatory support of hundreds of energy contracts, including the largest gas contracts in North America, electric contracts representing billions of dollars, pipeline and storage contracts, and facility leases.

These efforts have resulted in bringing large new energy projects to market across North America, the creation of hundreds of millions of dollars in savings through contract renegotiation, and the regulatory approval of a number of highly contested energy contracts.

Strategic Planning and Utility Restructuring

Acted as a leading participant in the restructuring of the natural gas and electric utility industries over the past fifteen years, as an adviser to local distribution companies, pipelines, electric utilities, and independent energy project developers. In the recent past, provided services to most of the top 50 utilities and energy marketers across North America. Managed projects that frequently included the redevelopment of strategic plans, corporate reorganizations, the development of multi-year regulatory and legislative agendas, merger, acquisition and divestiture strategies, and the development of market entry strategies. Developed and supported merchant function exit strategies, marketing affiliate strategies, and detailed plans for the functional business units of many of North America's leading utilities.

PROFESSIONAL HISTORY

Concentric Energy Advisors, Inc. (2002 - Present)

Chairman and Chief Executive Officer

CE Capital Advisors (2004 - Present)

Chairman, President, and Chief Executive Officer

Navigant Consulting, Inc. (1997 - 2002)

President, Navigant Energy Capital (2000 - 2002)

Executive Director (2000 - 2002)

Co-Chief Executive Officer, Vice Chairman (1999 - 2000)

Executive Managing Director (1998 - 1999)

President, REED Consulting Group, Inc. (1997 - 1998)



RESUME OF JOHN J. REED

REED Consulting Group (1988 - 1997)

Chairman, President and Chief Executive Officer

R.J. Rudden Associates, Inc. (1983 - 1988)

Vice President

Stone & Webster Management Consultants, Inc. (1981 - 1983)

Senior Consultant

Consultant

Southern California Gas Company (1976 - 1981)

Corporate Economist

Financial Analyst

Treasury Analyst

EDUCATION AND CERTIFICATION

B.S., Economics and Finance, Wharton School, University of Pennsylvania, 1976

Licensed Securities Professional: NASD Series 7, 63, 24, 79 and 99 Licenses

BOARDS OF DIRECTORS (PAST AND PRESENT)

Concentric Energy Advisors, Inc.

Navigant Consulting, Inc.

Navigant Energy Capital

Nukem, Inc.

New England Gas Association

R. J. Rudden Associates

REED Consulting Group

AFFILIATIONS

American Gas Association

Energy Bar Association

Guild of Gas Managers

International Association of Energy Economists

National Association of Business Economists

New England Gas Association

Society of Gas Lighters



RESUME OF JOHN J. REED

ARTICLES AND PUBLICATIONS

“Maximizing U.S. federal loan guarantees for new nuclear energy,” *Bulletin of the Atomic Scientists* (with John C. Slocum), July 29, 2009

“Smart Decoupling – Dealing with unfunded mandates in performance-based ratemaking,” *Public Utilities Fortnightly*, May 2012

Recent Merger Financial Related Ring-Fencing Commitments



EXPERT TESTIMONY OF JOHN J. REED
REGULATORY AGENCIES

SPONSOR	DATE	CASE/APPLICANT	DOCKET NO.	SUBJECT
Alaska Regulatory Commission				
Chugach Electric	12/86	Chugach Electric	Docket No. U-86-11	Cost Allocation
Chugach Electric	5/87	Enstar Natural Gas Company	Docket No. U-87-2	Tariff Design
Chugach Electric	12/87	Enstar Natural Gas Company	Docket No. U-87-42	Gas Transportation
Chugach Electric	11/87 2/88	Chugach Electric	Docket No. U-87-35	Cost of Capital
Anchorage Municipal Light & Power	9/17	Anchorage Municipal Light & Power	Docket No. U-16-094 Docket No. U-17-008	Project Prudence
Alberta Utilities Commission				
Alberta Utilities (AltaLink, EPCOR, ATCO, ENMAX, FortisAlberta, AltaGas)	1/13	Alberta Utilities	Application 1566373, Proceeding ID 20	Stranded Costs
Arizona Corporation Commission				
Tucson Electric Power	7/12	Tucson Electric Power	Docket No. E- 01933A-12-0291	Cost of Capital
UNS Energy and Fortis Inc.	1/14	UNS Energy, Fortis Inc.	Docket No. E- 04230A-00011 and Docket No. E- 01933A-14-0011	Merger
California Energy Commission				
Southern California Gas Co.	8/80	Southern California Gas Co.	Docket No. 80-BR-3	Gas Price Forecasting
California Public Utility Commission				
Southern California Gas Co.	3/80	Southern California Gas Co.	TY 1981 G.R.C.	Cost of Service, Inflation
Pacific Gas Transmission Co.	10/91 11/91	Pacific Gas & Electric Co.	App. 89-04-033	Rate Design
Pacific Gas Transmission Co.	7/92	Southern California Gas Co.	A. 92-04-031	Rate Design

Recent Merger Financial Related Ring-Fencing Commitments



EXPERT TESTIMONY OF JOHN J. REED
REGULATORY AGENCIES

SPONSOR	DATE	CASE/APPLICANT	DOCKET NO.	SUBJECT
Colorado Public Utilities Commission				
AMAX Molybdenum	2/90	Commission Rulemaking	Docket No. 89R-702G	Gas Transportation
AMAX Molybdenum	11/90	Commission Rulemaking	Docket No. 90R-508G	Gas Transportation
Xcel Energy	8/04	Xcel Energy	Docket No. 031-134E	Cost of Debt
Public Service Company of Colorado	6/17	Public Service Company of Colorado	Docket No. 17AL-0363G	Return on Equity (Gas)
CT Dept. of Public Utilities Control				
Connecticut Natural Gas	12/88	Connecticut Natural Gas	Docket No. 88-08-15	Gas Purchasing Practices
United Illuminating	3/99	United Illuminating	Docket No. 99-03-04	Nuclear Plant Valuation
Southern Connecticut Gas	2/04	Southern Connecticut Gas	Docket No. 00-12-08	Gas Purchasing Practices
Southern Connecticut Gas	4/05	Southern Connecticut Gas	Docket No. 05-03-17	LNG/Trunkline
Southern Connecticut Gas	5/06	Southern Connecticut Gas	Docket No. 05-03-17PH01	LNG/Trunkline
Southern Connecticut Gas	8/08	Southern Connecticut Gas	Docket No. 06-05-04	Peaking Service Agreement
District of Columbia PSC				
Potomac Electric Power Company	3/99 5/99 7/99	Potomac Electric Power Company	Docket No. 945	Divestiture of Gen. Assets & Purchase Power Contracts
AltaGas Ltd./WGL Holdings	4/17 8/17 10/17	AltaGas Ltd./WGL Holdings	Docket No. 1142	Merger Standards, Public Interest Standard
Federal Energy Regulatory Commission				
Safe Harbor Water Power Corp.	8/82	Safe Harbor Water Power Corp.		Wholesale Electric Rate Increase
Western Gas Interstate Company	5/84	Western Gas Interstate Company	Docket No. RP84-77	Load Forecast Working Capital
Southern Union Gas	4/87 5/87	El Paso Natural Gas Company	Docket No. RP87-16-000	Take-or-Pay Costs

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REGULATORY AGENCIES

SPONSOR	DATE	CASE/APPLICANT	DOCKET NO.	SUBJECT
Connecticut Natural Gas	11/87	Penn-York Energy Corporation	Docket No. RP87-78-000	Cost Allocation/Rate Design
AMAX Magnesium	12/88 1/89	Questar Pipeline Company	Docket No. RP88-93-000	Cost Allocation/Rate Design
Western Gas Interstate Company	6/89	Western Gas Interstate Company	Docket No. RP89-179-000	Cost Allocation/Rate Design, Open-Access Transportation
Associated CD Customers	12/89	CNG Transmission	Docket No. RP88-211-000	Cost Allocation/Rate Design
Utah Industrial Group	9/90	Questar Pipeline Company	Docket No. RP88-93-000, Phase II	Cost Allocation/Rate Design
Iroquois Gas Trans. System	8/90	Iroquois Gas Transmission System	Docket No. CP89-634-000/001; CP89-815-000	Gas Markets, Rate Design, Cost of Capital, Capital Structure
Boston Edison Company	1/91	Boston Edison Company	Docket No. ER91-243-000	Electric Generation Markets
Cincinnati Gas and Electric Co., Union Light, Heat and Power Company, Lawrenceburg Gas Company	7/91	Texas Gas Transmission Corp.	Docket No. RP90-104-000, RP88-115-000, RP90-192-000	Cost Allocation, Rate Design, Comparability of Service
Ocean State Power II	7/91	Ocean State Power II	ER89-563-000	Competitive Market Analysis, Self-dealing
Brooklyn Union/PSE&G	7/91	Texas Eastern	RP88-67, et al	Market Power, Comparability of Service
Northern Distributor Group	9/92 11/92	Northern Natural Gas Company	RP92-1-000, et al	Cost of Service
Canadian Association of Petroleum Producers and Alberta Pet. Marketing Comm.	10/92 7/97	Lakehead Pipe Line Co. L.P.	IS92-27-000	Cost Allocation, Rate Design
Colonial Gas, Providence Gas	7/93 8/93	Algonquin Gas Transmission	RP93-14	Cost Allocation, Rate Design
Iroquois Gas Transmission	94	Iroquois Gas Transmission	RP94-72-000	Cost of Service, Rate Design

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SPONSOR	DATE	CASE/APPLICANT	DOCKET NO.	SUBJECT
Transco Customer Group	1/94	Transcontinental Gas Pipeline Corporation	Docket No. RP92-137-000	Rate Design, Firm to Wellhead
Pacific Gas Transmission	2/94 3/95	Pacific Gas Transmission	Docket No. RP94-149-000	Rolled-In vs. Incremental Rates, Rate Design
Tennessee GSR Group	1/95 3/95 1/96	Tennessee Gas Pipeline Company	Docket Nos. RP93-151-000, RP94-39-000, RP94-197-000, RP94-309-000	GSR Costs
PG&E and SoCal Gas	8/96 9/96	El Paso Natural Gas Company	RP92-18-000	Stranded Costs
Iroquois Gas Transmission System, L.P.	97	Iroquois Gas Transmission System, L.P.	RP97-126-000	Cost of Service, Rate Design
BEC Energy - Commonwealth Energy System	2/99	Boston Edison Company/ Commonwealth Energy System	EC99-33-000	Market Power Analysis – Merger
Central Hudson Gas & Electric, Consolidated Co. of New York, Niagara Mohawk Power Corporation, Dynegy Power Inc.	10/00	Central Hudson Gas & Electric, Consolidated Co. of New York, Niagara Mohawk Power Corporation, Dynegy Power Inc.	Docket No. EC01-7-000	Market Power 203/205 Filing
Wyckoff Gas Storage	12/02	Wyckoff Gas Storage	CP03-33-000	Need for Storage Project
Indicated Shippers/Producers	10/03	Northern Natural Gas	Docket No. RP98-39-029	Ad Valorem Tax Treatment
Maritimes & Northeast Pipeline	6/04	Maritimes & Northeast Pipeline	Docket No. RP04-360-000	Rolled-In Rates
ISO New England	8/04 2/05	ISO New England	Docket No. ER03-563-030	Cost of New Entry
Transwestern Pipeline Company, LLC	9/06	Transwestern Pipeline Company, LLC	Docket No. RP06-614-000	Business Risk
Portland Natural Gas Transmission System	6/08	Portland Natural Gas Transmission System	Docket No. RP08-306-000	Market Assessment, Natural Gas Transportation, Rate Setting

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SPONSOR	DATE	CASE/APPLICANT	DOCKET NO.	SUBJECT
Portland Natural Gas Transmission System	5/10 3/11 4/11	Portland Natural Gas Transmission System	Docket No. RP10-729-000	Business Risks, Extraordinary and Non-recurring Events Pertaining to Discretionary Revenues
Morris Energy	7/10	Morris Energy	Docket No. RP10-79-000	Impact of Preferential Rate
Gulf South Pipeline	10/14	Gulf South Pipeline	Docket No. RP15-65-000	Business Risk, Rate Design
BNP Paribas Energy Trading, GP South Jersey Resource Group, LLC	2/15	Transcontinental Gas Pipe Line Corporation	Docket No. RP06-569-008 and RP07-376-005	Regulatory Policy, Incremental Rates, Stacked Rate
Tallgrass Interstate Gas Transmission, LLC	10/15 12/15	Tallgrass Interstate Gas Transmission, LLC	Docket No. RP16-137-000	Market Assessment, Rate Design, Rolled-in Rate Treatment
Florida Public Service Commission				
Florida Power and Light Co.	10/07	Florida Power & Light Co.	Docket No. 070650-EI	Need for New Nuclear Plant
Florida Power and Light Co.	5/08	Florida Power & Light Co.	Docket No. 080009-EI	New Nuclear Cost Recovery, Prudence
Florida Power and Light Co.	3/09 8/09	Florida Power & Light Co.	Docket No. 080677-EI	Benchmarking in Support of ROE
Florida Power and Light Co.	3/09 5/09 8/09	Florida Power & Light Co.	Docket No. 090009-EI	New Nuclear Cost Recovery, Prudence
Florida Power and Light Co.	3/10 5/10 8/10	Florida Power & Light Co.	Docket No. 100009-EI	New Nuclear Cost Recovery, Prudence
Florida Power and Light Co.	3/11 7/11	Florida Power & Light Co.	Docket No. 110009-EI	New Nuclear Cost Recovery, Prudence
Florida Power and Light Co.	3/12 7/12	Florida Power & Light Co.	Docket No. 120009-EI	New Nuclear Cost Recovery, Prudence



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SPONSOR	DATE	CASE/APPLICANT	DOCKET NO.	SUBJECT
Florida Power and Light Co.	3/12 8/12	Florida Power & Light Co.	Docket No. 120015-EI	Benchmarking in Support of ROE
Florida Power and Light Co.	3/13 7/13	Florida Power & Light Co.	Docket No. 130009	New Nuclear Cost Recovery, Prudence
Florida Power and Light Co.	3/14	Florida Power & Light Co.	Docket No. 140009	New Nuclear Cost Recovery, Prudence
Florida Power and Light Co.	3/15 7/15	Florida Power & Light Co.	Docket No. 150009	New Nuclear Cost Recovery, Prudence
Florida Power and Light Co.	10/15	Florida Power and Light Co.	Docket No. 150001	Recovery of Replacement Power Costs
Florida Power and Light Co.	3/16	Florida Power & Light Co.	Docket No. 160021-EI	Benchmarking in Support of ROE
Florida Senate Committee on Communication, Energy and Utilities				
Florida Power and Light Co.	2/09	Florida Power & Light Co.		Securitization
Hawai'i Public Utility Commission				
Hawaiian Electric Light Company, Inc.	6/00	Hawaiian Electric Light Company, Inc.	Docket No. 99-0207	Standby Charge
NextEra Energy, Inc. Hawaiian Electric Companies	4/15 8/15 10/15	Hawaiian Electric Company, Inc.; Hawaii Electric Light Company, Inc., Maui Electric Company, Ltd., NextEra Energy, Inc.	Docket No. 2015-0022	Merger Application
Illinois Commerce Commission				
Renewables Suppliers (Algonquin Power Co., EDP Renewables North America, Invenergy, NextEra Energy Resources)	3/14	Renewables Suppliers	Docket No. 13-0546	Application for Rehearing and Reconsideration, Long-term Purchase Power Agreements
WE Energies Corporation	8/14 12/14 2/15	WE Energies/Integrys	Docket No. 14-0496	Merger Application

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SPONSOR	DATE	CASE/APPLICANT	DOCKET NO.	SUBJECT
Indiana Utility Regulatory Commission				
Northern Indiana Public Service Company	10/01	Northern Indiana Public Service Company	Cause No. 41746	Valuation of Electric Generating Facilities
Northern Indiana Public Service Company	1/08 3/08	Northern Indiana Public Service Company	Cause No. 43396	Asset Valuation
Northern Indiana Public Service Company	8/08	Northern Indiana Public Service Company	Cause No. 43526	Fair Market Value Assessment
Indianapolis Power & Light Company	12/14	Indianapolis Power & Light Company	Cause No. 44576	Asset Valuation
Indianapolis Power & Light Company	12/16	Indianapolis Power & Light Company	Cause No. 44893	Rate Recovery for New Plant Additions, Valuation of Electric Generating Facilities
Iowa Utilities Board				
Interstate Power and Light	7/05	Interstate Power and Light and FPL Energy Duane Arnold, LLC	Docket No. SPU-05-15	Sale of Nuclear Plant
Interstate Power and Light	5/07	City of Everly, Iowa	Docket No. SPU-06-5	Municipalization
Interstate Power and Light	5/07	City of Kalona, Iowa	Docket No. SPU-06-6	Municipalization
Interstate Power and Light	5/07	City of Wellman, Iowa	Docket No. SPU-06-10	Municipalization
Interstate Power and Light	5/07	City of Terril, Iowa	Docket No. SPU-06-8	Municipalization
Interstate Power and Light	5/07	City of Rolfe, Iowa	Docket No. SPU-06-7	Municipalization
Kansas Corporation Commission				
Great Plains Energy Kansas City Power and Light Company	1/17	Great Plains Energy, Kansas City Power & Light Company, and Westar Energy	Docket No. 16-KCPE-593-ACQ	Merger Standards, Acquisition Premium, Ring-Fencing, Public Interest Standard
Great Plains Energy Kansas City Power and Light Company	8/17 2/18	Great Plains Energy, Kansas City Power & Light Company, and Westar Energy	Docket No. 18-KCPE-095-MER	Merger Standards, Transaction Value, Merger Benefits, Ring-Fencing,

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SPONSOR	DATE	CASE/APPLICANT	DOCKET NO.	SUBJECT
Maine Public Utility Commission				
Northern Utilities	5/96	Granite State and PNGTS	Docket No. 95-480, 95-481	Transportation Service and PBR
Maryland Public Service Commission				
Eastalco Aluminum	3/82	Potomac Edison	Docket No. 7604	Cost Allocation
Potomac Electric Power Company	8/99	Potomac Electric Power Company	Docket No. 8796	Stranded Cost & Price Protection
AltaGas Ltd./WGL Holdings	4/17 9/17 1/18 2/18	AltaGas Ltd./WGL Holdings	Docket No. 9449	Merger Standards, Public Interest Standard
Mass. Department of Public Utilities				
Haverhill Gas	5/82	Haverhill Gas	Docket No. DPU #1115	Cost of Capital
New England Energy Group	1/87	Commission Investigation		Gas Transportation Rates
Energy Consortium of Mass.	9/87	Commonwealth Gas Company	Docket No. DPU-87- 122	Cost Allocation, Rate Design
Mass. Institute of Technology	12/88	Middleton Municipal Light	DPU #88-91	Cost Allocation, Rate Design
Energy Consortium of Mass.	3/89	Boston Gas	DPU #88-67	Rate Design
PG&E Bechtel Generating Co./ Constellation Holdings	10/91	Commission Investigation	DPU #91-131	Valuation of Environmental Externalities
Coalition of Non-Utility Generators		Cambridge Electric Light Co. & Commonwealth Electric Co.	DPU 91-234 EFSC 91-4	Integrated Resource Management
The Berkshire Gas Company Essex County Gas Company Fitchburg Gas and Elec. Light Co.	5/92	The Berkshire Gas Company Essex County Gas Company Fitchburg Gas & Elec. Light Co.	DPU #92-154	Gas Purchase Contract Approval
Boston Edison Company	7/92	Boston Edison	DPU #92-130	Least Cost Planning
Boston Edison Company	7/92	The Williams/Newcorp Generating Co.	DPU #92-146	RFP Evaluation
Boston Edison Company	7/92	West Lynn Cogeneration	DPU #92-142	RFP Evaluation

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SPONSOR	DATE	CASE/APPLICANT	DOCKET NO.	SUBJECT
Boston Edison Company	7/92	L'Energia Corp.	DPU #92-167	RFP Evaluation
Boston Edison Company	7/92	DLS Energy, Inc.	DPU #92-153	RFP Evaluation
Boston Edison Company	7/92	CMS Generation Co.	DPU #92-166	RFP Evaluation
Boston Edison Company	7/92	Concord Energy	DPU #92-144	RFP Evaluation
The Berkshire Gas Company Colonial Gas Company Essex County Gas Company Fitchburg Gas and Electric Company	11/93	The Berkshire Gas Company Colonial Gas Company Essex County Gas Company Fitchburg Gas and Electric Co.	DPU #93-187	Gas Purchase Contract Approval
Bay State Gas Company	10/93	Bay State Gas Company	Docket No. 93-129	Integrated Resource Planning
Boston Edison Company	94	Boston Edison	DPU #94-49	Surplus Capacity
Hudson Light & Power Department	4/95	Hudson Light & Power Dept.	DPU #94-176	Stranded Costs
Essex County Gas Company	5/96	Essex County Gas Company	Docket No. 96-70	Unbundled Rates
Boston Edison Company	8/97	Boston Edison Company	D.P.U. No. 97-63	Holding Company Corporate Structure
Berkshire Gas Company	6/98	Berkshire Gas Mergeco Gas Co.	D.T.E. 98-87	Merger Approval
Eastern Edison Company	8/98	Montaup Electric Company	D.T.E. 98-83	Marketing for Divestiture of its Generation Business
Boston Edison Company	98	Boston Edison Company	D.T.E. 97-113	Fossil Generation Divestiture
Boston Edison Company	2/99	Boston Edison Company	D.T.E. 98-119	Nuclear Generation Divestiture
Eastern Edison Company	12/98	Montaup Electric Company	D.T.E. 99-9	Sale of Nuclear Plant
NStar	9/07 12/07	NStar, Bay State Gas, Fitchburg G&E, NE Gas, W. MA Electric	DPU 07-50	Decoupling, Risk
NStar	6/11	NStar, Northeast Utilities	DPU 10-170	Merger Approval
Mass. Energy Facilities Siting Council				
Mass. Institute of Technology	1/89	M.M.W.E.C.	EFSC-88-1	Least-Cost Planning
Boston Edison Company	9/90	Boston Edison	EFSC-90-12	Electric Generation Markets

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SPONSOR	DATE	CASE/APPLICANT	DOCKET NO.	SUBJECT
Silver City Energy Ltd. Partnership	11/91	Silver City Energy	D.P.U. 91-100	State Policies, Need for Facility
Michigan Public Service Commission				
Detroit Edison Company	9/98	Detroit Edison Company	Case No. U-11726	Market Value of Generation Assets
Consumers Energy Company	8/06 1/07	Consumers Energy Company	Case No. U-14992	Sale of Nuclear Plant
WE Energies	12/11	Wisconsin Electric Power Co	Case No. U-16830	Economic Benefits, Prudence
Consumer Energy Company	7/13	Consumers Energy Company	Case No. U-17429	Certificate of Need, Integrated Resource Plan
WE Energies	8/14 3/15	WE Energies/Integrus	Case No. U-17682	Merger Application
Minnesota Public Utilities Commission				
Xcel Energy/No. States Power	9/04	Xcel Energy/No. States Power	Docket No. G002/GR-04-1511	NRG Impacts
Interstate Power and Light	8/05	Interstate Power and Light and FPL Energy Duane Arnold, LLC	Docket No. E001/PA-05-1272	Sale of Nuclear Plant
Northern States Power Company d/b/a Xcel Energy	11/05	Northern States Power Company	Docket No. E002/GR-05-1428	NRG Impacts on Debt Costs
Northern States Power Company d/b/a Xcel Energy	09/06 10/06 11/06	NSP v. Excelsior	Docket No. E6472/M-05-1993	PPA, Financial Impacts
Northern States Power Company d/b/a Xcel Energy	11/06	Northern States Power Company	Docket No. G002/GR-06-1429	Return on Equity
Northern States Power	11/08 05/09	Northern States Power Company	Docket No. E002/GR-08-1065	Return on Equity
Northern States Power	11/09 6/10	Northern States Power Company	Docket No. G002/GR-09-1153	Return on Equity

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SPONSOR	DATE	CASE/APPLICANT	DOCKET NO.	SUBJECT
Northern States Power	11/10 5/11	Northern States Power Company	Docket No. E002/GR-10-971	Return on Equity
Northern States Power Company d/b/a Xcel Energy	1/16	Northern States Power Company	Docket No. E002/GR-15-826	Industry Perspective
Missouri House Committee on Energy and the Environment				
Ameren Missouri	3/16	Ameren Missouri	HB 2816	Performance Based Ratemaking
Missouri Public Service Commission				
Missouri Gas Energy	1/03 04/03	Missouri Gas Energy	Case No. GR-2001-382	Gas Purchasing Practices, Prudence
Aquila Networks	2/04	Aquila-MPS, Aquila L&P	Case Nos. ER-2004-0034 HR-2004-0024	Cost of Capital, Capital Structure
Aquila Networks	2/04	Aquila-MPS, Aquila L&P	Case No. GR-2004-0072	Cost of Capital, Capital Structure
Missouri Gas Energy	11/05 2/06 7/06	Missouri Gas Energy	Case Nos. GR-2002-348 GR-2003-0330	Capacity Planning
Missouri Gas Energy	11/10 1/11	KCP&L	Case No. ER-2010-0355	Natural Gas DSM
Missouri Gas Energy	11/10 1/11	KCP&L GMO	Case No. ER-2010-0356	Natural Gas DSM
Laclede Gas Company	5/11	Laclede Gas Company	Case No. CG-2011-0098	Affiliate Pricing Standards
Union Electric Company d/b/a Ameren Missouri	2/12 8/12	Union Electric Company	Case No. ER-2012-0166	ROE, Earnings Attrition, Regulatory Lag
Union Electric Company d/b/a Ameren Missouri	6/14	Noranda Aluminum Inc.	Case No. EC-2014-0223	Ratemaking, Regulatory and Economic Policy
Union Electric Company d/b/a Ameren Missouri	1/15 2/15	Union Electric Company	Case No. ER-2014-0258	Revenue Requirements, Ratemaking Policies



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SPONSOR	DATE	CASE/APPLICANT	DOCKET NO.	SUBJECT
Great Plains Energy Kansas City Power and Light Company	8/17 2/18 3/18	Great Plains Energy, Kansas City Power & Light Company, and Westar Energy	Docket No. EM-2018- 0012	Merger Standards, Transaction Value, Merger Benefits, Ring- Fencing,
Missouri Senate Committee on Commerce, Consumer Protection, Energy and the Environment				
Ameren Missouri	3/16	Ameren Missouri	SB 1028	Performance Based Ratemaking
Montana Public Service Commission				
Great Falls Gas Company	10/82	Great Falls Gas Company	Docket No. 82-4-25	Gas Rate Adjustment Clause
National Energy Board of Canada				
Alberta-Northeast	2/87	Alberta Northeast Gas Export Project	Docket No. GH-1-87	Gas Export Markets
Alberta-Northeast	11/87	TransCanada Pipeline	Docket No. GH-2-87	Gas Export Markets
Alberta-Northeast	1/90	TransCanada Pipeline	Docket No. GH-5-89	Gas Export Markets
Independent Petroleum Association of Canada	1/92	Interprovincial Pipe Line, Inc.	RH-2-91	Pipeline Valuation, Toll
The Canadian Association of Petroleum Producers	11/93	Transmountain Pipe Line	RH-1-93	Cost of Capital
Alliance Pipeline L.P.	6/97	Alliance Pipeline L.P.	GH-3-97	Market Study
Maritimes & Northeast Pipeline	97	Sable Offshore Energy Project	GH-6-96	Market Study
Maritimes & Northeast Pipeline	2/02	Maritimes & Northeast Pipeline	GH-3-2002	Natural Gas Demand Analysis
TransCanada Pipelines	8/04	TransCanada Pipelines	RH-3-2004	Toll Design
Brunswick Pipeline	5/06	Brunswick Pipeline	GH-1-2006	Market Study
TransCanada Pipelines Ltd.	12/06 4/07	TransCanada Pipelines Ltd.: Gros Cacouna Receipt Point Application	RH-1-2007	Toll Design
Repsol Energy Canada Ltd	3/08	Repsol Energy Canada Ltd	GH-1-2008	Market Study
Maritimes & Northeast Pipeline	7/10	Maritimes & Northeast Pipeline	RH-4-2010	Regulatory Policy, Toll Development
TransCanada Pipelines Ltd	9/11 5/12	TransCanada Pipelines Ltd.	RH-3-2011	Business Services and Tolls Application

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Trans Mountain Pipeline LLC	6/12 1/13	Trans Mountain Pipeline LLC	RH-1-2012	Toll Design
TransCanada Pipelines Ltd	8/13	TransCanada Pipelines Ltd	RE-001-2013	Toll Design
NOVA Gas Transmission Ltd	11/13	NOVA Gas Transmission Ltd	OF-Fac-Gas-N081- 2013-10 01	Toll Design
Trans Mountain Pipeline LLC	12/13	Trans Mountain Pipeline LLC	OF-Fac-Oil-T260- 2013-03 01	Economic and Financial Feasibility, Project Benefits
Energy East Pipeline Ltd.	10/14	Energy East Pipeline	Of-Fac-Oil-E266- 2014-01 02	Economic and Financial Feasibility, Project Benefits
NOVA Gas Transmission Ltd	5/16	NOVA Gas Transmission Ltd	GH-003-2015	Certificate of Public Convenience and Necessity
TransCanada PipeLines Limited	4/17 9/17	TransCanada PipeLines Limited	Dawn LTFP Service Application	Public Interest, Toll Design
NOVA Gas Transmission Ltd	10/17	NOVA Gas Transmission Ltd	MH-031-2017	Toll Design
New Brunswick Energy and Utilities Board				
Atlantic Wallboard/JD Irving Co	1/08	Enbridge Gas New Brunswick	MCTN #298600	Rate Setting for EGNB
Atlantic Wallboard/Flakeboard	9/09 6/10 7/10	Enbridge Gas New Brunswick	NBEUB 2009-017	Rate Setting for EGNB
Atlantic Wallboard/Flakeboard	1/14	Enbridge Gas New Brunswick	NBEUB Matter 225	Rate Setting for EGNB
NH Public Utilities Commission				
Bus & Industry Association	6/89	P.S. Co. of New Hampshire	Docket No. DR89- 091	Fuel Costs
Bus & Industry Association	5/90	Northeast Utilities	Docket No. DR89- 244	Merger & Acquisition Issues
Eastern Utilities Associates	6/90	Eastern Utilities Associates	Docket No. DF89- 085	Merger & Acquisition Issues

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SPONSOR	DATE	CASE/APPLICANT	DOCKET NO.	SUBJECT
EnergyNorth Natural Gas	12/90	EnergyNorth Natural Gas	Docket No. DE90-166	Gas Purchasing Practices
EnergyNorth Natural Gas	7/90	EnergyNorth Natural Gas	Docket No. DR90-187	Special Contracts, Discounted Rates
Northern Utilities, Inc.	12/91	Commission Investigation	Docket No. DR91-172	Generic Discounted Rates
Public Service Co. of New Hampshire	7/14	Public Service Co. of NH	Docket No. DE 11-250	Prudence
Public Service Co. of New Hampshire	7/15 11/15	Public Service Co. of NH	Docket No. 14-238	Restructuring and Rate Stabilization
New Jersey Board of Public Utilities				
Hilton/Golden Nugget	12/83	Atlantic Electric	B.P.U. 832-154	Line Extension Policies
Golden Nugget	3/87	Atlantic Electric	B.P.U. No. 837-658	Line Extension Policies
New Jersey Natural Gas	2/89	New Jersey Natural Gas	B.P.U. GR89030335J	Cost Allocation, Rate Design
New Jersey Natural Gas	1/91	New Jersey Natural Gas	B.P.U. GR90080786J	Cost Allocation, Rate Design
New Jersey Natural Gas	8/91	New Jersey Natural Gas	B.P.U. GR91081393J	Rate Design, Weather Normalization Clause
New Jersey Natural Gas	4/93	New Jersey Natural Gas	B.P.U. GR93040114J	Cost Allocation, Rate Design
South Jersey Gas	4/94	South Jersey Gas	BRC Dock No. GR080334	Revised Levelized Gas Adjustment
New Jersey Utilities Association	9/96	Commission Investigation	BPU AX96070530	PBOP Cost Recovery
Morris Energy Group	11/09	Public Service Electric & Gas	BPU GR 09050422	Discriminatory Rates
New Jersey American Water Co.	4/10	New Jersey American Water Co.	BPU WR 1040260	Tariff Rates and Revisions
Electric Customer Group	1/11	Generic Stakeholder Proceeding	BPU GR10100761 and ER10100762	Natural Gas Ratemaking Standards and pricing
New Mexico Public Service Commission				
Gas Company of New Mexico	11/83	Public Service Co. of New Mexico	Docket No. 1835	Cost Allocation, Rate Design

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SPONSOR	DATE	CASE/APPLICANT	DOCKET NO.	SUBJECT
Southwestern Public Service Co., New Mexico	12/12	SPS New Mexico	Case No. 12-00350-UT	Rate Case, Return on Equity
PNM Resources	12/13 10/14 12/14	Public Service Co. of New Mexico	Case No. 13-00390-UT	Nuclear Valuation, In Support of Stipulation
New York State Public Service Commission				
Iroquois Gas Transmission	12/86	Iroquois Gas Transmission System	Case No. 70363	Gas Markets
Brooklyn Union Gas Company	8/95	Brooklyn Union Gas Company	Case No. 95-6-0761	Panel on Industry Directions
Central Hudson, ConEdison and Niagara Mohawk	9/00	Central Hudson, ConEdison and Niagara Mohawk	Case No. 96-E-0909 Case No. 96-E-0897 Case No. 94-E-0098 Case No. 94-E-0099	Section 70, Approval of New Facilities
Central Hudson, New York State Electric & Gas, Rochester Gas & Electric	5/01	Joint Petition of NiMo, NYSEG, RG&E, Central Hudson, Constellation and Nine Mile Point	Case No. 01-E-0011	Section 70, Rebuttal Testimony
Rochester Gas & Electric	12/03	Rochester Gas & Electric	Case No. 03-E-1231	Sale of Nuclear Plant
Rochester Gas & Electric	1/04	Rochester Gas & Electric	Case No. 03-E-0765 Case No. 02-E-0198 Case No. 03-E-0766	Sale of Nuclear Plant; Ratemaking Treatment of Sale
Rochester Gas and Electric and NY State Electric & Gas Corp	2/10	Rochester Gas & Electric NY State Electric & Gas Corp	Case No. 09-E-0715 Case No. 09-E-0716 Case No. 09-E-0717 Case No. 09-E-0718	Depreciation Policy
National Fuel Gas Corporation	9/16 9/16	National Fuel Gas Corporation	Case No. 16-G-0257	Ring-fencing Policy
NextEra Energy Transmission New York	8/18	NextEra Energy Transmission New York	Case No. 18-T-0499	Certificate of Need for Transmission Line, Vertical Market Power
Nova Scotia Utility and Review Board				
Nova Scotia Power	9/12	Nova Scotia Power	Docket No. P-893	Audit Reply
Nova Scotia Power	8/14	Nova Scotia Power	Docket No. P-887	Audit Reply

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SPONSOR	DATE	CASE/APPLICANT	DOCKET NO.	SUBJECT
Nova Scotia Power	5/16	Nova Scotia Power	2017-2019 Fuel Stability Plan	Used and Useful Ratemaking
NSP Maritime Link ("NSPML")	12/16 2/17 5/17	NSP Maritime Link ("NSPML")	NSPML Interim Cost Assessment Application	Used and Useful Ratemaking
Oklahoma Corporation Commission				
Oklahoma Natural Gas Company	6/98	Oklahoma Natural Gas Company	Case PUD No. 980000177	Storage Issues
Oklahoma Gas & Electric Company	5/05 9/05	Oklahoma Gas & Electric Company	Cause No. PUD 200500151	Prudence of McLain Acquisition
Oklahoma Gas & Electric Company	3/08	Oklahoma Gas & Electric Company	Cause No. PUD 200800086	Acquisition of Redbud Generating Facility
Oklahoma Gas & Electric Company	8/14 1/15	Oklahoma Gas & Electric Company	Cause No. PUD 201400229	Integrated Resource Plan
Ontario Energy Board				
Market Hub Partners Canada, L.P.	5/06	Natural Gas Electric Interface Roundtable	File No. EB-2005-0551	Market-based Rates for Storage
Ontario Power Generation	9/13 2/14 5/14	Ontario Power Generation	EB-2013-0321	Prudence Review of Nuclear Project Management Processes
Pennsylvania Public Utility Commission				
ATOC	4/95	Equitrans	Docket No. R-00943272	Rate Design, Unbundling
ATOC	3/96 4/96	Equitrans	Docket No. P-00940886	Rate Design, Unbundling
Rhode Island Public Utilities Commission				
Newport Electric	7/81	Newport Electric	Docket No. 1599	Rate Attrition
South County Gas	9/82	South County Gas	Docket No. 1671	Cost of Capital
New England Energy Group	7/86	Providence Gas Company	Docket No. 1844	Cost Allocation, Rate Design
Providence Gas	8/88	Providence Gas Company	Docket No. 1914	Load Forecast, Least-Cost Planning

Recent Merger Financial Related Ring-Fencing Commitments



EXPERT TESTIMONY OF JOHN J. REED
REGULATORY AGENCIES

SPONSOR	DATE	CASE/APPLICANT	DOCKET NO.	SUBJECT
Providence Gas Company and The Valley Gas Company	1/01 3/02	Providence Gas Company and The Valley Gas Company	Docket No. 1673 and 1736	Gas Cost Mitigation Strategy
The New England Gas Company	3/03	New England Gas Company	Docket No. 3459	Cost of Capital
Texas Public Utility Commission				
Southwestern Electric	5/83	Southwestern Electric		Cost of Capital, CWIP
P.U.C. General Counsel	11/90	Texas Utilities Electric Company	Docket No. 9300	Gas Purchasing Practices, Prudence
Oncor Electric Delivery Company	8/07	Oncor Electric Delivery Company	Docket No. 34040	Regulatory Policy, Rate of Return, Return of Capital and Consolidated Tax Adjustment
Oncor Electric Delivery Company	6/08	Oncor Electric Delivery Company	Docket No.35717	Regulatory policy
Oncor Electric Delivery Company	10/08 11/08	Oncor, TCC, TNC, ETT, LCRA TSC, Sharyland, STEC, TNMP	Docket No. 35665	Competitive Renewable Energy Zone
CenterPoint Energy	6/10 10/10	CenterPoint Energy/Houston Electric	Docket No. 38339	Regulatory Policy, Risk, Consolidated Taxes
Oncor Electric Delivery Company	1/11	Oncor Electric Delivery Company	Docket No. 38929	Regulatory Policy, Risk
Cross Texas Transmission	8/12 11/12	Cross Texas Transmission	Docket No. 40604	Return on Equity
Southwestern Public Service	11/12	Southwestern Public Service	Docket No. 40824	Return on Equity
Lone Star Transmission	5/14	Lone Star Transmission	Docket No. 42469	Return on Equity, Debt, Cost of Capital
CenterPoint Energy Houston Electric, LLC	6/15	CenterPoint Energy Houston Electric, LLC	Docket No. 44572	Distribution Cost Recovery Factor
NextEra Energy, Inc.	10/16 2/17	Oncor Electric Delivery Company LLC, NextEra Energy	Docket No. 46238	Merger Application, Ring-fencing, Affiliate Interest, Code of Conduct

Recent Merger Financial Related Ring-Fencing Commitments



EXPERT TESTIMONY OF JOHN J. REED
REGULATORY AGENCIES

SPONSOR	DATE	CASE/APPLICANT	DOCKET NO.	SUBJECT
Texas Railroad Commission				
Western Gas Interstate Company	1/85	Southern Union Gas Company	Docket 5238	Cost of Service
Atmos Pipeline Texas	9/10 1/11	Atmos Pipeline Texas	GUD 10000	Ratemaking Policy, Risk
Atmos Pipeline Texas	1/17 4/17	Atmos Pipeline Texas	GUD 10580	Ratemaking Policy, ROE, Rate Design Policy
Texas State Legislature				
CenterPoint Energy	4/13	Association of Electric Companies of Texas	SB 1364	Consolidated Tax Adjustment Clause Legislation
Utah Public Service Commission				
AMAX Magnesium	1/88	Mountain Fuel Supply Company	Case No. 86-057-07	Cost Allocation, Rate Design
AMAX Magnesium	4/88	Utah P&L/Pacific P&L	Case No. 87-035-27	Merger & Acquisition
Utah Industrial Group	7/90 8/90	Mountain Fuel Supply	Case No. 89-057-15	Gas Transportation Rates
AMAX Magnesium	9/90	Utah Power & Light	Case No. 89-035-06	Energy Balancing Account
AMAX Magnesium	8/90	Utah Power & Light	Case No. 90-035-06	Electric Service Priorities
Questar Gas Company	12/07	Questar Gas Company	Docket No. 07-057-13	Benchmarking in Support of ROE
Vermont Public Service Board				
Green Mountain Power	8/82	Green Mountain Power	Docket No. 4570	Rate Attrition
Green Mountain Power	12/97	Green Mountain Power	Docket No. 5983	Cost of Service
Green Mountain Power	7/98 9/00	Green Mountain Power	Docket No. 6107	Rate Development

Recent Merger Financial Related Ring-Fencing Commitments



EXPERT TESTIMONY OF JOHN J. REED
REGULATORY AGENCIES

SPONSOR	DATE	CASE/APPLICANT	DOCKET NO.	SUBJECT
Wisconsin Public Service Commission				
WEC & WICOR	11/99	WEC	Docket No. 9401-YO-100 Docket No. 9402-YO-101	Approval to Acquire the Stock of WICOR
Wisconsin Electric Power Company	1/07	Wisconsin Electric Power Co.	Docket No. 6630-EI-113	Sale of Nuclear Plant
Wisconsin Electric Power Company	10/09	Wisconsin Electric Power Co.	Docket No. 6630-CE-302	CPCN Application for Wind Project
Northern States Power Wisconsin	10/13	Xcel Energy (dba Northern States Power Wisconsin)	Docket No. 4220-UR-119	Fuel Cost Adjustments
Wisconsin Electric Power Company	11/13	Wisconsin Electric Power Co.	Docket No. 6630-FR-104	Fuel Cost Adjustment
Wisconsin Gas LLC	5/14	Wisconsin Gas LLC	Docket No. 6650-CG-233	Gas Line Expansion, Reasonableness
WE Energy	8/14 1/15 3/15	WE Energy/Integrus	Docket No. 9400-YO-100	Merger Approval



EXPERT TESTIMONY OF JOHN J. REED
COURTS AND ARBITRATION

SPONSOR	DATE	CASE/APPLICANT	DOCKET NO.	SUBJECT
American Arbitration Association				
Michael Polsky	3/91	M. Polsky vs. Indeck Energy		Corporate Valuation, Damages
ProGas Limited	7/92	ProGas Limited v. Texas Eastern		Gas Contract Arbitration
Attala Generating Company	12/03	Attala Generating Co v. Attala Energy Co.	Case No. 16-Y-198-00228-03	Power Project Valuation, Breach of Contract, Damages
Nevada Power Company	4/08	Nevada Power v. Nevada Cogeneration Assoc. #2		Power Purchase Agreement
Sensata Technologies, Inc./EMS Engineered Materials Solutions, LLC	1/11	Sensata Technologies, Inc./EMS Engineered Materials Solutions, LLC v. Pepco Energy Services	Case No. 11-198-Y-00848-10	Change in Usage Dispute, Damages
Sandy Creek Energy Associates, L.P.	9/17	Sandy Creek Energy Associates, L.P. vs. Lower Colorado River Authority	Case No. 01-16-0002-6892	Power Purchase Agreement, Analysis of Damages
Canadian Arbitration Panel				
Hydro-Québec	4/15 5/16 7/16	Hydro-Fraser et al v. Hydro-Québec		Electric Price Arbitration
Commonwealth of Massachusetts, Appellate Tax Board				
NStar Electric Company	8/14	NStar Electric Company		Valuation Methodology
Western Massachusetts Electric Company	2/16	Western Massachusetts Electric Company v. Board of Assessors of The City of Springfield	Docket No. 315550 Docket No. 319349	Valuation Methodology
Commonwealth of Massachusetts, Suffolk Superior Court				
John Hancock	1/84	Trinity Church v. John Hancock	C.A. No. 4452	Damages Quantification
Court of Common Pleas of Philadelphia County, Civil Division				
Sunoco Marketing & Terminals L.P.	11/16	Sunoco Marketing & Terminals, L.P. v. South Jersey Resources Group	Case No. 150302520	Damages Quantification
State of Colorado District Court, County of Garfield				
Questar Corporation, et al	11/00	Questar Corporation, et al.	Case No. 00CV129-A	Partnership Fiduciary Duties



EXPERT TESTIMONY OF JOHN J. REED
COURTS AND ARBITRATION

SPONSOR	DATE	CASE/APPLICANT	DOCKET NO.	SUBJECT
State of Delaware, Court of Chancery, New Castle County				
Wilmington Trust Company	11/05	Calpine Corporation vs. Bank of New York and Wilmington Trust Company	C.A. No. 1669-N	Bond Indenture Covenants
Illinois Appellate Court, Fifth Division				
Norweb, PLC	8/02	Indeck No. America v. Norweb	Docket No. 97 CH 07291	Breach of Contract, Power Plant Valuation
Independent Arbitration Panel				
Alberta Northeast Gas Limited	2/98	ProGas Ltd., Canadian Forest Oil Ltd., AEC Oil & Gas		
Ocean State Power	9/02	Ocean State Power vs. ProGas Ltd.	2001/2002 Arbitration	Gas Price Arbitration
Ocean State Power	2/03	Ocean State Power vs. ProGas Ltd.	2002/2003 Arbitration	Gas Price Arbitration
Ocean State Power	6/04	Ocean State Power vs. ProGas Ltd.	2003/2004 Arbitration	Gas Price Arbitration
Shell Canada Limited	7/05	Shell Canada Limited and Nova Scotia Power Inc.		Gas Contract Price Arbitration
International Court of Arbitration				
Wisconsin Gas Company, Inc.	2/97	Wisconsin Gas Co. vs. Pan-Alberta	Case No. 9322/CK	Contract Arbitration
Minnegasco, A Division of NorAm Energy Corp.	3/97	Minnegasco vs. Pan-Alberta	Case No. 9357/CK	Contract Arbitration
Utilicorp United Inc.	4/97	Utilicorp vs. Pan-Alberta	Case No. 9373/CK	Contract Arbitration
IES Utilities	97	IES vs. Pan-Alberta	Case No. 9374/CK	Contract Arbitration
Mitsubishi Heavy Industries, Ltd., and Mitsubishi Nuclear Energy Systems, Inc.	12/15 2/16	Southern California Edison Company, Edison Material Supply LLC, San Diego Gas & Electric Co., and the City of Riverside vs. Mitsubishi Heavy Industries, Ltd., and Mitsubishi Nuclear Energy Systems, Inc.	Case No. 19784/AGF/RD	Damages Arising Under a Nuclear Power Equipment Contract

Recent Merger Financial Related Ring-Fencing Commitments



EXPERT TESTIMONY OF JOHN J. REED
COURTS AND ARBITRATION

SPONSOR	DATE	CASE/APPLICANT	DOCKET NO.	SUBJECT
International Chamber of Commerce				
Senvion GmbH	4/17	Senvion GmbH v. EDF Renewable Energy, Inc.	Case No. 01-15-0005-4590	Breach-Related Damages, Unfair Competition, Unjust Enrichment
Senvion GmbH	9/17	Senvion GmbH v. EEN CA Lac Alfred Limited Partnership, et al.	Case No. 21535	Breach-Related Damages
Senvion GmbH	12/17	Senvion GmbH v. EEN CA Massif du Sud Limited Partnership, et al.	Case No. 21536	Breach-Related Damages
State of New Jersey, Mercer County Superior Court				
Transamerica Corp., et al.	7/07 10/07	IMO Industries Inc. vs. Transamerica Corp., et al.	Docket No. L-2140-03	Breach-Related Damages, Enterprise Value
State of New York, Nassau County Supreme Court				
Steel Los III, LP	6/08	Steel Los II, LP & Associated Brook, Corp v. Power Authority of State of NY	Index No. 5662/05	Property Seizure
Province of Alberta, Court of Queen's Bench				
Alberta Northeast Gas Limited	5/07	Cargill Gas Marketing Ltd. vs. Alberta Northeast Gas Limited	Action No. 0501-03291	Gas Contracting Practices
State of Rhode Island, Providence City Court				
Aquidneck Energy	5/87	Laroche vs. Newport		Least-Cost Planning
State of Texas, Hutchinson County Court				
Western Gas Interstate	5/85	State of Texas vs. Western Gas Interstate Co.	Case No. 14,843	Cost of Service
State of Utah, Third District Court				
PacifiCorp & Holme, Roberts & Owen, LLP	1/07	USA Power & Spring Canyon Energy vs. PacifiCorp. et al.	Civil No. 050903412	Breach-Related Damages
U.S. Bankruptcy Court, District of New Hampshire				
EUA Power Corporation	7/92	EUA Power Corporation	Case No. BK-91-10525-JEY	Pre-Petition Solvency



EXPERT TESTIMONY OF JOHN J. REED
COURTS AND ARBITRATION

SPONSOR	DATE	CASE/APPLICANT	DOCKET NO.	SUBJECT
U.S. Bankruptcy Court, District of New Jersey				
Ponderosa Pine Energy Partners, Ltd.	7/05	Ponderosa Pine Energy Partners, Ltd.	Case No. 05-21444	Forward Contract Bankruptcy Treatment
U.S. Bankruptcy Court, No. District of New York				
Cayuga Energy, NYSEG Solutions, The Energy Network	09/09	Cayuga Energy, NYSEG Solutions, The Energy Network	Case No. 06-60073-6-sdg	Going Concern
U.S. Bankruptcy Court, So. District of New York				
Johns Manville	5/04	Enron Energy Mktg. v. Johns Manville; Enron No. America v. Johns Manville	Case No. 01-16034 (AJG)	Breach of Contract, Damages
U.S. Bankruptcy Court, Northern District of Texas				
Southern Maryland Electric Cooperative, Inc., and Potomac Electric Power Company	11/04	Mirant Corporation, et al. v. SMECO	Case No. 03-4659; Adversary No. 04-4073	PPA Interpretation, Leasing
Consolidated Edison Company	2/08 6/08	Consolidated Edison Company v. United States	No. 04-0033C	SNF Expert Report
Vermont Yankee Nuclear Power Corporation	6/08	Vermont Yankee Nuclear Power Corporation	No. 03-2663C	SNF Expert Report
U. S. District Court, Boulder County, Colorado				
KN Energy, Inc.	3/93	KN Energy vs. Colorado GasMark, Inc.	Case No. 92 CV 1474	Gas Contract Interpretation
U. S. District Court, Northern California				
Pacific Gas & Electric Co./PGT PG&E/PGT Pipeline Exp. Project	4/97	Norcen Energy Resources Limited	Case No. C94-0911 VRW	Fraud Claim
U. S. District Court, District of Connecticut				
Constellation Power Source, Inc.	12/04	Constellation Power Source, Inc. v. Select Energy, Inc.	Civil Action 304 CV 983 (RNC)	ISO Structure, Breach of Contract

Recent Merger Financial Related Ring-Fencing Commitments



EXPERT TESTIMONY OF JOHN J. REED
COURTS AND ARBITRATION

SPONSOR	DATE	CASE/APPLICANT	DOCKET NO.	SUBJECT
U.S. District Court, Northern District of Illinois, Eastern Division				
U.S. Securities and Exchange Commission	4/12	U.S. Securities and Exchange Commission v. Thomas Fisher, Kathleen Halloran, and George Behrens	Case No. 07 C 4483	Prudence, PBR
U. S. District Court, Massachusetts				
Eastern Utilities Associates & Donald F. Pardus	3/94	NECO Enterprises Inc. vs. Eastern Utilities Associates	Civil Action No. 92-10355-RCL	Seabrook Power Sales
U. S. District Court, Montana				
KN Energy, Inc.	9/92	KN Energy v. Freeport MacMoRan	Docket No. CV 91-40-BLG-RWA	Gas Contract Settlement
U.S. District Court, New Hampshire				
Portland Natural Gas Transmission and Maritimes & Northeast Pipeline	9/03	Public Service Company of New Hampshire vs. PNGTS and M&NE Pipeline	Docket No. C-02-105-B	Impairment of Electric Transmission Right-of-Way
U. S. District Court, Southern District of New York				
Central Hudson Gas & Electric	11/99 8/00	Central Hudson v. Riverkeeper, Inc., Robert H. Boyle, John J. Cronin	Civil Action 99 Civ 2536 (BDP)	Electric Restructuring, Environmental Impacts
Consolidated Edison	3/02	Consolidated Edison v. Northeast Utilities	Case No. 01 Civ. 1893 (JGK) (HP)	Industry Standards for Due Diligence
Merrill Lynch & Company	1/05	Merrill Lynch v. Allegheny Energy, Inc.	Civil Action 02 CV 7689 (HB)	Due Diligence, Breach of Contract, Damages
U. S. District Court, Eastern District of Virginia				
Aquila, Inc.	1/05 2/05	VPEM v. Aquila, Inc.	Civil Action 304 CV 411	Breach of Contract, Damages
U. S. District Court, Western District of Virginia				
Washington Gas Light Company	8/15 9/15	Washington Gas Light Company v. Mountaineer Gas Company	Civil Action No. 5:14-cv-41	Nominations and Gas Balancing, Lost and Unaccounted for Gas, Damages



EXPERT TESTIMONY OF JOHN J. REED
COURTS AND ARBITRATION

SPONSOR	DATE	CASE/APPLICANT	DOCKET NO.	SUBJECT
U. S. District Court, Portland Maine				
ACEC Maine, Inc. et al.	10/91	CIT Financial vs. ACEC Maine	Docket No. 90-0304-B	Project Valuation
Combustion Engineering	1/92	Combustion Eng. vs. Miller Hydro	Docket No. 89-0168P	Output Modeling, Project Valuation
U.S. Securities and Exchange Commission				
Eastern Utilities Association	10/92	EUA Power Corporation	File No. 70-8034	Value of EUA Power
U.S. Tax Court in Illinois				
Exelon Corporation	4/15 6/15	Exelon Corporation, as Successor by Merger to Unicom Corporation and Subsidiaries et al. v. Commission of Internal Revenue	Docket Nos. 29183-13, 29184-13	Valuation of Analysis of Lease Terms and Quantify Plant Values
Council of the District of Columbia Committee on Consumer and Regulatory Affairs				
Potomac Electric Power Co.	7/99	Potomac Electric Power Co.	Bill 13-284	Utility Restructuring

BEFORE THE
PUBLIC UTILITY COMMISSION OF OREGON

DOCKET NO. UM 1897

JOHN REED
Exhibit No. 2002

Recent Merger Governance Conditions

Merger/ Jurisdiction	Transaction Completed	Buyer Designation	Executive Management (#4)¹	Majority Independent Board² (#5)	Executive Compensation (New)³
AltaGas/WGL	7/6/2018	CAN			
DC			✓	✓	No
MD			✓	✓	No
VA			No	No	No
South Jersey /Elizabethtown	7/2/2018	U.S.			
NJ			✓	No	No
South Jersey /Elkton		U.S.			
MD			✓	No	No
GPE/Westar	6/4/2018	U.S.			
KS			✓	✓	No
MO			No	✓	No
Sempra/Oncor	3/9/2018	U.S.			
TX			✓	✓	No
People's Natural Gas/Delta Natural Gas	9/20/2017	U.S.			
KY			No	No	No
First Reserve/Gas Natural	8/14/2017	U.S.			

¹ Indicates whether the acquired company will retain all current executive management.

² Indicates whether a majority NYSE Independent Board was required; also includes instances where a separate board of outside directors was required.

³ Indicates that the level of compensation of the acquired entities employees is determined only by the acquired entities Board of Directors, not the Parent.



Merger/ Jurisdiction	Transaction Completed	Buyer Designation	Executive Management (#4) ¹	Majority Independent Board ² (#5)	Executive Compensation (New) ³
ME			No	No	No
MT			No	No	No
NC			No	No	No
OH			No	No	No
Algonquin⁴/Empire District	1/5/2017	CAN			
AR			No	No	No
KS			No	No	No
MO			No	✓	No
Fortis/ITC	10/14/2016	CAN			
MO			No	✓	No
WI			No	✓	No
Duke/Piedmont Natural Gas	10/3/2016	U.S.			
NC			No	No	No
TN			No	No	No
Dominion/Questar	9/16/2016	U.S.			
ID			No	No	No
UT			No	No	No
WY			✓	No	No

⁴ Algonquin is the parent of Liberty Utilities.

Merger/ Jurisdiction	Transaction Completed	Buyer Designation	Executive Management (#4) ¹	Majority Independent Board ² (#5)	Executive Compensation (New) ³
Southern/AGL Resources⁵	7/1/2016	U.S.			
GA			No	No	No
IL			No	No	No
MD			No	✓	No
NJ			No	✓	No
VA			No	No	No
Emera/TECO⁶	7/1/2016	CAN			
NM			No	No ⁷	No
Macquarie/Cleco⁸	4/13/2016	PE ⁹			
LA			No	✓	No
Exelon/PEPCO¹⁰	3/23/2016	U.S.			
DC			✓	✓	No
DE			No	No	No
MD			No	No	No
NJ			No	No	No
VA			No	No	No

⁵ In MD and NJ, AGL Resources will continue to have a separate board of outside directors for a minimum of five years after the transaction closes. As of July 2018, both MD and NJ entities have been sold to South Jersey Industries.

⁶ Emera agreed to establish a separate subsidiary board for New Mexico Gas.

⁷ Separate board with outside directors, but not majority independent.

⁸ The Cleco Board shall include at least four Louisiana residents who are independent.

⁹ PE is Private Equity

¹⁰ DC required that 4 of 7 Board members be NYSE Independent; MD, DE and NJ all required that 3 of 7 Board members be NYSE Independent.

Merger/ Jurisdiction	Transaction Completed	Buyer Designation	Executive Management (#4)¹	Majority Independent Board² (#5)	Executive Compensation (New)³
Black Hills/SourceGas	2/12/2016	U.S.			
AR			No	No	No
CO			No	No	No
NE			No	No	No
Iberdrola / UIL¹¹	12/16/2015	SPAIN			
CT			✓	No	No
MA			✓	No	No
WEC/Integrus	6/29/2015	U.S.			
IL			No	No	No
MN			No	No	No
WI			No	No	No
Berkshire Hathaway/Altalink	12/1/2014	U.S.			
Alberta			No ¹²	✓	No
TECO/New Mexico Gas	9/2/2014	U.S.			
NM			No	No	No
Laclede/Alabama Gas Corp.	8/31/2014	U.S.			
AL			No	No	No
Fortis/UNS	8/15/2014	CAN			

¹¹ CT and MA required that 3 of 7 Board members be NYSE Independent.

¹² Committed to not make any changes to management.

Merger/ Jurisdiction	Transaction Completed	Buyer Designation	Executive Management (#4)¹	Majority Independent Board² (#5)	Executive Compensation (New)³
AZ			No	✓	No
Avista/Alaska Energy & Resources	7/1/2014	U.S.			
AK			No	No	No
Laclede/New England Gas	12/20/2013	U.S.			
MA			No	No	No
Algonquin/New England Gas	12/20/2013	CAN			
MA			No	No	No
Berkshire Hathaway/NV Energy	12/19/2013	U.S.			
NV			No	No	No
Laclede/Missouri Gas	9/1/2013	U.S.			
MO			No	No	No
Fortis/CH Energy	6/27/2013	CAN			
NY			✓	✓	No
Algonquin/Atmos Energy	4/2/2013	CAN			
GA			No	✓	No
AltaGas Ltd./SEMCo	8/30/2012				
AK			No	No	No
Algonquin/Granite State	7/3/2012	U.S.			
NH			No	No	No

Merger/ Jurisdiction	Transaction Completed	Buyer Designation	Executive Management (#4)¹	Majority Independent Board² (#5)	Executive Compensation (New)³
Duke Energy/Progress	7/2/2012	U.S.			
KY			No	No	No
NC			✓	No	No
SC			No	No	No
Gaz Métro/Central Vermont Public Service	6/27/2012	CAN			
VT			No	No	No
Northeast Utilities/NSTAR	4/10/2012	U.S.			
CT			✓	No	No
MA			No	No	No
Exelon/Constellation	3/12/2012	U.S.			
MD ¹³			No	No	No
AGL Resources/Nicor Gas	12/9/2011	U.S.			
CA			No	No	No
IL			No	No	No
AES/ DPL	11/28/2011	U.S.			
OH			No	No	No
FirstEnergy/Allegheny	2/25/2011	U.S.			
MD			No	No	No

¹³ Required that at least one-third of the Board be NYSE Independent; Exelon was required to obtain a non-consolidation opinion in Maryland, but not to form a SPE.

Merger/ Jurisdiction	Transaction Completed	Buyer Designation	Executive Management (#4)¹	Majority Independent Board² (#5)	Executive Compensation (New)³
NJ			No	No	No
PA			No	No	No
VA			No	No	No
WV			No	No	No
UIL/Three gas Utilities	11/16/2010	U.S.			
CT			No	No	No
PPL/E.ON (LG&E & KU)	11/1/2010	U.S.			
KY			✓	No	No
VA			No	No	No

BEFORE THE
PUBLIC UTILITY COMMISSION OF OREGON

DOCKET NO. UM 1897

JOHN REED
Exhibit No. 2003

Recent Merger Bankruptcy Ring-Fencing Conditions

Merger/ Jurisdiction	Transaction Completed	Buyer Designation	Golden Share (#55) ¹	Vote of Ind. Directors (#56) ²	SPE (#58) ³	Non- Consol. Opinion (#57) ⁴	No Co- mingling Cash Flows (#54) ⁵	Restrictions on Acquisitions and Dispositions (#61) ⁶	No Intercompany Debt, Lending or pledging (#59, #62 and #63) ⁷
AltaGas/WGL	7/6/2018	CAN							
DC			✓	✓	✓	✓+	✓	✓	✓
MD			✓	✓	✓	✓+	✓	✓	✓
VA			No	No	No	No	No	No	No
South Jersey / Elizabethtown	7/2/2018	U.S.							
NJ			No	No	No	No	No	No	✓
South Jersey / Elkton		U.S.							
MD			No	No	No	No	No	✓	✓
GPE/Westar	6/4/2018	U.S.							
KS			No	No	No	No	✓	No	✓
MO			No	No	No	No	No	No	No
Sempra/Oncor	3/9/2018	U.S.							
TX			No	No	No	✓	No	No	✓

¹ Commitments requiring an affirmative vote of Director holding a Golden Share required in order for the utility to file a voluntary petition for bankruptcy.

² Commitments requiring a majority vote of the Independent Directors of the acquired company to file for voluntary bankruptcy.

³ Commitments requiring a bankruptcy-remote Special Purpose Entity, or SPE, to own all of the shares in the subject utility.

⁴ Commitments requiring that a non-consolidation opinion must be filed following closing. ✓ means that a non-consolidation opinion (“NCO”) is required in future under certain events. A ✓+ means that NCO is required within some period following closing.

⁵ Commitments restricting the co-mingling of subsidiary cash flows common accounts.

⁶ Restrictions on the Parent’s ability to acquire or sell regulated or unregulated business.

⁷ Commitments restricting, without Commission approval, inter-company debt or lending, utility may not pledge or transfer assets to Parent or any other subsidiaries. If a transaction includes any commitment similar to the Hydro One/Avista commitments, it is noted as ✓

Merger/ Jurisdiction	Transaction Completed	Buyer Designation	Golden Share (#55) ¹	Vote of Ind. Directors (#56) ²	SPE (#58) ³	Non- Consol. Opinion (#57) ⁴	No Co- mingling Cash Flows (#54) ⁵	Restrictions on Acquisitions and Dispositions (#61) ⁶	No Intercompany Debt, Lending or pledging (#59, #62 and #63) ⁷
People's Natural Gas/Delta Natural Gas	9/20/2017	U.S.							
KY			No	No	No	No	No	No	✓
First Reserve/Gas Natural	8/4/2017	U.S.							
ME			No	No	No	No	No	No	No
MT			No	No	No	No	No	No	No
NC			No	No	No	No	No	No	No
OH			No	No	No	No	No	No	✓
Algonquin⁸/ Empire District	1/5/2017	CAN							
AR			No	No	No	No	✓	No	✓
KS			No	No	No	No	✓	No	✓
MO			No	No	No	No	No	No	✓
Fortis/ITC	10/14/2016	CAN							
MO			No	No	No	No	No	No	No
WI			No	No	No	No	No	No	No
Duke/ Piedmont Natural Gas	10/3/2016	U.S.							

⁸ Algonquin is the parent of Liberty Utilities.

Merger/ Jurisdiction	Transaction Completed	Buyer Designation	Golden Share (#55) ¹	Vote of Ind. Directors (#56) ²	SPE (#58) ³	Non- Consol. Opinion (#57) ⁴	No Co- mingling Cash Flows (#54) ⁵	Restrictions on Acquisitions and Dispositions (#61) ⁶	No Intercompany Debt, Lending or pledging (#59, #62 and #63) ⁷
NC			No	No	No	No	No	No	✓
TN			No	No	No	No	No	No	No
Dominion/ Questar	9/16/2016	U.S.							
ID			No	No	No	No	No	✓	✓
UT			No	No	No	No	No	✓	✓
WY			No	No	No	No	No	No	No
Southern/AGL Resources	7/1/2016	U.S.							
GA			No	No	No	No	No	No	No
IL			No	No	No	No	No	No	No
MD			No	No	No	No	No	No	No
NJ			No	No	No	No	No	No	No
VA			No	No	No	No	No	No	No
Emera/TECO	7/1/2016	CAN							
NM			No	No	No	No	No	No	No
Macquarie/ Cleco	4/13/2016	PE ⁹							
LA			No	No	No	✓+	No	No	✓
Exelon/ PEPCO	3/23/2016	U.S.							
DC			✓	No	✓	✓+	✓	No	✓

⁹ PE is Private Equity

Merger/ Jurisdiction	Transaction Completed	Buyer Designation	Golden Share (#55) ¹	Vote of Ind. Directors (#56) ²	SPE (#58) ³	Non- Consol. Opinion (#57) ⁴	No Co- mingling Cash Flows (#54) ⁵	Restrictions on Acquisitions and Dispositions (#61) ⁶	No Intercompany Debt, Lending or pledging (#59, #62 and #63) ⁷
DE			✓	No	✓	✓+	✓	No	✓
MD			✓	No	✓	✓+	✓	No	✓
NJ			✓	No	✓	✓+	✓	No	✓
VA			No	No	No	No	No	No	No
Black Hills/ SourceGas	2/12/2016	U.S.							
AR			No	No	No	No	✓	No	✓
CO			No	No	No	No	No	No	✓
NE			No	No	No	No	No	No	✓
Iberdrola / UIL	12/16/2015	SPAIN							
CT			✓	No	✓	✓	✓	✓	✓
MA			✓	No	✓	✓	✓	✓	✓
WEC/Integrus	6/29/2015	U.S.							
IL			No	No	No	No	No	✓	✓
MN			No	No	No	No	No	No	✓
WI			No	No	No	No	No	No	No
Berkshire Hathaway/ Altalink	12/1/2014	U.S.							
Alberta			No	No	No	No	No	No	No
TECO/New Mexico Gas	9/2/2014	U.S.							
NM			No	No	No	No	No	No	No
Laclede/	8/31/2014	U.S.							

Merger/ Jurisdiction	Transaction Completed	Buyer Designation	Golden Share (#55) ¹	Vote of Ind. Directors (#56) ²	SPE (#58) ³	Non- Consol. Opinion (#57) ⁴	No Co- mingling Cash Flows (#54) ⁵	Restrictions on Acquisitions and Dispositions (#61) ⁶	No Intercompany Debt, Lending or pledging (#59, #62 and #63) ⁷
Alabama Gas Corp.									
AL			No	No	No	No	No	No	No
Fortis/UNS	8/15/2014	CAN							
AZ			✓	No ¹⁰	No	No	✓	✓	✓
Avista/Alaska Energy & Resources	7/1/2014	U.S.							
AK			No	No	No	No	No	No	No
Laclede/New England Gas	12/20/2013	U.S.							
MA			No	No	No	No	No	No	No
Algonquin/ New England Gas	12/20/2013	CAN							
MA			No	No	No	No	No	No	No
Berkshire Hathaway/NV Energy	12/19/2013	U.S.							
NV			No	No	No	No	No	No	✓
Laclede/ Missouri Gas	9/1/2013	U.S.							
MO			No	No	No	✓	No	No	✓

Merger/ Jurisdiction	Transaction Completed	Buyer Designation	Golden Share (#55) ¹	Vote of Ind. Directors (#56) ²	SPE (#58) ³	Non- Consol. Opinion (#57) ⁴	No Co- mingling Cash Flows (#54) ⁵	Restrictions on Acquisitions and Dispositions (#61) ⁶	No Intercompany Debt, Lending or pledging (#59, #62 and #63) ⁷
Fortis/CH Energy	6/27/2013	CAN							
NY			✓	No	No	No	✓	No	✓
Algonquin/ Atmos Energy	4/2/2013	CAN							
GA			No	No	No	No	No	No	No
Algonquin/ Granite State	7/3/2012	U.S.							
NH			No	No	No	No	No	No	No
Duke Energy/Progress	7/2/2012	U.S.							
KY			No	No	No	No	No	✓	✓
NC			No	No	No	No	No	✓	✓
SC			No	No	No	No	No	No	No
Gaz Métro/Central Vermont Public Service	6/27/2012	CAN							
VT			No	No	No	No	✓	✓	✓
Northeast Utilities/ NSTAR	4/10/2012	U.S.							
CT			No	No	No	No	No	No	No
MA			No	No	No	No	No	No	No
Exelon/	3/12/2012	U.S.							

Merger/ Jurisdiction	Transaction Completed	Buyer Designation	Golden Share (#55) ¹	Vote of Ind. Directors (#56) ²	SPE (#58) ³	Non- Consol. Opinion (#57) ⁴	No Co- mingling Cash Flows (#54) ⁵	Restrictions on Acquisitions and Dispositions (#61) ⁶	No Intercompany Debt, Lending or pledging (#59, #62 and #63) ⁷
Constellation									
MD			No	No	✓	✓+	No	No	✓
AGL Resources/ Nicor Gas	12/9/2011	U.S.							
CA			No	No	No	No	No	No	No
IL			No	No	No	No	No	No	No
AES/ DPL	11/28/2011	U.S.							
OH			No	No	No	No	No	No	No
FirstEnergy/ Allegheny	2/25/2011	U.S.							
MD			No	No	No	No	No	No	No
NJ			No	No	No	No	No	No	No
PA			No	No	No	No	No	No	No
VA			No	No	No	No	No	No	No
WV			No	No	No	No	No	No	✓
UIL/Three gas Utilities	11/16/2010	U.S.							
CT			No	No	No	No	No	No	No
PPL/E.ON (LG&E & KU)	11/1/2010	U.S.							
KY			No	No	No	No	No	No	No
VA			No	No	No	No	No	No	✓

BEFORE THE
PUBLIC UTILITY COMMISSION OF OREGON

DOCKET NO. UM 1897

JOHN REED
Exhibit No. 2004

Recent Merger Financial Ring-Fencing Conditions

Recent Merger Financial Related Ring-Fencing Commitments

Merger/ Jurisdiction	Transaction Completed	Buyer Designation	Cost of Capital (#43) ¹	Access to Capital (#44 & #53) ²	Capital Structure (equity floor) (#45 & #47) ³	Other Credit-Related (#46, #48 & #49) ⁴	Reporting and Compliance (#51 & #52) ⁵	Dividend Restrictions (#50) ⁶	Hold Harmless (#36) ⁷
AltaGas/WGL	7/6/2018	CAN							
DC			✓	✓	✓	✓	No	✓	✓
MD			✓	✓	✓	✓	No	✓	✓
VA			No	No	No	No	No	No	No
South Jersey / Elizabethtown	7/1/2018	U.S.							
NJ			No	✓	✓	✓	No	✓	No
South Jersey / Elkton	7/1/2018	U.S.							
MD			No	No	✓	✓	No	✓	No
GPE/Westar	6/4/2018	U.S.							
KS			✓	✓	✓	✓	No	✓	✓
MO			✓	No	No	✓	No	No	✓
Sempra/Oncor	3/9/2018	U.S.							
TX			No	✓	✓	✓	No	✓	No
People's Natural Gas/Delta Natural Gas	9/20/2017	U.S.							

¹ Includes commitments regarding cost of capital will not be more costly as a result of the transaction.

² Includes any commitments of Parent to provide equity and credit support.

³ Includes any commitments regarding capital structure, including common equity and maintaining the ability to issue First Mortgage Bonds.

⁴ Includes any commitments regarding separate debt and preferred stock, no inter-company lending or money pools, no cross-default, no transfer of assets, debt will be separately rated and credit facilitates prudently managed.

⁵ Commitments to comply with SEC reporting required and the Sarbanes-Oxley Act.

⁶ Includes any commitments restricting upward dividends to Parent.

⁷ Commitment to hold customers harmless from any business and financial risk exposures associated with the Parent.

Recent Merger Financial Related Ring-Fencing Commitments

Merger/ Jurisdiction	Transaction Completed	Buyer Designation	Cost of Capital (#43) ¹	Access to Capital (#44 & #53) ²	Capital Structure (equity floor) (#45 & #47) ³	Other Credit-Related (#46, #48 & #49) ⁴	Reporting and Compliance (#51 & #52) ⁵	Dividend Restrictions (#50) ⁶	Hold Harmless (#36) ⁷
KY			No	No	✓	No	No	✓	No
First Reserve/Gas Natural	8/4/2017	U.S.							
ME			No	No	No	No	No	No	No
MT			No	No	✓	✓	No	✓	No
NC			No	✓	✓	No	No	✓	✓
OH			No	No	✓	No	No	No	No
Algonquin⁸/Empire District	1/5/2017	CAN							
AR			No	✓	✓	No	No	✓	No
KS			✓	✓	✓	No	No	✓	No
MO			No	No	✓	No	No	✓	No
Fortis/ITC	10/14/2016	CAN							
MO			No	No	No	✓	No	No	No
WI			No	No	No	✓	No	No	No
Duke/Piedmont Natural Gas	10/3/2016	U.S.							
NC			✓	No	✓	✓	No	✓	✓
TN			No	No	No	No	No	No	No
Dominion/Questar	9/16/2016	U.S.							
ID			✓	✓	✓	✓	No	No	✓
UT			✓	✓	✓	✓	No	No	✓

⁸ Algonquin is the parent of Liberty Utilities.

Recent Merger Financial Related Ring-Fencing Commitments

Merger/ Jurisdiction	Transaction Completed	Buyer Designation	Cost of Capital (#43) ¹	Access to Capital (#44 & #53) ²	Capital Structure (equity floor) (#45 & #47) ³	Other Credit-Related (#46, #48 & #49) ⁴	Reporting and Compliance (#51 & #52) ⁵	Dividend Restrictions (#50) ⁶	Hold Harmless (#36) ⁷
WY			✓	No	✓	✓	No	No	No
Southern/AGL Resources	7/1/2016	U.S.							
GA			✓	No	No	No	No	No	No
IL			No	No	No	No	No	No	No
MD			No	No	✓	No	No	No	No
NJ			No	✓	No	No	No	No	✓
VA			No	No	No	No	No	No	No
Emera/TECO	7/1/2016	CAN							
NM			No	✓	✓	No	No	✓	No
Macquarie/Cleco	4/13/2016	PE ⁹							
LA			✓	No	✓	✓	No	✓	✓
Exelon/PEPCO	3/23/2016	U.S.							
DC			No	No	✓	✓	No	✓	No
DE			No	No	✓	✓	No	✓	No
MD			No	No	✓	✓	No	✓	No
NJ			No	No	✓	✓	No	✓	No
VA			No	No	No	No	No	No	No
Black Hills/SourceGas	2/12/2016	U.S.							
AR			No	No	✓	No	No	✓	No
CO			No	No	No	No	No	No	No
NE			No	No	No	No	No	✓	No

⁹ PE is Private Equity

Recent Merger Financial Related Ring-Fencing Commitments

Merger/ Jurisdiction	Transaction Completed	Buyer Designation	Cost of Capital (#43) ¹	Access to Capital (#44 & #53) ²	Capital Structure (equity floor) (#45 & #47) ³	Other Credit-Related (#46, #48 & #49) ⁴	Reporting and Compliance (#51 & #52) ⁵	Dividend Restrictions (#50) ⁶	Hold Harmless (#36) ⁷
Iberdrola / UIL	12/16/2015	SPAIN							
CT			No	No	✓	✓	No	✓	No
MA			No	No	✓	✓	No	✓	No
WEC/Integrus	6/29/2015	U.S.							
IL			No	No	No	✓	No	No	No
MN			✓	No	✓	No	No	✓	No
WI			No	No	No	No	No	No	No
Berkshire Hathaway/Altalink	12/1/2014	U.S.							
Alberta			No	No	No	No	No	✓	No
TECO/New Mexico Gas	9/2/2014	U.S.							
NM			✓	No	No	No	✓	✓	No
Laclede/Alabama Gas Corp.	8/31/2014	U.S.							
AL			No	✓	✓	No	No	No	No
Fortis/UNS	8/15/2014	CAN							
AZ			No	✓	✓	✓	No	✓	No
Avista/Alaska Energy & Resources	7/1/2014	U.S.							
AK			No	No	No	✓	No	No	No
Laclede/New England Gas	12/20/2013	U.S.							
MA			No	No	No	No	No	No	No

Recent Merger Financial Related Ring-Fencing Commitments

Merger/ Jurisdiction	Transaction Completed	Buyer Designation	Cost of Capital (#43) ¹	Access to Capital (#44 & #53) ²	Capital Structure (equity floor) (#45 & #47) ³	Other Credit-Related (#46, #48 & #49) ⁴	Reporting and Compliance (#51 & #52) ⁵	Dividend Restrictions (#50) ⁶	Hold Harmless (#36) ⁷
Algonquin/New England Gas	12/20/2013	U.S.							
MA			No	No	No	No	No	No	No
Berkshire Hathaway/NV Energy	12/19/2013	U.S.							
NV			No	No	No	✓	No	No	No
Laclede/Missouri Gas	9/1/2013	U.S.							
MO			✓	No	No	✓	No	✓	No
Fortis/CH Energy	6/27/2013	CAN							
NY			No	No	✓	✓	✓	✓	No
Algonquin/Atmos Energy	4/2/2013	CAN							
GA			No	No	✓	No	No	No	No
Algonquin/Granite State	7/3/2012	CAN							
NH			No	✓	✓	No	No	No	No
Duke Energy/Progress	7/2/2012	U.S.							
KY			✓	No	✓	No	No	✓	No
NC			No	No	✓	✓	No	✓	✓
SC			No	No	No	No	No	No	No
Gaz Métro/Central Vermont Public Service	6/27/2012	CAN							
VT			No	No	✓	✓	No	✓	No

Recent Merger Financial Related Ring-Fencing Commitments

Merger/ Jurisdiction	Transaction Completed	Buyer Designation	Cost of Capital (#43) ¹	Access to Capital (#44 & #53) ²	Capital Structure (equity floor) (#45 & #47) ³	Other Credit-Related (#46, #48 & #49) ⁴	Reporting and Compliance (#51 & #52) ⁵	Dividend Restrictions (#50) ⁶	Hold Harmless (#36) ⁷
Northeast Utilities/NSTAR	4/10/2012	U.S.							
CT			No	No	No	No	No	No	No
MA			No	No	No	No	No	No	No
Exelon/Constellation	3/12/2012	U.S.							
MD			No	No	✓	No	No	✓	No
AGL Resources/Nicor Gas	12/9/2011	U.S.							
CA			No	No	No	No	No	No	No
IL			No	No	No	✓	No	No	No
AES/ DPL	11/28/2011	U.S.							
OH			No	No	✓	No	No	No	No
FirstEnergy/Allegheny	2/25/2011	U.S.							
MD			No	No	✓	✓	No	✓	No
NJ			No	No	No	✓	No	No	No
PA			No	No	✓	✓	No	✓	No
VA			No	No	No	No	No	No	No
WV			No	No	No	✓	No	✓	No
UIL/Three gas Utilities	11/16/2010	U.S.							
CT			No	No	No	No	No	✓	No
PPL/E.ON (LG&E & KU)	11/1/2010	U.S.							
			No	No	No	No	No	No	No
			No	No	No	No	No	No	No