

Montana Public Service Commission



Brad Johnson - Chairman
Travis Kavulla - Vice Chairman
Roger Koopman - Commissioner
Bob Lake - Commissioner
Tony O'Donnell - Commissioner

January 5, 2018

For Avista:

David Meyer
Patrick Ehrbar
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P. O. Box 3727
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Spokane, Washington 99220-3727

For Hydro One:

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James Scarlett
S. Kyle Mersky
Hydro One
483 Bay Street, 8th Floor, South Tower
Toronto, Ontario, M5G 2P5

Dear Joint Applicants,

Enclosed please find the Montana Public Service Commission's data requests PSC-001 through PSC-022 to Avista Corp. and Hydro One Limited ("Hydro One") (collectively, "Joint Applicants") regarding the Joint Application of Avista and Hydro One for an Order Authorizing the Proposed Transaction in Docket D2017.9.71 before the Montana Public Service Commission. Please respond by January 17, 2018. See Procedural Order 7577 ¶ 4(b) (Nov. 27, 2017). If you have any questions, please contact me at (406) 444-6178.

Sincerely

A handwritten signature in black ink that reads "Jeremiah Langston". The signature is written in a cursive style.

Jeremiah Langston
Staff Attorney
Montana Public Service Commission

Enclosure

cc: Service List

**DEPARTMENT OF PUBLIC SERVICE REGULATION
BEFORE THE PUBLIC SERVICE COMMISSION
OF THE STATE OF MONTANA**

IN THE MATTER of the Joint Application of) REGULATORY DIVISION
HYDRO ONE LIMITED (acting through its)
indirect subsidiary Olympus Equity LLC) and) DOCKET NO. D2017.9.71
AVISTA CORPORATION For an Order)
Authorizing Proposed Transaction)

**DATA REQUESTS PSC-001 THROUGH PSC-022 OF
THE MONTANA PUBLIC SERVICE COMMISSION
HYDRO ONE LIMITED AND AVISTA CORPORATION**

PSC-001

Regarding: Avista's financial information
Witness: Mark Thies

- a. Upon consummation of the merger, would Avista's common stock still be registered on the NYSE?
- b. Would Avista continue to prepare 10-K (and 10-Q) reports for filing with the SEC?
- c. If the answers to "a" and "b" (above) are no, would Avista still prepare its books in accordance with U.S. Generally Accepted Accounting Principles (GAAP)?
- d. If your answer to "c" is no, what financial reporting framework would Avista's books be prepared in accordance with?
- e. If applicable, does the framework identified in your response to "d" above allow for the application of a depreciation method other than the method(s) allowed by GAAP?

PSC-002

Regarding: Hydro One's Financial Information
Witness: Christopher Lopez

- a. What financial reporting framework are Hydro One's financial statements prepared in accordance with?
- b. Does the accounting framework identified in your response to (a) above, allow for the adoption of depreciation methods other than straight-line? If so, please identify these methods.

- c. Does Hydro One utilize the depreciation methods (other than straight-line), identified in your response to (b) above, in preparation of its financial statements?

PSC-003

Regarding: Colstrip Units 3 & 4

Witness: Mark Thies

- a. Please identify the estimated useful life of these units, used as the basis for determining annual “book” depreciation expense, per GAAP.
- b. When are these units expected to be fully depreciated per Avista’s “books” prepared in accordance with GAAP?
- c. Are these units being depreciated on a straight line basis for GAAP purposes? If not, please describe.
- d. To date, has Avista elected to adopt a depreciation schedule for tax purposes that differs from the utility’s GAAP books? If so, please describe.
- e. Have all shareholders (including Avista) having ownership interests in these units, agreed upon a future date where these assets would be retired from service? If so, does this date differ from the date the units become fully depreciated for GAAP book purposes?

PSC-004

Regarding: Hydro One Limited

Witness: Christopher Lopez

On page 10 of your testimony (lines 7-8) you represent that the Province of Ontario owns approximately 49.9% of Hydro One’s common shares.

- a. Due to its significant equity holdings in Hydro One, would you agree that the Province of Ontario has the ability to exercise significant influence over Hydro One?
- b. Please describe the Province of Ontario’s general disposition regarding coal-fired generation facilities.
- c. If you are unable to describe the Province’s general disposition regarding coal-fired generation, please describe actions taken by the province regarding coal-fired generation in the last 20 years.
- d. Kathleen Wynne, Premier of Ontario, has defended Hydro One’s proposed acquisition of Avista—and Avista’s ownership interest in Colstrip—by stating:

“Let me just say this: you won’t find another jurisdiction – pretty much around the world – that has gone as far in terms of renewable clean energy as Ontario so I see this as a real validation of our opportunity to take that influence elsewhere.”

Rob Ferguson and Robert Benzie, *Kathleen Wynne Defends Hydro One Purchase of U.S. Utility that Owns Coal Plant* (Jun. 21, 2017), <https://www.thestar.com/news/queenspark/2017/07/21/premier-wynne-defends-hydro-one-purchase-of-us-utility-that-owns-a-coal-plant.html>.

Does this statement signify an intent by the Province of Ontario, to use its ability to exercise significant influence over Hydro One and take measures to close Colstrip Units 3 & 4 prior to the date identified by Mark Thies in his response to PSC-003(e)?

PSC-005

Regarding: Coal- Fired Generation

Witness: Most Appropriate Hydro One witness

- a. Upon consummation of the requested merger, would Hydro One Limited assume Avista’s 15% ownership stake in Colstrip Units 3 & 4?
- b. Does Hydro One currently have any other ownership interests in coal-fired generation facilities?

PSC-006

Regarding: Montana-Sited Coal Assets

Witness: Most Appropriate

Will Joint Applicants commit to a regulatory condition in this proceeding which causes them to contribute funds to the account, or like account, associated with the Washington UTC’s determination in Puget Sound Energy’s 2017 electric rate case associated with community and workforce development in Colstrip, Mont., should the Joint Applicants agree to a condition associated with the retirement date of its coal-fired generation in Montana as a result of any other regulatory proceeding attendant to the merger? *See Consolidated Dockets UE-170033 and UG-170034, Order 08 ¶¶ 139–145 (Wash. Util. and Transp. Comm’n Dec. 5, 2017).*

PSC-007

Regarding: Depreciation Schedules for Montana-Sited Generating Assets

Witness: Most Appropriate

- a. Please provide the remaining useful life, or depreciation schedules, associated with all Avista generating assets sited in Montana.

- b. Can Joint Applicants at this time conclusively state that they will not commit, as part of the regulatory conditions associated with this transaction, to alter the retirement date or the remaining useful life for ratemaking purposes in Montana or other jurisdictions, adopted for any of its generating assets in Montana?

PSC-008

Regarding: Divergent Regulatory Conditions

Witness: Most Appropriate

If jurisdictions implement divergent requirements regarding the status of electric generating assets in Montana, how do the Joint Applicants plan to address these potential problems? For instance, if Montana makes approval of the sale and transfer contingent upon the commitments identified in data response PSC-007(b) and another jurisdiction requires early retirement or accelerated depreciation, how will the Joint Applicants address the potential operational and ratemaking concerns this situation poses.

PSC-009

Regarding: Invasive Species Fee

Witness: Most Appropriate

Avista's ownership of Noxon Dam is currently subject to an invasive species fee for hydroelectric facilities under Mont. Code Ann. § 15-72-601(5), which terminates June 30, 2019.

- a. Does Hydro-One plan to recover costs associated with these invasive species fee any differently than what Avista is currently doing? If so, how?
- b. Is Hydro-One committed to assisting in the funding of Montana's invasive species program after Mont. Code Ann. § 15-72-601(5) terminates June 30, 2019.

PSC-010

Regarding: Synergies

Witness: Most Appropriate

On pages 13–14 of its application, Avista makes numerous concessions (*e.g.*, the retention of workforce, continuing to have a headquarters building in Spokane, the continuance of charitable contributions, etc.) which pre-emptively forego many of the savings that would sometimes be undertaken as synergies between merging firms in industries more exposed to competition for customers.

- a. Please explain what foregone customer savings result from those concessions, and associate those foregone savings with departments or reasons for which the savings have been conceded.

- b. Please calculate what savings in operating expenses will result from the merger, and associate those savings with departments or reasons for which the savings will occur.

PSC-011

Regarding: Other Jurisdictional Deadlines

Witness: Most Appropriate

Please provide a table showing all procedural deadlines in all U.S. federal and state and Canadian federal and provincial regulatory dockets associated with this transaction, or, if deadlines for certain actions are not available, list them on the table as “unknown.”

PSC-012

Regarding: Communications Involving Montana-Sited Generation

Witness: Most Appropriate

Provide any communication between any employee of the Avista or Hydro One, or any of either’s affiliates, and any of the following persons as they relate to coal-fired generation which occurred after the announcement of the Merger Agreement, July 19, 2017:

- a. The Governor of the State of Washington or any of his staff;
- b. Any head of agency or member of that agency’s staff of the State of Washington;
- c. Any legislator of the State of Washington and his/her staff, or the legislature’s staff;
- d. The Premier of Ontario, that province’s ministers, that province’s regulatory commission, any of its members of the provincial legislature, or any of any of those entities’ staff;

PSC-013

Regarding: Testimony in Other Jurisdictions

Witness: Most Appropriate

Please provide any testimony filed by either the Joint Applicants, either applicant, or any party in any jurisdiction in which approval for this transaction is sought which directly refers or otherwise alludes to generation that is sited in Montana.

PSC-014

Regarding: Integrated Resource Plan
Witness: Most Appropriate Witness

- a. Please provide a copy of Avista Corporation's most recent Integrated Resource Plan.
- b. Please provide a copy of Hydro One Limited's most recent Integrated Resource Plan.

PSC-015

Regarding: Regulatory Filings
Witness: Most Appropriate Hydro One Witness

Please describe any anticipated filings with the Montana Public Service Commission within the next three years.

PSC-016

Regarding: Asset Retirement Obligation (ARO)
Witness: Most appropriate

Please describe any ARO that Avista has accumulated for its Montana-sited generation, including the amount projected to be necessary to undertake the obligation, the current level of accrual, the rate of accrual, the purpose for which this ARO is dedicated, and the latest plan available for the purpose.

PSC-018

Regarding: Valuation of Colstrip
Witness: Most Appropriate

Please provide any materials referencing the valuation of Avista's ownership of Colstrip Units 3 and 4. Please include any discussion of the value of Colstrip Units 3 and 4 within valuation models, pitchbooks, due diligence materials, and other similar materials used in preparation and furtherance of this merger agreement.

PSC-019

Regarding: Avista property tax assessment in Montana
Witness: Most Appropriate

- a. Please provide Montana Department of Revenue's property tax assessment of Avista for the last three years.
- b. Please explain whether Hydro One's potential ownership of Avista will materially affect the tax revenues of Montana and its political subdivisions.

PSC-020

Regarding: Hydro License
Witness: Most Appropriate Witness

Please provide copies of the hydro licenses for Cabinet Gorge Dam and Noxon Rapids Dam.

PSC-021

Regarding: Customer List
Witness: Most Appropriate Witness

Please provide a detailed list of all customers served in the state of Montana. If unwilling or unable to provide individual customer names due to privacy concerns, please provide unique customer account numbers as an alternative.

PSC-022

Regarding: Service Area
Witness: Most Appropriate Avista Witness

Please provide a detailed map of the service area in Montana.