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Via Electronic and Overnight Mail

November 30, 2018

Commission Secretary
Idaho Public Utilities Commission
472 W. Washington St.
Boise, ID 83702

RE: Case Nos. AVU-E-17-09 and AVU-G-17-05

Enclosed for filing in the above-referenced Case Nos. are an original and 7 copies of the following documents:

Exhibit 7, Schedule 5 – Direct Assignment Protocol updated on August 2, 2018.

Morris, Supplemental Testimony – Page 6 revisions, striking Q & A regarding Idaho Code S61-327.

Exhibit 20, Schedule 1 – Page 63 of the 2017 Avista/Hydro One Proxy regarding the potential change of control payments to executive officers.

A service list is attached, with the parties receiving a complete copy of this filing. If you have any questions, please do not hesitate to contact David Meyer at 509-495-4316 or david.meyer@avistacorp.com or Paul Kimball at 509-495-4584 or paul.kimball@avistacorp.com.

Sincerely,

Patrick D. Ehrbar
Director of Regulatory Affairs

Enclosures

CERTIFICATE OF SERVICE

I HEREBY CERTIFY that I have this 30th day of November, 2018, served revised documents in the Merger Case Nos. AVU-E-17-09/AVU-G-17-05, upon the following parties, by mailing a copy thereof, properly addressed with postage prepaid to

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Paul Kimball
Mgr. Compliance and Discovery

AVISTA

DATE: August 2, 2018

TO: All Employees

FROM: Ryan Krasselt, VP & Controller

SUBJECT: Accounting Policy for Direct Assignment of Costs Associated with the Merger of Avista Corporation and Hydro One

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Avista is required to record costs associated with the Merger in accordance with the Merger Commitments made in the various states and in the FERC order approving the merger as well as regulatory accounting requirements. The following policy defines the merger cost categories and how each category should be recorded. For questions regarding this accounting policy, please contact:

Adam Munson, Director of Accounting ext. 2471, or
Jennifer Smith, Senior State and Federal Regulatory Analyst at ext. 2098.

I. Accounting for Costs Incurred to Facilitate the Transaction (Transaction Costs) – Project 77705316

All costs associated with activities incurred to facilitate the closing of the transaction are required to be recorded below the line to a non-utility account (FERC account No. 426500).

The following Project and Task will be used for such expenses:

Project #	Project Description	Task
77705316	Hydro One Avista Acquisition	426500

II. Accounting for Transition Costs (Including Costs Incurred to Identify and Develop Strategic Benefits with Hydro One) – Project 77705331

All costs directly incurred to identify and develop strategic benefits with Hydro One and any other transition costs are required to be recorded below the line to a non-utility account (FERC account No. 426500). Broadly, transition costs refer to all costs necessary post-transaction, to meld or find synergies in corporate cultures and processes.

Examples of transition costs include, but are not limited to:

- consolidation of technology,
- optimization of purchasing,
- broad deployment of resources and technologies, and
- activities to make the aggregated corporation more efficient and effective.

The following Project and Task will be used for such expenses:

Project #	Project Description	Task
77705331	Hydro One Transition Costs	426500

This project and task will be used for activities which are general in nature and are not identifiable to a specific potential strategic benefit. Once a potential strategic benefit is identified and defined, a specific project and/or task shall be established for the purpose of recording cost to achieve, and approved by the Strategic Benefits Core Team.

All transition costs will remain below the line unless approved for recovery by the appropriate regulatory authority. General transition costs will be considered for allocation to specific Strategic Benefits tasks as approved for recovery by the appropriate regulatory authority.

III. Sharing of Best Practices

If time and/or expenses are related to general sharing of best practices, costs are required to be charged "below the line". Please direct any questions regarding accounting for best practices to the contacts listed above.

The following Project and Task will be used for such expenses:

Project #	Project Description	Task
77705331	Hydro One Transition Costs	426500

IV. Direct Assignment of Costs to Hydro One Post-Closing

Following the date of closing, to the extent Avista employees dedicate time and incur costs supporting the operation of Hydro One, those costs will be directly assigned to Hydro One.[1]/ [2]

In the future, if opportunities arise for the consolidation of certain Avista and Hydro One utility functions, where the utilities have an opportunity to benefit from specialized expertise or to achieve efficiencies, a) the Companies may directly assign or allocate any corporate or administrative costs, common costs, or costs incurred for the benefit of the Utility or Utilities, to a Utility or the Utilities, b) the Companies may procure any corporate or administrative services from a Utility or the Utilities for the Company's benefit, or c) the Companies may procure any corporate or administrative services from each other or agree to directly assign or allocate common costs to each other (Avista would file proposals with the Commission as required).

All corporate services provided, and costs incurred, will be direct billed to Hydro One at cost and no margin or profit shall be included and no assets allocated, provided that any amount billed to Hydro

[1] Time and costs incurred include, but are not limited to activities for the following: a) services by the Board of Directors, and executive, management, professional, technical and clerical employees; b) financial and accounting services, corporate governance and compliance services, legal services, audit services, information and technology services, treasury services, investor relations services, governmental and regulatory services, human resources services, communications services, payroll processing services, employee benefits participation, procurement and fleet management, tax and related services, contract negotiation and administration services, insurance and risk management services, environmental services and engineering and technical services; c) the use of office facilities, including but not limited to office space, furniture, equipment, machinery, supplies, computers and computer software, communications equipment, insurance policies and other personal property; d) the use of automobiles, airplanes, other vehicles and equipment;

[2] Likewise, if Hydro One employees were to provide support for Avista's utility operations, such costs would be directly assigned to Avista. The Company expects such assignment of costs, both to Hydro One and from Hydro One, to be relatively small since Avista will continue to operate as a standalone utility.

One shall be adjusted to the extent necessary to comply with any U.S. federal or Canadian transfer pricing or similar tax law. Avista will use the same methodology for direct assignment of costs to the proposed Hydro One subsidiary operations, as we currently do for existing subsidiary operations.

The following Project and Task will be used for the accounting of such expenses:

Project #	**Project Description**	**Task**
777xxxxx	Sub Billing – Hydro One	186200

copy of which is included as Exhibit No. 14, Schedule 1.) This is indicative of Avista's willingness to work with all affected parties.

~~**Q. What other issues has Avista addressed?**~~

~~A. Avista has considered the application of Idaho Code §61-327 to this transaction, as it relates to the transfer of properties to any public agency that is organized or exists under the laws of any other state. Avista witness Mr. Kevin C. Sprague ("Collins"), Senior Director of Government Relations, will present testimony explaining the legislative history of this provision, its purpose, and why it doesn't apply in this case.~~

~~In short, the legislative history makes it abundantly clear that the purpose of the statute, passed in 1951, was to prevent Public Utility Districts in Washington from acquiring the properties of the Washington Water Power Company located in Idaho – and nothing else. Hydro One is an investor-owned utility and not a municipal utility, so even if the legislation somehow reached Canadian entities it would not apply to Hydro One.~~

Q. Have Avista and Hydro One responded to other issues?

A. Yes. Avista and Hydro One have explained recent events in Ontario and how there are sufficient protections

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For a narrative description of the terms and conditions applicable to the payments quantified in the table below, see the sections entitled "*—Payments to Executive Officers in Respect of Equity Awards*" and "*—Change of Control Agreements*" above.

Potential Change of Control Payments to Executive Officers

The tables below show (i) the compensation that may be paid or may become payable in connection with, or following, the consummation of the merger to each of the Company's named executive officers identified in the most recent proxy statement with respect to the 2017 annual meeting of Company shareholders and (ii) the aggregate compensation that may be paid or may become payable in connection with, or following, the consummation of the merger to the Company's eight other executive officers.

Named Executive Officer	Severance (1)	Value of Accelerated Equity (2)	Health Benefits (3)	Outplacement (4)	Section 280G Gross-Up (5)	Total (6)
Scott L. Morris, *Chairman, President & CEO*	$ 6,392,751	$ 5,851,960	$ 32,949	$ 25,000	$ 4,692,976	$ 16,995,636
Mark T. Thies, *Senior Vice President, CFO & Treasurer*	$ 2,478,889	$ 1,860,008	$ 43,760	$ 25,000	$ 1,558,549	$ 5,966,206
Dennis P. Vermillion, *Senior Vice President & ECO*	$ 1,502,909	$ 1,894,636	$ 43,760	$ 25,000	$ 0	$ 3,466,305
Marian M. Durkin, *Senior Vice President, General Counsel, CCO & Corporate Secretary*	$ 2,143,597	$ 1,453,399	$ 32,520	$ 25,000	$ 1,280,965	$ 4,935,481
Karen S. Feltes, *Senior Vice President & CHRO*	$ 2,020,932	$ 1,453,399	$ 32,520	$ 25,000	$ 1,239,266	$ 4,771,117

Other Executive Officers	Severance (1)	Value of Accelerated Equity (2)	Health Benefits (3)	Outplacement (4)	Section 280G Gross-Up (5)	Total
Aggregate for Eight Other Executive Officers	$ 7,445,351	$ 5,505,892	$ 324,554	$ 200,000	$ 905,204	$ 14,381,001

(1) *Severance.* The estimated amounts listed in this column represent the aggregate value of cash severance each executive officer would be entitled to receive under his or her Change of Control Agreement in connection with a qualifying termination at any time prior to the third anniversary of the effective time. Specifically, the executive officer would be entitled to a lump-sum payment equal to the sum of (i) an amount (the "Base and Bonus Severance") equal to three times (for Messrs. Morris and Thies and Mmes. Durkin and Feltes) or two times (for Mr. Vermillion) the sum of the executive officer's (A) annual base salary as in effect immediately prior to the qualifying termination, and (B) "highest annual bonus" (which means the greater of (x) the highest annual bonus paid in the last three full fiscal years prior to the effective time (annualized for partial years of employment) and (y) the bonus paid for the most recently completed fiscal year (annualized for partial years of employment)); and (ii) an amount (the "Pro-Rata Bonus") equal to the executive officer's pro-rata highest annual bonus for the termination year (prorated based upon the number of days of employment with the Company until the termination date). Severance payments are "double-trigger" in that they would be paid to the executive officer only if such executive officer experiences a qualifying termination at any time prior to the third anniversary of the effective time. As noted above in "*—Change of Control Agreements,*" the Company will amend the Change of Control Agreements for Messrs. Morris, Thies and Vermillion and Mmes. Durkin and Feltes to provide that each such individual

Exhibit No. 20
Case Nos. AVU-E-17-09/AVU-G-17-05
M. Thies, Avista
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