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ON BEHALF OF AVISTA CORPORATION

Boise, Idaho

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BEFORE THE IDAHO PUBLIC UTILITIES COMMISSION

IN THE MATTER OF THE JOINT)
APPLICATION OF HYDRO ONE LIMITED) CASE NO. AVU-E-17-09
(ACTING THROUGH ITS INDIRECT) CASE NO. AVU-G-17-05
SUBSIDIARY, OLYMPUS EQUITY LLC))
AND)
AVISTA CORPORATION) SUPPLEMENTAL TESTIMONY
FOR AN ORDER AUTHORIZING PROPOSED) OF
TRANSACTION) SCOTT L. MORRIS

FOR AVISTA CORPORATION

(ELECTRIC AND NATURAL GAS)

1 I. INTRODUCTION

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

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

9 Q. Are you the same Scott L. Morris who sponsored
10 pre-filed direct testimony on behalf of Avista Corporation
11 (Avista)?

12 A. Yes, I sponsored Direct Testimony and Exhibit 1,
13 Schedules 1 through 3.

14 Q. Are you sponsoring any exhibits in this
15 supplemental testimony?

16 A. Yes, I am sponsoring Exhibit 11, Schedule 1, which
17 is a map that shows foreign ownership of American utilities.
18 It is provided for no other purpose than to show the extent
19 of foreign ownership of utilities in this country, and that
20 such a phenomenon is not unique to this transaction (the
21 "Proposed Transaction"). I am also sponsoring Exhibit 11,
22 Schedule 2, which is notice to Hydro One of Avista's
23 extension of the September 30, 2018 deadline for closing
24 this transaction set forth in the merger agreement to March

1 29, 2019.

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

3 I. INTRODUCTION 1
4 II. REASONS FOR THE PROPOSED TRANSACTION 15
5 III. MERGER PROTECTIONS 18
6 IV. FOREIGN OWNERSHIP OF UNITED STATES UTILITIES 23

7

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

9 A. The intent of my Supplemental Testimony is to
10 reaffirm Avista's commitment to the Proposed Transaction
11 following the July 11, 2018 agreement entered into by Hydro
12 One and the Province of Ontario for the purpose of the
13 orderly replacement of the Board of Directors of Hydro One
14 as well as the retirement of Mayo Schmidt as the chief
15 executive officer. As I will discuss in this Supplemental
16 Testimony, specific merger protections, by way of agreed-
17 upon commitments (each, a "Stipulated Commitment",
18 collectively "Stipulated Commitments") contained within the
19 filed Settlement Stipulation ("Stipulation"), protect Avista
20 from political interference or influence by the Province of
21 Ontario, preserve Avista's self-governance, and protect
22 Avista and our customers from harm. The structural
23 safeguards included as part of this Proposed Transaction
24 were designed to withstand the test of time and changes in
25 Hydro One management, and I continue to believe that all of

1 the reasons previously stated in support of the merger remain
2 equally true today, and that approval is in the public
3 interest.

4 **Q. Do you still believe that this merger is in the**
5 **best interest of Customers?**

6 A. Yes, I strongly believe so. This merger was never
7 about who sits in the Chief Executive Officer ("CEO") chair
8 at Hydro One or who is on its Board of Directors. That will
9 change from time to time - as each company refreshes its
10 management team. The structural safeguards, in the form of
11 multiple commitments negotiated with the parties, are meant
12 to withstand the test of time and changes in management at
13 both Hydro One and Avista, as well as changes in government.
14 The underlying rationale for this merger remains the same:
15 The need to preserve and enhance Avista's ability to provide
16 cost-effective and reliable service to its customers, in a
17 rapidly evolving industry, by partnering with an
18 organization that shares Avista's values - all with Avista's
19 autonomy intact.

20 **Q. Therefore, knowing what you now know, would you**
21 **still recommend that this merger take place?**

22 A. Yes.

23 **Q. Has Hydro One, for its part, reaffirmed its**
24 **commitment to this merger?**

1 A. Yes, it has. As Hydro One witness Mr. Woods
2 testifies, on September 19, 2018, the new Hydro One Board
3 affirmed Hydro One's obligations under the Merger Agreement
4 and with respect to the merger-related commitments to be
5 performed by Hydro One and/or its subsidiaries if the
6 Proposed Transaction is consummated pursuant to the Merger
7 Agreement; and (ii) Hydro One's intention to consummate the
8 Merger; in each case in accordance with the terms of, and
9 subject to the conditions set out in, the Merger Agreement
10 and the merger-related commitments.

11 **Q. To that end, has Avista extended the deadline for**
12 **closing this transaction beyond the September 30, 2018**
13 **deadline set forth in the merger agreement?**

14 A. Yes, it has. Section 7.1 (b)(i) of the merger
15 agreement (Appendix 2 to Joint Application) allows either
16 party to extend the deadline for up to an additional six (6)
17 months, if necessary to satisfy all of the conditions for
18 closing. On September 19, 2018, Avista provided notice to
19 Hydro One, extending the deadline to March 29, 2019, see
20 Exhibit No. 11, Schedule 2.

21 **Q. Do Avista and Hydro One still want to receive all**
22 **regulatory approvals and close this transaction by year-end?**

23 A. Yes. By mid-December, we will have a final order
24 in Washington, as is required by statute, and we have a

1 schedule in Oregon that allows for a decision in December.
2 Other than Idaho, those are the only two remaining regulatory
3 jurisdictions that need to act on this merger.

4 The parties in Idaho have agreed upon a schedule that
5 may allow for an Order in Idaho that would allow for a
6 closing by year-end, if this Commission so chooses. A year-
7 end closing would allow for better accounting and reporting,
8 than would a later closing reflecting a partial year in the
9 first quarter of 2019. Mr. Thies, in his supplemental
10 testimony, also speaks to this.

11 **Q. What else has Avista done to facilitate approval**
12 **in this jurisdiction?**

13 A. Recognizing that any prolonged merger approval
14 process presents a dynamic situation, Avista has since
15 entered into an agreement with the Idaho Department of Water
16 Resources ("IDWR"), an intervenor in this proceeding, that
17 addresses the treatment of Avista's water rights in Idaho in
18 a manner acceptable to the IDWR. Mr. Bruce Howard, an Avista
19 witness, will testify to the terms of that agreement and
20 will sponsor it as Exhibit No. 14, Schedule 1. As a result,
21 the IDWR has concluded that the public interest, as it
22 relates to Avista's water use, will not be adversely affected
23 by the merger, under Idaho Code §61-328 and §42-1701(6).
24 (See letter of IDWR to Commission, dated August 10, 2018, a

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

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

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

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

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

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

1 in place to protect Idaho customers. Additional discovery
2 was made of the companies, and through those responses, and
3 by means of supplemental testimony, the Companies have
4 addressed those issues head on. Again, this demonstrates
5 our willingness to listen and respond to concerns raised by
6 the parties. At the end of the day, I have to be able to
7 look each Commissioner in the eye and say that this merger
8 is the right thing to do. I can do that.

9 **Q. What additional commitments are you willing to**
10 **offer, that don't already appear in the Settlement**
11 **Stipulation?**

12 A. Avista and Hydro One are proposing to amend the
13 existing Delegation of Authority to add protection of the
14 Avista Board if the Province takes some action in the future
15 to control a majority of the Hydro One board. If that
16 happens, Hydro One will lose its ability to replace any of
17 its three Independent Director designees on the Avista board
18 with a Hydro One executive or employee. This essentially
19 provides "downstream" protection for Avista and its
20 customers. Avista and Hydro One propose to amend the
21 Delegation of Authority (Appendix 5 of Joint Application) as
22 follows:

23 Shareholder shall have the unfettered right to
24 designate, remove and replace the Shareholder
25 Designees as directors of the Surviving

1 Corporation with or without cause or notice at its
2 sole discretion, subject to the requirement that
3 (i) two (2) of such directors are executives of
4 Parent or any of its Subsidiaries and (ii) three
5 (3) of such directors are Independent Directors
6 who are residents of the Pacific Northwest Region,
7 while such requirement is in effect (subject in
8 the case of clause (ii) hereof to Shareholder
9 determining, in good faith, that it is not able to
10 appoint an Independent Director who is a resident
11 of the Pacific Northwest Region in a timely manner,
12 in which case Shareholder may replace any such
13 director with an employee of Parent or any of its
14 Subsidiaries on an interim basis, not exceeding
15 six months, after which time Shareholder shall
16 replace such interim director with Independent
17 Director who is a resident of the Pacific Northwest
18 Region; provided, however, that this exception to
19 clause (ii) hereof shall not apply if, at any time
20 a circumstance arises, and during the pendency of
21 any such circumstance, whereby the Province of
22 Ontario ("Ontario") exercises its rights as a
23 shareholder of Parent, uses legislative authority
24 or acts in any other manner whatsoever, that
25 results, or would result, in Ontario appointing
26 nominees to the board of directors of Parent that
27 constitute, or would constitute a majority of the
28 directors of such board).

29

30 **Q. What is the purpose of the new text in the**
31 **Delegation of Authority?**

32 A. This proposed amendment to the Delegation of
33 Authority is designed to protect the independence of the
34 Avista board in the event that the Province takes some action
35 in the future to control a majority of the Hydro One

1 Board. If that event occurs, this amendment is triggered
2 and blocks Hydro One's limited right to replace any of its
3 three Independent Director designees on the Avista board
4 with a Hydro One executive or employee.

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

8 A. Yes. As discussed in the "Comments of Avista and
9 Hydro One as Joint Applicants in Reference to Management
10 Changes at Hydro One" filed on July 18, 2018, Hydro One and
11 Avista provided the following new commitment:

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

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

1 **Q. Are there still other new commitments the**
2 **Companies are willing to make?**

3 A. Yes. We would modify Commitment No. 2 to assure
4 that the Avista Board would have the sole ability to hire,
5 dismiss or replace the Chief Executive. Accordingly,
6 Commitment No. 2 is modified to read as follows:

7 Executive Management:
8 Avista will seek to retain all current executive
9 management of Avista, subject to voluntary
10 retirements that may occur. This commitment will
11 not limit Avista's ability to determine its
12 organizational structure and select and retain
13 personnel best able to meet Avista's needs over
14 time. The Avista board retains the ability to
15 dismiss executive management of Avista and other
16 Avista personnel for standard corporate reasons
17 ~~(subject to the approval of Hydro One Limited~~
18 ~~("Hydro One") for any hiring, dismissal or~~
19 ~~replacement of the CEO);~~ [Any decision to hire,
20 dismiss or replace the Chief Executive Officer of
21 Avista shall be within the discretion of the
22 Avista Board of Directors, and shall not require
23 any approval of Hydro One or any of its affiliates
24 (other than Avista), notwithstanding anything to
25 the contrary in the merger agreement, and its
26 exhibits and attachments, between Hydro One and
27 Avista.]
28

29

30 **Q. Given recent events in the Province of Ontario**
31 **surrounding the change in leadership at Hydro One, how**
32 **protected are Avista's Idaho customers?**

33 A. Very protected. If I weren't confident of this,
34 I wouldn't recommend to my Board to continue with this

1 transaction. Our customers, community and employees will
2 continue to see benefits over time - and that rationale has
3 not changed. More to the point, those same customers are
4 also protected from any risk of Provincial involvement in
5 the affairs of Avista.

6 It makes sense to carefully distinguish between risks
7 (political or otherwise) involving Hydro One's affairs and
8 operations in Canada and risks impacting Avista in its
9 service territories.

10 My emphasis is on the potential risks of any Provincial
11 interference, directly or indirectly, in the affairs of
12 Avista. At the end of the day, it may not matter what happens
13 in Ontario, if we have done our job right (and I think we
14 have) in constructing commitments and safeguards, with the
15 help of all parties, that protect customers and the
16 communities we serve.

17 **Q. How have the Parties achieved such protections and**
18 **structural safeguards?**

19 A. The building blocks of these protections assure
20 that this Commission remains front and center in enforcing
21 the merger commitments. For ease of reference, these consist
22 of commitments that assure that:

1 1) Authority is reserved to the Commission with the
2
3 respect to interpretation and enforcement of all
4 commitments:

4 Commitment No. 1 Authority Reserved: Consistent
5 with and subject to the terms of Exhibits A and B
6 to the Merger Agreement (referred to as
7 "Delegation of Authority") contained in Appendix
8 5 of the Joint Application, decision-making
9 authority over commitments 2-15 below is reserved
10 to the Board of Directors of Avista Corporation
11 ("Avista") and not to Hydro One. Any change to
12 the policies stated in commitments 2-15 requires
13 a two-thirds (2/3) vote of the Avista Board,
14 provided that Avista must obtain approval for such
15 changes from all regulatory bodies with
16 jurisdiction over the Commitments before such
17 changes can go into effect, and provide written
18 notice to all parties to Case No. AVU-E-17-09/AVU-
19 G-17-05 of such request for approval:
20

21 Commitment No. 20 State Regulatory Authority and
22 Jurisdiction:
23 Hydro One and its subsidiaries, including Avista,
24 as applicable and as appropriate, will comply with
25 all applicable laws, including those pertaining to
26 transfers of property, affiliated interests, and
27 securities and the assumption of obligations and
28 liabilities. As required by and consistent with
29 applicable laws, venue for resolution of
30 proceedings related to these matters will be at
31 the appropriate state utility commission(s).
32 Hydro One and its subsidiaries, including Avista,
33 will make their employees and officers available
34 to testify before the Commission at the
35 Commission's request to provide information
36 relevant to the matters within its jurisdiction.
37

38 2) Avista and Hydro One will comply with all orders
39 of the Commission:

1 Commitment No. 21 Compliance with Existing
2 Commission Orders: Hydro One and its subsidiaries,
3 including Avista, acknowledge that all existing
4 orders issued by the Commission with respect to
5 Avista or its predecessor, Washington Water Power
6 Co., will remain in effect, and are not modified
7 or otherwise affected by the Proposed Transaction.

8
9 Hydro One and its subsidiaries, including Avista,
10 as applicable and as appropriate, will comply
11 with all applicable future Commission orders that
12 remain in force.

13
14 3) Commission retains full authority to enforce
15 commitments, including compelling witnesses from
16 Hydro One to appear:

17 Commitment No. 30 Commission Enforcement of
18 Commitments: Hydro One and its subsidiaries,
19 including Avista, understand that the Commission
20 has authority to enforce these commitments in
21 accordance with their terms. If there is a
22 violation of the terms of these commitments, then
23 the offending party may, at the discretion of the
24 Commission, have a period of thirty (30) calendar
25 days to cure such violation.

26
27 The scope of this commitment includes the
28 authority of the Commission to compel the
29 attendance of witnesses from Olympus Holding Corp.
30 and its affiliates, including Hydro One, with
31 pertinent information on matters affecting Avista.
32 Hydro One and Olympus Holding Corp. and its
33 subsidiaries waive their rights to interpose any
34 legal objection they might otherwise have to the
35 Commission's jurisdiction to require the
36 appearance of any such witnesses.

37
38 With these protections in place, we needn't speculate
39 about all possible means of Provincial interference in the
40 affairs of Avista, because, at the end of the day, this
41 Commission (and the Commissions in all other affected

1 states) will have the final say - and they will exercise all
2 powers to regulate in the public interest.

3 And it is not just Avista and the other parties who
4 want this - Hydro One, I believe, wants this as well. It
5 wants Avista to have the freedom it needs to effectively
6 manage its utility without outside interference, because
7 only in that way will it derive value from a well-run company
8 that will benefit its shareholders.

9 **Q. Are these the only commitments that safeguard**
10 **Avista customers?**

11 A. No. As I will discuss later in my testimony, there
12 are multiple commitments that assure that Avista will
13 continue to operate without outside interference, - e.g.,
14 maintenance of corporate headquarters, existing management
15 team and employees, a majority of independent directors on
16 Avista's board. These are found in the express "delegation
17 of authority" to Avista, and are embedded in the first
18 fifteen commitments set forth in the Settlement Stipulation.

19 The purpose of highlighting the earlier commitments was
20 to underscore the authority of this Commission to enforce
21 (or modify if need be) the commitments that preserve its
22 jurisdictions and regulate all matters in the public
23 interest.

1 Mr. Jamie Scarlett, of Hydro One, will further discuss
2 the potential adoption of certain commitments from the OPUC
3 Settlement Stipulation:

- 4
- 5 4. Executive Management
- 6 5. Avista Board of Directors (BOD)
- 7
- 8
- 9

10
11 72. North American Free Trade Agreement (NAFTA)

12
13
14 78. Venue for and Resolution of Disputes

15
16
17 And for his part, Mr. Lopez, of Hydro One, will discuss
18 the potential adoption of these commitments from the OPUC
19 Settlement Stipulation:

- 20
- 21 39. Foreign Exchange and Hedging on Dividends Payments
- 22 and Allocations
- 23 43. Cost of Capital
- 24
- 25 54. Avista Cash Flows
- 26
- 27

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

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

32 A. Absolutely. In my pre-filed direct testimony
33 (Morris Testimony, pp. 12-17), I explained that the merger
34 with Hydro One will allow Avista and its customers to benefit

1 from being part of a larger organization (the benefits of
2 scale), while at the same time preserving local control of
3 Avista and the retention of Avista's employees and
4 management team, as well as its culture and way of doing
5 business. That is unchanged as a result of the management
6 changes at Hydro One.

7 With regard to scale, Avista's perspective was that the
8 number of investor-owned electric and/or natural gas
9 utilities in North America has decreased significantly over
10 the years through consolidation. When comparing the size of
11 investor-owned utilities from largest to smallest, Avista is
12 one of the smallest investor-owned utilities remaining in
13 North America. A bar chart indicative of the investor-owned
14 utilities in North America, from largest to smallest, is
15 attached to my direct testimony in Exhibit No. 11, Schedule
16 1. The merger of Avista and Hydro One will place the
17 combined company toward the middle of the range of investor-
18 owned utilities, in terms of size. Avista's view is that,
19 through consolidation, larger utilities have the opportunity
20 to spread costs, especially the costs of new technology,
21 over a broader customer base and a broader set of
22 infrastructure to the benefit of customers.

23 Hydro One has more than 1.3 million electric
24 distribution customers, and Avista has approximately 378,000

1 electric customers and approximately 342,000 natural gas
2 customers (approximately 102,000 of which reside in Oregon
3 as of the end of 2017). This combination will provide
4 opportunities for efficiencies in the long-term through the
5 sharing of best practices, technology and innovation.
6 Avista's view was that the merger will provide benefits to
7 Avista's customers that otherwise would not occur. That view
8 is unaffected by the management changes at Hydro One.

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

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

1 Avista, essentially as it is today, for the long-term are
2 memorialized in the Merger Agreement. The Proposed
3 Transaction also provides benefits to Avista's customers,
4 employees, shareholders, and the communities Avista serves;
5 including immediate financial benefits to Avista's
6 customers. Those have been exhaustively discussed in prior
7 testimony supporting the Stipulation.

8

9

III. MERGER PROTECTIONS

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

16 A. Certainly. First, Avista will have a nine-member
17 board separate from Hydro One that will govern Avista's
18 management and operations. Stipulated Commitment No. 3
19 ensures that Avista's post-merger Board of Directors and
20 existing executive leadership will manage Avista - not Hydro
21 One's Board.

22 I believe that the unique construct of the Board, which
23 consists of four Avista designees (at least two of whom are
24 Independent Directors and five Hydro One designees (at least

1 three of whom are Independent Directors residing in the
2 Pacific Northwest), will have enough independence and
3 separation from influence by Hydro One (and the Province of
4 Ontario).

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

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

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

1 A. Yes. The Stipulated Commitments appended to the
2 Stipulation contain a substantial number of financial and
3 bankruptcy/ring-fencing protections that will protect the
4 financial health of Avista. Neither Hydro One, nor the
5 Province, can deprive Avista of its capital and assets.
6 There are Stipulated Commitments that (i) Avista will
7 continue to have its own credit ratings, (ii) assure that
8 Hydro One will provide equity capital injections to support
9 Avista's capital structure and allow Avista to access debt
10 financing under reasonable terms and on a sustainable basis,
11 and (iii) provide restrictions on dividends and
12 distributions that help preserve Avista's financial
13 integrity. Hydro One and Avista also committed to issue a
14 single share of preferred stock referred to as the Golden
15 Share to an independent third party to address any bankruptcy
16 concerns. All of these Stipulated Commitments are further
17 discussed in Mr. Thies' Supplemental Testimony.

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

21 A. Yes. There are several Stipulated Commitments
22 that assure all the existing pieces that make Avista "Avista"
23 will remain in place. More specifically, the following
24 Stipulated Commitments highlight this. Stipulated

1 Commitment No. 2 speaks to Avista's executive management, as
2 discussed earlier. Stipulated Commitment No. 9 speaks to
3 maintaining Avista's headquarters location:

4 Avista will, and Hydro One agrees Avista will,
5 maintain (a) its headquarters in Spokane,
6 Washington; (b) Avista's office locations in each
7 of its other service territories, and (c) no less
8 of a significant presence in the immediate location
9 of each of such office locations than what Avista
10 and its subsidiaries maintained immediately prior
11 to completion of the Proposed Transaction.

12 Stipulated Commitment No. 10 addresses local staffing:

13 Avista will maintain Avista Utilities' staffing
14 and presence in the communities in which Avista
15 operates at levels sufficient to maintain the
16 provision of safe and reliable service and cost-
17 effective operations and consistent with pre-
18 acquisition levels.

19 And Stipulated Commitment No. 39 protects pension and post
20 retirement expenses and assets:

21 Avista will maintain its pension funding policy in
22 accordance with sound actuarial practice. Hydro
23 One will not seek to change Avista's pension
24 funding policy.

25 I believe this preservation of Avista's headquarters,
26 its culture and its way of doing business, among other
27 things, are important commitments to our employees and
28 Avista's customers, as they continue to expect and
29 experience reliable service and a high level of customer
30 satisfaction. This demonstrates our commitment to best
31 serve the public interest, given our rich heritage of serving

1 customers with safe, reliable, and cost-effective service.

2 **Q. Do you believe the Stipulated Commitments filed in**
3 **the Stipulation ensure that Avista could not be negatively**
4 **impacted in any way, and that these Stipulated Commitments**
5 **preserve Avista self-governance and local control for the**
6 **purpose of maintaining safe and reliable service to Avista's**
7 **utility customers?**

8 A. Yes. In my view the Stipulated Commitments
9 offered in the Stipulation were negotiated and designed to
10 provide separate governance and financial ring-fencing
11 between Avista and Hydro One, and to preserve Avista's
12 headquarters in Spokane, along with retention of existing
13 management and employees. All of the protections described
14 above in addition to all of the other Stipulated Commitments
15 included in the Stipulation ensure that Avista will continue
16 as a financially sound, stand-alone utility and will bind
17 Hydro One, regardless of political developments and change
18 in management. In short, all of these Stipulated Commitments
19 were designed by the Parties to "stand the test of time."

20 Furthermore, Avista and Hydro One have committed that
21 none of the Stipulated Commitments can be amended without
22 approval from Avista's state regulators (see Stipulated
23 Commitment No. 30, "Commission Enforcement of Commitments"),
24 which assures that the Commission will continue to regulate

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

4

5 **IV. FOREIGN OWNERSHIP OF UNITED STATES UTILITIES**

6 **Q. There have been general concerns among a small**
7 **group of customers in certain portions of Avista's service**
8 **territory about a foreign company purchasing an American**
9 **utility. Do you share these concerns?**

10 A. No, I do not. First, all of the protections
11 discussed briefly above dictate how Avista will, or will not
12 be, affected by Hydro One's ownership. Second, this is not
13 the first transaction in the United States where a foreign
14 entity purchased all or a portion of an American utility.
15 Approximately 30 States have utilities that are owned by
16 foreign entities, including many that are owned by Canadian
17 entities (utilities, pension funds, etc.). Exhibit No. 11,
18 Schedule 1 provides a map showing where there is foreign
19 ownership of American utilities. In addition, we are unaware
20 of any issues resulting from foreign ownership. It is also
21 important to remember that the Proposed Transaction has also
22 been cleared by the Committee on Foreign Investment in the
23 United States (CFIUS). In the end, I believe the purchase
24 of Avista by Hydro One should not be seen as something new,

1 novel or scary - such transactions are actually quite common,
2 and if designed well, have and will continue to provide
3 benefits for American utility customers. And, as Hydro One
4 and Avista witness Mr. Reed notes in his testimony (Reed
5 Supp Testimony), this Proposed Transaction has been designed
6 with "state-of-the-art" protections.

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

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

24 **Q. Any conclusions?**

1 A. By way of summary, and as noted by Avista's and
2 Hydro One's witness John Reed, the parties have arrived at
3 a set of robust commitments that are "state of the art",
4 based on his review of other mergers. We have been
5 responsive to all concerns and are eager to get on with the
6 business of partnering with Hydro One to best service the
7 need of our customers.

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

9 A. Yes.