



Case Nos: AVU-E-1709 and AVU-G-17-05

Contact: Matt Evans

(208) 334-0339 office

(208) 520-4763 cell

www.puc.idaho.gov

Tentative settlement reached, public hearings scheduled in Avista-Hydro One merger case

BOISE (May 10, 2018) – The Idaho Public Utilities Commission has scheduled three public hearings regarding the proposed merger of Avista Utilities and Hydro One.

The hearings will be held June 12 in Moscow, June 13 in Sandpoint and June 14 in Coeur D’Alene. All are scheduled to begin at 6 pm.

There is no formal presentation at the hearings.

Instead, they provide an opportunity for Avista customers and other interested parties to testify for the official case record in support of or opposition to the proposed merger of Avista and Canada-based Hydro One.

A [settlement agreement](#) on the proposed merger was filed with the Commission on April 13. It contains a number of commitments agreed to by the parties to the case in exchange for support of the merger.

The proposed settlement agreement calls for \$15.8 million in rate credits for Idaho customers over the next five years, and more than \$5 million in funding for energy efficiency, conservation and low-income programs while providing assurances to customers and addressing regulatory commitments in Idaho.

All parties to the case signed the proposed settlement, including Avista, Hydro One, Idaho Public Utilities Commission staff, Community Action Partnership Association of Idaho, Clearwater Paper Corporation, Idaho Conservation League, Idaho Forest Group and the Washington and Northern Idaho District Council of Laborers.

The tentative agreement still requires approval from the Commission, which could accept, reject or modify it. A decision is expected by mid-August.

Other state regulatory agencies in Avista’s service territory also must approve the merger.

The Federal Energy Regulatory Commission granted its approval in January.

Compliance with federal antitrust laws is also required, as is a review by the inter-agency Committee on Foreign Investment in the US related to the national security implications of the merger.

More than 100 comments have been filed in the case, the majority in opposition to the transaction.

Many commenters expressed concern that the merger would lead to higher rates.

The Commission is bound by [Idaho Code 61-328](#), which states that rates cannot increase as a result of a merger involving a regulated electric utility.

If the merger is approved, Avista would become a wholly owned subsidiary of Hydro One, the largest electric transmission and distribution utility in the province of Ontario with more than 1.3 million customers.

Avista provides electric service to approximately 378,000 customers and natural gas service to 342,000 customers. Approximately 130,000 electric customers and 82,000 natural gas customers are in Idaho.

Under the terms of the proposed settlement, Avista would maintain its name, brand, management team and staffing levels, and would continue to operate out of its headquarters in Spokane, Washington.

The tentative agreement also calls for Avista to maintain current levels of community involvement, economic development and staffing, to increase its charitable contributions and to continue to develop performance standards and customer guarantees for its Idaho customers.

If the tentative agreement is approved, Avista's board would consist of nine members – two designated by Hydro One, three named by Hydro One but residents of the Pacific Northwest who would meet the standards for independent directors, three directors who are members of Avista's board when approval is granted and Avista's chief executive officer.

In [their application](#) filed with the Commission in September 2017, the two companies said the merger would create one of the largest utilities on the continent, with more than \$25 billion in assets.

The size of the new company would likely generate cost savings through economies of scale, the application said.

The proposed settlement agreement calls for any net cost savings achieved as a result of the merger to be reflected in customer rates. All costs related to the transaction will be paid by shareholders rather than customers.

The proposed settlement prohibits “cross-subsidization” of unregulated activities by Avista customers, and requires that the companies agree to submit to the jurisdiction of relevant state courts for enforcement of Commission orders.

In addition, the tentative agreement calls for Hydro One, its affiliates and subsidiaries to hold Avista harmless from any business and financial risk exposures associated with its unregulated affiliates.

The proposed settlement agreement also addresses regulatory commitments, including acknowledgement that the Commission’s existing orders will remain in effect.

Provisions intended to shield Avista from any financial risk associated with the transaction are spelled out in the proposed settlement, including protection of Avista equity, tightening of financial requirements for dividends to be paid to Hydro One, and restrictions on Avista’s ability to lend funds to Hydro One.

The hearings will be held at the following locations:

- June 12 - 1912 Center, 412 E. 3rd St. in Moscow
- June 13 - Sandpoint High School, 410 S. Division Ave. in Sandpoint
- June 14 - Midtown Meeting Center, 1505 North Fifth St. in Coeur D’Alene

All documents filed in the case, including the companies’ application, Commission orders, testimony and public comments, can be accessed [here](#).

Or go to www.puc.idaho.gov. Click on “Open Cases” under the “Electric” or “Natural Gas” heading and scroll down to AVU-E-17-09 or AVU-G-17-05.

Comments can be submitted electronically via the case comment form found [here](#). Comments can also be mailed to PO Box 83720, Boise, ID, 83720-0074 or faxed to (208) 334-3762. Please list either case number AVU-E-17-09 or AVU-G-17-05, or both.