

will retain all current executive management of Avista, subject to voluntary retirements, and standard business rationale.

Following approval of the merger, the Avista Board will consist of nine members: two designated by Hydro One; three independent directors who reside in the Pacific Northwest;¹ three current members of Avista’s current board; and Avista’s current CEO will remain and serve as chairman of the board following closing.

Avista will maintain branding, and the Avista headquarters will remain in Spokane. Avista offices will remain in their current territory locations. Avista will maintain or expand capital investments for community economic development. The Company will further maintain its current workforce, with the same compensation and benefits.

2. Rate Commitments

There will be no rate increase because of the merger. Rather, Avista’s Idaho customers will receive a \$15.8 million rate credit over a five-year period, or \$3.2 million per year. All costs associated with the transaction will be tracked separately and will not appear on Avista’s utility books. Customers will not pay for any transaction or transition cost, including all legal work, advisory fees, acquisition premiums, documentation and materials, executive compensation, and any cost directly related to the transaction. Any technology expenditures required for compatibility within the merged entity will be excluded from rates.

3. Regulatory Commitments

Hydro One and its subsidiaries recognize the authority of Idaho, and the Idaho Commission, and have committed to comply, as required, with all applicable Idaho laws and Commission orders. Further, Hydro One and its subsidiaries commit to maintain and make available all books, records, and financial information to the Commission. Avista will maintain separate books and records. Hydro One committed to not use lack of jurisdiction to deny access to any records.

4. Financial Integrity Commitments

Hydro One will provide equity to support Avista’s capital structure, and Avista will maintain separate debt to support its utility operations. Avista will maintain its pension funding

¹ The Pacific Northwest is defined as Alaska, Idaho, Montana, Oregon, and Washington State.

policy, and Hydro One will not seek to change it. Avista will comply with all Securities Exchange Commission and Sarbanes-Oxley reporting requirements, as required by law.

5. Ring Fencing Provisions

Applicants agree to several provisions aimed at shielding Avista from any negative potential financial issues of Hydro One. These include authority over possible bankruptcy proceedings, a non-consolidation proviso that a bankruptcy court would not order the substantive consolidation of the assets and liabilities of Avista with Hydro One, and that Hydro One would not seek to include Avista in a potential bankruptcy without the consent of two-thirds of Avista's board. Additionally, the Applicants agree that Avista's assets will not be pledged by Avista or any of its affiliates, including Hydro One, for the benefit of any entity besides Avista.

Hydro One agreed to a "hold harmless" provision, under which Hydro One will hold Avista's customers harmless from any business and financial risk exposures associated with Hydro One, and any Hydro One affiliate. The hold harmless provision states that in any proceeding before the Commission involving rates, the rate of return will be determined without regard to unregulated activities. Additionally, Avista will not enter into an inter-company debt transaction, or lend money to Hydro One without prior Commission approval.

6. Resource Planning and Environmental Commitments

Avista will continue to offer renewable power programs in consultation with stakeholders. However, in all resource planning and acquisition efforts, Avista will also evaluate demand-side resources, renewable energy, Power Purchase Agreements, and all other resources consistent with the Commission's resource evaluation rules and policies.

7. Energy Efficiency, Weatherization, and Conservation Commitments

Hydro One will arrange funding of \$5.3 million over a ten-year period to fund energy efficiency, weatherization, conservation, and low-income assistance programs. The funds will be directed by the Energy Efficiency, Weatherization, Conservation, and Low-Income Assistance Committee ("EWCL"). The EWCL is a new committee consisting of Avista, Commission Staff, the Lewiston CAP, ICL, the Idaho Forest Group, and Clearwater Paper. The EWCL will determine if programs should receive this funding to address energy efficiency, weatherization, conservation, and low-income needs in Avista's Idaho service territory.

As part of the proposed settlement, the parties agree that Avista will work with Clearwater and Idaho Forest Group to qualify certain projects for funding under Tariff Schedule 90 (DSM), and submit any non-qualifying portions of those projects to the EWCL to consider for further funding.

Hydro One and Avista will work with the Lewiston CAP to improve the penetration of low-income programs. Avista will also work to fund bill payment assistance for low-income customers, and will continue to offer the Fee Free Payment Program to residential customers.

8. *Miscellaneous Commitments*

Following closing, there will be a one-time \$7 million contribution to Avista's charitable foundation. For five-years after the close of the transaction, Avista will maintain a \$4 million annual budget for charitable contributions, and will also contribute \$2 million each year to Avista's charitable foundation. Avista agrees it will work to distribute these monies across its service territory proportionally across jurisdictions.

For accounting purposes, Hydro One and Avista agree to support a December 31, 2027, depreciation end of life relating to Avista's ownership in Colstrip Units 3 and 4. The Applicants also agree that they will support accelerated depreciation in Avista's interest in Colstrip Units 3 and 4 in Avista's pending Federal Tax Revision case, Case No. GNR-U-18-01; Avista's Application to Change Its Electric and Natural Gas Depreciation Rate, Case Nos. AVU-E-18-03, AVU-G-18-02; and in its 2019 Integrated Resource Plan.²

Finally, the settlement also includes a most favored nations clause that allows the Commission to consider, and adopt in Idaho any commitments the Applicants agree to in other jurisdictions. This provision applies even if such commitments are agreed to after the Commission enters its order in this docket.

The parties represent that the Stipulation and Settlement in whole is in the public interest and is fair, just and reasonable. The parties acknowledge that the Commission is not bound by these representations and that the Commission will independently review the proposed settlement to decide whether to approve it, reject it, or state conditions under which to accept it.

² Avista's 2019 IRP will analyze multiple retirement dates for Colstrip Units 3 and 4, not limited to, the "end of useful life" date determined in AVU-E-18-03, AVU-G-18-02.

COMMISSION SETTLEMENT RULES

YOU ARE FURTHER NOTIFIED that the Commission will review the proposed settlement consistent with Commission Rules 271-280.

YOU ARE FURTHER NOTIFIED that the Commission is not bound by the agreement of the signing parties. The Commission will independently review the proposed settlement to decide whether to approve it, reject it, or state conditions under which to accept it. The proposed settlement's proponents ultimately bear the burden to prove that it is just, fair, and reasonable, in the public interest, or otherwise in accordance with law or regulatory policy.

YOU ARE FURTHER NOTIFIED that the Application, Settlement, and forthcoming comments are available for public inspection during regular business hours at the Commission offices. The Application is also available on the Commission's web site at www.puc.idaho.gov. To access the documents, click on the "File Room" tab at the top of the Commission's webpage, scroll down to "Open Electric Cases," and then click on the case number as shown on the front of this document.

NOTICE OF MODIFIED PROCEDURE

YOU ARE FURTHER NOTIFIED that the Commission has reviewed the filing in this action, and has determined that the public interest may not require a technical hearing, and will thus proceed under Modified Procedure pursuant to Rules 201 through 204 of the Idaho Public Utilities Commission's Rules of Procedure, IDAPA 31.01.01.201 through .204. The Commission notes that Modified Procedure and written comments have proven to be an effective means for obtaining public input and participation.

YOU ARE FURTHER NOTIFIED that any party desiring to state a position in support of this Application may file a written comment with the Commission **no later than June 20, 2018**. The comment must contain a statement of reasons supporting the comment. Persons desiring a hearing must specifically request a hearing in their written comments.

YOU ARE FURTHER NOTIFIED that any non-party, member of the public may file comments with the Commission **no later than June 27, 2018**. The Company may file reply comments, if necessary, **by June 27, 2018**. Written comments concerning this Application shall be mailed to the Commission and the Applicants at the addresses reflected below:

NOTICE OF PROPOSED SETTLEMENT
NOTICE OF MODIFIED PROCEDURE
NOTICE OF PUBLIC HEARINGS
NOTICE OF AMENDED SCHEDULE
ORDER NO. 34061

Commission Secretary
Idaho Public Utilities Commission
PO Box 83720
Boise, ID 83720-0074

Street Address for Express Mail:
472 W. Washington Street
Boise, ID 83702-5918

YOU ARE FURTHER NOTIFIED that the following persons are designated as Avista's representatives in this matter:

David J. Meyer
Vice President & Chief Counsel, Reg. & Gov't Affairs
Avista Corporation
PO Box 3727
1411 East Mission Avenue
Spokane, WA 99220-3727
E-mail: david.meyer@avistacorp.com

YOU ARE FURTHER NOTIFIED that the following persons are designated as Hydro One's representatives in this matter:

Elizabeth Thomas, Partner
Kari Vander Stoep, Partner
K&L Gates LLP
925 Fourth Avenue, Suite 2900
Seattle, WA 98104-1158
E-mail: liz.thomas@klgates.com
E-mail: kari.vanderstoep@klqates.com

Comments should contain the case caption and case number shown on the first page of this document. Persons desiring to submit comments via e-mail may do so by accessing the Commission's home page located at www.puc.idaho.gov. Click the "Case Comment or Question Form" under the "Consumers" tab, and complete the comment form using the case number as it appears on the front of this document.

NOTICE OF PUBLIC HEARINGS

YOU ARE HEREBY NOTIFIED that the Commission will conduct three public hearings in this matter:

NOTICE OF PROPOSED SETTLEMENT
NOTICE OF MODIFIED PROCEDURE
NOTICE OF PUBLIC HEARINGS
NOTICE OF AMENDED SCHEDULE
ORDER NO. 34061

1. **June 12, 2018** **Public Hearing at 1912 Center, 412 E. 3rd St.,
Moscow, Idaho, 6:00-8:00 PM (PDT).**
2. **June 13, 2018** **Sandpoint High School, 410 S. Division Ave.,
Sandpoint, Idaho, 6:00-8:00 PM (PDT).**
3. **June 14, 2018** **Midtown Meeting Center, 1505 North Fifth St.,
Coeur D'Alene, Idaho, 6:00-8:00 PM (PDT).**

YOU ARE FURTHER NOTIFIED that all proceedings will be held pursuant to the Commission's jurisdiction under Title 61 of the Idaho Code. The Commission may enter any final Order consistent with its authority under Title 61. All proceedings will be conducted pursuant to the Commission's Rules of Procedure, IDAPA 31.01.01.000, *et seq.*

NOTICE OF AMENDED SCHEDULE

YOU ARE FURTHER NOTIFIED that the Commission vacates the existing case schedule, and replaces it with the following amended schedule:

| DATE | ACTIVITY |
|---------------|---|
| June 12, 2018 | Public Hearing at 1912 Center, 412 E. 3 rd St., Moscow, Idaho, 6:00-8:00 PM (PDT) |
| June 13, 2018 | Sandpoint High School, 410 S. Division Ave., Sandpoint, Idaho, 6:00-8:00 PM (PDT) |
| June 14, 2018 | Midtown Meeting Center, 1505 North Fifth St., Coeur D'Alene, Idaho, 6:00-8:00 PM (PDT) |
| June 20, 2018 | Deadline for comments in support of the stipulation |
| June 27, 2018 | Deadline for public comments and reply comments, if any |

ORDER

IT IS HEREBY ORDERED that the proposed settlement be processed by Modified Procedure. Parties interested in submitting written comments in support of the proposed settlement may do so no later than June 20, 2018.

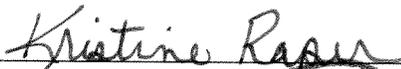
IT IS FURTHER ORDERED that all public comment, and Company reply comments, if any, may be filed no later than June 27, 2018.

IT IS FURTHER ORDERED that Commission will conduct three public hearings on June 12, 13, and 14, 2018, as described above.

DONE by Order of the Idaho Public Utilities Commission at Boise, Idaho this 16th day of May 2018.



PAUL KIELLANDER, PRESIDENT



KRISTINE RAPER, COMMISSIONER



ERIC ANDERSON, COMMISSIONER

ATTEST:



Diane M. Hanian
Commission Secretary

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