

**BEFORE THE IDAHO PUBLIC UTILITIES COMMISSION**

<b>IN THE MATTER OF THE JOINT</b>	)	
<b>APPLICATION OF HYDRO ONE LIMITED</b>	)	<b>CASE NOS. AVU-E-17-09</b>
<b>AND AVISTA CORPORATION FOR</b>	)	<b>AVU-G-17-05</b>
<b>APPROVAL OF MERGER AGREEMENT</b>	)	
	)	<b>NOTICE OF APPLICATION</b>
	)	
	)	<b>NOTICE OF</b>
	)	<b>INTERVENTION DEADLINE</b>
	)	
	)	<b>ORDER NO. 33903</b>

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On July 19, 2017, Avista announced that it had entered into a merger agreement with Hydro One (“Applicants/Companies”). On September 14, 2017, the Applicants filed the above captioned joint application for approval of the merger. Approval of the Application would result in Avista becoming a wholly owned subsidiary of a Hydro One holding company. The Applicants have requested approval by August 14, 2018, and have made the same request in other state jurisdictions.

**NOTICE OF APPLICATION**

YOU ARE HEREBY NOTIFIED that Avista is a public utility engaged in the generation, transmission and distribution of electricity and natural gas. Avista’s service area includes eastern Washington, northern Idaho, and parts of southern and eastern Oregon. Avista’s existing base rates and charges for electric and natural gas services were approved by the Commission in December 2016 for electric service, and December 2015 for gas service. Order Nos. 33682 and 33437.

YOU ARE FURTHER NOTIFIED that Hydro One, operating through its principal subsidiary Hydro One Inc., is an investor owned electric transmission and distribution utility headquartered in Toronto, Ontario, Canada. It provides electric distribution service to over 1.3 million customers, and transmission service to local distribution companies, and large customers in Canada. The Province of Ontario owns a large minority share of the Company’s shares, with the remainder of shares held by private investors. Hydro One's common shares are listed on the Toronto Stock Exchange (TSX: H).

YOU ARE FURTHER NOTIFIED that the Companies report that Avista stock will be purchased by Hydro One at \$53 per common share, or \$5.3 billion. Hydro One will finance

the transaction through medium and long-term borrowing, and proceeds from a completed issue of \$1.54 billion of convertible unsecured subordinated debentures. After the closing, Avista would be owned by Hydro One, through a series of wholly-owned subsidiaries.

YOU ARE FURTHER NOTIFIED that the Applicants claim that Avista customers will benefit from the merger through benefits of scale that come with joining a larger organization, and avoid the risk of acquisition by another party that may not share Avista's culture and values. Thus, the Applicants state that customers can expect the same or better levels of service and customer satisfaction. Customers will also see financial benefit through retail rate credits upon the closing of the transaction. Finally, the Applicants claim that, over time, the merger will provide superior innovation, research and development, and efficiencies over a broader customer base infrastructure.

YOU ARE FURTHER NOTIFIED that the Proposed Transaction is subject to significant oversight: Avista shareholder approval; the Hart-Scott-Rodino Antitrust Improvements Act; clearance by the Committee on Foreign Investment in the US; approval by each state regulator, FERC, the SEC, and the FCC. No additional approval is required from Canadian authorities.

YOU ARE FURTHER NOTIFIED that the Applicants state that the closing of the transaction is expected to occur in the second half of 2018.

YOU ARE FURTHER NOTIFIED that, included with the proposed agreement, the Applicants submitted detailed evidence in support, including memorialized agreements relating to "Governance Requirements" (Exhibit A), "Post-Closing Matters," and "Approval Requirements" (Exhibit B). Pointedly, the agreement includes a provision that Avista's Board of Directors will retain authority to review, authorize and approve certain matters related to Avista, without the obligation to obtain authorization or approval from Hydro One. Further, the companies agreed that: (1) Avista's headquarters will remain in Spokane; (2) Avista's branding will remain the same; (3) Avista's office locations in its service areas will remain; (4) there will be no workforce reductions resulting from the merger; (5) Avista's existing management team will remain; (6) existing compensation and benefit practices will remain; (7) Avista will retain authority to negotiate and enter into agreements with bargaining unit employees; (8) the merged company will maintain or improve safety and reliability standards; and (9) the merged company

will maintain Avista's community involvement and support initiatives at levels equal to, or greater than, those prior to the merger.

YOU ARE FURTHER NOTIFIED that the Applicants state that, if the merger is approved, the Avista Board of Directors will be a local board consisting of board members who are chosen by Avista designees, and who reside in the Pacific Northwest. After closing, the new Avista will be governed by a nine member Board of Directors, with Scott Morris serving as the Chairman of the Board. Applicants estimate that the total annual cost savings to customers on a system basis is approximately \$1.7 million. The Companies are proposing to flow through a rate credit of \$31.5 million over a 10-year period.

YOU ARE FURTHER NOTIFIED the Commission has jurisdiction over this matter pursuant to Idaho Code § 61-328. Section 61-328 prohibits Hydro One from acquiring Avista without the written authorization of this Commission. Before authorizing such a transaction, the Commission must find that: (1) the transaction is consistent with the public interest; (2) the transaction will not cause the cost of rates for supplying electricity to increase; and (3) that Hydro One has the intent and financial ability to operate and maintain Avista's operations in Idaho. More, the Commission may attach conditions to its authorization, and enter any final Order consistent with its authority under Title 61, Idaho Code.

YOU ARE FURTHER NOTIFIED that the Application and supporting workpapers, testimonies and exhibits have been filed with the Commission and are available for public inspection during regular business hours at the Commission offices. The Application and testimonies are also available on the Commission's web site at [www.puc.idaho.gov](http://www.puc.idaho.gov). Click on the "File Room" tab at the top of the page, scroll down to "Open Electric Cases" or "Open Gas Cases," and then click on the case number as shown on the front of this document.

YOU ARE FURTHER NOTIFIED that all proceedings in this case will be held pursuant to the Commission's jurisdiction under Title 61 of the Idaho Code and specifically *Idaho Code* §§ 61-501, 61-502, 61-507, 61-520, 61,523, and 61-622. The Commission may enter any final Order consistent with its authority under Title 61.

#### **NOTICE OF INTERVENTION DEADLINE**

YOU ARE FURTHER NOTIFIED that **persons desiring to intervene** in this matter for the purpose of presenting evidence or cross-examining witnesses at hearing **must file a Petition to Intervene** with the Commission pursuant to this Commission's Rules of Procedure

72 and 73, IDAPA 31.01.01.072 and -.073. Persons intending to participate at the hearing must file a Petition to Intervene **no later than twenty-one (21) days from the service date of this Order**. Persons desiring to present their views without parties' rights of participation and cross-examination are not required to intervene and may present their comments without prior notification to the Commission or the parties.

YOU ARE FURTHER NOTIFIED that the Commission Secretary shall issue a Notice of Parties after the deadline for intervention has passed. The Notice of Parties shall assign exhibit numbers to each party in this proceeding.

YOU ARE FURTHER NOTIFIED that once the Notice of Parties is issued, Commission Staff will convene an informal prehearing conference at the Commission's offices for the parties to discuss a schedule to process this case and other issues as may be raised by the parties.

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](mailto:david.meyer@avistacorp.com)

Patrick Ehrbar  
Director of Rates – State & Federal Regulation  
Avista Utilities  
PO Box 3727  
1411 East Mission Avenue  
Spokane, WA 99220-3727  
E-mail: [patrick.ehrbar@avistacorp.com](mailto:patrick.ehrbar@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](mailto:liz.thomas@klgates.com)  
E-mail: [kari.vanderstoep@klgates.com](mailto:kari.vanderstoep@klgates.com)

James Scarlett  
Executive Vice President & Chief Legal Officer  
Hydro One  
483 Bay Street, 8th Floor, South Tower  
Toronto, Ontario, M5G 2P5  
E-mail: [jscarlett@HydroOne.com](mailto:jscarlett@HydroOne.com)

YOU ARE FURTHER NOTIFIED that all hearings and prehearing conferences in this matter will be held in facilities meeting the accessibility requirements of the Americans with Disabilities Act (ADA). Persons needing the help of a sign language interpreter or other assistance in order to participate in or to understand testimony and argument at a public hearing may ask the Commission to provide a sign language interpreter or other assistance at the hearing. The request for assistance must be received at least five (5) working days before the hearing by contacting the Commission Secretary at:

IDAHO PUBLIC UTILITIES COMMISSION  
PO BOX 83720  
BOISE, IDAHO 83720-0074  
(208) 334-0338 (Telephone)  
(208) 334-3762 (FAX)  
E-mail: [secretary@puc.idaho.gov](mailto:secretary@puc.idaho.gov)

YOU ARE FURTHER NOTIFIED that all proceedings in this matter will be conducted pursuant to the Commission's Rules of Procedure, IDAPA 31.01.01.000 *et seq.*

### **ORDER**

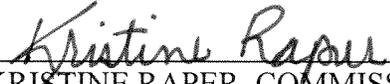
IT IS HEREBY ORDERED that persons desiring to intervene in this matter for the purpose of presenting evidence or cross-examination at hearing shall file a Petition to Intervene with the Commission no later than 21 days from the service date of this Order.

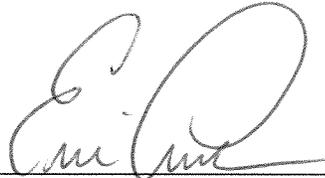
IT IS FURTHER ORDERED that discovery is available in these consolidated cases pursuant to the Commission's Rules of Procedure, IDAPA 31.01.01.221-234.

DONE by Order of the Idaho Public Utilities Commission at Boise, Idaho this  
day of October 2017.

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PAUL KJELLANDER, PRESIDENT

  
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KRISTINE RAPER, COMMISSIONER

  
\_\_\_\_\_  
ERIC ANDERSON, COMMISSIONER

ATTEST:

  
\_\_\_\_\_  
Diane Hanian  
Commission Secretary

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