

22 October 2018

Washington Utilities and Transportation Commission
P.O. Box 47250
Olympia, WA 98504-7250

U170970

Subject: Formation of a Cooperative Association to make a counter-offer for the acquisition of Avista Corporation

Dear Commissioners,

As a group of concerned citizens, we are deeply troubled by the proposed sale of Avista Corporation to Hydro One, Ltd. of Ontario, Canada. Rather than simply oppose the sale, we wish to offer a better alternative. We are in the process of forming a Cooperative Association in the State of Washington for the purpose of making an offer to purchase Avista, which would provide far greater benefits to ratepayers than the proposed merger with Hydro One.

To get directly to the point, we hereby formally request that you, the WUTC, delay approval of the sale of Avista to Hydro One to allow us time to organize and prepare a formal offer to acquire Avista.

At this point, we will not go into detail about all of the reasons we find the sale to Hydro One objectionable. In short, we are given no visibility to the motives behind Hydro One's desire to purchase Avista. But, we can be sure of one thing. Their aim is to benefit the shareholders of Hydro One, including the largest shareholder, the Province of Ontario, rather than the ratepayers of Eastern Washington. The purported benefits to ratepayers are miniscule within the scope of the business and transitory at best. All of the enumerated benefits could be provided by Avista for about 70% of one year's net profit (or less than 12% of the annual net profit over the 5 & 10 year periods) without any need to sell. Therefore, we argue that they are NOT benefits of the sale.

On the other hand the motivation for Avista shareholders and executives is crystal clear. The shareholders will receive a 35% premium over the \$40 price in April 2017. (Strangely, the share price and trading volume increased rather dramatically in May and June, almost as if someone knew the transaction was pending.) Top Avista executives are likely motivated by the \$50.5 million in Change of Control provisions in their contracts.

Our intention is to make an offer for Avista that is nearly identical to that proffered by Hydro One. We would also pay shareholders \$53 per share. We would honor the Change of Control agreements and the terms of the Settlement Agreement (likely with some improvements).

The big difference going forward is that as a member owned cooperative, any and all net income (\$116 million in 2017) would be used to reduce debt, improve service or reduce rates, rather than to pay shareholders. There are numerous direct benefits to ratepayers (all to be applied as above), as follows:

1. Tax savings of around \$30 million
2. Reduced executive compensation over time
3. Virtual elimination of campaign contributions and lobbying expenses
4. Reduced expenditures on advertising and PR

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5. No extraneous expenditures, investments or subsidiaries

Other Benefits:

1. Local ownership and control
2. All profits stay in our communities
3. All hourly and most salaried employees retained
4. Total financial transparency
5. Customer, rather than shareholder, focused

According to J.D Power's customer satisfaction survey of utilities:

The top 3 awards all went to Cooperatives, as did
7 of the top 10, and
15 of the top 20

Customers/Members really like their cooperative utilities.

We would like to highlight the fact that utilities have only one source of revenue...**Ratepayers.**

Therefore, should Hydro One acquire Avista:

1. All operating expenses will be paid by ratepayers
2. All net profit can only come from ratepayers
3. All of the money to repay their debt with interest will come from ratepayers
4. All money invested to maintain and upgrade systems will come from ratepayers

The net profit will flow out of our communities to Hydro One shareholders. All debt payments will flow out of our communities to Wall Street financiers. We estimate that the total outflow from local economies will be between \$300 and \$400 million per year.

As Avista customers, we believe that if we are going to pay for the acquisition and the maintenance and operation of a utility, *we should own it.*

What we Propose

Unlike Hydro One, we will be totally transparent about our intentions. Our plan is as follows:

1. Form a cooperative designed to own and operate the core business of Avista Utilities.
2. Begin gathering signatures for the formation of Public Utility Districts in Spokane and other counties in the Avista service area for consideration on the 2020 ballot.
3. Source funding for the acquisition through membership subscriptions, patrons and cooperative banks, among other sources.
4. Plan and pre-arrange the sale of non-core assets, subsidiaries and remote operations (Alaska and Oregon) to repay as much of the acquisition cost as possible, preferably to other cooperatives and PUD's, where applicable.
5. Prepare a formal offer and present to Avista Corp.
6. If accepted and closed, sell non-core businesses to pay down debt, streamline operations and optimize service. Emphasize the development of distributed, renewable energy generation and storage to optimize system reliability and resiliency.
7. If the offer is rejected, pursue the formation of PUD's to acquire Avista assets through condemnation.

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We want to emphasize our hope that the acquisition of Avista by our cooperative association will be a friendly transaction, based on it being recognized as a far the more beneficial future arrangement for Avista ratepayers.

Respectfully submitted by the undersigned members of the steering committee of the cooperative:

Steering Committee (In alphabetical order by last name)

Michael R. Bell
Kate Burke
Robert S. Chase
John Christina
Rev. Deborah Conklin
Stacy Cossey
Edward W. Duhaime
Rev. Dr. Todd Ekloff
James W. Lee
William Miller
David Randall

NOTE: We intend to add hundreds of additional members and patrons in the coming weeks, so request permission to add their names to this letter as they become available.

CC: Avista Corporation
Governor Jay Inslee
Attorney General Bob Ferguson

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