

Docket No. UM 1897
Revised Avista and Hydro One Commitments
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A. Definitions

Affiliate means any entity in the post-close corporate chain of entities between Hydro One and Avista, including Hydro One, for purposes of all commitments herein; provided, however, that “Affiliated Interest” shall have the meaning set forth in ORS 757.015 for purposes of requirements established by ORS 757.105 or ORS 757.495 regardless of whether such requirements are also imposed by these commitments.¹

AVA and **Avista** are used interchangeably and shall refer to Avista Corporation. While some commitments herein are flagged as applying only to Avista’s Oregon-regulated Local Natural Gas Distribution Company (Oregon LDC), when commitments are silent as to application, they shall apply to Avista Corporation as a whole (for example, those commitments regarding corporate finance and capital structure apply to Avista as a whole).

Beneficial Ownership shall have the meaning provided in OAR 860-027-1075(1)(a).

Capital Structure shall mean proportions of common equity (common equity calculated as for Oregon ratemaking purposes) and Long-Term Debt with maturities exceeding 1 year, adding up to 100 percent for a named (or place-holder) corporation.

CEF has the meaning assigned to it in Commitment 45.

Commission or **OPUC** means the Public Utility Commission of Oregon.

Credit Ratings as used in these commitments shall mean both Standard and Poor’s Global Ratings (S&P) and Moody’s Investor Service (Moody’s) Long-Term (LT) Secured Debt credit rating, except as otherwise specifically provided in individual commitments. See Rating Agencies.

\$ or Dollar unless otherwise specified means U.S. Dollars (USD).

Golden Share shall mean the sole share of Preferred Stock authorized by the Commission and held by an independent third party. As described in further detail in Commitment 55, Avista will not be able to declare voluntary bankruptcy without the vote of the holder of the Golden Share and in matters of voluntary bankruptcy, the Golden Share will override all other outstanding shares of all types or classes of stock. The holder of the Golden Share solely represents the interests of Avista’s utility customers.²

¹ Lower case “affiliates” is also used in these commitments to indicate that the commitment applies to all affiliates of Hydro One and Avista, as opposed to simply the “Affiliates” in the chain of entities between Hydro One and Avista.

² To be clear, the purpose of the Golden Share is to help ensure that the Avista utility would not place itself into bankruptcy voluntarily unless such a decision was consistent with the interests of utility customers. This purpose is consistent with past ORS 757.511 dockets approved by the Commission (see UM 1804, Order 17-526 at 7 and the joint supporting testimony) and is essential in this particular case

GRC means general rate case.

H1 or Hydro One shall refer to Hydro One Limited.

Independent Directors shall mean directors who meet the standards of “independent directors” under section 303A.02 of the New York Stock Exchange Listed Company Manual with respect to Hydro One and its subsidiaries including Avista. The Independent Directors must have had no material relationship with Parent or its subsidiaries or affiliated entities currently or within the previous 3 years. Former officers of Avista who otherwise meet these qualifications qualify as Independent Directors. Please see “C. Governance” for applicable commitments.

Investment Grade means a BBB- or higher credit rating by S&P **and** a Baa3 or higher credit rating by Moody’s. See the table below for ratings from S&P and Moody’s that are investment grade, which apply to all types of debt securities (not just FMB as shown in Table 2):

| | S&P | Moody’s |
|--|----------------|----------------|
| Investment Grade Credit Ratings | AAA | Aaa |
| | AA+ | Aa1 |
| | AA | Aa2 |
| | AA- | Aa3 |
| | A+ | A1 |
| | A | A2 |
| | A- | A3 |
| | BBB+ | Baa1 |
| | BBB | Baa2 |
| | BBB- | Baa3 |

Long-Term Debt is the issuance or renewal of a note or evidence of indebtedness maturing more than one year after date of such issue or renewal.

M&A means mergers and acquisitions.

Major Shareholder shall have the meaning provided in OAR 860-027-0175(1)(c).

because the sole shareholder of Avista, at the top of the corporate chain, is Hydro One; thus, were the holder of the Golden Share to vote in the interests of “Avista shareholders,” it would be voting in the interest of Hydro One, negating the protection the Golden Share is designed to provide. If Hydro One and Avista encounter difficulty locating a holder of the Golden Share that can agree to the requirements of these commitments, they may appear before the Commission for consideration of a remedy for the situation.

Pacific Northwest Region means the Pacific Northwest states in which Avista serves retail electric or natural gas customers, currently the states of Alaska, Idaho, Montana, Oregon and Washington.

Parent shall mean Hydro One Limited and its subsidiaries in the post-close corporate structure between Hydro One and Avista (as those companies in between may change over time; but see commitments regarding ORS 757.511 and 757.480).

Parties (or Party individually) shall be defined herein as: Hydro One Limited, Avista Corporation, Public Utility Commission of Oregon Staff (Staff), Oregon Citizens' Utility Board (CUB), Alliance of Western Energy Consumers (AWEC), and Oregon and Southern Idaho District Council of Laborers (OSIDCL).^{3 4}

Pre-Merger means prior to the close of the Proposed Transaction.

Proposed Transaction shall mean the transaction proposed in the Joint Application of Avista and Hydro One filed on September 14, 2017, assigned Commission Docket No. UM 1897. However, the commitments reached by the Parties shall override all prior versions of commitments filed in this docket.

Rating Agencies shall mean both **S&P's and Moody's**, or their successors, without substitution. However, if S&P or Moody's has no successor and is no longer in existence, then the substitute for the Rating Agency with no successor will be Fitch Ratings (Fitch). If Fitch has no successor and is no longer in existence, Avista will select a replacement acceptable to the Commission.

Transaction Costs shall mean all the costs necessary to plan, evaluate, find agreement, gain regulatory approval, finance, and execute the Proposed Transaction. This type of cost includes legal and brokerage or investment banking fees and other costs which would not be incurred were the transaction never contemplated. Transaction costs are those incremental costs paid to advance or consummate the transaction. Examples of transaction costs include, but are not limited to: Avista employee time and expenses; Avista change-of-control payments; any tax liability incurred as a result of the transaction; and third-party costs, including bank advisors, external legal advisors, rating agencies, and expert witnesses and consultants in each case paid to advance or consummate the transaction. Transaction costs are not includable in Avista customer rates.

Transition Costs shall mean all costs necessary post-transaction, to meld or find synergies in corporate cultures and processes, optimize purchasing, more broadly deploy resources and technologies, and generally make the aggregated corporation more efficient and more effective at meeting both divisional and comprehensive goals.

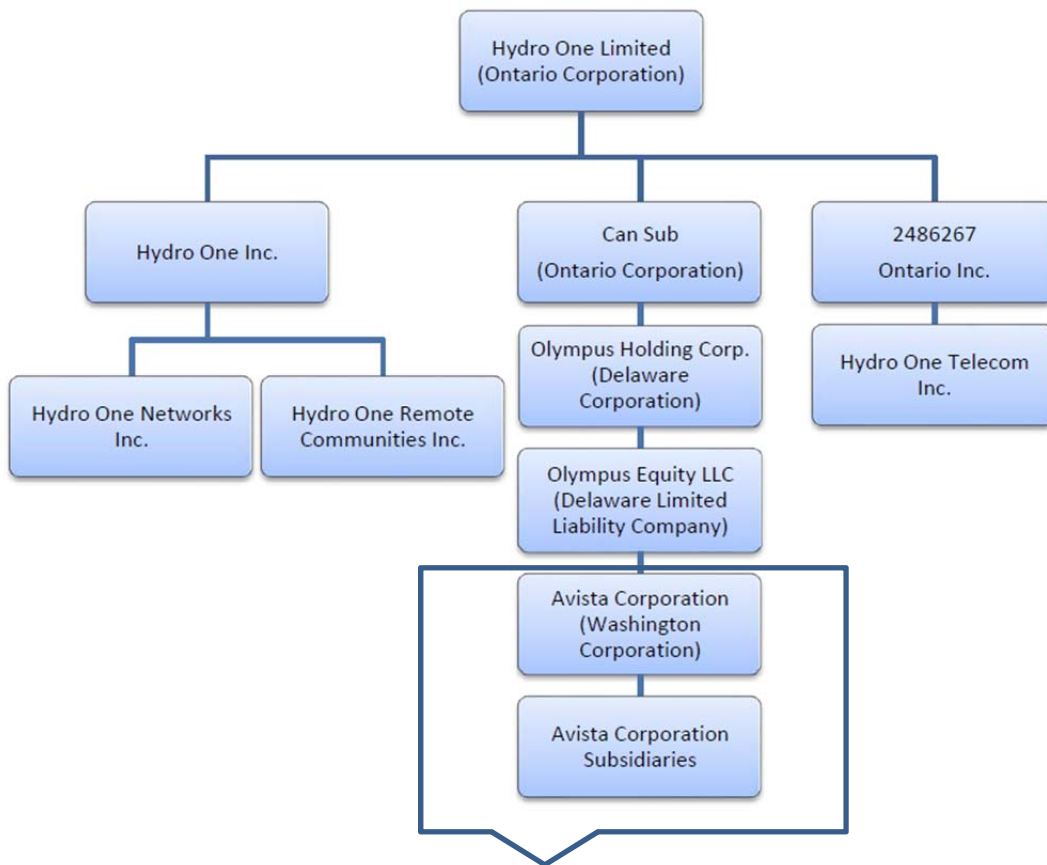
³ _____ Industrial Customers of Northwest Utilities (ICNU), and Northwest Industrial Gas Users (NWIGU) merged to form Alliance of Western Energy Consumers (AWEC) in 2018.

⁴ _____ Oregon and Southern Idaho District Council of Laborers (OSIDCL) was formerly known as Laborers' International Union of North America (LiUNA)-District Council.

This type of consolidation can include costs from technology costs of hardware, software, migration, conversion and training to public relations costs incurred to make legal, accounting, information technologies, communications and other integral corporate activities operate smoothly and efficiently both internally and across corporate divisions. No transition costs may be included in Avista rates; the net positive of transition costs (savings minus transition costs) will be reviewed in a future rate case.

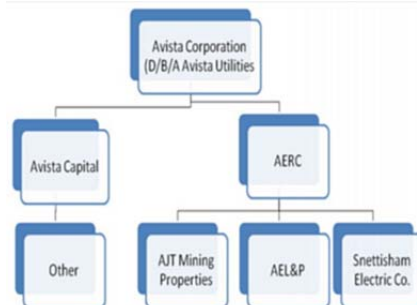
Table 1
Revised Post-Closing Corporate Structure⁵

Hydro One agrees to eliminate Olympus 1 LLC and Olympus 2 LLC from the corporate structure. The new structure that will exist as at the effective time of closing of the Proposed Transaction is illustrated below:



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Enlargement and clarification of Avista Corporation and Subsidiaries is provided at right:



⁵ Table 1 reflects the corporate structure as at the effective time of the closing of the Proposed Transaction.

⁶ Avista's corporate structure as in S&P Global Market Intelligence on March 23, 2018.

Table 2
Common Equity Floor Requirement
 Credit Ratings are those for First Mortgage Bonds (FMB)⁷
 Common Equity is calculated as for Oregon Ratemaking Purposes

| FMB Credit Ratings | | S&P | Moody's | Common Equity Floor |
|--|--|--|--|---------------------|
| I n v e s t m e n t | A R a t e d | AAA | Aaa | 44% |
| | | AA+ | Aa1 | |
| | | AA | Aa2 | |
| | | AA- | Aa3 | |
| | | A+ | A1 | |
| | | A | A2 | |
| | L o w | A- | A3 | 46% |
| | | BBB+  | Baa1  | 48% |
| | | BBB | Baa2 | |
| | | BBB- | Baa3 | |
|  Co. will file Plan w Commission | | | | |
| Below Investment Grade | BB+ (or below) | Ba1 (or below) | No Dividend | |

⁷ If the Rating Agencies do not provide a rating for FMBs, the rating for Senior Secured Debt will be used for the purposes of Table 2.

B. Applicability

1. Application of Commitments in Oregon

Unless otherwise stated, all commitments herein are binding upon Avista, Hydro One, and all companies in between in the post-close corporate organization chart (as those companies in between may change over time; but see commitments regarding ORS 757.511 and 757.480).

2. No Amendment of Any Commitment Without Commission Approval

Avista and Parent commit that no amendments, revisions, or modifications will be made to the any of the commitments herein without prior Commission approval. Also see “Most Favored Nation” Commitment.

3. Treatment of Confidential Information

Nothing in these commitments prevents Avista or Parent from requesting confidential or highly confidential treatment of information.

C. Governance

4. Executive Management

Subject to the remaining provisions of this commitment and subject to voluntary retirements and resignations that may occur, Avista and Parent agree that Avista will retain all current executive management of Avista for a period of three years. This commitment will not limit Avista’s ability to determine its organizational structure and select and retain personnel best able to meet Avista’s needs over time. The post-Proposed Transaction Avista board retains its current ability to dismiss executive management of Avista and other Avista personnel for standard corporate reasons. Any decision to hire, dismiss or replace the Chief Executive Officer of Avista shall be within the discretion of the Avista Board of Directors, and shall not require any approval of Hydro One or any of its affiliates (other than Avista), notwithstanding anything to the contrary in the merger agreement, and its exhibits and attachments, between Hydro One and Avista.

[Any decisions regarding Avista employee compensation shall be made by the Avista Board consistent with the terms of the Merger Agreement between Hydro One and Avista, and current market standards and prevailing practices of relevant U.S. electric and gas utility benchmarks. The determination of the level of any compensation \(including equity awards\) approved by the Avista Board with respect to any employee in accordance with the foregoing shall not be subject to change by Hydro One or the Hydro One Board.](#)

5. Avista Board of Directors (BOD)

Avista and Hydro One agree that after closing of the Proposed Transaction, Avista will have a separate board of directors from Hydro One that consists of nine (9) members, determined as follows:

Five Hydro One Designated Directors:

Two executives of Hydro One or any of its subsidiaries, and

Three Independent Directors who are residents of the Pacific Northwest Region.

Four Avista Designated Directors:

Three directors who as of immediately prior to the closing of the Proposed Transaction are members of the Board of Directors of Avista, including the Chairman of Avista's Pre-Merger Board of Directors (if such person is different from the Chief Executive Officer of Avista), and

Avista's Chief Executive Officer.

At least two of the Avista directors must be Independent Directors.

Avista and Hydro One shall consult with each other prior to the designation of any Independent Directors.

The initial Chairman of Avista's post-closing Board of Directors shall be the Chief Executive Officer of Avista as of the time immediately prior to closing for a one year term. ~~If any Avista designee resigns, retires or otherwise ceases to serve as a director of Avista for any reason, the remaining~~ The Avista designees shall have the ~~sole~~ unfettered right to ~~nominate a replacement director to fill such vacancy,~~ designate, remove and ~~such person shall thereafter become an Avista designee~~ replace the Avista designees as directors of the Avista Board with or without cause or notice at its sole discretion.

Hydro One shall have the unfettered right to designate, remove and replace the Hydro One designees as directors of the Avista Board with or without cause or notice at its sole discretion, subject to the requirement that:

- (i) two of such directors are executives of Parent or any of its subsidiaries; and
- (ii) three of such directors are Independent Directors who are residents of the Pacific Northwest region, while such requirement is in effect (subject in the case of clause (ii) hereof to Hydro One determining, in good faith, that it is not able to appoint ~~an~~ Independent Director who is a resident of the Pacific Northwest region in a timely manner, in which case Hydro One may replace any such director with any person, including an employee or executive of Hydro One or any of its subsidiaries on an interim basis, not exceeding six months, provided that Hydro One designees who are employees or executives of Hydro One or any of its subsidiaries shall in

no case constitute a majority of the directors of Avista, after which time Hydro One shall replace any such interim director with an Independent Director who is a resident of the Pacific Northwest region). If, at any time a circumstance arises, and during the pendency of any such circumstance, whereby the Province of Ontario (“Ontario”) exercises its rights as a shareholder of Hydro One, uses legislative authority or acts in any other manner whatsoever, that results, or would result, in Ontario appointing nominees to the board of directors of Hydro One that constitute, or would constitute a majority of the directors of such board, then Hydro One’s authority to replace an Independent Director with an employee or executive on an interim basis is suspended for the pendency of such circumstance.

6. Olympus Equity, LLC Board of Directors

At least one of the members of the board of directors of Olympus Equity LLC will be an Independent Director. The same individual may serve as an Independent Director of both Avista and Olympus Equity LLC.

D. Future Transactions

7. Long-Term Ownership

Hydro One and Avista agree not to sell Avista’s Oregon natural gas operations for three (3) years following the Commission’s approval of the Proposed Transaction. During that time, Avista and Hydro One agree to provide safe and reliable service and commit to keeping Avista’s Oregon natural gas operations in the same or better condition than existed prior to the Proposed Transaction.

8. Avista and Alaska Energy and Resources Co. (AERC) Corporate Relationship

Avista and Parent agree they will continue to provide timely courtesy copies, information and reporting to the Commission of AERC/Alaska Electric Light and Power Co. (AELP) resource (long-term) plans and plan updates submitted to the Regulatory Commission of Alaska (RCA), and topical energy information as described herein when Avista or Parent find such information relevant or material to Oregon, or when requested by the Commission or Staff. This continues Avista’s tradition of contributing to informed Northwest regulation.

Parent and Avista agree that if AERC, or components thereof, such as but not limited to AELP is transferred from its current position under Avista, Hydro One must give notice to the Commission and provide pro forma documents showing the proportion of debt and equity to be removed from Avista. This information will be used for the purpose of potential adjustments in Avista’s next GRC.

9. Reorganization and Sale Triggers

Parent and Avista agree to comply with and interpret ORS 757.511 (Application for authority to exercise influence over utility) as triggered if any of the entities in the post-Proposed Transaction chain of corporate entities between Hydro One and Avista, and including Hydro One, undergoes a corporate reorganization or if any of those entities enter into a transaction that results in the addition of a new entity in the chain of entities that may exercise any substantial influence over Avista.

Additionally, Parent and Avista agree to interpret ORS 757.480 (Approval needed prior to disposal, mortgage or encumbrance of certain operative utility property or consolidation with another public utility) to require Commission approval of any transaction which results in a merger of Avista with another public utility, without regard to whether that public utility provides service in Oregon.

E. Safety and Service Quality Measures

10. Safety and Reliability Standards and Service Quality Measures

Avista and Parent agree that neither the proposed Hydro One merger, nor future acquisitions, may diminish delivery of safe and reliable utility service in Oregon as compared to Avista's performance pre-close of the Proposed Transaction.

Avista and Parent agree that Avista will continue to fully comply with US Code of Federal Regulations (CFR) Title 49 Parts 190 to 199 (Pipeline Safety), as applicable.

Avista and Parent agree that Avista will maintain and improve, to the extent reasonably practicable, Avista's natural gas safety and reliability and resilience standards, policies, and service quality measures.

Additionally, Parent and Avista agree that Avista commits to providing the following Service Quality, Safety and Planning measures:

Customer Service Quality

11. Avista Call Center

Avista will maintain a call center managed by high-performing personnel to ensure the maintenance of high quality service and customer standards in Oregon. Personnel at such call centers will have training and experience commensurate with Avista's Oregon pre-Proposed Transaction customer service system and standards.

12. Avista Oregon Regulatory Affairs and Liaison Staff

Avista regulatory liaison staff will retain high-performing personnel. Personnel will have training and experience in Oregon regulatory matters, commensurate with Avista's operations in Oregon prior to the Proposed Transaction.

13. Opening and Closing Oregon Bills

Avista and Parent commit that Avista will prepare all opening and closing bills using actual reads acquired manually or electronically in accordance with Oregon's administrative rules, unless the open or close date is within +/- 5 days of regular normal cycle read, whereupon a prorated read may be used.

14. Oregon Winter Protection Program

Avista and Parent agree that by October 31, 2018, Avista will submit to the Commission for approval a proposal for a Winter Protection Program against winter shut-offs for low-income, elderly and other at-risk customers that explains how Avista balanced collection and customer service goals, and where applicable drew on Hydro One experience.

15. Native American Communities

Avista commits, and Hydro One agrees, that Avista will seek to appropriately engage Native American communities.

16. Oregon Low Income Weatherization

Hydro One and Avista agree that Avista will increase current funding for Avista Oregon low-income weatherization programs by making a payment of \$1,275,000, to be paid in equal increments over a 5 year period to the agencies that are in charge of the Avista Oregon Low Income Energy Efficiency Program (AOLIEE). The first annual payment will begin in the calendar year following closing of the Proposed Transaction. The Parties agree that this commitment is not recoverable in customer rates and will not be booked to utility accounts; in other words, in no way or form will the cost of this commitment appear in Avista's regulated utility earnings.⁸

Hydro One and Avista agree that Avista will undertake a targeted effort with a goal of improving the penetration of Avista low-income programs in Oregon with a focus on underserved, vulnerable, and high energy burden households. Further, Avista commits to keep sufficient data analysis to clearly articulate what program elements and methods were effective as well as to identify opportunities for delivering more beneficial outcomes with resources available.

⁸ The Parties' expectation is that this commitment will be funded through a reduction in retained earnings or shareholder dividends.

17. Oregon Low-Income Rate Assistance Program (LIRAP)

Hydro One and Avista agree that Avista shall increase funding for LIRAP for Oregon customers as provided in this commitment. Hydro One and Avista agree that Avista will provide a payment of \$500,000 payable at the rate of \$100,000 per year with the first annual payment beginning in the calendar year following closing of the Proposed Transaction. The Parties agree that this commitment is not recoverable in customer rates and will not be booked to utility accounts; in other words, in no way or form will the cost of this commitment appear in Avista's regulated utility earnings.⁹

18. Addressing Other Low-Income Customer Issues

Avista and Parent commit that Avista will continue to work with low-income agencies to address other issues of low-income customers, including funding for bill payment assistance.

19. Explanation of Oregon Billing Errors

Avista and Parent commit that for the first three years following close of the Proposed Transaction Avista shall report to the Commission's Consumer Services Section any incidence of a billing error that results in the issuance of a corrected bill if the correction is \$35 or more, and an explanation for the causes of the error.

20. Oregon Customer Satisfaction

Avista and Parent commit that the level of customer satisfaction with telephone service, as provided by Avista's Contact Center, will be at least 90 percent, where:

- a. The measure of customer satisfaction is based on customers who respond to Avista's quarterly survey of customer satisfaction, known as the Voice of the Customer, as conducted by its independent survey contractor;
- b. The measure of satisfaction is based on customers participating in the survey who report the level of their satisfaction as either "satisfied" or "very satisfied"; and
- c. The measure of satisfaction is based on the statistically-significant survey results for both electric and natural gas service for Avista's entire service territory for each quarter surveyed, and will also separately be reported for Oregon customers only.

⁹ The Parties' expectation is that this commitment will be funded through a reduction in retained earnings or shareholder dividends.

21. Level of Oregon Customer Complaints to the Commission

Avista commits, and Parent agrees, that the number of complaints filed with the Commission by Avista's natural gas customers will not exceed the rate of 0.3 complaints per 1,000 customers for the calendar year.¹⁰

22. Oregon Live Customer Service

Avista commits, and Parent agrees, that the percentage of customer calls answered by a live representative within 60 seconds will be at least 80 percent per month, where:

- a. The measure of response time is based on results from Avista's Contact Center, and is initiated when the customer requests to speak to a customer service representative or presses a key to bypass an IVR system if in use; and
- b. Response time is based on the combined results for both electric and natural gas customers for Avista's entire service territory.

23. Oregon Emergency Response Time

Avista and Parent commit that Avista's average response time to a natural gas system emergency in Oregon will not exceed 55 minutes for the calendar year (or consistent with future Commission standards), where:

- a. Response time is measured from the time of the customer call to the arrival of a field service technician; and
- b. "Natural gas system emergency" is defined as an event when there is a natural gas explosion or fire, fire in the vicinity of natural gas facilities, police or fire are standing by, leaks identified in the field as "Grade 1," high or low gas pressure problems identified by alarms or customer calls, natural gas system emergency alarms, carbon monoxide calls, natural gas odor calls, runaway furnace calls, or delayed ignition calls.

24. Oregon Service Appointment Scheduling

Avista and Parent commit that Avista will keep mutually agreed upon appointments for natural gas service re-lights, connections and reconnections where a service line is already installed, scheduled in the time windows of either 8:00 a.m. – 12:00 p.m. (morning), or 12:00 p.m. – 5:00 p.m. (afternoon), except for the following instances:

¹⁰ — Note that the current 5 year average rate is 0.145 percent. This target is moved by Staff to slightly over 200% of current performance metrics.

- a. When the customer or applicant cancels the appointment;
- b. The customer or applicant fails to keep the appointment; or
- c. Avista reschedules the appointment with at least 24-hours' notice.

25. New Oregon Gas Supply

Avista and Parent commit that Avista will provide a cost estimate to the customer or applicant for new natural gas supply within 10 business days upon receipt of all the necessary information from the customer or applicant.

26. Oregon Billing Inquiries

Avista and Parent commit that Avista will respond to all billing inquiries at the time of the initial contact, and for those inquiries that require further investigation, Avista will investigate and respond to the customer within 10 business days.

27. Oregon Customer Service Investigations

Avista and Parent commit that Avista will investigate customer-reported problems with a meter, or conduct a meter test within 15 business days of the request, and report the results to the customer within 15 business days from the date of the report or request.

28. Oregon Service Guarantee Credits

(Expires 3 years from closing of the Proposed Transaction)

Avista commits, and Parent agrees, that for failure to meet a customer service guarantee for service provided to a gas customer, Avista will apply a \$50 credit to the customer's account. For failure to meet a customer service guarantee for service provided to an applicant, Avista will mail a check for \$50 to the applicant. Avista will timely provide the qualifying customer credit or applicant check without any requirement on the part of the customer or applicant to either apply for, or request, the applicable credit or check. Payment of service guarantee credits and any service quality penalties shall be excluded from revenue requirements in GRCs.

Tracking of Avista's performance on the customer service guarantees, including the application of customer credits, will begin on January 1, 2019.

29. Oregon Security Deposits

Avista and Parent agree that Avista commits to eliminate security deposits for new Avista residential customers at close of Proposed Transaction, and to return existing security deposits to Oregon customers who have a deposit held longer than 6 months. In any subsequent Avista GRC before the Commission, any Party may request the Commission Order in that rate case to modify or remove

this commitment if that Party successfully argues that the application of this commitment had an unreasonable impact on Avista's uncollectible debt.

30. Oregon Annual Service Quality Reports

Avista and Parent commit that Avista will include the results of its Service Quality Measures Program in an annual report to be filed with the Commission on or before April 30th of each year.

31. Oregon Customer Report Card

Avista commits, and Parent agrees, that within 90 days of Avista filing its Annual Service Quality Measures Report, Avista will send a Service Quality Measures Program Report Card to its customers, which will include the following:

- a. Results for each of Avista's customer service measures, compared with the respective performance benchmarks;
- b. Results for each of the customer service guarantees, compared with the respective benchmarks, and including the number of events for each measure where a credit was provided, and the total dollar amount of the credits paid for each measure; and
- c. Performance highlights for the year.
- d. Avista will issue its first Report Card to customers on or before July 31, 2020.
- e. Avista, or any interested party, may separately petition the Commission, for approval of changes to the customer service guarantees, and reporting thereon, as set forth in Commitments 20-31, to assure that such commitments continue to accomplish their intended purposes.

SENDOUT Software Suite for Commission Staff, CUB and AWEC**32. Oregon SENDOUT Seats**

Parent and Avista agree that Avista will provide, for a period of 10 years, \$30,000 annually for the purpose of obtaining SENDOUT seats for Commission Staff, CUB, and AWEC for SENDOUT dispatch optimization and gas portfolio cost assessment and reliability software with SENDOUT or a division of ABB. The Parties agree that this \$30,000 commitment is not recoverable in customer rates and will not be booked to utility accounts; in other words, in no way or form will the cost of this commitment appear in Avista's regulated utility earnings.¹¹ Nothing in this commitment precludes Avista from replacing SENDOUT with a different comparable service provided that Avista continues to provide the \$30,000 annual contribution for Staff, CUB, and AWEC use of SENDOUT or such comparable service for the agreed upon ten-year period.

33. On Bill Repayment Program (OBRP)

Hydro One will arrange funding of the approximately \$100,000 (system-wide basis) initial investment in software upgrades and \$5,000 in administrative costs to implement an on-bill repayment program. Under no circumstance will Avista's ratepayers be responsible for any default related to the OBRP.

OBRP is a pass-through billing service for energy efficiency loans, where Avista would collect loan payments on customers' bills then transmit the sum monthly to the third-party lender. Only non-profit lenders would be eligible, offering low rates for energy efficiency loans. The lender has no ability to shut off power (due to non-payment) and all lending activity is managed separate from the utility, where the lender:

- Provides all capital and bears full risk;
- Manages delinquent files and collections off-bill;
- Handles loans/balances separate from utility financial systems; and
- Meets consumer lending regulatory requirements.

F. Hold Harmless**34. Revenue Requirement**

¹¹ The Parties' expectation is that this commitment will be funded through a reduction in retained earnings or shareholder dividends.

Parent and Avista agree that Avista will hold Avista Oregon customers harmless if the Hydro One-Avista merger results in a higher revenue requirement for Avista than if the merger had not occurred. Avista bears the burden of showing no increase in the revenue requirement consistent with this commitment.

35. Ratemaking Cost of Debt and Equity

Avista and Parent agree that Avista will not advocate for a higher cost of debt or equity capital as compared to what Avista's cost of debt or equity capital would have been absent Hydro One's ownership. For future ratemaking purposes:

- a. Determination of Avista's Cost of Long-Term Debt will be no higher than such costs would have been, absent Hydro One's ownership, assuming Avista's Credit Ratings as such ratings were in effect on the day before the Proposed Transaction closes and applying those credit ratings to then-current debt;
- b. Avista bears the burden to prove prudent in a future GRC any increased cost of Long-Term Debt associated with existing Avista debt retired, repaid, or replaced as a part of the Proposed Transaction; and
- c. Determination of the authorized Return on Equity (ROE) in future GRCs will include selection and use of one or more proxy group(s) of companies engaged in businesses substantially similar to Avista's Oregon LDC operations, without any limitation related to Avista's ownership structure.

36. Business and Financial Risks

Hydro One and Avista agree that Parent and Avista will hold Avista customers harmless from any business and financial risk exposures associated with Olympus Holding Corp., Hydro One, and Hydro One's other affiliates.

Avista and Parent agree that Avista and Olympus Holding Corp. will provide notice to current and prospective lenders describing the ring-fencing controls in these commitments and stating that such controls provide no recourse to Avista assets as collateral or security for debt issued by Hydro One or any of its subsidiaries; this provision does not prohibit Avista from pledging its own assets as collateral or security for Avista debt. Avista and Parent will file with the Commission prior to close of the Proposed Transaction a copy of said notice.

Should any regulatory, taxing or other governmental entity or subdivision thereof in the United States of America or elsewhere make a determination that any company organizationally situated between Avista and Hydro One, individually or collectively:

- i. Lacks a genuine business purpose;
- ii. Fails to constitute a separate and distinct business and not a single economic unit containing one or more intermediate companies and Avista;
- iii. Exhibits substantial and material entanglement of operations or finance with Avista;
- iv. Fails to comply with all tax and other monetary obligations, including but not limited to the timely obtaining of pertinent taxing authority letters of determination authorizing the form and nature of any tax management construct for the specific company housing the tax management construct for the specific intended purpose directionally specific to the application executed;
- v. Is determined to be inadequately capitalized for its business purposes, or
- vi. Engages in financial hedging or other risk management predicated on historical correlations which do not hold true in future markets, however disrupted or distressed, then:

Avista and its ratepayers will be held harmless from any claim, suit, action, loss, damage, or legal liability, including all expenses, penalties, judgements fees (including attorney fees), interest, charges, expert representation costs, and amounts actually and reasonably incurred in connection with any litigation, defense, penalty, or fine.

37. Unregulated Activities

- a. Avista commits, and Parent agrees, that Avista's regulated utility customers will be held harmless from the liabilities of any unregulated activity of Hydro One and its subsidiaries and affiliates, including Avista. In any proceeding before the Commission involving Avista rates, the revenue requirement for Avista will be determined without recovery of costs related to unregulated activities.
- b. Avista commits, and Parent agrees, that Avista and AELP will continue to be operated consistent with Commission Order 14-112, including Attachment B, entered April 1, 2014 in Docket Numbers UF 4283 and UI 343.

38. Environmental Liabilities of Parent

Hydro One will hold Avista and Avista ratepayers harmless from any environmental obligations or liabilities of Hydro One or its affiliates other than

Avista, including those associated with harmful substances such as asbestos or polychlorinated biphenyls (PCBs) and environmental cleanup and restoration.

39. Foreign Exchange and Hedging on Dividends Payments and Allocations

Avista and Parent agree that Avista ratepayers will be held harmless from any currency exchange or related cash flow smoothing or hedging costs pertaining to activities beyond Avista's Oregon utility operations and not usual and customary prior to close of the Proposed Transaction.

G. Rate Credit

40. Rate Credits to Oregon Ratepayers

Avista and Hydro One will flow through to Avista's retail customers in Oregon a Rate Credit of \$7,541,159¹² over a 5-year period, beginning at the time the Proposed Transaction closes. The Parties agree that the rate credits shall be spread to customers on an equal percentage of margin basis.

| | Rate Credit | |
|-------------------|-----------------------------------|---------------------|
| | Oregon Annual Credit Years 1-5 | Oregon Total Credit |
| Total Credit | \$1,508,232 | \$7,541,159 |
| Offsetable Credit | \$226,235 | \$1,131,174 |

The total Rate Credit to customers for the five years following the closing would be \$1,508,232 per year. A portion of the annual total Rate Credit could be offsetable, in the amount of \$226,235.¹³ During the 5-year period, the financial benefits will flow through to customers through the Rate Credit described above on customers' bills. The offsetable portion may be achieved through a reduction to the underlying cost of service as reflected in the test period numbers used for ratemaking.

To the extent Avista demonstrates in a future rate proceeding that cost savings, or benefits, directly related to the Proposed Transaction are already being flowed through to customers through base retail rates, the separate Rate Credit to

¹² The total rate credit for Oregon will be \$7,541,159. The rate credit will be allocated in Oregon on the basis of Year End Customers for the year ending December 31st, 2016. In 2016, Avista's Oregon Service Territory had 100,472 customers. Avista total number of customers was 717,579 in 2016. Therefore, Oregon customers represented 14% of Avista total number of customers.

¹³ The offsetable portion of the Rate Credit was calculated as 15% of the jurisdictional total of the rate credit.

customers would be reduced by an amount up to the offsetable Rate Credit amount.

The \$7.54 million represents the “floor” of benefits that will be flowed through to Avista’s customers, either through the Rate Credit or through benefits otherwise included in base retail rates. To the extent the identifiable benefits exceed the annual offsetable Rate Credit amounts, these additional benefits will be flowed through to customers in base retail rates in GRCs as they occur. Avista and Hydro One believe additional efficiencies (benefits) will be realized over time from the sharing of best practices, technology and innovation between the two companies. It will take time, however, to identify and capture these benefits. The level of annual net cost savings (and/or net benefits) will be tracked and reported on an annual basis, and compared against the offsetable level of savings.

H. Taxes

41. Taxes

- a. Federal, state, and local taxes and assessments included in customer rates shall be no greater than they would be had Avista not been acquired by Hydro One.
- b. Tax benefits that would not exist absent the Proposed Transaction may be addressed in future proceedings before the Commission; however, until that time, Avista, in compliance with ORS 757.511(4)(b), shall make a filing with the Commission for approval to establish a balancing account to track income tax expense, subject to Commission approval and Commission conditions. Avista shall also submit an application to the Commission to establish an ORS 757.259 deferral to track Avista’s income tax expenses and revenues (including tax benefits resulting from the Proposed Transaction), the net revenues of which could be deliverable to Avista’s Oregon customers if a Party prevails in a future proceeding before the Commission. Avista shall make its initial ORS 757.259 filing as soon as practicable after the Commission issues its final order in this docket, but prior to closing of the Proposed Transaction. Avista shall continue to renew its application for an ORS 757.259 deferral annually. This commitment does not require Parent to pass Parent-related tax benefits to Avista customers unless ordered by the Commission in a later proceeding, nor does it permit Parent to pass Parent-related tax expenses to Avista customers.

42. Tax Cuts and Jobs Act

- a) Avista and Parent agree that Avista will identify and quantify the impact on Avista of the December 22, 2017 U.S. “Tax Cuts and Jobs Act,” which lowered U.S. corporate federal income tax rates from 35 percent to 21 percent and modified or eliminated certain federal income tax deductions. Avista will report on this impact in compliance with other Commission proceedings. Within this reporting, Avista will identify specific metrics of concern to Rating Agencies.
- b) Regarding the deferral of net tax benefits associated with the Tax Cuts and Job Act, currently docketed as UM 1918 and UM 1923, Avista agrees that it will waive, and not seek to apply, an earnings test (see ORS 757.259(5)) when Avista decides, or is required by the Commission, to amortize the deferred tax benefit into customer rates; in other words, Avista will not use any of the deferred tax benefits to achieve its authorized ROE of 9.4% (ROE in 2018 and beyond). The Parties agree that the amount of the tax benefit has not yet been determined, but will be determined consistent with the Commission’s direction in the UM 1918 and UM 1923 dockets, and other applicable docket(s) should one be opened.

I. Financial Ring-Fencing

43. **Cost of Capital**

Avista and Parent agree that Avista’s Cost of Capital, including Avista’s Rate of Return (ROR), common equity, and Long-Term Debt, shall not be more costly after the close of Proposed Transaction than they would have been absent the Proposed Transaction. Consistent with Commitment 35(a), Avista bears the burden of proving that increases in Avista’s Cost of Capital, including Avista’s ROR, common equity, and Long-Term Debt, is caused by circumstances or developments that are unrelated to the financial risks or other characteristics of the Proposed Transaction.

44. **Capital Support**

Hydro One will provide equity injections to support Avista’s capital structure thereby allowing Avista to access its usual and customary financial markets under reasonable terms and on a sustainable basis. This commitment should include commercial paper programs, FMBs, credit facilities, letters of credit or usual debt capital market transactions as exhibited in Avista’s business activity prior to execution of the Proposed Transaction, unless other comparable, lower-cost methods exist in the future.

45. **Common Equity Floor (CEF) in Capital Structure**

The applicable CEF shall correspond to the applicable Credit Ratings for FMBs as determined in Table 2 in accordance with the following paragraph of this commitment. Hydro One will make such equity injections as necessary to maintain the applicable CEF consistent with Table 2.

When S&P and Moody's Credit Ratings are within one notch of each other, the CEF will be determined by the higher of those ratings. When the difference between S&P and Moody's is greater than 1 notch, the CEF will be determined by the rating level that is one notch below the higher of the S&P and Moody's ratings.

If Avista or Parent finds that the actual or projected CEF will drop below one-half of one percent above the required target based on the applicable Credit Ratings in Table 2, then Avista and Parent will:

- a) Within 5 business days, notify the Commission explaining why.
- b) Within 30 days of providing notice, provide a plan and timeline ("Compliance Plan") that is subject to Commission review, modification, rejection, or approval for maintaining Avista's common equity ratio at or above the required CEF.
- c) Subsequent to the filing of the Compliance Plan, Avista shall file progress reports every 90 calendar days detailing its efforts to restore its equity component to the required CEF or above, in addition to detailing how Avista has met each requirement in the Compliance Plan.
- d) If Hydro One and Avista find it reasonably likely that Avista common equity ratio could fall below one half of one percent above the required CEF in Table 2 based on a preceding or projected thirteen month average, Avista and Parent shall provide a report to Staff with its projections and take the steps listed above.

46. Avista Debt and Preferred Stock

Avista and Parent agree that any debt, commercial paper programs, revolving credit facilities and preferred stock of Avista will be maintained separately to support Avista utility operations.

Parent and Avista agree that no incremental new debt related to financing the transaction at closing or thereafter for this or future Parent or affiliate M&A will be in any way incurred, guaranteed, or pledged with Avista assets or otherwise by Avista. Avista's financial integrity will be protected from the separate operations of the Parent and its affiliates. Should any entity claim or assert otherwise in any

forum, whether regulatory, political, legal or otherwise, the Parent will assert that said debt or other financial instrument and any penalties or interest or other obligations thereon is the sole responsibility of the Parent and its subsidiaries other than Olympus Holding Corp. and all entities in the chain below it.

Neither Parent nor Avista will include in any of their debt or credit agreements cross-default provisions between the debt of Avista and the debt of Parent or any current and future Affiliates, or any government or political subdivision thereof with a direct or indirect ownership interest in the Parent. Parent and Avista agree that in no way may the assets of Avista be used to guarantee the finances, securities, transactions, or credit of any government or subdivision thereof, and that the acquisition of power to exercise substantial influence over Avista by any person or entity in the future may only occur subject to Commission approval as required by ORS 757.511 and as specified in these commitments.

Except as provided in commitments 62 and 63 Avista will enter into no inter-company debt transactions with, or lend money to, or borrow money from: Parent, or current or future affiliates, or any government or political subdivision thereof with a direct or indirect ownership interest in the Parent.

Avista commits, and Hydro One agrees, that neither Avista nor Avista's subsidiaries will, without the approval of the Commission:

- a) Make loans or transfer funds (other than dividends and payments pursuant to the MSA or equivalent cost allocation manual) to Parent or its affiliates;
- b) Assume any obligation or liability as guarantor, endorser, surety, or otherwise for Parent or its affiliates;
- c) Transfer any of Avista utility assets or property to Parent or its affiliates, or any government or political subdivision thereof;
- d) Seek to pledge Avista's assets as backing for any hedging, indebtedness, or securities of Parent or its affiliates;
- e) Enter into cross-default provisions involving Parent or its affiliates; or
- f) Participate in a money pool.

47. First Mortgage Bonds (FMB)

Avista and Parent agree that Avista will also maintain adequate: (a) interest coverage and (b) pool of qualified Avista assets to maintain the ability to issue FMB.

48. Continued Credit Ratings

Avista and Parent agree that Avista debt (other than private placement debt), will continue to be rated by both S&P and Moody's without substitution, except as provided under the definition of Rating Agencies. Avista will make Rating Agencies' credit ratings and all related presentations to or from Avista and Rating Agencies, and Rating Agencies' reports and analysis pertaining to Avista, available to the Commission upon the Commission's request.

49. Revolving Credit Facilities and Associated Letters of Credit

Parent and Avista agree that Avista will prudently manage its revolving credit facilities and, as part of the renewal of the current credit facilities, will proactively arrange for multiple one year maturity extensions and accordion features allowing enlargement of facilities to protect Avista from unnecessary credit risk, if available at a reasonable cost in the market. Further, Parent and Avista agree to prudently diversify institutions participating in revolving Avista credit facilities to preclude concentration in any one country or institution.

Avista will share no credit facilities with Parent or affiliates or any government or political subdivision thereof with a direct or indirect ownership interest in the Parent.

50. Restrictions on Upward Dividends and Distributions

No upward dividends, distributions or like payments are authorized from Avista (special, one-time, or otherwise) to Olympus Equity LLC if any of the following conditions are present:

- a) The ratio of Avista's earnings before interest, tax, depreciation and amortization (EBITDA) to Avista's interest expense is not greater than or equal to 3.0;
- b) Avista's CEF as calculated for ratemaking purposes in Oregon is less than set forth in Table 2 based on FMB credit ratings. Table 2's application is further described in Commitment 45, "Common Equity Floor (CEF) in Capital Structure" (for example, if Avista's S&P FMB rating is "A" AND Moody's FRB rating is "A2", then the CEF shall be 46%); or
- c) Avista's S&P or Moody's long-term (local currency) issuer credit ratings drop below Investment Grade. Note that subsection (c) is an exception to

the definition of Credit Ratings, but not an exception to the definition of Investment Grade.

For five years after the closing of the Proposed Transaction, Avista and Parent agree to decline to request any extraordinary or special upward dividends or payouts. Further as an exception to ORS Chapter 757 inclusive of ORS 757.420, Avista and Parent consent that the Commission shall have 60 days to review any application for a special upward dividend made beyond five years post Proposed Transaction, and agree that comprehensive supporting justification will be filed with the Commission in support of any said future application.

Without prior Commission approval, Avista and Parent agree that Avista's regular quarterly dividends from Avista to Olympus Equity LLC, or otherwise upward toward Hydro One, may grow at a Compound Annual Growth Rate (CAGR) of no more than seven (7) percent CAGR.¹⁴

In all cases, Parent and Avista agree that Hydro One shall notify the Commission of:

- i. Any intention to transfer more than five (5) percent of Avista retained earnings, out of Avista, at least seven (7) days prior to starting this transfer;
- ii. Any intention to transfer more than ten (10) percent of Avista retained earnings out of Avista over a six-month period, at least 30 days prior to starting those transfers;
- iii. Any intention to declare a special cash dividend payment at least 30 days before declaring the special cash dividend or like transfer of funds; and
- iv. Its most recent quarterly cash dividend payment within 30 days after declaring each dividend.

Annual Affiliated Interest (AI) reports must itemize all Parent M&A divestitures, and reorganization activities since the prior annual AI report.

51. SEC Reporting Requirements

Following closing of the Proposed Transaction, Avista will continue to make its own applicable separate filings with the U.S. Securities and Exchange Commission (SEC).

52. Compliance with the Sarbanes-Oxley Act

¹⁴ See page 21 of Avista's investor presentation, "Positioned for Performance – An overview of Q3 2017 and beyond" released in December 2017 for the 2013 through 2017 4 percent to 5 percent trend of annual dividend growth.

Following the closing of the Proposed Transaction, Avista and Parent will comply with applicable requirements of the Sarbanes-Oxley Act with regard to all activity at Avista and Olympus Equity, LLC.

53. Sources of Funds for Hydro One Commitments and Guarantees (Other than for Customer Service, Communities and Charitable Purposes)

- a. Within 18 months of the close of the Proposed Transaction, Hydro One will establish and maintain a Canadian \$2 billion universal shelf prospectus in Canada which will allow it to issue debt, common equity and preferred equity.
- b. Hydro One agrees to increase its Canadian \$250 million credit facility to at least \$500 million, increasing its liquidity and enabling it to fund any equity injection required at Avista on short notice.
- c. Hydro One agrees that Avista will continue to be able to issue FMBs, and that Hydro One will be supportive of Avista's FMB credit ratings.
- d. Hydro One agrees that it will not allow Avista's S&P or Moody's long-term (local currency) issuer credit ratings to drop below Investment Grade. Note that this is an exception to the definition of Credit Ratings, but not an exception to the definition of Investment Grade.

J. Bankruptcy Ring-Fencing

54. Avista Cash Flows

Avista commits, and Parent agrees, that prior to upward dividends from Avista to Olympus Equity LLC, Avista cash flows will not be comingled in common accounts with cash flows for other purposes at either of Olympus Equity, LLC or Hydro One, including all Hydro One subdivisions and affiliates. Hydro One will ensure that all of the Parent's corporate entities maintain accounts and subaccounts that are separate from Avista accounts and subaccounts, sufficient to cause handling of cash flows to be entirely consistent with Avista's corporate purposes.

55. Golden Share

Entering into voluntary bankruptcy shall require the affirmative vote of a "Golden Share" of Avista stock. The Golden Share is defined in the Definitions section of these commitments and is the sole share of Preferred Stock of Avista as authorized by the Commission. This share of Preferred Stock must be in the custody of an independent third-party, where the third-party has no financial stake, affiliation, relationship, interest, or tie to Hydro One or any of its affiliates including Avista, or is any lender to Hydro One or its affiliates, or Avista or its

affiliates. The holder of the Golden Share must be approved by the Commission. In matters of voluntary bankruptcy, this Golden Share will override all other outstanding shares of all types or classes of stock and the holder of the Golden Share solely represents the interests of Avista's utility customers.¹⁵

The cost of the Golden Share is considered a transaction cost and not included in rates. Once a viable candidate for holder of the Golden Share is identified, Avista must report to the Commission the following:

- a) The name and contact information of the holder of the Golden Share;
- b) How this person/entity meets the definition and purpose of the Golden Share holder as explained in the commitments herein; and
- c) Provide a copy of the draft agreement between the purchaser and Avista.

After receiving Commission approval of the holder of the Golden Share, Avista shall file the following:

- i. The Report of Securities Issued and Disposition of Net Proceeds promptly after the sale; and
- ii. Final copies of:
 1. The Board resolution authorizing the transaction;
 2. The resolutions of the Board and the shareholder approving and adopting the Amended and Restated Articles of Incorporation of Avista, including the rights and preferences of the Golden Share;
 3. A copy of the Amended and Restated Articles of Incorporation of Avista;
 4. A copy of the Golden Share certificate; and
 5. A copy of the agreement between the holder of the Golden Share and Avista.

Further, Avista will seek Commission approval prior to consenting to any future sale, trade, or transfer of the Golden Share by the Commission-approved-holder thereof. Avista will provide supplemental information at that time in a manner and form consistent with that which was provided in the review of the initial purchaser in this docket.

¹⁵ See Definitions Section for further explanation and case references.

56. Vote of Independent Directors Also Required

Avista and Parent agree that the organizational documents of Avista and Olympus Equity LLC will provide that Avista and Olympus Equity LLC will not, and their organizational documents will not permit Avista or Olympus Equity LLC to, consent to the institution of voluntary bankruptcy proceedings or to the inclusion of Avista in bankruptcy proceedings of Parent, absent a two-thirds majority vote of all Avista directors, including the affirmative vote of a majority of the Independent Directors at Avista, which must include the affirmative vote of at least two of the Avista designated Independent Directors.

Avista and Parent agree that Avista will present the organizational documents of Avista and Olympus Equity, LLC to the Commission before the Commission's decision in this proceeding.

In addition to an affirmative vote of a majority of the Independent Directors, the vote of the holder of the Golden Share shall also be required for Avista to enter into a voluntary bankruptcy.

57. Non-Consolidation Opinion

As soon as it is obtained, but by no later than ninety (90) days after the Proposed Transaction closing, Avista and Hydro One will file a non-consolidation opinion with the Commission which concludes, subject to customary assumptions, that the commitments herein are sufficient that any U.S. bankruptcy court or Canadian bankruptcy court would not order the substantive consolidation of the assets and liabilities of Avista with those of Hydro One or any of its affiliates or subsidiaries. Avista commits to promptly file such opinion with the Commission as soon as it is obtained.

If the ring-fencing provisions in these commitments are not sufficient to obtain a non-consolidation opinion, Hydro One and Avista will immediately take the following actions:

- a. Notify the Commission of this inability to obtain a non-consolidation opinion.
- b. Propose and implement, upon Commission approval, such additional ring-fencing provisions around Avista as are sufficient to obtain a non-consolidation opinion subject to customary assumptions and exceptions.
- c. Obtain a non-consolidation opinion, and otherwise complete above steps.

Hydro One and Avista recognize that OPUC adoption of the stipulation in this docket and the list of commitments herein is conditioned on and subject to Hydro One and Avista filing a satisfactory non-consolidation opinion with the OPUC.

58. Olympus Holding Corp. and Olympus Equity LLC

Olympus Holding Corp.'s indirect subsidiaries will include Olympus Equity LLC and Avista. See the post-acquisition corporate organizational chart in Table 1. Following closing of the Proposed Transaction, all of the common stock of Avista will be owned by Olympus Equity LLC, a limited liability company.

Avista will become a wholly-owned subsidiary of Olympus Equity LLC, a bankruptcy-remote Special Purpose Entity (SPE) established for the purpose of ring-fencing Avista, with the intention of removing Avista (and all of its current subdivisions and holdings in all states) from the bankruptcy estate of Parent and other divisions and affiliates. Olympus Equity LLC will issue no preferred stock; will not issue nor carry notes, bonds, or other forms of indebtedness; and will not engage in financial derivatives, hedging, or like financial activities beyond those entirely consistent with the above stated purpose of the bankruptcy-remote SPE.

Olympus Equity LLC, Avista and Avista's subsidiaries will not hold other Parent corporation investments or financial obligations without prior Commission approval.

Hydro One will provide copies of the articles of incorporation and bylaws for Olympus Holding Corp. and of the membership agreement for Olympus Equity's LLC to the Commission prior to the Commission's decision in this matter. In the instance that any of the articles of incorporation or bylaws of the abovementioned companies conflict with any commitment listed herein, Olympus Holding Corp. and Olympus Equity LLC agree to amend such documents to reconcile the conflict so that the terms of the commitments herein prevail.

Avista and Parent commit that Olympus Equity LLC will not operate or own any business and will limit its activities to investing in and attending to its shareholdings in Avista.

Avista and Parent further commit that the revised articles of incorporation and bylaws of Olympus Holding Corp, and Olympus Equity LLC, reflecting their specific business purposes will be provided to the Commission prior to the Commission's decision on the Proposed Transaction.

59. Restriction on Pledge of Utility Assets

Absent a Commission order providing otherwise, Avista and Hydro One agree that under no circumstance will Avista loan, pledge, or transfer Avista utility

assets to Hydro One, Olympus Holding Corp., or any of Parent's subsidiaries or affiliates, other than Avista, without Commission approval. In addition, Avista and Hydro One agree that Avista's assets will not be loaned, pledged, or transferred by Avista or any of its affiliates, including Hydro One and Olympus Holding Corp. and any of their subsidiaries or affiliates.

60. Major Shareholder (Beneficial Ownership) Reporting

Avista and Parent agree that Avista will submit a written report on Major Shareholders consistent with OAR 860-027-0175(2) (Major Shareholders Report).

When holdings of all entities are not available because filings for those certain entities have not yet been made or are not available, Avista and Parent agree that Avista will use best available information in a preliminary filing to the Commission by the due date provided for in OAR 860-027-0175, supplemented by a final filing to the Commission no later than June 1 of each year.

61. Restriction on Acquisitions and Dispositions

Parent and Avista agree to comply with ORS 757.511 and ORS 757.480 as applicable and as described in the commitments herein. Hydro One, its Affiliates, and subsidiaries including Avista will notify the Commission subsequent to the board of Hydro One, its Affiliates or subsidiaries including Avista approving, and as soon as practicable following any public announcement, of:

- a. Any acquisition by Hydro One, its Affiliates and subsidiaries including Avista of a regulated or unregulated business that is equivalent to five (5) percent or more of Hydro One's capitalization; or
- b. Any change in control or ownership of Avista, inclusive of any change of upstream ownership of Avista among subsidiaries and Affiliates of Hydro One, providing detail of the holding.

This commitment does not prohibit Parent or its affiliates other than Avista from holding diversified businesses.

Neither Avista nor Olympus Holding Corp. will assert in any future proceedings that the Commission is without jurisdiction over any transaction that results in a change of control over Avista pursuant to ORS 757.511 and ORS 757.480, or as those statutes are described in the commitments herein.

62. No Inter Company Debt

Avista and Parent agree that, without prior Commission approval, Avista will not enter into any inter-company debt transactions with Olympus Holding Corp., Hydro One, or any of their subsidiaries or affiliates.

63. No Inter Company Lending

Avista and Parent agree that, without prior Commission approval, Avista will not lend money to Olympus Holding Corp., Hydro One, or any of their subsidiaries or affiliates.

K. Access to Information

64. Access to and Maintenance of Books, Records and Other Information

The following commitment applies to information that is reasonably calculated to lead to the discovery of admissible evidence pertaining to, or that may directly or indirectly affect or relate to, Avista, the Oregon-regulated utility: Avista and Parent will provide access to all materials specified in subparagraphs a - d below. Where practicable, this information will be made available directly to the Commission or at Avista's Headquarters in Spokane.

The Proposed Transaction and Hydro One's post-closing corporate structure will not result in reduced access to books and records for Commission Staff and other parties to regulatory proceedings necessary to investigate, examine, or verify transactions with Avista, or that result in costs that may be allocable to Avista.

Nothing in the Proposed Transaction and corporate structure thereafter will limit or affect the Commission's rights with respect to inspection of Avista's and Olympus Holding Corp.'s accounts, books, papers and documents pursuant to and in compliance with all applicable Oregon laws and administrative rules.

Avista and Parent will provide the Commission with access to:

- a. All books of account, budgets, integrated resource planning, documents, data, records, accounting, and financial information which may pertain to transactions between Avista and Hydro One or any Hydro One U.S. affiliate and subdivision.
- b. Avista Board of Director (BOD) and Parent BOD meeting minutes and presentations for BOD meetings, Avista and Parent committees and subcommittees thereof, as well as investor presentations and transcripts for Avista and Parent.

- c. Such other records of Avista and Parent including affiliates that are the bases for charges to Avista, to determine the reasonableness of the costs and the allocation factors used by Hydro One and its affiliates or subdivisions to assign costs to Avista and amounts subject to allocation or direct charges consistent with the Commission's rules and regulations.
- d. All information provided by and to common stock, bond, or bond rating analysts, and Rating Agencies, which directly or indirectly pertains to Avista or any affiliate that exercises influence over Avista. Such information includes, but is not limited to, opinions, reports and presentations made to or provided by common stock analysts and bond rating analysts. Avista's records of such matters will be kept at Avista's headquarters in Spokane.

Hydro One and its Affiliates agree that they will not raise lack of jurisdiction as a means of denying such access, and agree to cooperate fully with such Commission investigations and requests for information.

65. Budgets

On or before December 31 of each year, Avista shall make available to the Commission a final copy of its annual capital budget(s) for the succeeding year. Hydro One will provide an annual budget of all transactions between Hydro One and Avista.

66. Appearance Before the Commission

Hydro One and Avista will seek to maintain a visibly constructive relationship with the Commission and will make their employees and officers available to testify, present or participate in workshops before the Commission at the Commission's request to provide information of interest to the Commission on matters related to Avista's operations in Oregon. Avista will keep the Commission informed on material matters related to Avista's operations in Oregon consistent with Commission statutes and rules.

L. Accounting

67. Separate Books and Records

Avista and Parent, including all Hydro One U.S. Affiliates and subdivisions, will maintain the necessary itemized books and records in form that can be viewed, printed, and duplicated so as to document all corporate, Affiliate, or subsidiary transactions with Avista, or that result in costs that may be allocable to Avista. Documentation shall be maintained such that all costs subject to allocation and the basis for the application of the allocation methodology can be specifically

identified, particularly with respect to origin and cost drivers.

Avista and Parent further agree that Avista will maintain separate books and records inclusive of all documentation relating to costs allocated to and from its Parent and Affiliates, with such accounting information and financial books and records kept at Avista's headquarters in Spokane, Washington.

Avista will maintain its own accounts and subaccounts, books, computers, data, documents, and documentation with supporting records separate from the Parent's accounting system, with such accounting information and financial books and records kept at Avista headquarters in Spokane, Washington.

Avista assets, cash flows, and financial accounts may not be co-mingled with Parent or Parent's subsidiaries or operations resulting after the merger.

M. Cost Allocations

68. Cost Allocations and Affiliate Interests

Avista and Parent agree that Avista will provide cost allocation methodologies used to allocate to Avista any costs related to Parent, including to Olympus Holding Corp. or its other subsidiaries, and commit that there will be no cross-subsidization by Avista customers of unregulated activities.

Avista and Parent agree as follows:

- Hydro One and Avista will not cross-subsidize between the regulated and unregulated businesses or between any regulated businesses, and shall comply with the Commission's applicable statutes, orders, and rules with respect to such matters.
- Hydro One shall not subsidize its activities by allocating to or directly charging Avista expenses not authorized by the Commission to be so allocated or directly charged.
- For any services rendered to Avista or each cost category subject to allocations to Avista by Hydro One or any of its affiliates, Hydro One must be able to demonstrate that such service or cost category is necessary to Avista for the performance of its regulated operations, is not duplicative of services already being performed with Avista, and is reasonable and prudent and results in a benefit to Oregon customers.
- To determine the reasonableness of allocation factors used by Hydro One to assign costs to Avista and amounts subject to allocation or direct

charges, the Commission or its staff may investigate the accounts of Hydro One and its subsidiaries which are the bases for charges to Avista. Hydro One agrees to cooperate fully with such Commission investigations.

Avista commits, and Hydro One agrees, that neither Avista nor Avista's subsidiaries will, without the approval of the Commission:

- a. Make loans or transfer funds (other than dividends and payments pursuant to the MSA or equivalent cost allocation manual) to Parent or affiliates;
- b. Assume any obligation or liability as guarantor, endorser, surety, or otherwise for Parent or affiliates;
- c. Transfer any of its utility assets or property to Parent or affiliates, or any government or political subdivision thereof with a direct or indirect ownership interest in the Parent, except as and when required by ORS 757.511 and ORS 757.480 or expressed in the commitments herein; or
- d. Seek to pledge Avista's assets as backing for any hedging, indebtedness, or securities of Parent or affiliates.

Avista will bear the burden of proof in any GRC that any corporate and affiliate cost allocation methodology is reasonable for ratemaking purposes consistent with Commission statutes, orders, and rules. Neither Avista nor Olympus Holding Corp. or its subsidiaries will contest the Commission's authority to disallow, for ratemaking purposes in a GRC, unreasonable, or misallocated costs to Avista.

With respect to the ratemaking treatment of affiliate transactions affecting Avista, Olympus Holding Corp., Hydro One and all its U.S. subsidiaries, will comply with the Commission's rules and practice. However, nothing in this commitment limits Avista from also proposing a different ratemaking treatment for the Commission's consideration, or limits the positions that any other party to the proceeding may take with respect to ratemaking treatment.

69. Prevention of Cross Subsidization

Avista and Parent agree to comply with ORS 757.015 through 757.495, as applicable, and OAR 860-027-0040 through 860-027-0042, as applicable, for transactions between Avista and Parent including subdivisions and Affiliates. Further, Avista and Parent agree that the Commission may investigate the accounting records of Parent and Affiliates that are the bases for charges to Avista, to determine the reasonableness of the costs and the allocation factors

used by the Parent or its subdivisions to assign costs to Avista and amounts subject to allocation or direct charges. Parent and Affiliates will cooperate fully with such Commission investigations.

Parent and Avista will maintain robust systems to track employee, officer, director, agent, and attorney time not spent for Avista utility purposes, which cost thereof shall not be allocated to Avista.

Parent and Avista will comply with all applicable Commission statutes, orders, and rules regarding Affiliated Interest transactions, including timely filing of applications and reports.

Avista will not cross-subsidize between the regulated and unregulated businesses or between any regulated businesses, and shall comply with the Commission's applicable orders and rules with respect to such matters.

- a. For services rendered to Avista or each cost category subject to allocation to Avista by Hydro One or any of its affiliates, Avista must be able to demonstrate that such service or cost category is: i) necessary to Avista for the reasonable performance of its regulated operations in Oregon, ii) is not duplicative of services already being performed within Avista, and iii) is reasonable and prudent.
- b. Cost allocations to Avista will be directly charged whenever possible, and shared or indirect costs will be allocated based upon the primary cost-driving factors.
- c. Hydro One and its subsidiaries will have in place an accounting system adequate to support the allocation and assignment of costs of executives and other relevant personnel to or from Avista.
- d. All costs subject to allocation will be documented, such that they can be specifically identified, particularly with respect to their origin.
- e. Any corporate cost allocation methodology used for rate setting, and subsequent changes thereto, will be submitted to the Commission for approval. The Master Services Agreement (MSA) or equivalent will be updated to include the corporate and affiliate cost allocation methodologies between Hydro One, Avista and their affiliates. The MSA will be filed with the Commission for review and approval, no later than 90 days after close of the transaction. Thereafter, amendments to the MSA

will also be filed with the Commission as material changes occur, or otherwise attached to the annual June Affiliated Interest (AI) report.

- f. Avista and Hydro One commit to using asymmetrical pricing as required by OAR 860-027-0048(4).

Any allocation of costs, corporate and Affiliate investments, expenses, or overheads between Avista and Parent or an Affiliate will comply with the following principles:

- i. Cost allocations to Avista will be directly charged whenever possible, and shared or indirect costs will be allocated based upon primary, demonstrable, and transparent cost-driving factors.
- ii. Parent and all subsidiaries and Affiliates will maintain accounting systems adequate to support the allocation and assignment of costs of executives and other relevant personnel to or from Avista.
- iii. All costs subject to allocation will be Documented and flagged by origin, so as to be specifically identified, tracked, and trended. Failure to adequately support any allocated cost may result in denial of its recovery in rates.
- iv. Any corporate cost allocation methodology used for rate setting, and subsequent changes thereto, will be submitted to the Commission for approval.
- v. Avista's MSA or equivalent, itemizing and explaining corporate cost allocation methods used for rate setting, will be updated to include the corporate and affiliate cost allocation methodologies between Parent (and Hydro One if different), Avista, and Affiliates and filed with the Commission no later than 90 days after execution of the reorganization. Thereafter, the MSA will be appended to the annual June Affiliated Interest report filed with the Commission. This annual filing will capture, highlight and explain all changes from the prior year. The entirety of the MSA and its components are subject to review by Staff in subsequent proceedings before the Commission to confirm that cost drivers, accounting methods, assumptions, and practices result in fair, just and reasonable utility rates. Avista will update, and re-file for approval, the MSA and AI Reporting reflecting Parent (and Hydro One if different) organizational detail and the outcome of Docket No. UM 1897.
- vi. Costs which would have been denied recovery in rates had they been incurred by Avista will likewise be denied recovery whether they are

allocated directly or indirectly through subsidiaries of Parent other than Avista.

- vii. Avista will file timely applications and reports in compliance with ORS 757.015 through 757.495 and OAR 860-027-0040 through 860-027-0042.
- viii. Parent and Avista commit that they will interpret ORS 757.015 and 757.495 to require Commission approval of any contract between Avista and (1) any affiliate of Hydro One or (2) any affiliate of Parent. This shall include the MSA discussed herein.
- ix. Avista bears the burden of showing that a particular expense may be allocated to Avista ratepayers.

70. Master Services Agreement (MSA)

Please see Commitment 69.

71. Complete Corporate Organizational Chart and Contact Information

Avista and Parent agree that Avista will file usual and customary Affiliated Interest (AI) reports with the Commission each June. Avista's AI reports filed with the Commission will contain a complete copy of the current corporate organizational chart between Hydro One and Avista, including contact information for those entities, a narrative description of each Affiliate, annual revenue for each Affiliate, and transactions with each Affiliate; and identify in the chart any entities that do business with, share charges with, or have an ownership interest of five percent or more in Avista.

N. North American Free Trade Agreement (NAFTA)

72. North American Free Trade Agreement (NAFTA)

Avista and Parent agree that the Commission would have jurisdiction in any future proceedings regarding any unrecovered liabilities to the State of Oregon that may result from NAFTA Chapter Eleven mediations, arbitrations, or any other litigation brought by Hydro One's shareholders under NAFTA. Only the Commission or the Oregon Attorney General may initiate such proceeding.

O. Avista Status Quo

73. Generally Accepted Accounting Principles and Standards (GAAP)

Avista and Parent agree that Avista and Olympus Equity LLC will follow GAAP for Oregon regulatory purposes except when otherwise directed by Commission

orders and policies, Oregon Revised Statutes (ORS), and Oregon Administrative Rules (OAR).

74. Travel Expenses

Avista and Parent agree that Avista's corporate travel expenses recovered in rates, including variable costs of flying the Avista corporate jet and commercial travel for all Avista and Parent directors and executives will not exceed 105 percent of 2017 expenses adjusted annually for inflation. However, regardless of the terms of this commitment, Avista still carries the burden of demonstrating the reasonableness and inclusion in rates of any travel expense.

75. Avista Management Direction

Avista and Parent agree that Avista management will continue to ensure that delivery of safe and reliable high quality utility service at just and reasonable rates in Oregon is included in its mission and is a top corporate priority post-merger.

76. Capital Investment for Safe Pipelines and Controls

Avista and Parent agree that Avista will maintain its existing levels of capital investment where needed to improve the safety of regulated pipelines and associated controls for the next ten years. Over that period, Parent agrees to provide capital, receiving usual Commission rate case treatment, as necessary to improve the safety of pipelines and associated controls.

77. Equal or Better Access to Financial Markets in the U.S. and Canada

Avista and Parent agree to make reasonable commercial efforts to prioritize access for Avista to financial markets at equal or lower cost than absent the Proposed Transaction for Long-Term Debt and Credit Facilities in the U.S. Hydro One agrees to consider listing on the New York Stock Exchanges (NYSE) as and when appropriate and advisable.

Parent agrees to make reasonable commercial efforts to investigate and arrange innovative financing opportunities that include independent opportunities for Avista financing, utilizing the same investment banks and arranged sellers in the U.S. and Canada, where Avista is responsible for Avista's issuances and proportional cost, but afforded proportional access to larger aggregate securities offerings to achieve lower all-in issuance cost.

78. Venue for and Resolution of Disputes

Avista and Parent agree that the venue for disputes regarding the operation of Avista will be in state and federal regulatory bodies or courts of competent jurisdiction, as applicable, in Oregon, Washington, Idaho, Montana or Alaska.

79. Headquarters

Avista and Parent agree that Avista will maintain its headquarters in Spokane, Washington. Any change in the location of Avista headquarters will require Commission approval.

80. Local Staffing

Avista will maintain Avista's staffing and presence in the communities in which Avista operates at levels sufficient to maintain the provision of safe and reliable service and cost-effective operations, consistent with Pre-Merger levels.

81. Pension and Post Retirement Expenses and Assets

Avista and Parent agree that Avista will maintain its pension funding policy in accordance with sound actuarial practice, and comply with Commission Orders regarding best practices on pension policies. Hydro One will not seek to change Avista's pension funding policy or to obtain funds from Avista's pension and post-retirement assets.

82. General Operations and Maintenance (O&M) for Community Development

Operations and maintenance funds dedicated to economic development and non-utility strategic opportunities will be recorded below-the-line to a non-operating account.

83. Economic Development

Parent and Avista agree that Avista will approach economic development, in a manner consistent with Avista's past practices.

84. Membership in Organizations

Avista will maintain the dues paid by it to various industry trade groups and membership organizations, where participation is related to the delivery of safe and reliable utility services. However, recovery of all membership and organizational dues will be reviewed in a GRC consistent with Commission orders and rules.

85. FERC Reporting Requirements

Avista and Parent agree that Avista will continue to meet all the applicable Federal Energy Regulatory Commission (FERC) reporting requirements with respect to annual and quarterly reports (e.g., FERC Forms 1, 2, 3-Q) after closing of the Proposed Transaction.

86. Participation in National and Regional Forums

Avista and Parent agree that Avista will continue to participate, in national and regional forums regarding transmission issues, pricing policies, siting requirements, and interconnection and integration policies, and such forums as

necessary to provide safe and reliable electrical and natural gas service and to protect the interest of Avista customers.

- 87. Compliance with Existing and Future ORS, OAR and Commission Orders**
Avista and Parent will comply with applicable Oregon Revised Statutes (ORS), Oregon Administrative Rules (OAR), and Commission Orders. All existing Commission Orders with respect to Avista or its predecessor, Washington Water Power Co., will remain in effect until changed by the Commission including those regarding Avista's acquisition of AERC.

P. Corporate Citizenship

- 88. Oregon Charitable Contributions**
Hydro One and Avista agree that Avista will contribute charitable donations to Oregon-based organizations. Avista agrees it will, over time, distribute charitable donations in proportion to each state's portion of the system in which Avista operates.
- 89. Other Community Contributions**
Hydro One will make a one-time \$7,000,000 contribution to Avista's charitable foundation at closing, a portion of which will be allocated to Oregon proportionate to relative revenues in Oregon.

Commitment 90 contains an additional commitment relating to charitable contributions.

- 90. General Community Contributions and Involvement**
For five years after the close of the Proposed Transaction, Avista will maintain a \$4,000,000 annual budget for charitable contributions (funded by both Avista and the Avista Foundation) and additionally a \$2,000,000 annual contribution will be made to Avista's charitable foundation, which will not be recoverable in customer rates. No approval from any regulatory bodies with jurisdiction over the commitments is required for any changes to this commitment after the sixth year following closing of the Proposed Transaction; however, any such changes will continue to require a two-thirds (2/3) vote of the Avista Board. Avista agrees it will, over time, distribute this annual charitable contributions budget across its entire service territory in proportion to each state's portion of the system.
- 91. Sources of Funds for Hydro One and Avista Commitments**
Throughout the list of commitments herein, any commitment that states that Hydro One or Avista will provide funding is a firm commitment to provide the exact dollar amount specified, over the time period specified, and for the purposes specified. To the extent Avista has retained earnings that are available

for payment of dividends to Olympus Equity LLC consistent with the ring-fencing provisions of this list of commitments, such retained earnings may be used.

Q. Future Rates

92. Treatment of Net Cost Savings

Avista and Hydro One agree that any net cost savings that Avista achieves as a result of the Proposed Transaction will be reflected in subsequent rate proceedings, as such savings materialize. To the extent the savings are reflected in base retail rates they will offset the Rate Credit to customers, up to the offsetable portion of the Rate Credit.

93. Continuation of Base Rates Established in UG-325

Avista last adjusted base rates on November 1, 2017, in Docket No. UG-325. Avista agrees that these base rates will remain in effect until at least January 1, 2020.

94. Preparation for Next General Rate Case (GRC) in Oregon

Avista and Hydro One agree that Avista will attach to its next GRC filing in Oregon, an Officer of Avista Corporation attestation that all Transaction Costs associated with the Hydro One merger have not been included in the GRC filing, and includes a granular assessment of (2) net Transition Costs and (3) cost savings for Oregon customers obtained as a result of the Hydro One merger and its subsequent synergies.

95. Treatment of Goodwill, Transaction Costs, and Transition Costs

Avista and Parent agree that Avista and Parent will not seek to recover in rates any acquisition adjustment, control premium, goodwill, or transaction costs associated with the Proposed Transaction. Further:

- a. After the consummation of the Proposed Transaction, any remaining transaction costs or other costs associated with the Hydro One merger will not appear on Avista's regulated utility books in any form. Olympus Holding Corp. and Hydro One transaction costs or other costs associated with the Hydro One merger have not and will never appear on Avista's utility books.
- b. Avista shall furnish the Commission with journal entries and supporting detail showing the nature and amount of all costs of the Proposed Transaction (including but not limited to management time, BOD time, in-house and outside counsel time, any consultants engaged, costs of necessary filings and recordings, etc.) since the Proposed Transaction

was first contemplated, as well as the accounts charged, within 90 days of a Commission order in this docket.

- c. Avista will exclude from Avista GRCs, or any other method of cost recovery, all costs related to the Proposed Transaction including but not limited to:
- (i) All legal work from in-house counsel and outside counsel;
 - (ii) Any financial advisory fees associated with the Proposed Transaction;
 - (iii) The acquisition premium and any other goodwill;
 - (iv) M&A consulting and advice, including that of investment banks;
 - (v) Preparation of materials or presentations relating to the Proposed Transaction including all costs of related regulatory proceedings;
 - (vi) Any senior executive time and compensation or any Avista Board of Director time measured in lowest practicable USD increments associated with the Hydro One merger; and
 - (vii) Any other costs associated with the Proposed Transaction.

No costs of goodwill of the Parent or affiliates will be includable in Avista rates, including rate base, cost of capital, or operating expenses. Write-downs or write-offs of goodwill will not be included in the calculation of net income for dividend or other distribution payment purposes.

Parent will not elect to apply pushdown accounting for this merger so that the merger will have no impact on Avista's assets being acquired, and any incremental goodwill will not be allocated to, or recognized within Avista's balance sheet.

96. Costs for Future M&A or Reorganization

Parent and Avista will exclude from Avista GRCs, or any other method of cost recovery, all future costs related to the Parent's future business endeavors and mergers, acquisitions (M&A), restructuring, or formation of holding companies.

R. Environmental, Renewable Energy, and Energy Efficiency

97. Greenhouse Gas and Carbon Initiatives

Avista and Parent will support Avista's current Natural Gas IRP Greenhouse Gas and Carbon Initiatives. Avista and Parent agree that Avista will continue to seek

cost effective and least risk opportunities to reduce greenhouse gas and carbon emissions in Oregon.

98. Cost of Greenhouse Gas Emissions

Where consistent with Commission orders, Avista commits to Oregon Natural Gas IRP modeling of a range of potential costs for greenhouse gas emissions, and will work with its IRP stakeholders to determine appropriate values to model.

99. Greenhouse Gas Inventory Report

Avista and Parent agree that Avista will comply with greenhouse gas inventory and other reporting requirements in Oregon.

100. Efficiency Goals and Objectives

Avista and Parent agree that Avista will support Avista's current IRP Energy Efficiency Initiatives. Avista and Parent agree that Avista will continue to seek cost effective and least risk opportunities for energy efficiency in Oregon.

101. Low Environmental Impact Options

Where consistent with Commission orders and when likely practicable, Avista will evaluate opportunities for lower environmental impact services to customers in Oregon, with its IRP stakeholder input.

102. Informing the Commission

Avista and Parent agree that Avista will inform the Commission of natural gas (energy) initiatives and observations of Avista, that are material to Avista's natural gas operations in Oregon, on a timely informational basis, when Avista feels material changes are pending or have occurred, or that material best practices or pitfalls in the natural gas industry have been identified.

103. Sharing Best Planning Methods

Avista and Parent agree that Avista will share with the Commission on a timely informational basis best IRP and other planning methods discovered across its other state jurisdictions. Avista and Parent agree that Avista will describe the framework of findings and provide supporting materials when not burdensome or proprietary.

104. Industrial Conservation and Efficiency

Recognizing that the Energy Trust of Oregon (ETO) currently administers Avista's voluntary industrial energy efficiency programs, Avista and Parent agree that Avista will make good faith efforts to identify industrial conservation and efficiency opportunities in Oregon that are material to Avista's natural gas operations in Oregon, and to communicate material observations to the Commission and AWEC. In the event of U.S. federal stimulus, Avista commits to

make good faith efforts to prepare and document planned energy projects with Avista leadership, or to participate in such projects where available and material to Avista's natural gas operations in Oregon, so as to comply with stimulus and IRP requirements while reducing financing and other costs.

105. Electric, Natural Gas and Fuel Cell Transport

Avista and Parent agree that Avista will communicate to the Commission practicable opportunities to facilitate environmentally beneficial transportation in Oregon.

106. Expanded Natural Gas Transportation Service

The Parties agree that customers presently served on sales Schedules 424 and 440 should be able to elect to take service, for a minimum of one year, under new transportation service Schedules 425 or 439. Avista commits that this Commitment will not impact other customers, is margin neutral, and does not require hedging. The Parties agree with the parameters of the expanded natural gas transportation service schedules as outlined below:

- a. Eligibility - For Schedules 425, qualifying sales customers must have a minimum annual average usage of 29,000 therms, as stated on Schedule 424. For Schedules 439, qualifying sales customers must have a minimum annual average usage of 50,000 therms, as stated on Schedule 440.
- b. The base rates for Transportation Schedules 425 and 439 will be the same as the base rates on Schedules 424 and 440, respectively.
- c. For purposes of all future "adder schedule filings" (DSM, Decoupling, LIRAP, etc.), cost of service studies, and rate spread and rate design proposals, Schedule 424 will be grouped with Schedules 425 and Schedule 440 will be grouped with Schedules 439.
- d. The Parties further agree that customers served on Transportation Schedules 425 and 439 will be subject to Avista's natural gas decoupling mechanism.
- e. Schedules 425 and 439 will contain the same provisions contained in Avista's tariff sheets 456A through 456C, which relate to the transportation of customer-owned natural gas.
- f. The Parties agree that Avista will file Schedules 425 and 439 as described above as part of the compliance filing approved as part of the merger proceeding.

- g. In the event that the Commission rejects or suspends the proposed revised Schedules 425 and 439, the Parties agree to support Commission approval of tariff provisions with substantially similar terms.

107. Low-Income Energy Efficiency Planning

Avista will continue to work with its advisory groups on the appropriate level of funding for low income energy efficiency programs.

S. Contract Labor

108. Contract Labor

Please refer to Commitment 109. In addition, Avista, Parent, and Oregon and Southern Idaho District Council of Laborers (OSIDCL) agree that Avista has resolved all issues in this proceeding that pertain to the Oregon and Southern Idaho District Council of Laborers (OSIDCL). See “Addendum 1 - Contract Labor, Oregon Commitments”, supported by OSIDCL with and all other Parties regarding recommended contract labor conditions.

109. Union and Other Labor Relationships

Avista and Parent agree that Avista will honor its existing labor contracts and will meet the labor participation, safety and training commitments provided herein. Avista has the authority to negotiate, enter into, modify, amend, terminate or agree to changes in any collective bargaining agreement or any of Avista’s other material contracts with any labor organizations, union employees or their representatives. Avista will maintain compensation and benefits related practices consistent with the requirements of the Merger Agreement.

See Addendum 1 for Oregon contract labor provisions.

T. Reporting and Enforcement

110. Commitments Binding

Parent and Avista acknowledge that the commitments herein are fully binding on each of them individually, severally and on their successors in interest.

111. Commission Enforcement of Commitments

Avista and Parent understand and agree that the Commission has authority to enforce the commitments herein. If a commitment is violated, the Commission may impose such penalty as the Commission finds appropriate for the severity of the violation.

The scope of this commitment includes the authority of the Commission to

request and where necessary to require attendance of witnesses from Avista and Parent. Avista and Parent agree they will not interpose any legal objection they might otherwise have to the Commission's jurisdiction to require the appearance of any such witnesses.

112. Submittal to State Court Jurisdiction for Enforcement of Commission Orders

Avista, and Parent ~~will~~, on behalf of itself and its subsidiaries in the post-close corporate structure between Parent and Avista (as those companies in between may change over time), will each file with the Commission prior to closing the Proposed Transaction an affidavit affirming that ~~Avista and Parent~~ they will submit to the jurisdiction of the Oregon courts for enforcement of violations of ~~these commitments~~ the Stipulated Commitments and subsequent Commission orders affecting Avista and Parent, and agree to the application of Oregon law with respect to such matters.

113. Annual Reporting on Commitments

In addition to providing copies of closing documentation on usual and customary elements of completion of the Proposed Transaction to the Commission, Avista and Parent agree that by June 15, 2019 and each June 15 thereafter through June 15, 2028 inclusive, Avista and Parent agree that Avista will file a report with the Commission on how Avista and Parent are complying or have complied with each of the commitments herein as of December 31 of the preceding year (a total of 11 annual reports). The report will, at a minimum, provide a description of the performance of each of the commitments.

Failure to comply with a commitment will be brought before the Commission for determination of appropriate remedy and penalty.

114. Resolution of Violations: Expedited Resolution of Minor and Procedural Compliance Issues

If the Commission or any Party determines that any commitment has not been complied with or is not being complied with, it will first provide notice to Avista and/or Hydro One, as applicable, and may thereafter provide notice to the Commission. Within 7 days of notice to the Commission, Staff will have an opportunity to propose an informal remedy to Avista and/or Hydro One, as applicable, if such remedy is reasonably likely to return full compliance within 14 days of Staff's notice to Avista and/or Hydro One of its proposal. If Avista and/or Hydro One, as applicable, choose not to implement Staff's proposal, or if no such informal remedy is available because full compliance within 14 days is not reasonably likely, Avista and/or Hydro One's alleged failure to comply will be brought before the Commission for determination of an appropriate remedy.

U. Most Favored Nations

115. Most Favored Nations

All Parties including Avista and Hydro One agree that the Commission shall have an opportunity and the authority to consider and adopt in Oregon any commitments to which Avista and Hydro One have stipulated or otherwise agreed to in another state commission jurisdiction, even if such conditions are agreed to after the Commission enters its order in this Oregon Docket No. UM 1897.

Avista and Hydro One agree further that that any Party other than Avista and Hydro One may ask that all Parties convene to discuss at earliest practicable convenience, where time is of the essence, if and how such conditions adopted by a commission in another state proceeding should be integrated with any stipulated list of conditions already agreed to by Parties so as to present the Commission with a revised Oregon stipulated set of conditions.

Process for Consideration of Most Favored Nation's Commitments

- a. Within five calendar days after Avista and Hydro One file a stipulation with new or amended commitments with a commission in another state jurisdiction, Avista and Hydro One will send a copy of the stipulation and commitments to all Oregon Parties.
- b. Within five calendar days after a commission in another state jurisdiction issues an order that accepts a stipulation to which Avista and Hydro One are parties, or an order with a stipulated set of conditions for approval of the Proposed Transaction, that order, together with all conditions for approval of the Proposed Transaction, will be filed with the Commission and served on all parties to this Oregon docket by the most expeditious means practical.
- c. Within 10 calendar days after another state jurisdiction filing discussed in (b) above ("Final Filing"), Parties other than Hydro One and Avista may file with the Commission any response such other Parties wish to make, including their position as to whether any of the covenants, commitments and conditions from the other jurisdictions (without modification of the language thereof except such non-substantive changes as are necessary to make the commitment or condition applicable to Oregon) should be adopted in Oregon.

- d. Within five calendar days after any such response filing, Avista and Hydro One may file a reply with the Commission.
- e. If any of the dates above fall on Saturday, Sunday, or a holiday, the next business day will be considered as the due date.
- f. The Parties agree to support in their filings the issuance by the Commission of an order regarding the adoption of such commitments as soon as practical thereafter, recognizing that the Proposed Transaction cannot close until final state orders have been issued approving the Proposed Transaction.
- g. The Commission may then review the filings and issue an order indicating which other-state-commitments it chooses to adopt.

Limitations on Adjustment

- i. Only commitments specific to gas service may form the basis for adjustments specific to gas service.
- ii. Only commitments specific to electric service may form the basis for adjustments specific to electric service.
- iii. Any commitments relating to support of communities in Montana are not subject to this provision.
- iv. As Avista does not operate as a utility in Alaska, any commitments made in Alaska are not subject to this provision.
- v. For purposes of financial commitments or commitments having a financial impact, commitments should be proportionate to Avista's corresponding business function in Oregon in relation to its corresponding total company business function. The Parties agree that the Oregon Rate Credit, as specified herein, satisfies this corresponding business function standard. For purposes of this provision, "financial commitments or commitments having a financial impact" do not include ring fencing provisions.

116. Notice and Petition

In the event of the enactment or adoption of any legislation, rule, policy, or directive by government at any level or by any governmental entity or official in Canada (a "Legislative Action") that affects Avista's operations because of Avista's corporate relationship with Parent, or affects Parent's compliance with any commitment in this stipulation, any of the parties to this proceeding may petition the Commission at any time to consider whether the Commission should

amend its final order in UM 1897, including reopening and strengthening any of the Stipulated Commitments (inclusive of the financial ring-fencing commitments and/or the governance commitments), or requiring the addition of new commitments, and neither Parent nor any of its subsidiaries, including Avista, will oppose initiation of such a proceeding. Parent will report to the Commission any such Legislative Action in Canada that, in Parent's reasonable judgment, affects Avista's operations because of Avista's corporate relationship with Parent, or affects Parent's compliance with any commitment in this stipulation, as soon as practicable after it is publicly announced as being effective by the government or governmental entity or official. Nothing in this Commitment 116 shall be interpreted to limit the positions or arguments that Avista or Parent may take or advance in any such proceeding, including the right to argue that a petition presents insufficient grounds or evidence. Prior to filing a petition with the Commission under this Commitment 116, a party must provide Parent and Avista at least 30 days advance written notice and an opportunity to meet and confer about resolutions other than filing with the Commission under this commitment. Nothing in this commitment is intended to restrict the rights of the parties to petition the Commission concerning its order(s) in this docket, or to limit the authority of the Commission.

117. No Substantial Provincial Influence

- a. Parent and Avista will advise each member of the Avista Board of Directors prior to being seated post Proposed Transaction and annually thereafter that the Province may not attempt to, directly or indirectly, acquire the power to exercise any substantial influence¹⁶ over the policies and actions of Avista. Parent and Avista will require each of their respective director designees to execute a new affidavit filed annually on June 1 of each year with the Commission that attests that the individual director will notify the Commission immediately if they have any reason to believe that the Province is directly or indirectly seeking to exercise or is exercising any substantial influence over the policies and actions of Avista through the Avista Board or otherwise.
- b. If a member of the Avista Board of Directors provides notice to the Commission pursuant to subparagraph a of this Commitment 117, the Commission may initiate a proceeding to determine whether the Commission should amend its final order in UM 1897, including reopening and strengthening of any of the Stipulated Commitments (inclusive of the financial ring-fencing commitments and/or the governance commitments), or requiring the addition of a new

¹⁶ "Substantial influence" as used in this commitment has the meaning set forth in ORS 757.511 and as interpreted by the Public Utility Commission of Oregon.

commitment to address the Province's attempt to, directly or indirectly, exercise substantial influence over the policies and actions of Avista, and neither Hydro One, nor any of its subsidiaries, including Avista, will oppose the Commission's authority to proceed as outlined in this Commitment 117.

- c. Parent's authority to replace an Independent Director on the Avista Board with an employee or executive on an interim six-month basis is suspended for the pendency of any proceeding initiated pursuant to subparagraph b of this Commitment 117.

118. Hydro One Governance Agreement

- a. Prior to close of the Proposed Transaction, the board of directors of Hydro One (the "Board") shall adopt a resolution¹⁷ providing that in the event the Board, or any director thereon, is informed or becomes aware that there is a proposal or steps being considered or taken to amend, effectively modify, or eliminate the Governance Agreement, whether by legislation, mutual agreement of the parties thereto or otherwise, Hydro One will immediately notify the Commission and, to the extent feasible, will provide the Commission with information available to the Board regarding the proposal. The Board will confirm annually its obligations under this commitment, which confirmation will be signed by the Hydro One Chair and provided to the Commission.
- b. If Hydro One provides notice to the Commission pursuant to subparagraph a. of this Commitment 118, the Commission may initiate a proceeding to determine whether the actions described in subsection a to amend, effectively modify, or eliminate the Governance Agreement would result in the Province seeking to exercise or exercising substantial influence over the policies and actions of Avista, and if so, whether the Commission should amend its final order in UM 1897, including reopening and strengthening any of the Stipulated Commitments (inclusive of the financial ring-fencing commitments and/or the governance commitments), or requiring the addition of new commitments to address the Province's attempt to, directly or indirectly, exercise or exercising substantial influence over the policies and actions of Avista, and neither Hydro One nor any of its subsidiaries, including Avista, will

¹⁷ Under Canadian corporate law, a resolution of a company's board of directors is evidence of an action taken at a board meeting. The board of directors has the power to bind the company, and as a result, the resolution required by Commitment 118 is evidence that the Hydro One board of directors has agreed to bind Hydro One to the obligations of Commitment 118.

oppose the Commission's authority to proceed as outlined in this subparagraph b. of this Commitment 118.

- c. Hydro One's authority to replace an Independent Director on the Avista Board with an employee or executive on an interim six-month basis is suspended for the pendency of any proceeding initiated pursuant to subparagraph b. of this Commitment 118.

V. Addendum 1 – Contract Labor, Oregon Commitments

1. On a prospective basis, and for a period of 10 years ending March 7, 2028 unless revised by the Commission in the interest of both cost and quality to Avista utility customers, Avista will require the use of Oregon and Southern Idaho District Council of Laborers,' including any future successor organization, (OSIDCL) members for the type of work that is ordinarily and customarily performed by OSIDCL on natural gas replacement and all natural gas work. This will not apply to work performed under contracts already in effect as of March 7, 2018. This agreement will not apply to (a) atmospheric corrosion; (b) locating; and (c) leak survey. This agreement will also not apply to work performed where signatory contractors are not available (unavailability is typically due to locations being in remote areas), or choose not to bid on projects; provided that work performed in such areas will be paid at equivalent wages and benefits.
2. On a prospective basis, and for a period of 10 years ending March 7, 2028, Avista will require the use of OSIDCL members for all flagging work, unless otherwise performed by Avista employees represented by IBEW Local 659. This will not apply to work performed under contracts already in effect as of March 7, 2018.
3. OSIDCL will provide for signatory contractors laborers who are OSIDCL members that are qualified pursuant to applicable OSHA 1910 regulations and all other applicable training. OSIDCL will provide OSIDCL members knowledgeable in the DOT Title 49 Code of Federal Regulations, Part 192, and all applicable state pipeline safety regulations. Contractors shall be required to provide proof of compliance with this requirement to Avista.
4. On a prospective basis, Avista will require contractors to utilize Oregon and Southern Idaho Laborers-Employers Training Trust ("OSILETT") for required training, if applicable courses are offered by OSILETT and are reasonably accessible in the locality where the work is to be performed.
5. Avista will meet and confer with OSIDCL to discuss possible involvement in all future hydroelectric projects that are within the sphere of OSIDCL's expertise.
6. Avista will encourage contractors to utilize union labor, including, without limitation and as applicable, members of OSIDCL, Pipefitters and Steamfitters, and IBEW, on Avista projects as part of its bidding solicitation process on all other construction work, including but not limited to capital work on hydro facilities, and will evaluate the use of such members in the staffing plans of bidding contractors as an element of Avista's bid evaluation process.
7. Avista will continue to prioritize the hiring of qualified contractor personnel through the bidding process, by requiring analysis of not only the price proposals submitted by contractors, but a variety of other factors, including minimum staffing requirements as applicable, training programs, documented qualification programs, safety track records, OSHA 300 reportables, and other safety records as appropriate. Review of these components is intended to verify that the contractor is able to supply a sufficient workforce to meet Avista's needs, and that their

personnel are appropriately trained, qualified, and able to safely and reliably perform work for Avista.

8. Work covered by these commitments does not include any work that is customarily performed by Avista employees represented by IBEW Local 659 but that is contracted out pursuant to the IBEW 659 collective bargaining agreement with Avista. It also does not include any work that is performed by Avista employees, regardless of the type of work involved.
9. Avista will meet and confer with OSIDCL at least six months prior to March 7, 2028 to discuss extending or modifying the terms set forth herein.