

**From:** Meyer, David [<mailto:David.Meyer@avistacorp.com>]

**Sent:** Monday, March 19, 2018 4:08 PM

**To:** Friedlander, Marguerite (UTC) <[marguerite.friedlander@utc.wa.gov](mailto:marguerite.friedlander@utc.wa.gov)>; 'rgp@dvclaw.com' <[rgp@dvclaw.com](mailto:rgp@dvclaw.com)>; 'bstephens@consultbai.com' <[bstephens@consultbai.com](mailto:bstephens@consultbai.com)>; Brown, Sally (UTC) <[sally.brown@utc.wa.gov](mailto:sally.brown@utc.wa.gov)>; 'mdecker@consultbai.com' <[mdecker@consultbai.com](mailto:mdecker@consultbai.com)>; 'info@theenergyproject.com' <[info@theenergyproject.com](mailto:info@theenergyproject.com)>; 'leslie@ffitchlaw.com' <[leslie@ffitchlaw.com](mailto:leslie@ffitchlaw.com)>; 'cstokes@cablehuston.com' <[cstokes@cablehuston.com](mailto:cstokes@cablehuston.com)>; Shearer, Brett (UTC) <[brett.shearer@utc.wa.gov](mailto:brett.shearer@utc.wa.gov)>; 'swilhelms@consultbai.com' <[swilhelms@consultbai.com](mailto:swilhelms@consultbai.com)>; 'jog@dvclaw.com' <[jog@dvclaw.com](mailto:jog@dvclaw.com)>; Beattie, Julian (UTC) <[julian.beattie@utc.wa.gov](mailto:julian.beattie@utc.wa.gov)>; O'Connell, Andrew (UTC) <[andrew.oconnell@utc.wa.gov](mailto:andrew.oconnell@utc.wa.gov)>; AvistaDockets <[AvistaDockets@avistacorp.com](mailto:AvistaDockets@avistacorp.com)>; Laycock, Sarah (ATG) <[SarahL2@ATG.WA.GOV](mailto:SarahL2@ATG.WA.GOV)>; 'tbrooks@cablehuston.com' <[tbrooks@cablehuston.com](mailto:tbrooks@cablehuston.com)>; Cameron-Rulkowski, Jennifer (UTC) <[jennifer.cameron-rulkowski@utc.wa.gov](mailto:jennifer.cameron-rulkowski@utc.wa.gov)>; 'hmt@dvclaw.com' <[hmt@dvclaw.com](mailto:hmt@dvclaw.com)>; Dahl, Corey (ATG) <[CoreyD@ATG.WA.GOV](mailto:CoreyD@ATG.WA.GOV)>; DeMarco, Betsy (UTC) <[betsy.demarco@utc.wa.gov](mailto:betsy.demarco@utc.wa.gov)>; 'efinklea@nwigu.org' <[efinklea@nwigu.org](mailto:efinklea@nwigu.org)>; 'carol@ffitchlaw.com' <[carol@ffitchlaw.com](mailto:carol@ffitchlaw.com)>; 'simon@ffitchlaw.com' <[simon@ffitchlaw.com](mailto:simon@ffitchlaw.com)>; Casey, Chris (UTC) <[chris.casey@utc.wa.gov](mailto:chris.casey@utc.wa.gov)>; Gross, Krista (UTC) <[krista.gross@utc.wa.gov](mailto:krista.gross@utc.wa.gov)>; 'pjo@dvclaw.com' <[pjo@dvclaw.com](mailto:pjo@dvclaw.com)>; 'tcp@dvclaw.com' <[tcp@dvclaw.com](mailto:tcp@dvclaw.com)>; Gafken, Lisa (ATG) <[LisaW4@ATG.WA.GOV](mailto:LisaW4@ATG.WA.GOV)>; 'brmullins@mwanalytics.com' <[brmullins@mwanalytics.com](mailto:brmullins@mwanalytics.com)>; Roberson, Jeff (UTC) <[jeff.roberson@utc.wa.gov](mailto:jeff.roberson@utc.wa.gov)>; 'shawnc@oppco.org' <[shawnc@oppco.org](mailto:shawnc@oppco.org)>; 'jcarr@icnu.org' <[jcarr@icnu.org](mailto:jcarr@icnu.org)>; 'mgorman@consultbai.com' <[mgorman@consultbai.com](mailto:mgorman@consultbai.com)>; Mak, Chanda (ATG) <[ChandaM@ATG.WA.GOV](mailto:ChandaM@ATG.WA.GOV)>; Andrews, Liz <[Liz.Andrews@avistacorp.com](mailto:Liz.Andrews@avistacorp.com)>; Gervais, Linda <[Linda.Gervais@avistacorp.com](mailto:Linda.Gervais@avistacorp.com)>; Christie, Kevin <[Kevin.Christie@avistacorp.com](mailto:Kevin.Christie@avistacorp.com)>; Ehrbar, Pat <[Pat.Ehrbar@avistacorp.com](mailto:Pat.Ehrbar@avistacorp.com)>

**Cc:** Pearson, Rayne (UTC) <[rayne.pearson@utc.wa.gov](mailto:rayne.pearson@utc.wa.gov)>

**Subject:** UE-170485 and UG-170486/Supplementation of Response to Bench Request 9

Dear Judge Friedlander, I have attached a copy of the Notice that was provided to the Commission of a settlement-in-principle in the Avista/Hydro One merger docket (U-170970). All parties in Avista's general rate case (UE-170485 and UG-170486) are participants in the merger docket as well. As the attached Notice indicates, the settlement-in-principle would make use of a portion of the tax benefits that would be passed through to customers on May 1, 2018, to offset a portion of Avista's requested general rate relief for the purpose of otherwise accelerating the depreciation on Colstrip Units 3 and 4 to December 31, 2027 (instead of 2034/2035). The acceleration of Colstrip depreciation was an integral part of the proposed merger settlement. Accordingly, because the Commission is presently deliberating on Avista's rate case, I thought it important to bring this matter to your attention as soon as possible. The actual Settlement Stipulation in the merger docket will be filed on or before March 27, 2018, and will contain specific calculations of how reduced taxes will be used for the purpose of accelerating the depreciation. At the same time the Stipulation is filed in the merger docket, Avista intends to supplement its earlier response to Bench Request No. 9 in its rate case to provide specific information that will impact the amount of remaining tax benefits that will be available for use in the rate case, assuming the merger settlement is ultimately approved. That supplemental information may prove useful to the Commission as it deliberates in the rate case.

It is also my understanding that Staff will bring this to your attention as well when it files its reply to Avista's original response to Bench Request No. 9. Please contact me if you are in need of further clarification. Thank you. David Meyer

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**Bob Ferguson**

**ATTORNEY GENERAL OF WASHINGTON**

Utilities and Transportation Division

PO Box 40128 • Olympia WA 98504-0128 • (360) 664-1183

March 16, 2018

Steven V. King, Executive Director and Secretary  
Washington Utilities and Transportation Commission  
1300 S. Evergreen Park Dr. SW  
P. O. Box 47250  
Olympia, Washington 98504-7250

RE: *In the Matter of the Joint Application of Hydro One Limited and Avista Corporation for an Order Authorizing Proposed Transaction*  
Docket U-170970

Dear Mr. King:

This letter is to notify the Washington Utilities and Transportation Commission (Commission) pursuant to WAC 480-07-730(4) that a settlement in principle has been reached in this proceeding. Pending consideration of the settlement by the Public Counsel Unit of the Attorney General's Office (Public Counsel), it may be an all-party settlement. Public Counsel actively participated in negotiations and will expeditiously obtain a final decision on the settlement.

Pursuant to WAC 480-07-385(2)(b), Commission Staff requests that the Commission suspend the procedural schedule in this docket. All of the parties to this proceeding support this request.

The parties intend to file a settlement agreement on or before Tuesday, March 27, and to file testimony in support of the settlement on or before Tuesday, April 10.

The parties wish to alert the Commission that the settlement in principle incorporates the use of a portion of Avista's deferred federal income taxes, for the purpose of accelerating the depreciation schedule for Colstrip Units 3 and 4 to reflect a remaining useful life of those units through December 31, 2027. This settlement in principle does not reflect any agreement with respect to the ultimate closure of Units 3 and 4. The parties to the settlement are aware that the use of deferred tax benefits are being considered in Avista's pending rate case as an offset to a portion of the requested rate relief. It is for this reason that we want to bring this to the attention of the Commission at this time. When the settlement is filed, additional details will be provided.

In addition to Colstrip, the settlement in principle includes provisions related to low income customers, conservation, the environment, and financial protections for the utility and its

ATTORNEY GENERAL OF WASHINGTON

Steven V. King  
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customers. These provisions will be set forth in the settlement agreement that will be filed on or before March 27, 2018.

Sincerely,

/s/ Jennifer Cameron-Rulkowski, WSBA No. 33734  
Assistant Attorney General  
Office of the Attorney General  
Utilities and Transportation Division  
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JCR/emd  
cc: Parties