Exhibit No. ___ (Exh. EDH-11)
Dockets UE-190334/UG-190335/UE-190222
2019 Avista General Rate Case
Witness: Ezra D. Hausman, Ph.D.

BEFORE THE
WASHINGTON UTILITIES AND TRANSPORTATION COMMISSION

WASHINGTON UTILITIES AND TRANSPORTATION COMMISSION, **Complainant,** **v.** **AVISTA CORPORATION d/b/a AVISTA UTILITIES,** **Respondent.**	**DOCKETS UE-190334, UG-190335, and UE-190222** ***(Consolidated)***

EXHIBIT EDH-11 TO THE

RESPONSE TESTIMONY OF

EZRA D. HAUSMAN, PH.D.

ON BEHALF OF SIERRA CLUB

October 3, 2019

AVISTA CORP.
RESPONSE TO REQUEST FOR INFORMATION

JURISDICTION:	WASHINGTON	DATE PREPARED:	08/14/19
CASE NO.:	UE-190222-334/UG-190335	WITNESS:	Mark Thies
REQUESTER:	Sierra Club	RESPONDER:	Megan Thilo
TYPE:	Data Request	DEPT:	Finance
REQUEST NO.:	SC 17	TELEPHONE:	(509) 495-2149
		EMAIL:	megan.thilo@avistacorp.com

REQUEST:

In response to Staff's Data Request No. 056, Avista states that $51 million of the termination fee from the failed HydroOne merger "will be used for general corporate purposes and will reduce our need for external financing." Please explain what is meant by "general corporate purposes", and clarify whether and how these funds or a portion thereof will be used for ratepayer benefit.

RESPONSE:

The entire balance of the termination fee was used to reduce the Company’s need for external financing (i.e., not issuing equity to fund operations). In our December 2018 forecast, we planned to issue $97.9 million in common stock for 2019. In that forecast, the balance of the termination fee was used to reduce the Company’s need for external financing to $22.2 million.

The purpose of the termination fee was two-fold. First, while the Company received approximately $103 million from Hydro One, approximately $52 million was used to reimburse Avista for expenses incurred related to the failed transaction, and taxes. The remaining $51 million was used to compensate the shareholders of Avista for the lost opportunity cost of the failed merger, by reducing the Company’s need for external financing. The time and effort devoted to the failed merger foreclosed other opportunities that might have benefited shareholders.

To use this fee for non-corporate purposes, would cause the fee to fail in its intended purpose, especially where the parties to the merger were quite clear in insisting that customers should bear no portion of the merger-related costs. From the outset of the proposed transaction, great care was taken to assure that all merger transaction costs were accounted for “below the line” – i.e., borne only by shareholders and not customers. Avista did not invest “customer” funds as a part of this transaction; shareholders made the investment. As such, customers took on, rightly, no risk with the transaction, and therefore no portion of the fee should inure to customers.