



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

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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
P.O. Box 40128, Olympia, WA 98504-0128
(360) 664-1186
jcameron@utc.wa.gov

JCR/emd
cc: Parties