income programs with a focus on underserved, vulnerable, and high energy burden households. This commitment will include expanding marketing, outreach, and data analysis.

74. **Tribal Communities:** In implementing these conditions, Avista will reach out to tribal communities to encourage participation of members of such communities in receiving the benefits of this settlement.

H. Miscellaneous Commitments

75. **Sources of Funds for Hydro One Commitments:** Throughout this list of merger commitments, any commitment that states Hydro One will arrange funding is not contingent on Hydro One's ability to arrange funding, particularly from outside sources, but is a firm commitment to provide the 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 merger commitments, such retained earnings may be used. Funds available from other Hydro One affiliates may be used without limitation. Avista will not seek cost recovery for any of the commitments funded or arranged by Hydro One in this list of merger commitments. Hydro One will not seek cost recovery for such funds from ratepayers in Ontario.

76. **Colstrip Depreciation:** Hydro One and Avista agree to a depreciation schedule for Colstrip Units 3 and 4 that assumes a remaining useful life of those units through December 31, 2027. Existing undepreciated balance ($114.2 Million) will be recovered as follows:

- $~~16.7~~10.4 Million – unprotected Excess DFIT~~/Deferral of January – April 2018 tax credit~~.

- $45.3 Million – through an annual depreciation expense of approximately $4.533 million (WA Share), which is the current level of annual depreciation expense presently being recovered from ratepayers (i.e., no increase to rates)

- $~~52.2~~58.5 Million – regulatory asset offset by the amortization of protected Excess DFIT, i.e. over 36 years

See Attachment A to Appendix A (Master List of Commitments in Washington) to the Settlement Stipulation, "Colstrip Commitment Summary and Description", which is incorporated herein by reference.

77. **Montana Community Transition Fund:** Hydro One and Avista will arrange funding of $3.0 Million towards a Colstrip community transition fund.

REVISED May 7, 2018

Attachment A to Appendix A of Settlement Stipulation in U-170970

Merger Commitment No. 76 (Colstrip)

Summary and Description

Avista owns a 15% share of two coal-fired generation facilities located in Colstrip, Montana, known as Colstrip Units 3 & 4, which have a combined capacity of about 1,480 MW. These two facilities were placed in service in 1984 and 1986. No decommissioning date has been established for these assets. Current rates include depreciation expense on Colstrip Units 3 & 4 with assumed remaining useful lives of these units through December 31, 2034 and December 31, 2036, respectively.

The Parties acknowledge that there presently is no plan to close Colstrip Units 3 & 4 by a specific date, nor has Avista agreed to do so. The parties to the Settlement Stipulation in this docket (the "Parties") agree, however, to a depreciation schedule for Colstrip Units 3 & 4 that assumes a remaining useful life of those units through December 31, 2027. The Parties agree to set depreciation rates for Colstrip Units 3 & 4 at amounts that will yield an annual depreciation expense of approximately $4.533 million (WA Share)[1] for the remaining depreciable lives of those units, which is the current level of annual depreciation expense.

The Parties agree to adopt a depreciable balance of Colstrip Units 3 & 4 of $114.2 million. This includes the currently recognized unrecovered plant balance, as well as estimated asset retirement obligations previously not included in rates[2]. Nothing in this Settlement will preclude Avista from seeking recovery of additional future asset retirement costs, based on a showing of prudency in future general rate cases.

The $114.2 million balance will be recovered as follows:

- $~~16.7~~10.4 million (WA share) of "temporary" tax credits. These tax credits were described in Bench Request No. 9 in Avista's current general rate case (Docket Nos. UE-170485 and UG-170486).[3]

- $45.3 million, through an annual depreciation expense of approximately $4.533 million (WA Share), which is the current level of annual depreciation expense.

- $~~52.2~~58.5 million, through the amortization of a Regulatory Asset (FERC Account No. 183.3) (approximately $1.6~~5~~ million per year – WA share), offset entirely by the amortization of protected Excess DFIT. The amortization schedule of the Regulatory Asset will be structured to match the amortization schedule of protected Excess DFIT, so that the amortization of protected Excess DFIT covers the remaining depreciable balance.

[1] Annual depreciation expense is approximately $6.937 million on system-basis.
[2] The asset retirement obligations are currently estimated at approximately $42.7 million (WA share). These costs include decommissioning and remediation costs.
[3] The tax credits were the result of H.R.1 – Tax Cuts and Jobs Act signed into law in December 2017.

REVISED May 7, 2018

Attachment A to Appendix A of Settlement Stipulation in U-170970

Nothing in this Settlement will preclude Avista from seeking recovery of routine future capital maintenance costs incurred in the normal course of business beyond January 1, 2018 not intended to extend operational life, based on a showing of prudency in future general rate cases.

The Regulatory Asset[4], net of accumulated deferred federal income taxes, will be included in rate base and will earn Avista's rate of return.

Beginning October 1, 2018, Avista will include the $1.6~~5~~ million Colstrip amortization costs, in customers' base rates, but which would be offset by the electric Rate Credit of $4.9 million, thereby reducing customers' rates approximately $3.3~~4~~ million. The incremental rate reduction on October 1, 2018 would be spread to customers on a uniform percent of base revenue basis, and on an equal percentage to the volumetric blocks in each schedule (the Rate Credit would be spread in accordance with Commitment No. 19 "Rate Credit" for Schedule 25). Avista would effectuate this through a compliance filing of its base tariffs and electric Rate Schedule 73 (for the Rate Credit).

A summary of the Colstrip costs and offsetting tax credits follows:

Summary of Colstrip Costs (WA Share)

	Total Amount	REVISED	Amortization Period (Years)	Annual Amount	REVISED
Net Book Value of Colstrip Units 3 & 4, including transmission assets, at December 31, 2017	$ 71,506,933				
Estimated asset retirement obligations	42,738,900				
Undepreciated Balances:	114,245,833				
Future depreciation expense recovered January 1, 2018 - December 31, 2027	(45,334,922)				
Temporary Tax Credits	~~(16,700,000)~~	(10,400,000)			
Net Colstrip Costs Recorded as Regulatory Asset	~~$ 52,210,911~~	$58,510,911	36	~~$ 1,450,303~~	$ 1,625,303
Electric Rate Credit	$ (24,606,700)		5	$ (4,921,340)	
Net Impact to Customers Beginning October 1, 2018				~~$ (3,471,037)~~	$ (3,296,037)

[4] The Colstrip accounts included as rate base include the following: FERC Account No. 101.0 – Plant Cost, FERC Account No. 108.0 – Accumulated Depreciation, FERC Account No. 182.3 – Regulatory Asset ARO, FERC Account No. 182.3 – Regulatory Asset Colstrip, FERC Account No. 230.0 – Colstrip ARO, and FERC Account No. 242.0 – Colstrip Accounts Payable.