



STATE OF WASHINGTON
UTILITIES AND TRANSPORTATION COMMISSION
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July 20, 2018

**NOTICE OF EXTENSION OF TIME FOR PROCESS AND DELIBERATION
AS ALLOWED UNDER RCW 80.12.030(2)**

(Order to be entered by December 14, 2018)

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

On September 14, 2017, Avista and Hydro One filed their Joint Application for an Order Authorizing Proposed Transaction whereby Olympus Equity LLC would acquire all of the outstanding common stock of Avista, and Avista would become a direct, wholly-owned subsidiary of Olympus Equity LLC and an indirect, wholly-owned subsidiary of Hydro One. Under RCW 80.12.030(2) the Commission is required to enter an order approving (with or without conditions), or denying, the transaction by August 14, 2018, subject to an extension of up to four months for cause. Good cause to extend the time for considering the Joint Application is now evident due to changed circumstances affecting the executive management and board of directors at Hydro One, as discussed below.

All Parties in this case filed a Settlement Stipulation and Agreement (Settlement) with the Commission on March 27, 2018, that, if approved, would resolve all issues in these proceedings.¹ The Commission heard evidence concerning the Settlement on May 22, 2018, in Olympia, Washington, and conducted public comment hearings in Avista's service territory on April 23, April 24, May 2, and May 3, 2018, in Spokane, Colville, Othello, and Colfax, Washington, respectively. The record includes both prefiled and live testimony from Hydro One witnesses, and comments from members of the public, concerning the continuing role of the Province of Ontario as the largest shareholder in Hydro One since its privatization in 2015. This testimony came sharply into focus on July 11, 2018, when Hydro One issued a press release announcing that Hydro One and the Province of Ontario "entered into an agreement for the purpose of the orderly replacement of the board of directors of Hydro One and Hydro One Inc. and the retirement of Mayo Schmidt as the chief executive officer effective today."

¹ The settling parties include: Hydro One, Avista, Commission Staff, Public Counsel, AWEC, The Energy Project, NWECC/RNW/NRDC, Sierra Club, and WNIDCL. They filed an amendment to the Settlement Stipulation on May 7, 2018.

The Commission gave notice on July 12, 2018, of its intent to conduct additional process and providing an opportunity for parties to submit comments concerning these developments. The Commission's Notice stated, among other things, that:

[I]t is unclear how these developments may bear on our ongoing consideration of the proposed transaction. The Commission anticipates, however, that additional process will be required to develop a record in this proceeding concerning how these changes in executive management and the board of directors at Hydro One bear on the Joint Applicants' request for a Commission order authorizing the proposed transaction under RCW Chapters 80.01 and 80.12. The required form of process remains to be determined.

Avista and Hydro One filed joint comments in response to the Commission's notice. Staff, Public Counsel, and The Energy Project each filed comments. These parties observe, among other things, that Hydro One has committed to completing the transition process to a new board of directors by August 15, 2018. This falls one day after the statutory deadline for a Commission order in this proceeding, unless the Commission gives notice of cause for an extension of as much as four months beyond that date, as authorized by RCW 80.12.030(2). Hydro One's as yet unannounced new board members will be responsible for appointing a new CEO at Hydro One on or after August 15, 2018. Other uncertainties will continue to be present after August 14, 2018, that may be material to our decision whether to approve the proposed transaction, with or without condition, or deny the transaction. It is necessary, therefore, that we invoke the "for cause" provision of RCW 80.12.030(2) and extend the time for a Commission order by up to four months.²

THE COMMISSION GIVES NOTICE THAT it will, for cause, extend the time allowed for it to enter an order in this proceeding by up to four months, until December 14, 2018.

THE COMMISSION GIVES FURTHER NOTICE THAT it will by subsequent Notice establish such additional process as it deems most appropriate to develop a record concerning the ongoing changes in Hydro One's corporate management and board of directors.

DENNIS J. MOSS
Administrative Law Judge
cc: All Parties

² Avista and Hydro One state in their comments that Hydro One and Avista also acknowledge that:

Given recent events in Ontario, additional time may be necessary to understand the implications of those events to Avista. We also acknowledge that additional, or modified commitments related to Avista governance may be necessary to alleviate any lingering concerns that the province of Ontario could affect Avista and its operations. We remain open to addressing those concerns in a manner that satisfies your and our needs.

Staff, Public Counsel, and The Energy Project agree that the record would benefit from such additional time and process as the Commission deems appropriate and required to understand fully the implications of these "events in Ontario." Public Counsel proposes specific process options including further testimony from the Joint Applicants, response testimony, and further hearings.