

ON BEHALF OF AVISTA CORPORATION

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ON BEHALF OF HYDRO ONE LIMITED

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**BEFORE THE PUBLIC SERVICE COMMISSION OF THE STATE OF
MONTANA**

IN THE MATTER OF THE JOINT)
APPLICATION OF HYDRO ONE LIMITED) DOCKET NO.D2017.9.71
(ACTING THROUGH ITS INDIRECT)
SUBSIDIARY, OLYMPUS EQUITY LLC))
AND) SUPPLEMENTAL
AVISTA CORPORATION) DIRECT TESTIMONY
FOR AN ORDER AUTHORIZING PROPOSED) OF
TRANSACTION) CHRISTOPHER F. LOPEZ

FOR HYDRO ONE LIMITED

1 **Q. Please state your name, business address, and**
2 **present position with Hydro One Limited.**

3 A. My name is Christopher F. Lopez. I am the Senior
4 Vice President of Finance at Hydro One Limited ("Hydro
5 One"), located at 483 Bay Street, South Tower, 8th Floor,
6 Toronto, Ontario M5G 2P5.

7 **Q. Have you previously submitted testimony in this**
8 **proceeding?**

9 A. Yes. I filed direct testimony on September 14,
10 2017.

11 **Q. What was the purpose of your direct testimony?**

12 A. The purpose of my testimony was to:

- 13 • describe the Proposed Transaction;
- 14 • discuss Hydro One's corporate structure and
15 where Avista Corporation ("Avista") will reside
16 within that structure;
- 17 • discuss Hydro One's capital structure and
18 financial strength;
- 19 • describe Hydro One's financing for, and the
20 mechanics of, the Proposed Transaction;
- 21 • describe Avista's post-transaction access to
22 capital; and
- 23 • enumerate certain financial, structural, and
24 ring-fencing commitments that Hydro One and
25 Avista are proposing as part of their request
26 for approval of the Proposed Transaction.

1 **Q. What is the purpose of your supplemental direct**
2 **testimony?**

3 A. The purpose of my supplemental direct testimony is
4 to describe the simplified post-close corporate structure
5 Hydro One has agreed to implement through settlements in
6 Alaska, Idaho, and Washington.

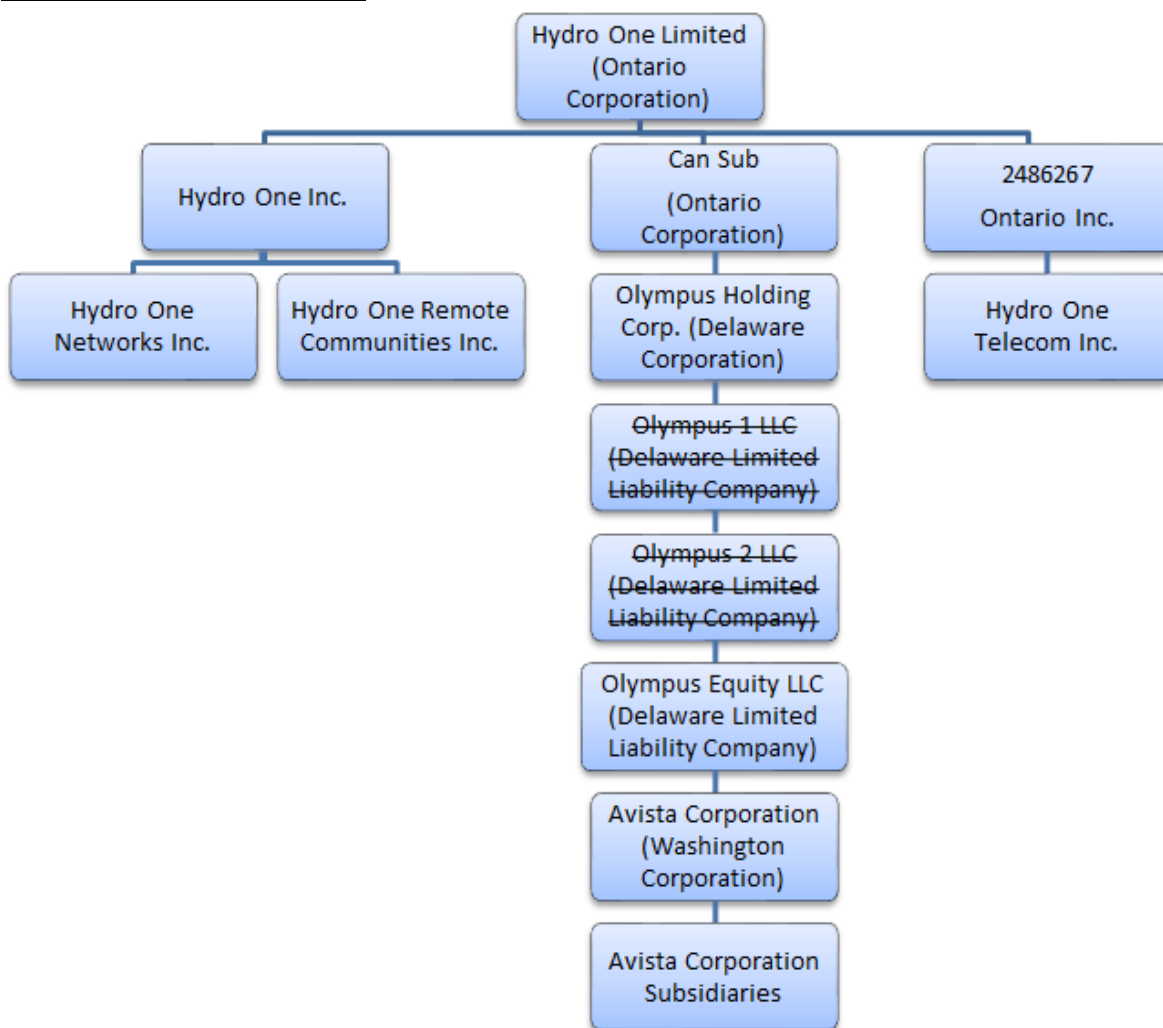
7 **Q. Please describe the proposed change to the post-**
8 **transaction corporate structure that Hydro One has agreed to**
9 **in those settlements.**

10 A. The change simply involves the removal of two
11 limited liability companies, Olympus 1 LLC and Olympus 2
12 LLC, which were originally proposed in the corporate chain
13 of ownership. The other entities remain unchanged. Both
14 the structure proposed in the September 2017 Joint
15 Application and the simplified structure provide segregation
16 between the rate-regulated business in the United States,
17 which would be held by Can Sub and Olympus Holding Corp.,
18 and the Ontario rate-regulated business, which is held by
19 Hydro One Inc. Under both the original and simplified
20 structure, upon completion of the Proposed Transaction,
21 Avista will be an indirect, wholly-owned subsidiary of Hydro
22 One. Under both structures, after closing, Avista will be
23 a direct, wholly-owned subsidiary of Olympus Equity LLC, a
24 bankruptcy-remote entity with no debt.

1 Q. Do you have organizational charts that reflect the
2 difference between the structure as originally proposed and
3 the current structure?

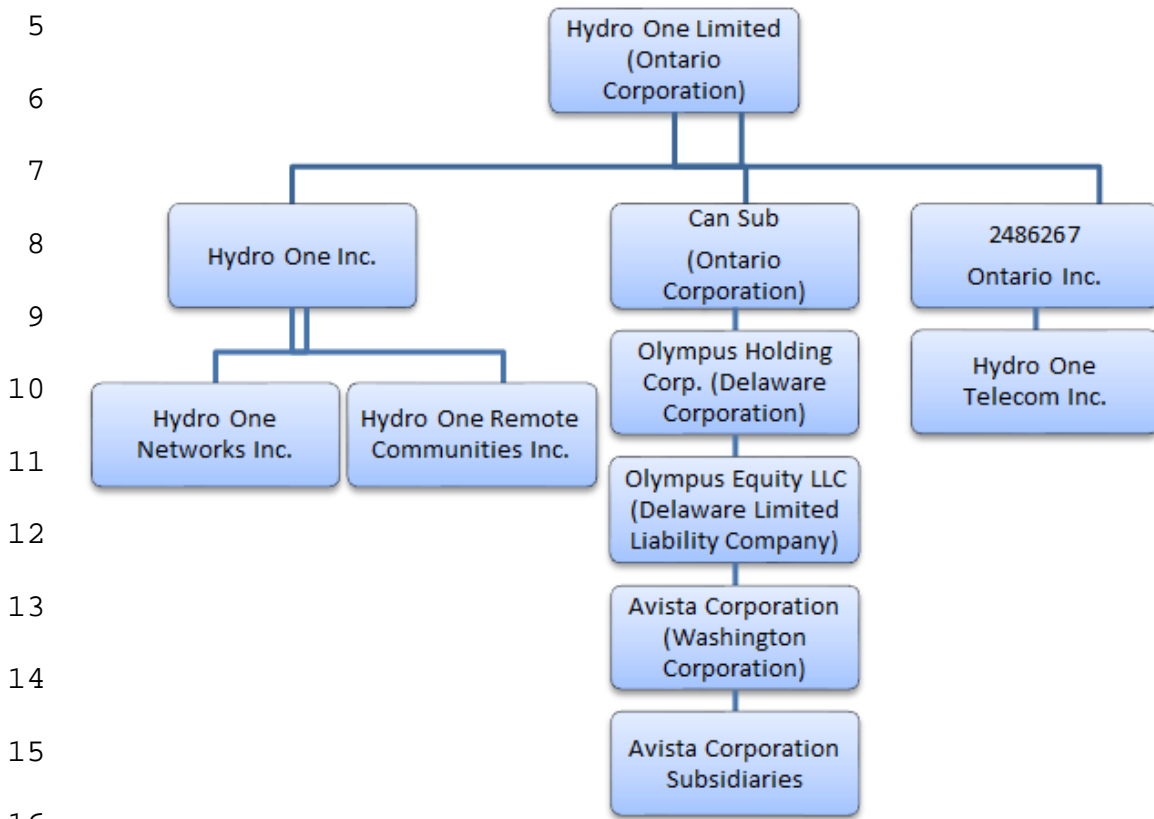
4 A. Yes. The following organizational chart, which
5 was also included as Appendix 1 to the Joint Application and
6 as Exh. 4, Schedule 2 to my direct testimony, shows the
7 structure as originally proposed, but we are now proposing
8 to eliminate the two LLCs, as demonstrated via the
9 strikethrough text below:

10 **Illustration No. 1:**



1 The simplified post-closing corporate structure is
2 illustrated in the following organizational chart:

3 **Illustration No. 2:**



17 **Q. Why is Hydro One proposing to remove Olympus 1 LLC**
18 **and Olympus 2 LLC from the post-close corporate structure?**

19 A. As explained in my direct testimony, Olympus 1 LLC
20 and Olympus 2 LLC were created for Canadian tax planning
21 purposes and to manage the flows of intercorporate funds.
22 As a result of U.S. federal tax reform, however, these
23 entities are no longer necessary. Removing these two LLCs
24 will simplify the post-closing corporate structure.

1 **Q. Is Hydro One proposing any other changes to the**
2 **post-close corporate structure or to the entities in that**
3 **structure?**

4 A. No. For the reasons described above and in my
5 direct testimony, the rest of the post-close corporate
6 structure remains intact, and the entities in the post-close
7 corporate structure, other than Olympus 1 LLC and Olympus 2
8 LLC, will perform the same functions and roles as described
9 in my direct testimony.

10 **Q. Does this conclude your supplemental direct**
11 **testimony?**

12 A. Yes, it does.

CERTIFICATE OF SERVICE

I hereby certify that on April 17, 2018, a true and accurate copy of the foregoing document was served via U.S. Mail and electronic mail on the parties listed below:

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/s/ Michael Green _____