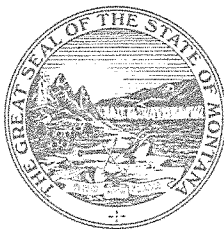


Montana Public Service Commission



Brad Johnson - Chairman
Travis Kavulla - Vice Chairman
Roger Koopman - Commissioner
Bob Lake - Commissioner
Tony O'Donnell - Commissioner

March 21, 2018

Michael Green
Wiley Barker
Crowley Fleck PLLP
900 N Last Chance Gulch #200
Helena MT 59601

David Meyer
Patrick Ehrbar
Avista Corp.
P. O. Box 3727
1411 E. Mission Avenue, MSC 27
Spokane, WA 99220-3727

Elizabeth Thomas
Kari Vander Stoep
Dirk Middents
K&L Gates LLP
925 Fourth Avenue, Suite 2900
Seattle, WA 98104-1158

James Scarlett
S. Kyle Mersky
Hydro One
483 Bay Street, 8th Floor, South Tower
Toronto, Ontario, M5G 2P5

Dear Joint Applicants,

Enclosed please find the Montana Public Service Commission's data requests PSC-023 through PSC-028 to Avista Corp. and Hydro One Limited ("Hydro One") (collectively "Joint Applicants") regarding the Joint Application of Avista and Hydro One for an Order Authorizing the Proposed Transaction in Docket D2017.9.71 before the Montana Public Service Commission. Please respond by April 4, 2018. *See* Notice of Additional Issues, ¶ 7 (Feb. 21, 2018). If you have any questions, please contact me at (406) 444-6178.

Sincerely

Jeremiah Langston
Staff Attorney
Montana Public Service Commission

Enclosure
cc: Service List

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

IN THE MATTER of the Joint Application of) REGULATORY DIVISION
HYDRO ONE LIMITED (acting through its)
indirect subsidiary Olympus Equity LLC) and) DOCKET NO. D2017.9.71
AVISTA CORPORATION For an Order)
Authorizing Proposed Transaction)

**DATA REQUESTS PSC-023 THROUGH PSC-028 OF
THE MONTANA PUBLIC SERVICE COMMISSION
HYDRO ONE LIMITED AND AVISTA CORPORATION**

PSC-023

Regarding: Community and Workforce Development Account
Witness: Thackston

At 20:17-23 of your testimony, you indicate that if the Joint Applicants agreed to an accelerated depreciation of the Colstrip Units 3 & 4 assets, they “would also agree to contributing to an account associated with community and workforce development in the town of Colstrip”.

- a. What do you intend by the words “at the relevant time” (20:22-23)?
- b. Now that the joint applicants have committed in principle to a settlement in Washington that includes an accelerated depreciation of Colstrip Units 3 and 4, will the Joint Applicants agree in this proceeding to contributing to the account?
- c. Since the terms and conditions of accelerated depreciation apparently are being decided in the context of this proceeding, would it be appropriate to undertake a determination of the “terms and conditions” of the community and workforce development commitment in this proceeding?
- d. If an intended contribution to such a community and workforce development account is a cost of retirement, is that value appropriately included in the formulation of a depreciation rate so that consumers will pay for the cost during the time when the plant is still providing them benefits (i.e., is in service)?

PSC-024

Regarding: Depreciation and Remaining Useful Life
Witness: Thackston

You appear to contend that a depreciation schedule's implied remaining useful life of a power plant is different than a utility's expectation of when it will ultimately close a power plant.

- a. Do you concede that the depreciation schedule is intended to reflect the best estimate of the remaining useful life of a piece of plant? If no, please fully explain your answer, including by citation to expert treatises on depreciation about circumstances when depreciation lifespan would not be intended to match the best estimate of remaining useful life.
- b. What reasons would a utility have to set a depreciation schedule that is shorter than, or longer than, actual expectations of the remaining useful life of a plant?
- c. What are the Joint Applicants expectation, at present, of the remaining useful life of Colstrip Units 3 & 4?
- d. Please provide an Excel spreadsheet, or other similar work paper, that depicts in numerical form the agreement to accelerate depreciation on Colstrip Units 3 & 4 that the Joint Applicants have made or will make in the proceeding before the Washington Utility Commission.
- e. What amount of the allocable original cost, less depreciation, do Washington and other jurisdictions involved in this transaction account for, with respect to Colstrip Units 3 & 4?

PSC-025

Regarding: Depreciation Study

Witness: Ehrbar

- a. Avista's depreciation study suggests establishing a remaining lifespan on "the lower end" of the range for steam plants such as Colstrip Units 3 & 4 (III-9). What evidence does Avista have, if any, to suggest that a modification of this lifespan is appropriate?
- b. Avista's depreciation study states that in creating an estimated lifespan, it relied in part on "the estimate of the operating partner, if applicable." What is the estimate of remaining useful life of Talen for Colstrip Units 3 & 4?
- c. Avista's depreciation study states "The overall net salvage percent for steam and hydro production facilities include costs for final retirement" (IV-5). Do these costs include costs of environmental remediation or social transition? If so, identify where in Sec. VIII either of those types of costs can be found recorded. If they do not, please explain why such costs are not properly included in depreciation, and provide any materials Avista possesses where such costs are recorded.

- d. Using page VI-4 as a template, update the data associated with Colstrip Units 3 & 4 to reflect an accelerated depreciation date with a remaining useful life assumption of 2027, as indicated by the recent Settlement in Principle in the proceeding before the Washington Utilities and Transportation Commission.

PSC-026

Regarding: Iowa Curve appropriate for 2027 Colstrip Units 3 & 4 Remaining Useful Life
Witness: Most Appropriate

Please identify the Iowa Type survivor curve that, based on historic data and an assumption that the remaining useful life of Colstrip Units 3 & 4 is 2027, best fits this asset's structures and boiler plant equipment, and describe if such a curve has ever been used in any other depreciation study undertaken for Avista.

PSC-027

Regarding: Depreciation as a Topic in Merger & Acquisition Proceedings
Witness: Thackston

- a. Is the witness aware of any other instances where a regulatory determination on a merger and acquisition proceeding has included a condition related to the depreciation schedule of plant assets? If so, please provide citations to such proceedings, and a brief description of the depreciation-related topic in each.
- b. Please provide any expert treatise or other similar material, of which you are aware, where it has been opined that the standards that traditionally encompass merger and acquisition proceedings before state utility commissions are sufficiently broad so as to encompass a consideration of plant's depreciation schedule.

PSC-028

Regarding: Meaning of Ownership and Operating Agreement
Witness: Thackston

You state "The Ownership and Operating Agreement for Colstrip Units 3 & 4 does not provide for a single owner – or any combination of owners other than all six owners collectively – to commit to a retirement date for the Colstrip generating units." 18:23-19:3.

- a. By making this statement under oath to a state regulatory commission, are you committing that neither Avista nor Hydro One will take a contrary view of the meaning of the Ownership and Operating Agreement in any future proceeding before this commission or any other court or commission?
- b. Please provide the Ownership and Operating Agreement, including a citation to the section or page number that supports this statement.

- c. Imagine a scenario where a jurisdiction requires Avista either to divest itself of or to end payments by regulated utility customers in support of Colstrip Units 3 & 4, but where the owners collectively have not determined to retire the units. What resolution does Avista see for this potential impasse?
- d. Can Avista, under the Ownership and Operating Agreement, stop paying for operating expenses or incremental capital expenditures associated with its share of Colstrip Units 3 & 4 if another owner desires to continue operating the plant but Avista does not? Please explain, providing citations to the Ownership and Operating Agreement where appropriate.

PSC-029

Regarding: Colstrip Units 3 & 4 Closure Date
Witness: Thackston

On page 17, lines 4-6 of your testimony you state: “Avista and Hydro One will not agree to an accelerated date of closure for Colstrip Units 3 and 4 as part of this process.” Please explain what you intend through modification of this sentence with “as part of this process.” Will Avista and Hydro One agree to an accelerated date of closure for Colstrip Units 3 and 4 in some separate process?

CERTIFICATE OF SERVICE

I HEREBY CERTIFY that a copy of the Data Requests PSC-023 through PSC-028 of The Montana Public Service Commission Hydro One and Avista Corporation issued on March 21, 2018 in Docket D2017.9.71 was served upon the following, by mailing a true and correct copy, via first class mail, on the 21st day of March, 2018, addressed as follows:

Robert Nelson
Montana Consumer Counsel
111 N. Last Chance Gulch, Ste. 1B
P.O. Box 201703
Helena, MT 59620-1703

Gary A. Ryder
PO Box 1902
Colstrip, MT 59323

David J. Meyer Esq., Avista Corp.
P.O. Box 3727
1411 E. Mission Avenue, MSC 27
Spokane, WA 99220-3727

James Scarlett
Hydro One
483 Bay Street, 8th Floor, South Tower
Toronto, Ontario, M5G 2P5

Kari Vanderstoep, Elizabeth Thomas
K&L Gates LLP
925 Fourth Avenue, Suite 2900
Seattle, WA 98104-1158

James P. Molloy
Gallik, Bremer, & Molloy, P.C.
777 East Main St., Suite 203
Bozeman, MT 59771

_____/s/Sydney Kessel_____
Sydney Kessel, Administrative Assistant

Email addresses

Montana Consumer Counsel

robnelson@mt.gov;

ssnow@mt.gov;

jbrown4@mt.gov;

Avista Corp.

david.meyer@avistacorp.com;

pat.ehrbar@avistacorp.com;

Hydro One

Liz.thomas@klgates.com;

Kari.vanderstoep@klgates.com;

jscarlett@hydroone.com;

dirk.middents@klgates.com;

kyle.mersky@hydroone.com;

Edneditorial@event-driven.com;

snelson@crowleyfleck.com;

wbarker@crowleyfleck.com;

mgreen@crowleyfleck.com;

jim@galliklawfirm.com

gryder@rangeweb.net