Avista and Hydro One: Lessons from Utility Consolidation in North America

Briefly

Across North America, utilities have steadily consolidated over time. This has occurred because of the economics of the industry, public policies, market conditions, and regulatory policy changes. The consolidations can take several forms; utility mergers and acquisitions can be characterized, for example, as large-entity takeovers, mergers of equals, or in the Fortis Model (in which a target firm remains a standalone entity).

An example of this last structure is Hydro One’s acquisition of Avista Corp., which was announced last year. Mergers and acquisitions in the utility sector are subject to regulatory approval, and different jurisdictions apply different standards. The Washington Utilities and Transportation Commission applies a net benefit standard—to meet such a standard, companies typically commit to things like rate credits, retaining the target’s headquarters, and maintaining charitable giving.

The North American utility industry has been consolidating for years. Consolidation has been driven by the economics of the industry, public policy demands, and market conditions. It has been facilitated recently by changes in regulatory policy. In a current example of this trend, Avista Corp. (Avista), the utility headquartered in Spokane, is being acquired by Hydro One, a Canadian utility.

Utilities in Washington are still regulated; consequently, the Avista/Hydro One transaction will have to be approved by the Washington Utilities and Transportation Commission (along with several other regulators). The Washington Utilities and Transportation Commission applies a high standard when considering such transactions and will retain regulatory authority over the company going forward. Additionally, the companies’ proposal indicates that the deal is structured to yield net benefits for Avista customers and the community.

Washington Utilities

There are currently three investor-owned electric utilities in Washington: Avista Corporation, Puget Sound Energy (PSE, headquartered in Bellevue), and Pacific Power & Light Company (headquartered in Portland). Cascade Natural Gas Corporation (headquartered in Richland) and Northwest Natural Gas Company (headquartered in Portland) also operate in the state. (Avista and PSE also have natural gas distribution operations.)

The number of investor-owned utilities operating in Washington has been fairly steady over the past few decades, but the merger and acquisition (M&A) activity has not been. Puget Sound Energy’s parent Puget Energy was bought by a consortium of Australian and Canadian investors in 2009. PacifiCorp (which operates as Pacific Power in our region) was bought by Scottish Power in 1999 and was then sold to MidAmerican Energy in 2006. (It is now a subsidiary of...
Berkshire Hathaway Energy.) Cascade Natural Gas Company became a subsidiary of MDU Resources Group in 2007. Avista and Northwest Natural Gas are the last independent, publicly-traded utilities in Washington.

### A Consolidating Industry

Consolidation is the normal state of affairs for the U.S. utility industry. Data sources differ on the number of utilities in business each year (due to differences in what types of companies they count), but all show a decline in the number over time. A Federal Energy Regulatory Commission (FERC) task force reported that there were 2,000 investor-owned utilities in 1920; 465 in 1957; and 230 in 1989 (Diamond and Edwards 1997). According to the Edison Electric Institute (EEI), there were 50 shareholder-owned electric utility holding companies (both publicly traded and privately held) as of Dec. 31, 2016—down from 62 as of Dec. 31, 2010 (EEI 2017, 2011). (The EEI figures in Table 1 show only the publicly traded companies, so they omit companies like Puget Energy, Inc. and Berkshire Hathaway Energy.) The U.S. Energy Information Administration (EIA) data includes subsidiary companies (for example, it includes PacifiCorp and MidAmerican Energy, which are both subsidiaries of Berkshire Hathaway Energy) (EEI 2017).

Consolidation is also ongoing across the Canadian border with the United States. Several U.S. utilities are owned by Canadian companies. This trend is expected to continue. According to a 2017 report from Moody’s Investors Services, primary drivers include “diversification benefits, synergies, low-cost financing, limited opportunities in Canada and higher regulated returns in the US” (Moody’s 2017). EEI reports that Canadian utilities “see the U.S. as a market with considerable capital investment opportunities and appealing geographical diversification given Canada’s oil and natural-gas dependent economy” (EEI 2017). One reason for the limited opportunities in Canada is that many Canadian utilities are owned by the government; for example, the government-owned British Columbia Hydro and Power Authority (BC Hydro) serves the City of Vancouver and much of the province, excepting the Kootenay area, which is supplied by Fortis BC. Also, U.S. utilities have lower stock values than Canadian ones, making them attractive investment prospects. Canadian utilities seek income diversification and focus on sustained dividends that they can obtain from ownership of U.S. utilities (West et al. 2016).

These consolidations are driven by the basic economics of the industry, public policies, market conditions and regulatory policy.

**Economics of the Industry.** One reason companies merge is to take advantage of economies of scale (Andrade et al. 2001). Economies of scale exist when the cost of a unit falls as production increases, and they are responsible for natural monopolies. Natural monopolies occur when “one firm can produce the industry’s whole output at a lower unit cost than two or more firms could” (Henderson n.d.). Electric power is the textbook example of a natural monopoly.

As we wrote in a 1997 report, during most of the 20th century, the electric utility industry was organized around that idea:

> With economies of scale, production and distribution costs are minimized for a single supplier, but in the absence of competition customers do not necessarily enjoy the full benefit of these efficiencies. The traditional remedy, then, has been government intervention, either through regulation or direct service provision. Under a regulated monopoly structure the government typically grants a private firm the exclusive right to provide service in a designated geographic area. In exchange for this privilege, the firm allows the regulator to set a rate schedule for service. Alternately, the monopolist may be publicly owned. (WRC 1997)
Economies of scale impel M&A activity in the utility industry, “[d]espite the large managerial hierarchy that size and geographic diversity inevitably create” (Philipson and Willis 2006 17). As a Deloitte report on the role of M&A in the utility industry states,

While expansion into nonconventional businesses is rising in importance, M&A is still attractive to many electric companies for a conventional reason: leveraging economies of scale. . . . In essence, they are seeking to combine in order to become larger, financially stronger companies with reduced risk profiles; to take advantage of synergies to decrease costs; and to strengthen their balance sheets in response to very large capital investment programs.

(Aliff et al. 2014)

Public Policies. The drive to decrease costs and strengthen balance sheets via consolidation is to some extent due to public policies enacted over several decades that necessitate significant capital investment. Stringent federal and state environmental regulations are accompanied by significant compliance costs. For example, under the Energy Policy Act of 2005 and regulations adopted by the Federal Energy Regulatory Commission, mandatory reliability standards necessitate sizeable investment in bulk electric transmission systems and reserve generation. Another example is Washington’s Energy Independence Act (Initiative 937 of 2006), which requires electric utilities to meet renewable energy standards, and thereby requires investment in major capital projects.

Table 2: U.S. Utilities with Canadian Ownership

<table>
<thead>
<tr>
<th>U.S. Utility</th>
<th>Canadian Parent</th>
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<tbody>
<tr>
<td>Liberty Utilities (operates in 12 states)</td>
<td>Algonquin Power &amp; Utilities Corp.</td>
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<tr>
<td>Empire District Electric Company (Joplin, MO)</td>
<td>Algonquin Power &amp; Utilities Corp.</td>
</tr>
<tr>
<td>SEMCO Energy, Inc. (Port Huron, MI)</td>
<td>AltaGas</td>
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<tr>
<td>ENSTAR Natural Gas Company (Anchorage, AK)</td>
<td>AltaGas</td>
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<tr>
<td>Emera Maine (Bangor, ME)</td>
<td>Emera</td>
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<tr>
<td>Tampa Electric (Tampa, FL)</td>
<td>Emera</td>
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<tr>
<td>Peoples Gas (Tampa, FL)</td>
<td>Emera</td>
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<tr>
<td>New Mexico Gas Co. (Albuquerque, NM)</td>
<td>Emera</td>
</tr>
<tr>
<td>St. Lawrence Gas (Massena, NY)</td>
<td>Enbridge</td>
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<tr>
<td>ITC Holdings Corp. (Novi, MI)</td>
<td>Fortis Inc.</td>
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<tr>
<td>UNS Energy (Tucson, AZ)</td>
<td>Fortis Inc.</td>
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<tr>
<td>CH Energy Group (Poughkeepsie, NY)</td>
<td>Fortis Inc.</td>
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<tr>
<td>Puget Sound Energy (Bellevue, WA)</td>
<td>An investor group (Puget Holdings) including:</td>
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<td></td>
<td>Canada Pension Plan Investment Board,</td>
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<td>British Columbia Investment Management Corp.,</td>
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<td>Alberta Investment Management Corp.,</td>
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<td>Macquarie Group (Australian)</td>
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</tbody>
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Deals Announced but Not Yet Complete

- St. Lawrence Gas (Massena, NY) Algonquin Power & Utilities Corp.
- WGL Holdings (Washington, DC) AltaGas
- Avista (Spokane, WA) Hydro One

Note: Not necessarily an exhaustive list.
Market Conditions. According to EEI, the industry is not experiencing much growth: “U.S. electric output increased by 0.2% in 2016, the fourth consecutive year with only a marginal increase . . . . Output has been largely flat over the past decade, although with some year-to-year variation” (EEI 2017). Also, 2016 revenues for U.S. investor-owned utilities were down 0.8 percent from 2015, with regulated electric revenue down 0.1 percent (EEI 2017).

These figures reflect the fact that electricity demand isn’t what it used to be: “Until recent years, year-to-year output declines were rare events in an industry that typically experienced low-single-digit percent gains. Energy efficiency initiatives, demand-side management programs and the off-shoring of formerly U.S.-based manufacturing and heavy industry continue to constrain growth in electricity demand” (EEI 2017). Similarly, according to Deloitte, the U.S. electric power industry faces “moderating demand, aging infrastructure, rising environmental compliance costs, and shifting customer expectations” (Aliff et al. 2014).

The low growth environment contributes to consolidation as companies look for ways to increase revenue and to better sustain returns on equity. Another contributor is “a desire for regulatory and geographic diversity” (Lamb and Didriksen 2017). Meanwhile, low interest rates have “facilitated relatively easy acquisition financing. These factors, combined with a shrinking pool of potential acquisition candidates, resulted in a ‘seller’s market’ where there are often many potential suitors for each available company. Companies that seek multiple bids before entering into transactions benefit from robust competition among potential acquirers” (Lamb and Didriksen 2017).

Incidentally, a study on mergers in general found that increases in interest rates reduce the number of mergers: “About a third of the variation in aggregate merger activity can be attributed to changes in macroeconomic conditions. Of the macroeconomic factors considered, changes in real interest rates appear to have the greatest influence on merger activity” (Becketti 1986). Interest rates have been historically low in the United States since the end of 2008 (FRBSL 2017).

Regulatory Policy. Although transmission of electricity may be a natural monopoly, generation and distribution need not be. A recognition of this led to deregulation of the industry in the 1990s (WRC 1997). This restructuring began with the Energy Policy Act of 1992, which introduced competition at the wholesale level. States were allowed to decide whether and how to open retail distribution to competition (WRC 2000). A pair of FERC orders in 1996 “opened the wholesale industry to full competition, establishing rules forcing utilities to administratively separate generation and transmission” (WRC 1997). These changes “spurred a wave of mergers” (Sonenshine 2016). Completed mergers jumped in 1997 and peaked in 2000, as shown in the chart on page 5.

Then, the Energy Policy Act of 2005 repealed the Public Utility Holding Company Act of 1935 (PUHCA), leading to more consolidation in the industry. PUHCA restricted the operations and corporate structures of holding companies. For example, PUHCA . . . sought to simplify and reorganize existing holding companies’ structures, limit the formation of new holding companies that were not physically connected by electric power lines, and prohibited existing holding companies from acquiring more than one utility, unless the utilities were physically connected by power lines. In addition, PUHCA 1935 restricted the ability of companies outside the utility industry to own or control public utilities. (GAO 2008)

PUHCA’s repeal did not nullify the jurisdiction of state regulatory agencies, such as the Washington Utilities and Trans-
Portation Commission; they have retained jurisdiction over utility mergers, as determined by their legislated authorities. But its repeal has facilitated the acquisition of utilities that are not contiguous. This has benefitted U.S. firms, such as Berkshire Hathaway Energy, and Canadian companies, such as Fortis and Emera.

Indeed, since the repeal of PUHCA,

*The utility industry is now open to a broader group of investors who may have been previously deterred by the restrictions of PUHCA 1935, and conversely, public utility holding companies are now free to pursue a broader range of opportunities, including merger with and acquisition of other utilities outside their geographic area and investment in non-utility assets.* (CRS 2006)

As the chart below shows, there was a spike in merger activity beginning in 2006, as expected by observers at the time of repeal (Kwoka 2005).

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**Varying Structures of Mergers and Acquisitions**

Companies undertake mergers and acquisitions for a number of reasons, and the transactions can take many forms. In addition to the economies of scale consideration, firms may want more market power or diversification (Andrade et al. 2001). For the utility industry, according to Deloitte, M&A “stands out as one of the more compelling and potentially expedient strategies for delivering value in the near-term and managing strategic risks to the business” (Aliff et al. 2014).

Companies use various structures for their organizations following M&A: holding companies (with each subsidiary acting as an independent company), shared services (common functions of subsidiaries are centrally performed), and full integration (of all operations) (Anderson 1999). Some common structures in the utility industry can be characterized as large-entity takeovers, mergers of equals, or the Fortis Model.

An example of a large-entity takeover is the 2006 acquisition of PacifiCorp (headquartered in Portland, Oregon) by MidAmerican Energy Holdings Company (MEHC). (MEHC is owned by Berkshire Hathaway and has since been renamed Berkshire Hathaway Energy.) Following the acquisition, PacifiCorp’s headquarters remained in Portland, but its operations were split into three divisions—and the headquarters of two of them were moved to Utah. Since the acquisition, the company uses a shared service model, and the chief executive officer of MEHC (and now of Berkshire Hathaway Energy) is also the CEO of PacifiCorp. In MEHC’s regulatory filings in Utah, it committed to increasing senior management positions in Utah; to Oregon, it committed to “maintaining a balance of corporate and senior management positions between Oregon and Utah” (OPUC 2006). Later, MEHC reported that it relocated PacifiCorp’s general counsel to Utah and that the number of senior management positions in Oregon dropped from 193 in...
March 2006 to 97 in July 2007 (PacifiCorp 2007).

When there is a merger of equals, two similar companies combine in one. For example, Progress Energy Inc. was absorbed by Duke Energy Corporation as a result of their 2012 merger (Duke 2012). In this case, as the approval order of the North Carolina Utilities Commission notes, the headquarters of the combined firm was to be in Charlotte, but Progress Energy would “maintain a significant corporate and utility presence in downtown Raleigh” (NCUC 2012). Additionally, as a result of the merger, the companies planned to reduce employee positions by 1,860 over three years (of 29,177 employed by the two companies) (NCUC 2012).

A third structure has been illustrated by Fortis Inc., an investor-owned Canadian utility that also owns businesses in the U.S. In this framework, one utility acquires another but the acquired firm remains a standalone utility and retains its local character. Fortis bought UNS Energy in 2014. According to the Arizona Corporation Commission order approving the deal, the companies agreed that senior management would stay in Arizona and employment levels would not be reduced for at least four years. There were also commitments to maintain a local board of directors and to keep headquarters in Tucson. (ACC 2014)

The order also noted, “Fortis does not use a shared service model, but encourages its utilities to share best operating practices” (ACC 2014). In general, Fortis structures its operations as separate operating companies in each jurisdiction. Focused local management teams have the benefit of access to utility management experience and expertise of Fortis. . . . This approach allows local managers to continue to build relationships with, and be responsive to, both their customers and regulators while availing of the resources of a large utility group. (Fortis 2013)

By structuring its acquisitions like this, Fortis “mitigates business risk . . . by enhancing the geographic diversification of our businesses” (Fortis 2013). The Avista acquisition is in this vein.

**Avista and Hydro One**

On July 19, 2017, Avista announced that it is being acquired by Hydro One, a Canadian investor-owned utility (Avista 2017). Avista will become a wholly-owned subsidiary of Hydro One. In terms of equity value, Avista is currently “one of the smallest investor-owned utilities remaining in North America. . . . The merger of Avista and Hydro One will place the combined companies toward the middle of the range” (Hydro One and Avista 2017).

Avista shareholders approved the acquisition on Nov. 21, 2017. It must also be approved by the Washington Utilities and Transportation Commission (WUTC), the Public Utility Commission of Oregon, the Idaho Public Utilities Commission, the Regulatory Commission of Alaska, the Public Service Commission of the State of Montana, the U.S. Federal Energy Regulatory Commission, and the Federal Communications Commission. Additionally, it must be cleared by the Committee on Foreign Investment in the United States and comply with the U.S. Hart-Scott-Rodino Antitrust Improvements Act of 1976. The companies aim to complete the transaction by Sept. 30, 2018. (Hydro One and Avista 2017)

Avista Chairman, President and CEO Scott Morris said that the deal “allows us to continue to define and control, to a significant degree, future operations and opportunities in a consolidating industry landscape for the benefit of our customers” (Avista 2017). For its part, Hydro One “seeks diversification both in terms of jurisdictions and service areas” (Hydro One and Avista 2017).

The application to the WUTC makes several commitments, including:

- Avista will keep its name and “continue to operate as a standalone
utility in Washington, Oregon, Idaho, and Montana.”

- Avista’s corporate headquarters will remain in Spokane.
- It will “seek to retain its existing employees and management team.”
- Charitable contributions will be increased from $2.5 million a year to $4.0 million a year. Additionally, the Avista Foundation will receive an initial $7.0 million contribution and then $2.0 million annually.
- Customers will get rate credits of $31.5 million over 10 years.

The rate credits will provide immediate benefits for customers. Additionally, the companies expect that “over time the merger will provide increased opportunities for innovation, research and development, and efficiencies by extending the use of technology, best practices, and business processes over a broader customer base and a broader set of infrastructure between the two companies” (Hydro One and Avista 2017).

The application notes that the WUTC’s standard for approval is that a transaction must provide a net benefit to customers and that it must be in the public interest. The two companies argue that it does and is. (Hydro One and Avista 2017) (The other jurisdictions apply different standards, as discussed below.)

**Regulatory Process**

In the utility business, acquisitions are subject to considerable oversight. Even with the deregulatory changes that have been made, the industry is still highly regulated. For example, the 2005 law that repealed PUHCA “expanded the authority of FERC and state regulatory commissions to oversee holding company and utility financial activities and transactions” (CRS 2006).

Thus, “State regulatory commissions as well as company shareholders weigh in on the merit of any transactions, which means that different stakeholder needs must be considered” (Jirovec 2017). Indeed, consideration of those stakeholders has led many mergers in the industry to include commitments like those made by Hydro One and Avista (e.g., offering rate credits, keeping the target’s headquarters where it is), and such commitments have come to be expected (Lamb and Didriksen 2017).

In Washington, the WUTC “regulates private, investor-owned electric and natural gas utilities in Washington. It is the commission’s responsibility to ensure regulated companies provide safe and reliable service to customers at reasonable rates, while allowing them the opportunity to earn a fair profit” (WUTC n.d.). The WUTC must approve utility transactions. The standard by which they do so has changed over the past decade, from a “no harm” to a “net benefit” standard.

Transactions must be “consistent with the public interest” (WAC 480-143-170). On its own, this is the “no harm” standard; as the WUTC has written, it means that “the transaction must not harm the public interest in order to be approved” (WUTC 2008).

In Dec. 2008, the WUTC approved the purchase of Puget Energy (of which Puget Sound Energy is a wholly-owned subsidiary) by investor group Puget Holdings LLC. In approving the deal, the WUTC wrote that the commitments made “reasonably assure that Puget Holdings’ proposed acquisition of PSE will not harm the public interest” (WUTC 2008). Moreover, the commitments “go further and are even more comprehensive than those previously found fully protective of the public interest” (WUTC 2008). (Many of the commitments made in the deal are also in the Avista proposal, including rate credits, charitable contributions, and local presence.)

Ultimately, the WUTC said, “the transaction not only does no harm, it offers affirmative benefits to ratepayers and to the region” (WUTC 2008). Still, at the time, the WUTC wrote, “To be ‘consistent
with the public interest,' a transaction need not confer net benefits on customers or the public by making them better off than they would be absent the transaction. It is sufficient if the transaction causes no harm" (WUTC 2008). Although the WUTC held to the “no harm” standard, it recognized that the

... commitments and conditions we impose on the Settlement are more protective of customers and the public interest, more far-reaching, and at least as enforceable as any prior similar transaction in memory. Our decision is not only consistent with our precedent, but may well come to be cited in the future as an important precedent in its own right because it embodies and extends important principles of the Commission’s jurisprudence. (WUTC 2008)

In 2009, the state Legislature enacted SSB 5055, which requires the WUTC to approve transactions only if it finds that they “would provide a net benefit to the customers of the company” (RCW 80.12.020). Additionally, the bill instituted an 11-month deadline for approval or denial, which can be extended by four months for cause (RCW 80.12.030). Transactions must still also be “consistent with the public interest” (WAC 480-143-170). Thus, the state formally moved from a “no harm” to a “net benefit” standard for review.

This is in line with national trends, as Deloitte reports:

Although “public interest” is the key theme for regulatory approvals, each state interprets it differently. Most states require the merger to be a “net benefit” to customers in terms of reliability and price. A few states, such as Maine, follow a “no harm” policy, where the expected costs of the transaction must not exceed the anticipated benefits. Some states, such as Arizona and Maryland, require mergers to meet both standards. (Aliff et al. 2014)

The states from which Avista and Hydro One must obtain regulatory approval (in addition to Washington) provide some examples:

• Oregon has a “net benefit” standard. In 2001, the Public Utility Commission of Oregon ordered that, under Oregon statute 757.511, “the net benefit standard is the appropriate standard for merger approval” (OPUC 2001).

• Idaho does not apply a net benefit standard, but transactions must be “consistent with the public interest,” transactions cannot cause service costs and rates to increase, and applicants must have “the bona fide intent and financial ability to operate and maintain said property in the public service” (Idaho Code 61-328).

• The Montana Public Service Commission has noted, “It may be impossible to enunciate a general standard that is applicable in all cases”; instead, the Commission applies the public interest, no harm, or net benefit standards on a case-by-case basis (MPSC 2007).

• The Regulatory Commission of Alaska considers whether applicants are “fit, willing, and able” and whether proposed transfers are “consistent with the public interest” (RCA 2014).

An American Bar Association article argues that the 2008 WUTC approval “established the paradigm for defining the public interest in the context of utility merger applications. . . . The Puget Holdings order set the standard for give-backs to earn regulatory commission approval for merger transactions” (Ellis et al. 2016).

Effects of Mergers and Acquisitions on Utilities and Communities

In general, across industries, “... a profusion of event studies has demonstrated that mergers seem to create shareholder value, with most of the gains accruing to the target company” (Andrade et al. 2001).

That said, there aren’t many studies on what happens to utilities, their employ-
ees, and their communities after a merger or acquisition. A 2017 study of electric utility M&A in North America and Europe between 1998 and 2013 found, “M & A by electric utility companies in the post-deregulation environment were efficient investments and created shareholder value. In addition, M & A activity improved operating performance through efficient asset utilization. As a result, the deregulation policy realized gains for shareholders without incurring costs for consumers” (Kishimoto et al. 2017).

Again, this is a regulated industry. The terms of transactions are subject to regulatory approval, and transactions are a regular occurrence. The WUTC and other regulators would not continue to approve these deals if the companies were not meeting their commitments over time.

Indeed, the PSE transaction was initially controversial, with many stakeholders worried about “a loss of PSE’s ‘locally owned’ character” (WUTC 2008). In response, the WUTC pointed to earlier deals involving local utilities and wrote, “the change in ownership of PSE will not adversely affect either the service or the rates of PSE customers regardless of where the owners reside.” Additionally, the PSE deal included commitments to maintain charitable giving for five years. The Puget Sound Energy Foundation is still a major contributor to charity in Washington; in 2016, it ranked 18th among large companies for its giving ($1.1 million) (Crowe 2017).

Further, it appears that nationally, “regulators have become more accepting that the benefits of mergers are real” and they “have become more comfortable with regulatory mechanisms for capturing benefits and mitigating risks” (Lamb and Didriksen 2017).

The Spokesman-Review notes that there’s “reason to believe” that commitments on rates and charitable giving will hold up because “regulators notice when a utility isn’t doing enough to help those in need or giving back to the community” (Deshais 2017). The paper quotes WUTC spokeswoman Amanda Maxwell: “There’s oversight there. Every time they want to adjust their rate levels, we’re looking at their contribution level” (Deshais 2017).

As Avista and Hydro One note, the acquisition “is not designed to target the elimination of jobs, or cost cutting that may lead to a deterioration of customer service, customer satisfaction, safety, reliability, or a deterioration of charitable giving, economic development or innovation in the communities Avista serves” (Hydro One and Avista 2017).

**Comment**

Depending on how a merger or acquisition is structured, it can have positive benefits for the local community of the target firm. In recent years, regulators have moved to more formally require such benefits. Meanwhile, the utility industry has continued to consolidate. The sale of Avista is representative of this broader, inexorable industry trend. It is not new for our state, either. The commitments made as part of the sale, coupled with continued regulatory oversight, offer assurance that Avista’s community and customers will benefit.

Moreover, the alternative to the acquisition isn’t necessarily the status quo:

> **Despite its large presence in the Spokane area, Avista is relatively small for a publicly traded utility. It ranks 46th out of 50 publicly traded utilities in the U.S.**

> “They are just at a size where they’ll be challenged to survive in a consolidating utility industry,” said Craig Hart, president and chief investment officer for Hart Capital in Spokane. “There are efficiencies of scale in every business. This is a business where scale helps.” (Kramer 2017)

In an era of slowing demand for electricity in North America, there are no signs that the tide of consolidation will turn.
References


Kwoka, John. 2005. “Post-PUHCA Con-


