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September 11, 2026

Public Utility Commission of Oregon
Attn: Filing Center
201 High Street SE, Suite 100
Salem, OR 97301-3612

Re: Docket No. AR 676 – Avista Utilities' Capital Costs Pre-Read

Filing Center:

Avista Corporation, dba Avista Utilities (Avista or the Company), hereby submits for filing with the Oregon Public Utility Commission (Commission) its capital costs pre-read, as requested by Commission Staff in their AR 676 Phase 2 workplan. If you have any questions regarding this filing, please contact me at (509) 495-2782 or shawn.bonfield@avistacorp.com

Sincerely,

/s/ *Shawn Bonfield*

Shawn Bonfield
Sr. Manager, Regulatory Policy & Strategy

AR 676 Capital Cost Recovery Pre-Read

Key Takeaways

1. Avista's capital investments make up approximately 30% of its retail revenues, with nearly 90% of rate base related to distribution plant.
2. Avista's capital portfolio is largely programmatic investments, not project-specific investments. The underlying need for each capital program remains consistent even when project scope, location, sequencing, and annual spending change.
3. Avista has a robust prioritization process that guides which capital projects get funded.

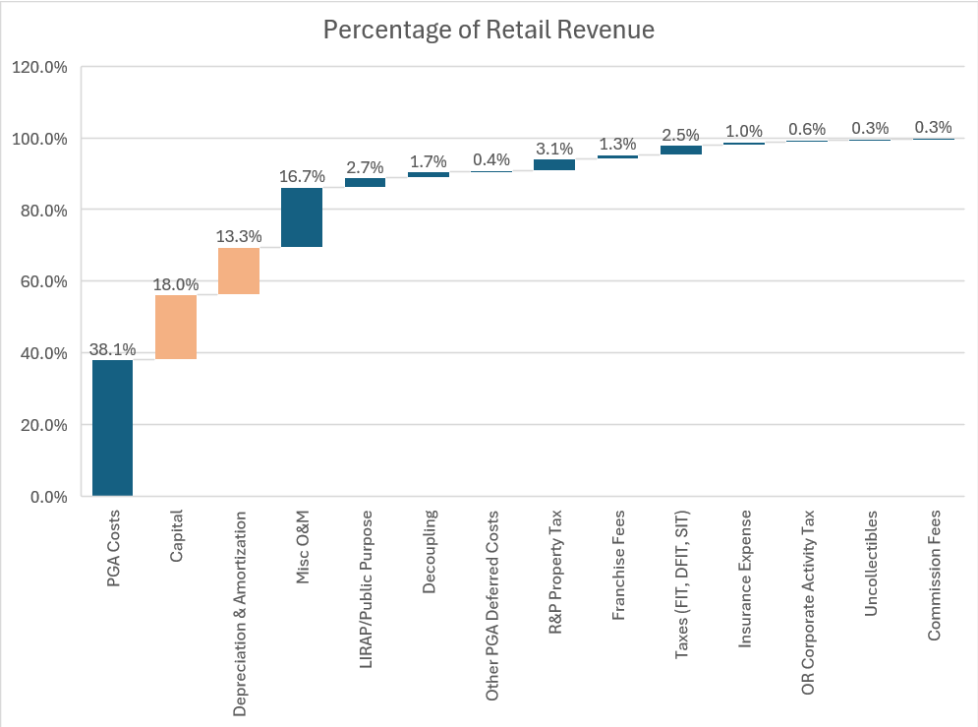
1. Cost Recovery Principles

Core position: First-year "going-in" rates under a Multi-Year Rate Plan should closely reflect expected actual cost of service for customers during the rate effective period.

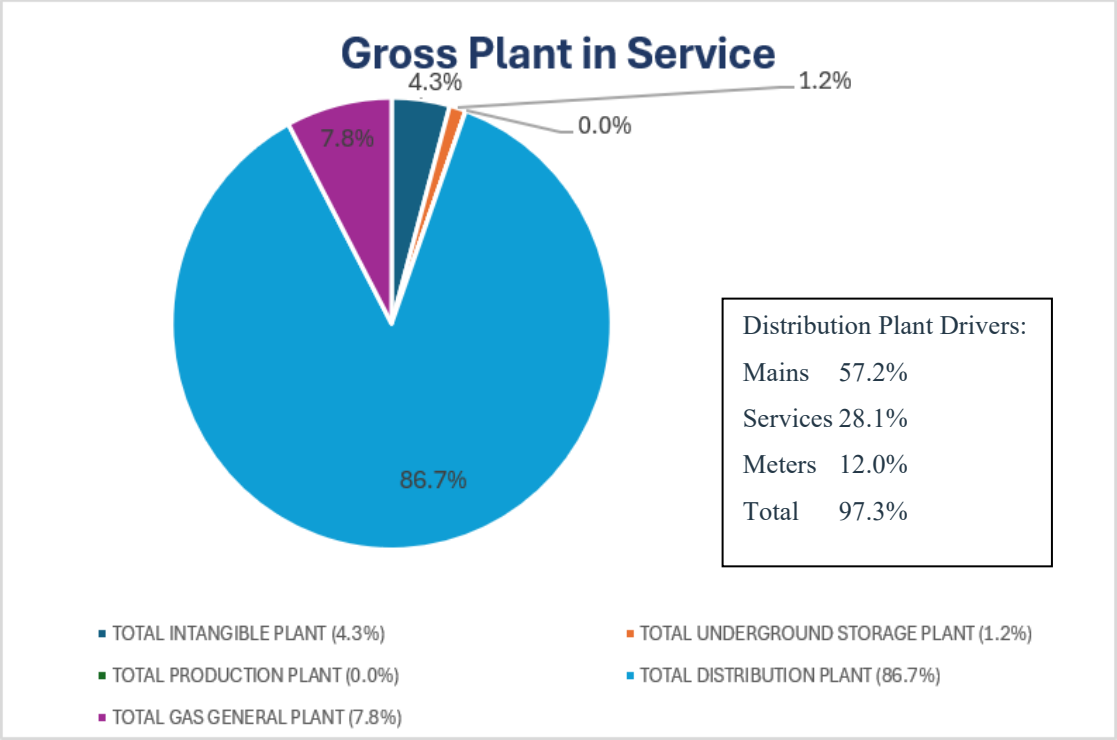
Avista supports continuing the traditional general rate case process for determining the "going-in" rates for the first year of a multiyear rate plan, including the use of attestations. That process provides a robust evidentiary record and supports cost recovery consistent with established cost-of-service principles, Generally Accepted Accounting Principles, and ASC 980 requirements.

2. Historical Context and Cost Drivers

In Avista's last general rate case filing, UG-519, capital-related costs represented approximately 30.3% of total retail revenue.



The chart below provides additional context on the composition of Avista's gross plant in service.



3. Capital Investment Approach

Avista identifies and invests in the natural gas system based on demonstrated needs. The objective is to keep the system operating safely, reliably, compliantly, and cost-effectively.

Primary Cost Drivers

- **Asset condition.** Replace assets that have reached the end of their useful lives and modernize aged or obsolete technology.
- **Compliance.** Meet federal regulatory and municipal requirements.
- **System support.** Maintain facilities, technology, tools, and work processes that support safe and reliable operations.
- **Aldyl-A replacement.** Continue the systematic removal and replacement of portions of Aldyl-A pipe in the natural gas distribution system.
- **Capacity and growth.** Address capacity constraints, customer load growth, and new customer connections.

Programs and Individual Projects

- **Programs.** Recurring or multiyear work groups comprise many individual investments. Examples include customer growth, Aldyl-A pipe replacement, deteriorated steel replacement, pipeline reinforcement, meter replacement, and gas distribution non-revenue work.

- **Individual projects.** Discrete projects address a defined asset or scope, such as regulator station replacement, facility improvement, or specific technology implementation.

Major Capital Programs

Investment Driver	Illustrative Programs and Projects
Customer Service Quality & Reliability	Customer Experience Platform; Customer Transactional Systems; Customer Facing Technology; security and resiliency investments.
Asset Condition	Deteriorating gas system replacement; regulator reliability; ERT replacement; fleet; facilities; allocated technology replacement investments.
Failed Plant & Operations	Gas Distribution Non-Revenue Blanket, comprising hundreds of small projects each year.
Performance & Capacity	Pipeline Reinforcement Program; enterprise network, communication, control-system, and other technology investments.
Customer Requested	Gas Revenue Blanket; gas meter and metering equipment purchases.
Mandatory & Compliance	Aldyl-A Pipe Replacement; street and highway relocations; isolated steel replacement.

4. How Avista Prioritizes Capital Spending

Planning framework: Avista uses a constrained, enterprise-wide process to fund the highest-priority needs while balancing safety, reliability, risk, customer affordability, financial capacity, and delivery resources.

Not every requested project or program is funded at the level or in the year requested. The process uses four decision stages:

Step	Decision Point	Summary
1	**Identify and classify**	Business units identify needs through planning studies, asset management analyses, required upgrades, operational expertise, and service requirements. Requests are organized under the six investment drivers.
2	**Develop and vet business cases**	Each request requires an evidence-based business case addressing need, risks of not investing, alternatives, the recommended solution, timing, and supporting financial, performance, and risk analysis.
3	**Prioritize within and across business units**	Functional review groups evaluate projects within their areas. Supported requests then move to the Business Performance Team for enterprise-wide comparison and decisions on full funding, partial funding, or deferral within the constrained budget.
4	**Approve and actively manage the plan**	Senior management approves the rolling five-year plan. The Board Finance Committee approves the following year. Planned and actual spending are reviewed during the year, and the portfolio is updated as assumptions, risks, schedules, and customer needs change.

Key Prioritization Considerations

- **Ongoing reprioritization.** If a project is delayed, the next-priority project may advance to maintain progress and avoid an accumulation of deferred investment needs.
- **Two-stage screening.** Projects are prioritized first within departments and then across departments to compare competing needs on a Company-wide basis.
- **Constrained spending.** The constraint promotes economy, balances cost and risk, directs capital to the highest-priority needs, and moderates year-to-year rate and workforce variability.
- **Funding decisions.** The Business Performance Team evaluates urgency, safety, reliability, risks of deferral, consequences of not funding, and whether partial funding is practical.
- **Annual spending level.** Avista considers safety, service and reliability needs, customer rate pressure, major-project variability, unanticipated capital requirements, the cost of debt, and the opportunity to issue equity on reasonable terms.

Capital planning objective Provide safe, reliable, and cost-effective service while prudently balancing investment need, customer impacts, enterprise risk, and available financing and execution capacity.

5. Avista's Natural Gas Capital Investments

Avista's natural gas capital portfolio is primarily programmatic. Recurring programs provide an ongoing funding framework for safety, compliance, asset condition, reliability, capacity, operations, metering, and customer-requested growth work. The specific projects completed within those programs may change as risks, system conditions, regulatory obligations, and customer needs evolve. Jackson Prairie is the principal discrete natural gas project.

Natural Gas Portfolio at a Glance

Category	Project / Programs	High-Level Purpose
Large or distinct asset	Jackson Prairie Natural Gas Storage Facility	Annual investment to maintain safe, reliable, efficient, and cost-effective operation of a jointly owned storage asset.
Safety and compliance	Aldyl-A replacement; above-grade pipe; high-pressure remediation; isolated steel; street and highway relocations	Reduces pipeline risk and fulfills federal, state, franchise, permit, and right-of-way obligations.
Asset condition	Cathodic protection; regulator station replacement	Replaces aging or obsolete components and maintains corrosion protection and operating integrity.
Reliability and capacity	Gas Reinforcement; Gas Non-Revenue	Addresses capacity deficiencies, design-day service needs, failed facilities, leaks, relocations, and emergent field conditions.
Metering and customer related	Periodic Meter Changeout	Supports meter accuracy, billing integrity, and customer-related facilities.