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September 18, 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' Comments on Commission Staff's September 4, 2026 Electric & Gas O&M Concept

Filing Center:

Avista Corporation, dba Avista Utilities (Avista or the Company), hereby submits for filing with the Oregon Public Utility Commission (Commission) its Comments related to Commission Staff's September 4, 2026 "Staff Electric & Gas O&M Concept v1". Avista appreciates the opportunity to provide additional comments on this matter which reiterate positions the Company has taken in prior comments (with the Joint Gas Utilities) and in multiple workshops.

Avista appreciates Staff's thoughtful work in developing the initial O&M concept proposal and the collaborative process that has characterized this phase of the rulemaking. Staff's proposal reflects meaningful engagement with stakeholders and appropriately recognizes the importance of balancing cost containment incentives with the practical realities utilities face in managing evolving operational requirements. Avista particularly appreciates Staff's acknowledgment that certain costs may warrant alternative treatment where indexed recovery may not reasonably accommodate their characteristics.

Importance of Accurate Going-In Rates

The establishment of appropriate going-in rates is the most critical component of a successful multi-year rate plan (MRP). As reflected throughout the stakeholder discussions, many of the concerns raised regarding O&M cost treatment, exceptions processes, and alternative

recovery mechanisms can be mitigated through the development of a reasonable and representative baseline revenue requirement at the outset of the plan. Staff correctly recognizes that going-in rates should continue to be based on forward-looking costs informed by historical actuals, known and measurable changes, and other pro forma information necessary to establish a realistic starting point, which may also serve to abate any issues around ASC 980. A well-developed baseline is essential to preserving the intended balance between customer protections, cost-containment incentives, and utility financial stability. Conversely, if significant known costs are not appropriately reflected in going-in rates, utilities may face challenges that cannot be reasonably addressed through indexing alone, increasing pressure on exception mechanisms that should remain limited and targeted. For these reasons, Avista encourages continued focus on ensuring that utilities have a meaningful opportunity to establish going-in rates that accurately reflect anticipated costs and operational requirements over the MRP period.

Third-Party Audit Proposal

Avista appreciates Staff's willingness to explore opportunities to strengthen confidence in the establishment of going-in rates. However, Avista does not support inclusion of a third-party audit requirement in the initial MRP framework. Staff notes that the current ratemaking approach could be supplemented by a Commission-procured third-party audit to be included as part of a utility's filing. Such a proposal has not yet been sufficiently developed or vetted to allow stakeholders to meaningfully evaluate its feasibility, scope, costs, timing, evidentiary treatment, or interaction with existing discovery and audit processes. Significant questions remain regarding how such an audit would be conducted, the standards that would apply, who would bear the associated costs, and how disagreements between audit findings and utility testimony would be resolved.

In addition, the independent audit function already belongs to Commission Staff. This is the role of the accountants and economists employed by all our regulatory commissions – to do a thorough audit of the Company’s books and records in general rate proceedings. One could assume that if an independent audit is required, then the procedural schedule should be significantly reduced, as what would be the role of Staff – an auditor of an independent auditor? And as always Staff and the parties are aware that the investor-owned utilities employ independent auditors – Deloitte for Avista – that help to ensure proper accounting and disclosure of our books and records.

In sum, premature inclusion of a concept that lacks sufficient detail risks creating uncertainty and unnecessary procedural complexity at a time when stakeholders are focused on designing and implementing the core elements of Oregon's MRP framework.

Continued Flexibility Within the MRP Framework

Avista supports Staff's recognition that the primary indexed approach should be accompanied by a limited but meaningful framework for alternative treatment where circumstances justify such treatment. The summary framework appropriately recognizes that different cost categories behave differently and that a single treatment may not always produce reasonable outcomes.

As Staff continues developing Track 2 concepts, Avista encourages the Commission and stakeholders to preserve sufficient flexibility within the MRP structure to address costs driven by legislative mandates, regulatory requirements, or external factors largely outside utility control. While Avista agrees that broad exceptions could weaken the incentives inherent in a multi-year rate plan, overly restrictive criteria could create unintended barriers to delivering important public policy objectives and maintaining reliable utility service. The challenge is not whether flexibility should exist, but rather how to design targeted mechanisms that preserve accountability while addressing costs that are demonstrably distinct from ordinary business risks.

Additional Cost Categories Appropriate for Exclusion Consideration

Avista appreciates Staff's recognition that certain customer-facing and policy-driven programs may warrant treatment outside the MRP revenue cap until greater budget certainty and implementation experience are developed. In particular, the Company supports Staff's acknowledgment that certain customer program costs, including HB 2475 bill discounts are "recurring and volatile" and continue to advocate for their exclusion from the MRP until such time that they become more predictable.[1] Avista also notes that energy efficiency programs (both administered by the Company and the Energy Trust of Oregon) and Purchased Gas Adjustments (PGAs) have appropriately been identified for treatment outside the MRP framework through existing mechanisms and longstanding regulatory structures. These exclusions recognize that

[1] Avista's Low-Income Energy Assistance Program (LIRAP) is used to implement its bill discount program and all other energy assistance offerings. For purposes of exclusion from the MRP, Avista would exclude LIRAP in its entirety.

certain policy-driven programs have distinct cost drivers, participation levels, and regulatory objectives that may not align well with an indexed O&M recovery model.

Building on Staff's proposed exclusions, consideration should also be given to:

- Costs associated with implementation and compliance of Oregon's Climate Protection Program and other emerging state climate mandates;
- Decoupling-related costs; and
- Regulatory fees and assessments imposed by governmental or regulatory authorities.

Like the customer and public policy programs already identified by Staff, these costs are largely driven by legislative, regulatory, or governmental action rather than utility discretion. Their level and timing are often dependent on external policy decisions, making them difficult to manage within an indexed O&M budget. Providing flexibility for these categories would help ensure that utilities can continue to effectively implement Commission directed and legislatively mandated programs while preserving the overall cost-containment objectives of the MRP framework. And for decoupling in particular, the rate adjustments for that mechanism must excluded from a rate case or MRP, given it is a mechanism that trues-up the actual revenue-per-customer to the approved revenue-per-customer, established in a rate case.

Avista therefore encourages Staff to evaluate these additional categories using the same principles applied to other proposed exclusions: whether the costs are externally driven, subject to significant uncertainty, are by their very nature something that must be outside of general rates (decoupling) or are closely tied to the achievement of important public policy and regulatory objectives.

If you have any questions regarding these comments, please contact me at (509) 495-8620 or pat.ehrbar@avistacorp.com, or Shawn Bonfield at (509) 495-2782 or shawn.bonfield@avistacorp.com.

Sincerely,

Patrick Ehrbar
Director of Regulatory Affairs