

March 24, 2025

Via Email

Public Utility Commission of Oregon
201 High Street SE, Suite 100
Salem, OR 97301

RE: Docket UG-519, Avista Rate Case - Pipeline Contractor Replacement Concerns

Honorable Commissioners:

The Oregon & Southern Idaho District Council of Laborers (“LIUNA”) hereby respectfully submits these comments regarding Avista Corporation's pending natural gas rate increase request. We write with significant concerns about Avista's decision to replace its experienced pipeline construction workforce with a new contractor beginning April 2025.

Background and Concern

Avista has filed a request with the Public Utility Commission of Oregon to increase natural gas base rates effective September 1, 2025. This increase is substantially driven by capital investments, particularly the "continuation of a major project to replace portions of natural gas distribution pipe... replacing hundreds of miles of natural gas pipeline that was installed prior to 1987".¹ Avista's plans call for continued replacement of aging infrastructure, and capital expenditures of \$2.2 billion between 2024-2027. Avista's President testified that “Major projects included for recovery in this case include Aldyl-A Pipe Replacement program, investment to serve new natural gas customers, required natural gas facility relocations, and the overall systematic replacement of aging infrastructure, among others.”²

Avista uses contractor crews and equipment on its Aldyl-A pipeline replacement work. LIUNA members and union contractors, such as Northern Pipeline Construction Company, Infrasource, and Michels Pipeline, have worked on Avista's system for nearly a decade, successfully helping Avista replace the majority of the 79.5 miles of Aldyl-A pipe replaced to date. This work requires specialized knowledge of Avista's unique system characteristics, local conditions, and safety protocols. In fact, between 2014-2024, union contractors completed over a half million work hours on distribution pipeline projects in the state. The employment of union contractors has meant a seamless transition for crews, and retention of experienced construction personnel for Avista. Michels became Avista's primary contractor for performing its Aldyl-A main pipe replacement and rebuilding service tee transitions in 2021. The Company's 2024 Natural Gas Safety Project Plan noted:

¹ <https://investor.avistacorp.com/news-releases/news-release-details/avista-requests-recovery-costs-providing-service-oregon-5>

² Christie at 26.

*Michels' proven expertise of specialized natural gas construction techniques has been a valuable asset in Avista's efforts to complete work on time and manage costs effectively. Avista partners with Michels to refine their construction technologies allowing the Company to improve efficiency and cost effectiveness over time. Avista continues to employ keyhole technology in support of main pipe replacement work when installing new main pipe by the use of directional drilling. More specifically, in effort to avoid cross-boring or otherwise damaging adjacent utilities along the bore path, each utility is exposed, or windowed to visually ensure that the drill head clears each respective utility without conflict. From 2012 to the time of this report, this environmentally friendly approach has yielded approximately \$8.2 million of road restoration cost avoidances as compared to the cost of conventional construction and road restoration.*³

We have learned that Avista plans to replace these experienced union contractor crews with Canyon Pipeline starting in April 2025. This abrupt transition raises serious concerns about workforce continuity, safety, efficiency, and ultimately the prudence of Avista's capital expenditures that ratepayers are being asked to fund. Not only will Avista be losing experienced personnel, but it is unclear what, if any, experience new crews employed by Canyon will be required to have. For example, Canyon has active job postings for gas utility laborers in Oregon. The posting lists a starting rate of \$30/hour, and does not require prior natural gas or utility construction experience.⁴ In addition, it is our understanding that Canyon employees must pay to participate in any employer-sponsored health insurance or retirement plan. This fails in comparison to the experience and quality wages and benefits of current crews. Union laborers employed by Michels have worked on Avista's system since 2021, and receive a family-sustaining wage of \$36.28/hour,⁵ plus employer-paid health insurance and pension benefits at no cost. By replacing union contractors with Canyon, Avista is lowering the wage and benefit standards of utility laborers on these projects.

Request for Commission Investigation

Given the significance of this change and its potential impacts on both system safety and rate recovery, we respectfully request that the Commission require Avista to respond to the following questions:

1. How much money will Avista save by switching contractors, and will these savings flow to ratepayers in the form of reduced rates or will they enhance shareholder returns?
2. Were union labor rates used to calculate Avista's forecasted pipeline project costs in this rate case?
3. What are the projected costs to train and operator-qualify new construction personnel, and how are these costs being allocated?
4. Can Avista maintain the same timeline for completing its critical pipeline replacement program with newly onboarded crews lacking system-specific experience?

³ <https://edocs.puc.state.or.us/efdocs/HAQ/um1898haq331590025.pdf>

⁴ <https://jobs.nextcenturi.com/Canyon/job/Medford-Gas-Utility-Laborer-OR-97501/1266988300/>

⁵ According to the MIT living wage calculator, the living wage for a family of three in the Medford area is \$38.16, <https://livingwage.mit.edu/metros/32780>.

5. Does Canyon Pipeline possess the same operational expertise as Michels related to optimizing trenchless technology and other specialized installation techniques?
6. Does Canyon Pipeline possess sufficient operator-qualified personnel to safely complete Avista's pipe replacement projects?
7. To what extent have labor costs driven the average cost of main pipe replacement (per linear foot) since 2011, compared to other factors such as material costs, municipal requirements, and geographic challenges?
8. How many contractor personnel will be affected by this change, and what percentage of total construction personnel does this represent?
9. Why has Avista chosen to replace its contractor at this particular juncture when it is simultaneously requesting rate increases to fund the very work being reassigned?

Commission Authority and Responsibility

The Commission has both the authority and responsibility to investigate this matter. If Avista were suddenly replacing an entire in-house department with completely new employees, the Commission would rightfully have concerns about the loss of institutional knowledge and potential impacts on service quality. The same principle applies to contractor relationships, particularly for specialized work that directly affects system safety and reliability.

As stated in Avista's Gas Standards Manual, the company's goal is to "protect the health and safety of its employees and the communities in which we operate". The manual emphasizes the importance of "recognizing and mitigating threats to Avista's pipeline facilities".⁶ A wholesale replacement of experienced pipeline construction crews creates precisely such a risk that warrants regulatory scrutiny.

While Avista cites infrastructure investment as a key driver of its rate increase request, the company has not disclosed whether labor costs have been a significant factor in these investments. Our experience suggests that other factors—such as material costs, municipal requirements, and geographic challenges—have been the primary drivers of increasing pipeline replacement costs. Indeed, the Company has stated that “the major element of total cost disparity between the two territories is related to road restoration requirements in Oregon jurisdictions.”⁷ If labor is not a primary cost driver, the decision to replace experienced contractors raises questions about Avista's motives.

Conclusion

Avista is proposing to increase rates, driven substantially by its pipeline replacement projects. However, it is unclear if Avista is simultaneously looking to save costs and increase its profits by replacing skilled construction crews, who have successfully performed this work for years, with lower paid crews new to Avista's system. The experience and qualifications of existing union contractor personnel cannot be quickly or easily transferred to a new workforce. Moreover, there

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<https://puc.idaho.gov/Filerroom/PublicFiles/GAS/AVU/AVUG1807/Company/20231229Gas%20Standards%20Manual%202024.pdf>

⁷ <https://edocs.puc.state.or.us/efdocs/HAQ/um1898haq331590025.pdf>

will be inevitable costs associated with the loss of productivity as Avista onboards new contractor crews.

We respectfully urge the Commission to investigate this contractor transition before approving any rate increase that includes recovery of pipeline replacement costs. Ratepayers deserve assurance that the work they're funding is being performed by the most qualified personnel available, and that any cost savings from contractor changes will be passed through to them rather than retained as additional profit.

Respectfully submitted,

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Oregon & Southern Idaho District Council of Laborers

cc: UG 519 Service List