

**ENERGY
ADVOCATES LLP**
ATTORNEYS AT LAW

www.energyadvocates.com

PORTLAND, OREGON OFFICE:
526 NW 18TH AVENUE
PORTLAND, OR 97209-2220
503 / 721-9118
FAX 503 / 721-9121

WASHINGTON, D.C. OFFICE:
1500 K STREET, NW SUITE 330
WASHINGTON, D.C. 20005
202 / 371-9889
FAX 202 / 371-9025

Edward A. Finklea
(503) 721-9118
efinklea@energyadvocates.com

October 19, 2000

VIA ELECTRONIC MAIL AND FEDERAL EXPRESS

Carole Washburn, Executive Secretary
Washington Utilities & Transportation Commission
1300 S Evergreen Park Drive SW
PO Box 47250
Olympia, WA 98504-7250

Re: Docket No.: UE-991606 and UG-991607

Dear Ms. Washburn:

Enclosed for filing in the above-captioned proceeding is an original and twenty-four copies of the Response of Northwest Industrial Gas Users to Petition for Reconsideration filed by Avista Corporation. One additional copy of the filing, along with a self-addressed, postage-prepaid envelope, is enclosed for your return of a file-stamped copy to me.

Sincerely,

Edward A. Finklea
Counsel for the
Northwest Industrial Gas Users

Enclosure
cc: Service List

Hard Copy

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**BEFORE THE WASHINGTON UTILITIES
AND TRANSPORTATION COMMISSION**

In the Matter of the Application of)
Avista Corporation for a General) Docket No. UE-991606 and
Rate Increase) UG-991607

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**RESPONSE OF NORTHWEST INDUSTRIAL GAS USERS TO PETITION FOR
RECONSIDERATION FILED BY AVISTA CORPORATION**

14 The Northwest Industrial Gas Users (NWIGU) hereby respond to Avista
15 Corporation's Request for Reconsideration of the Third Supplemental Order in this
16 proceeding. Avista requested that the Commission increase the revenue requirement for
17 its gas utility operation to reflect a correction in the pro forma debt interest calculation.
18 Avista asserts that in the Order the Commission erroneously assumed that 100% of the
19 Preferred Stock component of debt interest is deductible for federal income tax purposes.
20 Avista then goes on to argue that the gas revenue requirement should be increased by as
21 much as \$499,000 or as little as \$127,000 to correct for this alleged error.

22 NWIGU did not offer independent expert testimony on cost of money issues in
23 this proceeding. Therefore, we are not commenting on whether or not Avista is correct in
24 assuming that an error exists in the pro forma debt interest calculation due to the
25 treatment of the deductibility of Preferred Stock. NWIGU does, however, urge the
26 Commission to limit the impact of any correction that may be warranted by this issue to
27 the lower figure requested by Avista in its Request for Reconsideration, i.e, \$127,000.
28 Avista's potential \$499,000 claim is premised entirely on "theoretical standards Preferred
29 Stock," without any record support for that application when the actual capital structure is
30 in the record. This higher request should be rejected on that basis.

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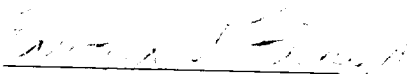
CERTIFICATE OF SERVICE

Docket No. UE-991606 and UG-991607

I hereby certify that I have date served a copy of the foregoing Response of Northwest Industrial Gas Users to Petition for Reconsideration filed by Avista Corporation on the parties of record in this proceeding by mailing a copy properly addressed with first class postage prepaid to the parties indicated on the official service list provided by the Washington Utilities and Transportation Commission.

Dated at Portland, Oregon this
19th day of October, 2000

ENERGY ADVOCATES LLP

By: 
Edward A. Finklea
Counsel for the
Northwest Industrial Gas Users