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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

1 2 3	BEFORE THE WASHINGTON UTILITIES AND TRANSPORTATION COMMISSION
4 5 6 7 8 9	In the Matter of the Application of Avista Corporation for a General Rate Increase  )  Docket No. UE-991606 and UG-991607
10 11 12 13	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.

1	The overall rate increase for the gas utility authorized by the Commission in the
2	Third Supplemental Order in this proceeding is approximately \$1.6 million. On October
3	12, 2000, Avista filed tariff sheets to reflect the authorized rate increase. If the gas
4	utility's revenue requirement is increased by \$499,000, the higher of the two figures
5	requested by Avista, the magnitude of the rate increase would be approximately 30
6	percent higher than what has been authorized and is reflected in the October 12, 2000,
7	compliance filing. The sheer magnitude of the potential additional increase is also a
8	strong reason to limit the impact of the pro forma debt interest correction, if warranted at
9	all, to the \$127,000 figure shown on page 8 of Avista's Request for Reconsideration.
10	Therefore, NWIGU requests that if the Commission grants reconsideration on the
11	pro forma debt interest issue the Commission limit any additional rate increase for the gas
12	utility to \$127,000.
13	Respectfully submitted,
14 15 16 17 18 19 20 21 22 23 24	Edward A. Finklea On Behalf of the Northwest Industrial Gas Users 526 NW 18 <sup>th</sup> Avenue Portland, OR 97209-0220 Tel: (503) 721-9118 Fax: (503) 721-9121 E-mail: efinklea@energyadvocates.com

2	CERTIFICATE OF SERVICE
3 4	Docket No. UE-991606 and UG-991607
5	I hereby certify that I have date served a copy of the foregoing Response of
6	Northwest Industrial Gas Users to Petition for Reconsideration filed by Avista
7	Corporation on the parties of record in this proceeding by mailing a copy properly
8	addressed with first class postage prepaid to the parties indicated on the official service
9	list provided by the Washington Utilities and Transportation Commission.
10 11 12 13 14 15 16 17 18 19 20	Dated at Portland, Oregon this 19 <sup>th</sup> day of October, 2000  ENERGY ADVOCATES LLP  By:  Edward A. Finklea Counsel for the Northwest Industrial Gas Users