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February 23, 2000

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***IDAHO & OREGON STATE BARS
ALL OTHERS WASHINGTON STATE BAR

Carole J. Washburn, Secretary
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1300 S. Evergreen Park Drive, SW
P. O. Box 47250
Olympia, , WA 98504-7250

RE: **Docket Nos. UE-9912455, UE-99-1262 and UE-991409**

Dear Ms. Washburn:

Please find enclosed for filing on behalf of Avista Corporation the original and nineteen (19) copies of a 1) MOTION FOR AUTHORIZATION TO FILE A REPLY BRIEF; and 2) REPLY TO PUBLIC COUNSEL'S ANSWER TO THE ADMISSION OF AVISTA'S EXHIBIT SC-333. The Reply Brief contains materials designated as "Super Confidential" in this proceeding. Accordingly, the filing set contains one original super confidential version under seal and one original redacted version, together with nineteen (19) copies of the redacted public version.

Please conform and return the additional copy of the Motion for Authorization in the enclosed self-addressed stamped envelope. Thank you for your assistance.

Very truly yours,

PAINE, HAMBLÉN, COFFIN,
BROOKE & MILLER LLP



Gary A. Dahlke

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Enclosure

cc: Service List (redacted version, Super Confidential Version to Staff and Public Counsel)
ALJ Schaer (redacted version, Super Confidential Version)

CERTIFICATE OF SERVICE
 UE-991255, UE-991262 and UE-991409

I HEREBY CERTIFY that I served a copy of the foregoing 1) AVISTA CORPORATION'S MOTION FOR AUTHORIZATION TO FILE A REPLY BRIEF; and 2) AVISTA CORPORATION'S REPLY TO PUBLIC COUNSEL'S ANSWER TO THE ADMISSION OF AVISTA'S EXHIBIT SC-333 upon the parties on the official service list in this proceedings by depositing same in the United States Mail at Spokane, Washington, a true and correct copy thereof, contained in a sealed envelope, with postage prepaid:

Washington Utilities & Transportation Commission	Honorable Marjorie R. Schaer Administrative Law Judge Washington Utilities & Transportation Comm'n 1300 S. Evergreen Park Drive, SW Olympia, WA 98504-7250
Washington Utilities & Transportation Commission	Robert D. Cedarbaum Assistant Attorney General 1400 S. Evergreen Park Drive SW P. O. box 40128 Olympia, WA 98504-0128
Public Counsel	Simon ffitc Office of Attorney General 900 Fourth Avenue, Suite 2000 Seattle, WA 98164-1012
Public Counsel	Jim Lazar 1063 Capitol Way South, Suite 202 Olympia, WA 98501
International Union of Operating Engineers, Local 612	Robert Lavitt Schwerin Campbell Barnard LLP 18 West Mercer St., Suite 400 Seattle, WA 98119
PacifiCorp	Matthew R. Wright Vice President, Regulation PacifiCorp 825 N.W. Multnomah St., Suite 800 Portland, OR 97232
PacifiCorp	George Galloway Stoel Rives 900 S.W. Fifth Ave., Suite 2600 Portland, OR 97204-1268
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Puget Sound Energy, Inc.	Christy Omohundro Director of Regulation Puget Sound Energy, Inc. 411 - 108 th Avenue NE, Suite 300 Bellevue, WA 98004

DATED this 23rd day of February, 2000.

By: 
Gary A. Dahlke

BEFORE THE
WASHINGTON UTILITIES AND TRANSPORTATION COMMISSION

In the Matter of the Application of)
)
AVISTA CORPORATION)
)
for Authority to Sell its Interest in the)
Coal-Fired Centralia Power Plant)

DOCKET NO. UE-991255

In the Matter of the Application of)

PACIFICORP)
)
for an Order Approving the Sale of its)
Interest in (1) the Centralia Steam Electric)
Generating Plant, (2) the Rate Based)
Portion of the Centralia Coal Mine, and)
(3) Related Facilities; for a Determination)
of the Amount of and the Proper Rate)
Making Treatment of the Gain Associated)
with the Sale, and for an EWG)
Determination)

DOCKET NO. UE-991262

In the Matter of the Application of)

PUGET SOUND ENERGY, INC.)
)
for (1) Approval of the Proposed Sale of)
PSE's Share of the Centralia Power Plant)
and Associated Transmission Facilities,)
and (2) Authorization to Amortize Gain)
Over a Five-Year Period)

DOCKET NO. UE-991409

AVISTA CORPORATION'S MOTION
FOR AUTHORIZATION TO FILE A
REPLY BRIEF

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WASHINGTON UTILITIES AND TRANSPORTATION COMMISSION

I. INTRODUCTION

Avista Corporation ("Avista") hereby moves the Commission for an order authorizing it to file the attached reply brief in response to Public Counsel's Answer to Avista's Motion to Strike

Portions of Brief. Good cause exists to file this reply in order to eliminate confusion on an important issue in this proceeding.

II. ARGUMENT

The Commission may authorize the filing of a reply brief upon a showing of cause. WAC 480-09-420(9)(b) & 480-09-425(3)(b). Moreover, the Commission is not bound by the traditional rules of evidence and thus has broad discretion in deciding which evidence to consider in making its decisions. See WAC 480-09-750(1) & 480-09-740. The Commission's procedural rules allow the admission of all relevant evidence and further provide that the presiding officer should base his or her decision on "the best evidence reasonably obtainable, having due regard to its necessity, availability, and trustworthiness." WAC 480-09-750. A copy of the proposed reply is attached to this motion as authorized by rule. See WAC 480-09-425(3)(b).

Here there is cause to allow Avista to file a reply brief in order to clarify the record and eliminate confusion over the purchase of replacement power in conjunction with the sale of the Centralia Plant. On February 4, 2000, Avista filed a motion to strike portions of the Brief of Public Counsel or, in the alternative, for admission of a supplemental exhibit. The basis of this motion was to correct information in Public Counsel's Brief that Avista believed to be inaccurate. On February 17, 2000, Public Counsel filed an answer to Avista's motion which corrected certain information, but then went on to make certain additional factual arguments. Avista believes that there still exists significant confusion over the issues contained in the motion and answer and believes a reply brief is necessary to eliminate the confusion and ensure that the record the Commission considers is complete and accurate.

III. CONCLUSION

Avista respectfully requests that the Commission authorize Avista to file the attached reply brief and consider the information contained in the reply brief in making its decision in this matter.

DATED this 23rd day of February, 2000.

Respectfully submitted,

PAINE, HAMBLIN, COFFIN,
BROOKE & MILLER LLP

By: 
Gary A. Dahlke
Attorneys for Avista Corporation

W:\11\150\02774\PP106 motion to file response.wpd

BEFORE THE
WASHINGTON UTILITIES AND TRANSPORTATION COMMISSION

In the Matter of the Application of)
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AVISTA CORPORATION)
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for Authority to Sell its Interest in the)
Coal-Fired Centralia Power Plant)

DOCKET NO. UE-991255

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PACIFICORP)
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Interest in (1) the Centralia Steam Electric)
Generating Plant, (2) the Rate Based)
Portion of the Centralia Coal Mine, and)
(3) Related Facilities; for a Determination)
of the Amount of and the Proper Rate)
Making Treatment of the Gain Associated)
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for (1) Approval of the Proposed Sale of)
PSE's Share of the Centralia Power Plant)
and (2) Authorization to Amortize Gain)
Over a Five-Year Period)

DOCKET NO. UE-991409

AVISTA CORPORATION'S REPLY
TO PUBLIC COUNSEL'S ANSWER
TO THE ADMISSION OF AVISTA'S
EXHIBIT SC-333

RECEIVED
PROCUREMENT DEPARTMENT
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STATE OF WASHINGTON
UTILITY TRANSPORTATION
COMMISSION

PUBLIC REDACTED VERSION

I. INTRODUCTION

Avista Corporation ("Avista" or "Company") files this reply to Public Counsel's answer to Avista's motion to strike portions of Public Counsel's post-hearing brief, or alternatively, to

allow Avista to file a supplemental exhibit. Public Counsel's basic arguments against admission of Exhibit SC-333 are without merit and both its post-hearing brief and answer in response to Avista's motion are misleading and inaccurate.

II. ARGUMENT

In this proceeding, the Parties agreed that post-hearing briefs would be submitted simultaneously and without opportunity to reply. However, Avista believes that certain information in the brief of Public Counsel is factually incorrect. Public Counsel acknowledged this inaccuracy, in part, in its answer to Avista's motion. Avista also believes that Public Counsel's comparison of market prices to the price of the replacement power purchase made by Avista for the years 2001 through 2003 is inaccurate and misleading and must be corrected so that the Commission has the best evidence available when it makes its decision. In his brief, counsel for the Public Counsel makes a comparison of the replacement power purchase to the market price forecasts presented by Avista in Exhibits 304 and 332. (Post Hearing Brief of Public Counsel, p. 20, lines 4-16.) This comparison makes no attempt to adjust the price of the replacement power purchase to reflect that it provides energy only during the highest priced nine months of the year (January through March and July through December) and is therefore not directly comparable to the value of power presented by Avista in Exhibits 304 and 332 as the market alternative to power received from the Centralia plant.

A. Public Counsel's arguments that the prices in Exhibit 332 and Exhibit SC-507 are very comparable are simply wrong.

Public Counsel claims it is comparing apples to apples in the comparison between Avista's replacement purchase and the market rates contained in Exhibit 304. Public Counsel's basic argument is that the annual capacity factors of the plant and replacement purchase are roughly equal and therefore, the rates are comparable. This simplified comparison is not valid, is misleading and ignores the available information to make a valid comparison.

The basic premise of Public Counsel's comparability claim is that both the replacement purchase and the Centralia plant generation are about the same amount of energy on an annual basis, and that Centralia probably wouldn't run during the months of April through June, when we are not purchasing replacement power. Therefore, the market rates in Exhibits 304 and 332 must be comparable to the purchase price of the replacement power.

This argument ignores the fact that Centralia has run during April through June, and is expected to do so in the future. During the period, 1994 through 1998, the capacity factor of the Centralia plant during the months April through June was 47%, not 0% as assumed in Public Counsel's argument. The five-year dispatch shape, 1994 through 1998, was used by the Company to develop the comparable market prices in Exhibit 304. In the Company's currently filed rate case, the capacity factor of the Centralia plant during the months of April through June, as determined by the Company's Dispatch Simulation Model, is 47%, not 0% as assumed by Public Counsel. The dispatch shape, as determined by the Dispatch Simulation Model in the computation of expenses in the currently filed rate case, was used by the Company to develop the comparable market prices in Exhibit 332. Comparing Exhibits 304 and 332, which are both based on 47% capacity factors for

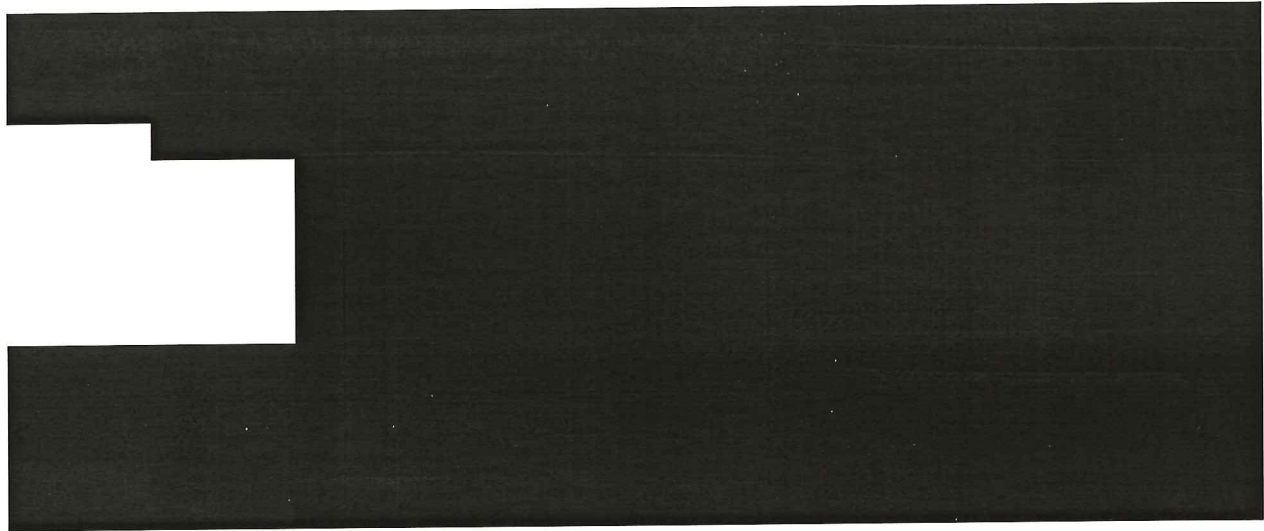
the months of April through June, to the price of the replacement purchase price shown in Exhibit SC-507, which assumes a 0% capacity factor in the months of April through June, is clearly not an apples to apples comparison. Public Counsel's simplified comparison premised on roughly equal annual capacity factors is wholly inaccurate.

The Company's proposed Exhibit SC-333 makes an apples to apples comparison of the market value of Centralia power to the replacement purchase made by Avista. In that analysis, both Exhibits 304 and SC-333 use the 5-year average dispatch shape to value the power on an equivalent annual basis. As shown in the table below, Exhibit SC-333 shows that the replacement purchase is very close on a comparable annual basis to the market prices Avista presented in Exhibits 304 and 332.

Avista has prepared another analysis to demonstrate that the replacement power purchase is close to the market price presented in Exhibits 304 and 332. In this analysis the amount of energy produced by Centralia is subtracted from the amount of energy purchased under the replacement power contract. The excess power from the replacement purchase is valued at the price of power shown on page 7 of Exhibit 328 (the same price used to produce Exhibit 332). The power not received from the replacement purchase during April through June is also valued at the prices on page 7 of Exhibit 328. The value of the excess power and power not received is added to the total annual cost of the replacement purchase. That sum is then divided by the total annual power from the replacement purchase to derive the equivalent annual rate of the replacement purchase as shown in the table below. This analysis was calculated using both the dispatch shape used to develop Exhibit 304 (5 year average) and the dispatch shape used to develop Exhibit 332 (Rate Case Shape using the Company's Dispatch Simulation Model). In both cases, when the dispatch shape used to develop Exhibits 304 and 332 are used, the comparable equivalent rate for the replacement purchase

AVISTA CORPORATION'S REPLY TO PUBLIC COUNSEL - 4

is very close to the market prices presented by the Company in Exhibits 304 and 332. The worksheets showing the calculations of these equivalent comparable values are attached.



The above table demonstrates that the replacement purchase made by Avista for the years 2001 through 2003 is very much in line with the market prices Avista presented as the market replacement alternatives to Centralia generation.

B. Public Counsel's argument that Avista's use of the average plant dispatch in developing Exhibit SC-333 is deceptive ignores how the power supply expenses included in retail rates are developed.

Public Counsel argues that shaping the power across the year on an average basis has oversimplified the analysis of Centralia power because it ignores the flexibility of the plant to run or not run depending on market prices. Public Counsel's premise is that the plant will operate more when prices are high and less when prices are low, therefore Public Counsel claims that Avista's use of an average dispatch in developing Exhibit SC-333 is oversimplified and deceptive.

That the plant will operate more when prices are high and less when prices are low is certainly true and is reflected in the average dispatch shape used by the Company in its analyses.

The Company develops the power supply expenses that are included in retail rates based on the ability of the Centralia plant to be economically dispatched against market prices. The Company's Dispatch Simulation Model, used to develop the power supply expenses included in retail rates, models the flexibility of the plant to operate more when prices are high and less when prices are low. The benefit of this flexibility is modeled by the Company's Dispatch Simulation Model and results in lower power supply expense being included in base retail rates. Customers receive the benefit, in the form of lower rates, of the flexibility of the plant to run more when prices are high and less when prices are low. This flexibility is reflected in the average dispatch that the Company has used in developing its analysis and is the reason that the capacity factor is only 47% in the months of April through June and is higher in the other higher priced months. The average dispatch shape used in all of the Company's comparisons of the replacement power purchase to market rates incorporates the economic dispatch of the plant. Public Counsel's claim that the use of an average dispatch shape ignores the flexibility of the Centralia plant is simply not correct. The average is a product of the flexibility of the plant and is the basis for determining the expenses of the plant that are included in retail rates. The Company's comparisons of the replacement power purchase to the market value of Centralia generation accurately incorporate the flexibility of the plant and are apples to apples comparisons.

III. CONCLUSION

The Commission should receive into evidence and consider Avista's reply to Public Counsel's answer to Avista's motion and Exhibit SC-333 in making its decision in this matter. Public Counsel's brief and answer in regard to the comparison of Avista's replacement purchase rate

to market rates are inaccurate, misleading and without merit. Avista's motion, reply and Exhibit SC 333 should be admitted.

DATED this _____ day of February, 2000.

Respectfully submitted,

PAINE, HAMBLIN, COFFIN,
BROOKE & MILLER LLP

By: 
Gary A. Dahlke
Attorneys for Avista Corporation

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Avisia Corporation
Centralia Replacement Purchase Effective Annual Rate - 2001
Based on 5 Year Average Dispatch Shape

REDACTED TABLE

Avista Corporation
Centralia Replacement Purchase Effective Annual Rate - 2002
Based on 5 Year Average Dispatch Shape

REDACTED TABLE

**Avista Corporation
Centralia Replacement Purchase Effective Annual Rate - 2003
Based on 5 Year Average Dispatch Shape**

REDACTED TABLE

Avista Corporation
Centralia Replacement Purchase Effective Annual Rate - 2001
Based on Dispatch Shape in Current Rate Case

REDACTED TABLE

Avisia Corporation
Centralia Replacement Purchase Effective Annual Rate - 2002
Based on Dispatch Shape in Current Rate Case

REDACTED TABLE

Avista Corporation
Centralia Replacement Purchase Effective Annual Rate - 2003
Based on Dispatch Shape in Current Rate Case

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