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March 23, 1999

Carole Washburn
Executive Secretary
Washington Utilities and Transportation Commission
PO Box 47250
Olympia, WA 98504

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RECORDS MANAGEMENT
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STATE OF WASH.
UTIL. AND TRANSP.
COMMISSION

re: Petition for special contract for electric service between Avista Corporation and Mirabeau Point, Inc., Docket UE-990251

Dear Ms. Washburn:

Public Counsel offers the following comments on the proposed special contract between Avista and Mirabeau Point, Inc.

This petition would allow Avista to enter into a special contract with Mirabeau Point to provide electric service to two large commercial customers that would otherwise take service under Schedule 21. Avista presents the contract as necessary to ensure that the customers take its service, rather than a competing offer from Inland Power and Light.

Public Counsel is not persuaded this contract is in the best interests of all Avista customers. If Avista is able to offer a lower rate and still recover all joint and common costs, it should make this rate generally available through a tariff filing. The contract presents the potential for cost-shifting of embedded costs not recovered in the lower rate to other customers that do not have a choice of providers. Such a cost shift would be contrary to the Commission's views on cost recovery and contrary to the public interest.

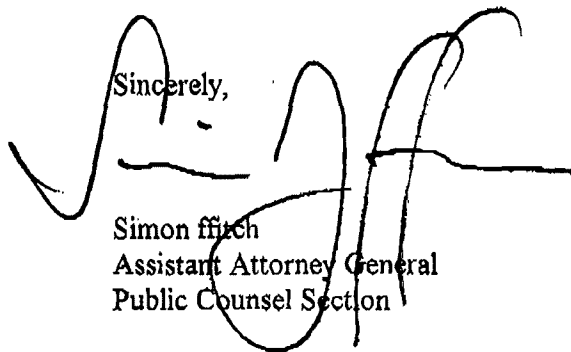
Further, as Staff notes, there are a number of similarly situated customers as a result of the Service Territory Agreement Between Washington Water Power (Avista) and Inland Power and Light Company and Settlement (UE-981149). Public Counsel believes approval of this contract opens the door for additional special contracts. Using Staff's analysis of effective bargaining and prejudiced competition, future contracts can be no better than the Mirabeau Point proposal for the Company's ratepayers, since the customers with choice will face a price no higher than Inland's tariffed rate. It is possible that competition for these loads between

Mirabeau Special Contract
March 23, 1999
Page 2

Avista and Inland will further reduce the price offered in special contracts, thus making these deals more harmful to remaining ratepayers.

Customers are not demonstrably better off by having Avista enter into this contract. If the contract is allowed, customers will be worse off unless the Commission ensures no cost-shifting as a result of this contract. The Commission can mitigate against the shifting of costs by imputing the tariffed rate for ratemaking purposes. If the Commission approves this contract, Public Counsel asks the Commission to enter an order explicitly affirming the Commission's intent to hold ratepayers harmless.

Sincerely,

A handwritten signature in black ink, appearing to read 'Simon Fitch', is written over the typed name and title. The signature is stylized with large loops and a horizontal line across the middle.

Simon Fitch
Assistant Attorney General
Public Counsel Section