

**AVISTA UTILITIES
RESPONSE TO REQUEST FOR INFORMATION**

JURISDICTION:	Washington	DATE PREPARED:	6/30/00
DOCKET NO:	UE-991606 UG-991607	WITNESS:	William Johnson
REQUESTER:	ICNU	RESPONDER:	William Johnson
TYPE:	Data Request	DEPT:	Resource Optimization
DUE DATE:	7/6/00	TELEPHONE:	(509) 495-4046
REQUEST NO.:	72		

REQUEST:

With regard to Mr. Johnson's Rebuttal Testimony, page 16, lines 1-3, please describe how the modified PCA proposal has addressed the technical concerns raised by ICNU. Specifically, please explain or provide documents showing that Avista has lowered its cost of capital to offset increased ratepayer risk.

RESPONSE:

ICNU raised several concerns in addition to the cost of capital offset. One issue was the inclusion of long-term PURPA contracts in the PCA. The modified PCA proposal addressed that issue by removing PURPA from the PCA. Another issue was the calculations of the energy price, particularly in regards to separation of system transactions from commercial transactions. The modified PCA addressed this issue by proposing that the PCA use market index energy prices instead of Avista's actual purchases and sales.

Avista does not consider the cost of capital offset to be a technical concern of the PCA proposal. The cost of capital offset is a policy issue. It does not have any affect on the type of PCA mechanism, the ease of administration and audit of the PCA, or any concerns regarding specific inputs or calculations in the PCA. The company's modified PCA proposal has addressed the issues regarding the implementation of the PCA mechanism, specifically addressing ICNU's concerns with the inclusion of long-term PURPA contracts in the PCA and concerns with how the energy price used in the PCA would be calculated. The modified PCA would be easy to understand, administer and audit.

Company witnesses Avera and Eliassen address rate of return issues related to the PCA.

WUTC		
DOCKET NO.	UE-991606	
EXHIBIT #	433	
ADMIT	W/D	REJECT
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