Q.Please state your name and business address for the record.

A.My name is Treva J. Pline.  My business address is 472 W. Washington Street, Boise, Idaho.

Q.By whom are you employed and in what capacity?

A.I am employed by the Idaho Public Utilities Commission as an auditor in the accounting section.

Q.Are you the same Treva J. Pline who previously presented direct testimony in this proceeding?

A.Yes, I am.

Q.What is the purpose of your supplemental direct testimony?

A.The purpose of my supplemental direct testimony is to attest to the June and July accounting numbers for the Twin Falls hydroelectric plant (Twin Falls) and Swan Falls hydroelectric plant upgrade (Swan Falls).  I will also address Staff's position regarding the incremental depreciation reserve associated with the Swan Falls project since rate case IPC-E-94-5, Accumulated Deferred Income Tax (ADIT) related to both the Twin Falls and Swan Falls projects, as well as a compromise on the tax benefits associated with the interest expense deduction adjustment.

Q.Please explain the results of your audit of the June and July accounting numbers for the Twin Falls and Swan Falls projects.

A.An additional $2,680,647 in costs were charged to the Twin Falls project during the months of June and July bringing the total investment to $38,288,324.  Combined with my previous audit work, I have audited approximately 83.8% of the total costs included in the Company's filing for the Twin Falls project.  The additional investment is reflected on Exhibit No. 104.

Related to the Swan Falls project, the Company incurred a total decrease in costs during the months of June and July of $168,101.  The decrease results from a large credit associated with a contract dispute and settlement.  Including the June and July numbers, I have audited approximately 89.5% of the total additional costs attributable to the Swan Falls project since the last general rate case.  The additional costs are $2,318,490.  This Swan Falls investment at July 31, 1995 is reflected on Exhibit No. 105.

Q.Did you use the same auditing procedures utilized in your original direct testimony?

A.Yes, I did.

Q.Has Staff amended the calculation regarding the incremental depreciation reserve associated with the Swan Falls project and the inclusion of ADIT related to both the Twin Falls and Swan Falls projects?

A.Yes.  In my direct testimony filed in this case, I proposed that the Accumulated Reserve for Depreciation on the Swan Falls project be updated since the last rate case (IPC-E-94-5).  Staff also proposed that ADIT related to both projects be recognized.  The net effect of including or excluding the depreciation reserve, the tax expense and the deferred income tax amounts in this case are minimal to the ratepayer.  After further investigation of the related tax issues, Staff believes the complexity of this issue justified reaching a compromise with the Company in this case, particularly considering the minor impact on actual revenue requirement.  Therefore, Staff accepts, for this case only, using the Company’s simplified method in the to calculate rate base on the incremental investment in the Swan Falls project since the general rate case and the inclusion of the Twin Falls project.  Q.In rebuttal testimony, the Company has proposed using the composite cost of short-term debt in calculating the tax benefit associated with interest expense in lieu of the long-term debt component of the overall rate of return authorized in Order No. 25880.  Does Staff agree?

A.Staff accepts its use in this case even though Staff does not agree with the use of the composite cost of short-term debt in calculating the tax benefit associated with interest expense.

Q.Will you discuss why Staff does not believe the use of composite cost of short-term debt is generally appropriate?

A.The Company opposes calculating tax benefits associated with the debt component of the overall rate of return in this case because the Company has not entered into any additional long-term debt since the last general rate case (IPC-E-94-5).

Staff notes that the Twin Falls upgrade and Swan Falls addition are not entities separate from the other operations of the Company.  All new projects that are rate based by the Company are assumed to be financed using the authorized capital structure and embedded costs, including debt, authorized for the Company.  Debt is not assigned specifically by project in rate cases, and dollars are not color coded for use.  If they were, the return on these projects would differ from the authorized overall rate of return.  Staff characterizes the Company's application in this case, as a "tracker" as opposed to a general rate case.  Until a new general rate case is conducted which would give the Commission an opportunity to review all of the surrounding financial data, the overall rate of return, including the debt component established in the prior general rate case, should be used.

Q.What is the dollar amount associated with using the composite cost of short-term debt rather than the long-term debt component of the rate of return?

A.Staff Exhibit No. 103 shows the tax benefit associated with debt at $785,079.  The Company’s compromise position reflected in rebuttal Exhibit No. 9 calculates the tax benefits using the short-term debt rate at $601,748.  The difference of $183,331 or 0.04% will have an unnoticeable effect on customers’ rates.  Staff is willing to compromise on this issue for purposes of this case only.  The Company’s interest factor applied to the Staff rate base results in a tax benefit associated with debt of $597,632 as shown on line 11 of Exhibit No. 106.

Q.Please explain Exhibit No. 106.

A.Exhibit No. 106 shows the revised Staff recommended revenue requirement calculation.  The additional rate relief recommended on line 24 of $3,759,695 reflects a 0.88% increase.

Q.Does this conclude your supplemental direct testimony in this proceeding?

A.Yes, it does.