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

A.My name is Madonna Faunce.  My business address is 472 West Washington Street, Boise, Idaho.

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

A.I have been employed by the Idaho Public Utilities Commission as an auditor since 1989.  I am licensed as a Certified Public Accountant in the State of Idaho.

Q.Please give us a brief description of your educational and professional background.

A.I received a B.A. degree in Accounting from Boise State University in 1975 and an M.B.A. from Boise State University in 1977.  I have attended several seminars since graduation in accounting, tax, law, personnel, management and negotiation.  I have also attended a Training for Utility Management Analysts seminar sponsored by NARUC in September of 1989.

Prior to working for the Idaho Public Utilities Commission, I was employed by Grays Harbor College as Assistant Dean for Administration.  I was in charge of all accounting, payroll, capital projects, contracts, personnel and affirmative action.  While at the College, I also taught accounting and management.  Before working for the College, I was Chief Operational Officer, Treasurer and Controller in private industry.

Q.What is the purpose of your testimony in this proceeding?

A.The purpose of my testimony is to present the findings of Staff’s audit of the 1996 financial data of PacifiCorp.

Q.What were the objectives of the audit?

A.The audit was conducted with the following objectives:

1. Determine the 1996 revenues, expenses and rate base.

2. Verify that expenses and rate base are in the proper accounts.

3. Examine the effect of the cost allocation system to determine if is being applied properly and is producing the proper allocation of financial data to Idaho.

4. Determine that expenses and rate base used for the unbundling report agree with Staff’s audit.

5. Determine if Idaho expenses and rate base are properly identified for allocation in the unbundling report.

Q.What are your conclusions as a result of the audit?

A.The costs used by PacifiCorp as inputs into its Idaho unbundling study are overstated by approximately 4%.  The Company does not agree with all of Staff’s adjustments and would argue against at least some of the adjustments in a contested proceeding.

Staff did extensive work verifying that expenses and rate base were in the proper accounts.  Staff found a few items classified as an expense that should have been classified as interest on long term debt or reflected as non-regulatory expenses.  Reclassifying these items will impact the Idaho costs.  Some of the items identified by Staff are a matter of interpretation and the Company would argue against these items in a formal proceeding.  Even though Staff made an adjustment for the identified items the amount is immaterial when looking at the overall costs.  Therefore, Staff finds that overall the Company has not incorrectly utilized the account categories.

PacifiCorp is using the interstate allocation method agreed to by a forum of PacifiCorp representatives and state regulatory staff called PITA.  The method being used in 1996 was called the Accord Method.  The Idaho Commission has never approved or disapproved the PITA approach to allocations.  In examining the application of this method Staff found one major coding error and some smaller coding problems.  The Company agrees with Staff’s finding on the major coding error.  This adjustment will reduce administrative and general costs by 21% ($2,824,319/13,411,706).

PacifiCorp now uses the Modified Accord Method.  The different methodology produces a benefit to Idaho of .01% over the Accord Method.  Staff considers the issue of interstate jurisdictional allocation to be beyond the scope of this proceeding and has, therefore, taken no position on the appropriateness of the PITA Accord or Modified Accord Methods.

For additional and more detail on the audit report I have attached the Audit Report as Exhibit

No. 101.

Q.Does this conclude your testimony?

A.Yes.