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IDAHO PUBLIC  
UTILITIES COMMISSION

BEFORE THE IDAHO PUBLIC UTILITIES COMMISSION

IN THE MATTER OF THE APPLICATION )  
OF IDAHO POWER COMPANY FOR )  
AUTHORITY TO IMPLEMENT POWER )  
COST ADJUSTMENT (PCA) RATES FOR )  
ELECTRIC SERVICE FROM JUNE 1, )  
2005 THROUGH MAY 31, 2006 )

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CASE NO. IPC-E-05-15

IDAHO POWER COMPANY

DIRECT TESTIMONY

OF

CELESTE SCHWENDIMAN

1 Q. Please state your name and business address.

2 A. My name is Celeste Schwendiman and my  
3 business address is 1221 West Idaho Street, Boise, Idaho.

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

6 A. I am employed by Idaho Power Company as a  
7 Senior Pricing Analyst in the Pricing and Regulatory  
8 Services Department.

9 Q. Please describe your educational background.

10 A. In 2000, I received a Master's degree in  
11 Business Administration from Northwest Nazarene University.  
12 In 1993, I received a Bachelor of Arts in Psychology from  
13 Eastern Oregon University.

14 Q. Please describe your work experience with  
15 Idaho Power Company.

16 A. I became employed by Idaho Power Company in  
17 1997 as a Research Assistant II in the Pricing & Regulatory  
18 Services Department. I have been promoted as follows:  
19 February 1998, Entry Analyst; August 1998, Analyst; and July  
20 2001, Senior Analyst. One of my responsibilities within the  
21 Pricing & Regulatory Services Department (from 1999 through  
22 the current year) has been to assist in the preparation of  
23 the Power Cost Adjustment (PCA) filings.

24 Q. What is this year's projection of PCA  
25 expenses?

1           A.       The projection of PCA expenses for the period  
2 April 1, 2005 through March 31, 2006 is \$155,390,805. This  
3 amount is \$61,289,648 more than the \$94,101,157 normalized  
4 level of PCA expenses included in the Company's revenue  
5 requirement approved in Order Nos. 29505 and 29547 issued in  
6 Case No. IPC-E-03-13.

7           Q.       What is the basis for the projection of  
8 April 1, 2005 through March 31, 2006 PCA expenses?

9           A.       The Idaho Public Utilities Commission (IPUC),  
10 in Order No. 24806 issued in Case No. IPC-E-92-25, the  
11 proceeding which created the PCA, adopted a natural  
12 logarithmic function of projected April through July  
13 Brownlee reservoir inflow to compute the projection of April  
14 through March PCA expenses. The equation was updated as  
15 result of Order Nos. 29505 and 29547. The present PCA  
16 regression equation is:

$$\begin{aligned} 17 \quad \text{Annual PCA Expense} &= \$1,140,615,325 \\ 18 \quad &\quad \quad \quad - \$70,685,112 * \ln(\text{Brownlee inflow}) \\ 19 \quad &\quad \quad \quad + \$46,413,057 \end{aligned}$$

20           Details of the regression equation are contained in  
21 Exhibit 1.

22           In this formula, the \$1,140,615,325 is the constant  
23 that represents the prediction of annual net power supply  
24 expense that would occur if there was zero April through  
25 July Brownlee reservoir inflow. For each unit increase in

1 the natural logarithm of the Brownlee reservoir inflow, the  
2 projection of annual power supply expenses will be reduced  
3 by \$70,685,112, the second of the constants in the equation  
4 above. The \$46,413,057 is the constant for Qualifying  
5 Facilities (QF) purchase expense as reflected in Order Nos.  
6 29505 and 29547.

7 Q. What is the April through July Brownlee  
8 reservoir inflow forecast that you used to arrive at the  
9 projection of PCA expenses?

10 A. The National Weather Service's Northwest  
11 River Forecast Center (NWRFC), in its Official (final) April  
12 forecast, projected April through July Brownlee reservoir  
13 inflow to be 2.18 million acre-feet. Inserting this value  
14 into the equation results in a projection of net PCA  
15 expenses of \$155,390,805 for the period April 1, 2005  
16 through March 31, 2006. This amount is \$61,289,648 more  
17 than the normalized level of PCA expenses of \$94,101,157.  
18 The forecast information supplied by the NWRFC is contained  
19 on Exhibit 2.

20 Q. You have stated that the projected net PCA  
21 expenses are more than the normalized level of PCA expenses  
22 by \$61,289,648. What is the rate adjustment associated with  
23 the projected increase in PCA expenses of \$61,289,648 from  
24 the normalized level of PCA expenses?

25 A. The normalized PCA expense of \$94,101,157,

1 divided by the normalized system firm sales of 12,863,484  
2 Megawatt-hours, is used to arrive at the normalized base  
3 power cost of 0.7315 cents per kilowatt-hour. For the  
4 period April 1, 2005 through March 31, 2006, the customer-  
5 level projected power cost of serving firm loads is 1.2080  
6 cents per kilowatt-hour which is computed by dividing the  
7 projected net PCA expenses of \$155,390,805 by the 12,863,484  
8 Megawatt-hours normalized system firm sales. The Company  
9 adjusts its rates by 90 percent of the difference between  
10 the customer-level projected power cost of serving firm  
11 loads (1.2080 cents per kilowatt-hour) and the normalized  
12 base power cost (0.7315 cents per kilowatt-hour.) Restated,  
13 this year's computation is  $(.9)(1.2080 - 0.7315) = 0.4288$ .  
14 The resulting adjustment is a 0.4288 cents per kilowatt-hour  
15 increase from the normalized base power cost.

16 Q. Please describe the True-Up required from the  
17 comparison of the April 1, 2004 through March 31, 2005  
18 actual results to last year's projections.

19 A. The PCA Deferral Expense Account (True-up)  
20 report for the April 1, 2004 through March 31, 2005 PCA year  
21 is attached as Exhibit 3. This sheet compares the actual  
22 results to last year's projections, month by month, with the  
23 differences accumulated in the True-up account. Interest  
24 has been applied to the account monthly. The True-up report  
25 balance at the end of March 2005 was \$36,285,912 as shown on

1 Exhibit 3. This amount was under-collected during the PCA  
2 year and is the True-up component of the 2005/2006 PCA. The  
3 Accounting Department has advised me that the deferral will  
4 be amortized during the current PCA year.

5 Q. What change has been made to the True-up  
6 report as a result of Order No. 29600?

7 A. As a result of Order No. 29600, which  
8 approved a settlement of specific 2003 general revenue  
9 requirement case issues, a PCA True-up adjustment to reflect  
10 the settlement of the disputed Valmy outage replacement  
11 power, expense adjustment growth rate, and non-recurring tax  
12 credit issues was added (see line no. 51 in Exhibit 3.) This  
13 line item will provide a total credit of \$19.3 million to  
14 customers through a monthly adjustment of \$804,166.67 over a  
15 2-year term (June 2004 through May 2006.)

16 Q. Were there any PCA changes as a result of  
17 Order Nos. 29505 and 29547?

18 A. Yes. The base constants in the PCA True-up  
19 report including Normalized Idaho Jurisdictional Sales,  
20 Normalized Firm Load, base expenses and base QFs, have been  
21 updated. These updates reflect the Commission Order Nos.  
22 29505 and 29547 issued in the Company's general revenue  
23 requirement filing, Case No. IPC-E-03-13.

24 Q. Have there been any other additions to the  
25 True-up report since the last PCA filing?

1           A.       Yes. First, a line item to reflect the one-  
2 time Bonneville Power Administration (BPA) water option  
3 agreement that occurred in July of 2004, has been added (see  
4 line no. 17 in Exhibit 3.) The \$4 million revenue was  
5 treated as an expense offset in the PCA to the benefit of  
6 the Company's customers.

7           Second, in Order No. 29670, the Commission  
8 authorized the Company to defer cloud seeding program costs  
9 during the winter of 2004/2005 for inclusion in the PCA  
10 True-up computation. Program costs incurred through  
11 March 31, 2005, amounting to \$690,550 are listed on line 18  
12 of the True-up report (Exhibit 3.)

13           Third, in Order No. 29669, the Commission authorized  
14 the Company to collect \$13,482,882 of lost revenues as part  
15 of the 2005/2006 PCA. Adding \$13,482,882 to the True-up  
16 balance of \$36,285,912 results in \$49,768,794 to be  
17 collected by implementing a new PCA True-up component rate.

18           Q.       What is the PCA True-up component rate when  
19 2001 lost revenues are included to the PCA deferral balance?

20           A.       In accordance with Order No. 29334 from Case  
21 No. IPC-E-03-05, the True-Up component is calculated by  
22 dividing the True-up report balance of \$49,768,794 by the  
23 Company's "best estimate of the total Idaho jurisdictional  
24 sales that will be made during the ensuing PCA year" (Order  
25 29334, page 4, paragraph 2). The Company has computed the

1 normalized Idaho jurisdictional firm sales updated to year-  
2 end 2004, of 12,453,880 Megawatt-hours and believes this is  
3 the best estimate of Megawatt-hours sales for the 2005/2006  
4 PCA year. The result of dividing the deferred expense  
5 balance by the Idaho jurisdictional firm sales is 0.3996  
6 cents per kilowatt-hour, which is the True-Up portion of the  
7 PCA.

8 Q. What is this year's True-up of the True-up  
9 rate?

10 A. The Company collected all but \$635,653 of the  
11 \$44,841,982 2004/2005 PCA True-up balance. Dividing the  
12 \$635,653 by the Idaho jurisdictional sales value of  
13 12,453,880 Megawatt-hours results in 0.0051 cents per  
14 kilowatt-hour as the True-up of the True-up rate.

15 Q. What is the PCA rate as a result of (1) the  
16 adjustment for the 2005/2006 projected power cost of serving  
17 firm loads, (2) the 2004/2005 True-Up portion of the PCA,  
18 and (3) the True-up of the True-up?

19 A. The Company's PCA rate for the 2005/2006 PCA  
20 year is 0.8335 cents per kilowatt-hour. The rate is  
21 comprised of: (1) the 0.4288 cents per kilowatt-hour  
22 adjustment for 2005/2006 projected power cost of serving  
23 firm loads, (2) the 0.3996 cents per kilowatt-hour for the  
24 2004/2005 True-Up portion of the PCA, and (3) the 0.0051  
25 cents per kilowatt-hour for the True-up of the True-up. The

1 components used to calculate the 0.8335 cents per kilowatt-  
2 hour are shown in Exhibit 4, the Company's proposed  
3 Schedule 55.

4 Q. How does the new PCA rate of 0.8335 cents per  
5 kilowatt-hour compare to the existing PCA rate?

6 A. The 2005/2006 PCA rate of 0.8335 cents per  
7 kilowatt-hour is 0.2296 cents per kilowatt-hour greater than  
8 the 0.6039 cents per kilowatt-hour PCA rate currently in  
9 place for all customers except those served under  
10 schedules 7, 19 and 24. These three classes had different  
11 PCA rates as a result of a class-specific credits. However,  
12 these class specific credits expire and all classes will  
13 receive the single, uniform PCA rate adjustment to their  
14 base rates of 0.8335 cents per kilowatt-hour. Schedules for  
15 each customer class are attached as Exhibit 5.

16 Q. What is the percentage increase to Company  
17 revenues by customer class based on a 0.2296 cents per kWh  
18 increase to the current PCA rate of 0.6039?

19 A. Due to the fixed cents per kilowatt-hour PCA  
20 rate adjustment, customer classes will receive differing  
21 percentage increases. Exhibit 6 details the percentage rate  
22 change by customer class. Overall, the percentage increase  
23 in Company revenues due to this year's PCA computations  
24 would be 4.75 percent.

25 Q. Does that conclude your testimony?

1

A. Yes.