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 MAY 16, 2008 THROUGH MAY 15, 2009	)	CASE NO. IPC-E-08-07

IDAHO POWER COMPANY

DIRECT TESTIMONY

OF

CELESTE SCHWENDIMAN

Q. Please state your name and business address.

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

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

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

Q. Please describe your educational background.

A. I received a Master's degree in Business Administration from Northwest Nazarene University and a Bachelor of Arts degree in Psychology from Eastern Oregon University. Most recently, I have attended the Center for Public Utilities and National Association of Regulatory Utility Commissioners' Practical Skills for a Changing Utility Environment conference, two Current Issues conferences, and the Edison Electric Institute's Electric Advanced Rate Course.

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

A. I became employed by Idaho Power Company in 1997 as a Research Assistant II in the Pricing & Regulatory Services Department. I have been promoted as follows: February 1998, Entry Analyst; August 1998, Analyst; and July 2001, Senior Analyst. From 1998 through 2004, I assisted in

the preparation of the Power Cost Adjustment (PCA) filings. In 2005, 2006, and 2007, I sponsored testimony in the Company's annual PCA filings. In 2005 and 2007, I sponsored testimony in the Company's general rate cases, and in 2006, I sponsored testimony in the Company's filing to request recovery of the Telocaset power purchase expense.

Q. What is this year's projection of PCA expense?

A. The projection of PCA expense for the period April 1, 2008, through March 31, 2009, is $108,801,005. This amount is $18,709,046 less than the $127,510,051 normalized level of PCA expense as authorized in Order No. 30508.

Q. What is the basis for the projection of April 1, 2008, through March 31, 2009, PCA expense?

A. Through Order No. 24806, the Idaho Public Utilities Commission adopted a natural logarithmic function of projected April through July Brownlee reservoir inflow to compute the projection of April through March PCA expense. The equation was updated to be consistent with Order No. 30508. The current PCA regression equation is:

Annual PCA Expense = $3,137,598,149
- $201,352,132*ln(inflow)
+ $93,080,631
+ $892,084

- $1,427,334

This year's regression was based on the water years used in the calculation of the 2007 normalized power supply expense, as approved through Order No. 30508. Details of the regression equation are contained in Exhibit 1.

In this formula, $3,137,598,149 is the constant that represents the prediction of annual net power supply expense that would occur if there was zero April through July Brownlee reservoir inflow. For each unit increase in the natural logarithm of the Brownlee reservoir inflow, the projection of annual power supply expense will be reduced by $201,352,132, the second of the constants in the equation above. The other three constants are: $93,080,631 for qualifying facilities purchase expense, $892,084 for cloud seeding program expense, and negative $1,427,334 for associated cloud seeding program benefit.

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

A. The National Weather Service's Northwest River Forecast Center (NWRFC), in its official forecast, released on April 7, 2008, projected April through July Brownlee reservoir inflow to be 5.40 million acre-feet. Inserting this value into the equation, results in a projection of net PCA expense of $108,801,005, for the

period April 1, 2008, through March 31, 2009. This amount is $18,709,046 less than the normalized level of PCA expense of $127,510,051. The forecast information supplied by the NWRFC is contained on Exhibit 2.

Q. You have stated that the projected net PCA expense is less than the normalized level of PCA expense by $18,709,046. What is the rate adjustment associated with the projected decrease in PCA expense of $18,709,046, from the normalized level of PCA expense?

A. The normalized PCA expense of $127,510,051, divided by the normalized system firm sales of 14,239,221 Megawatt-hours, is used to arrive at the normalized base power cost of 0.8955 cents per kilowatt-hour. For the period April 1, 2008, through March 31, 2009, the customer-level projected power cost of serving firm loads is 0.7641 cents per kilowatt-hour, which is computed by dividing the projected net PCA expense of $108,801,005, by the 14,239,221 Megawatt-hours normalized system firm sales. Under the currently approved PCA methodology, the Company adjusts its rates by 90 percent of the difference between the customer-level projected power cost of serving firm loads (0.7641 cents per kilowatt-hour) and the normalized base power cost (0.8955 cents per kilowatt-hour). Restated, this year's computation is (.9)(0.7641 - 0.8955) = negative 0.1183. The resulting adjustment is a 0.1183 cents per kilowatt-hour

decrease from the normalized base power cost.

Q. Please describe the true-up required from the comparison of the April 1, 2007, through March 31, 2008, actual results to last year's projections.

A. The Deferral Expense Account report for the April 1, 2007, through March 31, 2008, PCA year is attached as Exhibit 3. This sheet compares the actual results to last year's projections, month by month, with the differences accumulated as the deferral balance. Interest has been applied to the balance monthly. The balance at the end of March 2008 was $132,648,878, as shown on Exhibit 3. The accounting department has advised me that the deferral balance will be amortized during the current PCA year.

Q. What is this year's true-up rate?

A. This year's true-up component of the PCA is the deferral balance of $132,648,878, divided by the Company's projected Idaho jurisdictional sales of 13,475,244, which results in a rate of 0.9844 cents per kilowatt-hour.

Q. Have any changes been made to this year's true-up of the true-up calculation?

A. Yes, as part of last year's PCA filing, the Company recorded a credit of $49,712,488, in the Deferral Expense Account report related to the after-tax benefit of the 2006 sale of emissions allowances. By returning the

benefit of the sale to the Company's retail customers, the Company realized an Idaho jurisdictional tax benefit of $27,025,012 in 2007. In Order No. 30041, the Company was instructed to record this amount as an additional credit for its retail customers. This amount is shown in line 85, column E, of the Deferral Expense Account report, as a credit to the true-up of the true-up balance.

Q. Does the Company anticipate a credit for the sale of 2007 emission allowances as part of this filing?

A. Yes, yesterday in Order No. 30529, dated April 14, 2008, the Idaho Public Utilities Commission instructed the Company to include the benefit of the 2007 calendar year sale of sulfur dioxide emission allowances in this filing.

Due to time constraints, I was unable to include the impact of the Commission order in my computations. However, the Company will comply with the order in an expedited manner to insure that the rate reduction is included in the PCA rate change schedule for June 1, 2008.

Q. What is this year's true-up of the true-up rate including the tax benefit as a result of Order No. 30041?

A. The Company collected all but $4,862,487, of the 2007/2008 PCA true-up balance of $42,115,280, as shown on line 99, of the Deferral Expense Account report.

Dividing the ending-balance of $4,862,487, by the projected 2007 Idaho jurisdictional sales of 13,475,244 Megawatt-hours, results in 0.0361 cents per kilowatt-hour as the true-up of the true-up rate.

Q. Where any other changes made as a result of Order No. 30580, issued in the Company's last general rate case?

A. Yes, the Company adjusted the Deferral Expense Account report to reflect the stipulated load growth adjustment rate of $62.79 applied to 50 percent of the change in load, starting with the March 2008 entry.

Q. What was the total expense adjustment as a result of the load change?

A. The total amount, not evaluated for recovery through rates as a result of the load growth adjustment was $34,969,279, as shown on line 14 of the Deferral Expense Account report.

Q. Based on the traditional 90 percent sharing methodology, what is the PCA rate as a result of: 1) the adjustment for the 2008/2009 projected power cost of serving firm loads, 2) the 2007/2008 true-up portion of the PCA, 3) the true-up of the true-up, and 4) the $27 million tax benefit from the 2006 sale of the emission credits?

A. The Company's PCA rate, calculated under the traditional 90 percent sharing methodology, for the

2008/2009 PCA year is 0.9022 cents per kilowatt-hour. This rate is comprised of: 1) the negative 0.1183 cents per kilowatt-hour adjustment for 2008/2009 projected power cost of serving firm loads, 2) the 0.9844 cents per kilowatt-hour for the 2007/2008 true-up portion of the PCA, and 3) the 0.0361 cents per kilowatt-hour for the true-up of the true-up which includes the $27 million customer tax-related benefit from the 2006 sale of emissions credits. This amount is shown on Exhibit 4, the Company's Schedule 55, Power Cost Adjustment tariff, in both standard and legislative format.

Q. Did Mr. Said instruct you to compute the PCA under an alternative method?

A. Yes, although the true-up and the true-up of the true-up components of the PCA are unaffected based upon Mr. Said's instructions, the forecast component did change resulting in a lower overall PCA rate. The new rate is calculating by crediting 100 percent of the difference between the customer-level projected power cost of serving firm loads (0.7641 cents per kilowatt-hour) and the normalized base power cost (0.8955 cents per kilowatt-hour) to the forecast component of the PCA rate. Using the 100% alternative proposed by the Company, this year's computation is (1)(0.7641 - 0.8955) = negative 0.1314. The resulting adjustment is a 0.1314 cents per kilowatt-hour decrease from

the normalized base power cost. The full rate of 0.8891 cents per kilowatt-hour can then be found by taking the sum of the following components: 1) the negative 0.1314 cents per kilowatt-hour adjustment for 2008/2009 projected power cost of serving firm loads, 2) the 0.9844 cents per kilowatt-hour for the 2007/2008 true-up portion of the PCA, and 3) the 0.0361 cents per kilowatt-hour for the true-up of the true-up which includes the $27 million customer tax-related benefit from the 2006 sale of emissions credits. This amount is shown on Exhibit 5, the Company's requested Schedule 55, Power Cost Adjustment tariff, in both standard and legislative format.

Q. How does the PCA rate of 0.8891 cents per kilowatt-hour the Company is proposing compare to the existing PCA rate?

A. The 2008/2009 PCA rate of 0.8891 cents per kilowatt-hour is 0.6572 cents per kilowatt-hour greater than the 0.2419 cents per kilowatt-hour PCA rate currently in place for all customers.

Q. Has the Company made any changes to the exhibits for this year's filing?

A. Yes, the Company is proposing to remove the PCA rate from all tariff sheets to make the format consistent with the Company's other rates and fees. The Company's tariffs, in standard and legislative format, are

attached as Exhibit 6.

Q. Does that conclude your testimony?

A. Yes.

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CASE NO. IPC-E-08-07

IDAHO POWER COMPANY

EXHIBIT NO. 1

CELESTE SCHWENDIMAN

PCA REGRESSION DERIVATION

obs.	year	runoff	ln(runoff)	npsc	predicted y
1	1928	6,687,539	15.72	$ 17,189,893	$ (26,802,918)
2	1929	3,361,059	15.03	$ 92,476,236	$ 111,725,322
3	1930	2,707,422	14.81	$ 172,971,827	$ 155,269,554
4	1931	2,222,506	14.61	$ 190,945,008	$ 195,008,729
5	1932	4,654,741	15.35	$ 111,428,422	$ 46,158,973
6	1933	4,194,946	15.25	$ 130,341,447	$ 67,100,769
7	1934	2,363,549	14.68	$ 243,089,879	$ 182,619,774
8	1935	3,087,643	14.94	$ 167,541,969	$ 128,809,638
9	1936	5,003,688	15.43	$ 111,481,590	$ 31,603,425
10	1937	2,952,686	14.90	$ 111,983,138	$ 137,808,642
11	1938	6,859,391	15.74	$ (4,429,138)	$ (31,911,782)
12	1939	3,784,338	15.15	$ 79,756,880	$ 87,841,968
13	1940	4,188,408	15.25	$ 96,140,365	$ 67,414,812
14	1941	3,767,989	15.14	$ 97,777,961	$ 88,713,676
15	1942	4,888,149	15.40	$ 29,047,754	$ 36,307,314
16	1943	9,052,071	16.02	$ (41,725,984)	$ (87,761,807)
17	1944	3,318,538	15.02	$ 88,702,045	$ 114,288,850
18	1945	4,671,061	15.36	$ (25,761,859)	$ 45,454,236
19	1946	6,766,869	15.73	$ (10,921,664)	$ (29,177,377)
20	1947	5,205,971	15.47	$ 15,955,276	$ 23,623,629
21	1948	5,805,875	15.57	$ 10,231,717	$ 1,663,354
22	1949	5,334,181	15.49	$ 24,801,384	$ 18,724,928
23	1950	6,400,584	15.67	$ (45,420,954)	$ (17,972,279)
24	1951	6,470,770	15.68	$ (67,769,478)	$ (20,168,205)
25	1952	10,299,443	16.15	$ (41,199,553)	$ (113,755,602)
26	1953	5,921,638	15.59	$ (2,149,632)	$ (2,311,893)
27	1954	5,507,005	15.52	$ 75,110,354	$ 12,304,690
28	1955	3,483,175	15.06	$ 39,156,587	$ 104,539,431
29	1956	7,815,174	15.87	$ (41,188,100)	$ (58,177,883)
30	1957	7,798,559	15.87	$ (38,992,259)	$ (57,749,334)
31	1958	7,433,507	15.82	$ 23,641,550	$ (48,096,286)
32	1959	3,816,887	15.15	$ 82,706,117	$ 86,117,536
33	1960	4,245,918	15.26	$ 106,429,071	$ 64,668,923
34	1961	3,092,766	14.94	$ 139,215,366	$ 128,475,808
35	1962	4,484,164	15.32	$ 34,536,686	$ 53,676,293
36	1963	4,557,294	15.33	$ 43,305,150	$ 50,419,045
37	1964	5,552,348	15.53	$ (53,306,546)	$ 10,653,613
38	1965	8,419,011	15.95	$ (66,232,418)	$ (73,163,539)
39	1966	3,496,728	15.07	$ 95,366,770	$ 103,757,477
40	1967	4,703,464	15.36	$ 18,769,151	$ 44,062,308
41	1968	3,359,176	15.03	$ 1,696,934	$ 111,838,120
42	1969	6,814,487	15.73	$ 10,356,900	$ (30,589,313)
43	1970	6,133,178	15.63	$ (80,492,393)	$ (9,379,352)
44	1971	10,273,883	16.15	$ (125,906,235)	$ (113,255,300)
45	1972	7,762,679	15.86	$ (52,723,819)	$ (56,820,817)
46	1973	3,888,739	15.17	$ (4,012,612)	$ 82,362,350
47	1974	9,594,874	16.08	$ (88,828,308)	$ (99,487,626)
48	1975	8,059,885	15.90	$ (116,956,213)	$ (64,385,967)
49	1976	7,195,918	15.79	$ 10,098,008	$ (41,555,581)
50	1977	2,145,455	14.58	$ 161,731,594	$ 202,113,189
51	1978	5,101,863	15.45	$ (8,652,777)	$ 27,691,034
52	1979	3,888,971	15.17	$ 53,225,494	$ 82,350,334
53	1980	5,857,990	15.58	$ (25,040,260)	$ (135,952)
54	1981	4,187,686	15.25	$ 25,434,888	$ 67,449,524
55	1982	9,300,223	16.05	$ (138,449,806)	$ (93,207,330)
56	1983	9,961,651	16.11	$ (176,232,461)	$ (107,041,113)
57	1984	11,380,893	16.25	$ (158,377,495)	$ (133,859,821)
58	1985	5,536,238	15.53	$ (32,979,556)	$ 11,238,680
59	1986	8,440,084	15.95	$ (82,454,515)	$ (73,666,892)
60	1987	3,027,757	14.92	$ 123,856,254	$ 132,753,297
61	1988	2,517,105	14.74	$ 155,285,763	$ 169,945,586
62	1989	4,313,993	15.28	$ 116,241,546	$ 61,466,208
63	1990	2,907,440	14.88	$ 179,928,167	$ 140,917,955
64	1991	2,700,662	14.81	$ 177,130,262	$ 155,772,910
65	1992	1,929,239	14.47	$ 225,168,594	$ 223,501,964
66	1993	6,041,043	15.61	$ 8,596,561	$ (6,331,593)
67	1994	2,527,031	14.74	$ 147,416,813	$ 169,153,177
68	1995	6,610,055	15.70	$ (56,905,280)	$ (24,456,383)
69	1996	8,090,881	15.91	$ (59,006,210)	$ (65,158,828)
70	1997	10,046,261	16.12	$ (118,991,557)	$ (108,744,093)
71	1998	8,405,908	15.94	$ (96,666,069)	$ (72,849,919)
72	1999	7,707,677	15.86	$ (42,915,744)	$ (55,389,059)
73	2000	4,302,602	15.27	$ 99,408,023	$ 61,998,588
74	2001	2,389,491	14.69	$ 189,029,529	$ 180,421,783
75	2002	3,361,015	15.03	$ 157,017,192	$ 111,727,936
76	2003	3,567,043	15.09	$ 153,678,063	$ 99,748,695
77	2004	3,147,333	14.96	$ 182,627,527	$ 124,954,301
78	2005	3,571,629	15.09	$ 69,005,699	$ 99,490,000
averages		5,390,065	15.40	$ 35,799,289	$ 35,799,289

regression statistics

multiple r	0.9093
r square	0.8268
adjusted r square	0.8245
standard error	41,188,521
observations	78

anova

	df
regression	1
residual	76
total	77

coefficients

intercept	3,137,598,149
x variable 1	(201,352,132)

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BEFORE THE

IDAHO PUBLIC UTILITIES COMMISSION

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IDAHO POWER COMPANY

EXHIBIT NO. 2

CELESTE SCHWENDIMAN

www.nws.noaa.gov

National Weather Service
Northwest
River Forecast Center

Water Supply Forecast Information
Map
Summary

ESP Water Supply
ESP Natural

Peakflow

Description
Verification

Inputs
Precipitation
Temperature
Snow
Runoff

Descriptive Information
Summary
Schedule
Fcst Locations
Publications

Return Main Menu

Water Supply
Seasonal Volume Forecasts
(BRNI1) SNAKE - BROWNLEE DAM

|Click for Normals and Adjustments|

The Official Statistical Water Supply forecast is issued between the middle of December and July 1st. Ensemble Predicted forecast are issued weekly. A comparison continues to be made between the two forecasts through the end of September.

SNAKE - BROWNLEE DAM (BRNI1)
Forecasts for WY 2008

Official Forecast (Regression) *Issued: 2008-04-07*
{Description}

Period	Forecast (KAF)	% of Average	5% Forecast	95% Forecast	30yr (1971-2000) Average	Max of Record	Min of Record
APR-JUL	5400.0	86	7558.0	3242.0	6313.0	12754.0	1793.0
APR-SEP	6840.0	88	8998.0	4682.0	7801.0	14758.0	2547.0
JAN-JUL	7690.0	72	9848.0	5532.0	10700.0	19082.0	3945.0
APR-AUG	5980.0	86	8138.0	3822.0	6992.0		
JAN-AUG	8270.0	73	10428.0	6112.0	11380.0		

ESP Forecasts *Issued: 2008-04-08*

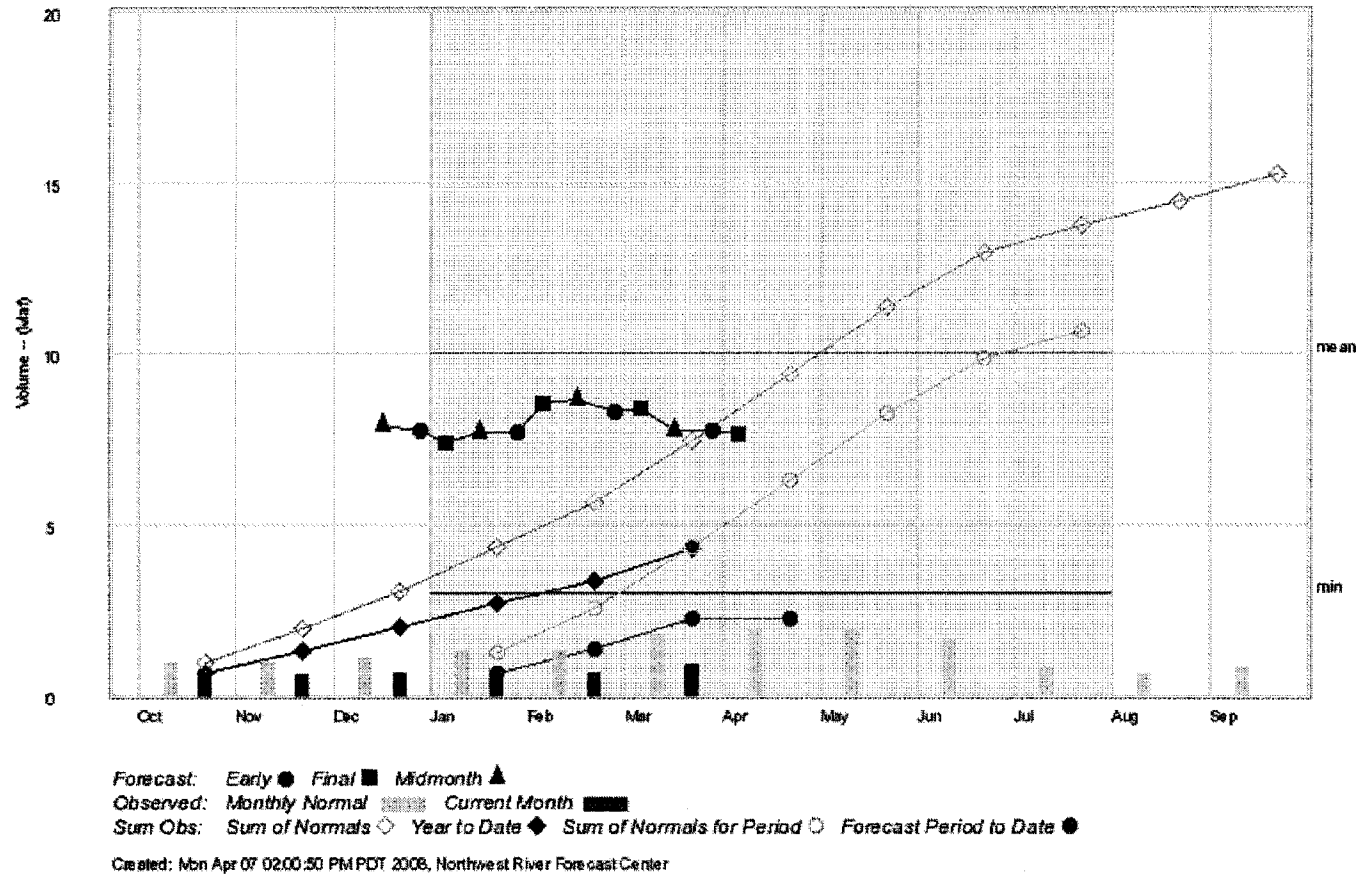
Forecast Period	ESP Forecasts for Forecast Period (KAF)					Obs Flow From Start of Period To 4/7/2008
	90 % Exceedance Probability	70 % Exceedance Probability	50 % Exceedance Probability	30 % Exceedance Probability	10 % Exceedance Probability	
APR-JUL	4287.4	4455.9	4683.2	4953.9	5458.1	188.0
APR-SEP	5639.9	5788.8	6041.2	6384.5	6889.7	188.0
JAN-JUL	6576.4	6744.9	6972.2	7242.9	7747.1	2477.0
APR-AUG	4949.2	5100.1	5356.4	5647.6	6151.3	188.0
JAN-AUG	7238.2	7389.1	7645.4	7936.6	8440.3	2477.0

Select for Verification Plots

Runoff Summary Plots

BROWNLEE RES INFLOW (BRNI1)

Water Year 2008, Forecast Period Jan -- Jul



Created: Mon Apr 07 02:00:50 PM PDT 2008, Northwest River Forecast Center

For Data Used In Plot

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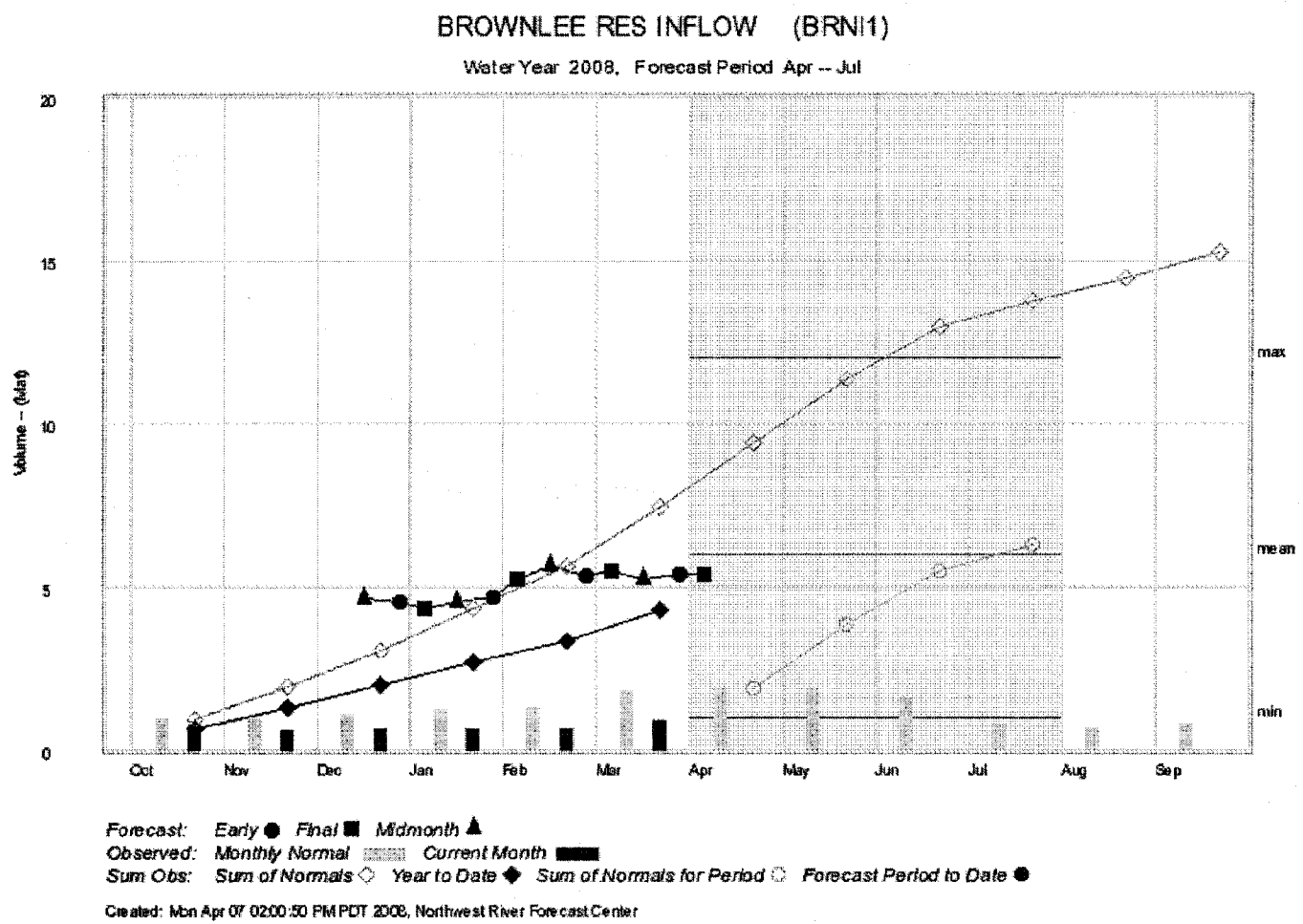

For Data Used In Plot

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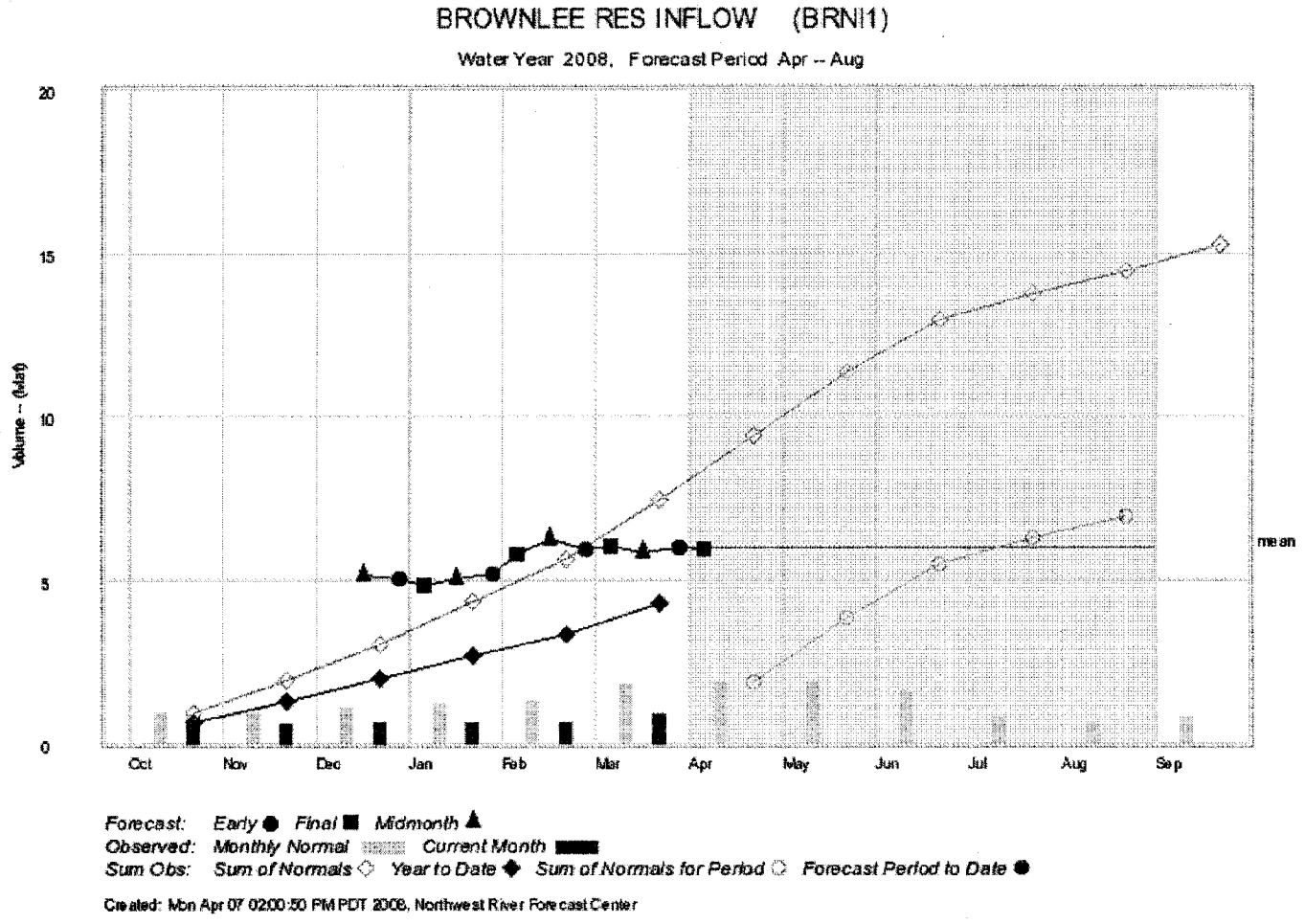

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