

# ANNUAL REPORT 2018



**Idaho Public Utilities Commission**



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## Idaho Public Utilities Commission



**Contact us: (208) 334-0300**

**Website:** [www.puc.idaho.gov](http://www.puc.idaho.gov)

Commission Secretary	(208) 334-0338
Public Information	(208) 334-0339
Utilities Division	(208) 354-0367
Legal Division	(208) 334-0324
Rail Section and Pipeline Safety	(208) 334-0321
Consumer Assistance Section	(208) 334-0369
Toll-Free Consumer Assistance	(800) 432-0369

### **Idaho Telephone Relay Service (statewide)**

Text Telephone:	(800) 368-6185
TRS Information:	(800) 368-6185

This report can be accessed online from the Commission's website, [www.puc.idaho.gov](http://www.puc.idaho.gov). Click on "File Room," near the upper-left-hand-corner and then on "IPUC 2018 Annual Report."





**Idaho Public Utilities Commission**

PO Box 83720 Boise, ID 83720-0074

**Governor C.L. "Butch" Otter**

**Paul Kjellander, Commissioner  
Kristine Raper, Commissioner  
Eric Anderson, Commissioner**

November 30, 2018

The Honorable C.L. "Butch" Otter  
Governor of Idaho  
Statehouse  
Boise, ID 83720-0034

Dear Governor Otter:

*It is our distinct pleasure to submit to you, in accordance with Idaho Code §61-214, the Idaho Public Utilities Commission 2018 Annual Report. This report provides a description of the most significant cases, decisions and other activities throughout 2018. The financial report on page 11 offers a summary of the Commission's budget through the conclusion of Fiscal Year 2018, which ended June 30, 2018.*

*It has been a privilege and honor serving the people of Idaho this past year, and it has been a pleasure serving during your administration. Your stewardship has been a key component in the regulatory success of this Commission and has allowed the residents of this great state to enjoy safe, adequate and reliable utility service at rates that are among the lowest in the nation.*

Sincerely,

A handwritten signature in cursive script that reads "Paul Kjellander".

Paul Kjellander  
President, Idaho Public Utilities Commission

A handwritten signature in cursive script that reads "Kristine Raper".

Kristine Raper  
Commissioner

A handwritten signature in cursive script that reads "Eric Anderson".

Eric Anderson  
Commissioner





## COMMISSIONER

### PAUL KJELLANDER



Commissioner Paul Kjellander serves as president of the Idaho Public Utilities Commission, having been appointed to his current six-year term in 2017 by Gov. C.L. “Butch” Otter. His term expires in 2023.

It is Commissioner Kjellander’s second term in his second stint on the Commission, having previously served from January 1999 until October 2007. Gov. C.L. “Butch” Otter reappointed Kjellander in April 2011, following his service as administrator of the newly created state Office of Energy Resources (OER).

A member of the National Association of Regulatory Utility Commissioners’ (NARUC) board of directors, Kjellander serves as Second Vice President of the association and is the outgoing chair of its Committee on Telecommunications.

Kjellander also serves as the NARUC representative to the North American Numbering Council. He previously served on NARUC’s Committee on Consumer Affairs and its Electricity Committee.

Kjellander also serves on the executive committee of the National Council on Electricity Policy, which is funded by the US Department of Energy and managed by NARUC. He is a member of the Federal Communications Commission’s 706 Joint Board and has served as chairman of the FCC’s Federal-State Joint Board on Jurisdictional Separations.

During his time at OER, which is now known as the Office of Energy and Mineral Resources, Kjellander created an aggressive energy efficiency program funded through the federal American Recovery and Reinvestment Act of 2009. He also served on the board of the National Association of State Energy Officials.

Before joining the Commission in 1999, Kjellander was elected to three terms in the Idaho House of Representatives, where he served from 1994 to 1999. As a legislator, Kjellander served on a number of committees, including the House State Affairs, Judiciary and Rules, Ways and Means, Local Government and Transportation. During his final term in office, Kjellander was elected chairman of the House Majority Caucus.

Prior to his legislative service, Kjellander was director of Boise State University’s College of Applied Technology Distance Learning, where he earned tenured faculty status and served as program head of broadcast technology, station manager of BSU Radio Network, director of the Special Projects Unit for BSU Radio and as BSU Radio’s director of News and Public Affairs.

Commissioner Kjellander earned undergraduate degrees in communications, psychology and art from Muskingum College in Ohio, and earned a master’s degree in telecommunications from Ohio University.

## COMMISSIONER

### KRISTINE RAPER

Commissioner Kristine Raper was appointed to the Commission in February 2015 by Gov. C.L. “Butch” Otter. Her term expires in 2021.

Prior to her appointment, Raper served for seven years as a deputy attorney general assigned to the Commission. Raper managed a caseload representing a myriad of regulatory and energy law matters, with a strong emphasis on the federal Public Utility Regulatory Policies Act (PURPA).

Commissioner Raper has defended the Commission’s decisions at the Idaho Supreme Court, District Court and Federal Energy Regulatory Commission. In 2017, Raper testified before the Congressional Subcommittee on Energy regarding PURPA and its modern-day impacts.

Commissioner Raper currently serves on the Electricity Committee of the National Association of Regulatory Utility Commissioners (NARUC). She is also vice-chair of the Body of State Regulators for the Energy Imbalance Market (with the California Independent System Operator) and is a member of the Western Interconnection Regional Advisory Body and State Provincial Steering Committee.

The commissioner and her husband, Mark, share three children.



## COMMISSIONER

### ERIC ANDERSON



Commissioner Eric Anderson was appointed to the Commission in December 2015. His term expires in 2019.

Commissioner Anderson serves on the National Association of Regulatory Utility Commissioners' (NARUC) Committee on Water as well as NARUC's Committee on International Relations.

Before his appointment by Gov. C.L. "Butch" Otter, Anderson served five terms in the Idaho Legislature, from 2004-2014. Anderson was chairman of the House Ways and Means Committee in his final term in the state Legislature.

As a member of the state House of Representatives, Anderson served on a number of committees, including Environment, Energy and Technology; Commerce and Human Resources; Resources and Conservation; Business; and State Affairs. He also chaired a legislative Interim Subcommittee on Renewable Energy.

Anderson received a bachelor of art degree in political science and government from Eastern Washington University in 1979.

A general contractor and real estate broker, Anderson served as director and vice president of Sandpoint-based Northern Lights Inc., an electric cooperative in Sandpoint, prior to his appointment to the Commission.

He has also served as director of the Idaho Consumer-Owned Utilities Association, the National Rural Electric Cooperative Association and the Idaho Energy Resources Authority. Anderson is a past member and advisor to the Pacific States Marine Fisheries Council and the Pacific Northwest Economic Region's Executive Council.



## FINANCIAL SUMMARY FUND 0229\*

### FISCAL YEARS 2014 - 2018

Description	FY 2014	FY 2015	FY 2016	FY 2017	FY 2018
Personnel Costs	\$3,528,900	\$3,563,500	3,835,900	4,070,200	3,962,400
Communication Costs	\$31,000	\$23,500	28,700	23,400	25,000
Employee Development Costs	\$53,200	\$99,200	98,700	81,400	98,800
Professional Services	\$12,300	\$8,500	8,600	11,900	49,000
Legal Fees	\$519,700	\$538,400	569,100	482,100	573,500
Employee Travel Costs	\$141,100	\$152,500	159,200	173,900	204,300
Fuel & Lubricants	\$2,700	\$5,600	2,900	4,900	6,400
Insurance	\$4,400	\$4,300	2,000	3,500	4,500
Rentals & Leases	\$584,600	\$308,600	223,800	147,000	274,400
Misc. Expenditures	\$104,700	\$84,400	104,300	114,900	697,900
Computer Equipment	\$66,400	\$73,600	52,200	44,700	9,400
Office Equipment	\$11,900	\$16,500	8,100	4,200	2,100
Motorized/Non-Motorized Equip	\$0	\$32,500	-	-	-
Specific Use Equipment	\$0	\$0	1,700	4,500	2,600
<b>Total Expenditures</b>	<b>\$5,060,900</b>	<b>\$4,911,100</b>	<b>5,095,200</b>	<b>5,166,600</b>	<b>5,910,300</b>
<b>Fund 0229-20 Appropriation</b>	<b>\$5,061,700</b>	<b>\$5,595,600</b>	<b>5,766,500</b>	<b>5,902,700</b>	<b>6,039,300</b>
<b>Fund 0229-20 Encumbrances</b>			<b>32,000</b>	<b>49,200</b>	<b>93,800</b>
<b>Unexpended Balance</b>	<b>\$800</b>	<b>\$684,500</b>	<b>\$639,300</b>	<b>\$686,900</b>	<b>\$35,200</b>

\* This summary represents assessment-funded expenses only. It does not include federal or other funds.

## COMMISSION STRUCTURE AND OPERATIONS

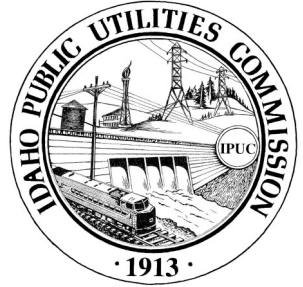
Under state law, the Idaho Public Utilities Commission supervises and regulates Idaho's investor-owned utilities – electric, natural gas, telecommunications and water – assuring adequate service and affixing just, reasonable and sufficient rates.

The Commission does not regulate publicly owned, municipal or cooperative utilities.

The governor appoints the three commissioners, with confirmation by the Idaho Senate. No more than two commissioners may be of the same political party. The commissioners serve staggered six-year terms.

The governor may remove a commissioner before his/her term has expired for dereliction of duty, corruption or incompetence.

The three-member commission was established by the 12th Session of the Idaho Legislature and was organized on May 8, 1913 as the Public Utilities Commission of the State of Idaho.



In 1951, the Commission was reorganized as the Idaho Public Utilities Commission.

Statutory authorities for the Commission are established in Idaho Code titles 61 and 62.

The Commission has quasi-legislative and quasi-judicial as well as executive powers and duties.

In its quasi-legislative capacity, the Commission sets rates and makes rules governing utility operations.

In its quasi-judicial mode, the Commission hears and decides complaints, issues written orders that are similar to court orders and may have its decisions appealed to the Idaho Supreme Court.

In its executive capacity, the Commission enforces state laws and rules affecting the utilities and rail industries.

Commission operations are funded by fees assessed on the utilities and railroads it regulates. Annual assessments are set by the Commission each year in April within limits established by law.

The Commission president is its chief executive officer. Commissioners meet on the first Monday in April in odd-numbered years to elect one of their own to a two-year term as president.

The president signs contracts on the Commission's behalf, is the final authority in personnel matters and handles other administrative tasks. Chairmanship of individual cases is rotated among the commissioners.

## COMMISSION STRUCTURE AND OPERATIONS

The Commission conducts its business in two types of meetings – hearings and decision meetings. Decision meetings are typically held once a week, while hearings are held on a case-by-case basis, often in the service area of the impacted utility.

There are two types of hearings – technical hearings and public hearings. Both resemble judicial proceedings and are recorded and transcribed by a court reporter.

At technical hearings, formal parties who have been granted “intervenor status” present testimony and evidence, subject to cross-examination by attorneys from the other parties, staff and the commissioners.

At public hearings, members of the public may testify before the Commission.

Many public hearings are conducted in cities and towns inside the service territory of the utility seeking a rate increase.

In less contested rate cases, the Commission will sometimes conduct hearings telephonically to save expense and allow customers to testify from the comfort of their own homes. At telephonic hearings, commissioners and other interested parties gather



**IPUC hearing room**

in the Boise hearing room and are telephonically connected to ratepayers who call in on a toll-free line to provide testimony or listen in to those testifying.

The Commission conducts regular decision meetings to consider issues on an agenda prepared by the Commission secretary and posted in advance of the meeting.

These meetings are usually held Tuesdays at 1:30 p.m., although by law the Commission is required to meet only once a month.

Members of the public are welcome to attend decision meetings.

Typically, decision meetings consist of the Commission’s review of



**IPUC headquarters in downtown Boise**

decision memoranda prepared by Commission staff. Minutes of the meetings are taken.

Decisions reached at these meetings may be either final or preliminary, but subsequently become final when the Commission issues a written order signed by a majority of the Commission.

Under the Idaho Open Meetings Law, commissioners may privately deliberate matters that have been fully submitted.

## COMMISSION STAFF

### OUR MISSION

- *Determine fair, just and reasonable rates and utility practices for electric, gas and water consumers.*
- *Ensure that delivery of utility services is safe, reliable and efficient.*
- *Ensure safe operation of pipelines and rail carriers within the state.*

To help ensure its decisions are fair and workable, the Commission employs a staff of about 50 people – engineers, rate analysts, attorneys, accountants, investigators, economists, administrative assistants and other support personnel.

Commission staff is organized into three divisions – administration, legal and utilities. The staff analyzes each petition, complaint, rate-increase request or application for an operating certificate received by the Commission. In formal proceedings before the Commission, the staff acts as a separate party to the case, presenting its own testimony, evidence and expert witnesses. The Commission considers staff recommendations along with those of other participants in each case - including utilities, public, agricultural, industrial, business, environmental and consumer groups.

### Administration

The Administrative Division is responsible for coordinating overall IPUC activities. It includes the three commissioners, two policy analysts, a commission secretary, executive administrator, executive assistant, public information officer and support personnel.

The Commission's two policy analysts report directly to the commissioners with policy and technical consultation and research support regarding regulatory issues in the areas of electricity, telecommunications, water and natural gas. The analysts are also charged with developing comprehensive policy strategy, providing assistance and advice on major litigation before the Commission, public agencies and other organizations.

**Contact Stephen Goodson, Policy Analyst, (208) 334-0323.**

The Commission secretary, a post established by Idaho law, keeps a precise public record of all Commission proceedings. The secretary issues notices, orders and other documents to the proper parties and is the official custodian of documents issued by and filed with the Commission. Most of these documents are public records.

**Contact Diane Hanian, Commission Secretary, (208) 334-0338.**

The executive administrator has primary responsibility for the Commission's fiscal and administrative operations, preparing the Commission budget and supervising fiscal, administration, public information, personnel, information systems, rail section operations and pipeline safety.

The executive administrator is the primary contact for matters concerning Information Technology, Fiscal and Human Resources. He also serves as a liaison between the commission and other state agencies and the Legislature.

**Contact Joe Leckie, Executive Administrator, (208) 334-0331.**

The public information officer is responsible for communication between the Commission, the general public and interfacing government offices. This responsibility includes news releases, responses to public inquiries, coordinating and facilitating Commission workshops and public hearings, and the presentation and

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## COMMISSION STAFF, CONTINUED

coordination of any Commission report directed or recommended by the Idaho Legislature or Governor.

**Contact Matt Evans, Public Information Officer/Policy Analyst, (208) 334-0339.**



### Legal

Five deputy attorneys general are assigned to the Commission from the Office of the Attorney General and have permanent offices at IPUC headquarters. The IPUC attorneys represent the staff in all matters before the Commission, working closely with staff accountants, engineers, investigators and economists as they develop their recommendations for rate case and policy proceedings.

In the hearing room, IPUC attorneys coordinate the presentation of the staff's case and cross-examine other parties who submit testimony. The attorneys also represent the Commission itself in state and federal courts and before other state or federal regulatory agencies.

**Contact Karl Klein, Legal Division Director, (208) 334-0320.**

### Utilities Division

The Utilities Division, responsible for technical and policy analysis of utility matters before the commission, is divided into five sections.

**Contact Terri Carlock, Utilities Division Administrator, (208) 334-0356.**

The Accounting Section of five auditors and one supervisor audits utility books and records to verify reported revenue, expenses and compliance with commission orders. Staff auditors present the results of their findings in audit reports as well as in formal testimony and exhibits. When a utility requests a rate increase, cost-of-capital studies are performed to determine a recommended rate of return. Revenues, expenses and investments are analyzed to determine the amount needed for the utility to earn the recommended return on its investment.

**Contact Donn English, Utilities Division Deputy Administrator & Accounting Section Supervisor, (208) 334-0362.**

The Engineering Section of four engineers and one supervisor reviews the physical operations of utilities. The staff develops computer models of utility operations and compares alternative costs to repair, replace and acquire facilities to serve utility customers. The group calculates and analyzes the price of acquiring cogeneration and renewable generation facilities and identifies the cost of serving various types of customers. They evaluate the adequacy of utility services and frequently help resolve customer complaints.

**Contact Mike Louis, Engineering Section Supervisor, (208) 334-0316.**

The Technical Analysis Section of four utility analysts and one supervisor reviews utility Integrated Resource Plans, capital investments and forecasts of energy, water and natural gas use. They examine the prudence and cost-effectiveness of all Demand Side Management (DSM) programs, which include energy efficiency and demand response. They also identify potential for new DSM programs, track the impact on utility revenues and focus on residential self-generation.

**Contact Stacey Donohue, Technical Analysis Section Supervisor, (208) 334-0363.**

The Telecommunications section includes two analysts who oversee tariff and price list filings, area code oversight, Universal Service Fund, Lifeline and Telephone Relay Service. They assist and advise the commission on technical matters that include advanced services, 911 and other matters as requested.

**Contact Carolee Hall, Telecommunications Analyst, (208) 334-0364.**

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## COMMISSION STAFF, CONTINUED

The Consumer Assistance section includes four division investigators and one supervisor who resolve conflicts between utilities and their customers. Customers faced with service disconnections often seek help in negotiating payment arrangements. Consumer Assistance may mediate disputes over billing, deposits, line extensions and other service problems. Consumer Assistance monitors Idaho utilities to verify they are complying with Commission orders and regulations. Investigators participate in general rate and policy cases when rate design and customer service issues are brought before the Commission.

**Contact Beverly Barker, Consumer Assistance Administrator, (208) 334-0302.**



### Railroad

Our rail inspector oversees the safe operations of railroads that move freight throughout Idaho and enforces state and federal regulations safeguarding the transportation of hazardous materials by rail in the state. The Commission's rail safety specialist inspects railroad crossings and rail clearances for safety and maintenance deficiencies. The Rail section helps investigate all railroad-crossing accidents and makes recommendations for safety improvements to crossings.

As part of its regulatory authority, the commission evaluates the discontinuance and abandonment of railroad service in Idaho by conducting an independent evaluation of each case to determine whether the abandonment of a particular railroad line would adversely affect Idaho shippers and whether the line has any profit potential. Should the commission determine abandonment would be harmful to Idaho interests, it then represents the state before the federal Surface Transportation Board, which has authority to grant or deny line abandonments.

**Contact Joe Leckie, Rail Section Manager, (208) 334-0331.**

### Pipeline Safety

The three-member Pipeline Safety section oversees the safe operation of the intrastate oil and natural gas pipelines in Idaho. Pipeline safety personnel verify compliance with state and federal regulations by on-site inspections of intrastate pipeline distribution systems. Part of the inspection process includes a review of record-keeping practices and compliance with design, construction, operation, maintenance and drug/alcohol abuse regulations.

Key objectives of the program are to monitor accidents and violations, to identify their contributing factors and to implement practices to avoid accidents. All reportable accidents will be investigated and appropriate reports filed with the U.S. Department of Transportation in a timely manner.

**Contact Darrin Ulmer, Pipeline Safety Program Manager, (208) 334-0321.**



## WHY CAN'T YOU JUST TELL THEM NO?

One of the most frequently asked questions the PUC receives after a utility files an application for a rate increase is, “Why can’t you just tell them no?”

Actually, we can, but not without evidence.

For more than 100 years, public utility regulation has been based on this regulatory compact between utilities and regulators: Regulated utilities agree to invest in the generation, transmission and distribution necessary to adequately and reliably serve all the customers in their assigned territories.

In return for that promise to serve, utilities are guaranteed recovery of their prudently incurred expense along with an opportunity to earn a reasonable rate of return. The rate of return allowed must be high enough to attract investors for the utility’s capital-intensive generation, transmission and distribution projects, but not so high as to be unreasonable for customers.

In setting rates, the Commission must consider the needs of both the utility and its customers. The Commission serves the public interest, not the popular will. It is not in customers’ best interest, nor is it in the interest of the State of Idaho, to have utilities that do not have the generation, transmission and distribution infrastructure to be able to provide safe, adequate and reliable electrical, natural gas and water service. This is a critical, even life-saving, service for Idaho’s citizens and essential to the state’s economic development and prosperity.



Unlike unregulated businesses, utilities cannot cut back on service as costs increase. As demand for electricity, natural gas and water grows, utilities are statutorily required to meet that demand.

The Commission walks a fine line in balancing the needs of utilities to serve customers and customers’ ability to pay.

When a rate case is filed, the Commission’s auditors, engineers, analysts and attorneys will take up to six months to examine the request.

During that period, other parties, often representing customer groups, will “intervene” in the case for the purpose of conducting discovery, presenting evidence and cross-examining the company and other parties to the case.

The Commission staff, which operates independently of the Commission, will also file its own comments that result from its investigation of the company’s request. The three-member Commission will also conduct technical and public hearings.

Once testimony is presented from the company, commission staff and intervening parties, and testimony is taken from hearings and written comments, that information is included in the official record for the case. It is only from the evidence contained in this official record that the Commission can render a decision.

If the utility has met its burden of proof in demonstrating that the additional expense it incurred was 1) necessary to serve customers and 2) prudently incurred, the Commission must allow the utility to recover that expense. The Commission can — and often does — deny recovery of some or all the expense utilities seek to recover from customers if the Commission is confident it has the legal justification to do so. Utilities and parties to a rate case have the right to petition the Commission for reconsideration. If reconsideration is not granted, the Commission’s decision can be appealed to the state Supreme Court.

## 2018 MAJOR EVENTS

### Rates decline after state and federal tax cuts, rate adjustments

All of the major utilities in Idaho lowered rates in 2018 due to tax cuts enacted at the federal and state levels, in addition to annual rate adjustments approved by the Commission.

The federal Tax Cuts and Jobs Act of 2017, passed in late 2017, lowered the federal corporate tax rate from 35 percent to 21 percent.

At the state level, House Bill 463 reduced the state's corporate tax rate from 7.4 percent to 6.925 percent. Governor Otter signed it into law in March 2018.

In January, the Commission launched an investigation to determine whether regulated utilities' rates and charges should be adjusted to reflect the impact of the new laws since tax expenses are included in the revenue requirement on which rates are based.

The Commission's order applied to all regulated utilities in Idaho except water companies with fewer than 200 customers.

In addition to the positive impacts of the new tax code, customers of several utilities saw rates decline due to changes to billing mechanisms that can be adjusted annually with Commission approval in order to reflect actual costs incurred by the utility over the previous year.

#### Here is a look at the changes to rates:



#### Idaho Power

The new tax laws led to savings of \$2.15 on the monthly bill of the typical residential customer.

Combined with decreases to two annual billing mechanisms – the Power Cost Adjustment and Fixed Cost Adjustment – Idaho Power's residential rates declined by 7.06 percent on June 1.

That equates to a savings of \$3.60 on the monthly power bill for the typical residential customer.

#### Avista

The tax laws resulted in a savings of \$4.85 on the monthly bill of the average residential electric customer, while the average natural gas customer saw a bill reduction of \$2.24. Those changes took effect June 1.

On Oct. 1, changes to several rate adjustments lowered rates by an additional 4.7 percent for residential electric customers, or \$4.16 per month, while Avista's residential natural gas customers saw a decrease of 4.2 percent or \$2.03 per month.

#### Rocky Mountain Power

The 75,400 eastern Idahoans who receive electric service from Rocky Mountain Power saw their rates decline by 3 percent on June 1 as a result of the changes to the tax laws. That equates to a monthly savings of \$2.50 for a typical residential customer.

#### Intermountain Gas

Customers saw a 2.62-percent rate decrease on June 1 as a result of the new tax laws, returning approximately \$5.1 million to customers.

On Oct. 1, the approximately 350,000 Idahoans who receive service from Intermountain Gas saw an additional rate

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## 2018 MAJOR EVENTS, CONTINUED

decrease, of 10.2 percent, as a result of a change to the Purchased Gas Cost Adjustment, a billing mechanism that is adjusted annually to reflect the actual costs the utility incurred purchasing natural gas to meet customer demand.

As a result, residential customers saw a decrease of \$4.12 per month on the average bill, while commercial customers saved \$21.89 per month.

### Suez Water

The Commission approved a rate decrease of 5.6 percent to reflect the new tax laws, returning \$2.72 million to customers. That equates to annual savings of approximately \$14.38 for the average residential customer.

### Kjellander installed as Second Vice President of NARUC

Commissioner Paul Kjellander was installed as Second Vice President of the National Association of Regulatory Utility Commissioners (NARUC) at the organization's 130<sup>th</sup> Annual Meeting and Education Conference, held in Orlando, Fla. in mid-November.

Kjellander is one of three new NARUC officers installed at the meeting. Honorable Nick Wagner of Iowa was installed as President, and Honorable Edward Finley Jr. of North Carolina was installed as First Vice President.

Kjellander was also re-elected by unanimous vote in November as President of the Idaho Commission through 2019.

Commissioner Kristine Raper recently was appointed vice-chair of the Body of State Regulators for the Western Energy Imbalance Market, the governing body of the regional energy market that enables participants to buy and sell energy as needed.

Commissioner Eric Anderson serves on NARUC's Water Committee and its Committee on International Relations.

### Idaho Power joins Western Energy Imbalance Market

Idaho Power began participating in the Western Energy Imbalance Market (EIM) in April, a move that is expected to lead to cost savings that will benefit customers.

The EIM is a wholesale power trading market that utilizes an automatic model to identify least-cost generating resources to serve real-time customer demand for electricity.

Idaho Power is the second utility regulated by the Commission to join the EIM.

Pacificorp, which operates in eastern Idaho as Rocky Mountain Power, was one of two founding entities of the EIM in 2014.

The Commission approved Idaho Power's proposal to join the EIM in early 2017; in July, the Commission authorized a temporary rate component that allows the utility to recover from customers its expenses related to its participation in the market. Idaho Power has estimated those expenses will reach nearly \$14 million.

In authorizing Idaho Power's participation in the EIM, the Commission determined the move "would provide an opportunity for benefits greater than costs." The EIM contends it has provided a total of \$502.31 million in gross benefits to its members since its inception, including \$13.31 million for Idaho Power in the third quarter of the 2018 fiscal year, and \$17.82 million for Pacificorp over the same period. The EIM accomplishes this by allowing



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## 2018 MAJOR EVENTS, CONTINUED

participants to pool their generation with other utilities across the region, providing access to more generation resources and allowing utilities to more efficiently balance supply and demand.

### Hearings held over proposed merger of Avista-Hydro One

Based on the number of public comments submitted, the proposed merger of Avista and Hydro One was the most high-profile case before the Commission in 2018.

More than 600 written comments have been submitted in the case, and dozens of Idahoans provided testimony at three public hearings held in northern Idaho in June.

Avista provides electric and natural gas service in northern Idaho – 130,000 electric customers and 82,000 natural gas customers – while Hydro One is the largest transmission and distribution utility in the province of Ontario, with more than 1.3 million customers. The Ontario government owns approximately 47 percent of Hydro One’s shares.

The two companies filed a joint application for the \$5.3 billion merger in fall 2017. Per Idaho Code, the merger of a regulated utility requires Commission approval.

If the deal is approved, Avista would become a wholly owned subsidiary of Hydro One, maintaining its name and headquarters in Spokane, and operating as a “standalone utility” with its existing employees and management team. Combined, the two companies would be one of the largest regulated utilities in North America, with more than \$25.4 billion in assets. The companies have pledged immediate savings for ratepayers if the merger is approved, including a rate credit of almost \$16 million over five years.

In July, the Commission postponed a technical hearing and directed the parties to develop a new procedural schedule after Hydro One’s chief executive officer and its entire board of directors resigned under pressure from the newly elected premier of Ontario.



The technical hearing was held over two days in late November, after a new board and interim CEO had been appointed. There is no statutory deadline for a decision in the case.

### Commission OK’s changes to Idaho Power program

More than 400 comments were received in this case, which resulted in a Commission decision in May to reclassify Idaho Power’s net metering customers, or those who generate their own energy.

Idaho Power had contended its net metering program improperly incentivized on-site generation due to the fact that a portion of the fixed costs the utility incurs providing electric service is included in rates. Since net metering customers can use their own generation to offset or eliminate their energy usage, the company said these customers were not paying their fair share of fixed costs.

Though the number of net metering customers on Idaho Power’s system is relatively small – fewer than 1,500 out of approximately 535,000 total customers in July 2017 – the utility asserted that the increasing affordability of on-site generation would lead to increased participation, exacerbating the problem and eventually making the net metering program unsustainable.

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## 2018 MAJOR EVENTS, CONTINUED

The Commission held two public hearings, in Boise and Pocatello, and presided over a technical hearing before issuing the order in the case.

In its order, the Commission said differences in the electricity usage and load characteristics between customers with on-site generation and those with standard electric service warranted the separation of the two groups.

As a result, the Commission ordered the immediate closure of the existing net metering tariff and the creation of two new customer classes.



The Commission also directed Idaho Power to conduct a comprehensive study of the costs and benefits of net metering on Idaho Power's system, encouraging the utility to work with Commission staff and other stakeholders to determine the impact of on-site generation as well as proper rates, rate design and compensation for excess generation.

The Commission's order also called for Idaho Power to conduct a comprehensive analysis of the methodology used to recover its fixed costs.

Idaho Power initiated cases related to the two Commission-ordered studies in October.

### Commission hosts regulators from across West

Hundreds of regulators and utility industry representatives descended on downtown Boise in June for the 2018 Western Conference of Public Service Commissioners.

The four-day event was hosted by the Commission, held at the Boise Centre and featured presentations by Idaho Governor C.L. "Butch" Otter, Commissioner Cheryl LaFleur of the Federal Energy Regulatory Commission, and ClifBar General Counsel Bruce Lymburn.

Among the topics explored were the resiliency of the electric grid, research on microgrids at the Idaho National Laboratory, the challenge of regulating small water companies, the implications of electrification and the future of coal-fired generation in the region.

Attendees also had the opportunity to float the Payette River, one of the sources of the hydropower that allows Idahoans to enjoy electric rates that are among the lowest in the nation; explore the greenbelt; learn about Basque culture; and tour Intermountain Gas' LNG facility.