



IDAHO PUBLIC UTILITIES COMMISSION

**ANNUAL REPORT
2019**

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Idaho Public Utilities Commission

Contact us: 208-334-0300

Website: www.puc.idaho.gov

Commission Secretary	334-0338
Public Information	334-0339
Utilities Division	354-0367
Legal Division	334-0324
Rail Section and Pipeline Safety	334-0330
Consumer Assistance Section	334-0369
Outside Boise, Toll-Free Consumer Assistance	1-800-432-0369

Idaho Telephone Relay Service (statewide)

Voice:	1-800-377-3529
Text Telephone:	1-800-368-6185
TRS Information:	1-800-368-6185

This report and all the links inside can be accessed online from the Commission's Website at www.puc.idaho.gov. Click on "File Room," in the upper-left-hand-corner and then on "IPUC 2019 Annual Report."

Front cover photograph courtesy of Idaho Power Company. Langley Gulch Plant in New Plymouth, Idaho.



Idaho Public Utilities Commission

PO Box 83720, Boise, ID 83720-0074

Brad Little, Governor

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

November 27, 2019

The Honorable Brad Little
Governor of Idaho
Statehouse
Boise, ID 83720-0034

Dear Governor Little:

It is our distinct pleasure to submit to you, in accordance with Idaho Code §61-214, the Idaho Public Utilities Commission 2019 Annual Report. This report is a detailed description of the most significant cases, decisions and other activities during 2019. The financial report on Page 10 is a summary of the commission's budget through the conclusion of Fiscal Year 2019, which ended June 30, 2019.

It has been a privilege and honor serving the people of Idaho this past year.

Sincerely,

A handwritten signature in black ink that reads "Paul Kjellander".

Paul Kjellander
President, Idaho Public Utilities Commission

A handwritten signature in black ink that reads "Kristine Raper".

Kristine Raper
Commissioner

A handwritten signature in blue ink that reads "Eric Anderson".

Eric Anderson
Commissioner

COMMISSIONERS

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 and executive committee, Kjellander serves as First Vice President of the association and is a member of the subcommittee on Education and Research. He previously served on NARUC’s Committee on Consumer Affairs and its Electricity Committee and is past Chair of the Committee on Telecommunications.

Kjellander serves as President 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 1994-1999. 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.

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 a member of the Body of State Regulators which contributes to matters involving the Energy Imbalance Market, a real-time energy market operated by the California ISO.

Commissioner Raper earned an undergraduate degree in Criminal Justice from Boise State University. She earned her juris doctor degree from the University of Idaho College of Law.

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



ERIC ANDERSON



Commissioner Eric Anderson was appointed to his current six-year term in January 2019 by Gov. Brad Little. It is his second term on the Commission, having been initially appointed in December 2015 by former Gov. C.L. “Butch” Otter.

Commissioner Anderson serves on the National Association of Regulatory Utilities Commissioners (NARUC) Committee on Water as well as its Committee on International Relations. In November 2019 Commissioner Anderson was appointed Chair of NARUC’s Committee on Water.

Before joining the Commission, Anderson served five terms in the Idaho Legislature, from 2004-2014, and was chairman of the House Ways and Means Committee in his final term in the state Legislature.

As a member of the Idaho House of Representatives, Anderson served on a number of committees, including Environment, Energy and Technology, Commerce and Human Resources, Resource 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 also served as director and vice president of Sandpoint-based Northern Lights Inc., an electric cooperative.

He has also served as a director of the Idaho Consumer-Owned Utilities Association, the National Rural Electric Cooperative Association and the Idaho Energy Resources Authority. He 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 2015 - 2019

Description	FY 2015	FY 2016	FY 2017	FY 2018	FY 2019
Personnel Costs	\$3,563,500	\$3,835,900	\$4,070,200	\$3,962,400	\$3,990,800
Communication Costs	\$23,500	\$28,700	\$23,400	\$25,000	\$23,100
Employee Development Costs	\$99,200	\$98,700	\$81,400	\$98,800	\$95,400
Professional Services	\$8,500	\$8,600	\$11,900	\$49,000	\$35,800
Legal Fees	\$538,400	\$569,100	\$482,100	\$573,500	\$602,600
Employee Travel Costs	\$152,500	\$159,200	\$173,900	\$204,300	\$219,700
Fuel & Lubricants	\$5,600	\$2,900	\$4,900	\$6,400	\$7,700
Insurance	\$4,300	\$2,000	\$3,500	\$4,500	\$3,900
Rentals & Leases	\$308,600	\$223,800	\$147,000	\$274,400	\$76,100
Misc. Expenditures	\$84,400	\$104,300	\$114,900	\$697,900	\$1,663,500
Computer Equipment	\$73,600	\$52,200	\$44,700	\$9,400	\$5,300
Office Equipment	\$16,500	\$8,100	\$4,200	\$2,100	\$0
Motorized/Non-Motorized Equip	\$32,500	\$0	\$0	\$0	\$0
Specific Use Equipment	\$0	\$1,700	\$4,500	\$2,600	\$1,300
Total Expenditures	\$4,911,100	\$5,095,200	\$5,166,600	\$5,910,300	\$6,725,200
Fund 0229-20 Appropriation	\$5,595,600	\$5,766,500	\$5,902,700	\$6,039,300	\$8,556,700
Fund 0229-20 Encumbrances		\$32,000	\$49,200	\$93,800	\$393,200
Unexpended Balance	\$684,500	\$639,300	\$686,900	\$35,200	\$1,438,300

*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, 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 May 8, 1913 as the Public Utilities Commission of the State of Idaho. In 1951 it was reorganized as the Idaho Public Utilities Commission. Statutory authorities for the commission are established in Idaho Code Titles 61 and 62.



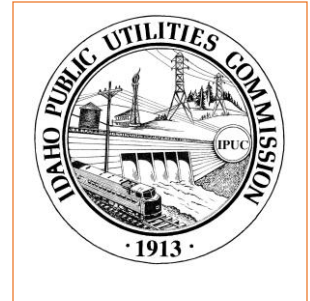
The IPUC has quasi-legislative and quasi-judicial as well as executive powers and duties.

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 set 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 all three Commissioners.



The commission conducts its business in two types of meetings – **hearings** and **decision meetings**. Decision meetings are typically held once a week, usually on Tuesday.

Formal **hearings** are held on a case-by-case basis, sometimes in the service area of the impacted utility. These hearings resemble judicial proceedings and are recorded and transcribed by a court reporter.



PUC hearing room

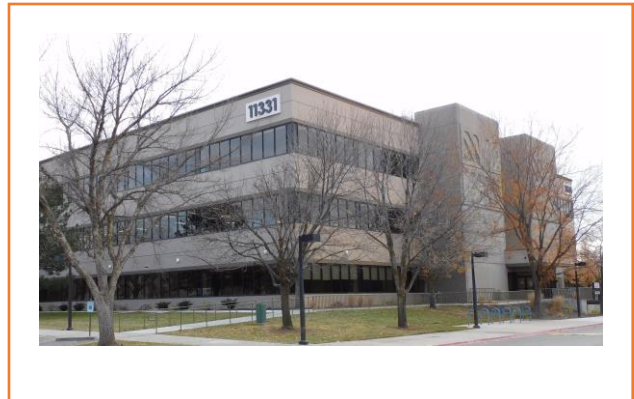
There are **technical hearings** and **public hearings**. At technical hearings, formal parties who have been granted “intervenor status” present testimony and evidence, subject to cross-examination by attorneys from the other parties, staff attorneys and the commissioners. At public hearings, members of the public may testify before the commission.

In 2009, the commission began conducting telephonic public hearings to save expense and allow customers to testify from the comfort of their own homes. Commissioners and other interested parties gather 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. A court reporter is present to take testimony by telephone, which has the same legal weight as if the person testifying were present in the hearing room. Commissioners and attorneys may also direct questions to those testifying.

The commission also 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 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 Meeting Law, commissioners may also privately deliberate fully submitted matters.



PUC headquarters 11331 W. Chinden Blvd. Building, 8 Suite 201-A, Boise, Idaho 83714.

Commission Staff

OUR MISSION

- *Determine fair, just and reasonable rates and utility practices for electric, gas, telephone 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, secretaries and other support personnel. The commission staff is organized in three divisions – administration, legal and utilities.

Administration

The Administrative Division is responsible for coordinating overall IPUC activities. The division includes the three commissioners, a policy strategist, a commission secretary, an executive administrator, and support personnel.

The **policy strategists** are executive level positions reporting directly to the commissioners with policy and technical consultation and research support regarding major regulatory issues in the areas of electricity, telecommunications, water and natural gas. Strategists are also charged with developing comprehensive policy strategy, providing assistance and advice on major litigation before the commission, public agencies and organizations.

Contact Stephen Goodson, policy strategist 334-0354.

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, at 334-0338.

The **executive director** 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 director also serves as a liaison between the commission and other state agencies and the Legislature.

Contact Maria Riley-Barratt, executive director, at 334-0337.

The **public information office** is responsible for public communication between the commission, the general public and interfacing governmental offices. The responsibility includes news releases, responses to public inquiries, coordinating and facilitating commission workshops and public hearings and the preparation and coordination of any IPUC report directed or recommended by the Idaho Legislature or Governor.

Contact Adam Rush, public information officer, at 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, at 334-0320.

Utilities Division

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

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 and consumer groups.

Contact Terri Carlock, utilities division administrator, at 334-0356.

The **accounting section** of seven auditors 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, accounting section program manager, at 334-0362.

The **engineering section** of four engineers reviews the physical operations of utilities. The Staff of engineers and analysts develops computer models of utility operations and compares alternative costs to repair, replace and acquire facilities to serve utility customers. The group establishes 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 program manager, at 334-0316.

The **technical analysis section** of five utility analysts determines the cost effectiveness of all Demand Side Management (DSM) programs including energy efficiency and demand response. They identify potential for new DSM programs and track the impact on utility revenues. They review utility forecasts of energy, water and natural gas usage with focus on residential self-generation and rate design.

Contact Stacey Donohue, technical analysis program manager, at 334-0363.

The **telecommunications section** oversee tariff and price list filings, area code oversight, Universal Service, 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 Daniel Klein, telecom analyst 334-0352.

The **consumer assistance section** includes three division investigators 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 Terri Carlock, utilities division administrator, at 334-0356.

Railroad Safety Section

The **railroad safety section** oversees the safe operations of railroads that move freight in and through Idaho and enforces state and federal regulations safeguarding the transportation of hazardous materials by rail in Idaho. The commission's rail safety specialists inspect 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 Wayne Andrews, rail section manager, at 334-0317.

Pipeline Safety Section

The **pipeline safety section** oversees the safe operation of the intrastate oil and natural gas pipelines in Idaho.

The commission's 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 are investigated and appropriate reports filed with the U.S. Department of Transportation in a timely manner.

Contact Darrin Ulmer, pipeline safety program manager, at 334-0331.

WHY CAN'T YOU JUST TELL THEM NO?

One of the most frequently asked questions the PUC receives after a utility files a rate increase application 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. In Idaho recently, and across the nation, a continued increase in demand as well as a number of other factors have contributed to rate increases on a scale we have not witnessed before. It is not unusual now for Idaho’s three major investor-owned electric utilities to file annual rate increase requests.

In light of these continued requests for rate increases, 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, our staff of auditors, engineers 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 from the company, commission staff and intervening parties is presented and testimony from hearings and written comments is taken, all of 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. Following reconsideration, utilities or customer groups can appeal the commission’s decision to the state Supreme Court.

In the end, the commission’s job is to ensure that customers are paying a reasonable rate and are receiving adequate and reliable service and that utilities are allowed to recover their prudently incurred expenses and earn a fair rate of return.