

# Idaho Public Utilities Commission

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# Introduction

*The commission shall make and submit to the governor on or before the first day of December of each year, a report containing a full and complete account of its transactions, and proceedings for the preceding fiscal year, ending June thirtieth, together with such other facts, suggestions, and recommendations as it may deem of value to the people of the state.*

## **Public Utilities Law Idaho Code 61-214**

With this report, the Idaho Public Utilities Commission has satisfied Idaho Code 61-214; this is a “full and complete account” of the most significant cases to come before the commission from July 1, 2004 through June 30, 2005. (Some cases filed before June 30, 2005 but completed by November 30, 2005 are also included.)

Access this entire report online at <http://www.puc.state.id.us/AR2005/2005.htm>. For questions about the commission or this report, call Gene Fadness at 208.334.0339 or e-mail [gene.fadness@puc.idaho.gov](mailto:gene.fadness@puc.idaho.gov)

Anyone with access to the Internet may also review the commission’s agendas, notices and decisions by visiting the IPUC’s Web site at: [www.puc.idaho.gov](http://www.puc.idaho.gov). E-mail may be sent to the commission at: [ipuc@puc.idaho.gov](mailto:ipuc@puc.idaho.gov). Commission records are also available for public inspection at the commission’s Boise office, 472 W. Washington St., Monday through Friday, 8 a.m. to 5 p.m. A nominal fee of 5 cents per page may be charged for the cost of copying, typically for 30 or more pages.

The Idaho Public Utilities Commission, as outlined in its 2001 Strategic Plan, serves the citizens and utilities of Idaho by determining fair, just and reasonable rates for utility commodities and services that are to be delivered safely, reliably and efficiently. During the period covered by this report, the commission also had responsibility for ensuring all rail services operating within Idaho do so in a safe and efficient manner. The commission also has a pipeline safety section that oversees the safe operation of the intrastate natural gas pipelines and facilities in Idaho.

# The Commissioners

## Paul Kjellander

is serving his second term on the Idaho Public Utilities Commission, to which Gov. Dirk Kempthorne appointed him in January 1999. His term expires in 2011. Kjellander serves as president of the commission.

Commissioner Kjellander, a Republican, was elected to three terms in the Idaho House of Representatives, where he served since 1994 as a member of the House State Affairs, Judiciary and Rules, Ways and Means, Local Government and Transportation committees. During his last term in office, Commissioner Kjellander was elected House Majority Caucus Chairman. His legislative service includes membership on the Legislature's Information Technology Advisory Council and the House/Senate Joint Committee on Technology. He also served as co-chairman of the Legislative Task Force on the Federal Telecommunications Act of 1996 and vice chairman of the Council of State Governments-West "Smart States Committee." His interim legislative committee assignments included the Optional Forms of County Government Committee, Capital Crimes Committee and the Private Property Rights Committee.

Commissioner Kjellander served as director of Boise State University's College of Applied Technology Distance Learning, interim program head of broadcast technology, station manager of BSU Radio Network, director of the Special Projects Unit for BSU Radio, executive producer/newscaster for BSU Radio and director of News and Public Affairs. His undergraduate degrees from Muskingum College, Ohio, were in communications, psychology and art. He holds a master's degree in telecommunications from Ohio University.

As a member of the National Association of Regulatory Commissioners, Commissioner Kjellander serves on the Telecommunications and Consumer Affairs Committees. He was also appointed by the Federal Communication Commission to the Federal/State Board of Jurisdictional Separations and now serves as its chairman.

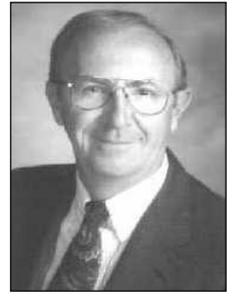
Commissioner Kjellander and his wife, Radelle, are the parents of a daughter, Allison, and two sons, Sky and Justus.



## Dennis Hansen

was appointed to the commission in February 1995 by Gov. Phil Batt and re-appointed by Gov. Dirk Kempthorne in 2001. His current term expires in 2007.

Commissioner Hansen, who served as commission president from April 1997 to April 2001, is a member of the Committee on Gas and the Committee on Water of the National Association of Regulatory Utility Commissioners (NARUC) and served on the Federal Railroad Administration's Safety Advisory Committee. He recently concluded a year as president of the Western Conference of Public Service Commissioners and, as such, hosted the Western Conference of Public Service Commissioners' annual meeting in Boise, June 19-22, 2005.



Before his appointment to the commission, he was an accountant with Monsanto Co. in Soda Springs, Idaho.

Commissioner Hansen, a Republican, was elected five times to the Idaho State Senate, where he served from 1987 to 1995. He chaired the Senate Transportation Committee from 1991 to 1995 and was a member of the Agricultural Affairs and Finance committees. His colleagues elected him to service on the Legislative Council from 1993 to 1995. From 1973 to 1977, Commissioner Hansen served on the Soda Springs City Council.

He received a bachelor of science degree in business management from Brigham Young University in Provo, Utah.

A third-generation Idahoan, Commissioner Hansen and his wife, Marianne, have six children: Shelli, Kristi, Chad, Heather, Ryan and Nikki.

## Marsha H. Smith

is serving her third term on the commission. Her current term expires in January 2009. Smith, a Democrat, served as commission president from November 1991 to April 1995.

Commissioner Smith is the second vice chair of the National Association of Regulatory Utilities Commissioners (NARUC), a member of the NARUC Executive Committee and member and past chair of the NARUC Electricity Committee. She serves on the boards of directors of both NARUC and the National Regulatory Research Institute (NRRI). She is an elected member of the Western Electric Coordinating Council Board of Directors. She chaired the Western Interstate Energy Board's Committee for Regional Electric Power Cooperation from October 1999 to October 2005. She is a member of the Electric Power Research Institute's Advisory Council, the National Council for Electricity Policy Steering Committee, the Harvard Electricity Policy Group, the Consortium for Electric Reliability Technology Solutions, the Western Conference of Public Service Commissioners and the Idaho State Bar.

Commissioner Smith received a bachelor of science degree in biology/education from Idaho State University, a master of library science degree from Brigham Young University and her law degree from the University of Washington.

Before her appointment to the commission, Commissioner Smith served as deputy attorney general in the business regulation/consumer affairs division of the Office of the Idaho Attorney General and as deputy attorney general for the Idaho Public Utilities Commission. She was the commission's director of Policy and External Affairs and chair of the NARUC Staff Subcommittee on Communications.

A fourth-generation Idahoan, Commissioner Smith has two sons.



## IDAHO PUBLIC UTILITIES COMMISSION, 1913-2005

<u>Commissioner</u>	<u>From</u>	<u>To</u>
J. A. Blomquist	May 8, 1913	Jan. 11, 1915
A. P. Ramstedt	May 8, 1913	Feb. 8, 1917
D. W. Standrod	May 8, 1913	Dec. 1, 1914
John W. Graham	Dec. 1, 1914	Jan. 13, 1919
A. L. Freehafer	Jan. 14, 1915	Jan. 31, 1921
George E. Erb	Dec. 8, 1917	April 14, 1923
Everett M. Sweeley	May 23, 1919	Aug. 20, 1923
J. M. Thompson	Feb. 1, 1921	Dec. 20, 1932
Will H. Gibson	April 16, 1923	June 29, 1929
F. C. Graves	Sept. 7, 1923	Nov. 12, 1924
Frank E. Smith	March 6, 1925	Feb. 25, 1931
J. D. Rigney	July 2, 1929	Sept. 30, 1935
M. Reese Hattabaugh	March 2, 1931	Jan. 26, 1943
Harry Holden	March 27, 1933	Jan. 31, 1939
J. W. Cornell	Oct. 1, 1935	Jan. 11, 1947
R. H. Young	Feb. 1, 1939	March 19, 1944
B. Auger	Feb. 1, 1943	March 9, 1951
J. D. Rigney	March 30, 1944	April 30, 1945
W. B. Joy	May 1, 1945	March 9, 1951
H. N. Beamer	Jan. 17, 1947	Dec. 31, 1958
George R. Jones	March 12, 1951	Jan. 31, 1957
H. C. Allen	March 12, 1951	Feb. 28, 1957
A. O. Sheldon	March 1, 1957	June 30, 1967
Frank E. Meek	Feb. 1, 1957	Feb. 5, 1964
Ralph H. Wickberg	Jan. 14, 1959	Feb. 23, 1981
Harry L. Nock	May 1, 1964	Sept. 30, 1974
Ralph L. Paris	July 1, 1967	Oct. 5, 1967
J. Burns Beal	Dec. 1, 1967	April 1, 1973
Robert Lenaghan	April 1, 1973	April 15, 1979
M. Karl Shurtliff	Oct. 1, 1974	Dec. 31, 1976
Matthew J. Mullaney	Jan. 2, 1977	Feb. 15, 1977
Conley Ward, Jr.	March 7, 1977	Feb. 9, 1987
Perry Swisher	April 16, 1979	Jan. 21, 1991
Richard S. High	Feb. 24, 1981	April 30, 1987
Dean J. Miller	March 16, 1987	Jan. 30, 1995
Ralph Nelson	May 4, 1987	Feb. 12, 1999
Marsha H. Smith	Jan. 21, 1991	Now Serving
Dennis S. Hansen	Feb. 1, 1995	Now Serving
Paul Kjellander	Feb. 15, 1999	Now Serving

# Financial Summary

## IPUC FISCAL YEAR 2001 - FISCAL YEAR 2005

<u>Description</u>	<u>FY 2001</u>	<u>FY2002</u>	<u>FY2003</u>	<u>FY2004</u>	<u>FY2005</u>
Personnel Costs	\$3,137,426	\$3,249,510	\$3,314,191	\$3,481,404	\$3,561,082
Travel	\$140,713	\$143,612	\$137,710	\$157,869	\$154,345
Consultants	\$246,841	\$137,211	\$45,924	\$25,197	\$590
Subscriptions	\$19,389	\$21,651	\$18,603	\$19,804	\$21,574
Emp. Training	\$26,161	\$26,646	\$18,876	\$30,447	\$35,553
Postage	\$15,073	\$15,611	\$13,086	\$11,265	\$10,798
Telephone	\$37,276	\$29,287	\$24,580	\$29,009	\$32,517
Office Supplies	\$16,453	\$17,965	\$13,240	\$15,063	\$17,309
Office Rent	\$240,787	\$232,247	\$227,965	\$226,441	\$226,357
Maintenance	\$16,532	\$25,494	\$14,613	\$9,666	\$17,724
Insurance	\$6,464	\$6,349	\$6,084	\$4,930	\$1,407
Office Equip.	\$3,251	\$59,799	\$0.00	\$0.00	\$0.00
Computer Eqpt.	\$41,207	\$40,944	\$0.00	\$0.00	\$38,049
Comm.'s Eqpt.	\$1,503	\$5,863	\$0.00	\$0.00	\$0.00
Other Expenses	\$112,743	\$114,588	\$97,093	\$99,264	\$114,470
=====					
<b>Total</b>					
<b>Expenditures</b>	\$4,062,269	\$4,144,006	\$3,931,965	\$4,110,359	\$4,231,955
<b>Appropriations</b>	\$4,241,500	\$4,433,100	\$4,399,400	\$4,581,800	\$4,612,300
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<b>Unexpended</b>					
<b>Balance</b>	\$179,231	\$289,094	\$467,435	\$471,441	\$380,345

# 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.

In setting rates, the commission must consider the needs of both the utility and its customers. Customers must be ensured of paying a reasonable rate and utilities must be allowed to recover their legitimate costs of serving their customers and earn a fair rate of return. IPUC decisions can be appealed to the Idaho Supreme Court.

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. Vacancies that occur when the Idaho Senate is not in session are filled by gubernatorial appointment subject to confirmation by the Senate upon reconvening in regular session.

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 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

## Why can’t you just say “no”?

That’s one of the more frequent questions the commission gets when utilities file for a rate increase. Many Idahoans believe utilities should operate like any other business and find ways to cut costs when times are tough.

While it’s true utilities can and should cut costs, regulated utilities are not like any other business. They are monopolies (hence, the need for regulation) that offer a service essential to public health and welfare. They cannot be allowed to fail. They are assigned territories in which they must serve. They must serve every customer in that territory and cannot diminish or enlarge their territory without commission approval. They cannot cut back on service to customers when costs become high. They also cannot increase or decrease their rates without commission approval. In return for their commitment to adequately serve every customer in their assigned territory at a rate the commission determines, utilities are guaranteed recovery of prudently incurred expenses and a rate of return deemed reasonable by industry standards. When the commission denies cost recovery to a utility, it must be able to legally demonstrate why the utility’s costs were not prudently incurred or in the best interests of customers. All commission decisions can be appealed to the state Supreme Court.

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.

Formal hearings on utility and railroad issues are held on a case-by-case basis, often in the service area of the utility under consideration to allow maximum public participation. These hearings resemble judicial proceedings and are recorded as well as transcribed by a court reporter. Formal parties to the case under consideration present testimony and evidence, subject to cross-examination by attorneys and staff from the other parties and the commissioners.

Members of the general public may testify before the commission at a hearing without prior notice or formal intervention. However, those seeking the full rights of parties - such as the right to cross-examine other witnesses or to make and argue motions - must file a petition for “intervenor” status.

To provide for more public input in a less formal setting, commission staff members have begun traveling to areas impacted by potential commission decisions to conduct workshops. Unlike a formal hearing where members of the public testify but cannot ask questions of commissioners, a workshop allows citizens to ask questions and offer suggestions to commission staff.

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 Mondays 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 and decisions reached at these meetings are preliminary, becoming final only when issued in a written order signed by a majority of the commission.

# Commission Staff

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.

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.

## Administration

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

The two **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 and acting as liaison between the commission and its staff, utility representatives, public officials and public agencies and organizations.

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.

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 also serves as a liaison between the commission and other state agencies and the Legislature.

The **executive assistant** is responsible for the commission's Website, electronic filings and other special projects assigned by the commissioners.

The **public information officer** is responsible for informing the public and the media of commission decisions, meetings and activities; responding to requests for information; coordinating public hearings, preparing materials that allow for effective public participation in IPUC proceedings and preparing the annual report.

## Legal Division

**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.

## Utilities Division

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

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.

The **Engineering Section**, which includes **four engineers**, reviews the physical operations of utilities. Staff engineers determine the cost of serving various types of customers, design utility rates and allocate costs between Idaho and the other states served by Idaho utilities. They determine the cost effectiveness of conservation and co-generation programs, evaluate the adequacy of utility services and frequently help resolve customer complaints. The group develops computer models of utility operations and reviews utility forecasts of energy usage and the need for new facilities.

The **Telecommunications Section**, which consists of **five telecommunications analysts**, reviews and recommends commission action on telecommunications issues and new telecommunication services filed with the commission. Telecommunications analysts propose ways to allocate revenue among the various types of telecommunication services and recommend rates to recover that revenue.

The **Consumer Assistance Section** includes **six 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.

Most consumers contact the commission by telephone or by e-mail, via the commission's Website. Staff members may negotiate payment arrangements with utilities on behalf of consumers and, when appropriate, refer clients to social service agencies, financial aid programs or budget counseling services.

As traditionally regulated services become deregulated, the Consumer Assistance Section's role of educating consumers and mitigating complaints with non-regulated utilities has increased. The increase in companies providing services equates to an increase in consumer inquiries and complaints. Also on the increase are disputes between companies providing services, especially among telecommunications providers.

The Consumer Assistance Section is also responsible for conducting quality of service and compliance investigations and customer satisfaction surveys.

## Rail Section

The Rail Section oversees the safe operations of railroads that move passengers and 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 specialist** inspects railroad crossings and rail clearances for safety and maintenance deficiencies. The Rail Section investigates 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.

## Pipeline Safety Program

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

The commission's **pipeline safety personnel** verify compliance of state and federal regulations by on-site inspections of intrastate gas distribution systems operating in the state. 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.

# Commission Website

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

The commission was proud to be a leader in state government Web sites and has been online since 1995. The commission recognizes the need to provide information to the public in whatever media is available.

Currently, citizens can file complaints about a utility or comment on a current case via our Web site. They can access our rules, statutes, annual report, orders, press releases, commission agendas, and other special reports online. Most of the major utilities' tariffs, annual reports and case filings are also available to the public on our Web site.

Citizens can subscribe to a multitude of e-mail lists or RSS feeds, allowing them to receive information automatically, including commission agendas, orders and press releases. Consumer information, including a description of the commission's processes and how a consumer may provide input to the commission is also available from the Web site.

The commission is committed to meeting the information needs of our citizens. We encourage participation in the commission process via the Internet.