

MINUTES

HOUSE ENVIRONMENT, ENERGY, & TECHNOLOGY COMMITTEE

- DATE:** Tuesday, February 26, 2013
- TIME:** 1:30 P.M.
- PLACE:** Room EW41
- MEMBERS:** Chairman Raybould, Vice Chairman Eskridge, Representatives Anderson(1), Hartgen, Vander Woude, DeMordaunt, Nielsen, Thompson, Anderson(31), Anderst, Mendive, Monks, Morse, Trujillo, Smith, Rusche, Woodings
- ABSENT/
EXCUSED:** Rep. Nielsen
- GUESTS:** Elizabeth Criner, Northwest Food Processors Association (NWFAA)/Far West Agribusiness Association (FWAA); Ken Miller, Snake River Alliance; Lynn Tominaga, Idaho Irrigation Pumpers Association (IIPA); Russell Westerberg, Rocky Mountain Power; John Chatburn, Office of Energy Resources; Mark Frei, Farm Bureau Intern; Neil Colwell, Avista Corporation; Pat Barclay, Idaho Council on Industry
- Chairman Raybould** called the meeting to order at 1:31 p.m.
- MOTION:** **Rep. Smith** made a motion to approve the minutes of the February 20, 2013 meeting. **Motion carried by voice vote.**
- Marsha Smith**, Idaho Public Utilities Commission (PUC), gave a presentation on Rate Making 101. Ms. Smith explained the PUC was established by the legislature in 1913, and regulates Idaho's for-profit, investor-owned electric, gas and water utilities and rural telecoms. The PUC does not regulate publicly-owned utilities, which includes municipalities, and rural co-ops. Ms. Smith stated there are three commissioners appointed by the Governor and they are the decision making body.
- Ms. Smith** explained the PUC's role, as defined in Idaho Code Titles 61 and 62, is assurance of safe and reliable service, assurance of reasonable rates, assurance of adequate earnings, and prevention of excess profits. She stated what the PUC charges customers is determined by state regulators. The state promises the PUC recovery of prudently incurred expenses necessary to serve customers, and a reasonable rate of return on their investment. In return the PUC guarantees to provide adequate and reliable service.
- Ms. Smith** reviewed the ratemaking formula, which is capital recovery, plus return on investment, plus normal operating expenses, equals revenue requirement. Revenue requirement is established using six months of actual figures, and six months of forecast figures from a calendar year. Ms. Smith also presented PUC's energy rate formula and rate structure, which is based on customer class. Customer classes include residential, commercial, irrigation, industrial, street lighting, and others.
- In answer to a question on whether large wind projects could divide into smaller corporations to receive a better rate, **Ms. Smith** stated the rate is established by the commission, and they have established an integrated resource plan (IRP) as the basis for negotiation. She also stated the PUC tries to base cost on project size not other criteria.

In response to further questions, **Ms. Smith** explained the rate of return usually only changes when a utility files a general rate case. She stated all the commission can do is set a rate of return and authorize a revenue requirement. Utilities earning a return depends on whether the loads turn out as forecast, whether expenses are as anticipated, whether the investment is what they thought it would be, but the rate of return is never guaranteed. Ms. Smith explained the commission has no role in the sighting process of transmission lines, the process is left to local governments that are impacted. She stated the PUC has never been asked to advise or help smaller entities, and there is no requirement to do so, but they would be happy to if asked. Ms. Smith added the PUC is very aggressive in promoting and requiring programs for energy efficiency.

ADJOURN: There being no further business to come before the committee, the meeting adjourned at 2:27 p.m.

Representative Raybould
Chair

Lynn Walker
Secretary