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IDAHO PUBLIC
UTILITIES COMMISSION

2626 Eldorado Boise, Idaho 83704
Telephone 375-0931

November 17, 2008

Idaho Public Utilities Commission
P.O. Box 83720
Boise, Idaho 83720-0074

CAP-W-08-02

ATTENTION COMMISSION SECRETARY AND HEAD LEGAL SECRETARY

Enclosed are an original and seven (7) copies of an application requesting an increase in Capitol Water Corporation's water rates. The Application is a "Make Whole" Application restricted to three issues applied to the Commission's Order No. 30198 in the Company's last general rate case number CAP-W-06-1.

Capitol Water Company requests that the Commission process this Application under the Commission's Rules of Modified Procedure.

Sincerely,

A handwritten signature in black ink that reads "Robert Price". The signature is written in a cursive style.

Robert Price, President
Capitol Water Corporation

Robert Price, President
Capitol Water Corp.
2626 Eldorado
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Representative for Capitol Water Corp.

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IDAHO PUBLIC
UTILITIES COMMISSION

BEFORE THE IDAHO PUBLIC UTILITIES COMMISSION

IN THE MATTER OF THE APPLICATION) CASE NO. CAP-W-08-02
OF CAPITOL WATER CORP. TO)
INCREASE ITS BASIC RATES AND) APPLICATION
CHARGES IN THE STATE OF IDAHO)

COMES NOW Capitol Water Corporation (“Capitol, “Applicant” or “Company”), holder of Certificate of Convenience and Necessity Number 239 and applies to the Idaho Public Utilities Commission (Commission or PUC) for authorization to increase its base tariff rates for water service in the State of Idaho effective January 1, 2009 by 7.8%.

Coincident with this application, Capitol Water Corporation is filing an application to terminate surcharges previously approved by the Commission. See Application in Case No. CAP-W-08-01. The timing of the two separate applications is purely coincidental; they are not linked in any way. The net effect of the two applications will result in a net decrease in customer’s monthly billings.

Capitol Water Corporation provides water service to approximately 2,560 residential and 150 commercial customers on the City of Boise’s west bench area bordered approximately by Curtis road to the east, Maplegrove road to the west, Ustick road to the north and Northview street to the south.

BASE RATE INCREASE

The Commission by Order No. 30198 (Case No. CAP-W-06-1) dated December 12, 2006 authorized the rates and charges that are currently in effect for Capitol. That case was based upon a 2005 test year. At the time the case was being processed,

Applicant was aware that it was going to incur extraordinary costs beyond its control due to the Ustick Road widening project scheduled for construction by the Ada County Highway District (ACHD). The Company did not know at the time the scope of the work that would be required nor the costs. That project, begun in 2007, was completed in 2008 and the total cost to Capitol Water of \$102,006.34 is now known. The highway district project required Applicant to relocate distribution piping, fire hydrants and customer service connections. In October of 2008, the company experienced a pump failure at its Well #6. Costs incurred to repair the pump and put it back in service were \$11,234.37. These two extraordinary projects were completed subsequent to the issuance of Commission Order No. 30198 and do not generate any incremental revenue to the Company.

Capitol proposes to characterize this Application as a "Make Whole Application" and expedite the processing of this case by limiting the scope of the Application to only three issues, the two projects discussed above and a significant change in the company's electric power rates. To accomplish this, Applicant proposes to modify the Commission's findings in Order No. 30198 to recognize these three issues as though they had been known and included in Case No. CAP-W-06-1.

Enclosed Exhibit No. 1 is a one page exhibit that shows the effect of the three issues on the revenue requirement the Commission determined was appropriate in its Order No. 30198. Lines 1 through 14 show the calculation of the incremental revenue requirement that results from the Ustick road project and the emergency pump repair. Those projects increase the Company's revenue requirement by \$21,232. Line 1 of this exhibit shows the \$942,326 rate base the Commission found appropriate in its order. On lines 2 and 3 are the \$102,006 Ustick Road project and the \$11,234 extraordinary pump repair. When added together, an updated rate base of \$1,055,567 is produced. Following the Commission's findings in Order No. 30198 on lines 5 through 9, the rate base additions produce an incremental revenue requirement of \$16,702 shown on line 10. Depreciation expense on the two increases to plant in service adds an additional revenue requirement of \$4,530 shown on line 13.

In its Order No. 30198, the Commission allowed total electric expenses of \$70,509 composed of pumping power costs of \$68,255 shown on line 15 of exhibit No. 1

and \$2,254 shown on line 16 that was included in Applicants utilities expense account. During the test year, Capitol charged \$12,365 to its surcharge account as authorized by prior Commission Orders for Idaho Power Company Power Cost Adjustment (PCA) charges. The Commission addressed the Company's electric expenses in its Order No. 30198 (Order at Page 6). In that order, the Commission directed Capitol to cease charging these costs to the surcharge account. Idaho Power Company's PCA rate at the time of the Commission's order was negative and the Commission did not recognize these costs in its Order, following the PUC Staff's recommendation that "...the 2005 test year expenses should be more than sufficient to cover the ongoing power costs of Capitol Water."

Idaho Power Company rates have changed significantly since Order No. 30198 was issued. Idaho Power Company's PCA rate is currently \$0.007864 per KWh rather than a negative or credit amount. In addition, Idaho Power Company's rates for service under its Schedule Nos. 7 and 9, under which Capitol Water Company is billed, have increased significantly. Capitol has recalculated its actual 2005 electric bills using Idaho Power Company rates in effect at the time of this application and determined its 2005 electric power costs, at current rates, would have been \$97,417 (See line 18 of Exhibit No. 1) or \$26,908 more than allowed by the Commission's Order No. 30198. A work paper in the form of an electronic spreadsheet is enclosed with this Application for the Commission Staff's review and verification of the calculations. When this \$26,908 together with the Company's three year amortization of its costs to file this case are added to the \$21,232 incremental revenue requirement required from changes to the Company's plant in service (Ex No. 1 line 14), the total incremental revenue requirement to make the Company whole becomes \$48,739 as shown on line 21 of Exhibit No. 1. This represents an increase of 7.8% over the total \$624,713 revenue requirement the Commission authorized in its Order No. 30198 as shown on Exhibit No. 1 lines 22 and 23.

Applicant believes this filing demonstrates the vulnerability of the Company's operating expenses to changes in Idaho Power Company electric rates. Applicant proposes to work with the Commission's Staff to put in place a mechanism for Applicant's rates to be adjusted (either up or down) coincident with changes to Idaho

Power Company's rates. Electric Power costs are the single most expensive costs of the Company over which it has no control

Applicant notes that Idaho Power Company currently has an application before the Commission (IPC-E-08-10) and requests the Commission to immediately approve the rates proposed in this filing but hold the Case open pending a ruling by the Commission regarding Idaho Power Company's current rate case. Upon completion of that case, Applicant proposes the Commission revisit this case and authorize recovery of any additional electric expense Applicant will realize.

Applicant requests the Commission process this Application under the Commission's Rules of Modified Procedure.

Applicant's customers are being notified of this Application by bill insert in the December 2008 billings. A copy of the notice is enclosed as Exhibit No. 24.

CONTACT INFORMATION:

Questions regarding this Application should be addressed to:

Robert Price
Capitol Water Corp.
2626 Eldorado
Boise, Idaho 837704

Ph: (208) 375-0931
E-mail capitolwatercorp@worldnet.att.net

Robert E. Smith
2209 N. Bryson Rd.
Boise, Idaho 83713

Ph: (208) 761-9501
e-mail utilitygroup@yahoo.com

Please provide copies of all correspondence, notices and orders to the above individuals.

Respectfully submitted,



Robert Price, President
Capitol Water Corporation

**Capitol Water Company
Make Whole Revenue Requirement**

1 Rate Base Approved by Order No. 30198 (Case CAP-W-06-1)	\$	942,326
2 Add Ustick Road Rebuild Project		102,006
3 Add Well No. 6 Rebuild Cost		11,234
4 Adjusted Rate Base	\$	1,055,567
5 Rate of Return Authorized by Order no. 30198		11.48%
6 Income Requirement with Improvements	\$	121,179
7 Income Requirement Determined in Order No. 30198		108,152
8 Incremental Income Requirement	\$	13,027
9 Gross-up Factor From Order No. 30198		128.21%
10 Incremental Revenue Requirement	\$	16,702
11 Add Depreciation Expense - 2008 Ustick Project	4,080	
12 Add Depreciation Expense - 2008 Pump Repair	449	
13 Incremental Depreciation Expense		4,530
14 Total Incremental Revenue Requirement-Plant in Service	\$	21,232
15 2005 Pumping Power Expense (Per Order 30198)	\$ 68,255 *	
16 2005 Electric Power Expense Included in Utilities Expense	2,254	
17 Total Electric Expense included in Order No. 30198	\$ 70,509	
18 2005 Electric Bills Recalculated at Current Rates	97,417	
19 Incremental Electric Expenses		26,908
20 Add Amortization of Rate Case Expense (\$1,800/3yrs)		600
21 Total Incremental Make Whole Revenue Requirement	\$	48,739
22 Revenue Requirement Approved by Order No. 30198	\$	624,713
23 Increase Required		7.80%

* Note: During the test year, Capitol Water charged \$12,365 of IPCo PCA charges to its surcharge balancing account. Commission Order No. 30198 eliminated this accounting procedure from the Company's surcharge balancing account and assumed new rates would cover IPCo PCA charges that were negative at the time.