

BEFORE THE IDAHO PUBLIC UTILITIES COMMISSION

**IN THE MATTER OF THE APPLICATION)
OF CAPITOL WATER CORPORATION TO) CASE NO. CAP-W-10-01
REVISE ITS SCHEDULE NO. 3 PURCHASE)
POWER ADJUSTMENT RATE) ORDER NO. 32056
)**

On June 11, 2010, Capitol Water Corporation (“Capitol” or “Company”) filed an Application requesting authority from the Commission to change its Schedule No. 3 Purchase Power Cost Adjustment (“PPCA”) to recover the Company’s cost of electricity related to Idaho Power Company’s electric rate schedules that have been approved by the Idaho Public Utilities Commission (“Commission”). *Application* at 1.

Capitol Water requested that the Commission process its Application through Modified Procedure and approve the change on less than 30 days’ notice on an interim basis, subject to refund, effective July 1, 2010. *Id.* at 2. Thereafter, Capitol Water requested a final Order making any changes permanent with an effective date of August 1, 2010. *Id.*

On June 30, 2010, the Commission issued a Notice of Application and Modified Procedure with a 21-day comment period. *See* Order No. 32022. In that Order, the Commission approved the proposed change to Capitol Water’s Schedule No. 3 PPCA rate on an interim basis and later subject to refund. In this Order, the Commission affirms that decision.

THE APPLICATION

In its Application, Capitol Water noted that since its last case to establish a new tariff rate to recover its purchased power costs (CAP-W-09-01), “Idaho Power Company has been granted a number of changes . . . which increased rates and charges paid by Applicant to Idaho Power Co. for electric service.” *Id.*

Capitol Water’s current base rates were established in Case No. CAP-W-08-02, Order No. 30762. *Id.* In Order No. 30762, the Commission approved “a three (3) year average of 1,454,401 KWh of electricity consumption at an average cost of 5.19¢ to establish rates for Applicant.” *Id.* The Company stated that its total cost of electric power is \$75,483.41. *Id.* A recalculation of Capitol Water’s average cost per kWh at Idaho Power’s current rates for electric power “produces an average cost of 5.52¢ per KWh.” *Id.* at 2. Capitol Water estimates that this

revised average cost per kWh yields an annual cost for electric power of \$80,295 – an increase of \$4,811 or 6%. *Id.*

Capitol Water requested that it be permitted to replace its “currently approved Schedule No. 3 Purchased Power Cost Adjustment of 1.45% with a new Purchased Power Cost Adjustment of 0.81 %.” *Id.* Additionally, Capitol Water seeks to recover \$1,000 for its “costs to review the Idaho Power Company cases, determine their effect on Applicant and prepare and file this application.” *Id.*

Capitol Water stated that the reduction of the Schedule No. 3 rate is “due to the change in Applicant’s incremental costs approved in Case No. CAP-W-09-01 that utilized Idaho Power Company’s PCA rate of 1.4717¢ per kWh” and was “recently reduced to 0.3114¢ per kWh.” *Id.*

Capitol Water attached two exhibits to its Application. Exhibit No. 1 lays out the calculations used by the Company to reach its proposed Schedule No. 3 Purchase Power Cost Adjustment rate. Exhibit No. 2 is a copy of the Company’s current Schedule No. 3 with corrections to reflect the proposed changes to the Purchased Power Cost Adjustment. Capitol Water also attached a copy of its proposed Schedule No. 3 for the Commission’s approval with a proposed effective date of July 1, 2010.

Capitol Water stated that it was “unable to file this application in a timely manner to meet the Commission’s 30 day notice requirement due to the date Commission Order Nos. 31081, 31091 and 31097 were issued on May 28, [2010].” *Id.* Consequently, Capitol Water said that it “was unable to review those orders and the effect on Applicant until after June 1, [2010].” *Id.*

Capitol Water assured the Commission that it would issue a notice advising its customers of its pending Application before the Commission and that the notice would be “included with customer bills to be mailed July 1, 2010 and by a news release that is being sent to the Idaho Statesman and the Idaho Business Review newspapers” in conjunction with the filing of its Application. *Id.* at 2-3. Copies of the customer notice and news release were filed as Exhibit Nos. 3 and 4, respectively. *Id.* at 3.

STAFF COMMENTS AND RECOMMENDATION

Commission Staff reviewed Capitol Water’s Application and recommended the Commission approve Capitol Water’s Application to change its Schedule No. 3 PPCA rate from

its current level of 1.45% to 0.81 % on a permanent basis. Staff acknowledged that in Capitol Water's last PPCA filing, CAP-W-09-01, the Commission recommended the Company file an application for a rate adjustment when its power costs fell outside a 0.25% revenue band. Staff stated the Company demonstrated in its filing that its increased annual power costs fall well outside that band.

Staff believes that Capitol Water should be allowed to recover \$500 in costs associated with its review of recent Idaho Power cases and their potential impact on the Company's costs of electricity and noted that Capitol Water was awarded an equivalent amount in Case No. CAP-W-09-01.

COMMISSION DECISION AND FINDINGS

The Commission notes that in its previous Order addressing the Company's last PPCA filing, Case No. CAP-W-09-01, we found that "the use of a 0.25% revenue band in determining each year whether to file for a rate adjustment in future years is a reasonable means to address the issue of annual power rate adjustments." Order No. 30881 at 2. The Company has dutifully presented calculations showing that the percent change in power costs related to the revenue requirement is 0.80%. *See* Application, Exhibit No. 1. Thus, the change in power costs experienced by Capitol Water exceeds the 0.25% revenue band selected by the Commission.

Based upon our review of the Company's Application and written comments filed by Commission Staff, the Commission affirms its previous ruling, Order No. 32022, and grants Capitol Water's request to adjust its Schedule No. 3 PPCA rate from 1.45% to 0.81%. The Commission also finds that the Company's request to recover \$500 as an expense embedded within the requested rate adjustment to be reasonable. Therefore, we affirm our prior decision in Order No. 32022 which resulted in a percentage decrease from the previously approved Schedule No. 3 PPCA of 1.45% to 0.81% incremental revenue requirement increase.

CONCLUSIONS OF LAW

The Commission has jurisdiction over Capitol Water Corporation, a water corporation operating a water system in the State of Idaho, and the issues presented in this case pursuant to Title 61 of the Idaho Code, including, but not limited to, *Idaho Code* §§ 61-124, 61-125, 61-129, 61-301, 61-305, 61-307 and 61-313.

ORDER

IT IS HEREBY ORDERED that Capitol Water Corporation's Application, approved on an interim basis in Order No. 32022, to change its Schedule No. 3 Purchased Power Cost Adjustment from 1.45% to 0.81%, an incremental revenue requirement increase of \$4,811 or 6.37%, in order to recover the Company's annual cost of electricity, is approved.

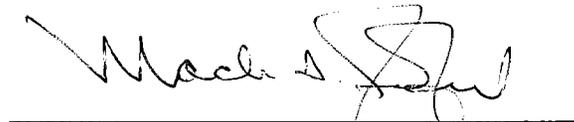
IT IS FURTHER ORDERED that Capital Water Corporation's request to recover \$500 as a reasonable and necessary expense associated with the preparation and filing of the Company's Application, for a total increase of \$5,311 to the Company's annual revenue requirement, is approved.

THIS IS A FINAL ORDER. Any person interested in this Order may petition for reconsideration within twenty-one (21) days of the service date of this Order. Within seven (7) days after any person has petitioned for reconsideration, any other person may cross-petition for reconsideration. *See Idaho Code § 61-626.*

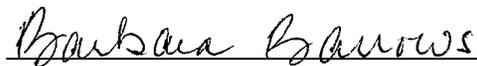
DONE by Order of the Idaho Public Utilities Commission at Boise, Idaho this *26th* day of August 2010.


JIM D. KEMPTON, PRESIDENT


MARSHA H. SMITH, COMMISSIONER


MACK A. REDFORD, COMMISSIONER

ATTEST:


Barbara Barrows
Assistant Commission Secretary

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