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Attorney for the Commission Staff

**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 ) COMMENTS OF THE  
 ) COMMISSION STAFF  
 )  
\_\_\_\_\_ )**

The Staff of the Idaho Public Utilities Commission, by and through its Attorney of Record, Neil Price, Deputy Attorney General, in response to the Notice of Application and Notice of Modified Procedure, issued on June 30, 2010, Order No. 32022, submits the following comments.

**BACKGROUND**

On June 11, 2010, Capitol Water Corporation (“Capitol Water” or “Company”) filed an Application requesting the Commission’s approval to change its Schedule No. 3 Purchase Power Cost Adjustment 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”).

Capitol Water noted in its Application 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 Capitol Water to Idaho Power for electric service.

Capitol Water's current base rates were established in Case No. CAP-W-08-02, Order No. 30762. In Order No. 30762, the Commission approved a three-year average of 1,454,401 kWh of electricity consumption per year at an average cost of 5.19¢ kWh to establish annual electric power cost in rates of \$75,483.

Capitol Water recalculated the average cost per kWh at Idaho Power's current rates for electric power at an average cost of 5.52¢ per kWh. The Company estimates that this revised average cost per kWh yields an annual cost for electric power of \$80,295 – an increase over base power costs of \$4,811, or 6%. Power costs currently collected from customers through base rates and Schedule 3 is \$84,933.

Capitol Water requests permission 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%. Additionally, Capitol Water seeks to recover \$1,000 for its costs to review the Idaho Power cases, determine their effect on Applicant and prepare and file this Application.

Capitol Water states 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's PCA rate of 1.4717¢ per kWh and was recently reduced to 0.3114¢ per kWh.

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 states that it was unable to file its Application in a timely manner and meet the Commission's 30-day notice requirement because it was unable to review the relevant Commission Orders pertaining to Idaho Power's recent applications for rate increases and analyze the effect of these Orders on Capitol Water's operations until after June 1, 2010.

Capitol Water states that, in conjunction with the filing of its Application, it will issue a notice advising its customers of its pending Application before the Commission and that the notice will be included with customer bills to be mailed July 1, 2010, and by a news release that

will be transmitted to the Idaho Statesman and the Idaho Business Review newspapers. A copy of the customer notice and news release were filed as Exhibit Nos. 3 and 4, respectively.

### **INTERIM ORDER**

As part of the Application, Capitol Water requests that the Commission approve the change on less than 30 days notice on an interim basis subject to refund effective July 1, 2010 with a final Order making the changes permanent on August 1, 2010. On June 30, 2010, the Commission issued Order No. 32022 approving the Company's request to replace, subject to refund, its current Schedule 3 Purchased Power Cost Adjustment of 1.45% with a new Purchased Power Cost Adjustment of 0.81% in order to recover the Company's cost of electricity. The Order further states that the interim rate shall be effective for service rendered on or before July 1, 2010 and shall remain in place until such time as the Commission has completed its review and issued a subsequent ruling regarding the Company's request.

### **STAFF ANALYSIS**

Capitol Water requests authority to change its Purchased Power Cost Adjustment Rate under Schedule No. 3 – Other Recurring and Non-Recurring Charges. The change will allow recovery of the Company's Cost of electricity related to Idaho Power Company's electric rate schedules that were recently approved by the Commission.

In 2009, Capitol Water filed a similar case (Case No. CAP-W-09-01) to establish a new tariff to recover its cost of electricity related to the increase in Idaho Power Company's Schedule 55, Power Cost Adjustment. In the 2009 case, a 1.45% incremental revenue requirement increase was granted to Capitol Water by the Commission. Order No. 30881. In the same Order, the Commission states:

“For future filings, 0.25% revenue band shall be calculated based on the total revenue previously approved by the Commission (\$651,738 base revenue approved in Order No. 30762 + \$9,456 approved herein) and is applicable while the Commission-approved average electric consumption of 1,454,401 kWh is in effect. Future changes in the Company's normalized kWh consumption and base revenue requirement may necessitate changes to the present incremental power cost adjustments.”...

“IT IS FURTHER ORDERED that Capitol Water utilize a 0.25% revenue band in determining each year whether to file for an adjustment of its total revenue to recognize changes in power costs.”

Staff notes that when the Company filed Case No. CAP-W-09-01, Capitol Water sought approval from the Commission to establish a new tariff rate to recover purchased power costs directly related to Idaho Power Company's Power Cost Adjustment (Case No. IPC-E-09-11). Staff interprets Commission Order No. 30881 as cited above, to include changes in Idaho Power's PCA costs and all other miscellaneous Idaho Power rate changes such as the FCA, the DSM tariff rider and base rate changes caused by increased pension costs and cost recovery of Automated Meter Installation. In analyzing this case, Staff considers all of these costs to be included in "changes in power costs" as noted in Order No. 30881.

Commission orders addressing Idaho Power rate issues listed above include Order No. 30814 (Case No. IPC-E-09-05), Order No. 31081 (Case No. IPC-E-10-07), Order No. 31091 (Case No. IPC-E-10-08), Order No. 31093 (Case No. IPC-E-10-12), and Order No. 31097 (Case No. IPC-E-10-06). The Company maintains that the combined effect of these Idaho Power rate changes on Capitol Water's Schedule No. 3 is a reduction in the Purchase Power Cost Adjustment, Schedule 3, from 1.45% to 0.81%.

Staff has reviewed the calculations made by the Company and agrees with the method of analysis and calculations resulting in a new Power Cost Adjustment of 0.81% as presented in Exhibit No. 1 of the Company's Application. Staff also notes that the Company has appropriately used the 3-year normalized electric power consumption of 1,454,401 kWh and base revenue of \$651,738 (Order No. 30762), and the restated average cost per kWh using the new Idaho Power rates effective June 1, 2010 as the basis for determining the incremental power cost change to Capitol Water. The annual electric power cost currently embedded in the basic rates is \$75,483 (1,454,401 kWh x \$0.0519 per kWh-from Order No. 30762). The proposed electric power cost using the restated average cost per kWh is \$80,294 (1,454,401 kWh x \$0.055208 per kWh-rounded). The \$0.055208 per kWh electric power cost is the recalculated average cost using the new Idaho Power rates effective June 1, 2010. The incremental increase over base power cost due to Idaho Power's rate changes is \$4,811 (\$80,294 - \$75,483).

Staff notes that the Company expects its costs to review the Idaho Power Company cases, determine the effect on Applicant and prepare and file its Application to be \$1,000. Application at 2. However, the Company used \$500 for rate case expense in determining the total incremental revenue cost of \$5,311 (\$4,811+\$500). Exhibit No. 1, Application. The Commission granted a similar amount of \$500 for rate case expense in a previous case (Order No. 30881, Case No. CAP-W-09-01). Staff recommends \$500 as a reasonable expense for this

case. Adding \$500 for rate case expenses results in a total incremental revenue cost of \$5,311. This is the amount that the Company proposes to collect from Schedule 3.

The Company recommends a new Purchased Power Cost Adjustment of 0.81%. This percentage is calculated by dividing the incremental cost of \$5,311 by the authorized revenue of \$651,738 (Order No. 30762). The 0.81% replaces the current Schedule 3 Purchased Power Cost Adjustment of 1.45%.

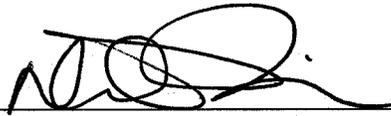
Staff calculated the overall effect on customers due to the reduction in the Company's Power Cost Adjustment from 1.45% to 0.81%. The estimated current revenue collected by the Company with the current power cost adjustment is approximately \$661,188 (\$9,450 current surcharge for power cost + \$651,738 base revenue). The total revenue collected by the Company with the proposed power cost adjustment is \$657,017 (\$5,279 proposed surcharge for power cost + \$651,738 base revenue). The decrease in total revenue collection is \$4,171 (\$657,017 - \$661,188) or an overall decrease of approximately 0.64%. See Attachment A.

As part of the Commission Order No. 30881, the Company was directed by the Commission to utilize a 0.25% revenue band in determining each year whether to file for an adjustment of its total revenue to recognize changes in power costs. The Company presented calculations showing that the percent change in power costs related to the revenue requirement is 0.80% ( $\$5,311 \text{ incremental power cost} / \$661,194 \text{ revenue per Order 30762} \times 100$ ). Exhibit No. 1, Application. Staff believes the intent of the 0.25% band was to compare current power cost recovery including Schedule 3 to proposed power cost recovery. On that basis, the change in power cost is 0.70% ( $(9450 - 4811) / 661,188$ ). This percentage still exceeds the 0.25% band. Staff believes it was appropriate for the Company to file for rate adjustments.

### **STAFF RECOMMENDATION**

Staff recommends the interim decrease in Schedule 3 approved by Commission Order No. 32022 covering the changes in power costs plus \$500 in rate case expenses be made permanent. The decrease over current power costs results in a reduction in Schedule 3 from 1.45% to 0.81%.

Respectfully submitted this 21<sup>st</sup> day of July 2010.



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Neil Price  
Deputy Attorney General

Technical Staff: Gerry Galinato

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**CAP-W-10-01****Calculation of Percent Change in Customer Rates**

Base Revenue from Order 30762 in CAP-W-08-02	\$651,738
Current power cost embedded in the basic Company rates	\$75,483
Proposed power cost due to IPCo rate changes	\$80,294
Difference in power cost	\$4,811
Percent increase in power cost	6.37%
Proposed rate case cost	\$500
Incremental revenue requirement	\$5,311
Power cost adjustment required	0.81%
Current Company PCA Adjustment Rate, Sch. 3 (Order No. 30881)	1.45%
Current amount of surcharge for power cost	\$9,450
Total current revenue collected by Company	\$661,188
Proposed Company PCA Adjustment Rate	0.81%
Current amount of surcharge for power cost	\$5,279
Total revenue to be collected by Company with proposed PCA rate	\$657,017
Decrease in revenue due to the change in Company PCA rate	-\$4,171
<b>Percent decrease in overall rate</b>	<b>-0.64%</b>

## CERTIFICATE OF SERVICE

I HEREBY CERTIFY THAT I HAVE THIS 21<sup>ST</sup> DAY OF JULY 2010, SERVED THE FOREGOING **COMMENTS OF THE COMMISSION STAFF**, IN CASE NO. CAP-W-10-01, BY MAILING A COPY THEREOF, POSTAGE PREPAID, TO THE FOLLOWING:

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SECRETARY