

BEFORE THE IDAHO PUBLIC UTILITIES COMMISSION

IN THE MATTER OF THE APPLICATION)
OF CAPITOL WATER CORPORATION) **CASE NO. CAP-W-11-01**
TO CHANGE ITS SCHEDULE NO. 3)
PURCHASED POWER ADJUSTMENT) **ORDER NO. 32325**
RATE)

On June 6, 2011, Capitol Water Corporation applied to the Commission for authority to increase the Company’s Purchased Power Cost Adjustment (PPCA).¹ The Company sought to increase its PPCA in tariff Schedule No. 3 from 0.81% to 1.44% on an interim basis effective July 1, 2011 (subject to refund), with the interim rate becoming permanent on August 1, 2011.

On June 30, 2011, the Commission denied the Company’s interim rate relief request² and suspended the proposed effective date for 60 days, or until such time as the Commission issued an Order accepting, rejecting, or modifying the Application. The Commission authorized the use of Modified Procedure, and set a 21-day comment deadline. *See* Order No. 32287.

On July 22, 2011, Commission Staff filed comments recommending that the Company’s PPCA decrease to 0.37%. No other comments were filed. On August 3, 2011, the Company responded that it agrees with Staff’s adjustment.

In this Order, the Commission grants the Company’s request to change its PPCA, as modified by the agreed-upon Staff’s adjustment.

THE APPLICATION

In its Application, Capitol Water notes that the Company’s current base rates were established in 2008 (Order No. 30762) when 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.” The Company says it has paid Idaho Power \$75,483.41 for electric power. *See* Application.

¹ Idaho Power Company sells electric service to Capital Water. The PPCA is an adjustment mechanism that allows Capital Water to recover its cost for electric service when Idaho Power’s rates change.

² The Commission found that the Company had not filed its Application until June 6, 2011; that the proposed, interim July 1, 2011 effective date would have occurred less than 30 days after the filing date; and that the Company had not shown “good cause” for a rate change on less than 30 days’ notice. *See* Commission Order No. 32287.

The Company now proposes to increase its PPCA from 0.81 % to 1.44%. The Company says it needs the increase for several reasons. First, the Company states that Idaho Power's recent, Commission-approved rate changes have increased the Company's average cost per kWh from 5.19¢ per kWh to 5.77¢ per kWh. Capitol Water calculates that its total annual electric power costs increased by 11.1%, or \$8,373 (from \$75,483 to \$83,856).³

Second, the Company says it erred in calculating the PPCA in 2010, which resulted in the under-collection of power costs. The Company proposed to increase the PPCA this year to correct last year's alleged error.

Third, the Company's says that its new PPCA should include \$1,000 to offset the Company's costs to review the recent Idaho Power cases, determine their effect on the Company, prepare and file the Application, and respond to any questions about the Application.

Capitol Water asks that the new PPCA take effect on an interim basis July 1, 2011 (subject to refund), and that it become permanent on August 1, 2011. *See* Application.

STAFF COMMENTS

In its comments, Staff observed that the Company's power costs satisfy a Commission-ordered 0.25% revenue band requirement, and that the Company may, therefore, properly seek a new PPCA. Comments at 3 and 6 (citing Order No. 30881 in Case No. CAP-W-09-01). However, Staff disagreed with the Company's assessment that the PPCA should increase. Instead, Staff recommended a PPCA decrease.

Staff determined that Idaho Power's recent rate changes have caused the Company to incur \$1,442 in incremental power costs (*Id.* at 4) and \$1,000 in rate case expenses (*Id.* at 5) for a total incremental increase of \$2,442. *Id.* Staff used this total incremental difference to calculate that the Company's new PPCA should be a billing surcharge of 0.37%. Staff recommended that the PPCA be reflected in the Company's Schedule No. 3 (Other Recurring and Non-Recurring Charges). *Id.* at 5-6.

On August 3, 2011, the Company filed a response stating that the Company concurs with Staff's Comments. No other Comments were filed in this case.

³ Capitol Water refers to recent changes in Idaho Power's rates approved in Order Nos. 32248 (authorizing an increase in contributions to its pension plan); 32250 (approving a reduction in the annual Power Cost Adjustment surcharge); and 32251 (approving an increase in Idaho Power's Fixed Cost Adjustment). Idaho Power's approved rate changes result in an overall, net average rate decrease of 3% for all customer classes.

FINDINGS

The Commission has reviewed the record in this case, including the Company's Application, Staff's comments, and the Company's response. Given the agreement of the parties, we find that the Company shall decrease its PPCA from 0.81% to 0.37%. We further find that it is reasonable for the Company to recover \$1,000 in rate case expenses, and that the 0.37% PPCA should be reflected in the Company's Schedule 3 (Other Recurring and Non-Recurring Charges).

CONCLUSIONS OF LAW

The Commission has jurisdiction over Capitol Water, a water corporation operating a water system in 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.

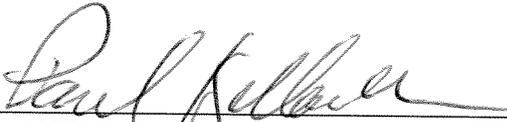
ORDER

IT IS HEREBY ORDERED that Capitol Water's Application to change its Schedule No. 3 Purchased Power Cost Adjustment is approved, with modifications. The Commission authorizes the Company to decrease its PPCA from 0.81% to 0.37%.

IT IS FURTHER ORDERED that the effective date of the new 0.37% PPCA will be September 1, 2011. The Company shall file its conforming tariff Schedule No. 3 within fourteen (14) days from the service date of this Order.

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 12th
day of August 2011.



PAUL KJELLANDER, PRESIDENT

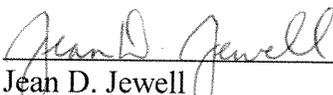


MACK A. REDFORD, COMMISSIONER



MARSHA H. SMITH, COMMISSIONER

ATTEST:



Jean D. Jewell
Commission Secretary

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