

BEFORE THE IDAHO PUBLIC UTILITIES COMMISSION

IN THE MATTER OF THE APPLICATION)
OF CAPITOL WATER CORPORATION FOR) CASE NO. CAP-W-12-01
AUTHORITY TO INCREASE ITS)
SCHEDULE NO. 3 PURCHASE POWER) ORDER NO. 32607
ADJUSTMENT RATE)

On June 15, 2012, Capitol Water Corporation (“Capitol Water” or “Company”) filed an Application to increase its Schedule No. 3 Purchase Power Adjustment Rate 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 (‘IPUC’ or ‘Commission’).” *Application* at 1. Capitol Water requests an August 1, 2012 effective date for these changes. *Id.* at 3.

On July 10, 2012, the Commission issued a Notice of Application and Notice of Modified Procedure with a 14-day comment period. *See* Order No. 32589. Commission Staff (“Staff”) was the only party to submit written comments regarding the Company’s Application.

THE APPLICATION

In its Application, Capitol Water states that the proposed “change is necessitated by Idaho Power Company’s recent changes in the rates and charges for electric service to Capitol Water Corporation.” *Application* at 1. The Application references “the effect of Idaho Power Company’s pending [, now concluded,] Case No. IPC-E-12-14 regarding the Langley Gulch power plant.” *Id.*

In its Application, Capitol Water estimates that, once the costs of the Langley power plant case are included, its rates will rise from its current average rate of 5.58¢ per kWh to 5.87¢ per kWh. *Id.* at 2. The Company believes that its total cost of electric power will increase from \$75,483.41 to \$81,136. *Id.* This amounts to “an increase in annual electric power cost of \$5,653 or 7.49% more than included in Applicants base water rates.” *Id.* Further, “when the estimated affect of the Langley power plant case are included, Applicants average KWh cost of 5.87¢ per KWh results in an annual cost to Applicant of \$85,418.” *Id.* This amounts to an annual increase in electric power costs of \$9,934 or 13.161% from Capitol Water’s current base water rates. *Id.*

Capitol Water also requests recovery of \$1,200 for costs associated with the review of the Idaho Power Company cases, ascertaining their effect on the Company, preparation and

filing of this Application, and responding to inquiries regarding this Application. *Id.* Applicant proposes an increase of the currently approved Schedule No. 3 Purchased Power Cost Adjustment Rate from .37% with a new Purchased Power Cost Adjustment Rate of 1.71%. *Id.*

Capitol Water attached Exhibit No. 1 to its Application displaying its calculations. Exhibit No. 2 displays the same calculations but incorporates the anticipated effect of the Idaho Power Langley Gulch power plant on the Company's rates. Exhibit No. 3 is a copy of the Company's current approved Schedule No. 3 in legislative format that shows the proposed change to the Purchased Power Cost Adjustment Rate. *Id.*

The Company's Application also included a revised Schedule No. 3 with an effective date of August 1, 2012. *Id.* at 3. Capitol Water provided workpapers showing its calculations for Staff review. *Id.*

The Company states that it has advised customers of its Application through the issuance of a customer notice included in customer bills mailed on July 1, 2012, and via a news release to the Idaho Statesman and the Idaho Business Review newspapers contemporaneous with this filing. *Id.*, Exhibit Nos. 4 and 5.

Capitol Water requests that the Commission process its Application pursuant to Modified Procedure with a proposed effective date of August 1, 2012. *Id.*

STAFF COMMENTS AND RECOMMENDATION

Staff believes that Capitol Water's request for an increase in the Purchased Power Cost Adjustment ("PPCA") rate is appropriate. *Staff Comments* at 3. Staff recommended an increase in the Company's PPCA from 0.37% to 1.85%. *Id.* at 7. Staff supports the inclusion of \$1,200, consultant fees, for recovery. *Id.* Staff supports the Company's methodology to calculate the new PPCA rate with only minor changes, more fully described below, in the PPCA calculations presented in Capitol Water's Application. *Id.* at 3.

Revenue Band

Staff noted that in 2009 the Commission ordered Capitol Water 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." *Id.* (citing Order No. 30881 at 2-3). Although its calculations revealed "a slightly different incremental power cost amount than that calculated by the Company[,] Staff nevertheless agrees that the change in power supply costs meets the requirement for filing an adjustment under the revenue band." *Id.*

Idaho Power Rate Adjustments

Staff asserted that Capitol Water is permitted to “file for an adjustment of its total revenue to recognize changes in power costs” which may “include changes in Idaho Power’s PCA costs and all other miscellaneous Idaho Power rate changes.” *Id.*; Order Nos. 30881, 32506, and 32325. Staff referenced the following Idaho Power cases prompting Capitol Water’s current Application:

- Increased rates due to inclusion of transmission costs (IPC-E-12-06, Order No. 32540);
- Decreased base rates due to removal of depreciation of non-AMI equipment (IPC-E-12-07, Order No. 32541);
- Decreased rates due to revised depreciation rates for electric plant in service (IPC-E-12-08, Order No. 32559);
- Increased rates due to the Boardman Balancing Account (IPC-E-12-09, Order No. 32549);
- Changes to the Fixed Cost Adjustment (FCA) rates (IPC-E-12-12, Order No. 32544);
- Decreased rates due to customer revenue sharing in conformance with Order Nos. 30978 and 32424 (IPC-E-12-13, Order No. 32258);
- Changes to the Power Cost Adjustment (PCA) rates (IPC-E-12-17, Order No. 32552); and
- Rate increase due to inclusion of the Langley Gulch power plant (IPC-E-12-14, Order No. 32585).

Id. at 3-4.

Commission Approved Methodology in Calculating PPCA

Staff stated that the previously approved methodology to calculate the incremental power cost increase in Capitol Water’s previous three PPCA cases (CAP-W-09-01; CAP-W-10-01; CAP-W-11-01) includes actual energy consumption and actual energy cost to determine an actual cost per kWh. *Id.* at 4. A three-year average consumption level is used to determine normalized annual energy. *Id.* “Normalized, base rate power supply costs of \$75,483 were then determined by multiplying normalized energy and the average rate per kWh (1,454,401 X \$0.0519).” *Id.*

Utilizing the same methodology approved in the Company's previous Schedule No. 3 cases (i.e., Order No. 30881, Case No. CAP-W-09-01; Order No. 32056, Case No. CAP-W-10-01; and Order No. 32325, CAP-W-11-01) and then applying the new Idaho Power rates effective June 1, 2012, presents a restated average cost per kWh of \$0.05578. *Id.* at 4-5. Multiplying this rate by the normalized energy consumption level (1,454,401 kWh) leads to an expected power cost of \$81,136 (1,454,401 X \$0.05578). *Id.* at 5. Staff noted that \$75,483 in electric power costs are currently embedded in the Company's base rates. *Id.* Thus, the incremental power cost to Capitol Water due to Idaho Power's rate changes is \$5,653 (\$81,136-\$75,483). *Id.*

Staff's calculations corrected the Company's erroneous inputs utilized for Idaho Power's PCA (Schedule 55), Small General Service (Schedule 7) and Large General Service-Secondary (Schedule 9S) rates. *Id.* Using the correct inputs for those rates leads to a recalculated average cost per kWh of \$0.055442. *Id.*

Effect of Langley Gulch Power Plant Case

Staff noted that, as of the date of the Company's filing, the Langley Gulch power plant case (Case No. IPC-E-12-14) was still being processed by the Commission. *Id.* Capitol Water's Application included "a pro forma adjustment to its annual power cost using the Commission Staff recommendation in the Langley case to increase all customer classes by 7.05%." *Id.* "The Company's proposed proforma increases power cost by an additional \$4,282 above the incremental power cost increase of \$5,653 previously calculated by the Company." *Id.*

Incorporating the Commission's decision in the Langley Gulch case, "Staff recalculated the average cost using the new Idaho Power rates with the corrections discussed above to produce an average cost of \$0.059357 per kWh and an incremental power cost of \$10,846." *Id.*; *see also* Attachment A, line 7.

Case Preparation Costs

Staff stated that Capitol Water responded to its requests for justification for recovery of \$1,200 in "Case Preparation Costs" "with detailed information on the total time the consultant took to quantify Idaho Power's Commission-approved rate increases, determine the effect on Capitol Water, and prepare the filing including new tariffs." *Id.* at 6. Capitol Water's consultant "anticipated that the application would require 12 hours of work, at the rate of \$100 per hour, for a total charge of \$1,200." *Id.* Staff believes that "the total time the consultant may bill for this

case will likely exceed the 12 hours.” *Id.* Therefore, Staff concluded that \$1,200 is a reasonable consultant fee and that Capitol Water should be permitted to recover this expense. *Id.*

The inclusion of \$1,200 for rate case expenses results in a total incremental power cost of \$12,046 (\$10,846 + \$1,200). *Id.* “Staff calculated the new PPCA rate to be a billing surcharge of 1.85% (\$12,046/\$651,738).” *Id.* The Company’s current PPCA rate of 0.37% allows Capitol Water to recover \$2,442 in additional power costs. *Id.* Thus, the incremental increase in the Company’s power costs is \$9,604 (\$12,046 - \$2,442), and the percent increase in the Company’s total revenue requirement amounts to a 1.47% increase (\$9,604 incremental power cost/\$654,180 revenue per Order 32325 x 100). *Id.*

“Staff calculates that increasing the Company’s current PPCA rate from 0.37% to 1.85% will increase a typical customer’s water bill by \$3.43 per year.” *Id.*; Attachment B.

COMMISSION FINDINGS AND DECISION

The Commission has thoroughly reviewed Capitol Water’s Application, including attachments, and Staff comments. The Commission previously established 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 Commission finds that the Company has adequately demonstrated that the percent change in its annual power costs exceeds the established 0.25% revenue band and thus the Company may request a change to its Schedule No. 3 surcharge. *See Capitol Water Application*, Exhibit No. 1.

Therefore, based upon our review of the Company’s filing and written comments filed by Staff, the Commission finds that it is fair, just and reasonable to authorize Capitol Water to adjust its Schedule No. 3 PPCA surcharge from 0.37% to 1.85%. The Commission also finds the Company’s request to recover \$1,200 to employ a consultant to review the impact of contemporary Idaho Power rate increases, and embedded within the requested rate adjustment, to be reasonable. The Commission authorizes Capitol Water to recover a total incremental revenue requirement increase of \$12,046.

CONCLUSIONS OF LAW

The Commission has jurisdiction over Capitol Water, 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.

ORDER

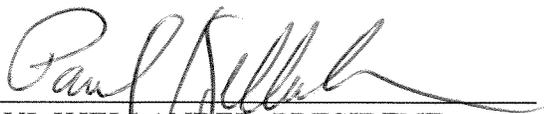
IT IS HEREBY ORDERED that Capitol Water Corporation's Application for an increase in its Schedule No. 3 Purchased Power Cost Adjustment rate is approved. The Schedule No. 3 Purchased Power Cost Adjustment rate shall be increased from 0.37% to 1.85%, an incremental revenue requirement increase of \$10,846, in order to recover the Company's annual cost of electricity.

IT IS FURTHER ORDERED that Capital Water's request to recover \$1,200 as a reasonable and necessary expense associated with the preparation and filing of the Company's Application, for a total incremental increase of \$12,046 to the Company's annual revenue requirement, is approved.

IT IS FURTHER ORDERED that the approved increase to Capital Water's Schedule No. 3 Purchased Power Cost Adjustment rate shall be effective on August 1, 2012.

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.*

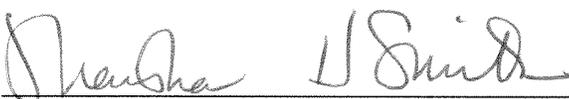
DONE by Order of the Idaho Public Utilities Commission at Boise, Idaho this 31st
day of July 2012.



PAUL KJELLANDER, PRESIDENT

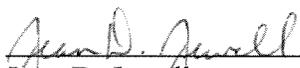


MACK A. REDFORD, COMMISSIONER



MARSHA H. SMITH, COMMISSIONER

ATTEST:



Jean D. Jewell
Commission Secretary

O:CAP-W-12-01_np2