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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-13-01
CHANGE ITS SCHEDULE NO. 3 PURCHASED)
POWER ADJUSTMENT RATE.) COMMENTS OF THE
) COMMISSION STAFF
)
_____)

The Staff of the Idaho Public Utilities Commission comments as follows on Capitol Water Corporation’s June 14, 2013 Application to change its Schedule No. 3 Purchased Power Cost Adjustment (“PPCA”).

BACKGROUND

On June 14, 2013, Capitol Water Corp. (“Capitol Water,” the “Company”) applied to the Commission for authority to change its Schedule No. 3 PPCA rate. Application at 1. Capitol Water seeks to recover its increased electrical costs arising from Commission-approved changes to Idaho Power Company’s electric rate schedules. *Id.* The Company asks that the case proceed under Modified Procedure and that the proposed Schedule No. 3 changes take effect on August 1, 2013. *Id.* at 2.

Capitol Water says its costs of purchasing electric power have increased due to changes in Idaho Power Company’s rates and charges. *Id.* at 1, *citing* Order Nos. 32811 (Case No. IPC-E-13-06) and 32821 (IPC-E-13-10).

Capitol Water asks the Commission for permission to replace the Company's current Schedule No. 3 PPCA of 1.85% (*see* Case No. CAP-W-12-01) with a new PPCA of 4.22% that incorporates Idaho Power's current rates and Capitol Water's costs of processing this Application. *Id.*

STAFF ANALYSIS

Capitol Water requests an increase in the PPCA rate that the Commission most recently approved in Order No. 32607 (Case No. CAP-W-12-01). The proposed increase will allow the Company to recover its increased purchased power costs arising from recently approved changes to Idaho Power's electric rate schedules. The Company calculates the PPCA using the same methodology as used in previous PPCA rate adjustments (i.e., Order No. 30881, Case No. CAP-W-09-01; Order No. 32056, Case No. CAP-W-10-01; Order No. 32325, CAP-W-11-01; and Order No. 32607, Case No. CAP-W-12-1).

Staff agrees that an increase in the PPCA rate is appropriate. However, Staff proposes minor corrections in the Company's PPCA calculations as discussed below.

Revenue Band

In 2009, Capitol Water filed a case (Case No. CAP-W-09-01) to initially establish a tariff to recover its cost of electricity related to the increase in Idaho Power Company's Schedule 55, Power Cost Adjustment ("PCA"). In the 2009 case, Order No. 30881, the Commission directed 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." When Staff reviewed the Company's current Application, Staff calculated 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.

In this case, Staff calculates the incremental increase in the Company's power costs to be \$15,347, and the percent increase in the Company's total revenue requirement to be 2.31% ($\$15,347 \text{ incremental power cost} / \$663,784 \text{ revenue per Order No. 32325} \times 100$). The 2.31% increase exceeds the 0.25% band as required by Order No. 30881. Therefore, it is appropriate for the Company to file for rate adjustments.

Idaho Power Rate Adjustments

When the Company filed Case No. CAP-W-09-01, it asked the Commission to approve a new tariff rate that would enable the Company to recover purchased power costs directly related to Idaho Power's PCA from Case No. IPC-E-09-11. Staff interprets Commission Order No. 30881, specifically the directive to "file for an adjustment of its total revenue to recognize changes in power costs," to include changes in Idaho Power's PCA costs and all other miscellaneous Idaho Power rate changes. This interpretation is also incorporated in Commission decisions in Order Nos. 32056, 32325 and 32607.¹ In the current case, the rate adjustment includes the Idaho Power rate increase due to the following:

- Changes to the Fixed Cost Adjustment ("FCA") rates (IPC-E-13-06, Order No. 32811);
- Changes to the PCA rates (IPC-E-13-10, Order No. 32821); and
- Changes to Idaho Power Company's Boise City Franchise Fee from 1% to 1.5%.

Commission Approved Methodology in Calculating PPCA

The methodology used to calculate the incremental power cost increase in Capitol Water's previous four PPCA cases² started with actual 2005 energy consumption and actual 2008 energy cost to determine an actual 2008 cost per kWh (\$0.0519 per kWh from Order No. 30762). A 2005 test year was used in Capitol Water's most recent general rate case. Because actual energy consumption in 2005 was determined to be significantly above normal (1,940,746 kWh), a three-year average was used to calculate normalized annual energy (1,454,401 kWh). 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).

The average cost per kWh for Capitol Water under Idaho Power's new rates was then calculated using the 2005 actual energy consumption model. The average rates in 2009, 2010, 2011, and 2012 were calculated to be \$0.0580 per kWh, \$0.0552 per kWh, \$0.052891 per kWh, and \$0.059357, respectively. These rates were then multiplied by the normalized energy (1,454,401 kWh) to determine the expected annual power cost each year. The difference

¹ Case Nos. CAP-W-10-01, CAP-W-11-01, and CAP-W-12-01, respectively.

² Order No. 30881, Case No. CAP-W-09-01; Order No. 32056, Case No. CAP-W-10-01; Order No. 32325, CAP-W-11-01; and Order No. 32607, CAP-W-12-01.

between the expected power cost under new rates and power costs already collected through base rates (\$75,483) was collected from customers through Schedule 3.

By using the methodology from the previous cases and applying the new Idaho Power rates effective June 1, 2013, the Company calculated the average rate of \$0.0701 per kWh. This is the restated average cost per kWh. With this new rate, the expected power cost is \$101,915 (1,454,401 x \$0.0701). Given that \$75,483 in electric power cost are currently embedded in the base rates, the incremental power cost calculated by Capitol Water due to Idaho Power's rate changes is \$26,431 (\$101,915 - \$75,483).

However, in reviewing the Company's input of current Idaho Power rates to the power cost model, Staff discovered the following: (1) an incorrect energy rate for Idaho Power Schedule 9-Large General Secondary Service applied during periods of winter/summer transition billing, (2) an overestimate for the first 300 kWh for non-summer rates under Idaho Power Schedule 7 during periods of winter/summer transition billing, (3) an underestimate for the Energy Service rates under Idaho Power Schedule 91 during periods of winter/summer transition billing, and (4) an overestimate for the Franchise Fee rates under Idaho Power Schedule 95. Using the corrected values and formulas, Staff recalculated the average cost per kWh to be \$0.0700. *See Attachment A for a Company to Staff comparison of calculations.*

Based on an average cost per kWh of \$0.700 the revised expected power cost is \$101,777 (1,454,401 x \$0.0700) and the incremental power cost due to Idaho Power's rate change is \$26,293 (\$101,777 - \$75,483). The Company is currently collecting \$10,946 from the 1.85% PPCA (*see Order No. 32607 in Case No. CAP W-12-01*). Therefore, the PPCA must increase to 4.2% to generate the additional \$15,347. This increase is proposed to be reflected in the Company's Schedule 3, Other Recurring and Non-Recurring Charges, resulting in an overall percent impact to annual non-metered customer bills of 2.31%. Metered commercial customers will experience the same incremental percentage increase, although the annual dollar impact will vary based on usage. *See Attachment B for the overall percent impact to annual customer bills.*

Case Preparation Costs

The Company's Application requests \$1,000 to cover its costs to have a consultant review Idaho Power's rate increases, determine the effect on Company power costs, and prepare and file the Application. Workpapers attached as Application Exhibit 1 set these costs at \$1,100. In prior cases, the Commission has allowed the Company to recover \$500 for consultant

expenses in both Order No. 30881 (Case No. CAP-W-09-01) and Order No. 32056 (Case No. CAP-W-10-01); \$1,000 in Order No. 32325 (CAP-W-11-01) and \$1,200 in Order No. 32607 (Case No. CAP-W-12-01).

Staff notes that while the Application's text requests \$1,000, the Company calculated the new rate using the \$1,100 in costs listed in the workpapers. As part of its review, Staff asked the Company to verify and justify the consultant fees. The Company responded 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. The consultant anticipated that the Application would require 10 hours of work, at the rate of \$110 per hour, for a total charge of \$1,100.

It was anticipated in the last case that the fee may be lower in this case primarily because last year's case was complex due to the many rate changes implemented on June 1, 2012. The case preparation costs have decreased by \$100 from the last case. Staff notes that while the time required for this case has decreased as anticipated, the consultant's hourly rate has increased.

Staff concludes that \$1,100 is a reasonable consultant fee and that the Commission should allow the Company to recover this expense.

STAFF RECOMMENDATION

Staff recommends an increase in the Company's PPCA from 1.85% to 4.20% to generate an additional \$15,347. The new rate includes recovery of \$1,100 for consultant fees. The 4.20% PPCA should be reflected in the Company's Schedule 3, Other Recurring and Non-Recurring Charges.

Respectfully submitted this 11th day of July 2013.



Karl T. Klein
Deputy Attorney General

Technical Staff: Kathy Stockton
Johanna Bell

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Attachment A: Company and Staff Rate Component Comparison

Line#	Rate Component	Company	Staff	Comments
1	Base Revenue	\$651,738 a/	\$651,738	Per Order #30762 in CAP-W-08-02
2	Normalized 3 Yr Average Power Consumption (KWh)	1,454,401	1,454,401	Per Order #30762 in CAP-W-08-02
3	Average Cost per KWh	0.0519	0.0519	Per Order #30762 in CAP-W-08-02
4	Power Cost Embedded in Basic Rates	\$75,483	\$75,483	Line 3 X Line 2
5	Restated Average Cost Per KWh @ New IPC Rates	0.0701 b/	0.0700	Calculated in Work Papers
6	Power Cost with New IPC Rates	\$101,915	\$101,777	Line 5 X Line 2
7	Incremental Power Cost @ New Rates	\$26,431	\$26,293	Line 6 - Line 4
8	Rate Case Costs	\$1,100	\$1,100	
9	Incremental Costs @ New Rates	\$27,531	\$27,393	
10	Total Revenue Required with New IPC Rates	\$679,269	\$679,131	Line 9 + Line 1
11	Total Incremental Power Revenue included in Current Capitol Water Rates	\$12,046	\$12,046	Per Order #32607 in CAP-W-12-01
12	Total Current Revenue	\$663,784	\$663,784	Line 1 + Line 11
13	Increase (or Decrease) in Incremental Power Costs	\$15,485	\$15,347	Line 9 - Line 11
14	% Increase (or Decrease) in Total Revenue c/	2.33%	2.31%	(Line 10 - Line 12) / Line 12
15	Exceeds +/- 0.25% Revenue Band?	Yes	Yes	
16	Purchased Power Cost Adjustment (PPCA) Required d/	4.22%	4.20%	Line 9 / Line 1

a/ From Company Application, Exhibit 1.

b/ From Company Worksheets - uncorrected.

c/ Calculated % Revenue Band.

d/ PPCA = Incremental Power Revenue at new IPC rates/Base revenue x 100.

Attachment A
Case No. CAP-W-13-01
Staff Comments
7/11/13

Attachment B: Overall Percent Impact to Annual Customer Bills a/

Size of Service Line	No. of Months	Rates in Effect-Sch. 1	Total Bill per Cust. per Sch. 1	Current Cust. Bill @ 1.85% PPCA	Staff Proposal @ 4.20% PPCA	Diff. in Customer Bill per Yr.	Overall % Increase of Customer Bill per Yr.
3/4-inch							
Winter	7	\$12.65	\$ 88.55	\$ 90.19	\$ 92.27	\$2.08	2.31%
Summer	5	\$16.05	\$143.50 b/	\$146.15	\$149.53	\$3.37	2.31%
Total per Year c/			\$232.05	\$236.34	\$241.80	\$5.45	2.31%
1-inch							
Winter	7	\$15.10	\$105.70	\$107.66	\$110.14	\$2.48	2.31%
Summer	5	\$16.05	\$155.75 b/	\$158.63	\$162.29	\$3.66	2.31%
Total per Year			\$261.45	\$266.29	\$272.43	\$6.14	2.31%
1 1/4-inch							
Winter	7	\$16.90	\$118.30	\$120.49	\$123.27	\$2.78	2.31%
Summer	5	\$16.90	\$169.00 b/	\$172.13	\$176.10	\$3.97	2.31%
Total per Year			\$287.30	\$292.62	\$299.37	\$6.75	2.31%

a/ The incremental percent increases illustrated here are for non-metered customers. All residential customers are non-metered. Metered commercial customers will experience the same incremental percentage increase, although the annual dollar impact will vary based on usage.

b/ Total summer bill = (Rates in Effect – Sch. 1 + Summer Rate) x No. of Months.

c/ Majority of Capitol Water’s residential customers have 3/4-inch service lines.

CERTIFICATE OF SERVICE

I HEREBY CERTIFY THAT I HAVE THIS 11TH DAY OF JULY 2013, SERVED THE FOREGOING **COMMENTS OF THE COMMISSION STAFF**, IN CASE NO. CAP-W-13-01, BY MAILING A COPY THEREOF, POSTAGE PREPAID, TO THE FOLLOWING:

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