

BEFORE THE IDAHO PUBLIC UTILITIES COMMISSION

IN THE MATTER OF THE APPLICATION)
OF CAPITOL WATER CORPORATION FOR) CASE NO. CAP-W-15-01
AUTHORITY TO DECREASE ITS)
SCHEDULE NO. 3 PURCHASE POWER)
ADJUSTMENT RATE) ORDER NO. 33370
)

On June 22, 2015, Capitol Water Corporation (“Capitol Water” or “Company”) filed an Application to decrease its Schedule No. 3 Purchased Power Adjustment Rate to “recover the Company’s cost of electricity related to Idaho Power Company’s (“Idaho Power”) electric rate schedules that have been approved by the Idaho Public Utilities Commission (‘IPUC’ or ‘Commission’).” *Application* at 1. Capitol Water proposed an effective date of September 1, 2015.

On July 27, 2015, the Commission issued a Notice of Application and Modified Procedure, establishing a comment deadline of August 14, 2015. Commission Staff was the only party to submit comments.

THE APPLICATION

In its Application, Capitol Water stated that the proposed change is necessitated by “changes in [Idaho Power’s] rates and charges that affect Applicant’s cost of electric power.” *Id.* The Company requested that “the Commission take official notice of Idaho Power Company rates and charges currently in effect and on file with the Commission.” *Id.*

Capitol Water stated that its “current base rates were established by Order No. 30762 in Case No. CAP-W-08-02.” *Id.* Capitol Water remarked that 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 total cost of electric power for Capitol Water is estimated to be \$75,483.41. *Id.* Capitol Water claimed that its average cost per kWh at Idaho Power’s current rates is 7.02¢ per kWh, which produces an annual cost for electric power of \$102,108 (1,454,401 x 7.02). *Id.* at 1-2. Capitol Water stated that this represents “an increase in annual electric power cost of \$26,625, or 35.3% more than included in Applicants base water rates. *Id.* at 2.

Capitol Water estimated its costs associated with the preparation and filing of this Application to be \$1,100. *Id.* Capitol Water is seeking to recover these costs together with the electric power costs by increasing the Company's currently approved Schedule No. 3 Purchased Power Cost Adjustment of 4.46% with a new Purchased Power Cost Adjustment of 4.25%. *Id.*

Capitol Water also included Exhibit No. 1 that presents Capitol Water's calculations at Idaho Power's currently approved rates. *Id.* Also attached to the Application was Exhibit No. 2, a copy of the Company's current Schedule No. 3 in legislative format that shows the proposed change to the Purchased Power Cost Adjustment. *Id.*

Capitol Water included a new Schedule No. 3, with the proposed Power Cost Adjustment rate, with an effective date of September 1, 2015. *Id.* The Company provided workpapers showing its calculations for Staff review. *Id.*

The Company stated that it informed its customers of its Application to the Commission through a customer notice included in customer bills mailed on July 1, 2015, and via a news release to the Idaho Statesman and the Idaho Business Review newspapers contemporaneous with this filing. *Id.*, Exh. Nos. 3 and 4.

STAFF COMMENTS

Staff noted that Capitol Water requested a decrease in the current PPCA rate approved in Commission Order No. 33128 (Case No. CAP-W-14-01), allowing the Company to recover its purchased power costs arising from recently approved changes to Idaho Power's electric rate schedules. The Company currently collects \$29,059 from the 4.46% PPCA. *See* Order No. 33128. The Company proposes a PPCA decrease to 4.25% to generate a revised PPCA of \$27,725.

Staff agreed with the Company's assertion that a change in the PPCA rate is appropriate. Staff carefully reviewed the Company's calculations and found them to be correct and based on the Commission-approved methodology.

Idaho Power Rate Adjustments

Staff remarked that, beginning with Case No. CAP-W-09-01, Capitol Water has submitted an annual filing requesting Commission approval to implement a new tariff rate enabling the Company to recover its purchased power costs directly related to Idaho Power's PCA from Case No. IPC-E-09-11. Staff believes that Capitol Water's Application is in accordance with the Commission's 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. Order No. 30881 at 3.

Capitol Water’s proposed rate adjustment includes the Idaho Power rate changes due to the following:

- an increase to the Fixed Cost Adjustment (FCA) rates of 0.32% for small general service customers (IPC-E-15-06, Order No. 33302); and
- a decrease to the PCA rates of 0.07% for small general service customers and 1.13% for large general service customers (IPC-E-15-14, Order No. 33306).

The increase to the Idaho Power FCA and the decrease to the PCA resulted in overall lower power costs for Capitol Water as of June 1, 2015, as compared to last year’s power costs for the Company.

Commission-Approved Methodology in Calculating PPCA

The methodology used to calculate the incremental power cost change in Capitol Water’s previous PPCA cases started with actual 2005 energy consumption and actual 2008 energy cost to determine cost per kWh.

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 and cost per kWh (\$0.0519 per kWh from Order No. 30762). 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.

Using the same methodology used in the previous cases, and applying the new Idaho Power rates effective June 1, 2015, the Company calculated the average rate of \$0.0702 per kWh. This is the restated average cost per kWh. With this new rate, Capitol Water’s expected power cost is \$102,108 (1,454,401 X \$0.0702). According to Staff, \$75,483 in electric power cost is currently embedded in the Company’s base rates. Thus, the revised incremental power cost to Capitol Water due to Idaho Power’s rate changes since Capitol Water’s last PPCA Application is \$26,625 (\$102,108-\$75,483). *See* Staff Comments, Atch. A.

The Company’s Application requested \$1,100 to cover its costs to have a consultant review Idaho Power’s rate changes, determine the effect on Company power costs, and prepare

and file the Application. Staff believes that \$1,100 is a reasonable consultant fee and recommended the Commission allow the Company to recover this expense.

The Company currently collects \$29,059 from the 4.46% PPCA. See Order No. 33128. Therefore, the PPCA must decrease to 4.25% to generate the revised PPCA of \$27,725. This proposed decrease should be reflected in the Company's Schedule 3, Other Recurring and Non-Recurring Charges, resulting in an overall percentage decrease to annual non-metered customer bills of -0.20%. Metered commercial customers will experience the same incremental percentage decrease, although the annual dollar impact will vary based on usage. See Staff Comments, Atch. B. The new rate includes \$1,100 in consulting fees.

COMMISSION FINDINGS

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 the Idaho Code, including but not limited to *Idaho Code* §§ 61-124, 61-125, 61-129 and 61-307.

The Commission has reviewed Capitol Water's Application, including attachments, and Staff comments. The Commission finds that Capitol Water's Application to decrease its Schedule 3 surcharge by 0.21% is reasonable and appropriate given the decrease in the Company's annual power costs.

Finally, the Commission approves Capitol Water's request to recover \$1,100 for consultant fees incurred in the preparation and filing of its Application in this case. Therefore, the Commission authorizes Capitol Water to recover a total revised incremental power cost of \$27,725. The Company's revised Schedule No. 3 tariff, filed in conjunction with its Application, is approved.

ORDER

IT IS HEREBY ORDERED that Capitol Water Corporation's Application for a decrease in its Schedule No. 3 Purchased Power Cost Adjustment rate is approved. The Schedule No. 3 Purchased Power Cost Adjustment rate shall be decreased from 4.46% to 4.25%, for a total revised incremental power cost of \$27,725, in order to recover the Company's annual cost of electricity.

IT IS FURTHER ORDERED that Capital Water Corporation's request to recover \$1,100 as a reasonable and necessary expense associated with the preparation and filing of the Company's Application is approved.

IT IS FURTHER ORDERED that the approved decrease to Capital Water Corporation's Schedule No. 3 Purchased Power Cost Adjustment rate shall be effective on September 1, 2015.

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 August 2015.



PAUL KJELLANDER, PRESIDENT

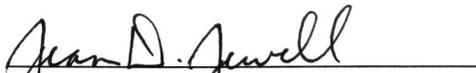


MARSHA H. SMITH, COMMISSIONER



KRISTINE RAPER, COMMISSIONER

ATTEST:



Jean D. Jewell
Commission Secretary

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