

BEFORE THE IDAHO PUBLIC UTILITIES COMMISSION

IN THE MATTER OF THE APPLICATION)
OF CAPITOL WATER CORPORATION TO) CASE NO. CAP-W-17-01
INCREASE ITS SCHEDULE NO. 3)
PURCHASE POWER ADJUSTMENT RATE) ORDER NO. 33876
)

On June 26, 2017, Capitol Water Corporation applied to the Commission for authority to adjust its Schedule No. 3 Purchased 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.” Application at 1. Capitol Water proposed an effective date of August 15, 2017.

On July 13, 2017, the Commission issued a Notice of Application, Notice of Modified Procedure, and Order. Order No. 33812. The Company’s proposed effective date of August 15 was suspended until September 15, 2017. Commission Staff reviewed the Application and filed written comments on August 9, 2017. No reply was filed, and no comments from a Capitol Water customers were filed with the Commission.

BACKGROUND

In 2009, the Commission approved Capitol Water’s request to implement a purchased power cost adjustment (PPCA) mechanism. Order No. 30881. The intent of the PPCA is to provide the Company with a way to adjust for increased or decreased purchased power costs. The current mechanism assumes that the amount of electricity consumed by the Company is stable over time, and that electricity costs are affected only by changes in electricity rates charged by Idaho Power, the Company’s power supplier.

In approving the PPCA, the Commission adopted an average use of 1,454,401 kWh¹ of electricity consumption, at an average cost of 5.19¢ per kWh, resulting in a total electric power cost rate of \$75,483 to be included in base water rates. *Id.* The Company’s Schedule No. 3 takes in or offsets the difference between power costs in base rates and actual projected power costs to be paid by the Company. The Company’s current Schedule No. 3 PPCA rate is 2.8%.

¹ Since its implementation in 2009, the PPCA has utilized an electric use value based on a normalized average of the Company’s 2006-2008 consumption.

THE APPLICATION

Capitol Water requested an increase in Schedule No. 3 rates. It stated that the proposed increase is driven by a rise in electric power expenses. Application at 1. The Company claimed that its current 2.8% PPCA rate is too low when factoring in the increase in power rates, and the Company's costs to file this Application. *Id.* The Company requested a new PPCA rate of 3.1%. *Id.* The Company also requested the Commission approve a change in the methodology used to calculate the Company's PPCA. *Id.* at 2.

The Company summarized the current PPCA methodology: "the Commission adopted a three (3) year average of 1,454,401 KWh [sic] of electricity consumption at an average cost of 5.19¢, to establish rates for Applicant." *Id.* This results in a total electric power cost rate of \$75,483.41. *Id.* The Company claimed that its actual cost in 2016 was \$19,126.83 more than what is embedded in base rates (a 0.3% difference; or \$1,978). *Id.* at 2. Additionally, Capitol Water estimated its costs associated with the preparation and filing of this Application to be \$1,100. *Id.* at 1. The Company is seeking to recover these costs with the electric power costs. *Id.*

The Company's proposal to change the method of calculating the Company's PPCA rates consists of comparing the most recent year's costs with the costs embedded in base rates. This method eliminates the use of a computer model. *Id.* at 2. According to the Company, this approach "can be completed internally by the Company without the need for outside consultant assistance." *Id.* at 3.

Capitol Water also included with the Application a worksheet detailing its calculations (Exhibit Nos. 1-3), a sample customer notice that will be included in the July billing (Exhibit No. 3), a copy of the proposed Schedule No. 3 in legislative format (Exhibit No. 5), and a news release that will be printed in the Idaho Statesman and Idaho Business Review. *Id.* (Exhibit No. 6).

STAFF COMMENTS

Staff reviewed the Application and attachments and found that the Company's description of increasing power rates is accurate and its case preparation costs are reasonable. Staff recommended that the Commission approve those requests. Staff also recommended approval of the proposed change to the PPCA methodology.

In its review, Staff explained that the Company's Application is appropriate and accurate. Further, Staff explained that it believes the proposed change in PPCA methodology will simplify the process for the Company and Staff, and will eliminate the consultant fees from future PPCA filings.

DISCUSSION AND FINDINGS

The purpose of the PPCA mechanism is to allow the Company a way to adjust its rates commensurate with changes it experiences when its power supply costs go up or down. *See* Order No. 30881. The Company's power costs are determined by two factors: the amount of power used, and the rate paid for the power. Here, there is no dispute that the rate the Company is charged for power has gone up. The Company provided data showing an increase in the amount it pays for power, which was verified by Staff. The proposed 3.1% PPCA rate, from \$18,249 to \$20,227, was derived by comparing the Company's power bills to actual power costs billed to ratepayers. This review verified that the Company's actual power costs were higher, as claimed.

We find the Company's revised Schedule No. 3 reflecting the proposed 3.1% PPCA rate cost-based and appropriate. Notably, the billing effect on customers will be small. Specifically, excluding the regulatory and franchise fees, an average customer will experience an annual increase of \$0.85. Thus, we approve the PPCA increase as reasonable.

With regard to the Company's proposed change in the PPCA methodology, we appreciate the Company's effort to comply with our directive to "consider future changes in consumption and rates going forward to ensure the purpose of the PPCA—to accurately match the Company's power supply costs—is fulfilled." Order No. 33565. The proposed change in how the Company calculates the adjustment going forward can be summarized as the difference between actual electricity costs the Company paid during the previous calendar year, and the cost of electricity embedded in Schedule No. 3 rates, recovered through customer billing. Currently, the Company compares past energy use to projected electricity rates in the upcoming year. The proposed method will simplify the process for the Company, and for Staff review.

In addition to simplifying the process, the new method will also eliminate the need for a consultant and associated fees (\$1,100, or 56% of this year's increase). The new method will give the Company more time to complete the PPCA filing, and improve accuracy. Finally, the proposed method will give Staff improved information included the Company's PPCA

filings. Accordingly, we find that the proposed method is just and reasonable and responsive to our prior directives.

Going forward, the Company shall provide calendar year information on total average number of customers, total volume of water pumped in gallons (gal), and total electric energy used in kilowatt-hours (kWh) with its PPCA filing. Notably, only costs related to the supply of metered energy will be used in the calculation of the PPCA. Any fees or charges beyond the delivery of metered energy shall be excluded.

ORDER

IT IS HEREBY ORDERED that Capitol Water's Application to change its Schedule No. 3 Purchased Power Cost Adjustment is approved. The Company may increase its PPCA from 2.8% to 3.1%, with an effective date of September 15, 2017.

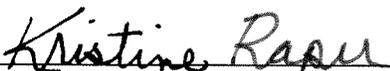
IT IS FURTHER ORDERED that the Capitol Water's proposed change in PPCA calculation methodology is approved, as conditioned in this Order.

THIS IS A FINAL ORDER. Any person interested in this Order may petition for reconsideration within 21 days of the service date of this Order. Within seven days after any person has petitioned for reconsideration, any other person may cross-petition for reconsideration. See *Idaho Code* § 61-626.

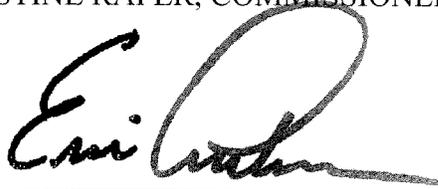
DONE by Order of the Idaho Public Utilities Commission at Boise, Idaho this *K4*
day of September 2017.



PAUL KJELLANDER, PRESIDENT



KRISTINE RAPER, COMMISSIONER



ERIC ANDERSON, COMMISSIONER

ATTEST:



Diane M. Hanian
Commission Secretary

O:CAP-W-17-01_bk2