

BEFORE THE IDAHO PUBLIC UTILITIES COMMISSION

IN THE MATTER OF THE APPLICATION)
OF CAPITOL WATER CORPORATION) **CASE NO. CAP-W-08-02**
FOR AUTHORITY TO INCREASE ITS)
RATES AND CHARGES.) **ORDER NO. 30762**
)

On November 17, 2008, Capitol Water Corporation filed an Application for authority to increase its rates for water service by 7.8%. The Company requested that the Application be processed by Modified Procedure and that the tariff changes become effective January 1, 2009.

On December 9, 2008, the Commission issued a Notice of Application, suspended the Company's requested effective date, and set a deadline for intervention. Order No. 30700. No persons petitioned to intervene. Commission Staff filed comments on February 24, 2009. The Company filed responsive comments on March 2, 2009. In an effort to clarify the issues raised by the Company in its response, Staff filed reply comments on March 9, 2009. The Commission also received two public comments in support of the Company's Application to increase its rates and one public comment that suggested Ada County Highway District (ACHD), not water customers, reimburse Capitol Water for costs incurred during the Ustick Road project.

After reviewing the Application and the comments, we approve an increase of existing rates by \$27,025 which produces an increase to Capitol Water's customers of 4.326%. We authorize the new rates to become effective on May 1, 2009.

THE APPLICATION

The Company's current rates and charges were authorized by Order No. 30198 issued on December 12, 2006. Since that time, the Company contends the Ustick Road widening project caused the Company to incur \$102,006.34 in costs beyond its control. As part of this ACHD project, the Company was required to relocate distribution piping, fire hydrants and customer service connections located in the public right-of-way. In addition, in October 2008, the pump at Well No. 6 failed. The cost to repair the pump and put the well back in service was \$11,234.37.

The Company asserts that, since 2006, it has experienced a significant increase in its electric power rates. The Company maintains that its cost for electric power is the single most expensive cost over which the Company has no control. The Company seeks to put a

mechanism in place that would allow rates to be adjusted coincident with changes in its electric rates.

The Company characterizes its Application as a “make whole” request limited to the three issues stated above.

REVENUE REQUIREMENT

The Company is proposing that the costs associated with the Ustick Road Rebuild Project and the Well No. 6 rebuild be recovered in rates. The Ustick Road project began in 2007 and was completed in 2008. The highway district required the Company to relocate distribution piping, fire hydrants and customer service connections. The total cost to Capitol Water amounted to \$102,006.34. Application, p. 2.

In October 2008, the pump at Well No. 6 failed. The Company incurred \$11,234.37 in costs to repair the pump and put it back into service. *Id.* Following a review of the documents pertaining to the pump failure, Staff believed that the price paid by the Company to rehabilitate the well was reasonable when compared to other projects of similar size and scope. Staff audited the costs for both the Ustick Road project and Well No. 6 and found them to be accurately recorded and reasonably incurred. These two projects increase the Company’s revenue requirement by \$21,232.

Commission Findings: Pursuant to ACHD Resolution No. 330, the Commission finds that it was appropriate for the Company to pay the costs of relocating its main and distribution lines and related appurtenances for the Ustick Road Rebuild Project. The Commission further finds that the Company acted quickly to rebuild the facilities at Well No. 6 in a cost-effective manner. The costs for these projects were reasonably and prudently incurred. Consequently, the Commission finds an increase of \$21,232 in the Company’s revenue requirement associated with these capital improvements to be reasonable.

ELECTRIC EXPENSE

The Company asserts that its electric rates (via Idaho Power Company) have increased significantly since the Commission issued its 2006 Order establishing Capitol Water’s present rates. Order No. 30198. The Company maintains that electric power costs are the single most expensive cost over which the Company has no control. Application, p. 4. As such, the Company argues that it will remain vulnerable to changes in its electric rates unless a mechanism is put in place adjusting the Company’s rates coincident with changes to its electric rates. *Id.*

The Company claims that the increase in electric costs together with the Ustick Road and Well No. 6 projects warrants a 7.8% increase in the total revenue requirement authorized by the Commission in December 2006. Order No. 30198.

Staff's review of the Company's annual power costs between 2005 and 2008 revealed that, in fact, Capitol Water's power costs dropped from 2005 to 2007, then slightly increased in 2008. When initially calculating the average annual energy and power pumping expense, both Staff and the Company included 2005 electricity costs. However, the Company acknowledged that there was a significant leak during the 2005 test year that abnormally increased the Company's energy consumption. Capitol Water Comments, p. 3. In its reply comments, Staff maintained that the Company's average annual energy consumption should be recalculated without using the abnormally high 2005 costs. Staff's Reply Comments, p. 2.

Commission Findings: Following a thorough review of the Company's Application and the evidence produced during this case, the Commission finds that Capitol Water's power costs have not increased as dramatically as the Company initially claimed. Capitol Water does not appear to be facing a financial hardship to an extent that would warrant the use of a cost-adjustment mechanism tied to changes in Idaho Power Company's electric rates. Therefore, the Commission declines to approve such a mechanism.

The Commission finds it reasonable to exclude the abnormally high 2005 energy consumption from a calculation of the Company's average annual energy usage. Excluding 2005 consumption because of the significant leak will produce a more representative estimate of energy consumption that can be expected in 2009.

Since comments were filed in this case, the Commission issued Order No. 30754 on March 19, 2009, granting Idaho Power an additional 1% increase in its electric rates. Utilizing the Company's energy consumption from 2006 through 2008 to calculate average annual energy consumption and applying the Company's estimated average cost per kWh of 5.19 cents results in increased power supply expense of \$75,483 for 2009. It is reasonable for the Company to include this increased power supply cost in rates. As a result, we calculate that Capitol Water is entitled to include an additional \$4,974 for incremental electricity costs in its revenue requirement.

RATE DESIGN

The Company requested, and Staff supported, that any revenue deficiency be collected on a uniform basis. The total number of customers served has not significantly changed since the Company filed its last general rate case in 2006. Further, none of the residential customers are metered.

Commission Findings: The Commission finds no reason to alter the rate structure or spread the increase on anything other than a uniform basis. Therefore, the Commission grants Capitol Water an increase in its total revenue requirement of \$26,806 based on the Ustick Road project, the Well No. 6 pump rebuild, increased electricity costs, and amortized rate case expenses.¹ To meet this revenue requirement, a weighted average increase of rates was applied to establish the correct allocation of revenue from overall revenue. The resulting tariff charges were rounded to the nearest five cents. This results in a \$27,025 overall increase in revenue, or 4.326% increase in rates.

RATE SCHEDULES AND TARIFFS

Staff recommended that Capitol Water place fees established by Boise City and Idaho Department of Environmental Quality (IDEQ) on a separate rate schedule of recurring charges (1) to clarify that the Commission allows the Company to recover these fees from customers, and (2) to make it administratively easier to revise the tariff if the fees are changed in the future. Staff also noted that some of the Company's references to Commission rules and regulations within its tariffs were either severely out of date or obsolete. Staff recommended that the Company adopt the model tariff which incorporates the latest changes to the Commission's rules and regulations. The Company did not dispute Staff's recommendations on these matters.

Commission Findings: The Commission finds that placing Boise City and IDEQ fees on a separate rate schedule will improve clarity for customers and streamline future changes in fees, and therefore tariffs, should they occur. The Commission also finds it appropriate for the Company to adopt the model tariff in order to reflect the most recent updates to the Commission's rules and regulations.

¹ The Company requested, and Staff did not oppose, an increase in the Company's revenue requirement of \$600 a year for three years to recover rate case expenses (\$1,800 amortized over a period of three years).

CONCLUSIONS OF LAW

The Commission has jurisdiction and authority over Capitol Water Corporation, a water utility, and the issues raised in Case No. CAP-W-08-02, pursuant to Title 61 of the Idaho Code and the Commission's Rules of Procedure, IDAPA 31.01.01.000, *et seq.*

Idaho Code §§ 61-301 and 61-307 require the Commission to establish just and reasonable rates for each public utility. We find a total annual revenue requirement for Capitol Water of \$624,713 to be just and reasonable. We further find the rate design attached hereto as Attachment A to be a just and reasonable allocation of the Company's revenue requirement among its customers.

ORDER

IT IS HEREBY ORDERED that the Commission approves a 4.326% increase in authorized annual revenues for Capitol Water Company, for a total authorized annual revenue requirement of \$624,713.

IT IS FURTHER ORDERED that the Company submit updated tariff sheets consistent with this Order. The Company shall revise its rate schedules and rules and regulations based on the model tariff and create a separate tariff schedule for Boise City and IDEQ fees. Rates and charges approved herein are to be effective May 1, 2009.

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.

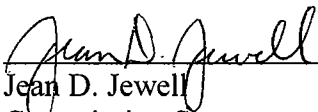
DONE by Order of the Idaho Public Utilities Commission at Boise, Idaho this /st
day of April 2009.


MACK A. REDFORD, PRESIDENT


MARSHA H. SMITH, COMMISSIONER


JIM D. KEMPTON, COMMISSIONER

ATTEST:


Jean D. Jewell
Commission Secretary

O:CAP-W-08-02_ks3

Capitol Water Corporation			
CAP-W-08-01			
Tariff Design			
Revenue Requirement Approved in Order No. 30198:			\$624,713
Staff Proposed Revenue Deficiency:			\$27,025
Staff Proposed Increase:			4.326%
RESIDENTIAL SCHEDULE 1, MONTHLY FLAT RATES			
		Staff Proposed	
Service size	Current Tariff	Tariff	
3/4"	\$12.10	\$12.65	
1"	\$14.50	\$15.10	
1 1/4"	\$16.20	\$16.90	
Sprinkling Charge: From May 1 through September 30, the following rates will be added to the base monthly rates			
	Current Tariff	Staff Proposed	
	Sprinkling Rate	Sprinkling Rate	
	\$15.40	\$16.05	
COMMERCIAL SCHEDULE 2, METERED RATES			
Minimum Monthly Charge: Customers using less than the following minimum charge allowance will be billed the minimum charge.			
	Min. Charge	Current Tariff	Staff Proposed
	Com. Allowance	Minimum Charge	Tariff-Min. Charge
Service size	cu. ft.	\$/mo.	\$/mo.
3/4" & smaller	653	\$7.70	\$8.05
1"	915	\$10.80	\$11.30
1 1/2"	1,597	\$15.80	\$16.50
2"	3,760	\$27.30	\$28.50
3"	8,080	\$48.90	\$51.00
Commodity Rate Charge:			
		Staff Proposed	
Quantity Over	Current Tariff	Tariff	
Minimum	\$/100 cu.ft.	\$/100 cu.ft.	
1st 1,000 cu. ft.	\$1.18	\$1.20	
2nd 2,000 cu. ft.	\$0.67	\$0.70	
Balance	\$0.50	\$0.53	

SCHEDULE 4

FIRE PROTECTION (SPRINKLER SYSTEMS) - FLAT MONTHLY RATES

	Current	Staff Proposed
Service Size	Tariff	Tariff
3"	\$8.50	\$8.90
4"	\$11.80	\$12.30
6"	\$27.00	\$28.15
8"	\$43.80	\$45.70
10"	\$67.30	\$70.20

Note: In general, rates were adjusted to the nearest 5-cent increments which caused a minor increase of revenue deficiency from \$26,806 (4.291% increase) to \$27,025 (4.326% increase).