

**BEFORE THE IDAHO PUBLIC UTILITIES COMMISSION**

**IN THE MATTER OF THE APPLICATION )**  
**OF CAPITOL WATER TO ESTABLISH A ) CASE NO. CAP-W-09-01**  
**NEW TARIFF RATE TO RECOVER ITS )**  
**POWER COSTS. ) ORDER NO. 30881**  
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On May 8, 2009, Capitol Water Corporation filed an Application for authority to establish a new tariff rate to recover the Company's increased cost of electricity corresponding to Idaho Power Company's recently approved Rate Schedule No. 55, "Power Cost Adjustment." On June 23, 2009, the Commission issued an Order granting the Company's request to collect additional revenue consistent with the Commission-approved Idaho Power PCA rate of 1.4022 cents per kWh, subject to refund. Order No. 30850. A Minute Order was issued on June 30, 2009, approving Capitol Water's Schedule No. 3, effective July 1, 2009. In this Order the Commission affirms that decision.

**THE APPLICATION**

Capitol Water requested a new tariff rate to recover its cost of electricity related to the recent increase in Idaho Power Company's Schedule No. 55, Power Cost Adjustment (PCA). When it filed its Application, Capitol Water observed that Idaho Power had requested an increase in its PCA rate from 0.7864 cents per kWh to 1.4717 cents per kWh, to be effective June 1, 2009. Case No. IPC-E-09-11.<sup>1</sup> Based on its annual electricity consumption and Idaho Power's proposed 2009 PCA increase, Capitol Water contends that it will incur additional electricity costs of \$9,967.01, or a 13.02% increase.

To alleviate the expense shortfall, Capitol Water proposes a change to its Schedule No. 3 ("Other Recurring and Non-recurring Charges") for a period of one year commencing July 1, 2009, to allow it to collect \$10,467 in additional revenue (\$9,967 in electricity costs + \$500 as the cost of processing its Application in this matter). The Company claims that this request represents a 1.675% increase in the total revenue requirement authorized by the Commission in the last rate case, Order No. 30762. Capitol Water maintains that, in each subsequent year, it

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<sup>1</sup> On May 29, 2009, the Commission issued Order No. 30828 approving an increase in Idaho Power's PCA rate. The PCA rate was set at 1.4022 cents per kWh effective June 1, 2009.

will review Idaho Power's PCA applications and file with the Commission appropriate requests to pass through any increases or decreases in electric power costs to its customers.

### **THE COMMENTS**

Staff was the only party to file comments in this case. Based on the Company's average annual electrical consumption,<sup>2</sup> Staff determined that Idaho Power's approved PCA rate of 1.4022 cents would cause Capitol Water to incur an additional \$8,956 in annual electric costs. Staff found this increased power expense to be reasonable and, therefore, recommended that the Commission grant the Company's request for a rate increase.

Staff believed that the time, effort and expense involved in filing a case with the Commission every year for an adjustment would not be justified if the change to Idaho Power's PCA each year were minimal. Consequently, Staff recommended the use of a 0.25% "revenue band" in determining whether a power cost adjustment should be filed by Capitol Water. With a Commission-approved base revenue requirement of \$651,738, a 0.25% band would allow Capitol Water to file for an adjustment if it experienced an increase or decrease in its power supply costs of more than \$1,629 per year. Staff reasoned that the proposed revenue band would adequately compensate the Company when its power supply costs changed significantly, while reasonably limiting annual rate changes and the expense of requesting a rate change.

Finally, Staff conducted an audit of the Company's expenses in filing its Application. Although it initially requested \$500 in expenses, Staff found that the Company had expended \$1,148 to process the Application and rate schedule. Staff included \$500 for expenses on a permanent basis, but did not recommend a further increase.

### **DISCUSSION AND FINDINGS**

Having fully reviewed the Application and comments in this proceeding, the Commission affirms its previous Order allowing Capitol Water to recover the increased cost of electricity related to Idaho Power Company's Power Cost Adjustment (PCA). We further find that the use of a 0.25% revenue band in determining whether to file for a rate adjustment in future years is a reasonable means to address the issue of annual power rate adjustments.

Finally, we find \$500 in expenses embedded in the rate adjustment to be reasonable. In the event that Idaho Power's PCA adjustment falls inside of Capitol Water's 0.25% revenue

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<sup>2</sup> During its 2008 rate case, the Commission determined the Company's average annual electricity consumption to be 1,454,401 kWh. Order No. 30762.

band, the Company will continue to recover this amount of expense in subsequent years when no application is filed with the Commission. Therefore, we affirm our prior Order No. 30850 that results in a 1.45% incremental revenue requirement increase. For future filings, the 0.25% revenue band shall be calculated based on total revenue previously approved by the Commission (\$651,738 base revenue approved in Order No. 30762 + \$9,456 approved herein) and is applicable while the Commission-approved average annual electric consumption of 1,454,401 kWh is in effect. Future changes in the Company's normalized kWh consumption and base revenue requirement may necessitate changes to the present incremental power cost adjustments.

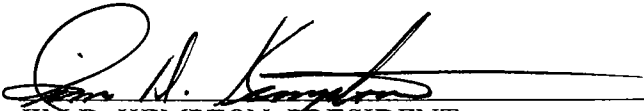
### **ORDER**

IT IS HEREBY ORDERED that Capitol Water's request to recover annual increased costs of \$9,456 corresponding to Idaho Power Company's recently approved Rate Schedule No. 55, "Power Cost Adjustment" is granted.

IT IS FURTHER ORDERED that Capitol Water 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.

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.

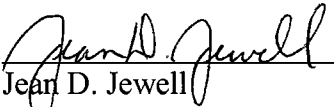
DONE by Order of the Idaho Public Utilities Commission at Boise, Idaho this 17<sup>th</sup>  
day of August 2009.

  
JIM D. KEMPTON, PRESIDENT

  
MARSHA H. SMITH, COMMISSIONER

  
MACK A. REDFORD, COMMISSIONER

ATTEST:

  
Jean D. Jewell  
Commission Secretary

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