

**BEFORE THE IDAHO PUBLIC UTILITIES COMMISSION**

**CAPITOL WATER CORPORATION'S )  
APPLICATION TO INCREASE ITS ) CASE NO. CAP-W-18-01  
SCHEDULE NO. 3 PURCHASE POWER )  
ADJUSTMENT RATE ) ORDER NO. 34124  
\_\_\_\_\_ )**

On May 30, 2018, Capitol Water Corporation filed an Application 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 July 15, 2018. *See* Order No. 34088 at fn. 1.

On June 19, 2018, the Commission issued a Notice of Application, Notice of Modified Procedure, and Order suspending the requested implementation date for 30 days. Order No. 33812. On July 12, 2018, Commission Staff provided written comments summarizing its review and findings and recommendations about the application. The Company did not file a reply, and no other comments 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 PPCA allows the Company to adjust billing for increased or decreased purchased power costs. In 2017, the Commission approved a change that simplified the Company’s PPCA methodology. Order No. 33876. Per that Order, the Company calculates the difference between the actual electricity costs the Company paid during the previous calendar year, and the cost of electricity embedded in the Company’s Schedule No. 3 rates that are recovered through customer billing. *Id.* at 3. The Company’s Schedule 3 takes in the difference between power costs in base rates and actual projected power costs to be paid by the Company. *Id.*

**THE APPLICATION**

With this Application, Capitol Water asked to decrease the Schedule 3 PPCA rate from 3.1% to 2.61% to reflect the Company’s lower power costs. Application at 1. The Company explained that its current base rates assumed the Company would have \$75,483.41 in electric power costs. *Id.* (citing Order No. 30762, Case No. CAP-W-08-02), The Company

reported that its actual electric power cost for 2017 exceeded the costs in base rates by \$17,034. *Id.* The Company also reported, however, that after factoring in the Company's current PPCA, actual costs are \$3,170 lower than what is currently being charged to customers. *Id.* at 2-4. The Company thus asked to decrease its Schedule 3 rates.

### **STAFF COMMENTS**

Staff reviewed the Application and attachments and reported that the Company accurately described its power costs and requested change to the Schedule 3 PPCA rates. Staff also reported that the Company's case preparation costs were reasonable. Staff thus recommended that the Commission approve of those requests. Staff also made other recommendations as described below.

#### **1. PPCA Methodology**

Staff continued to support the Company's simplified PPCA methodology. Staff Comments at 2. Staff reported that the simplified methodology has lowered costs by eliminating the Company's need to retain a consultant for PPCA applications. *Id.* Staff stated that the simplified methodology is accurate without a true-up as long as the number of customers remains stable. *Id.* at 3. Staff noted that the number of customers should remain stable because the Company has little room for customer growth. Staff thus recommended no change to the PPCA methodology.

#### **2. Other Issues**

Staff evaluated the Company's production and energy consumption at each well. Staff commented the Company's energy consumption has decreased by 15.5% since 2008, and by 4.9% since the Company's last PPCA case, Case No CAP-W-17-01.

Finally, Staff reported that the Company complied with all customer notification requirements. *Id.* (citing Rule 125, IDAPA 34.01.01).

### **DISCUSSION AND FINDINGS**

The PPCA allows the Company to adjust its rates to reflect changes in power supply costs. *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. This year, the Company's power costs decreased as reported by the Company and verified by Commission Staff. Accordingly, we find it reasonable to approve the Company's request to decrease the Schedule No. 3 PPCA rates from 3.1% to 2.61%. The Company's revised Schedule No. 3 rates are cost-based and appropriate.

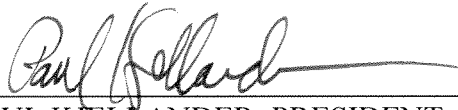
The new PPCA rates will decrease a monthly bill for an unmetered customer with 3/4 inch service by \$0.14, May through September, and \$0.06, October through April. The customer's annual bill will decrease by approximately \$1.12 (a 0.47% decrease). Metered customer bills will vary with water usage, but the PPCA portion of the bill will decrease by 0.49%.

**ORDER**

IT IS HEREBY ORDERED that Capitol Water's Application is approved. The Company shall decrease its PPCA from 3.1% to 2.61%, and Schedule No. 3 Purchased Power Cost Adjustment is approved as filed.

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 § 614-626.

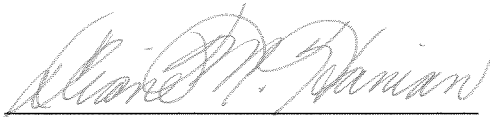
DONE by Order of the Idaho Public Utilities Commission at Boise, Idaho this 14<sup>th</sup> day of August 2018.

  
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PAUL KJELLANDER, PRESIDENT

  
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KRISTINE RAPER, COMMISSIONER

  
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ERIC ANDERSON, COMMISSIONER

ATTEST:

  
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Diane M. Hanian  
Commission Secretary

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