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Attorney for the Commission Staff

**BEFORE THE IDAHO PUBLIC UTILITIES COMMISSION**

**IN THE MATTER OF CAPITOL WATER )  
CORPORATION'S APPLICATION TO ) CASE NO. CAP-W-18-01  
INCREASE ITS SCHEDULE NO. 3 )  
PURCHASE POWER ADJUSTMENT RATE ) COMMENTS OF THE  
 ) COMMISSION STAFF  
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The Staff of the Idaho Public Utilities Commission, submits the following comments regarding the above referenced case.

**BACKGROUND**

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 requests a decrease in its Schedule 3 rates. It states that the proposed decrease is driven by a drop in electric power expenses. *Id.* The Company claims that its current 3.1% Purchased Power Cost Adjustment (PPCA) rate is too high when factoring in the lower power rates. *Id.* The Company requests a new PPCA rate of 2.61%. *Id.*

Capitol Water states that its current base rates were established by Order No. 30762 in Case No. CAP-W-08-02. *Id.* Capitol Water summarizes the order stating the Commission adopted 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.* This results in a total electric power cost of \$75,483.41. *Id.*

The Company claims that its actual cost in 2017 was \$17,034 more than what is embedded in base rates, but \$3,170 lower than what is currently being charged after factoring in the current PPCA mechanism. *Id.* at 2-4. In sum, Capitol Water is seeking the Commission's authorization to decrease its current Schedule No. 3 Purchased Power Cost Adjustment Rate from 3.1% to a revised rate of 2.61%.

## **STAFF REVIEW AND ANALYSIS**

### PPCA Adjustment

Staff reviewed the Company's Application and supporting documents, and recommends the Commission authorize the proposed 2.61% PPCA rate, decreasing the Company's current adjustment from \$20,204 to \$17,034. *See* Exhibit No 1 – Application. Staff verified that the proposed rates based on the calculations made in the Application and the workpapers are correct. Staff represents that the power costs in calendar year 2017 of \$92,517, which were \$17,034 higher than the \$75,483 embedded in base rates are appropriate. Based on Staff's review, the revision to the Company's Schedule No. 3 to reflect the proposed 2.61% PPCA rate is cost-based and appropriate.

### PPCA Methodology

In Case No. CAP-W-17-01, the Company proposed simplifying the PPCA methodology. The Company now uses actual charges directly from Idaho Power's bills and compares it to the energy cost embedded in base rates to calculate the PPCA. Staff notes that by using this simpler approach, PPCA filings are completed in-house without the need for a consultant, which decreases costs. Only the costs related to the supply of metered energy are used in the calculation of the PPCA. Costs related to late payment fees or services beyond the delivery of metered energy are excluded from the calculation. Staff continues to believe that this methodology is appropriate.

Due to the current customer charge rate structure, the current methodology can maintain its simplicity and remain accurate without a true-up as long as the number of customers remains stable over time. Staff notes that the number of customers for 2016 and 2017 are the same and that Capitol Water's service territory has little room for growth.

### System Efficiency

Staff analyzed production and energy consumption at each of the Company's wells. The Company's energy consumption has decreased by 15.5% since the PPCA mechanism was established in Case No. CAP-W-08-02, and by 4.9% since the Company's last PPCA case (CAP-W-17-01). The Company's average pumping efficiency (72%) and production per kWh of energy consumed (1,407 gallons per kWh) compare favorably with efficiencies of other similarly sized and situated water companies.

### Rate Design

With the proposed change in the PPCA, the monthly bill for an unmetered customer with ¾ inch service would decrease by \$0.14 - from \$29.59 to \$29.45 - in the months of May through September and \$0.06 - from \$13.04 to \$12.98 - in all other months. The annual bill for this customer will decrease by \$1.12, from \$239.23 to \$238.11 (a 0.47% decrease). The bill for a metered customer will vary with water usage and the PPCA portion of the bill will decrease by 0.49%. These bill calculations exclude franchise fees.

## **CUSTOMER NOTIFICATION**

The Company filed its Customer Notice and Press Release with the Company's Application. Staff reviewed the documents and determined that both met the requirements of Rule 125 of the Commission's Rules of Procedure. (IDAPA 31.01.01) The notice was included with customers' June 1, 2018, billing statements. The Company sent a Press Release to the Idaho Statesman and the Idaho Business Review at the time of the Application's filing. As of Thursday, July 12, 2018, no customer comments have been received.

**STAFF RECOMMENDATION**

Staff recommends that the Commission authorize an overall 2.61% PPCA rate, and approve the Company's proposed Schedule No. 3.

Respectfully submitted this 12<sup>th</sup> day of July 2018.



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Brandon Karpen  
Deputy Attorney General

Technical Staff: Kathy Stockton  
Bentley Erdwurm  
Chris Hecht  
Mike Morrison

i:umisc:comments/capw18.1bkklsmmbecwh comments

## CERTIFICATE OF SERVICE

I HEREBY CERTIFY THAT I HAVE THIS 12<sup>TH</sup> DAY OF JULY 2018, SERVED THE FOREGOING **COMMENTS OF THE COMMISSION STAFF**, IN CASE NO. CAP-W-18-01, BY MAILING A COPY THEREOF, POSTAGE PREPAID, TO THE FOLLOWING:

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