

**BEFORE THE IDAHO PUBLIC UTILITIES COMMISSION**

**IN THE MATTER OF CAPITOL WATER )**  
**CORP.'S APPLICATION TO DECREASE ITS ) CASE NO. CAP-W-20-01**  
**PURCHASED POWER COST ADJUSTMENT )**  
**RATE ) ORDER NO. 34783**  
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On July 15, 2020, Capitol Water Corp. (“Capitol Water” or “Company”) applied for authorization to *decrease* its Schedule No. 3, Purchased Power Cost Adjustment (“PPCA”) rate, from 2.93% to 2.06%. Capitol Water proposed an effective date of August 17, 2020.

On August 6, 2020, the Commission issued a Notice of Application and Modified Procedure, setting an August 27, 2020 comment deadline and a September 3, 2020 reply comment deadline. Order No. 34748. The Commission also suspended Capitol Water’s proposed effective date of August 17, 2020 for 30 days and 5 months. *See Idaho Code* § 61-622(4). Staff filed the only comments, and Capitol Water did not file reply comments.

Having reviewed the record, we approve Capitol Water’s Application as filed.

**BACKGROUND**

In April 2009, the Commission issued final Order No. 30762 that established just and reasonable rates for Capitol Water. In that Order, the Commission used Capitol Water’s three-year electric power consumption average to calculate the Company’s annual power costs to be embedded in base rates. The Commission found the Company’s average annual electricity consumption to be 1,454,401 kilowatt-hours (“kWh”). *See Order No. 30881* at 2-3. Based on this average consumption the Commission determined that the Company would incur \$75,483 in annual electric power costs.

In August 2009, the Commission approved Capitol Water’s request to establish a new tariff rate to recover the Company’s higher costs of electricity resulting from an increase in Idaho Power Company’s Schedule No. 55, Power Cost Adjustment rate. Order No. 30881. Capitol Water’s new tariff established the PPCA mechanism which provided the Company with the means to adjust for increased or decreased purchased power costs annually by accounting for differences between power costs in base rates and the actual power costs paid by the Company.

In 2017, the Commission approved a change that simplified Capitol Water’s PPCA methodology by calculating 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. Order 33876 at 3.

### **THE APPLICATION**

Capitol Water requested a decrease in its PPCA rate from 2.91% to 2.06%. Capitol Water asserted the actual electric power supply cost it incurred in 2019 was \$88,888 which is \$13,405 more than what is embedded in the Company's base rates. *See* Order No. 34445; Application, Exhibit 1. By comparison, Capitol Water's actual electric power supply cost in 2018 was \$94,571. Order No. 34445 at 2. Therefore, Capitol Water's actual electric power supply cost was *less* in 2019 than 2018.

### **STAFF COMMENTS**

Staff recommended the Commission authorize a 2.06% PPCA rate and approve Capitol Water's proposed Schedule No. 3. Staff reviewed the Company's Application and supporting documents. Based on that review, Staff recommended the Commission authorize the proposed 2.06% PPCA, which will decrease the PPCA from \$19,088 to \$13,405. Staff verified the calculations in the Application and the work papers and confirmed actual power costs incurred in 2019 were \$88,888, which is \$13,405 higher than the \$75,483 embedded in base rates.

If the proposed change to the PPCA is adopted, Staff determined "the monthly bill for an unmetered customer with a ¾ - inch service line would decrease by \$0.26 (from \$29.54 to \$29.28) in May through September and decrease by \$0.11 (from \$13.02 to \$12.91) in all other months." Staff Comments at 2. For a metered customer, the PPCA portion of the customer's bill will decrease by 0.87% (excluding franchise taxes).

Staff noted the Company calculates the PPCA by comparing its actual, annual energy charges from Idaho Power to the energy cost embedded in base rates. By using this approach, PPCA filings are completed in-house with no consultant. Only the costs related to supplying metered energy are used to calculate the PPCA. Costs related to late payment fees or services beyond the delivery of metered energy are excluded from the calculation.

Staff asserted the current customer charge rate structure allows the current methodology to remain simple and accurate without a true-up if the number of customers remains stable. Capitol Water experienced a 0.9% growth in customers in 2019, with an increase

of 26 customers. Because Capitol Water's service territory has little room for growth, Staff believes the number of customers should continue to be stable.

Staff expressed concern about Capitol Water's decreased pump efficiency in 2019. Despite pumping 25% less water in 2019 than in 2018, Capitol Water's electrical consumption decreased by just 1.4%. Staff determined Well Nos. 5 and 6 were primarily responsible for the decreased efficiency. In particular, Well No. 5's efficiency dropped from 87% to 40% in 2019. Staff learned in conversations with Capitol Water that the Company is in the process of correcting the problem with Well No. 5, but Well No. 6's decreased efficiency remains unaddressed. In its comments, Staff encouraged Capitol Water "to continue evaluating well problems and making reasonable improvements." Staff Comments at 4.

Staff noted the Company filed its customer notice and press release with the Application. *Id.* Staff reviewed the documents and determined that both complied with Rule 125 of the Commission's Rules of Procedure. *See* IDAPA 31.01.01.125. The notice was included with customers' August 1, 2020 billing statements. Capitol Water sent the press release to the *Idaho Statesman* and the *Idaho Business Review* at the time of the Application's filing.

### **DISCUSSION AND FINDINGS**

The Commission has jurisdiction and authority over Capitol Water and the issues raised in this case under Title 61 of the Idaho Code, specifically *Idaho Code* §§ 61-124, 61-125, 61-129, 61-307, 61-502 and 61-503.

The PPCA allows the Company to adjust its rates to reflect changes in power supply costs. *See* Order No. 30881 at 1-2; *see also* Order No. 33876 at 3. The Company's power costs are determined by two factors: the amount of electric power used, and the rate paid for electric power. *See* Order 33876 at 3. This year, Capitol Water's power costs decreased as reported by the Company and verified by Commission Staff. *See* Application at 1; Staff Comments at 2. Accordingly, we find it just and reasonable to approve the Company's request to decrease the Schedule No. 3 PPCA rate from 2.93% to 2.06%. The Company's revised Schedule No. 3 rates are cost-based and appropriate. The new PPCA rates will decrease monthly bills for unmetered customers with a ¾ - inch service line by \$0.26, May through September, and \$0.11, October through April. Metered customers' bills will vary with water usage, but the PPCA portion of the bill will decrease by 0.87%.

The pumping efficiency of Capitol Water's wells has a direct impact on the Company's customers. Consequently, we urge the Company to continually monitor and maintain its system so that it is operating in a safe, efficient, and cost-effective manner.

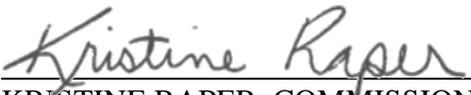
**ORDER**

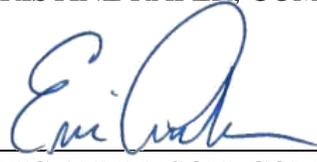
IT IS HEREBY ORDERED that Capitol Water's Application is approved. The Company shall decrease its PPCA rate from 2.93% to 2.06%. The effective date for the approved PPCA rate shall be the service date of this Order. The Company shall file conforming tariffs with the Commission within ten (10) days of the service date of this Order.

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 18<sup>th</sup> day of September 2020.

  
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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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Jan Noriyuki  
Commission Secretary