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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-22-01**
CHANGE ITS SCHEDULE NO. 3 PURCHASED)
POWER COST ADJUSTMENT RATE)
)
) **COMMENTS OF THE**
) **COMMISSION STAFF**
)

Staff of the Idaho Public Utilities Commission (“Staff”), by and through its attorney of record, Claire Sharp, Deputy Attorney General, submits the following comments.

BACKGROUND

On September 6, 2022, Capitol Water Corporation (“Company”) applied for authority to increase its Schedule No. 3 - Purchased Power Cost Adjustment (“PPCA”) rate from 0.89% to 2.72%.

The Company’s Schedule No. 3 PPCA rate provides a mechanism for the Company to recover its cost of electricity related to Idaho Power Company’s electric rate schedules that have been approved by the Commission. The Commission approved the Company’s current base rates by Order No. 30762 in Case No. CAP-W-08-02. In that Order, the Commission adopted a three (3) year average of 1,454,401 kilowatt hours of electricity consumption at an average cost

of \$5.19 to establish rates for the Company. The Company states that, “together these produce a total cost of electric power for the [Company] of \$75,483.41.”

According to the Company, the actual power costs for calendar year 2021 were \$93,212 which is \$17,729 more than embedded in the Company’s base rates. Based on its calculations, the Company now seeks to increase the Schedule No. 3 PPCA rate from 0.89% to 2.72% to recover these additional power costs.

STAFF ANALYSIS

PPCA Adjustment

Staff reviewed the Company's Application and supporting documents, and recommends the Commission approve the proposed 2.72% PPCA rate, which is a 1.83% increase from the current PPCA rate of 0.89%. This is \$17,729 more than the \$75,483 cost of electricity embedded in the Company base rates. Staff verified that the calculations in the Application and the workpapers are correct and calculated the actual power costs incurred in 2021 were \$93,212.

Rate Design

With the proposed change in the PPCA, the monthly bill for an unmetered customer with a ¾ - inch service line would increase by \$0.53 from \$28.96 to \$29.48 for May through September and increase by \$0.23 from \$12.76 to \$12.99 in all other months. The annual bill for this customer would increase by \$4.54, from \$250.31 to \$254.85, a 1.81% increase. The bill for a metered customer will vary with water usage and the PPCA portion of the bill will increase by 1.83%. These bill calculations exclude franchise taxes.

PPCA Methodology

In Order No. 33876, Case No. CAP-W-17-01, the Commission approved modifications to simplify the PPCA methodology. The Company compares its actual charges for electricity directly from Idaho Power to the energy cost embedded in base rates. The difference becomes the new PPCA balance to include in rates. By using this approach, PPCA filings are completed in-house without the need for a consultant. 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.

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. Capitol Water experienced 3.0% increase in customers since 2016. The number of customers continues to be stable and is not expected to change in the future due to a service territory with little room for growth.

System Efficiency

Customers should not have to pay for higher electricity costs due to preventable operational inefficiencies. Staff reviewed the electrical efficiency of the Company’s wells because the adjustment mechanism allows a 100% pass-through of electricity costs to ratepayers. Staff calculated the efficiency of each well on a gallon per kilowatt-hour (gal/kWh) basis, and then compared the results to prior years. See Table No. 1.

Table No. 1: Pump Efficiency Comparison

	2019 Pump Efficiency (gal/kWh)	2020 Pump Efficiency (gal/kWh)	2021 Pump Efficiency (gal/kWh)	Change between 2021 and 2020
Well #3	311	318	320	1%
Well #4	434	398	498	25%
Well #5	381	557	496	-11%
Well #6	505	533	514	-4%
Well #7	740	744	730	-2%

The results show that Well No. 4 was 25% more efficient while Well No. 5 showed an 11% decrease in efficiency from the previous year. The other wells showed minimal change. With the exception of Well No. 4, Staff believes these results are sufficiently stable and do not raise concern. The improvement in Well No. 4’s efficiency was not attributed to any Company actions. Staff recommends the Company assess Well No. 4 to identify possible causes and apply any lessons learned to its other wells.

The Company did not conduct any well efficiency enhancements in 2021 but plans to perform scheduled maintenance on Well Nos. 5 and 7, the two largest production wells, in 2023. Periodic maintenance is necessary to maintain well efficiency.

CUSTOMER NOTIFICATION

The Company filed its customer notice and press release with its Application. Staff reviewed the documents and determined that they met the requirements of Rule 125 of the Commission's Rules of Procedure. (IDAPA 31.01.01.125). The customer notice was included with customers' October 1, 2022, billing statements.

The Company sent a press release to the Idaho Statesman and the Idaho Business Review at the time the Application was filed on September 2, 2022. In the press release, the Company erroneously states “Metered customers will see a *decrease* of 1.83% in their bill” in the body of the press release, although the remainder of the press release correctly states that the rate is an increase of 1.83% over the prior year’s rate. The Company filed a corrected press release on October 17, 2022.


As of Wednesday, October 18, 2022, the Commission has not received any comments.

STAFF RECOMMENDATION

Staff recommends that the Commission:

1. Authorize an overall 2.72% PPCA;
2. Direct the Company to file an updated Schedule No. 3 – Other Recurring and Non-recurring charges;
3. Direct the Company to assess Well No. 4 to identify possible causes for the change in efficiency and apply any lessons learned to its other wells; and
4. Direct the Company to continue to monitor all wells for efficiency and address issues that have negative impacts.

Respectfully submitted this 19th day of October 2022.



Claire Sharp
Deputy Attorney General

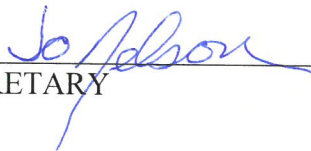
Technical Staff: Kathy Stockton
Chris Hecht
Robin Maupin
Matt Suess

i:umisc/comments/capw22.01esklscwhrmms comments

CERTIFICATE OF SERVICE

I HEREBY CERTIFY THAT I HAVE THIS 19TH DAY OF OCTOBER 2022, SERVED THE FOREGOING **COMMENTS OF THE COMMISSION STAFF**, IN CASE NO. CAP-W-22-01, BY E-MAILING A COPY THEREOF, TO THE FOLLOWING:

ROBERT PRICE
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