BEFORE THE IDAHO PUBLIC UTILITIES COMMISSION

IN THE MATTER OF CAPITOL WATER CORPORATION'S APPLICATION TO CHANGE ITS SCHEDULE NO. 3 PURCHASED POWER COST ADJUSTMENT RATE	**CASE NO. CAP-W-23-01** **ORDER NO. 35999**

On September 1, 2023, Capitol Water Corporation ("Company") applied for authority to change its Schedule No. 3 - Purchased Power Cost Adjustment ("PPCA") rate to recover the electricity costs that exceeded what it collected through rates. The Company requested its Application be processed by Modified Procedure and that the tariff changes become effective November 15, 2023.

On September 28, 2023, the Commission issued a Notice of Application and Notice of Modified Procedure. Order No. 35938. Commission Staff ("Staff") filed comments to which the Company replied. The Company also filed supporting information with its reply comments.

Having reviewed the record, the Commission now issues this Order approving the Company's Application.

BACKGROUND

The Company's PPCA rate provides a mechanism for the Company to recover its cost of electricity purchased from Idaho Power Company. The Commission approved the Company's current base rates in 2009 in Order No. 30762 in Case No. CAP-W-08-02. At that time, a three-year average of 1,454,401 kilowatt hours ("kWh") of consumption was established. The average cost to the Company was 5.19¢ per kWh for a total cost of $75,483.41. The Commission later replaced the three-year model with an average that was based on the most recent 12-month period available.

APPLICATION

According to the Company, the actual power costs for the calendar year 2022 were $104,877. This is $29,394 more than what is embedded in the Company's base rates. It is also $11,665 more than the current Schedule No. 3 rate of 2.72% was designed to recover. Based on its calculations, the Company requested an increase in the PPCA rate from 2.72% to 4.51% to recover these additional power costs.

The Company's Application included attached supporting materials showing its proposed changes to Schedule No. 3 and the underlying data that the Company used in its calculations.

The Company also provided information about the general use and condition of its wells. The Company provided certain follow-up information on Well No. 4—as Staff had previously requested information regarding Well No. 4's unexplained 25% increase in efficiency year-over-year.

STAFF COMMENTS

Staff recommended the Commission authorize the proposed PPCA rate of 4.51% and requested that the Company review the decreased efficiency of Well No. 5.

1. PPCA Methodology

A simplified method for calculating the Company's PPCA rate was approved by the Commission in Order No. 33876, Case No. CAP-W-17-01. The new PPA can be calculated by comparing the difference between the actual charges for electricity and the embedded costs in the rates. So long as the number of customers remains reasonably consistent, this approach will remain accurate without a true-up or the need for the Company to hire a consultant.

2. PPCA Adjustment

Staff reviewed the Company's Application and supporting documents. Staff analyzed the Company's calculations and recommended the Commission authorize the Company's proposed 4.51% PPCA rate. This is a 1.79% increase from the current PPCA rate of 2.72%. In terms of dollars, it is $29,394 more than the $75,483 in electricity costs currently embedded in base rates.

3. Customer Impact

Staff stated that, if the new PPCA rate is approved, unmetered customers may see an increase of between $0.51 and $0.59 from May through September and an increase of between $0.23 and $0.30 for all other months.

4. Prudence of Electricity Cost

Staff stated that the system had experienced an overall 10.2% decrease in its pump efficiency when compared to 2021. Well No. 5 experienced the largest drop in efficiency with a 32% decrease when compared to 2021. Staff noted that Well No. 5's decrease in efficiency seemed to be in constant decline since 2020. Specifically, Staff noted that it produced 19% less water while using 19% more electricity in a three-year period. Staff highlighted this concern by noting that these increased electrical costs are passed directly to the Company's customers. Therefore, the Company has no financial incentive to maximize energy efficiency.

Staff likewise discussed the efficiency and usage of the other wells in the Company's system and noted that the efficiency of all the wells (except for Well No. 5) appeared to be stable. Staff noted that the Company pumped 8.1% less water in 2022 than it did in 2021. However, instead of a commensurate drop in electrical costs, the Company paid 2.3% more in 2022 than it did in 2021. Staff recommended that the Commission order the Company to identify the root cause of Well No. 5's decreased efficiency and find the least cost solution to mitigate the issue.

COMPANY REPLY

The Company noted that it generally agreed with Staff's comments. The Company stated that it was aware of the decreased efficiency of Well No. 5 and had already taken steps to mitigate the issue. The Company stated that the root cause of the decrease was naturally occurring iron in the aquafer. The Company stated that, over time, this iron "plugs the screens in the well, which increases the pumping depth" which in turn requires more electricity for each gallon of water pumped. Company Reply at 2.

The Company stated that Well No. 5 was cleaned and serviced to address this issue in spring of this year. The Company noted that these cleanings have historically resulted in increased efficiency, and that the Company is currently getting bids to clean Well No. 7. The Company noted that billing information associated with the cleaning of Well No. 5 had been filed with the Company's reply. Accordingly, the Company believed that it had already addressed Staff's recommendation for the Company to investigate and mitigate the root cause of Well No. 5's decreased efficiency.

COMMISSION FINDINGS AND DECISION

The Commission has jurisdiction and authority over the Company and the issues raised in this case under Title 61 of the Idaho Code, specifically *Idaho Code* §§ 61-501, 61-502, and 61-503.

The PPCA allows the Company to adjust its rates to reflect changes in power supply costs. Order No. 30762. The Company's power costs are determined by two factors: (1) the amount of electric power used; and (2) the rate paid for electric power. This year, the Company's actual power costs exceeded the amount included in base rates as reported by the Company and verified by Staff. Accordingly, we find it just and reasonable to approve the Company's request to increase the Schedule No. 3 rate from 2.72% to 4.51%. The Company's revised Schedule No. 3 rate is cost-based and appropriate.

The Commission notes Staff's concerns and recommendation regarding Well No. 5's decrease in efficiency. The efficiency of the Company's wells is a crucial concern given that increased electricity costs due to well inefficiency are passed directly to the Company's customers. We are satisfied with the Company's proactive actions in servicing Well No. 5—as well as the steps taken thus far to schedule a servicing or cleaning of Well No. 7. Due to the actions already planned and executed by the Company, the Commission does not see a need to order the Company to take further mitigation measures related to the efficiency of its wells at this time.

ORDER

IT IS HEREBY ORDERED that the Commission approves the Company's proposed increase to its Schedule No. 3 rate from 2.72% to 4.51% as filed, effective November 15, 2023.

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 14th day of November 2023.

ERIC ANDERSON, PRESIDENT

JOHN R. HAMMOND JR., COMMISSIONER

EDWARD LODGE, COMMISSIONER

ATTEST:

Jan Noriyuki
Commission Secretary

I:\Legal\WATER\CAP-W-23-01_PCA\orders\CAPW2301_Final_md.docx