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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 CHANGE ITS SCHEDULE NO. 3 PURCHASED POWER COST ADJUSTMENT RATE** )  
 ) **CASE NO. CAP-W-23-01**  
 )  
 ) **COMMENTS OF THE**  
 ) **COMMISSION STAFF**  
 )

**COMMISSION STAFF ("STAFF")** OF the Idaho Public Utilities Commission, by and through its Attorney of record, Michael Duval, Deputy Attorney General, submits the following comments.

**BACKGROUND**

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, 2022.

The Company's Schedule No. 3 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 twelve-month period available.

The Company stated that the actual power cost for calendar year 2022 was \$104,877—\$29,394 more than the cost embedded in the Company’s base rates. It is also \$11,665 more than the current Schedule No. 3 rate of 2.72%. Based on its calculations, the Company seeks to increase the Schedule No. 3 PPCA rate from 2.72% to 4.51% to recover these additional power costs.

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

## **STAFF ANALYSIS**

Staff believes that the calculation of the PPCA rate is accurate and that the Company prudently incurred the electricity cost to provide water service to its customers over the past year. However, Staff recommends the Company investigate and identify the root cause of the reduced efficiency of Well No. 5. Staff is concerned that this could cause customer’s costs to increase if not addressed.

Staff’s review included the following:

1. The current methodology and its applicability to current operations;
2. An audit of the inputs and the calculation of the PPCA rate;
3. The customer impact of the new PPCA rate;
4. The prudence of electricity cost incurred to pump water over the last year; and
5. A review of the Company’s customer notifications.

### 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.

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. 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.

### PPCA Adjustment

Staff reviewed the Company's Application and supporting documents, and recommends the Commission approve the proposed 4.51% PPCA rate, which is a 1.79% increase from the current PPCA rate of 2.72%. This is \$29,394 more than the \$75,483 cost of electricity embedded in the Company base rates. Staff verified that the calculations in the Application and workpapers are correct and that actual power costs incurred in 2022 were \$104,877.

### Customer Impact

With the proposed increase in the PPCA rate, an unmetered residential customer may see an increase between \$0.51 and \$0.59 for the months of May through September, and an increase between \$0.23 and \$0.30 in all other months. Metered customers will see an increase of 1.79%. The PPCA rate is applied to customer bills after charges have been accumulated and is presented as a single line charge. However, the PPCA rate does not apply to City of Boise franchise fees, and Department of Environmental Quality fees.

### Prudence of Electricity Cost

To determine if the Company prudently incurred the electricity cost to serve its customers, Staff assessed water pumping efficiency (gallon/kWh) across the Company's five production wells. Since last year, average system-level pump efficiency in 2022 decreased from 560 to 503 gal/kWh, which is a 10.2% reduction compared to 2021. Of all production wells, Well No. 5 experienced the largest change, a 32% decrease in pumping efficiency compared to 2021.

Examining the historical trend, Staff discovered that Well No. 5 is demonstrating consistent decline in efficiency starting in 2020. Staff is concerned by the significant decrease in

pumping efficiency that has occurred since the Company’s previous PPCA Case No. CAP-W-22-01. Because the PPCA mechanism passes electrical costs directly to customers, there is no financial incentive for the Company to use electricity efficiently. Therefore, Staff recommends the Company investigate and identify the root cause of reduced efficiency of Well No. 5 and notify the Commission with a plan of action to mitigate this issue by March 2024.

Staff calculated the pumping efficiency of each well on a gallon per kilowatt-hour (gallon/kWh) basis to ensure that power costs have been incurred prudently over the PPCA period. Staff reviewed the Company’s water production for five different wells.<sup>1</sup> Well Nos. 5 and 7 are the Company’s primary production wells that produced water throughout 2022. Well Nos. 3, 4, and 6 produced water only during summer months, from May to October 2022. Staff considered the water production in each well and divided each by its respective electricity usage during those production months. By applying this approach to the whole system, Staff was also able to determine system-level efficiency. Staff then compared the results to prior years to determine historical trends. Table No. 1 compares the Company’s water pumping efficiency for three years from 2020 through 2022.

**Table No. 1: Historical Water Pumping Efficiency Comparison.**

	<b>Efficiency (Gal/kWh) 2020</b>	<b>Efficiency (Gal/kWh) 2021</b>	<b>Efficiency (Gal/kWh) 2022</b>	<b>% Change in 2022 from 2021</b>
<b>Well #3</b>	318	320	299.7	(6.4)
<b>Well #4</b>	398	498	478.4	(3.9)
<b>Well #5</b>	557	496	336.3	(32.2)
<b>Well #6</b>	533	514	556.6	8.3
<b>Well #7</b>	744	730	704.3	(3.5)
<b>System</b>	584	560	503	(10.2)

At the system-level, Staff calculated that the Company pumped 8.1% less water in 2022 compared to 2021. Because of the reduction in water consumption, Staff expected a corresponding reduction in electricity consumption (kWh). However, in 2022, electricity consumption increased by 2.3% compared to 2021.

<sup>1</sup> Company Response to Production Request No. 3.

To drill down into reasons for reduced system efficiency, Staff analyzed Well No. 5, which demonstrated the worst pumping efficiency in 2022 compared to the Company's other wells. Compared to 2021, Well No. 5 experienced more than a 32% decline in efficiency in 2022. Additionally, it produced 19% less water while using 19% more energy and over a three-year period, and its efficiency has been consistently declining since 2020. Staff believes that the Company needs to take prompt action to identify the root cause of Well No. 5's consistent decline in efficiency and determine a least cost solution to mitigate the cause. The efficiencies of the remaining wells appear stable and raise no concerns.

### **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 1, 2023.

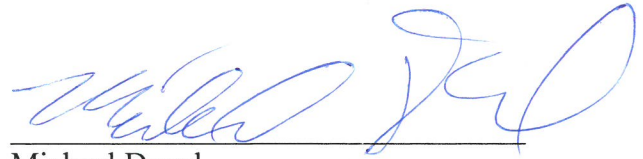
As of Wednesday, October 25th, 2023, the Commission has not received any comments.

### **STAFF RECOMMENDATION**

Staff recommends that the Commission:

1. Authorize an overall 4.51% PPCA;
2. Accept the Company's updated Schedule No. 3 – Other Recurring and Non-recurring charges as filed; and
3. Direct the Company to investigate and identify the root cause of reduced efficiency of Well No. 5 and notify the Commission with the least cost solution to mitigate this issue by March 2024.

Respectfully submitted this 25th day of October 2023.



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Michael Duval  
Deputy Attorney General

Technical Staff: Shubhra Deb Paul  
Travis Culbertson  
Laura Conilogue  
Jolene Bossard

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## CERTIFICATE OF SERVICE

I HEREBY CERTIFY THAT I HAVE THIS 25<sup>th</sup> DAY OF OCTOBER 2023, SERVED THE FOREGOING **COMMENTS OF THE COMMISSION STAFF TO CAPITAL WATER CORPORATION**, IN CASE NO. CAP-W-23-01, BY E-MAILING A COPY THEREOF, TO THE FOLLOWING:

ROBERT PRICE  
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