

BEFORE THE IDAHO PUBLIC UTILITIES COMMISSION

IN THE MATTER OF CAPITOL WATER)	CASE NO. CAP-W-25-03
CORPORATION’S APPLICATION TO)	
CHANGE ITS SCHEDULE NO. 3 –)	
PURCHASED POWER ADJUSTMENT RATE)	ORDER NO. 36884
)	
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On October 23, 2025, Capitol Water Corporation (“Company”) applied for authority to change its Schedule No. 3 - Purchased Power Cost Adjustment (“Schedule No. 3” or “PPCA”) rate to recover the electricity costs that exceeded what it collected in rates (“Application”). The Company requested that the Application be processed by Modified Procedure and that the tariff changes become effective on or after January 1, 2026, or go into effect at about the same time as the new rates in Case No. CAP-W-25-02, depending on the processing time for each case.

On November 20, 2025, the Commission issued a Notice of Application and Notice of Modified Procedure, setting deadlines for interested parties to file comments and for the Company to reply. Order No. 36852. Commission Staff (“Staff”) filed the only comments.

Having reviewed the record, the Commission now issues this Order approving new PPCA rates, effective January 1, 2026, and directing the Company to take additional actions described below.

THE APPLICATION

The Company’s base power expenses were set in Order No. 30762 at 1,454,401 kilowatt-hours with an average cost of 5.19¢, establishing a benchmark of \$75,483.41 to determine incremental power costs for the PPCA rate. While a three-year average was initially approved, the Commission later adopted 12-month power costs in Case No. CAP-W-17-01 (Order No. 33876). In 2024, actual costs of \$113,416 exceeded base rates by \$37,933 and were \$10,507 higher than the current PPCA rate of 3.33%. The Company requests a new PPCA rate of 4.61%, with the final rate to be determined at the conclusion of Case No. CAP-W-25-02, effective on or after January 1, 2026.

STAFF COMMENTS

Staff reviewed the current PPCA methodology, rate calculation, customer impacts, prudence of the Company’s electricity costs and the notifications provided to customers. Based on

the review, Staff determined that the Company's PPCA rate calculation is correct and that its 2024 electricity costs were prudently incurred. Accordingly, Staff recommended approval of the proposed 4.61% PPCA rate effective January 1, 2026. Staff also recommended that the Commission require the Company to: (1) submit a clean version of Schedule No. 3 reflecting the approved rate; (2) file an updated PPCA rate after Case No. CAP-W-25-02 is completed using authorized base rate revenue; and (3) track monthly PPCA revenue beginning January 1, 2026, and report it annually.

I. PPCA Methodology

In Order No. 33876 (Case No. CAP-W-17-01), the Commission simplified the PPCA methodology. Under this approach, the Company compares its actual annual power costs with the power cost embedded in base rates for the deferral period. The difference, or true-up amount, represents what must be refunded or collected so customers pay no more or less than actual power costs. The PPCA rate is calculated as the true-up amount divided by the base-rate revenue for the collection period, allowing the Company to apply the rate to customer bills to recover or return the difference. Costs unrelated to delivered water, like late fees or franchise fees, are excluded.

A. Effective Date and Rate Case

The Company's proposed January 1, 2026, or later effective date for the new PPCA rate will roughly coincide with the new rates resulting from the Company's pending general rate case (Case No. CAP-W-25-02). Consequently, Staff recommended an effective date of January 1, 2026, with the PPCA rate being updated through a compliance filing once the general rate case concludes and new authorized base-rate revenue is established.

Staff preferred this approach because it preserves a calendar-year true-up and collection period, improving accuracy and reducing confusion. The effective date for the general rate case has been suspended into the first quarter of 2026, but Staff does not believe delaying the PPCA to match that date is necessary. If base-rate revenue changes in the general rate case, the Company should update the PPCA accordingly. The Company will also need to separate 2026 embedded power costs into pre- and post-rate-change periods for its 2027 PPCA filing.

Staff also noted that the Company submitted a redlined Schedule No. 3 showing the proposed 4.61% PPCA rate effective January 1, 2026. If approved, the Company should file a clean version of Schedule No. 3 with the Commission-approved effective date.

B. PPCA Revenue Tracking

Staff reiterated the concerns it raised in Case No. CAP-W-24-02 regarding the accuracy of revenue collected under the simplified PPCA method and its prior recommendation for the Company to track and report monthly PPCA revenue. Specifically, Staff recommended that the Commission require the Company to track monthly revenue beginning January 1, 2026, with annual reporting in the Company's PPCA filing. Staff stated that this data would help it monitor actual PPCA collections and assess whether future adjustments to the PPCA methodology are needed.

Staff acknowledged that the Commission previously declined this recommendation in Order No. 36437 due to concerns about administrative burden. However, the Company has since confirmed that both its new and legacy billing systems can report monthly PPCA revenue by customer class. Consequently, Staff believed the proposed tracking and reporting requirements would not impose an undue burden.

II. PPCA Calculation

Using the base-rate revenue approved in Case No. CAP-W-24-01, Staff calculated a new PPCA rate of 4.61%, an increase from the current 3.33%. At the existing rate, the Company would recover about \$27,426 in 2026, whereas the proposed rate would recover approximately \$37,933—an increase of \$10,507. The higher rate reflects actual 2024 power costs of \$113,416, which exceeded the \$75,483 included in base rates.

III. Rate Impact

Under the proposed PPCA rate, metered customers would see bills increase by an estimated 1.28%, with the exact effect depending on service line size and water usage. An unmetered customer with a 3/4-inch service line would pay about \$0.43 more per month during May through September and about \$0.19 more in other months. Customers with other service line sizes would see comparable adjustments. These estimates do not include other recurring charges.

IV. Prudence of Electricity Cost

Staff evaluated the prudence of the Company's electricity costs by reviewing the pumping efficiency of the Company's five production wells. Staff calculated efficiency for each well by comparing water production to electricity use and then reviewed system-level trends over 2022–2024. Wells 5 and 7 operated year-round, while Wells 3, 4, and 6 operated mainly April through

November. Average system efficiency improved from 517 to 535 gal/kWh in 2024, a 3.5% increase from 2023, with Well No. 5 showing the largest improvement at 15.1%.

In response to concerns Staff raised last year about declining efficiency in Well No. 4, the Company repaired the well in 2024. These repairs resulted in a 13.9% efficiency increase, assuaging Staff's concerns. Staff recommended the Company continue monitoring well efficiency going forward.

V. Customer Notice and Press Release

The Company submitted its customer notice and press release with the Application, and Staff confirmed both comply with Rule 125 of the Commission's Rules of Procedure. Customers received the notice with their November 1, 2025 bills, and the press release was distributed to the Idaho Statesman and Idaho Business Review on October 23, 2025. As of December 3, 2025, no comments have been filed with the Commission.

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 compared with the power costs collections embedded in rates. 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, based on the data provided by the Company and analyzed by Staff, the Commission finds it fair, just, and reasonable to adjust the Schedule No. 3 PPCA rate from 3.33% to 4.61%, effective January 1, 2026.

We further direct the Company to submit a clean copy of its Schedule No. 3 reflecting the 4.61% PPCA rate and an effective date of January 1, 2026, as a compliance filing. Due to how the PPCA rate is calculated, any base rate increase granted in the Company's pending general rate case (Case No. CAP-W-25-02) will affect the amounts the Company recovers. Accordingly, we direct the Company to submit a compliance filing after the conclusion of Case No. CAP-W-25-02 updating the PPCA rate with the Company's new base rates approved in that case.

In the Company's last PPCA rate update, we declined to direct the Company to track the amount of PPCA revenue that is collected each month and report this information in the Company's PPCA filings each year. *See* Order No. 36437 at 5–6. In particular, we noted the administrative burden this would put on the Company. *Id.* at 6. However, the Company has stated

that its computer systems can now report monthly PPCA revenue by customer class. Accordingly, we find it reasonable to direct the Company to track this monthly collection data and provide it in the next PPCA filing. The Company should break this revenue tracking into pre- and post-rate case collections.

We continue to believe that well efficiency is a crucial concern for the Company, given that electricity costs represent a large percentage of the costs to serve customers and these costs can increase due to well inefficiency. Although the Company has taken steps to address inefficiencies in its Well No. 4, we find it reasonable to direct the Company to work with Staff and monitor the efficiency of Well No. 4 to ensure that it does not require additional remediation.

ORDER

IT IS HEREBY ORDERED that the Commission approves adjusting the Company's Schedule No. 3 PPCA rate from 3.33% to 4.61%, effective January 1, 2026. The Company must file updated tariffs within 15 days of the service date of this Order.

IT IS FURTHER ORDERED that the Company shall update the PPCA rate within 30 days of the conclusion of Case No. CAP-W-25-02 using the base rate revenue approved in that case.

IT IS FURTHER ORDERED that the Company work with Staff to monitor the efficiency of Well No. 4.

IT IS FURTHER ORDERED that the Company track monthly PPCA revenue collections and provide it in the next PPCA filing separated into pre- and post-rate case revenue collections.

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.

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DONE by Order of the Idaho Public Utilities Commission at Boise, Idaho this 23rd day of December 2025.


EDWARD LODGE, PRESIDENT


JOHN R. HAMMOND JR., COMMISSIONER


DAYN HARDIE, COMMISSIONER

ATTEST:


Laura Calderon Robles
Interim Commission Secretary

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