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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-16-01**
INCREASE ITS SCHEDULE NO. 3 PURCHASED)
POWER COST ADJUSTMENT RATE) **COMMENTS OF THE**
) **COMMISSION STAFF**
)

COMES NOW the Staff of the Idaho Public Utilities Commission, by and through its Attorney of record, Brandon Karpen, Deputy Attorney General, and in response to the Notice of Application and Notice of Modified Procedure issued in Order No. 33545 on June 21, 2016, in Case No. CAP-W-16-01, submits the following comments.

BACKGROUND

On June 14, 2016, Capitol Water Corporation filed an Application to adjust its Schedule No. 3 Purchased Power Cost Adjustment Rate to “recover the Company’s cost of electricity related to Idaho Power Company’s electric rate schedules that have been approved by the Idaho Public Utilities Commission.” Application at 1. Capitol Water proposes an effective date of August 15, 2016, for the proposed change to its Schedule No. 3 Purchased Power Cost Adjustment Rate. *Id.* at 2.

Capitol Water attributes the proposed rates to increases in Idaho Power’s rates and charges. These rates and charges have a corresponding effect on the Company’s costs for electric power. Application at 1. To that end, the Company requests that the Commission take

official notice of Idaho Power's rates and charges currently in effect and on file with the Commission. *Id.*

In 2009, the Commission approved Capitol Water's request to implement a purchased power cost adjustment (PPCA) mechanism and established base electric cost rates using a three year average. Order No. 30881. The Commission adopted an average use of 1,454,401 kWh of electricity consumption, at an average cost of 5.19¢, resulting in a total electric power cost rate of \$75,483. The Company claims that Idaho Power's current rates of 7.15¢ per kWh produce an annual cost for electric power of \$103,972, a \$28,488 deficiency beyond what is included in Applicants base water rates. Application at 2. The Company claims its costs associated with the preparation and filing of this Application to be \$1,100. *Id.* The current PPCA rate of 4.25% represents a total revised incremental power cost of \$27,725. Order No. 33370.

In summary, Capitol Water is seeking the Commission's authorization to recover the electric power costs described above and the preparation and filing costs, by increasing its current Schedule No. 3 Purchased Power Cost Adjustment Rate from 4.25% to a revised rate of 4.54%.

STAFF REVIEW

Capitol Water's proposed increase will allow the Company to recover its purchased power costs arising from recently approved changes to Idaho Power's electric rate schedules. The Company is currently collecting \$27,725 from the 4.25% PPCA. *See* Order No. 33370. The Company proposes an increase of .29% bringing the PPCA rate to 4.54% to generate the revised PPCA of \$29,588 — an increase of \$1,863.

The Company calculates the PPCA using the same methodology as used in previous PPCA rate adjustments. Staff agrees that a change in the PPCA rate is appropriate with some changes as discussed below.

Idaho Power Rate Adjustments

Historically, the Commission has approved PPCA adjustments commensurate to changes in Idaho Power Rates. *See* Order Nos. 32056, 32325, 32607, 32858, 33128 and 33370. In this case, the rate adjustment is attributed to the following:

- An increase to the Fixed Cost Adjustment (FCA) rates of 2.2% for Small General Service customers (IPC-E-16-02, Order No. 33527); and,

- An increase to the PCA rates of 1.16% for Small General Service customers and 1.69% for Large General Service customers (IPC-E-16-08, Order No. 33526).

The increase to the Idaho Power FCA and to the Idaho Power PCA resulted in overall higher power cost rates for Capitol Water Corporation as of June 1, 2016, when compared to last year's power costs for the Company.

Commission Approved Methodology in Calculating PPCA

The Commission has approved the methodology for the Company's PPCA filings, and use of a three-year average normalized annual energy use level based on 2006-2008 energy use. The normalized base rate power supply costs of \$75,483 was determined by multiplying normalized energy and the average rate per kWh (1,454,401 x \$0.0519).

Using the same methodology used in the previous cases, and applying the new Idaho Power rates effective June 1, 2016, the Company calculated the average rate of approximately \$0.0715 per kWh. With this new rate, the expected power cost is \$103,972 (1,454,401 x \$0.0715). Given that \$75,483 in electric power cost are currently embedded in the base rates, the revised incremental power cost to Capitol Water due to Idaho Power's rate changes is \$28,488 (\$103,972 - \$75,483).

Case Preparation Costs

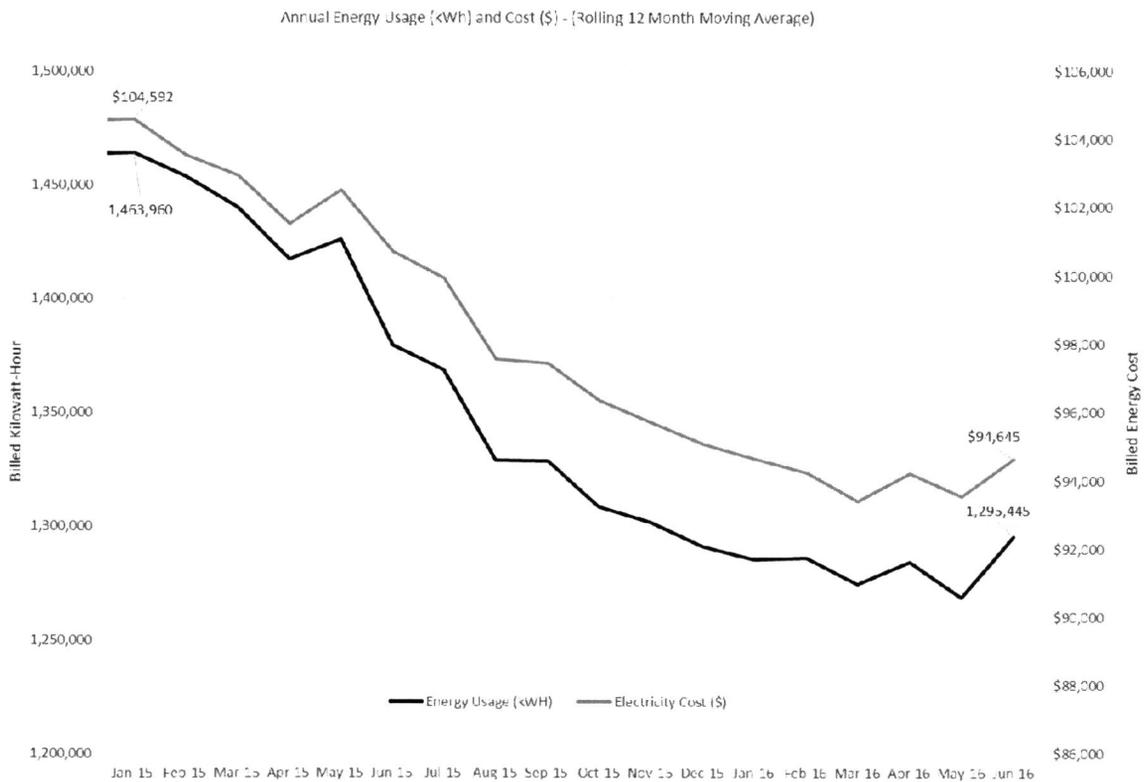
The Company's Application requests \$1,100 to cover its costs to have a consultant review Idaho Power's rate changes, determine the effect on Company power costs, and prepare and file the Application. In previous cases, the Commission has approved this cost. Staff believes the \$1,100 consultant fee is reasonable, and recommends the Commission allow the Company to recover this expense.

Rate Analysis

Based on its analysis of the Company's Application, Staff has determined that the historical normalized three year average (2006-2008) of 1,454,401 kWh used to calculate annual power supply costs is no longer representative of current actual energy consumption. Staff argues that current actual energy consumption levels producing the same volume of water results in annual power supply costs that would be \$92,608, rather than \$103,972, as requested. This results in a 2.8% PPCA rate, rather than the 4.54% rate, as proposed in the Company's

Application. Consequently, Staff recommends that actual energy consumption of 1,295,445 kWh be used in this case and all future PPCA filings.

The intent of the PPCA is to provide the Company with an adjustment for increased or decreased purchased power costs. The current mechanism relies on the assumption that the amount of electricity consumed by the Company is stable over time and that the total electricity cost is only affected by changes in electricity rates charged by Idaho Power. However, Staff has found the total annual amount of electricity consumed has gone down by 10.3% over the last 18 months even though annual water production has been stable. This is illustrated in the graph below which shows a declining trend in the Company’s annual energy usage and billed electricity cost from the period of January 2015 through June 2016.



Because Staff’s analysis did not show any significant change in customer water demand, Staff believes that the lower energy consumption is due to efficiency improvements related to well maintenance and cleaning completed in early 2015 and recent equipment upgrades.

To more accurately account for the reduction in energy consumption, Staff believes that 1,295,445 kWh of actual electricity consumed over the past 12 months be used to calculate the PPCA rate, instead of the 1,454,401 kWh used in the Application. Staff believes this electricity usage amount is more accurate. Applying this amount to the updated electricity rate of 7.15¢ per kWh results in an overall PPCA *decrease* from \$27,699 to \$18,225. This is a *reduction* in the overall PPCA rate of approximately 1.4%. This calculation is shown in Attachment A to these comments.

It should be noted that Staff recognizes that the energy consumption recommended for use in this case and going forward is based on a single year of actual consumption and could change in the future. Staff believes it is significantly more accurate than an average from nearly ten years ago. Staff maintains that rather than change the energy consumption used in the methodology each year that it be monitored and modified if circumstances change.

Customer Relations

Tariff Clarification

Staff found that the description of the PPCA in Schedule No. 3 does not clearly explain what the charge is for or how it is calculated. *See* Attachment B. The PPCA is only applied to the monthly charges for water usage as listed in Schedule Nos. 1 and 2. It does not apply to the total bill amount, which includes other charges such as the DEQ fee and franchise fee. Staff recommends that the Company revise its description in Schedule No. 3 to reflect both the purpose of the PPCA and how it is calculated.

Bill Statement

Billing statements describe the PPCA charge as an “elec. adj.” Staff recommends that the billing statement be revised to reflect the Company’s tariff and identify the line item charge as “Purchased Power Cost Adjustment.”

Customer Notice and Press Release

The Company included its customer notice with bills mailed on July 1, 2016. *See* Attachment C. A press release was sent to the Idaho Statesman and the Idaho Business Review on June 14, 2016. Staff reviewed both documents and found two deficiencies. Specifically, the Notice failed to mention: (1) the total dollar amount of the increase, and (2) the percentage

increase for the major customer classes, as required by Rule 125.01. IDAPA 31.01.01.125.01. In the future, Staff recommends that the Company review the Commission's Rules of Procedure and consult with Staff to ensure compliance.

Customer Comments

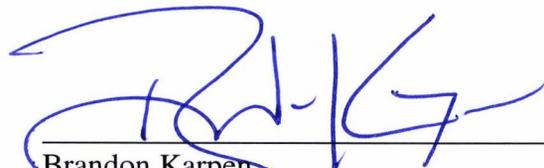
As of July 19, 2016, the Commission has received one customer comment which supported the Company's proposed increase.

STAFF RECOMMENDATIONS

Staff recommends the following:

1. The Commission authorize an overall 2.80% PPCA rate starting August 15, 2016.
2. The Commission approve an energy consumption of 1,295,445 kWh from July 2015 through June 2016 for use in this and future PPCA filings.
3. The Commission authorize the \$1,100 case preparation cost for recovery.
4. The Commission order the Company to file tariffs that reflect approved Schedule No. 3 rates.
5. The Commission direct the Company to consult with Staff on making changes to its billing statements and tariff within 60 days, and direct the Company to work with the Staff in preparing its customer notice and press release prior to the filing of any future cases.

Respectfully submitted this *19th* day of July 2016.



Brandon Karpen
Deputy Attorney General

Technical Staff: Kathy Stockton
Rick Keller
Chris Hecht

i:umisc/comments/capw16.1bkklrkcwh comments

Capitol Water Corporation
Staff Proposed - Calculation of Purchased Power Cost Adjustment

1 Base Revenue	\$ 651,738	Per Order #30762 in CAP-W-08-02
2 Normalized 3 Yr Average Power Consumption (KWh)	1,454,401	Per Order #30762 in CAP-W-08-02
3 Average Cost per KWh	<u>0.0519</u>	Per Order #30762 in CAP-W-08-02
4 Power Cost Embedded in Basic Rates	\$ 75,483.41	Line 3 X Line 2
5 Restated Average Cost Per KWh @ New IPC Rates	\$ 0.0715	Calculated in Workpapers
5A Current 12 Month Power Consumption (KWh)	1,295,445	Staff Revised Value
6 Power Cost with New IPC Rates	\$ 92,608	Line 5 X Line 5A
7 Power Cost above Embedded Base Power Supply Costs	\$ 17,125	Line 6 - Line 4
8 Rate Case Costs	<u>1,100</u>	
9 Revised Total Expenses above Embedded Base Expenses	\$ 18,225	
10 Total Revenue Required with new IPC Rates	\$ 669,963	Line 9 + Line 1
11 Existing Expenses above Embedded Base Rates	\$ 27,699	Line 1 at current PPCA rate of 4.25%
12 Total Current Revenue	\$ 679,437	Line 1 +Line 11
13 Increase or (Decrease) in Power Costs	\$ (9,474)	Line 9 - Line 11
14 % Increase or (Decrease) in Total Revenue	-1.394%	(Line 10 - Line 12) / Line 12
16 Purchased Power Cost Adjustment (PPCA) Required	2.80%	Line 9 / Line 1

Tarriff No.	Page	
I.P.U.C. No.		
Canceling		
Name of Utility		(Approval Stamp)
CAPITOL WATER CORPORATION		

SCHEDULE NO. 3

OTHER RECURRING AND NON-RECURRING CHARGES

RECURRING CHARGES

Applicable: To all customer bills

Purchased Power Cost Adjustment:

Beginning August 15, 2016 4.54%
 Beginning September 1, 2015 all customer bills will be increased by 4.25% for recovery of the Company's costs of electric power related to changes in Idaho Power Company's Rate Schedules

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City of Boise Franchise Fee:

All customer bills will be increased by 3% for payment of Franchise Fees assessed by the City of Boise.

Department of Environmental Quality Fee:

All customer bills will be increased by \$0.34 to collect the assessment required by the Idaho Department of Environmental Quality.

NON-RECURRING CHARGES

Applicable: To all customer bills

Reconnection Charges: A reconnection charge will be assessed to any customer who has been voluntarily or involuntarily disconnected in compliance with the Idaho Public Utilities Commission's Uniform Customer Relations Rules (UCRR). Charges do not apply to customers who have been involuntarily disconnected for the convenience of the Company.

Reconnection Charge \$20.00

The following "Customer Requested Service Calls" charges also apply.

Customer Requested Service Calls: During Normal Business Hours \$0.00
 Other Than Normal Business Hours \$20.00

Service call charges will be waived if the service call resulted in repair to Company's equipment through no fault of the customer.

Normal Business Hours are 8:00 AM to 5:00 PM Monday through Friday excluding Legal Holidays recognized by Idaho State Government Offices

Returned Check Charge: In the event a customer's check is returned by the Company's bank for any reason, the Company will charge the customer's account a reprocessing fee of \$15.00

Meter Testing Fee: Not Currently in Use.

Per Commission Order No. 33370

June 14, 2016 August 15, 2016
 Issued June 22, 2015 Effective September 1, 2015

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By _____ Title President

NOTICE TO OUR CUSTOMERS

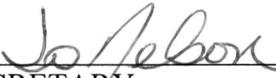
Capitol Water Corporation filed an application on June 14th with the Idaho Public Utilities Commission to increase its Purchased Power Cost Adjustment from 4.25% to 4.54%, an increase of 0.29percentage points. The Purchased Power Cost Adjustment is applied to customer bills after all other charges for water service have been accumulated. The Company has requested an effective date of August 15th after the Commission has had an opportunity to thoroughly review the application. The application is in response to changes in the electric rates Idaho Power charges Capitol Water Corporation for the electric power it uses to provide water service to customers. The application is subject to the approval of the Commission and is available for review at the Company's office at 2626 Eldorado St. in Boise and on the Commissions web site at www.puc.idaho.gov. Customers may make written comments to the Commission regarding the application. Customers may subscribe to the Commissions RSS feed available at the Commissions web site to receive periodic updates on the application.

CERTIFICATE OF SERVICE

I HEREBY CERTIFY THAT I HAVE THIS 19TH DAY OF JULY 2016, SERVED THE FOREGOING **COMMENTS OF THE COMMISSION STAFF**, IN CASE NO. CAP-W-16-01, BY MAILING A COPY THEREOF, POSTAGE PREPAID, TO THE FOLLOWING:

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SECRETARY