

SEP 24 2019

BEFORE THE IDAHO PUBLIC UTILITIES COMMISSION

CAPITOL WATER CORPORATION'S)	
APPLICATION TO INCREASE ITS)	CASE NO. CAP-W-19-01
SCHEDULE NO. 3 PURCHASE POWER)	
ADJUSTMENT RATE)	ORDER NO. 34445
)	

On June 20, 2019, Capitol Water Corporation (“Capitol Water” or the “Company”) filed an Application to increase its Schedule No. 3 Purchased Power Adjustment Rate (the “PPCA”) 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 requested an effective date of August 15, 2019, for its proposed PPCA rate. *Id.* at 2.

On July 24, 2019, the Commission issued a Notice of Application, Notice of Modified Procedure, and Order where it suspended Capitol Water’s proposed effective date for thirty (30) days and five (5) months, or until the Commission issues an earlier Order approving, rejecting, or modifying the Company’s Application. *See* Order No. 34383 at 2-3.

On August 14, 2019, the Commission Staff filed written comments containing its review and recommendations on Capitol Water’s Application. The Company did not file reply comments, and no other comments were filed with the Commission.

BACKGROUND

In April 2009, the Commission issued final Order No. 30762 that established just and reasonable rates for Capitol Water. *See* Order No. 30762. In that Order, the Commission used Capitol Water’s three-year electric power consumption average to calculate the Company’s annual power costs to be embedded in base rates. Order No. 30762 at 3. The Commission found the Company’s average annual electricity consumption to be 1,454,401 kilowatt-hours (“kWh”). *Id.*; *see also* Order No. 30881 at 2-3. Based on this average consumption the Commission determined that the Company would incur \$75,483 in annual electric power costs. *Id.* at 3.

In August of 2009, the Commission approved Capitol Water’s request to establish a new tariff rate to recover the Company’s higher costs of electricity resulting from an increase in Idaho Power Company’s Schedule No. 55, Power Cost Adjustment rate. Order No. 30881 at 1. Capitol Water’s new tariff established the PPCA mechanism which provided the Company with

the means to adjust for increased or decreased purchased power costs annually by accounting for differences between power costs in base rates and projected rates and power costs to be paid by the Company. *Id.*; *see also* 33876 at 3.

In 2017, the Commission approved a change that simplified Capitol Water's PPCA methodology by calculating the difference between the actual electricity costs the Company paid during the previous calendar year, and the cost of electricity embedded in the Company's Schedule No. 3 rates that are recovered through customer billing. Order 33876 at 3. Additionally, the Commission ordered Capitol Water to provide calendar year information on the total average number of customers, the total volume of water pumped in gallons, and the total electric energy used by the Company in kWhs with its annual PPCA filing. *Id.* at 4.

THE APPLICATION

Capitol Water's Application requested Commission authority to increase the Schedule 3 PPCA rate from 2.61% to 2.93% to reflect the higher power costs the Company incurred in 2018. *Application* at 1. Capitol Water asserts its current base rates assumed the Company would incur \$75,483.41 in annual electric power costs. *Id.* *citing* Order No. 30762. The Company reported that its actual electric power cost for 2018 exceeded the costs in base rates by \$19,088. *Id.*

STAFF COMMENTS

The Commission Staff filed written comments on August 14, 2019. In its comments, Staff reported that the Company accurately described its power costs and the proposed increase to its Schedule 3 PPCA rate.

Staff continues to support Capitol Water's simplified PPCA methodology which has lowered costs by eliminating the Company's need to retain a consultant for PPCA applications. *Staff Comments* at 3. Staff also reported the simplified PPCA methodology is accurate without a true-up as the number of customers remains stable because there is little room for customer growth in the Company's service territory. *Id.* at 3. Accordingly, Staff recommended that the Commission approve the Company's proposed increased PPCA rate. *Id.*

Staff identified the PPCA mechanism passes through the actual cost of electricity to customers, so there is no incentive for the Company to use electricity efficiently. *Id.* at 3. Staff performed an analysis to ensure that the Company incurred electricity costs during the period in a prudent manner. *Id.* Staff's analysis appears to show that the pumping efficiency of the

Company's wells has begun to decline. *Id.* at 3-4. This suggests the wells need maintenance to restore pumping efficiency to historically efficient levels. *Id.* at 4. Staff stated the Company is asking for an increase of \$2,054 in this year's PPCA even though the 2018 average cost of electricity on a kWh basis declined 5%, from 7.47 to 7.10 cents per kWh, compared to the prior year. *Id.* Staff alleged the amount of electricity needed to serve customers in 2018 increased 7.3% from the prior year, while the amount of water pumped only increased by 0.7%. *Id.* The difference in the amount of electricity used and the amount of water pumped indicates more energy was used to pump each gallon of water as compared to the previous year.

***Id.*DISCUSSION AND FINDINGS**

The Commission has jurisdiction and authority over Capitol Water Corporation, a water utility, and the issues raised in Case No. CAP-W-19-01, pursuant to Title 61 of the Idaho Code, including but not limited to, *Idaho Code* §§ 61-124, 61-125, 61-129, 61-307, 61-502 and 61-503 and the Commission's Rules of Procedure, IDAPA 31.01.01.000 *et seq.*

The PPCA allows the Company to adjust its rates to reflect changes in power supply costs. *See* Order No. 30881 at 1-2; *see also* Order No. 33876 at 3. The Company's power costs are determined by two factors: the amount of electric power used, and the rate paid for electric power. *See* Order 33876 at 3. This year, Capitol Water's power costs increased as reported by the Company and verified by Commission Staff. *See Application* at 1; *see also Staff Comments* at 2. Accordingly, we find it just and reasonable to approve the Company's request to increase the Schedule No. 3 PPCA rate from 2.61% to 2.93%. The Company's revised Schedule No. 3 rates are cost-based and appropriate. The new PPCA rates will increase monthly bills for unmetered customers with a 3/4 inch service line by \$0.09, May through September, and \$0.04, October through April. Metered customers' bills will vary with water usage, but the PPCA portion of the bill will increase by 0.32%.

We also find that Staff's analysis of the pumping efficiency of Capitol Water's wells demonstrates that the Company needs to continually monitor and maintain its system so that it is operating in a safe, efficient and cost-effective manner. Accordingly, we direct the Company to diligently monitor and maintain its water system, in light of what appears to be the decreased pumping efficiency of its wells, to ensure that the costs of electric power are prudently incurred.

Staff noted that in Order No. 33876, the Commission found that "[g]oing forward, the Company shall provide calendar year information on total average number of customers, total

volume of water pumped in gallons (gal), and total electric energy used in kilowatt-hours (kWh) with its PPCA filing." Order No. 33876 at 4. The Company already provides the total average number of customers and the total volume of water pumped in its annual report. *Id.* In an effort to eliminate the redundancy, we find it reasonable for the Company to cease providing this information in its annual PPCA filing. However, the Company still must provide the total, annual amount of electric energy it uses in its PPCA filings.

ORDER

IT IS HEREBY ORDERED that Capitol Water's Application is approved. The Company shall increase its PPCA rate from 2.61% to 2.93%. The effective date for the approved PPCA rate shall be the service date of this Order. The Company shall file conforming tariffs with the Commission within ten (10) days of the service date of this Order.

IT IS FURTHER ORDERED that the Company cease providing the total average number of customers and the total volume of water pumped in its annual PPCA filing. The Company shall continue to include the total amount of electric energy it uses each year with its annual PPCA filing.

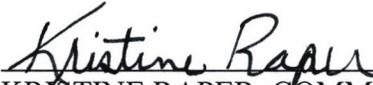
THIS IS A FINAL ORDER. Any person interested in this Order may petition for reconsideration within twenty-one (21) days of the service date of this Order. Within seven (7) days after any person has petitioned for reconsideration, any other person may cross-petition for reconsideration. *See Idaho Code* § 61-626.

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DONE by Order of the Idaho Public Utilities Commission at Boise, Idaho this ^{24/19}
day of September 2019.



PAUL KJELLANDER, PRESIDENT



KRISTINE RAPER, COMMISSIONER



ERIC ANDERSON, COMMISSIONER

ATTEST:



Diane M. Hanian
Commission Secretary

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