

DECISION MEMORANDUM

**TO: COMMISSIONER KJELLANDER
COMMISSIONER RAPER
COMMISSIONER ANDERSON
COMMISSION SECRETARY
COMMISSION STAFF
LEGAL**

**FROM: JOHN R. HAMMOND JR.
DEPUTY ATTORNEY GENERAL**

DATE: JULY 2, 2019

**SUBJECT: CAPITOL WATER CORPORATION'S APPLICATION TO INCREASE
ITS SCHEDULE NO. 3 PURCHASED POWER ADJUSTMENT RATE;
CASE NO. CAP-W-19-01**

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

THE APPLICATION

Capitol Water requests an increase in its PPCA rate. *Id.* at 1. In 2009, the Commission approved Capitol Water’s request to implement a PPCA mechanism. *See* Order No. 30881. The intent of the PPCA is to provide the Company with an annual means to adjust for increased or decreased purchased power costs it incurs as a result of receiving electric power service from Idaho Power Company. *Id.* The Company’s PPCA rate takes in or offsets the difference between power costs in base rates and actual projected power costs to be paid by the Company. Capitol Water’s current Schedule No. 3 PPCA rate approved by Commission Order No. 34124 is 2.61%. The Company alleges this rate is too low when factoring in the increase in power rates that the Company has incurred for electric service in 2018. *Id.* Capitol Water states its power costs of the 2018 calendar year was \$94,571.00 which is \$19,088.00 more than the Company’s current base rates allow recovery for. *Id.* The Company requests that a new PPCA rate be set at 2.93%. *Id.*

Capitol Water has also included a worksheet detailing its calculations with the Application (Exhibit No. 1), a copy of the proposed Schedule No. 3 in legislative format (Exhibit No. 2) and a copy of a direct customer notice and a news release that will be printed in the Idaho Statesman and Idaho Business Review. *Id.* (Exhibit Nos. 3-4).

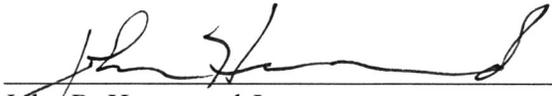
Capitol Water requests the Commission process its Application pursuant to Modified Procedure and approve the rates effective August 15, 2019. *Id.* at 2.

STAFF RECOMMENDATION

Staff concurs with the use of Modified Procedure. However, Staff is concerned that implementation by August 15, 2019 may rush its review of the Company's request. Staff therefore recommends that the Commission suspend the Company's requested effective date until August 31, 2019 or until the Commission issues an earlier final order accepting, rejecting, or modifying Capitol Water's Application. Further, Staff recommends a twenty-one (21) day written comment period with a seven (7) day reply comment period for the Company to follow.

COMMISSION DECISION

Does the Commission wish to suspend the Company's proposed effective date as described above, and process the PPCA Application by Modified Procedure with a twenty-one (21) day written comment period followed by a seven (7) day reply comment period for the Company?



John R. Hammond Jr.
Deputy Attorney General