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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-20-01**
DECREASE ITS SCHEDULE NO. 3)
PURCHASE POWER ADJUSTMENT RATE) **COMMENTS OF THE**
) **COMMISSION STAFF**
)
)
)

STAFF OF the Idaho Public Utilities Commission, by and through its Attorney of record, Matt Hunter, Deputy Attorney General, submits the following comments.

BACKGROUND

On July 15, 2020, Capitol Water Corp. ("Capitol Water") applied for authorization to *decrease* its Schedule No. 3, Purchased Power Cost Adjustment ("PPCA") rate, from 2.93% to 2.06%. Capitol Water proposed an effective date of August 17, 2020.

Capitol Water stated its "current base rates were established by Order No. 30762 in Case No. CAP-W-08-02." Application at 1. Capitol Water asserted that in Order No. 30762 "the Commission adopted a three (3) year average of 1,454,401 kWh of electricity consumption [by Capitol Water] at an average cost of 5.19¢, to establish rates for Applicant." *Id.* Capitol Water asserted this results in Capitol Water incurring a total electric power cost of \$75,483.41.

Capitol Water asserted that in Case No. CAP-W-17-01 “the Commission adopted...the most recent twelve months of power costs as a more efficient method for Capitol Water to recover its increased electric power costs.” *Id.*; *see also* Order No. 33876.

Capitol Water requested a decrease in its PPCA rate. Specifically, Capitol Water claimed the actual electric power supply cost it incurred in 2019 was \$88,888 which is \$13,405 more than what is embedded in the Company’s base rates. *Id.*; *see also* Exhibit 1 to the Application. By comparison, Capitol Water’s actual electric power supply cost in 2018 was \$94,571. Order No. 34445 at 2. Therefore, Capitol Water’s actual electric power supply cost was less in 2019 than 2018.

Capitol Water requested its PPCA rate be reduced from 2.93%¹ to 2.06%. Capitol Water included a worksheet with the Application detailing its electric power cost calculations, a copy of the proposed Schedule No. 3 in legislative format, and a copy of a direct customer notice and a news release that will be printed in the Idaho Statesman and Idaho Business Review.

On August 6, 2020, the Commission issued a Notice of Application and Modified Procedure, setting an August 27, 2020 comment deadline and a September 3, 2020 reply comment deadline. The Commission also suspended Capitol Water’s proposed effective date for the new PPCA rate. Order No. 34748; *see Idaho Code* § 61-622(4).

STAFF REVIEW AND ANALYSIS

PPCA Adjustment

Staff reviewed the Company’s Application and supporting documents, and recommends the Commission authorize the proposed 2.06% PPCA rate, which is a decrease from the current PPCA rate of 2.93%. The proposed PPCA rate reduces the PPCA from \$19,088 to \$13,405. Staff verified that the calculations made in the Application and the workpapers are correct and confirmed actual power costs incurred in 2019 were \$88,888.

Rate Design

With the proposed change in the PPCA, the monthly bill for an unmetered customer with a ¾ - inch service line would decrease by \$0.26 (from \$29.54 to \$29.28) in May through September and decrease by \$0.11 (from \$13.02 to \$12.91) in all other months. The annual bill for this

¹ Capitol Water’s current PPCA rate was authorized by Commission Order No. 34445.

customer would decrease by \$2.07, from \$238.84 to \$236.77 (0.87% decrease). The bill for a metered customer will vary with water usage and the PPCA portion of the bill will decrease by 0.87%. These bill calculations exclude franchise taxes.

PPCA Methodology

In Order No. 33876, Case No. CAP-W-17-01, the Commission approved changes to the PPCA methodology. The Company compares its actual charges directly from Idaho Power to the energy cost embedded in base rates to calculate the PPCA. Staff notes that 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.

With the current customer charge rate structure, 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. Capitol Water experienced a 0.9% growth in customers in 2019, a 0.6% growth in customers in 2018, and an overall 1.5% increase in customers since 2017. There was an increase of 18 customers in 2018, 26 customers in 2019, and an overall increase of 44 customers since 2017. Staff notes that the number of customers continues to be stable, and that Capitol Water's service territory has little room for growth.

System Efficiency

Staff is concerned by the marked decrease in pumping efficiency that has occurred since last year's PPCA. Since last year, average well pump efficiency decreased from 67% to 51%. Because the PPCA mechanism passes electrical costs directly to customers, there is no financial incentive for the Company to use electricity efficiently. Consequently, Staff performs an analysis to ensure that electricity costs have been incurred prudently over the PPCA period.

The Company pumped 25% less water in 2019 than it pumped in 2018, and we would expect a concomitant reduction in electrical consumption. Instead, electrical consumption decreased by just 1.4%.

Staff found that Well Nos. 5 and 6 are primarily responsible for the decrease in electrical efficiency. In particular, Well No. 5 only pumped about half as much water in 2019 as it did in

2018 but used about the same amount of electricity in both years. As a result, the efficiency of Well No. 5 dropped from 87% to 40%. Well No. 6 produced less water but consumed more energy in 2019 than it did in 2018.

In conversations with the Company, Staff learned that in calendar year 2020, the Company took steps to correct the problem with Well No. 5; however, the Company has not yet corrected problems with Well No. 6. Staff encourages the Company to continue evaluating well problems and make reasonable improvements.

CUSTOMER NOTIFICATION

The Company filed its customer notice and press release with the Company's Application. Staff reviewed the documents and determined that both met the requirements of Rule 125 of the Commission's Rules of Procedure. (IDAPA 31.01.01.125). The notice was included with customers' August 1, 2020 billing statements.

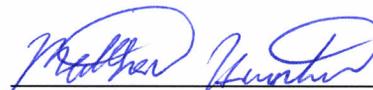
The Company sent a press release to the Idaho Statesman and the Idaho Business Review at the time of the Application's filing on July 15, 2020.

As of Wednesday, August 26, 2020, no customer comments have been received.

STAFF RECOMMENDATION

Staff recommends that the Commission authorize an overall 2.06% PPCA rate and approve the Company's proposed Schedule No. 3.

Respectfully submitted this 27th day of August 2020.



Matt Hunter
Deputy Attorney General

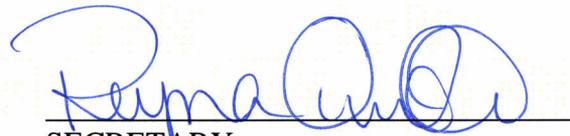
Technical Staff: Kathy Stockton
Bentley Erdwurm
Michael Morrison
Chris Hecht

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CERTIFICATE OF SERVICE

I HEREBY CERTIFY THAT I HAVE THIS 27th DAY OF AUGUST 2020, SERVED THE FOREGOING **COMMENTS OF THE COMMISSION STAFF**, IN CASE NO. CAP-W-20-01, BY E-MAILING A COPY THEREOF, TO THE FOLLOWING:

ROBERT PRICE
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SECRETARY