(text box: 1)BEFORE THE IDAHO PUBLIC UTILITIES COMMISSION

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| IN THE MATTER OF THE INVESTIGATION  OF CAPITOL WATER CORPORATION AND ITS ABILITY TO PROVIDE ADEQUATE SERVICE AND WATER QUALITY. | ))))))) | CASE NO. CAP-W-96-1NOTICE OF INVESTIGATIONORDER NO.  26605 |

YOU ARE HEREBY NOTIFIED that the Idaho Public Utilities Commission has been informed by petition and grievance filed with the Commission on August 15, 1996, by customers of Capitol Water Corporation (Company; Capitol Water) that water provided by the Company is of unacceptable quality.  The petition complains that the water is rust colored, stains appliances, and has “poor quality of taste.”  Specifically, the customers provide the following list of grievances:

▸Rust-colored water—poor appearance; stains laundry, leaves deposits on sidewalks, sprinkler systems, washers, bath tubs, and toilets as well as various household appliances, i.e., coffee pots, automatic ice makers, hot water heaters.

▸Poor quality of taste—resulting in the added expense of purchasing bottled water for drinking and cooking.

▸Loss of revenue—landlords are experiencing loss of tenants due to poor water quality.

▸Added expense—in order to obtain quality water, users of this company find it necessary to purchase water filters with the average cost of $50 per tap for the initial set-up fee.

Capitol Water serves approximately 2,228 residential customers and 147 commercial customers in an area of approximately four square miles in the near southwest part of Boise.  It is bounded roughly by Northview Street on the South, Ustick Road on the North, North Maple Grove on the West, and Curtis Road on the East.  The system has six wells.  There are no storage reservoirs. The wells are pressure regulated and designed to turn on whenever pressure sensors call for more pressure.  As reflected in 1995 data, the combined capacity of all six wells is 5,200 gpm.  Commercial customers are metered and pay a metered rate.  Residential customers are not metered and pay a flat rate.

Testimony in the Company’s last rate case, Case No. CAP-W-95-1, reflected that the Company in 1995 was experiencing problems with iron and manganese discoloration of its waters.  The Commission in its Order No. 26247 in that case stated:

Public testimony was received regarding the high iron content of the Company’s water.  The customer testified that the Company’s water has ruined her clothes and china and that she is afraid to drink it.  The customer contends that the Commission should not grant the Company a rate increase without requiring it to improve the quality of its water.  As testified by Staff witnesses, the Idaho Division of Environmental Quality (DEQ) reports that iron and manganese are the source of the discoloration and that neither, under EPA guidelines, poses a health threat.  Staff has recommended that the Company hire an experienced consultant.  In its rebuttal testimony the Company suggests that based on preliminary discussions with Ed Squires of United Water Idaho, the most cost effective solution would be to drill a new well.

The Commission in its Order found it reasonable to require the Company to continue with its commitment and efforts to improve the aesthetic quality of its water through viable cost-effective means.

Following receipt of the customers’ August 15, 1996, petition, Commission Staff met with representatives of Capitol Water.  As reported, Capitol Water readily admits that it has an iron problem that needs mitigation.  It has one well with relatively high iron content (Well No. 6) and another well with modest iron content (Well No. 4).  Based on advice from a consultant, Capitol Water is in the process of adding a sequestering chemical at its two problem wells and is incurring chemical costs of approximately $3,000 per month.  It is Staff’s assessment, however, that the program cannot succeed or proceed on a scientific basis until the Company installs flow meters at the two wells.  Capitol Water in Order No. 26247 pursuant to Settlement Agreement was required to install meters to measure flows at all of its wells, and to take necessary steps to maintain the meters in good working condition.  This has not been done.  Further, it appears that the injection device at the one well having variable production capability (Well No. 6), is not capable of proportional injection and the device will have to be replaced.  Finding the chemical injection rate that alleviates the iron problem, Staff reports, is a trial and error process which will require flow meters and the proper proportional injection device.  The Company’s consultant estimates that it will take up to six months to evaluate the effectiveness of sequestering.  The Company reports that there are other possible solutions to the iron problem, but they need further study.

COMMISSION FINDINGS

The Commission has reviewed and considered the August 15, 1996, Petition filed by Capitol Water customers and the related memorandum of Commission Staff.  The Commission has also reviewed its prior Order No. 26247 in Case No. CAP-W-95-1.  The Commission finds that Capitol Water continues to experience problems with the aesthetic quality of its water.  The Commission therefore finds it reasonable to initiate a formal docket for investigation of Capitol Water Corporation’s ability to provide adequate service and water quality.  The Commission directs Staff to monitor the progress of the Company’s sequestering efforts.  The Commission further finds it reasonable to require the Company to identify and develop the costs of alternatives for mitigating or eliminating the iron and manganese problem in the Company’s wells and water distribution system and report these back to the Commission.

CONCLUSIONS OF LAW

The Commission has jurisdiction to initiate an investigation regarding the ability of Capitol Water Corporation, a water utility, to provide adequate water service and water quality pursuant to the provisions of Idaho Code, Title 61, Idaho Code 61-302 (Maintenance of Adequate Service), 61-515 (Safety Regulations), Idaho Code 61-406 (Compliance with Commission’s Orders), Idaho Code 61-501 (Investment of Authority), Idaho Code 61-520 (Service of Water Corporations—Determination of Standards) and the Commission’s Rules of Procedure, IDAPA 31.01.01.000 et seq.

O R D E R

In consideration of the foregoing and for reasons more particularly described above, IT IS HEREBY ORDERED and the Commission by this Order hereby initiates a docket in Case No. CAP-W-96-1 to investigate Capitol Water Corporation’s ability to provide adequate service and water quality.

DONE by Order of the Idaho Public Utilities Commission at Boise, Idaho this                  day of September 1996.

                                                                                                                                       RALPH NELSON, PRESIDENT

                                                                                            MARSHA H. SMITH, COMMISSIONER

DENNIS S. HANSEN, COMMISSIONER

ATTEST:

Myrna J. Walters

Commission Secretary

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**COMMENTS AND ANNOTATIONS**

Text Box 1:

**TEXT BOXES**

Office of the Secretary

Service Date

September 11, 1996