DECISION MEMORANDUM

TO:COMMISSIONER NELSON

COMMISSIONER SMITH

COMMISSIONER HANSEN

MYRNA WALTERS

TONYA CLARK

DON HOWELL

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TERRI CARLOCK

GARY RICHARDSON

WORKING FILE

FROM:SCOTT WOODBURY

DATE:NOVEMBER 16, 1996

RE:CASE NO. CAP-W-96-2

REQUEST FOR INTERIM RATE RELIEF

On September 11, 1996, Capitol Water Corporation (Capitol Water; Company) filed an Application with the Idaho Public Utilities Commission (Commission) requesting authority to implement a temporary five-year 35% rate increase (approximately $100,000/year) to fund certain expenses and investments associated with improving the quality of water provided by Capitol Water to its customers.  The Company is experiencing the presence of secondary contaminants of iron and manganese in waters from several of its source wells.

 Customer complaints regarding water quality have been received by the Company, the Commission (reference Case No. CAP-W-96-1: In the matter of the investigation of Capitol Water Company and its ability to provide adequate service and water quality) and the Idaho Division of Environmental Quality (DEQ).  The complaints describe water quality as discolored water and bad tasting.  The Company states that the problem is localized depending on the season and the location of the individual customers on the Company’s system.  As represented by the Company, DEQ does not consider iron and manganese contamination to be a health hazard.  DEQ, the Company states, “has concluded that the current levels of iron and manganese in Capitol Water’s water supply does not constitute a health risk and does not constitute a basis for additional water treatment or the use of a different source of supply.”

Capitol Water serves approximately 2,228 residential customers and 147 commercial customers in an area of approximately four square miles in 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.

Capitol Water Company in its September 11 Application requested an effective date of November 1, 1996.  A Notice of Application and Order suspending the Company’s November 1 effective date was issued by the Commission on October 8, 1996.  Reference Order No. 26629.  The Commission determined that the water quality investigation should be completed before moving forward in this case with the Company’s proposed solution to its water quality problems.

On November 5, 1996, Capitol Water filed a request for interim rate relief in Case No. CAP-W-96-2 to recover certain expenses it has already incurred for the purchase, application and storage of polyphosphate chemicals in its efforts to  improve the quality of water delivered by the Company to its customers.  Included and also filed with the Company request for interim rates, is the direct testimony of Bob Price, president of Capitol Water, an exhibit letter from the Company’s consultant, Leroy Palmer, and proposed tariff schedules.  The Company’s consultant is Leroy Palmer, water quality specialist for United Water Idaho Inc.  Mr. Palmer in his letter states:

“Based on my experience as a water quality specialist, I believe that the Company’s decision to add polyphosphates to its water supply is reasonable and consistent with generally accepted industry practices.  It is my opinion based on United Water experience over many years that the addition of polyphosphates can be a constructive way to reduce iron and manganese problems over the long-term and should provide other system operation and maintenance benefits.”

The Company reports that it has expended approximately $11,500 for polyphosphate sequestering chemicals, and an additional $1,500 to install a gas furnace in a Company storage facility to provide heated storage for the remaining supply of polyphosphate the Company has in stock.  The Company is also asking to recover approximately $1,000, which represents estimated legal and accounting costs associated with preparing and processing its interim rate request.

The Company proposes to recover its actual and estimated expenses by way of an interim (one year) rate increase of $.48 per month for unmetered Schedule 1 customers and a 5% increase in rates for metered Schedule 2 customers.  The Company requests an effective date of January 1, 1997.  Because the issues presented by its request are limited in scope, Capitol Water requests that its Application for interim rate relief be processed pursuant to the Commission’s Rules for Modified Procedure, i.e., by written submission rather than hearing.  Reference Commission Rules of Procedure, IDAPA 31.01.01.201-204.

Commission Decision

The Company has requested that its Application for interim rate relief be processed pursuant to Modified Procedure.  Staff has no objection to developing a record through Modified Procedure, but would suggest adding an evening hearing for public testimony.  Does the Commission believe that Modified Procedure is appropriate?  Should an evening hearing be scheduled for public testimony?  If not, what procedure does the Commission wish to follow?

Scott Woodbury

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