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BEFORE THE IDAHO PUBLIC UTILITIES COMMISSION

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| IN THE MATTER OF THE INVESTIGATION OF UNITED WATER IDAHO INC.  AND ITS ABILITY TO PROVIDE ADEQUATE SERVICE AND WATER QUALITY. | )  )  )  )  ) | CASE NO. UWI-W-96-6  STAFF INVESTIGATION  STATUS REPORT |

The investigation in Case No. UWI-W-96-6 was initiated by the Commission in response to numerous water quality complaints expressed by customers during hearings in United Water’s last rate case, UWI-W-96-3, as well as the complaint records kept by the Commission’s Consumer Staff and the Company.  On November 7, 1997, the Commission issued Order No. 26673 initiating the present case.  That Order allowed a 75-day discovery period and an additional 30 days (to Feb. 20) in which the Staff was to file a report detailing the nature and extent of the Company’s water quality (iron and manganese) problem, the Company’s efforts to address the problem (technical and customer relations), and alternatives for mitigating or eliminating the problem (including estimated costs).

Following is a status report detailing Staff’s preliminary analyses of water quality problems, alternative solutions, costs incurred, customer complaints and complaint processessing.

United Water has responded to Staff’s first production request containing 11 questions and Staff’s second production request containing two follow-up questions.

Iron and Manganese Problem Areas

Included in the information provided by United Water was a map of customer complaints during 1996 and the location of Company facilities, including wells with known high levels of manganese and/or iron.  This map shows that the iron and manganese problem is much more dispersed throughout the Company’s service area than the staff had previously thought.  Of the Company’s 63 wells, 25 have iron and/or manganese levels that exceed voluntary standards for secondary contaminates.  (As defined by the Clean Water Act, standards for secondary contaminates relate to aesthetic qualities and are not health related.)  Further analysis of the specific well data reveals that manganese levels exceed these standards in 22 wells, while iron levels exceed standards in nine wells.  In the summer of 1996 the well with the most manganese had nearly 19 times the standard, while the well with the most iron had a little more than double the standard.  In 1996 the 25 identified wells’ average manganese level was 417% of the standard, while the iron average was 87% of the standard.  The staff notes average manganese levels are on an increasing trend (.16 mg/l in 1992 and .21 mg/l in 1996) and would like to further investigate probable causes and solutions.

Given that only seven of the 25 wells in question exceed secondary contaminant standards for both iron and manganese, staff would like to further investigate the relationship between customer complaints and water quality measured at the wells.  Additional investigation is also needed to determine whether excessive manganese, by itself, generates customer complaints and how the various levels of excessive manganese affect customer satisfaction.

Treatment for Iron and Manganese

In response to staff production requests, United Water indicated that of possible customer premises treatments, only water softeners have been found to provide any potential for removal of iron and manganese.  Green Sand Filters have also been identified as having some potential for reducing iron in tap water.  The Company has rejected both of these products as costly, inefficient methods for treating iron and manganese.  Besides having high initial capital costs and ongoing maintenance problems, the Company indicated that these methods would only treat part of the problem.

Staff has begun investigating other in-home treatment methods including mechanical gravity and pressure filters, iron and sulphur traps, ozone treatment, chlorine and charcoal filters and reverse osmosis filters.  Based on a preliminary investigation, prices for this equipment range from about $30 to $5,000 depending upon the type of process and the required capacity.  While staff recognizes that the Company’s primary focus is on solving the problem at the well, we also recognize that total solutions can be elusive, costly and time consuming.  With further investigation, staff will attempt to determine if any of these other processes have practical application on an individual, interim basis, whether additional information could help the customer make informed decisions, and whether the Company could or should financially assist individual customers.

Costs Incurred by United Water and Effect on Rates

The Company provided a detailed listing of costs it has incurred since 1992 specifically to correct or mitigate high levels of iron and manganese.  It has invested nearly $400,000 through the end of 1996 and has plans to invest about $700,000 more through the year 2000.  It is also averaging over $100,000 per year in expenses for chemical treatment in response to iron and manganese complaints.  The costs already incurred calculate to about $200,000 in annual revenue requirement and the planned actions will add more than another $100,000 to the revenue requirement.  The total of over $300,000 equates to 1.5% of the Company’s revenue collected from customers and averages to nearly $1.00 per bimonthly customer bill.  Although this may be a reasonable amount to pay in order for all customers to receive good quality water, there are no guarantees that no wells will exceed manganese or iron standards or that all customers will be satisfied with their water quality after the planned improvements.  The Staff perceives this as problematic because the Company receives four times as many complaints about high bills as it does about water quality not related to pressure problems (est. 5,450 vs. 1,350, respectively, for 1994 through 1996).  Reducing all customers’ levels of manganese and iron in their water to acceptable levels is a desirable goal, but the costs of accomplishing this must be carefully considered.

Complaints Received by United Water

United Water was able to provide three years of customer complaint data even though our rules require utilities to keep these records for only one year.  Unfortunately, the Company’s past record-keeping of complaints was a manual entry process that was not tied to customer account records and resulted in numerous inconsistencies, omissions and other errors in the data.  Regardless of whether the Company was able to adequately respond to complaints on a day-to-day basis, the record keeping does not facilitate data analysis such as customer tracking, geographic grouping, or other trend spotting.  Nevertheless, a summary of customer complaints is provided in Attachment A.  This summary shows that in the past three years United Water  received 1,391 water quality complaints from 1,350 calls and letters that were not due to low or high pressure, noise or sand.  These complaints originated from about 1,200 different customer addresses or 2.2% of all customer addresses.  Looking at the number of complaints for each year shows that the number of complaints has decreased by more than one-third from 1994 to 1996 (including a small adjustment for the increasing number of customers served).  The number of complaints is generally highest during late summer and early fall months, which should be expected because that is when the demand for water is highest and thus when the Company must have all of its wells in service, including those with known high levels of manganese or iron.  The staff suspects that customers may also be more apt to complain about water quality when their bills go up due to higher usage and/or rate increases because of the general consumer expectation that if the cost is high the quality should also be high.  The summer of 1994 was especially hard on consumers because a rate increase in excess of 20% was approved and the weather was much hotter and drier than normal.  The staff may want to further refine its analysis of complaints, but more detailed analysis will be a slow process because of the poor quality of the data base.

In May of 1995 United Water-Idaho received the results of a random sample customer survey that compared its service and water quality to that of 12 affiliated companies in Ohio, Pennsylvania, New Jersey and Illinois.  In general, Boise’s water fared slightly worse than average in aesthetic quality, but slightly better than average in being safe and free of contaminants.  The Company’s corporate parent recently completed another random sample customer survey and the Company hopes to have the results of that survey this spring .  We think it will be valuable to compare the results of the current survey, when they become available, to the prior survey.

United Water’s Response to Complaints

In 1996 United Water conducted more than 73 on-site visits in response to customer complaints, most of which were about fears of bacterial contamination or over-chlorination and probably fewer than ten were in response to the many complaints regarding problems associated with high levels of  iron or manganese.  It is appropriate that the Company give higher priority to site-visits for complaints regarding health threats than to those that appear not to be health-threatening.  The relative infrequency of site-visits in response to iron and manganese complaints might be explained by the Company’s prior recognition of the existence of these elements in some of its wells, combined with the fact that a site-visit will do nothing to improve the water quality prompting the complaint.  Nevertheless, the staff would like to further explore with the Company how its responses to such complaints may be better handled than they have been in the past.

United Water’s responses to questions about how water quality complaints are handled revealed some areas of concern, i.e. referral, follow-up and data collection..

Complaints involving water quality are not handled by customer service representatives, but instead complainants are referred directly to the different production departments that are best suited to correct the various problems such as sand, bacteria, low pressure, discoloration, etc.  After such referral, there is no further contact with the customer service representative unless the customer initiates contact.  Staff is concerned that however well-educated and experienced Company personnel in production departments are in their specialties, they are not particularly well-trained in recording and processing complaints.  As a result of this referral system, the Company does not have a regular follow-up procedure to verify that each customer’s problem was resolved to the best of the company’s capability and that the customer was satisfied with at least the processing of the complaint.  Such follow-up seems especially important for a water utility, because, unlike electricity and telephone utilities, it sells a product over which it has relatively little resource control other than remedial treatment, but for which quality is extremely important to customers because of the nature of its use.  When a customer complains about a non-health-threatening water quality problem that the Company cannot remedy, it is very important for the Company to explain why it cannot provide a remedy and equally important for it to provide any information about customer-premises solutions that may be available.  It is not acceptable for the Company to either ignore such complaints or suggest potentially ineffective remedies such as draining water heaters or flushing lines absent follow-up contacts with the complainants.

Finally, complainant information such as name, address, and telephone number is handwritten and verification with customer account information is not usually done, resulting in much erroneous or missing data.  One-third of all water quality complaint records did not have a telephone number listed for the customer, more than 10% had no name and many more had inconsistent formats, and many of the names and addresses were misspelled, inconsistently abbreviated or had transposed numbers and none had zip codes.  For example, the same customer calling four times with complaints might be variously identified as Mrs. Sanderson, Kathy Andersen, Cathy, and Mrs. Anderson whose address is 401 Nevada St., 401 W. Navada, 410 Nevada and the intersection of Nevada and Pine and with various or no telephone numbers.   These data problems not only make it harder for company personnel to follow-up to ensure that each individual problem was resolved, they also make it much more difficult to perform various computerized analyses of the aggregate data base to spot geographic problem areas, customers with repeated complaints, etc.

United Water has recently invested in a new computer system which, among several potential benefits, provides it with the capability to automatically match complaints with customer account records and thus, the potential to eliminate most data entry errors.  Unfortunately, this newly gained capability has not yet resulted in a firm commitment to do so.  United Water has indicated that it puts first priority on responding to customer complaints rather than follow-up and tracking efforts.  The staff would like to have additional discussions with Company officials about the costs and benefits of improving its procedures for handling and tracking customer complaints.  Furthermore, the Company has indicated a willingness to seek Staff’s help in developing a new customer information system.

DATED at Boise, Idaho this day of February 1997.

for Commission Staff

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