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DECISION MEMORANDUM

TO: COMMISSIONER KJELLANDER
COMMISSIONER SMITH
COMMISSIONER HANSEN
COMMISSION SECRETARY
COMMISSION STAFF
LEGAL

FROM: LISA NORDSTROM

ATL-E-03-01

DATE: MARCH 6, 2003

RE: ATLANTA POWER INVESTIGATION

On September 11, 2000, the Commission received a petition from residents of Atlanta, Idaho, enumerating their concerns about the electric service being provided by Atlanta Power Company (Atlanta Power; Company). The petition requested "a formal investigation into the reliability of electrical service for the Atlanta townsite." In an October 2000 Decision Memorandum, Staff proposed to "audit the Company, compile outage information, identify potential improvements and associated costs and survey customers concerning their desire to improve service reliability and the amount they are willing to pay to do so." The Commission approved Staff's recommendation that the customer complaints initially be processed on an informal basis.

Staff worked with the Company and its customers during a two-year informal review period that culminated in several improvements and the attached report detailing Staff's findings. The financial analysis and customer survey upon which the report is based are also attached to this memorandum.

SUMMARY OF STAFF'S INVESTIGATION

The investigation focused on three areas of concern: the Company's ability to promptly repair the system when an outage occurs, a perceived lack of communication with customers, and the need for a backup generator. During the two-year investigation, two of the three identified areas of concern have been improved, to wit: a third person who lives in Atlanta is now available to assist with system problems and a local telephone number has been established to keep customers informed of planned outages and progress on repairs when the system is out of service. Staff recommends no formal Commission action in these areas.

Backup Generator

The Commission is no doubt aware that Atlanta Power Company is a backcountry power system with a single source of generation. Because it is not interconnected with any other electric supply system, the entire system is without power if the turbine or generator fails. When rates were last established in 1993, the capital and operating costs of a backup generator were included. Sometime later the fully depreciated backup generator quit working and has not been repaired.

Atlanta Power's position is that the backup generator is old, inefficient, and not economic to repair. Since it quit working, Atlanta Power rents a backup generator from Boise (an all-day trip) when an outage will take multiple days to repair. Atlanta Power believes that if the system can be repaired or parts ordered and received in a comparable amount of time, it is a better use of the Company's time and money to work on repairing the system. This policy, coupled with unplanned outages that are difficult to diagnose and replacement parts that are not stocked in the Boise area, can leave Atlanta Power customers without power for a few days at a time.

Atlanta Power has offered to provide an on-site backup generator if the costs can be recovered from its customers. Atlanta Power has even provided cost estimates for backup generation that were below those obtained by Commission Staff. However, the audit reveals that revenues from current rates are not enough to reimburse the Company for the costs of having a Company-owned on-site backup generator.

Staff recommends that Atlanta Power continue to bring in a leased generator when a multi-day outage is identified rather than purchase a new one for several reasons. First, a survey of the 65 Atlanta Power customers indicates that only one of the 50 responding customers is willing to pay substantially higher rates to have Atlanta Power own an on-site backup generator. Second, nearly a third of Atlanta Power customers have already invested in personal backup generators. Moreover, a Company-owned backup generator cannot provide electricity to all customers under all outage scenarios.

Staff Audit

Using the Company's estimated 1999 capital structure, embedded cost of debt, and a 10% cost of equity, Staff calculated a 9.24% overall rate of return based upon the information retained by the Company. In the context of a 1999 test year, Staff estimated that the Company is over-earning by approximately $3,000[1] or 5.6%. The test year rate base does not include diesel backup generators because they were determined to not be used and useful in previous reviews.

On June 4, 1993, the Commission in Case No. ATL-E-93-1 directed the Company "to implement, and utilize proper utility accounting procedures and recordkeeping, including, but not limited to, the preparation and retention of adequate source documentation." Order No. 24925. Staff noted that the Company has not complied with this Order and still needs to improve its recordkeeping. Because Atlanta Power last submitted an annual report for calendar year 1997, the Company is in violation of *Idaho Code* § 61-405, which requires such reports to be submitted before April 15 of each year. Staff recommends that all past-due annual reports be filed by June 15, 2003.

The Company has also established a pattern of paying obligations in an untimely fashion as noted in Section X, page 11 of Attachment A to the report. This practice incurs additional interest charges and late fees that are not the responsibility of the ratepayers, increases the Company's unpaid obligations, and diminishes Company cash. None of these late fees are incorporated into the revenue requirement estimated in Staff's analysis. In September and October 2002, the Company paid off two loans that were in arrears.

On May 9, 2002, the Federal Energy Regulatory Commission (FERC) issued a 30-year license for the Atlanta Power Station Hydroelectric Project. The Order issuing the license placed a number of requirements on the licensee. However, to Staff's knowledge, the costs associated with the licensing conditions to be borne by the Company are not currently known and measurable. Finally, Staff intends to work with the Company to develop a plan to complete reasonable maintenance items.

Staff Procedural Recommendations

Staff identified two alternate procedures, one of which the Commission may wish to adopt, to bring closure to this investigation. First, the Commission may choose to develop an

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[1] For more information about revenues, expenses, and rate base, see the first two paragraphs of Section XI, page 12 of Attachment A to Staff's report.

evidentiary record and take formal comment from Atlanta Power and its customers regarding the backup generator issue. To the extent that some customers believe Atlanta Power is required to provide backup generation at the current rate level, an open case would provide the opportunity for customers to argue this matter before the Commission. A Commission Order that adopts Staff's recommendations or requires purchase of a backup generator would also allow existing and future Atlanta Power customers to take appropriate actions, if necessary, to ensure their energy needs are met.

Staff also recommended a less formal alternative. Staff offered to send a letter to current customers and the Company that explains the survey results, Staff's findings regarding backup generation, and current status of preventive maintenance issues. Although this alternative would advise existing customers what to expect concerning Company-owned backup generation, some customers may not find a letter from Staff to be a satisfactory resolution.

ATLANTA POWER'S REPONSE

A copy of the draft report, including its attachments and schedules, was sent to Company President Lynn Stevenson. Mr. Stevenson has reviewed the report and indicated that he has no comments about the report to present to the Commission.

COMMISSION DECISION

Does the Commission wish to take action based on the results of Staff's informal investigation of Atlanta Power? If so, does the Commission wish to:

1. Develop an evidentiary record by opening a case to take formal comment from Atlanta Power and its customers on the backup generator issue prior to issuing an Order?

2. Direct Staff to send a letter to current customers and the Company that explains the survey results, Staff's findings regarding backup generation, and current status of preventive maintenance issues? or

3. Pursue a different course of action altogether?

Lisa D. Nordstrom

Lisa D. Nordstrom

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Idaho Public Utilities Commission
Staff Report on the
Informal Investigation Of Atlanta Power Company Customers' Petition

Prepared by
Keith Hessing and Patricia Harms

March 6, 2003

INTRODUCTION

On September 11, 2000 the Commission received a petition from some residents of Atlanta, Idaho, enumerating their concerns about the electric service being provided by Atlanta Power Company (Atlanta Power; Company). The petition requested "a formal investigation into the reliability of electrical service for the Atlanta townsite."

At its Decision Meeting on October 10, 2000, the Commission approved Staff's recommendation that the customer complaints initially be processed on an informal basis. In its Decision Memorandum, Staff proposed to "audit the Company, compile outage information, identify potential improvements and associated costs and survey customers concerning their desire to improve service reliability and the amount they are willing to pay to do so." At the conclusion of the investigation, Staff's memo indicated Staff would "report its findings to the Commission with recommendations for further action."

Staff has worked with the Company and its customers during this two-year informal review period, resulting in several improvements. Staff now has recommendations for the Commission's consideration.

BACKGROUND

Approximately 20 years ago the electric utility supplying power to the Atlanta townsite ceased operation due to a fire in the powerhouse at its hydropower generating facility. Approximately two years later a group of investors formed the current Atlanta Power Company. The new Company acquired and used the then-standing poles and wires to deliver energy to those who chose to be customers. Within a year the system was metered for the first time and a powerhouse was constructed at the old dam a few miles below town on the Middle Fork of the Boise River. Most of the used equipment in the powerhouse was surplus, including the turbine and generator.

Over the ensuing years much has happened to Atlanta Power's system. Ancient poles have rotted and been replaced or stubbed. Trees have fallen across the wires and caused the replacement of broken poles and wires. Transformers manufactured at the beginning of the last century have been replaced to address polychlorinated biphenyl (PCB) concerns. The dam failed and was replaced. The hydropower generator failed and was replaced with a new, more efficient model. A forest fire burned a portion of the distribution system, part of which was rebuilt.

These events of the last 20 years have caused a number of things to occur. There have been many outages, some for lengthy periods of time. Many of the facilities necessary for the generation and delivery of power to customers have been replaced and/or upgraded. Atlanta Power Company has made substantial investment in the power supply system.

The customer petition leading to this investigation stated that Atlanta Power customers pay the highest rates in the nation, a system average of approximately 37 cents per kWh. While this could easily be true, Atlanta Power Company may also be the smallest stand-alone electric utility in the nation in terms of number of customers served and total load. Unfortunately, Atlanta Power Company cannot capture the economies of scale that larger utilities can. Atlanta Power's system costs are spread over very few customers, thus resulting in high rates.

Atlanta Power Company is a backcountry power system with a single source of generation. It is not interconnected with any other electric supply system. If the turbine or generator go out, the entire system is without power. There is no other generator running that will automatically pick up the load. If a tree limb blows across the wires causing a short and then clears, there are no automatic reclosers to temporarily interrupt power and then restore it when the fault has cleared. When this situation occurs in Atlanta, the problem normally shuts down the entire system until it is visually checked and manually restarted.

There are currently three people who are authorized to work on the system. All three have other jobs and only two live in Atlanta. The third person was recently added to assist as needed. Each of the three has different levels of system repair knowledge and capabilities. There have been times when it has taken 24 hours or more just to diagnose a system problem. The number and length of outages can be, and have been, substantial for Atlanta Power customers.

Over the years Atlanta Power's rates have included the capital and operating costs of a backup generator. When rates were last established in 1993, these costs were included. Sometime later the generator quit working and has not been repaired. Atlanta Power's position is that it is old, inefficient and not economic to repair. The non-functional backup generator is now completely depreciated. Since it quit working, Atlanta Power rents a backup generator from Boise when a problem is diagnosed that will take multiple days to repair. It takes a day to drive to Boise, lease the generator, hook it to a truck, tow it to Atlanta and connect it to the Atlanta system. Atlanta Power believes that if the system can be repaired or parts ordered and received in a comparable amount of time, it is a better use of the Company's time and money to work on repairing the system. This policy, coupled with unplanned outages that are difficult to diagnose and replacement parts that are not stocked in the Boise area, can leave Atlanta Power customers without power for a few days at a time.

STAFF REVIEW

As part of its review the Commission Staff audited Atlanta Power Company and mailed a survey to Company customers.

Staff Audit

Staff's audit report and its related schedules are included as Attachment A to this report. Although written more than a year ago, the report has been updated with relevant information as it came to Staff's attention. Staff estimates that after adjustments to test year 1999's drafted financial information and pro forma year 2000 adjustments, the Company is over-earning by approximately $3,000[1] or 5.6%. The test year rate base does not include any diesel backup generators because they were determined to not be used and useful in previous reviews. Using the estimated 1999 capital structure of the Company, embedded cost of debt, and a 10% cost of equity, Staff calculated an overall rate of return of 9.24%. This earnings determination is an estimate because Staff drafted 1998 and 1999 annual report information. To date, the Company has not filed annual reports for 1998, 1999, 2000 and 2001.

Staff often relied upon management's representations while drafting rate base, revenue and expense information. In other instances, documentation was obtained directly from the organization with which the Company had a financial relationship. Information pertinent to the Company's financial position may exist that Staff did not receive and which was therefore not incorporated into this analysis.

The Company's records are in violation of Commission Orders and Rules as described in Section V, pages 4 through 6 of Attachment A. On June 4, 1993, the Commission in Case No. ATL-E-93-1 directed the Company to "to implement, and utilize proper utility accounting procedures and recordkeeping, including, but not limited to, the preparation and retention of

[1] For more information about revenues, expenses, and rate base, see the first two paragraphs of Section XI, page 12 of the attached audit report in Attachment A.

adequate source documentation." Order No. 24925. Staff finds that the Company still needs to improve its recordkeeping, especially in the preparation and retention of adequate source documentation so as to facilitate subsequent retrieval. The necessary improvements include, but are not limited to: preparing and maintaining Board of Directors' meeting minutes, performing a periodic inventory of assets that includes preparation and maintenance of a list of capital assets on at least an annual basis, issuing checks sequentially and entering payment information at the time of issuance, performing bank statement reconciliations each month in a timely manner, and obtaining and retaining documentation supporting each financial transaction. Because Atlanta Power last submitted an annual report for calendar year 1997, the Company is in violation of *Idaho Code* § 61-405, which requires such reports to be submitted before April 15 of each year.

The Company has also established a pattern of paying obligations in an untimely fashion as noted in Section X, page 11 of Attachment A. This practice incurs additional interest charges and late fees that are not the responsibility of the ratepayers and increases the Company's unpaid obligations and/or diminishes Company cash. None of these late fees are incorporated into the revenue requirement estimated in this analysis. In September and October 2002, the Company paid off two loans that were in arrears.

On May 9, 2002, the Federal Energy Regulatory Commission (FERC) issued a 30-year license for the Atlanta Power Station Hydroelectric Project. The Order issuing the license placed a number of requirements on the licensee. Staff does not believe that the additional project costs as estimated in the license will be fully borne by the Atlanta Power Company because certain costs have been funded by the State of Idaho as discussed in Section VI, last paragraph on page 8 and first two paragraphs on page 9 of Attachment A. However, to Staff's knowledge, the costs associated with the licensing conditions to be borne by the Company are not currently known and measurable.

Customer Survey

On September 10, 2002, the Commission Staff mailed a questionnaire to all 65 Atlanta Power Company customers. Fifty of the 65 responded, although not all respondents answered all questions. A brief report on the survey results, including a copy of the questionnaire, is Attachment B to this report. The questionnaire sought customer response on three issues identified in the initial customer petition: 1) the need for an on-site Company-owned backup generator, 2) the need for a third Atlanta Power individual to resolve problems when the other two are not available, and 3) the need to improve communications between the Company and its customers.

Survey results indicate a substantial split among Atlanta Power customers concerning the need for a backup generator. One group of customers adamantly believes that they are entitled to a Company-owned backup generator connected to the system that can quickly provide power when a system problem occurs. This group is generally composed of the same customers who signed the original petition. They argue that their rates include costs for a backup generator. Other customers believe that they are fortunate to have the service they have and that they cannot expect more reliable electric service in Idaho's central mountains. However, there is one area in which virtually all customers agreed. Forty-nine of fifty survey respondents were not willing to pay any substantial amount more than current rates to fund a Company-owned backup generator. Certainly there are some who believe they are entitled to a Company-owned backup generator with no rate increase. However, the results of the Staff audit indicate that if rates were established today based on the Company's recent costs, a substantial rate increase would be required to cover backup generator costs. Other survey results show that 15 of 50 customers have their own backup generators. Another 8 of the 50 responding customers do not have backup generators and do not see a need for Atlanta Power to have one, even if it could be provided with no rate increase.

Staff recommends that the current Company policy regarding backup generation be continued (i.e., Atlanta Power Company lease and bring in a backup generator when a multi-day outage is identified). This recommendation is based on several factors. First, survey results indicate that only one of the fifty responding customers is willing to pay substantially higher rates to have Atlanta Power own an on-site backup generator. Second, nearly a third of Atlanta Power customers have already invested in personal backup generators. A third consideration is that a Company-owned backup generator cannot provide electricity to all customers under all outage scenarios. If the problem causing an outage is on the distribution system between the backup generator and the customer, only customer-owned generator equipment located on the customer's property can guarantee that electricity will be supplied to that customer.

Survey results also indicate that 24 of 45 respondents favor the Company having an additional, third person to assist with system trouble-shooting and repair. Atlanta Power has recently identified a third person that lives in Atlanta who can be called upon to assist with these duties.

Survey results show 30 of 45 respondents would use a telephone-based voice messaging system with a local Atlanta phone number designed to keep customers informed of system repairs and planned outages. Atlanta Power believes this to be a cost-effective, useful service and put the telephone in service during February 2003. The Atlanta phone number for this service is (208) 864-2228. Mr. Stevenson and Staff have discussed the nature, timing and extent of voice messages that would most benefit the Company's customers.

The survey invited other customer comments concerning Atlanta Power Company. A significant number of customers noted that preventative maintenance would go a long way toward preventing unplanned outages and that Atlanta Power's rates are too high. A policy that considers both sentiments would encourage preventive maintenance and thus reduce existing utility outages, repair costs, and the need for future rate increases. The Commission Staff intends to work with the Company on such a plan.

<u>Other Comments</u>

Atlanta Power Company, a regulated investor-owned electric utility, has a responsibility to balance providing the best possible electric service with affordable rates. Based on the information obtained by the audit, customer survey, and other communication with customers and Atlanta Power Company, the Commission Staff believes that current rates and policies have moved the Company close to this balance. Some customers have expressed a desire for service quality improvements, but not if it would require a rate increase. There are still improvements that can be made at little or no cost that need to be identified and implemented.

SUMMARY OF STAFF'S SUBSTANTIVE RECOMMENDATIONS

As previously stated, the two-year investigation period allowed for a substantial amount of communication between the Commission Staff, Atlanta Power Company and the Company's customers. Consequently, two of the three previously identified areas of concern have been improved, to wit: a third person who lives in Atlanta is now available to assist with system problems and a local telephone number has been established to keep customers informed of planned outages and progress on repairs when the system is out of service. Staff recommends no formal Commission action in these areas.

Atlanta Power has offered to provide an on-site backup generator if the costs can be recovered from its customers. Atlanta Power has even provided cost estimates for backup generation that were below those obtained by Commission Staff. However, the audit reveals that revenues from current rates are not enough to reimburse the Company for the costs of having a Company-owned on-site backup generator. The customer survey indicates that customers are not willing to pay any substantial rate increase to cover the costs of a backup generator. For these reasons Staff recommends that Atlanta Power continue to bring in a leased generator when a multi-day outage is identified rather than purchase a new one.

The recordkeeping and past-due annual report issues discussed above are similar to the financial issues identified in Case No. ATL-E-93-1. Staff recommends that all past-due annual reports be filed by June 15, 2003.

Finally, Staff intends to work with the Company to develop a plan to complete reasonable maintenance items.

PROCEDURAL RECOMMENDATIONS

Upon receiving this report, the Commission may decide to develop an evidentiary record by opening a case to take formal comment from Atlanta Power and its customers on the backup generator issue. Staff believes that its substantive recommendations are somewhat unusual and may be unexpected. To the extent that some customers believe Atlanta Power is required to provide backup generation at the current rate level, an open case would provide the opportunity for customers to argue this matter before the Commission. A Commission Order that adopts Staff's recommendations or requires purchase of a backup generator would allow existing and future customers of Atlanta Power to take appropriate actions if necessary to ensure their energy needs are met.

The Commission may choose a second, less formal, alternative. If the Commission so desired, Staff could send a letter to current customers and the Company that explains the survey results, Staff's findings regarding backup generation, and current status of preventive maintenance issues. This method would continue the informal nature of the investigation but still allow existing customers to know what to expect concerning Company-owned backup generation. However, some customers may not find a letter from Staff to be a satisfactory resolution.

ATTACHMENT A

Idaho Public Utilities Commission
Staff Financial Analysis
Atlanta Power Company

Prepared by
Patricia Harms
Auditor

November 30, 2001

I. PURPOSE OF REVIEW

Staff commenced an on-site analysis of Atlanta Power Company, Inc. (Atlanta Power; Company) records at its office in Bliss, Idaho during November 2000 to identify its revenues, expenses and rate base. At the same time, Staff made observations regarding the Company's accounting records and operations. At an October 4, 2000 decision meeting, the Commission authorized Staff to conduct an informal investigation into the reliability of the Company's service in response to a petition from certain Atlanta Power customers.

The following analysis was not performed in conjunction with any case that currently exists or which might be proposed. If it had been, Staff would have required additional documentation from the Company to support its financial transactions. Further, additional issues might arise in a rate case based upon the particulars of such a filing.

II. FINDINGS

Staff estimates that after adjustments and use of a 1999 test year, Atlanta Power is over-earning by $3,218 or 5.6% (see Section XI and Schedule 1 of this report for more information).

This earnings determination is an estimate because Staff drafted 1998 and 1999 annual report information in order to estimate the revenues, expenses and rate base of the Company. Not only were these reports not filed with the Commission, neither financial statements nor tax returns exist for those years. Staff often relied upon management's representations while drafting rate base, revenue and expense information. In other instances, documentation was obtained directly from the organization with which the Company had a financial relationship.

Because Atlanta Power last submitted an annual report for calendar year 1997, the Company is in violation of *Idaho Code* § 61-405, which requires such reports to be submitted before April 15 of each year.

The Company's records are in violation of Commission Orders and Rules as described in Section V of this report. On June 4, 1993, the Commission in Case No. ATL-E-93-1 stated, "the greatest improvement is needed in the preparation and retention of adequate source documentation." Staff finds that the Company still needs to improve its recordkeeping - especially in the preparation and retention of adequate source documentation so as to facilitate subsequent retrieval.

The Company has also established a pattern of not paying obligations in a timely fashion as noted in Section X of this report. This practice incurs additional interest charges and late fees that are not the responsibility of the ratepayers, increases the Company's unpaid obligations, and/or diminishes Company cash. One such obligation is related to the Company's legal fees incurred when it applied for licensing of its facilities by the Federal Energy Regulatory Commission (FERC). On May 23, 2002 the Company requested authority to execute a Promissory Note payable to its counsel in order to pay past due amounts for legal services. According to the Company, this note represents a discount on the outstanding legal bill by waiving the accrued interest on the past due amounts. The Commission granted that authority on June 20, 2002 in Case No. ATL-E-02-1. Order No. 29059.

III. RECOMMENDATIONS

Company personnel should maintain adequate supporting documentation of transactions and file them in a manner that allows for subsequent retrieval. The necessary improvements in recordkeeping include, but are not limited to:

- Preparing and maintaining Board of Directors' meeting minutes;
- Performing a periodic inventory of assets that includes preparation and maintenance of a list of assets (including materials and supplies) on at least an annual basis;
- Issuing checks sequentially and entering payment information at the time of issuance;
- Performing bank statement reconciliations each month in a timely manner; and
- Obtaining and retaining documentation supporting each financial transaction.

These issues are similar to those identified in Case No. ATL-E-93-1.

Management should also bring the Company into compliance with *Idaho Code* § 61-405 by submitting annual reports for calendar years 1998, 1999, 2000, 2001 and 2002 by June 15, 2003.

IV. GENERAL INFORMATION

Atlanta Power Company is an Idaho Corporation. As of September 2001 the Secretary of State (SOS) had administratively dissolved the corporate name because the Company's annual report had not been filed with SOS by its due date. The corporate name was reinstated with SOS on December 13, 2001 as it has been in the past. During the timeframe in which the corporate name was dissolved, officers and shareholders of the Company were personally liable for activities of the Company because no corporate structure legally existed during that time.

In September 2002 the SOS once again administratively dissolved Atlanta Power's corporate name "for failure to file the required annual report form by the date due." After Staff notified the Company of this dissolution, the corporate name was reinstated with SOS on September 13, 2002 and the Company's corporate powers in Idaho were restored.

The Company serves the community of Atlanta, Idaho. According to an October 4, 2001 customer listing provided by Company personnel, the Company serves 63 customers in the following tariff categories:

(1) 20 permanent resident;

(2) 6 permanent commercial;

(3) 36 seasonal resident; and

(4) 1 seasonal commercial.

The Company's office is located in Bliss, Idaho in the same building as Snake River Sand and Gravel Company, Inc. Please see the Federal Energy Regulatory Commission (FERC) Licensing Section of this report (Section VI) for more information about the Company's power facilities.

V. COMPLIANCE WITH PRIOR ORDERS REGARDING ANNUAL REPORTS AND ACCOUNTING

A. Annual Reports

The Company has not submitted its 1998, 1999, 2000 and 2001 annual reports to the IPUC. In 1993 the Commission noted that

> the Company's failure to file timely annual reports...and its failure to comply with various Commission Orders in violation of Idaho [law have] prevented the Commission and Staff from effectively performing their supervisory and regulatory oversight functions.

Order No. 24925 (Case No. ATL-E-93-1) quoting Order No. 24702 (Case No. ATL-E-92-1).

In the above referenced Order the Commission ordered that the "...Company has until June 15, 1993 to submit its 1992 Annual Report. Reference Idaho Code § 61-405." The Company submitted the report on that date. However, the annual reports for 1993, 1994, 1995, 1996, and 1997 were not submitted until September 1998 after Staff requested those reports during an audit of the Company's 1997 financial records. Staff requested the 1998 and 1999 annual reports for this current investigation. However, the reports were not provided and Company personnel did not indicate when they were going to file the reports. Staff drafted 1998 and 1999 annual report information based upon the information available from the Company in order to estimate the revenues, expenses and rate base of the Company because no annual reports, financial statements nor tax returns existed for those years.

B. Recordkeeping

Order No. 24925 from Case No. ATL-E-93-1 dated June 4, 1993 also stated that the:

> ...Company is further ordered and directed to adopt, implement, and utilize proper utility accounting procedures and recordkeeping, including, but not limited to, the preparation and retention of adequate source documentation.

The above referenced Order noted that "the greatest improvement is needed in the preparation and retention of adequate source documentation." While testifying in Case

No. ATL-E-93-1, Lynn Stevenson stated, "...once the books were sorted out in accordance with utility standards, they could thereafter be maintained in a professional manner."

The Company still needs to improve its recordkeeping - especially in the preparation and retention of adequate source documentation. As noted previously, Staff drafted 1998 and 1999 annual report information in order to estimate the revenues, expenses and rate base of the Company because the Company had not filed those reports and neither financial statements nor tax returns existed for those years. Staff often relied upon management's representations while drafting rate base, revenue and expense information. In other instances, documentation was obtained directly from the organization with which the Company had a financial relationship.

Staff also recommends that the Company improve its controls over checks. Some checks are removed from the Company checkbook without entering the amount or payee of the check. Instead, the Company bookkeeper records some check information into the Company's computer system once the checks are returned with the monthly bank statements. At the beginning of this financial analysis, several months of bank statements and returned checks were missing.[1] Moreover, Company personnel had not recorded financial information related to some of the checks that processed in those months. At Staff's request, Company personnel obtained copies of the missing statements from the bank. From those statements, Company personnel deduced the payee and probable reason for payment. However, Staff recommends that the Company record all checks at the same time that the check is written. An invoice, request for reimbursement or other source documentation should also be maintained coincident with each payment from the Company's bank account. In addition, Staff recommends that the Company issue checks sequentially. Staff observed gaps in the check numbers processed against the Company's bank account. Staff does not know whether these checks remain unissued, have been issued but not cashed, are void, or have been lost or stolen.

Staff further recommends that reconciliations of Company bank statements be performed each month in a timely manner. Due to its size, the Company has one

[1] During Staff's on-site visit, the Company President requested that the bank statements be delivered to the Company's office address in Bliss. This should eliminate missing bank statements and returned checks.

individual preparing the customer billings, posting the customer payments, making deposits and performing bank statement reconciliations when sufficient information and time is available. During Staff's on-site review, selected payments on accounts were traced to the Company's deposit slip copies and bank statements. From that review, it appears that a September 1999 deposit of approximately $400 was not recorded in the Company's bank account although the Company kept a copy of the deposit slip. The Company bookkeeper indicated that the deposit was mailed to the bank but was unaware that it was not deposited to the Company's account. The status of the deposit was not resolved after further research by Atlanta Power's bookkeeper.

Staff also recommends Atlanta Power prepare and retain written minutes for each meeting of the Company's Board of Directors. These minutes are essential for documenting Board actions, such as the decision to increase Lynn Stevenson's management fee from $18,000 annually ($1,500 monthly) to $24,000 annually ($2,000 monthly). As noted in the earnings review of the 1997 test year, this management fee is to provide for office space, office personnel, computer time for billing, billing and collection of monthly charges, office supplies and stamps for billing, power charges, telephone charges, vehicle operations and time and travel for the manager (Company President). Based upon management's representations, this $6,000 annual fee increase (34%) began in 1998 but there is no documentation of the Board's authorization.

Order No. 24925 from Case No. ATL-E-93-1 dated June 4, 1993 stated that the Company "...is further ordered and directed to prepare within 90 days an inventory of all of its long-term assets, including serial numbers and material and supplies inventory, together with an explanation of the evaluation method used." The Company has not maintained its inventory. For example, as noted in the Rate Base and Related Adjustments Section XII of this report, Company personnel did not know the composition of the Company's materials and supplies when asked by Staff. Staff recommends that on at least an annual basis the Company perform periodic inventories of its physical assets and maintain records detailing the description and value of the assets, including the evaluation method used.

Information pertinent to the Company's financial position may exist that Staff did not receive and which was therefore not incorporated into this analysis.

VI. FERC LICENSING

As noted in documents posted in FERC's information systems,[2] Atlanta Power filed a hydroelectric application for a preliminary permit pursuant to Federal Power Act provisions (16 USC 791(a)-825(r)) in 1995. The application was for the existing Atlanta Power Station facilities, located at the United States Forest Service (USFS) Kirby Dam, consisting of: (1) an intake structure and trash rack; (2) a steel flume; (3) a concrete head box; (4) a steel penstock; (5) a powerhouse containing a single generating unit; (6) transmission line; and (7) related facilities. Water to operate the project is diverted from Kirby Dam, which is owned, operated and maintained by the USFS. The project occupies land within the Boise National Forest, also administered by the USFS. The project has operated since 1907 on the Middle Fork of the Boise River. The original dam failed in the early 1990's and was rebuilt by the U.S. Bureau of Reclamation in 1992 to address serious concerns about toxic sediment release (arsenic and mercury from mining activity) into waterways.

In February 1999, Atlanta Power filed an application with FERC to license the existing Atlanta Power Station Hydroelectric Project. On May 9, 2002 FERC issued a 30-year license for the project. The 30-page Order issuing the license incorporates by reference the 2002 Final Environmental Assessment (FEA) for Hydro Power License. In the 60-page FEA, the Office of Energy Projects staff recommended the project be licensed as proposed with certain additional enhancement measures. The FEA also found that licensing the project would not constitute a major federal action significantly affecting the quality of the human environment.

The Order issuing the license placed a number of requirements on the licensee. Because the project occupies land in the Boise National Forest, USFS has the authority to impose mandatory conditions under the Federal Power Act. The USFS conditions in the license are as follows:

(1) requirement to obtain a USFS Special-Use Authorization;

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[2] The information reviewed was obtained from FERC's Records and Information Management System (RIMS), Commission Issuance Posting System (CIPS), and Federal Energy Regulatory Records Information System (FERRIS).

(2) provision for consultation with USFS of all final design plans before any construction occurs on USFS land; and

(3) extensive conditions regarding both upstream and downstream fish passage.

The license also requires the applicant to file plans[3] with FERC for approval. These plans include those for operation and maintenance, effectiveness evaluations, and design drawings for fishways as required by the Department of Interior's Section 18 prescriptions. The license also reserves FERC's authority under the Federal Power Act to require fishways for the project that may be prescribed by the United States Department of Interior.

Other measures required by the license include but are not limited to:

(1) development and implementation of a flow monitoring plan for the purpose of operating the fishway and for determining compliance with flow requirements;

(2) providing a report to FERC summarizing the results of the Idaho Department of Fish and Game's (IDFG's) monitoring of upstream fishway passage and a revised plan of operations regarding the period of operation and the range of flows provided to the fishway;

(3) development of a construction mitigation plan for any project-related construction that may occur in association with installation of the downstream fish passage facilities as required by the Section 18 prescriptions; and

(4) authority for the Company to grant permission (without prior FERC approval) for the use and occupancy of project lands for minor activities.

The FERC licensing order states "as licensed and including the Section 18 mandatory conditions, the project would produce an average of 1,314 megawatt-hours annually at an annual cost of $53,400." In a conversation documented by FERC personnel in February 2000, Mr. Stevenson estimated the costs of the Company as $48,000. Thus licensing of the project appears to have added $5,400 in annual costs.

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[3] After FERC approval the plans become a condition of the license and the licensee is to implement the plans including any changes required by FERC.

However, FERC personnel emphasized that the economic analysis presented was to provide a general estimate of the potential power benefits and the costs of the project for comparison with the cost of the most economical alternative source of power, which in this case was diesel generation.

The project license conditions include many IDFG activities[4] (such as fish screen and fish ladder funding), so it is clear that not all these costs are intended to be borne by Atlanta Power. When queried about the costs associated with these requirements and which organization would incur them, FERC personnel noted that they "always figure it from the standpoint that the applicant would have to pay if the Fish and Wildlife Agency didn't." IDFG personnel indicated that the State of Idaho incurred most of the costs associated with the conditions contained within the FERC license. As a result, Staff does not believe that the additional project costs estimated in the license will be fully borne by the Atlanta Power Company. However, to our knowledge, the costs associated with the licensing conditions to be borne by the Company are not currently known and measurable.

On July 29, 2002 Atlanta Power filed a motion for extension of time to file a request for rehearing, a request for rehearing, and a motion for amendment to the license. On August 16, 2002 FERC issued a notice rejecting the request for rehearing because the request did not reach FERC until after the statutory rehearing deadline had passed. In that notice, FERC added "the licensee may not request an amendment of the license by filing a motion, but rather must file an amendment application in accordance with our rules for license amendments."

Idaho Rivers United filed a timely request for rehearing. In its nine-page order issued August 27, 2002, FERC concluded "that the licensing process complied with the

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[4] Atlanta Power and IDFG entered into an agreement governing construction and ownership of the fish screen and monitoring of bull trout migration at the Kirby Dam, on August 31, 2001. IDFG agreed it would be responsible for most aspects of the fish screen including its funding, construction, ownership, maintenance, and repair while Atlanta Power agreed to install and remove the fish screen annually and perform minor day-to-day maintenance. The parties also entered into an agreement dated July 31, 1998 regarding ownership and operation of a newly installed fish ladder at Kirby Dam. As part of the fish ladder agreement, IDFG agreed to fund, construct, own, operate, maintain and repair the fish ladder at its sole expense while Atlanta Power agreed to perform minor day-to-day maintenance of the fish ladder. IDFG also agreed to maintain any necessary insurance for the fish screen and the fish ladder. IDFG further agreed to conduct a monitoring program to evaluate upstream fish passage at Kirby Dam.

National Environmental Policy Act, Endangered Species Act, and Columbia River Basin Fish and Wildlife Program. We therefore deny rehearing."

FERC, Office of Energy Projects, Division of Dam Safety and Inspections, Portland Regional Office personnel filed an Operation Report dated September 2002 on the licensed project. This report spanned the period April 21, 1999 through August 20, 2002. The report noted certain license environmental requirements for which it was "...unclear how FERC can insure compliance..." However, according to the report, "...the licensee appears to have been in compliance with all compliance requirements in the license during the reporting period."

VII. CONTRACT LABOR

An individual in Atlanta is on call to do maintenance and repair work. He is paid $500 per month, from which no payroll taxes are taken nor workers compensation payments made on his income. As noted in the earnings review of the 1997 test year, this arrangement creates a potential unrecorded liability unless the Company can show that independent contractor requirements are met. Another person was recently added to assist as needed. The payment arrangement with this individual is not currently known and may be subject to the same contract labor concerns.

VIII. ELECTRICITY BARTERING WITH CERTAIN CUSTOMERS

Electricity is provided to certain Atlanta Power Company customers as consideration for a variety of goods and/or services. If a customer provides labor or fuel, for example, a credit memo is made on their account to compensate them. One such credit memo was for more than $3,500.

The effect of these types of transactions on the Company's revenue requirement was discussed in Order No. 24925 in 1993. Because surplus hydro capacity was used to meet the power requirements of those provided electricity in these types of transactions, valuation of that electricity was unnecessary. Therefore, no adjustments have been made to the Company's revenue requirement as estimated by Staff for these types of transactions.

IX. BAD DEBTS

As discussed with Company personnel, Atlanta Power has very few bad debts; the Company almost never writes off an account receivable. As a result, no provision in Staff's estimate of the Company's revenue requirement has been made for uncollectible accounts receivables.

While Company personnel indicate that customers generally eventually pay their accounts, they note that there are some slow paying customers.

X. LATE FEES

The Company incurred substantial late fees associated with the FERC licensing process. As noted in Section XII discussing capitalization of these legal fees, approximately $26,000 in late fees was billed through January 2001. Additionally, the Company also consistently incurred late fees and interest associated with its Department of Water Resources energy loan and property taxes. The Company also paid various other obligations in an untimely fashion that incurred late fees. None of these late fees are considered an obligation of the customer and as such, are not incorporated into the revenue requirement estimated in this report. The $26,000 in late fees and the unpaid bills associated with them represent a significant obligation because the Company's revenues for an entire year after adjustment are estimated as approximately $60,000.

Subsequent to this analysis, the Company requested authority on May 23, 2002 to execute a Promissory Note payable to its legal counsel to pay past due amounts for legal services. According to the Company, this note represents a discount on the outstanding legal bill by waiving the accrued interest on the past due amounts. The Commission granted that authority in Case No. ATL-E-02-1 as conditioned in Order No. 29059.

In September and October of 2002 the Company paid off two Department of Water Resources loans, both of which were overdue when compared to the final payment dates originally scheduled for the loans.

XI. EARNINGS SUMMARY

As noted previously, Staff drafted 1998 and 1999 annual report information in order to estimate the Company's revenues, expenses and rate base because the Company had not filed those reports and neither financial statements nor tax returns existed for those years. Staff often relied upon management's representations while drafting rate base, revenue and expense information. In other instances, documentation was obtained directly from the organization with which the Company had a financial relationship. (Please see the previous discussion in this report regarding the Company's recordkeeping in Section V).

Staff estimates that after adjustments to test year 1999's drafted financial information and pro forma adjustments, the Company is over-earning by $3,218 (see Schedule 1). Staff estimated revenues adjusted for out-of-period revenue as $60,363. Expenses adjusted for non-recurring and duplicative expenses were estimated as $44,115 (see Schedule 3). Staff estimated rate base adjusted for unsupported inventory and pro forma adjustments as $132,091 (see Schedule 2). Using the estimated 1999 capital structure of the Company, embedded cost of debt, and a 10% cost of equity, Staff calculated an overall rate of return of 9.24% (see Schedule 4). The rate of return produced a required return on long-term debt of $9,246 and a return on equity grossed up for taxes of $3,784. This results in an overall return of $13,030 (see Schedule 1).

A. Capital Structure and Return on Equity

Staff has used the estimated adjusted 1999 capital structure of Atlanta Power as follows:

Capital Component	Dollar Amount	Capital Structure
Long Term Debt	$67,455	77.62%
Stockholders' Equity	$19,451	22.38%

Staff has used a return on equity of 10%. Staff's recommended capital structure and return is reflected as follows:

	Capital Structure	Embedded Cost	Weighted Cost
Debt	77.62%	Various – See Schedule 4	7.00%
Equity	22.38%	10.0000%	2.24%
Rate of Return	100.00%		9.24%

According to Exhibit No. 101 from Case No. ATL-E-93-1, stockholders' return on rate base was 5.145% while the interest return on rate base was 3.499%.

XII. RATE BASE AND RELATED ADJUSTMENTS

Staff used an average rate base to determine the Company's revenue requirement. This average rate base was calculated from draft annual report amounts prepared by Staff based upon the information available. The largest component of rate base is utility plant in service. Staff began calculating plant in service from that reported in the Company's 1997 annual report and reducing that amount for adjustments[5] proposed in previous audits and reviews. As a result, test year 1999 rate base does not include any diesel backup generators because they were determined to not be used and useful in previous reviews. Test year 1999's rate base also includes current legal fees incurred through 2000 for FERC licensing (see discussion that follows regarding licensing). Rate base was estimated as $132,091 (see Schedule 2) and the following items were proformed into test year 1999 rate base.

A. FERC License Capitalization, Amortization and Adjustment A

The amount in rate base related to Atlanta Power Company's FERC licensing includes legal fees (excluding late charges), photocopying charges and amortization of those amounts to recognize that the license is of limited duration.

The law firm of Givens Pursley LLP has been working on Atlanta Power's licensing requirement from FERC since early 1995. As of January 31, 2001, the total amount billed was approximately $62,000. Of that amount, late charges comprise

[5] Items were identified in ATL-E-93-1 that were inappropriately capitalized while other items were determined not used and useful (generators) in Staff's audit of test year 1997.

approximately $26,000 that had been added to the regular billings. Staff considered total legal fee billings excluding late charges – just over $36,000 for capitalization based on billings obtained from the attorneys' offices.

As of January 31, 2001 Givens Pursley had $56,368 in billings to Atlanta Power Company that remained unpaid and had not been recorded on the Atlanta Power Company books. Subsequent to this analysis, on May 23, 2002 the Company requested authority to execute a Promissory Note payable to its counsel in order to pay past due amounts for legal services. The Commission granted that authority in Case No. ATL-E-02-1 as conditioned in Order No. 29059 dated June 20, 2002.

Another attorney, Laurel Heacock, also worked on the licensing project. The IPUC audit of test year 1997 stated that $11,422 in billings from Ms. Heacock were paid and posted to Atlanta Power Company's books. This amount did not include any of the Givens Pursley billings discussed above.

Additionally, Atlanta Power Company's 1998 and 1999 bank statements contain over $3,500 in payments to Kinko's Copies that Lynn Stevenson identified as payments for copying the FERC license applications. No invoices were available to support these payments, nor was a returned check available to verify that one check for approximately $2,200 was written to Kinko's Copies. Based upon the number of copies distributed and observation of both a draft and final license application, these costs were capitalized and amortized over the same period as the FERC legal fees. In a rate case, however, these dollar amounts would require written verification such as invoices to confirm the costs were related to the FERC license applications.

During the IPUC audit of test year 1997, Givens Pursley projected that the FERC license would be issued about July 1999 at an additional cost of approximately $5,000. If those projections had materialized, the FERC relicensing would have cost approximately $39,000 plus any late charges as reported in that audit. Instead, the total capitalized cost for FERC licensing (excluding late fees) at the end of 2000 was approximately $51,000 ($11,422 from 1997, $36,000 in Givens Pursley fees, and more than $3,500 in photocopying costs).

This report uses an average rate base to determine a revenue requirement because an average rate base provides a better matching of rate base and revenues generated. The

1999 average of FERC licensing costs incurred, as of the beginning and end of the year is $45,187 ($41,270 plus $49,104 divided by 2). Adjustment A to rate base increases rate base by the $1,868 in licensing legal fees (excluding late charges) incurred in 2000. To maintain the average rate base, these legal fees are halved, resulting in an adjustment of $934 ($1,868/2).

The capitalized FERC licensing costs in this report have been amortized to reflect the finite life of the license. Lynn Stevenson estimated the useful life of the license as 35 years. Once the license has been approved, the actual amortization of the license costs should reflect the duration stated on the license. For the purposes of this report, the useful life of the license was considered to begin in the year 2000. Therefore, costs incurred in the year 2000 were amortized over a useful life of 35 years. Costs incurred in years prior to 2000 were amortized as follows: 1999 costs over 36 years, 1998 costs over 37 years, 1997 costs over 38 years, 1996 costs over 39 years and 1995 costs over 40 years. The total amortization at the end of calendar year 2000 was approximately $6,000.

On May 9, 2002 FERC wrote an Order issuing a license to the Atlanta Power Station Hydroelectric Project. The license term is 30 years, effective the first day of the month the license is issued. The actual license term is shorter than that estimated above and results in an amortization rate that is less than one-half a percentage point higher than the rate used in Staff's amortization calculations. Due to the immateriality of the difference, Staff's amortization adjustment has not been recalculated or revised for this report.

Similar to the capitalized licensing costs, the amortization related to those costs is also averaged to maintain an average rate base for the purpose of determining a revenue requirement. However, no adjustment was made to decrease rate base by half the amortization that would have been related to legal fees incurred in 2000 due to its immateriality.

B. Materials and Supplies and Adjustment B

Similar to the results found in Case No. ATL-E-93-1 and IPUC Staff's audit of test year 1997, $7,000 of this account balance was not supported by a current inventory or invoices. Inventory was reported in Atlanta Power Company's last three annual reports (1995, 1996 and 1997) at the same $7,000 level. When asked about the composition of this inventory, Company personnel indicated they did not have that information and would need to travel to Atlanta to review the items there before answering this question. Due to the lack of adequate supporting documentation verifying this amount of inventory, Adjustment B removes $7,000 from rate base. This amount was also removed from rate base in Case No. ATL-E-93-1 for similar reasons.

The amount of materials and supplies remaining in rate base were invoiced items placed in that category based upon Staff's discussions with Lynn Stevenson. Notably, the largest amount ($997.50 of $1,238.50 or 81%) was related to an unreadable invoice that was faxed to the Company from the payee when Staff requested documentation of the payment. In a rate case this dollar amount would require written verification to confirm the costs were related to Atlanta Power. As with other financial transactions, Company personnel should maintain adequate supporting documentation of those transactions filed in a manner that allows for subsequent retrieval.

No inventory of materials and supplies was physically observed by Staff for this financial analysis. Staff recommends physical observation of materials and supplies be performed by Staff in the next review.

C. Working Capital

Working capital is the amount of capital necessary to run the business between the time expenses are disbursed to provide the services paid for by consumers and when revenues are received. Cash working capital is the average amount of capital supplied by investors over and above the investment in plant and other elements of the rate base required to bridge the gap between the time expenditures are made to provide service and the time collections are received for these services. Historically the Commission has used the balance sheet method for determining cash working capital. The balance sheet method of cash working capital evaluates the need for capital by identifying whether investors (shareholders) are providing the working capital or whether it is being provided from some other source. Using the balance sheet method, the working capital schedule for Atlanta Power Company reflects a negative cash working capital (see Schedule 5). This indicates that shareholders were not the source of the working capital.

Historically the Commission has not recognized negative working capital, and finds that the cash working capital allowance in those cases should be zero. As a result, no cash working capital provision will be included in Atlanta Power Company's rate base.

D. Significant Ongoing Changes to Plant in the Year 2000 and Adjustments C, D and E

In 2000, the Company replaced the turbine generator and improved its powerhouse. These financial commitments will provide benefits to ratepayers in the future and require a return in the coming years. As a result, the financial effect of these improvements is proformed into the Company's revenue requirement as determined by Staff.

Adjustment C increased plant for the powerhouse improvements and a new turbine generator. The amounts for the improvements and turbine generator were identified as follows: $3,720 for the turbine generator per an April 7, 2000 invoice; $975 for transformers per an April 21, 2000 invoice; $303 for meters per a May 10, 2000 invoice; and $113 for a belt pulley per the 2000 bank statements and Company personnel's representations. To maintain an average rate base, Adjustment C is for half the increase in plant noted previously ($5,111 divided by 2). This adjustment also reduced plant for a half-year of depreciation associated with the turbine generator and powerhouse improvements. The meters, transformers and belt pulley were depreciated over the useful life (10 years) of similar items (generator improvements and electric controls) identified in the Company's 1997 depreciation schedule. The turbine generator was depreciated over the same useful life Lynn Stevenson provided for the FERC license (35 years).

Adjustment D capitalizes the reasonable lodging and meal costs from those identified by Lynn Stevenson as associated with installation of the turbine generator and powerhouse controls (see Adjustment C). Stevenson noted that five individuals (including him) removed the old turbine generator and electrical components and installed the new items necessary to operate the new turbine generator. Of those five individuals, two have residences in Atlanta. Therefore, meals and lodging for three individuals was capitalized as follows. Based upon an invoice for meals and lodging, Staff capitalized four nights of lodging that was billed for a total of $485. The same invoice billed $476.30 in meals and drinks for a five-day period. The invoice provides no further detail of those meals and drinks. The state government reimbursement rate for meals in 2000 was $20 per day. Using that $20 per day rate to provide meals for five days is $300 for the three individuals without Atlanta residences. This amount was also capitalized. Again, the adjustment proformed into rate base is for half the amount to maintain an average rate base ($485 plus $300 divided by 2). The difference between the amount billed for food and drinks ($476.30) and that capitalized ($300) for meals is not considered a responsibility of the ratepayers and is thus a below-the-line expense not paid by regulated customers.

Wages are another likely expense associated with installation of the turbine generator and the powerhouse improvements. No wages have been estimated or proformed into rate base. A review of the check register for the year 2000, which was prepared by the Company, does not indicate any payments for this work. However, performing this type of work is within the scope of Lynn Stevenson's management fee. There is no expectation that Mr. Stevenson would receive additional compensation for this work. Based upon the 2000 check register, the Company's contract laborer (see Section VII of this report) was paid less than the $6,000 annualized amount of his $500 per month retainer. Although he was not paid monies in addition to his monthly fee for this work, this does not mean that he did not earn additional pay for the powerhouse improvements and turbine generator work. According to Mr. Stevenson, three other individuals were part of the team that performed this work. At least one individual was given a credit on their account with the Company. As discussed under "Free Electricity" in this report, this credit on account was not reflected in Staff's revenue requirement determination. This is consistent with Order No. 24925 in Case No. ATL-E-93-1. Another individual working on the improvements was specifically not paid by the Company. Lynn Stevenson noted that he believed the work performed by this individual subsequently caused problems. As a result, Stevenson said he denied the payment request and informed the worker of the subsequent problems caused by that work which could be grounds for litigation. There is no evidence of payment to the fifth individual that was identified as working on the improvements.

Adjustment E removes the estimated book value of the turbine generator replaced. According to the Company's 1997 depreciation schedule, the powerhouse electric controls have been fully depreciated and therefore, no book value remains to be removed from rate base. Other components in rate base may need to be removed but are not determinable from the Company's 1997 depreciation schedule, which does not specifically identify belt pulleys and transformers, for example. However, it is unlikely that there would be any book value remaining on those items.

Staff did not proform non-recurring expenses of 2000 into its determination of the Company's revenue requirement. For example, a month's generator rental ($3,020) for emergency purposes was not proformed into Staff's determination of the Company's revenue requirement because it was not considered an ongoing cost on a going forward basis. No generator rental expense was incurred during the test year. A provision could be made for generator rental, but since this analysis was initiated as part of an informal investigation considering a backup generator purchase, the Company's revenue requirement was calculated without such a provision. The Company President estimated that the Company would average one-week ($755) of backup generator usage over a ten-year period. However, he suggested a two-week ($1,510) provision for generator rental. Even if either provision was included in Staff's determination of the Company's revenue requirement, the Company would still be over-earning.

XIII. OPERATING EXPENSES

Staff determined the Company's revenue requirement using pre-tax operating expenses from Staff-calculated draft annual report amounts that were based upon the information available regarding the Company's activities. After adjustments, operating expenses before taxes were calculated as $44,115 (see Schedule 3). Of that amount, 95% is comprised of the management fee[6] ($2,000 per month or $24,000), the annualized contract labor cost ($500 per month or $6,000), and depreciation on plant and amortization of the FERC license ($11,700). Operating expenses were adjusted for the following reasons.

[6] As noted in the earnings review of the 1997 test year, this fee is to provide for office space, office personnel, computer time for billing, billing and collection of monthly charges, office supplies and stamps for billing, power charges, telephone charges, vehicle operations and time and travel for the manager (Company President).

A. Accounting Invoice and Adjustments F, G and H

During Staff's on-site review of the 1999 payable file provided by Company personnel, Staff found an unopened envelope containing a billing from the Company's accountants. The amount of the bill ($556) was accrued by Staff for the draft annual report amounts noted previously. Of that amount, $397 was associated with computer consulting. Based upon Staff's understanding of the management fee's purpose, the charge for this consulting should be included in the management fee. As a result, Adjustment F removed that amount from operating expenses. Adjustment H reduces Lynn Stevenson's loan amount on Schedule 4 by $397 because the management fees paid to Stevenson should have covered it. To calculate Lynn Stevenson's loan balance, the loan was increased monthly for the management fees previously described and then reduced by payments to Stevenson and those expenses that were described as part of the management fee – postage, computer items, power bills, and so forth.

Adjustment G removes $141 in fees billed by the Company's accountant for meeting with IPUC Staff about the 1997 test year audit. This fee is not considered an expense that occurs annually on a going forward basis. Therefore, that amount has been removed from operating expenses.

The amount from the accountant's billing remaining in operating expenses ($18) related to filing extensions of 1998 state and federal income tax reports. During a rate case, it could be argued that ratepayers should not be responsible for the Company's choice to file income tax extensions rather than filing on time. Due to the small amount, however, this $18 remains in operating expenses for the purpose of this report.

XIV. CAPITAL STRUCTURE AND RATE OF RETURN

Staff's determination of the Company's revenue requirement used the capital structure from draft annual report amounts that were calculated by Staff based upon the information available regarding the Company's activities. Staff did not confirm the Ray and Zimmerman loan balances or stockholders' equity. Instead, those were calculated based upon the balances from Staff's audit of the Company's 1997 test year and activity observed through December 2000.

The capital structure, more specifically the amount of Lynn Stevenson's loan, was adjusted as described below. Using the adjusted capital structure (see Schedule 4) and a 10% return on stockholder's equity, the total return is 9.24%. The return on stockholder's equity is the same as the return in Staff's audit of the Company's 1997 test year. The total return in this review is slightly higher than the previously mentioned audit in which the return was calculated as 9.16%.

A. Adjustments H and I to Lynn Stevenson's Loan

The Company's bank statement for January 2000 included a $10,000 payment to Lynn Stevenson. This payment was considered a reduction of Mr. Stevenson's loan because his $24,000 annual management fee was paid by check, bank transfers and ATM withdrawals in 1998 and 1999. Adjustment I on Schedule 4 reduced the balance of Lynn Stevenson's loan by the $10,000 January payment.

Adjustment H made another reduction to Mr. Stevenson's loan balance. As discussed previously, this adjustment reduced the loan balance by $397 billed for computer consulting fees that should have been included within the management fee.

B. Adjustment J to Stockholders' Equity

The Company's 1999 revenues were overstated by at least $1,472 (see detailed discussion in the next section of this report). Those revenues were included within retained earnings and stockholders' equity as part of income for the year. As a result, this overstatement was removed from stockholders' equity as shown on Schedule 4.

XV. REVENUES

Company personnel prepared and provided various revenue reports. These revenue amounts varied from approximately $61,800 to $62,100. For use in determining the Company's estimated revenue requirement, Staff used the most conservative amount provided by the Company for the test year. Subsequent to this review, the Company reported 2001 revenues as $63,994.

The revenues reported by the Company for the 1999 test year (as adjusted below) are significantly higher (approximately 20%) than those reported for the 1997 test year ($49,875). In an attempt to quantify this growth, Staff compared the October 2000 customer list to the June 1998 customer list provided by the Company. That comparison showed an increase in revenue greater than that identified above. However, given the nature of the records maintained by the Company, growth may not be the only reason for the difference in revenues. Staff adjusted the revenues reported by the Company as follows:

A. Adjustment For Out-Of-Period Revenues (Balance Forward Amounts)

The $61,835 revenue amount used in this report is overstated by at least $1,472. This amount represents errors and balances from the prior year that were included in the revenue report prepared by the Company. This overstatement stemmed from the installation of a new software application used for, among other things, billings. The February 1999 billings, which should represent January service were overstated because the revenue reported for that month included some balances from the previous year. Therefore, Staff reduced revenues by $1,472. Correspondingly, Staff also reduced stockholders' equity on Schedule 4 by the same amount because the revenue closed to that account balance was $1,472 greater than it should have been.

XVI. REIMBURSEMENT FOR COSTS ASSOCIATED WITH ATLANTA FIRE

In the year 2000, some of Atlanta Power's lines and equipment were destroyed during the summer fire season. In 2001 the Company received over $25,000 from the Forest Service for costs Lynn Stevenson estimated as being associated with the fire. Being extraordinary items (not ongoing costs on a going forward basis), neither of these events affected the test year of this analysis, and were not proformed into the revenue requirement estimated in this report. However, the accounting treatment of this reimbursement should be evaluated in future reviews.

XVII. ALTERNATE EARNINGS SUMMARY ASSOCIATED WITH FERC LICENSING

In the preceding pages of this report, fees associated with FERC licensing and the Snake River Basin Adjudication (the water claim associated with the dam) were capitalized and amortized over the estimated life of the FERC license (35 years). Another alternative would be to expense the total costs over a 10-year period and not capitalize the costs – essentially treating the costs similar to rate case costs but expensing the costs over a longer period. This cost treatment would be on a one-time basis for this Company under these particular circumstances.

This alternate treatment requires that the rate base, expenses, cost of capital and revenue requirement be recalculated by removing adjustments that capitalized and amortized the costs over 35 years and replacing them with costs expensed over a 10-year period. This alternate treatment would result in a revenue requirement $235 greater than the revenue requirement calculated when capitalizing those costs.

Staff estimates that when FERC license costs are expensed over a 10-year period, the Company is over-earning by $2,983 (see Schedule 6). Staff estimated Atlanta Power's revenues at $60,363. Expenses were estimated as $49,047 (see Schedule 8) and rate base was estimated as $88,661 (see Schedule 7). Using the estimated 1999 capital structure of the Company, embedded cost of debt, and a 10% cost of equity, Staff calculated an overall rate of return of 9.12% (see Schedule 9). The rate of return produced a required return on long-term debt of $7,199 and return on equity grossed up for taxes of $1,134. This results in an overall return of $8,333 (see Schedule 6).

A. Capital Structure and Return on Equity

Staff has used the estimated adjusted 1999 capital structure of Atlanta Power as follows:

Capital Component	Dollar Amount	Capital Structure
Long Term Debt	$67,455	89.98%
Stockholders' Equity	$7,515	10.02%

Staff has used a return on equity of 10%. Staff's recommended capital structure and return is reflected as follows:

	Capital Structure	Embedded Cost	Weighted Cost
Debt	89.98%	Various – See Schedule 9	8.12%
Equity	10.02%	10.0000%	1.00%
Rate of Return	100.00%		9.12%

ATLANTA POWER COMPANY
STAFF REVENUE REQUIREMENT
1999 TEST YEAR

Ln #					
1	RATE BASE (Schedule 2)	132,091			
2	WEIGHTED COST OF DEBT (Schedule 4, line 2e)		0.0700		
3	WEIGHTED COST OF EQUITY (Schedule 4, line 4e)		0.0224		
4	TOTAL RETURN ON RATE BASE (line 2 + line 3)		0.0924		
5	INTEREST PORTION OF RETURN ON RATE BASE (line 2 x line 1)				9,246
6	EQUITY PORTION OF RETURN ON RATE BASE (line 3 x line 1)			2,959	
7	GROSS UP FACTOR (line 14j)			1.2788	
8	EQUITY PORTION OF RETURN ON RATE BASE GROSSED UP FOR TAXES (line 6 x line 7)				3,784
9	OPERATING EXPENSES BEFORE TAXES (Schedule 3)				44,115
10	REVENUE REQUIREMENT (line 5 + line 8 + line 9)				57,145
11	CURRENT REVENUES			61,835	
12	REVENUE ADJUSTMENT			(1,472)	60,363
13	<OVER EARNINGS> DEFICIT (line 10 - line 12)				(3,218)

	NET INCOME GROSS REVENUE CONVERSION	RATIO
14a	TOTAL GROSS REVENUE	1.0000
14b	LESS: UNCOLLECTIBLE (from '97 audit by Syd Lansing)	0.0000
14c	NET REVENUES (line 14a - line 14 b)	1.0000
14d	STATE INCOME TAX RATE	0.0800
14e	STATE INCOME TAXES (line 14c x line 14d)	0.0800
14f	FEDERAL INCOME TAX BASE (line 14c - line 14e)	0.9200
14g	FEDERAL INCOME TAX RATE	0.1500
14h	FEDERAL INCOME TAXES (line 14f x line 14g)	0.1380
14i	NET OPERATING REVENUE (line 14f - line 14h)	0.7820
14j	NET INCOME TO GROSS MULTIPLIER (line 14a/line 14i)	1.2788

ATLANTA POWER COMPANY
RATE BASE SCHEDULE
1999 TEST YEAR

RATE BASE	CY 1998 DRAFT ANNUAL REPORT	CY 1999 DRAFT ANNUAL REPORT	CY 1998 & 1999 DRAFT ANNUAL REPORT AVERAGE
UTILITY PLANT IN SERVICE	283,355.11	291,189.32	287,272.22
ACCUMULATED DEPRECIATION & AMORTIZATION	(148,525.67)	(160,226.10)	(154,375.88)
MATERIALS AND SUPPLIES	7,000.00	8,238.97	7,619.49
WORKING CAPITAL (1)	0.00	0.00	0.00
CONTRIBUTIONS IN AID OF CONSTRUCTION	(28,110.00)	(28,110.00)	(28,110.00)
AMORTIZATION OF CONTRIBUTIONS	19,984.33	21,858.33	20,921.33
PREPAID EXPENSES	1,968.69	3,468.69	2,718.69
TOTAL RATE BASE	135,672.46	136,419.21	136,045.85
STAFF ADJUSTMENT A			934.28
STAFF ADJUSTMENT B			(7,000.00)
STAFF ADJUSTMENT C			2,555.52
STAFF ADJUSTMENT C			(122.69)
STAFF ADJUSTMENT D			392.50
STAFF ADJUSTMENT E			(714.00)
TOTAL ADJUSTED RATE BASE			132,091.46

(1) - Based upon a balance sheet analysis of the source of Atlanta Power Company's working capital, no working capital is included within rate base. Investors are not supplying the company's working capital - see working capital schedule (Schedule 5).

A - Atlanta Power incurred $1,868.55 of legal fees associated with FERC licensing in 2000. Staff recommends including this within rate base so that it is reflective of rate base on a going forward basis. To maintain an average rate base this adjustment is for $934.28.
B - As in Case No. ATL-E-93-1 and during the analysis performed of test year 1997, $7,000 of this account balance is not supported by a current inventory or invoices. As a result, Staff recommends removal of that amount from rate base.
C - 2000 Plant increases (powerhouse improvements and turbine generator) proformed into rate base. Due to average rate base, this adjustment is for half the 2000 plant increase amount. This adjustment also reduced plant for 1/2 year depreciation associated with them.
D - This adjustment capitalizes half the lodging and meal costs associated with installation of the turbine generator to maintain an average rate base.
E - This adjustment removes the book value of the hydro generator replaced in adjustment C.

ATLANTA POWER COMPANY
DETAIL OF OPERATING EXPENSES
1999 TEST YEAR

EXPENSES	CY 99	
POWER GENERATION - LABOR	6,000.00	
POWER GENERATION - MATERIALS & SUPPLIES	35.89	HC - Helwig Carbon Products
SERVICES	468.69	SUP - Special Use Permit
	1,500.00	INS - Insurance
	178.84	Meals
	59.00	Bank Fees
	555.75	Acct - Accountant Billing
	129.68	PUC - Regulatory Charge
TOTAL SERVICES	2,891.96	
GENERAL OFFICERS SALARIES/MANAGEMENT FEES	24,000.00	
PROPERTY TAXES	1,898.10	
DEPRECIATION ON PLANT & AMORTIZATION OF LICENSE	11,700.42	
AMORTIZATION OF CONTRIBUTIONS	(1,874.00)	
TOTAL EXPENSES EXCLUDING INCOME TAXES	44,652.37	
STAFF ADJUSTMENT F	(396.50)	
STAFF ADJUSTMENT G	(141.25)	
TOTAL ADJUSTMENTS TO EXPENSES	(537.75)	
TOTAL ADJUSTED EXPENSES	44,114.62	

F - Adjustment removes $396.50 of computer consulting charges which management fee should cover.
G - Adjustment removes costs associated with audit appointment for the 1997 test year audit with IPUC Staff since this is not an ongoing cost on a going forward basis.

ATLANTA POWER COMPANY
ESTIMATED CAPITAL STRUCTURE AS OF
DECEMBER 31,1999

DESCRIPTION (A)	CAPITAL AMOUNT (B)	CAPITAL RATIO (C)	COST (D)	WEIGHTED COST (E)
1 LONG TERM DEBT				
a Idaho Water Resources Board	2,596	0.0299	0.0600	0.0018
b Dept. of Water Resources	13,904	0.1600	0.0600	0.0096
c Lynn Stevenson	31,106	0.3579	0.1000	0.0358
d Israel Ray	10,122	0.1165	0.1000	0.0116
e Zimmerman	9,727	0.1119	0.1000	0.0112
2 TOTAL DEBT	67,455	0.7762		0.0700
3 EQUITY				
a Stockholders Equity	19,451	0.2238	0.1000	0.0224
4 TOTAL EQUITY	19,451	0.2238		0.0224
5 TOTAL	86,906	1.0000		**0.0924**

1999 Estimated Balance of Stevenson Loan	41,503	
1999 consultant expense for computer	(397)	H
Proform $10,000 payment to Stevenson in 1/00	(10,000)	I
Revised Stevenson Loan Balance	31,106	
Total Estimated Equity	20,923	
Revenue errors	(1,472)	J
Revised Stockholders' Equity	19,451	

H - Adjustment to reduce Stevenson's loan for computer consultant which management fee should cover.
I - Adjustment to reflect $10,000 payment to Stevenson that was made in January 2000.
J - Adjustment to reduce revenue by revenue errors, this reduces income that was closed to equity.

ATLANTA POWER COMPANY
WORKING CAPITAL SCHEDULE
1999 TEST YEAR

DESCRIPTION	LONG TERM	INVESTOR SUPPLIED	SHORT TERM	OTHER SOURCES
CASH			11,553.28	
ACCOUNTS RECEIVABLE			7,106.39	
MATERIALS AND SUPPLIES	8,238.97			
PREPAID EXPENSES			3,468.69	
NET UTILITY PLANT	130,963.22			
ACCOUNTS PAYABLE				5,725.78
ACCOUNTS PAYABLE - FERC LEGAL FEES				46,329.48
LONG TERM DEBT DUE BY CURRENT YEAR END		3,330.60		
NET CONTRIBUTION IN AID OF CONSTRUCTION	(6,251.66)			
LONG TERM DEBT		78,769.65		
EQUITY		20,923.38		
TOTALS	132,950.53	103,023.63	22,128.36	52,055.26
WORKING CAPITAL (NEGATIVE)		(29,926.90)	(29,926.90)	

ATLANTA POWER COMPANY
STAFF'S ALTERNATE REVENUE REQUIREMENT
1999 TEST YEAR

Ln #		A	B	C	D
1	RATE BASE EXCLUDING FERC CAPITALIZATION & AMORTIZATION (Schedule 7)	88,661			
2	WEIGHTED COST OF DEBT (Schedule 9, line 2e)		0.0812		
3	WEIGHTED COST OF EQUITY (Schedule 9, line 4e)		0.0100		
4	TOTAL RETURN ON RATE BASE (line 2 + line 3)		0.0912		
5	INTEREST PORTION OF RETURN ON RATE BASE (line 2 x line 1)				7,199
6	EQUITY PORTION OF RETURN ON RATE BASE (line 3 x line 1)			887	
7	GROSS UP FACTOR (line 14j)			1.2788	
8	EQUITY PORTION OF RETURN ON RATE BASE GROSSED UP FOR TAXES (line 6 x line 7)				1,134
9	OPERATING EXPENSES BEFORE TAXES (Schedule 8)				49,047
10	REVENUE REQUIREMENT (line 5 + line 8 + line 9)				57,380
11	CURRENT REVENUES			61,835	
12	REVENUE ADJUSTMENT			(1,472)	60,363
13	<OVER EARNINGS> DEFICIT (line 10 - line 12)				(2,983)

	NET INCOME GROSS REVENUE CONVERSION	RATIO
14a	TOTAL GROSS REVENUE	1.0000
14b	LESS: UNCOLLECTIBLE (from '97 audit by Syd Lansing)	0.0000
14c	NET REVENUES (line 14a - line 14b)	1.0000
14d	STATE INCOME TAX RATE	0.0800
14e	STATE INCOME TAXES (line 14c x line 14d)	0.0800
14f	FEDERAL INCOME TAX BASE (line 14c - line 14e)	0.9200
14g	FEDERAL INCOME TAX RATE	0.1500
14h	FEDERAL INCOME TAXES (line 14f x line 14g)	0.1380
14i	NET OPERATING REVENUE (line 14f - line 14h)	0.7820
14j	NET INCOME TO GROSS MULTIPLIER (line 14a/line 14i)	1.2788

ATLANTA POWER COMPANY
ALTERNATE RATE BASE SCHEDULE
1999 TEST YEAR

RATE BASE	CY 1998 DRAFT ANNUAL REPORT	CY 1999 DRAFT ANNUAL REPORT	CY 1998 & 1999 DRAFT ANNUAL REPORT AVERAGE
UTILITY PLANT IN SERVICE	283,355.11	291,189.32	287,272.22
ACCUMULATED DEPRECIATION & AMORTIZATION	(148,525.67)	(160,226.10)	(154,375.88)
MATERIALS AND SUPPLIES	7,000.00	8,238.97	7,619.49
WORKING CAPITAL (1)	0.00	0.00	0.00
CONTRIBUTIONS IN AID OF CONSTRUCTION	(28,110.00)	(28,110.00)	(28,110.00)
AMORTIZATION OF CONTRIBUTIONS	19,984.33	21,858.33	20,921.33
PREPAID EXPENSES	1,968.69	3,468.69	2,718.69
TOTAL RATE BASE	135,672.46	136,419.21	136,045.85
STAFF ADJUSTMENT A			934.28
STAFF ADJUSTMENT B			(7,000.00)
STAFF ADJUSTMENT C			2,555.52
STAFF ADJUSTMENT C			(122.69)
STAFF ADJUSTMENT D			392.50
STAFF ADJUSTMENT E			(714.00)
TOTAL ADJUSTED RATE BASE WHEN FERC LICENSING IS CAPITALIZED			132,091.46
REMOVE FERC LICENSE CAPITALIZATION FROM UTILITY PLANT IN SERVICE			(45,186.67)
REVERSE STAFF ADJUSTMENT A WHICH PROFORMS 2000 FERC LEGAL FEES			(934.28)
REMOVE ACCUMULATED AMORTIZATION ASSOCIATED WITH FERC LICENSE			2,690.11
ALTERNATE RATE BASE WHICH EXCLUDES COSTS ASSOCIATED WITH FERC LICENSING			88,660.62

(1) - Based upon a balance sheet analysis of the source of Atlanta Power Company's working capital, no working capital is included within rate base. Investors are not supplying the company's working capital - see working capital schedule (Schedule 5).

A - Atlanta Power incurred $1,868.55 of legal fees associated with FERC licensing in 2000. Staff recommends including this within rate base so that it is reflective of rate base on a going forward basis. To maintain an average rate base this adjustment is for $934.28.

B - As in Case No. ATL-E-93-1 and during the analysis performed of test year 1997, $7,000 of this account balance is not supported by a current inventory or invoices. As a result, Staff recommends removal of that amount from rate base.

C - 2000 Plant increases (powerhouse improvements and turbine generator) proformed into rate base. Due to average rate base, this adjustment is for half the 2000 plant increase amount. This adjustment also reduced plant for 1/2 year depreciation associated with them.

D - This adjustment capitalizes half the lodging and meal costs associated with installation of the turbine generator to maintain an average rate base.

E - This adjustment removes the book value of the hydro generator replaced in adjustment C.

ATLANTA POWER COMPANY
ALTERNATE DETAIL OF OPERATING EXPENSES
1999 TEST YEAR

EXPENSES	**CY 99**	
POWER GENERATION - LABOR	6,000.00	
POWER GENERATION - MATERIALS & SUPPLIES	35.89	HC - Helwig Carbon Products
SERVICES	468.69	SUP - Special Use Permit
	1,500.00	INS - Insurance
	178.84	Meals
	59.00	Bank Fees
	555.75	Acct - Accountant Billing
	129.68	PUC - Regulatory Charge
TOTAL SERVICES	2,891.96	
GENERAL OFFICERS SALARIES/MANAGEMENT FEES	24,000.00	
PROPERTY TAXES	1,898.10	
DEPRECIATION ON PLANT & AMORTIZATION OF LICENSE	11,700.42	
AMORTIZATION OF CONTRIBUTIONS	(1,874.00)	
TOTAL EXPENSES EXCLUDING INCOME TAXES	44,652.37	
STAFF ADJUSTMENT F	(396.50)	
STAFF ADJUSTMENT G	(141.25)	
TOTAL ADJUSTMENTS TO EXPENSES	(537.75)	
TOTAL ADJUSTED EXPENSES WHEN FERC LICENSING IS CAPITALIZED	44,114.62	
REMOVE FERC AMORTIZATION CALCULATED ON A 35-YEAR BASIS	(1,275.01)	
ADD FERC AMORTIZATION EXPENSED ON A 10-YEAR BASIS	6,207.06	
ALTERNATE OPERATING EXPENSES WHICH TREATS LICENSING COSTS AS A 10-YEAR EXPENSE	49,046.67	

F - Adjustment removes $396.50 of computer consulting charges which management fee should cover.
G - Adjustment removes costs associated with audit appointment for the 1997 test year audit with IPUC Staff since this is not an ongoing cost on a going forward basis.

ATLANTA POWER COMPANY
ALTERNATE ESTIMATED CAPITAL STRUCTURE AS OF
DECEMBER 31,1999

DESCRIPTION (A)	CAPITAL AMOUNT (B)	CAPITAL RATIO (C)	COST (D)	WEIGHTED COST (E)
1 LONG TERM DEBT				
a Idaho Water Resources Board	2,596	0.0346	0.0600	0.0021
b Dept. of Water Resources	13,904	0.1855	0.0600	0.0111
c Lynn Stevenson	31,106	0.4149	0.1000	0.0415
d Israel Ray	10,122	0.1350	0.1000	0.0135
e Zimmerman	9,727	0.1298	0.1000	0.0130
2 TOTAL DEBT	67,455	0.8998		0.0812
3 EQUITY				
a Stockholders Equity	7,515	0.1002	0.1000	0.0100
4 TOTAL EQUITY	7,515	0.1002		0.0100
5 TOTAL	74,970	1.0000		**0.0912**

Stockholders Equity When FERC Licensing is Capitalized (see Schedule 4)	19,451
Add Back Expenses Associated with 35-Year Amortization of FERC Capitalization (which would have reduced income closed to Stockholders' Equity)	3,328
Reduce Stockholders' Equity for Expenses Associated with 10-Year Amortization of Fees Related to FERC Licensing	(15,264)
Alternate Stockholders' Equity Based Upon 10-Year Amortization of FERC Related Licensing Fees	7,515

ATTACHMENT B

ATLANTA POWER CUSTOMER SURVEY
RESULTS AND ANALYSIS

On September 10, 2002 the Commission Staff mailed a questionnaire to all 65 customers of Atlanta Power Company. A copy of the questionnaire and cover letter is attached to this report. The questionnaire consisted of just five questions on one page plus the opportunity to add additional comments on the back of the page. Questions 1 and 2 gathered background information that the Staff believed would be helpful in understanding the customers' responses to the other questions. Question 1 asked for information concerning the amount of time the property is occupied annually. Question 2 asked if the property had its own backup generator. Questions 3, 4 and 5 were designed to determine the customers' desire for an Atlanta Power-owned system backup generator, an additional backup person to troubleshoot the system, and a telephone-based messaging system to be used by Atlanta Power Company to communicate with customers. Fifty of the 65 questionnaires were returned.

Backup Generation

The single most striking conclusion that can be reached from customer responses to the questionnaire is that Atlanta Power customers do not want to pay higher rates for a Company-owned onsite backup generator. Only 1 of 50 customers responding indicated that they would be willing to pay higher rates for a Company-owned backup generator, and that one customer qualified her response with some specific conditions. Thirty-four of 50 customers were interested in a Company-owned backup generator if it could be provided without a rate increase, and 15 of 50 customers saw no need for a Company-owned onsite backup generator even if it could be provided at existing rates. Fifteen of the 50 responding customers already have their own backup generators. Another 8 of 50 respondents do not have backup generators and see no need for Atlanta Power to do any thing different than it is doing now even if a Company-owned backup generator could be provided with no increase in rates.

Additional Atlanta Power Employee

Question No. 4 caused some confusion. For years the two people available to troubleshoot and repair system problems have been Lynn Stevenson, who does not live in Atlanta, and Dave Gill, who does. Dave has a full-time job with the Atlanta Highway District and is not always in town or immediately available to work on Atlanta Power Company system problems. Since the initial Atlanta Power customer complaint filed with the Commission in 2000, Atlanta Power has added a third person, Randy Nye, who lives and is employed in Atlanta. He is often available to troubleshoot system problems when the other two are not. The fact that Randy Nye was added as an Atlanta Power backup person well before the questionnaire was mailed caused the confusion. Some survey respondents knew of his affiliation with Atlanta Power and some did not. The question on the survey assumed that Atlanta Power customers did not know of his affiliation, but written comments indicate that some did. With that knowledge, some respondents may have assumed that the questionnaire was trying to determine if a fourth person was needed, which is not the case.

This question was designed to determine the customers' desire for a third person living in Atlanta to troubleshoot system problems when Lynn Stevenson or Dave Gill are not immediately available. Twenty-six of 47 respondents were in favor of additional Atlanta Power help and 21 of 47 were happy with the status quo. Three survey respondents did not answer this question.

Communication with Customers

The questionnaire provided two choices concerning Company communications with customers for planned outages or emergency repairs. Those who responded chose between the status quo, which was assumed to be very little communication, and a local telephone number that would have a recorded message. Customer comments indicate that there is more communication between Atlanta Power and its customers than the Staff assumed. Atlanta Power has provided some planned outage and system repair information to the Post Office, Hub and Beaver Lodge, which are gathering points in the community.

Thirty-two of 47 respondents wanted a local phone message to inform them of planned outages and update them on system emergency repairs. Fifteen of 47 were happy with the status quo. Three respondents did not answer this question.

Other Customer Concerns

Thirty-three of 50 questionnaires contained additional comments. Concerns other than those previously discussed are listed below in order of frequency mentioned.

5 - Additional preventative maintenance needed
Rates are too high

3 - A leased backup generator should not be shut off at night
Current rates already include the cost of a Company-owned backup generator
Customers should provide their own backup generators

2 - Poor service provided for monthly "Service Fee"
Low voltage problems
Food spoilage during outages

1 - Gate loan costs are paid and should come out of rates
Poor power quality causes appliance damage
Green Ranch backup generators could provide system backup (Staff Note: They do not have enough capacity to back up the whole system)

Keith Hessing,
Staff Engineer

Attachments

u:khessin:Atlanta power/report on survey results

OCTOBER 24, 2002

IDAHO PUBLIC UTILITIES COMMISSION

Dirk Kempthorne, Governor

P.O. Box 83720, Boise, Idaho 83720-0074

Paul Kjellander, President
Marsha H. Smith, Commissioner
Dennis S. Hansen, Commissioner

September 10, 2002

TO:

The Idaho Public Utilities Commission is reviewing concerns of some of the customers of Atlanta Power Company as expressed in petitions filed with the Commission. The Commission Staff's review will include an audit of the Company's books and the enclosed survey that is intended to determine each customer's desire for service improvements. Information obtained from the audit and customer survey will be presented to Atlanta Power Company and the Commissioners here at the Public Utilities Commission.

This survey is intended to gather minimal background information and address each customer's desires concerning three specific system improvements requested in the petitions. These three areas of improvement are back-up generation, availability of personnel to solve system problems and communications concerning system outages and repairs. You may address other desired system improvements or make other comments in the comments section of the questionnaire.

By Idaho law, the rates of Atlanta Power Company are established to cover the necessary costs that the Company incurs in providing service to its customers. This is an overly simple statement but it is generally true. Service improvements cost money that the Company is justified in recovering from its customers through rates. It has been several years since Atlanta Power's rates were last reviewed. Circumstances change over time. New customers increase Company revenues and costs. Company costs are decreased as capital equipment depreciates. Atlanta Power Company's non-functional back-up generator is fully depreciated. All of this is to say that a rate increase for Atlanta Power Company may or may not be justified if some or all of the proposed improvements are made. Company/Customer communications and an additional part-time support person in Atlanta may be very low cost improvements. Company-owned, onsite back-up generation for the system could be quite expensive depending on the size, age and condition of the equipment.

Please take a few moments to fill out the enclosed questionnaire and return it in the self addressed stamped envelope. One questionnaire is being sent to each Atlanta Power Company customer. Please do not copy the questionnaire and return multiple copies. The responses of individual customers will be held confidential and will not be released to anyone outside of the Public Utilities Commission. Please respond by September 30, 2002. If you have questions please call me at the number given below.

Sincerely,

Keith D Hessing

Keith Hessing, Staff Engineer
(208) 334-0348

khessin/Atlanta power/customer survey

IDAHO PUBLIC UTILITIES COMMISSION QUESTIONNAIRE
CONCERNING
ATLANTA POWER COMPANY

Check the box that most accurately represents your position or circumstance.

1. Your property served by Atlanta Power Company is occupied:

☐ Year around

☐ Summer

☐ Weekends and/or vacations

2. Concerning customer owned generators or alternative electric supply equipment:

☐ This property has no electric supply when the Atlanta Power electric system is not operating.

☐ This property has a customer provided alternate electric supply system.

3. Concerning Atlanta Power Company system back-up generation:

☐ The current plan for providing back-up generation is adequate. (Currently a back-up generator is leased and brought to Atlanta from Boise when a multi-day outage is identified.)

☐ Atlanta Power owned permanent on-site system back-up generation would be beneficial but should only be provided if it can be provided without increasing rates.

☐ Atlanta power owned permanent on-site system backup generation is important and I would be willing to pay higher electric rates to have it available. (Preliminary studies indicate that rates could increase by as much as $15.00 per month.)

4. Concerning the availability of Atlanta Power personnel to troubleshoot and repair the system when the power goes off:

☐ I have no problem with the Company's current response to system outages. (Often no one is immediately available to respond to system outages.)

☐ Atlanta Power should have a person in town to trouble shoot and make basic repairs to the system on a full time or nearly full time basis. (In order to minimize costs this person could be an existing Atlanta resident with some specialized training.)

5. Concerning communications between Atlanta Power Company and its customers about outages and system repairs:

☐ I have no problem with the way these communications are handled now. (Currently little or no information is provided to customers.)

☐ I would use and benefit from a local telephone number with a message containing the time and expected duration of planned maintenance outages and the expected durations of unplanned outages.

6. Other Comments: (Please use back of page.)

ATLANTA POWER COMPANY
INFORMAL COMPLAINT
QUESTIONNAIRE RESPONSES
50 Responses Received

Survey Number	Name	Question #1 Property Occupied: Year Around	Summer Use	Weekends and/or Vacations	Question #2 Alternate Source of Electricity: No	Yes	Question #3 Preference for Back-Up Generation: Status Quo Alright	Add At No Additional Cost	Add At Up To $15/Mo. Cost	Question #4 Additional Help in Atlanta: Status Quo Alright	Additional Help Needed?	Question #5 Communication with Customers: Status Quo Alright	Local Phone Number for System Status	Question #6 Other Comments: Yes
				1	1			1			1		1	1
		1				1	1			1			1	
		1			1			1			1		1	
		1			1			1			1		1	1
		1				1	1			1		1		1
		1				1	1			1		1		1
				1	1			1			1		1	
		1			1			1			1		1	1
		1				1	1			1		1		1
		1			1			1						
		1			1			1		1		1		
				1	1			1		1		1		1
		1				1	1			1		1		
			1		1			1			1		1	
		1				1		1			1		1	1
			1		1			1		1			1	
		1			1				1		1		1	1
			1		1			1		1		1		1
				1		1		1		1		1		1
		1			1		1			1			1	1
				1	1		1			1		1		1
				1	1			1		1			1	1
			1		1		1							
		1			1			1			1		1	
		1				1		1			1		1	1
		1				1		1			1		1	1
				1		1		1					1	1
			1		1			1			1		1	1
		1			1			1			1		1	
		1			1			1			1		1	1
		1			1			1			1		1	
			1		1			1		1		1		1
		1			1		1			1		1		1
		1				1		1			1		1	1

ATLANTA POWER COMPANY
INFORMAL COMPLAINT
QUESTIONNAIRE RESPONSES
50 Responses Received

		Question #1 Property Occupied:			Question #2 Alternate Source of Electricity:		Question #3 Preference for Back-Up Generation:			Question #4 Additional Help in Atlanta:		Question #5 Communication with Customers:		Question #6 Other Comments:
Survey Number	Name	Year Around	Summer Use	Weekends and/or Vacations	No	Yes	Status - Quo Alright	Add At No Additional Cost	Add At Up To $15/Mo. Cost	Status Quo Alright	Additional Help Needed?	Status Quo Alright	Local Phone Number for System Status	Yes
				1	1			1			1		1	1
		1				1		1		1			1	1
		1				1		1			1		1	1
			1		1		1				1			1
				1	1			1			1		1	
		1				1	1			1		1		1
				1	1		1			1		1		1
				1	1			1		1			1	
		1			1			1			1		1	1
			1		1			1			1		1	1
		1			1			1			1		1	
		1			1			1			1		1	1
		1				1	1			1		1		1
				1	1		1			1		1		
			1		1			1			1		1	
			1		1		1				1		1	1
TOTALS		28	10	12	35	15	15	34	1	21	26	15	32	33