Office of the Secretary
Service Date
March 3, 2008

BEFORE THE IDAHO PUBLIC UTILITIES COMMISSION

IN THE MATTER OF THE REQUEST OF ATLANTA POWER COMPANY TO ISSUE TWO PROMISSORY NOTES TOTALING $110,000.	CASE NO. ATL-E-08-01 ORDER NO. 30511

On January 22, 2008, Atlanta Power Company requested authority to execute two Promissory Notes for a total of $110,000 to pay extraordinary costs incurred in 2007 associated with the failure of the Company's hydroelectric turbine. The Company incurred costs of $119,922.49 for the repairs to the turbine and the operation of diesel generators while the turbine was out of service. These costs were paid through temporary loans and deferred salaries and wages. After reviewing the terms of the Promissory Notes and the Staff comments, we approve the two Promissory Notes as conditioned below.

THE PROMISSORY NOTES

1. The First Note. Under the terms of the first Promissory Note ($100,000), Atlanta Power shall pay approximately 84 monthly installments of principal and interest in the amount of approximately $1,874 until the Note's maturity date. The interest rate on this first Note will be 14%.

This Promissory Note is to be secured by a separate "Lock Box Agreement" to be executed by the utility and the payee. A Lock Box Agreement is an agreement that generally prescribes the order or priority of expense payments made from the utility's accounts receivable and makes those payments. The Lock Box would become effective only upon a default in making the monthly payment of principal or interest when due. The Lock Box Agreement would provide that customer payments due Atlanta Power be paid into the Lock Box. All disbursements from the Lock Box would be made pursuant to preset provisions of the Lock Box Agreement.

Although the exact terms of the Lock Box have not been reduced to writing, the Staff and the utility agree that the Lock Box (if a default occurs) would operate in the following manner.

1. First, a $2,100 reserve will be maintained in each and every month for the purpose of making the payments due (by the due date) for applicable insurance, property taxes, Forest Service special use permits, Idaho Public Utilities Commission (IPUC) fees, and the minimum income tax payable by Atlanta Power. (This reserve was calculated based upon amounts reported by Atlanta Power in its 2006 Annual Report to the IPUC and Staff's discussion with the relevant property tax authority.)

2. Second, an additional $1,100 reserve will be maintained in each and every month to pay the monthly contract labor associated with meter reading, billing, maintenance and duties necessary to operate the utility. Management fees are excluded from this reserve.

3. Third, an additional $375 will be reserved each month until a balance of $4,500 is accumulated to pay maintenance costs necessary to maintain electrical service to customers and office supply expenses necessary to bill and process customer receipts.

4. Fourth, an additional $375 will be reserved each month until a balance of $4,500 is accumulated to pay costs to operate the back-up generator of the utility, if needed.

5. Fifth, pay the monthly installment of the Promissory Note by the due date established.

6. The remaining balance of the Lock Box funds is available to Atlanta Power for payment of other operating expenses.

Staff recommended that the $100,000 Note and Lock Box Agreement also include the following provisions:

- The Lock Box will become effective only upon a default in making the monthly payment of principal or interest when due;

- If a default occurs, the holder of the Note shall notify the Maker and the IPUC in writing. This notice shall be provided at least fourteen (14) days in advance of the establishment of the Lock Box terms; and

- The Note and the Lock Box and Security Agreement contain at a minimum the provisions contained in the IPUC Order approving the loan.

2. The Second Note. Under the terms of the second Promissory Note ($10,000), Atlanta Power shall pay approximately 12 monthly installments of $882.65. The loan repayment shall be accomplished through monthly electric service credits for the customer. The interest rate on the Note will be 10.75%.

The Application states that the $9,922.49 debt in excess of these loan amounts will be treated as a temporary loan to the Company from the owners at an interest rate of 12% annually.

STAFF COMMENTS

After reviewing the terms of the two Promissory Notes and the suggested terms for the Lock Box, Staff asserted that Atlanta Power, based on its 2006 Annual Report, does not have sufficient cash flow to meet its payment obligations. These payment obligations include the two Promissory Notes, the $57,000 Note approved in Case No. ATL-E-04-1, and the Company's reported Operating Expenses (exclusive of depreciation). In its Application, the Company identified that it is currently working on a recovery proposal for these costs and will file another application in the near future for that purpose. Because the results of such a future proceeding are unknown and may include disallowed costs, Staff recommended that if the costs that are the subject of these loans (Company Exhibit No. 1) are disallowed in the future, the repayment of the disallowed portion of these Notes becomes solely the responsibility of the Company's owners. In addition, Staff recommended that the underlying costs (turbine repair and diesel operations) not be utilized to establish customer rates until the Commission reviews the prudency and the costs in the Company's next general rate case.

Staff recommended that the $100,000 Note be approved only with the Lock Box Agreement provisions described by Staff and the additional provisions recommended by the Staff.

Staff further recommended that the 14% interest rate of the $100,000 Note not be utilized to establish customer rates. The Staff asserted that Atlanta Power's return on equity rate allowed in future rate cases should be the maximum rate allowed as a debt cost for ratemaking purposes.

Finally, the Staff recommended that copies of all executed versions of the Promissory Notes and any and all renegotiated or resale contracts for the Notes be provided to the Commission within seven (7) days of execution.

DISCUSSION

Having reviewed the terms of the Promissory Notes and the comments of the Commission Staff, we approve Atlanta Power's issuance of two Promissory Notes totaling $110,000 as conditioned below. We agree with the Staff's recommendation that the underlying costs of these loans not be utilized to establish customer rates until we determine the prudency and the costs in the Company's next general rate case. Moreover, if any of these costs are disallowed in a future proceeding, the costs shall become the sole responsibility of the owners. We also agree with the Staff's recommendation that the $100,000 Note's 14% interest rate not be utilized to establish the Company's revenue requirement. In addition, the Commission shall require that copies of all executed versions of the Promissory Notes and any and all renegotiated or resale contracts for the Notes be provided to the Commission within seven (7) days of execution.

We further direct that the Lock Box not be utilized except upon default of the $100,000 Note. We further adopt the three (3) provisions recommended by the Staff for the $100,000 Note and Lock Box Agreement.

The Commission finds it reasonable for Atlanta Power to execute two Promissory Notes totaling $110,000, as modified above. We further find it reasonable to defer implementation of the Lock Box mechanism until a default has occurred and been noticed. At a minimum, the Lock Box shall contain the nine terms and conditions proposed by Staff as set out above.

ORDER

IT IS HEREBY ORDERED that Atlanta Power Company's request to execute two Promissory Notes totaling $110,000 is approved as conditioned in the body of this Order.

IT IS FURTHER ORDERED that the planned expenditures funded by the proceeds of the Promissory Notes shall not be used to establish customer rates until the Commission determines the prudency and the amount for recovery is established for each item in Atlanta Power Company's next rate case.

IT IS FURTHER ORDERED that the Atlanta Power Company owners shall be solely responsible for repayment of any portion of these Notes that are disallowed in a future rate proceeding.

IT IS FURTHER ORDERED that the $100,000 Promissory Note's interest rate of 14% not be used to establish the Company's revenue requirement or customer rates.

IT IS FURTHER ORDERED that the foregoing authorization is without prejudice to the regulatory authority of the Commission with respect to rates, utility capital structure, service accounts, valuation, estimates for determination of cost or any other matter which may come before this Commission pursuant to its jurisdiction and authority as provided by law.

IT IS FURTHER ORDERED that the Commission's review and approval of this matter shall not be construed to obligate the State of Idaho to pay or guarantee in any manner whatsoever any security authorized, issued, assumed or guaranteed under the provisions of Idaho Code, Title 61, Chapter 9 (*Idaho Code* §§ 61-901 *et seq.*).

IT IS FURTHER ORDERED that issuance of this Order does not constitute acceptance of Atlanta Power's exhibits or other material accompanying the Application for any purpose other than the issuance of this Order.

THIS IS A FINAL ORDER. Any person interested in this Order (or in issues finally decided by this Order) or in interlocutory Orders previously issued in this Case No. ATL-E-08-01 may petition for reconsideration within twenty-one (21) days of the service date of this Order with regard to any matter decided in this Order or in interlocutory Orders previously issued in this Case No. ATL-E-08-01. Within seven (7) days after any person has petitioned for reconsideration, any other person may cross-petition for reconsideration. See *Idaho Code* § 61-626.

DONE by Order of the Idaho Public Utilities Commission at Boise, Idaho, this 29th day of February 2008.

Mack A. Redford

MACK A. REDFORD, PRESIDENT

Marsha H. Smith

MARSHA H. SMITH, COMMISSIONER

Jim Kempton

JIM KEMPTON, COMMISSIONER

ATTEST:

Jean D. Jewell

Jean D. Jewell
Commission Secretary

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