

BEFORE THE IDAHO PUBLIC UTILITIES COMMISSION

IN THE MATTER OF THE APPLICATION)	
OF ATLANTA POWER COMPANY FOR AN)	CASE NO. ATL-E-08-02
ORDER AUTHORIZING INCREASES IN)	
THE COMPANY'S RATES AND CHARGES)	
FOR ELECTRIC SERVICE IN THE STATE)	ORDER NO. 30704
OF IDAHO)	

On May 1, 2008, Atlanta Power Company (Atlanta Power; Company) filed an Application with the Idaho Public Utilities Commission (Commission) requesting authority to increase its revenue requirement to \$109,849 and to change the way customers are billed for electric consumption. The Company also requested authorization to implement an emergency surcharge of 54.20% to recover extraordinary costs incurred in 2007 associated with the failure of the Company's hydroelectric turbine. Atlanta Power operates pursuant to Certificate of Convenience and Necessity No. 300. The Company is located in Elmore County and provides electric service to approximately 75 residential and commercial customers in Atlanta.

On May 20, 2008, the Commission issued a Notice of the Company's Application. On May 29, 2008, the Commission established an expedited schedule to process the Company's request for an emergency surcharge. On June 27, 2008, the Commission in Order No. 30578 approved an emergency 33.6% surcharge. On July 18, 2008, the Commission established scheduling for the Company's general rate case. On August 9, 2008, the Company submitted an amended revenue requirement of \$113,045 (a 55% increase). Atlanta Exh. 12. The Commission in this Order revisits the surcharge portion of the Company's Application and addresses the Company's request for a general rate increase.

The parties of record in this case are Atlanta Power, Commission Staff and Greene Tree, Inc., the Company's largest commercial customer. After reviewing and considering the filings of record, the comments and recommendations of the parties, the transcript of public testimony and the written comments of customers, the Commission in this Order establishes an \$83,680 annual revenue requirement for Atlanta Power, authorizes the Company to increase the base rates for all customers by 14.55%, and approves an adjusted 28.9% surcharge. The monthly rates and surcharge for an average Schedule 1 residential customer with monthly usage not exceeding the 500 kWh allowance will increase from \$108.21 to \$119.60. The rates approved in

this Order are set forth in Appendix A. All approved changes in rates and charges are effective for service rendered on or after January 1, 2009. The Commission in this Order further directs changes in the Company's recordkeeping, requires improvements in customer notification, establishes a returned check charge and late payment fee; and, to stabilize revenue, approves a reconnection charge equivalent to approximately four times the monthly customer charge.

SURCHARGE

Background – Emergency Surcharge

Atlanta Power in its Application requested that the Commission declare an emergency and approve a surcharge on existing rates of 54.2% for an effective date of June 1, 2008. In reply comments, the Company amended its surcharge request to 39.15%.

By way of background, Atlanta Power states the following:

- By Order No. 30417 dated August 29, 2007 in Case No. ATL-E-07-01, the Idaho Public Utilities Commission authorized the Company to defer on its accounting records the extraordinary costs incurred in the year 2007 associated with the failure of Atlanta Power's hydroelectric turbine. That Order recognized that the Company would be filing additional applications seeking recovery of the deferred extraordinary costs.
- By Order No. 30511 dated March 3, 2008 in Case No. ATL-E-08-01, the Idaho Public Utilities Commission authorized the Company to incur debt in the amount of \$110,000. The Order recognized the need for the Company to acquire cash to pay the extraordinary costs deferred pursuant to Order No. 30417.

On May 29, 2008, the Commission established an expedited schedule to process the Company's request for an emergency surcharge. The Commission made a preliminary finding that the Company's request for emergency surcharge could be processed under Modified Procedure. IDAPA 31.01.01.201-204. A June 5, 2008 deadline was established for Commission Staff to file a report and recommendation, a June 11, 2008 deadline was established for customer comments and Company reply, and a June 12, 2008 Boise hearing date was set for the purpose of taking public comment and testimony.

The Commission reviewed and considered the Company's request for an emergency surcharge, the comments and recommendations of Commission Staff, the written comments and testimony of customers, and the Company's reply comments. Based upon our review of the

record, we continued to find it reasonable to process the Company's emergency surcharge request under Modified Procedure. IDAPA 31.01.01.204.

In Order No. 30511, the Commission stated that the planned expenditures funded by the proceeds of the promissory notes authorized in Case No. ATL-E-08-01 (\$100,000 and \$10,000) were not to be used to establish customer rates until the Commission determined the prudence of each item in the Company's next general rate case and authorized for each item found prudent a recovery amount. Order No. 30511, p. 4.

On June 27, 2008, in Order No. 30578 the Commission, finding that repayment on the promissory notes had already begun and that exigent circumstances existed, approved an emergency 33.6% surcharge for the Company with modifications and conditions. In the Order we stated that we would revisit the emergency surcharge portion of the Company's Application in our consideration of the Company's accompanying request for a general rate increase. In this Order we review the Company's surcharge application and the underlying prudence of the related expenditures and loans.

Surcharge – Discussion and Findings

We base our review and continued consideration of the Company's surcharge request upon the record established in this case and upon the related record and Orders entered in Case Nos. ATL-E-07-01 (authorization to defer extraordinary expenses) and ATL-E-08-01 (conditional authorization to execute promissory notes). Atlanta Power requested an emergency surcharge (a percentage of existing rates) to generate revenue to meet repayment obligations on authorized debt associated with the 2007 failure of the Company's hydroelectric turbine and to meet other costs and obligations. The requested surcharge is comprised of three elements: (1) a \$100,000 loan – Eric Alberdi; (2) a \$10,000 loan – Greene Tree, Inc.; and (3) an \$18,808 owner loan.

In its Application, Atlanta Power requested a temporary surcharge on current rates of 54.2% for the first year and 38.71% for an additional six years. Staff recommended approval of a 31.2% temporary emergency increase to all tariff rates (except the Schedule 4 “new customer connection charge”) and meter testing charges (General Rules – Regulations and Rates ¶ 15 – Service and Limitations). In reply comments, the Company amended its surcharge request to 39.15%. In Order No. 30578, we authorized an emergency surcharge of 33.6%. In this Order, as discussed and detailed below, we approve an adjusted surcharge of 28.9%, a surcharge to be

applied in the same manner and with the same exclusions. The primary reason for the percentage change in the surcharge is that the base rate to which it is applied has increased through this Order.

Extraordinary Deferred Costs – 2007 Turbine Failure

In assessing the prudence of the Company's expenses related to the 2007 turbine failure we start from the Company's Exhibit 1 in Case No. ATL-E-08-01. As reflected in that Exhibit 1, the deferred cost related to the turbine failure identified by the Company totaled \$114,926. It is from that starting point that Staff proposes adjustments removing non-turbine-related costs to arrive at its adjusted extraordinary deferred cost figure of \$107,831. Staff Report, pp. 6-8. As a protocol, Staff allowed 60% of lodging costs when the Company provided a debit receipt or cancelled check with appropriate memo line for lodging although there were no detailed receipts that identified the room rate, the length of stay, meals purchased and other underlying details of the transaction. Without specific details of the transaction, Staff was unable to determine whether all costs should be included in the case.

The Company in its reply to Staff's Report addresses Staff's exclusion of certain costs proposed for surcharge recovery. The Company does not comment on Staff's exclusion of \$3,800 in consulting fees related to preparation of the Company's Annual Report. Regarding Staff's exclusion of \$2,800 for maintenance and repair of a backup generator that Staff contends was not "used and useful" and was subsequently replaced (Staff Report, p. 6), the Company contends that its efforts at repair resulted from its attempt to minimize costs. Reply, p. 2, Item 1. Despite the Company's efforts, the generator had to be replaced. The Company states that these costs should be included in the cost of the replacement generator and depreciated over its life. The Company notes that there is a partial offset to these costs in the calculations of contributions in aid of construction. Reply, p. 3, item 3.

The Company in its reply also addresses Staff's removal of \$500 in concrete costs for improving a building because the generator was not housed in that building. The building was owned not by Atlanta Power but by Middle Fork/Boise LLC, another company of Israel Ray. Instead, Staff included this \$500 as part of rental costs for the lot to store Company equipment. Staff Report, pp. 6, 14. The Company represents the building will be used as a site for generator storage. The Company contends that the cost of concrete should be treated as a leasehold improvement to accommodate the Company's diesel generator. This expense, the Company

states further, does not include the cost of transport or labor to mix and install 6.6 cubic yards of concrete. These labor costs, the Company states, should be included in plant in service as well as owner's equity. Reply, p. 3. The Commission is informed that the Company presented three cancelled checks written in 2007 as \$845 labor for pouring a concrete pad inside a building owned by Middle Fork/Boise LLC. Two of the three canceled checks do not contain information on the check memo line regarding the services provided for payment. The third canceled check's memo line describes the cost as for repairs and does not match the purpose stated (pouring concrete) for the cost. We find it reasonable to exclude these costs.

The Commission finds Staff's adjustments reasonable and is not persuaded in this instance by the Company's management prudence argument. The test of whether the property is used and useful in rendering service applied by Staff in determining authorized surcharge expenses is a standard that is supported by accounting and regulatory practice and is a reasonable guide to determine whether expense recovery should be allowed.

\$100,000 Loan – Eric Alberdi

The Commission's review of the executed note filed in Case No. ATL-E-08-01 confirms that the \$100,000 loan made by Eric Alberdi is for a term of seven years at an interest rate of 14% per annum with monthly payments in the amount of \$1,874 (first installment due May 1, 2008). The loan documentation is comprised of a Promissory Note dated April 1, 2008 and a Lock Box and Security Agreement dated April 9, 2008. In Case No. ATL-E-08-01, we stated that the \$100,000 promissory note interest rate of 14% was not to be used to establish the Company's revenue requirement or customer rates (Order No. 30511, p. 4). Staff in its emergency surcharge comments recommended the use of a 12% interest rate, a return on the equity component of capital structure approved by the Commission to calculate the emergency surcharge for other small companies. The monthly payment of principal and interest for a seven-year 12% note is \$1,765. Staff Comments, p. 3.

In its reply to Staff comments, the Company recommended that the actual carrying costs of the Alberdi note be used for the temporary surcharge, contending that any interest adjustment should be addressed in the Company's general rate case and that the Company was not able to acquire loan funds at a more reasonable rate. The Company further argued that its owners should not be made to subsidize the carrying costs of this note. Company Reply (6/11/08), pp. 1, 2. The Commission agreed with the Company and found it reasonable for

purposes of emergency surcharge calculation to include the actual carrying costs of the \$100,000 note. In our emergency surcharge Order, we reserved the right in the general rate case to assess the continued reasonableness of the 14% interest rate and consider arguments regarding the recovery of same from customers. Order No. 30578, pp. 3, 4.

In revisiting the Alberdi note, we acknowledge first that we authorized the Company to enter into two loan obligations totaling \$110,000 to pay extraordinary costs associated with the 2007 failure of the Company's hydroelectric turbine. Case No. ATL-E-08-01, Order No. 30511. Our approval was conditional upon a future general rate case prudence review and adjustment (including refund) for authorized recovery. We find that the Alberdi note funds were used for authorized purposes related to the Company's 2007 turbine failure. We find that the Company's promissory note with Alberdi is secured only by a Lockbox Agreement and the personal guarantee of Israel Ray, with Alberdi foregoing any right to enforce the note with liens, attachments or levies against the physical assets of the Company except cash. Alberdi Note ¶ 3a. The Company acquired the note pursuant to a privately negotiated arrangement. The Company contends that it could not obtain a better rate in the marketplace. Company Reply (6/11/08), p. 1; Reply (10/3/08), pp. 2-3, item 2.

We have no way to test this representation or to evaluate other specific loan options available to the Company if it were prepared to offer the security of a dedicated revenue stream or surcharge. Staff contends that financing similar to that recently provided Eagle Water Company (\$110,000 loan December 2007 at Index + 2% or 9.5%) may have been available to Atlanta Power. Staff Report, pp. 7-8. Staff in its comments in the ATL-E-08-01 case recommended that the 14% stated interest rate on the Alberdi note not be utilized to establish rates. Staff asserted then, and reasserts now, that the Company's return on equity rate before reduction should be the maximum rate allowed as a debt cost for ratemaking purposes. Staff Comments, p. 3; Staff Report, p. 7. We determine that it is appropriate to use a 12% interest rate for calculating the authorized loan recovery amount and surcharge, 12% being the return on equity that we authorize in this case and would have applied if the turbine-related plant investment in this case had been financed by owner funds. Twelve percent (12%) is also the equity component of the capital structure authorized for other small companies under our jurisdiction.

The monthly payment of principal and interest for a \$100,000 seven-year 12% note is \$1,765. Considering the other components of the adjusted surcharge that we discuss and approve below, the \$109 monthly difference in the 14% interest rate used for calculating the temporary emergency surcharge, and the 12% surcharge we approve in this Order, is offset in the new rate and recovery period rather than establishing a refund.

\$10,000 Loan – Greene Tree, Inc.

The \$10,000 loan, made by Greene Tree, Inc., a customer of Atlanta Power, is for a term of one year at a rate of 10.75% with loan repayment accomplished through monthly billing credits of \$882.65 for that customer. The loan documentation filed in Case No. ATL-E-08-01 consists of an Agreement dated March 18, 2008. The Company in its Application proposed to recover this loan from customers over a one-year period. Repayment had already begun at the time of the Company's Application filing in this case. Staff in its emergency surcharge comments recommended a seven-year surcharge recovery period for this loan at a higher 12% interest rate. The higher interest rate of 12%, Staff contends, recognizes a longer (seven-year) term. Staff Comments, p. 4. In reply comments, the Company stated it would accept Staff's adjustment. Company Reply (6/11/08), p. 2. We acknowledge that in Order No. 30511 we authorized the Company to enter into a \$10,000 loan obligation. We find that the funds were used for authorized purposes related to the Company's 2007 turbine failure. We continue to find the surcharge amount proposed by Staff and agreed to by the Company to be reasonable. The monthly payment of principal and interest for a \$10,000 seven-year note is \$177.

\$18,808 Owner's Funds

According to the Company's workpapers, the \$110,000 loaned Atlanta Power was essentially to pay the owner for wages the Company deferred in 2007 and to pay Ray Bros. Seed, another company of the owner, for costs associated with the turbine failure. Staff Report, pp. 6, 7. The Company has requested interest on those deferred wages and other payments. In its Application, Atlanta Power requested \$332 per month to recover owner loans in the amount of \$18,808 over seven years at 12% interest as part of its proposed emergency surcharge. In our emergency surcharge Order, we excluded the recovery of amounts owing to the owner. We deferred recovery consideration of this \$18,808 until the general rate case.

The owner loans identified by the Company include three months of deferred wages in January through March 2008 (\$5,400), other turbine replacement costs exceeding the

\$110,000 in loans received from third parties (approximately \$5,000) and related interest on said amounts (approximately \$5,000). Management also deferred wages in 2007 to provide funding for the Company to meet its extraordinary costs. Staff recommends that the three months of deferred wages in January through March 2008 be treated as an owner's contribution that can be repaid through Company operations when funding is available. Staff Report, p. 8. The wages deferred in 2007 have been repaid through the Alberdi and Greene promissory notes. Staff in its surcharge calculations recommends recovery of \$4,164 interest due the owner. Staff calculated interest based upon the dates the extraordinary costs were paid. Interest was calculated through March 31, 2008, because the loans were finalized in March and April 2008. The monthly payment of principal and interest for a \$4,164 seven-year note is \$73 per month. Staff Report, pp. 7, 8, Tables 1 and 2.

In Case No. ATL-E-08-01 (Order No. 30511), we found that the Company's owners were to be solely responsible for repayment of any portion of the notes (\$100,000 and \$10,000) that might be disallowed in a future rate proceeding. Order No. 30511, p. 4. The Company contends that disallowing recognition of funds loaned to the Company by its owner deprives the owner of the recovery of his costs and adversely affects the Company's already poor cash flow. Company Reply (6/11/08), p. 3. In this Order we recognize the owner advances used to remedy the turbine failure and provide the Company with interest calculated and based upon the dates the extraordinary costs were paid.

Surcharge Recovery Calculation

Staff, in its emergency surcharge recovery calculation, proposed two adjustments to the Company's rate design data: (1) Staff proposed use of calendar year 2007 numbers of bills applied to 2006 average use per customer by rate schedule. Staff Comments, p. 6. This adjusts for anomalous usage during the time in 2007 when the hydroelectric system was unavailable and standby diesel generation was available only on a limited basis. This adjustment increases kWh usage by 27,669 which is a 13% increase over 2006 amounts. The Company did not object to this approach and we found the adjustment reasonable. We continue to find the adjustment reasonable.

(2) Staff also recommended in the emergency surcharge recovery calculation to add two additional electric customers to the billing data and to impute revenue attributable to them in calculation of the required surcharge – i.e., adding the Company's owner to Schedule 3

(Seasonal Residential) and adding the home of the Company's two onsite employees to Schedule 1 (Permanent Residential). The Company opposed this adjustment citing Commission language in Atlanta Power Case No. ATL-E-93-1, Order No. 24925, addressing the provision of power from surplus hydro capacity as compensation for something received. Were its employees required to pay an electric bill, the Company states that their effective compensation would be reduced and a wage increase would be required. Regarding the second customer that Staff adds, it does not make sense, the Company states, to charge itself electric energy rates that would simply become operating costs on the other side of the income statement.

We deferred consideration of Staff's argument to add two customers in revenue and rate design calculations until the general rate case. We find that Staff has abandoned its argument in its general rate case filing. We find the Company's reasoning to be persuasive. We will not make this adjustment in surcharge calculations.

Based on the foregoing, the Commission finds it reasonable to calculate a surcharge to recover the following monthly cash flow requirements:

Promissory Note 1	\$100,000 (7 yrs @ 12%)	\$1,765.00/month
Promissory Note 2	\$10,000 (7 yrs @ 12%)	\$ 177.00/month
Owner's Funds (Interest)	\$ 4,164 (7 yrs @ 12%)	\$ 73.00/month
Total Monthly Recovery		<u>\$2,015.00/month</u>
Approximate Annual Total		\$24,180.00/year

Both Company and Staff propose an equal percentage surcharge. The monthly surcharge that we find reasonable is a 28.9% uniform percentage increase applied to all tariff rates except the Schedule 4 "new customer connection charge" and meter testing charges (General Rules – Regulations and Rates ¶ 15 – Service and Limitations) which by this Order are moved to Schedule 4. The surcharge is not to be included in the general base rates of customers. Instead, it will be a separate line item charge on each customer's bill. The Company is to maintain a monthly record of surcharge payments and provide a status accounting of the surcharge with its Annual Report filing.

GENERAL RATE CASE

Background

Atlanta Power in its May 1, 2008 Application requested authority to increase its annual base electric revenues to \$109,849 and proposed numerous changes in the way it bills

customers for electric consumption. Appl. Exh. 4. In its initial Application, the Company proposed to eliminate the 500 kilowatt-hour (kWh) monthly allowance in tariff Schedules 1 (Permanent Residential) and 2 (Permanent Commercial) and to charge customers for all monthly kilowatt-hour usage. The Company also proposed to eliminate its Seasonal (Weekend or Part-Time Use) rate schedule (Schedule 3) for residential and commercial customers and to move those customers to Schedules 1 and 2. In an amended filing on August 8, 2008, the Company in response to customer opposition withdrew its proposal to eliminate the kilowatt-hour allowance and seasonal schedules. To recover additional rate case expense the Company increased its proposed annual revenue requirement to \$113,045, a 55% increase over current adjusted revenue (\$73,051). Atlanta Exh. 12. The Company's current base rates were approved by the Commission in 1993 in Case No. ATL-E-93-1, Order No. 24925.

Apart from the Company, the intervenor, Greene Tree, Inc., and Commission Staff were the only formal parties to participate in this case. On September 18, 2008, after performing its audit and holding a public workshop for Atlanta Power customers, Staff filed its Report and Recommendations. Staff recommends that the Company's annual revenue requirement be increased to \$76,770, an average increase in rates of 5.09%. Staff Report, p. 20.

On October 3, 2008, Greene Tree and Atlanta Power filed reply comments to Staff's Report. The Company in its reply stands by its Amended Application and provides specific rebuttal to some of Staff's proposed adjustments. The Company characterizes Staff's recommendations in this case as punitive and unrealistic. Company Reply, pp. 1, 2. Greene Tree in its reply accepts Staff's pro forma adjustments and recommends that the Commission adopt a rate design that equalizes the energy charges for residential and commercial customers. Greene Comments, p. 6.

The Commission in this Order establishes an \$83,680 annual revenue requirement for Atlanta Power and authorizes the Company to increase base rates for all customers by 14.55%. See Appendix D. The rates we approve are set forth in Appendix A. Our related findings are set out below.

Test Year

Because of the Company's turbine failure in 2007, Atlanta Power and Staff agree that 2007 is not typical of normal operations. The Company proposes and Staff agrees that a test

year ending December 31, 2006 be used as the basis for the Company's general rate case. Application, p. 4; Staff Report, pp. 4, 5.

We find:

The Commission finds use of a 2006 test year to be reasonable for purposes of this case.

Capital Structure/Rate of Return

The Company proposes to use the capital structure reported to the Commission in its 2006 Annual Report, with corrections. Atlanta Exh. 3. The Company is requesting a 12% return on the equity component of its capital structure. The equity return requested by the Company, it states, is equal to the return the Commission has allowed for other small utility companies under its jurisdiction and recognizes the risk associated with a small utility company. The overall rate of return requested (including a 2004 Alberdi note at 14%) is 12.2%. Application, p. 6; Exh. 3.

Staff proposes an 11% return on equity until the Company has made needed financial and organizational improvements. Once the Company has made those improvements, Staff agrees that a 12% return on equity would be reasonable. Staff Report, p. 11; Report Atch. C. Staff further recommends that the Company's unreduced return on equity be the maximum rate allowed on debt for ratemaking purposes. The Company views Staff's return on equity recommendations as punitive. Reply, p. 4.

We find:

Based on our review of the record, we adopt the proposed capital structure shown below. We find the Company's argument regarding return on equity to be reasonable. Our disallowance of expense in this case should provide all the incentive needed for the Company to retain competent consultants and improve its financial recordkeeping. We further find reasonable, however, Staff's proposal to cap the authorized debt rate recovery for the Alberdi promissory note at 12%. Twelve percent (12%) is the return on equity that we approve in this case and is the maximum rate we find reasonable to allow as debt cost for ratemaking purposes.

WEIGHTED COST OF CAPITAL

	Corrected Total at 12/31/06	Weight	Rate	Weighted Cost
Common Stock	\$144,171			
Retained Earnings	(\$91,704)			
Additional Paid-In Capital	\$15,276			
Owner's Equity	\$67,743	42.12%	12%	5.05%
Notes Payable – Others				
Alberdi 2004 loan	\$54,428	33.84%	12%	4.06%
Zimmerman loan	\$18,956	11.78%	10%	1.18%
Israel Ray loans	\$19,723	12.26%	10%	1.23%
Overall Capital	\$160,850	100.00%		11.52%

Rate Base

Atlanta Power uses a pro forma rate base of \$143,921 in its revenue requirement calculations. Application, p. 4; Atlanta Exh. 1.

Staff proposes a pro forma rate base of \$118,011. Staff Report, pp. 9-11; Atch. A. In its calculation, Staff removes costs that it contends should not have been capitalized, were not supported by original cost documentation and did not improve buildings owned by the Company. Staff Report, p. 9.

The Commission accepts Staff's rate base calculations with adjustments for additional and supplemental documentation submitted by the Company as set forth and described in greater detail below. In accepting Staff's adjustments we acknowledge a regulatory responsibility to customers to hold the utility to a businesslike standard in maintaining its accounting and business records and to require adequate and sufficient records and receipts as a condition of authorizing expense recovery. The resultant rate base we approve is \$119,871. See Appendix B.

Plant in Service

Staff reduced plant in service by approximately \$11,000. This included removing \$5,000 identified as fencing costs in the Company's case that Staff had determined were actually monthly labor for maintenance of the system. These costs were included by Staff, to the extent they were documented, under operating expenses. The reduction was partially offset by a \$1,000 increase in plant in service not included in the Company's case. Staff's adjustment also includes removing approximately \$3,000 for maintenance and repair of a generator that was subsequently

replaced; removing \$500 for cement used to improve a building on a lot owned by Middle Fork/Boise LLC, another company of Israel Ray, Atlanta Power's owner; and removing approximately \$3,000 for costs not supported by original cost documentation. Staff Report, p. 9.

The Company in its reply addresses Staff's removal of the generator repair (Reply, p. 3, item 3) and cement costs (Reply, p. 3, item 5) from plant in service. Atlanta Power contends that Staff's generator repair adjustment penalizes the Company for trying to maintain service at the lowest possible cost. This cement purchase, it argues, should be treated as a leasehold improvement to accommodate the Company's diesel generator.

Regarding Staff's adjustment removing \$3,000 in costs not sufficiently supported by original cost documentation, the Company states that even though original receipts cannot be located, documentation in the form of cancelled checks and bank debit card records do exist. Payments were made to the contract mail carrier for Atlanta and to vendors such as Platte Electric and Graybar Electric. Reply, p. 3, item 4. Atlanta Power argues that Staff should give the benefit of the doubt to the Company that these documented expenses were indeed for the electric system. Reply, p. 3.

After the filing of Staff's Report, the Commission was informed that the Company has presented invoices and returned checks (with a completed memo line consistent with the activity/cost recorded) that support an addition to total plant in service in the amount of \$1,785 (\$1,695 electric plant in service; \$89 tools and shop equipment).

We find:

The Commission accepts Staff's plant in service adjustments as reasonable and further finds it reasonable to increase total plant in service by \$1,785 to reflect additional documented plant. The total plant in service we approve for rate base treatment is \$479,689.

Contributions in Aid of Construction (CIAC)

Staff revised the Company's CIAC calculation to reflect that the Alberdi and Greene loan proceeds authorized in Case No. ATL-E-08-01 would first be applied to assets, then to deferred expenses and finally to interest. Deferred expenses and interest, Staff contends, are arguably equity infusions from the owner. As such they would be repaid last. Staff Report, p. 10. Atlanta Power disagrees. The Company contends that first claim on available cash from the long-term loans should go to deferred wages and salaries, and then to material suppliers and short-term creditors. This, it states, is the proper order of claim. Reply, pp. 3, 4, item 6.

We find:

The Commission accepts Staff's adjustments and Staff's proposed order for applying loan proceeds. The Company proposes what is essentially a bankruptcy order of retirement. This is not a bankruptcy. The CIAC that we approve for rate base is (\$95,443). The related amortization is \$4,326.

Accumulated Depreciation and Depreciation Expense

While depreciation is an element of rate base, there is no disputed issue regarding depreciation in this case. The Commission notes that after the filing of Staff's Report the Company filed additional invoices and other documentation sufficiently supporting costs in its Application. The accumulated depreciation related to the \$1,785 increase in plant supported by additional documentation is \$415. The calculation of depreciation is arithmetic and dependent upon plant in service and CIAC. The accumulated depreciation figure we reflect in rate base is (\$274,756). The depreciation expense related to the \$1,785 increase in plant is \$276.

Inventory

Included in the Company's filing is \$7,000 for inventory of materials and supplies. Atlanta Exh. 1. Staff reports that the Company has stated that "current management has no records or knowledge of the purchases recorded to this account." Further, the Company states that "as the inventory is used up, replacement materials and supplies are either capitalized or expensed as they are purchased." Staff Report, p. 10. Staff removed the \$7,000 from the Company's proposed rate base. The Company did not reply to this adjustment.

We find:

The Commission finds that the Company is not able to provide sufficient documentation on the amount included as inventory and finds it reasonable to exclude same from rate base.

Working Capital

Working capital provides funds to pay expenses until customer revenues are received. The Company and Staff agree that one-eighth (1/8) of annual operating expenses (45 days) should be included in rate base. Staff Report, pp. 10, 11.

The Commission notes that after the filing of Staff's Report the Company filed additional documentation sufficiently supporting more costs reflected in its Application. The

working capital (rate base) increase related to increases in operating expenses supported by additional documentation is \$490 for a total working capital allowance of \$6,055.

We find:

The amount of working capital is an arithmetic calculation based on the operating expenses we approve in our revenue requirement determination. We find it reasonable to calculate working capital as a one-eighth (1/8) percentage of annual operating expenses.

Results of Operations – Revenues and Expenses

Revenues

Atlanta Power in its Application identified \$68,389 in pro forma 2006 revenue. Atlanta Exh. 2. In its amended Application, the Company increased test year revenues by \$4,662 to reflect the known and measurable change of growth in the number of customers that occurred between 2006 and 2007. Atlanta Exh. 12. Staff agrees with the resultant \$73,051 pro forma revenue amount.

We find:

The Commission acknowledges that the Company and Staff have agreed to an adjusted pro forma revenue amount of \$73,051 and accepts this calculation as reasonable for ratemaking purposes.

Operating Expenses

The Company in its Application identified twelve (12) operating expense categories and with pro forma adjustments for known and measurable changes calculated total operating expenses of \$64,234. Atlanta Exh. 2.

Staff proposed negative adjustments in eight (8) of the twelve (12) expense categories and calculated total operating expenses of \$44,521, a difference of \$19,713. The Company in its reply disagrees with Staff's adjustments.

We find:

The Commission's findings in many of the following expense categories share a common theme, a denial of full recovery because of inadequate and insufficient documentation by the Company. The extent of this recordkeeping deficiency is of such magnitude that we devote a later section of this Order to a discussion of recordkeeping. The Company states in reply comments that recovery of expenses is necessary because the owner cannot afford to continue operating the utility as a very expensive hobby. Reply, p. 9. We deny full recovery

because the owner does not account for its utility operations and expenses in a businesslike manner. As regulators, we cannot lower our accounting standards and requirements – they are established by statute and rule. It is the Company that must raise its accounting practices.

The Commission in this Order approves total operating expenses of \$48,436. See Appendix C. We find it reasonable to accept the expense amounts in the undisputed categories. A discussion of the disputed adjustments follows:

Labor

A. Power Generation – Labor. Atlanta Power requests \$9,990 annually for power generation labor. Atlanta Exh. 2. Staff reduced Power Generation Labor by \$250 and included \$9,740 annually for monthly maintenance and extra duties. Staff Report, p. 12. The Commission is informed that since the filing of Staff's Report, the Company provided a canceled check for \$170. The memo line of the check did not identify what services were provided for that payment.

We find:

The Commission accepts Staff's adjustment to reduce labor to reflect costs documented by the Company and because of incomplete documentation adds only 60% of the \$170 for a power generation labor total of \$9,842.

B. General Office – Labor. Atlanta Power requests \$4,200 annually for general office labor. Staff does not contest this expense. The Company in its reply identifies costs not included in its initial and amended rate case filings for an additional part-time contract employee, the owner's daughter, in 2007 and 2008 for general office costs above those being provided by the contract employee who performs customer accounting functions. The owner's daughter provides services that would otherwise be done by an independent accountant to maintain the Company's accounting records. In addition, she does a multitude of other tasks including correspondence and negotiating agreements with governmental agencies. In 2007 and 2008 to October 3, 2008, the Company contends that the total compensation for this contract employee was \$4,787. Company Reply, p. 4.

We find:

The Commission approves a general office labor total of \$4,200. We make further findings regarding accounting costs below in the professional services section of this Order.

C. General Officer's Salaries. Atlanta Power requests \$28,800 annually for general officer's salaries. The Company's request includes an increase in monthly pay for management from \$1,800 to \$2,400 a month, or \$7,200 annually. Application, p. 5. Staff reduced the Company's request by \$7,200, including \$21,600 annually for management salaries at the \$1,800 per month rate established during and after the test year. The Company, Staff states, estimated normal duties in 2006, 2007 and 2008 at 500 hours per year. However, no time sheets or logs are maintained to document this estimate. Staff Report, p. 13.

The Company identified the 500 hours per year as "normal" duties of the president. The Company states the president and general manager provides additional benefits to Atlanta Power through use of a shop, shop tools and equipment owned by an affiliated company. The Company claims 300 hours spent in 2006 working with the Environmental Protection Agency and 150 hours fabricating gates in the shop mentioned previously. These services, if priced at \$58 per hour and billed to the Company, it states, would be \$26,100. The Company additionally notes that it is currently working with other federal agencies on utility-related matters (U.S. Fish and Wildlife Service and U.S. Forest Service) and that its president has spent enumerable hours working on this rate case. All these hours, the Company states, are in addition to "normal general duties." Company Reply, pp. 4, 5.

We find:

The Commission accepts Staff's general officer salary adjustment as reasonable and approves a general officer's salary total of \$21,600. We find any further award to be unsupported by sufficient documentation.

Materials and Supplies

Atlanta Power requests \$4,462 annually for power generation materials and supplies. Atlanta Exh. 2. Staff reduced materials and supplies expense by \$2,138 for costs that were unsupported by invoices. Staff Report, p. 13. Since the filing of Staff's Report, the Company documented \$1,612 of these costs. The Company states it has gotten the message it must retain and file its receipts in a businesslike manner. The Company states that the Staff and Commission must realize that materials and supplies expenses must be incurred to keep the system in its present or better condition. Company Reply, p. 5.

We find:

The Commission accepts Staff's materials and supplies adjustment and finds it reasonable to increase the amount by \$1,612 to match additional supporting documentation for a materials and supplies total of \$3,936.

Fuel

Atlanta Power requests recovery of \$3,111 annually for fuel expense. Atlanta Exh. 2. Staff reduced fuel expenses by \$1,485 for costs that were unsupported by detailed receipts. Staff Report, p. 13. The Company in reply claims it made a conservative estimate that on average the president and general manager makes at least 20 trips to and from Atlanta per year (230 miles round trip) and would produce a calculated fuel allowance (at \$.505/mile IRS) of \$2,323; and \$232 to \$467 for a second vehicle to make trips two to four times per year. The Company also claims \$1,260 in other fuel costs for two line trucks, a backhoe and the diesel generator. The Company identifies local trips to meet with regulatory agencies, legal and financial professionals at three trips per month (40 miles/trip) for a further allowance of \$727. The Company contends that a reasonable allowance for inclusion in this case exceeds \$3,800, \$700 more than claimed by the Company. Company Reply, p. 6. No further documentation was provided by the Company to support these fuel costs.

We find:

The Commission accepts Staff's adjustment for fuel expense and approves a fuel expense total of \$1,626. Without sufficient documentation the Company cannot expect recovery. Vehicle logs and fuel receipts should be part of the documentation for these expenses.

Travel/Lodging Expenses

Atlanta Power requests recovery of \$2,158 annually for travel and lodging expenses. Atlanta Exh. 2. Staff reduced travel and lodging expenses by \$1,319 for costs unsupported by invoices and/or that were not supported by detailed invoices. Staff allowed 60% of lodging costs when the Company provided a debit transaction receipt although there were no detailed receipts that would identify the room rate, length of stay, meals purchased and other underlying details of the transaction. Staff Report, pp. 13, 14. Staff questions whether the magnitude of expenses claimed is representative of expenses on a going-forward basis. Staff notes further that the Atlanta establishment related to the lodging costs (Beaver Lodge) is no longer open to the public

and as a result, management is staying in a recreational vehicle on a lot owned by one of his other companies. Staff Report, p. 14.

When asked about work that was performed requiring overnight stays in Atlanta, the Company responded that,

Israel Ray does not maintain time sheets or log books of work performed. Israel Ray travels to Atlanta to perform his duties not only as president of the Corporation but to perform a multitude of repair, rebuild, maintenance and emergency tasks to maintain the electric system. It is not possible to identify the specific purpose of each of the visits to the service area two years after the fact.

Staff Report, p. 5.

The Company states that the extraordinary duties required of management, above and beyond "normal" operation and maintenance, fluctuate from year to year. In this regard, the extra hours identified in the test year, it contends, are not unusual. Israel Ray has transported his personal motor home to Atlanta. Noting that homes in the Atlanta area rent for \$1,000 per month or over \$30 per day, the Company calculates an equivalent lodging cost of \$1,800 per year based upon 20 trips and 3 overnight stays for each trip. In addition, using the frugal State meal and incidental daily expense allowance of \$30 for 20 trips of 3 to 5 days would produce an annual expense of \$2,400 (30x20x4). Together these meal and lodging costs would be \$4,200 per year, far in excess of the \$2,158 claimed by the Company in this case. Company Reply, pp. 6, 7.

Since the filing of Staff's Report, the Commission is informed that a report from Atlanta Power's meal and lodging vendor details trips to Atlanta during 2007 as requiring 14 overnight stays for \$1,971 and approximately \$921 for meals. Based upon another report, the total overnight trips excluding trips possibly related to the turbine failure would be 10 trips averaging 1.4 nights each. This listing identifies meals per trip and meal costs per stay vary and are under the full-day per diem rate for some trips and over for others. This remains true if an additional day's per diem is added to each overnight stay.

We find:

The Commission finds the information provided by the Company and vendor regarding travel and lodging expense to be contradictory. Total lodging, if the vendor records are accurate, is considerably less than the Company's estimate. The Company is unable to

identify whether these trips were for maintenance which would be ongoing or rebuilds that should be capitalized and not expensed. The Beaver Lodge is no longer open to the public. If lodging costs are considered recovered through lot rental expenses below, the \$839 recommended by Staff equates to almost 30 days of meals and incidental expenses at the State of Idaho, SBEX Policy No. 442-50, maximum per diem rate. The Company, we find, has not provided sufficient documentation to support its full expense claim. We find Staff's adjustment for travel and lodging expenses to be reasonable and we approve a travel and lodging expense total of \$839.

Rental Expenses

Atlanta Power requests recovery of \$4,150 annually for rental expense on an equipment lot that Israel Ray, the owner, rents for Atlanta Power from Middle Fork/Boise LLC, another of his companies. Atlanta Exh. 2. Staff reduced rental expenses by \$3,077 to \$1,073. Staff proposes a treatment of the lot similar to that of property owned by the Company. Staff calculated rental expenses using the proposed overall return on investment and the assessed value of the 3/4 acre property estimated to be used for storing Atlanta Power's equipment, backup diesel generator and the owner's motor home. Included in Staff's calculation are the costs of cement for a slab poured partially in one of the buildings on the lot. Staff Report, p. 14.

The Company states that the purchase of the lot by Middle Fork/Boise LLC was to avoid the potential liability issues for Atlanta Power regarding hazardous materials on the site, a former mill site for the Monarch Mining Company. The property owned by Middle Fork/Boise is a 3.81-acre parcel of ground. The Company states that the usable part of the property is the valuable part of the property and that much of the remaining property is unusable and unbuildable due to steep slopes and heavy winter snowfall. The Company claims the property has an assessed valuation of \$45,339. The Company calculates a return on the entire acreage owned stating that a fair monthly rental value would be \$536.18 per month, an amount greater than the \$4,150 included in its case. Company Reply, p. 7.

We find:

This is an affiliate transaction. We find that the Company has failed to meet its burden of demonstrating the reasonableness of its agreement with Middle Fork/Boise LLC. Our Supreme Court has ruled that transactions between affiliated companies are to be subject to close scrutiny and the utility has the burden of proving the reasonableness of its affiliated transactions.

General Telephone of the Northwest v. Idaho PUC, 109 Idaho 942, 712 P.2d 651 (1986); *Boise Water Corporation v. Idaho PUC*, 97 Idaho 832, 555 P.2d 163 (1976). The same standard should apply to transactions between the utility and entities owned or controlled by its owner. Israel Ray has a fiduciary duty to the Company and a transaction with another company affiliated with Mr. Ray deserves close scrutiny. Under this standard, the Company cannot simply rely on the fact that a transaction occurred. The Commission finds Staff's rental expense adjustment and method of calculating rental expense to be reasonable, adds to it \$87 associated with lot expense as the difference in return on equity between Staff's proposed 11% and the 12% we approve in this Order, and approves a rental expense total of \$1,160.

Insurance

Atlanta Power requests recovery of \$2,278 annually for insurance. Atlanta Exh. 2. Staff reduced insurance expenses by \$775 to \$1,503 to match the most recent premiums documented by the Company. Staff Report, p. 14. The Company in reply stated it has and can provide additional documentation to show that the annual auto insurance premiums are \$1,288 and liability premiums are \$1,082 for a total of \$2,370. Company Reply, p. 7. The Commission is informed that since the filing of Staff's Report, the Company has provided only documentation supporting an additional \$700 of insurance document processing and brokerage fees.

We find:

The Commission accepts Staff's insurance adjustment and finds it reasonable to increase the amount by \$700 to match additional Company-provided supporting documentation for an insurance total of \$2,203.

Professional Fees

Atlanta Power requests recovery of \$4,319 annually for professional fees. Atlanta Exh. 2. Staff removed \$4,319 professional fees for accounting that were, according to the Company, mostly incurred before 2006. Staff included \$850 of professional fees for preparation of annual reports based upon consultant expenses to prepare accounting data and annual reports for 2004, 2005, and 2006. Staff Report, pp. 14, 15. Atlanta Power notes that subsequent to filing this case, the Company incurred costs for preparation of its 2005, 2006 and 2007 tax returns. Subsequent to the filing of Staff's Report, the Company provided a tax preparer's statement documenting tax preparation of the Company's returns. The Company contends that

two times the 2007 tax preparation fees of \$750 or \$1,500 per year is a more realistic allowance for financial reporting purposes. Company Reply, pp. 7, 8.

The Commission is informed that the Company has presented returned checks written in 2007 and 2008 to Anna Ray, a related party and part-time contract employee, for negotiations on a pending Fish Ladder Agreement and for bookkeeping costs. The Company identified \$4,787 in total compensation paid to this contract employee during 2007 and 2008 to handle accounting, general correspondence and negotiate agreements with governmental agencies. Atlanta Reply, p. 4. Per Staff's review of the canceled checks with the return memo lines, \$2,550 is associated with bookkeeping and \$2,238 with a fish ladder agreement. Per direction from the owner, his daughter caught up the Company's books and entered data for 2004, 2005, 2006, 2007 and 2008. The two checks for bookkeeping were written mid-2007 and November 2007. Staff has calculated an annual \$665 cost for this data entry on a going-forward basis (dividing the bookkeeping payments by the number of months' data entry [3 years 10 months] and multiplying by 12). This brings the accounting total to \$2,265 (\$750 for taxes, \$850 for annual report preparation and \$665 for data entry).

The Company characterizes Staff's professional fee adjustments as arbitrary. Atlanta Power notes that Staff did not include any allowance for legal fees. The Company states that legal fees have exceeded tens of thousands of dollars in the past. Many of these costs, it states, have been absorbed personally by the owner of the Company and do not appear on the books and records of the Company. Reply, p. 7. The Company concedes that it did not incur legal expenses in the test year but contends that it is not unreasonable to assume that the Company will incur such costs in the future. The Company contends that it incurred \$929 in legal fees in 2004 and \$3,113 in 2005. The Company states further that it incurred several thousand dollars of legal expense in 2007 and 2008. The Company believes that an additional allowance of \$2,000 per year for legal services should be added to the case. Company Reply, p. 8.

We find:

Included in professional fees are accounting and legal services. While it is reasonable to expect that the Company would incur legal expenses on an ongoing basis, we are unable to authorize recovery of same based on speculation and without sufficient documentation. The Company provided documentation only for accounting services. We find Staff's adjustment in

this case to be reasonable, add to it \$1,415 for additional documented accounting expense and approve a professional fee total of \$2,265.

Other Expenses

Depreciation Expense (net of Contributions in Aid of Construction Amortization)

Atlanta Power requests recovery of \$16,782 annually in depreciation expense. Staff has increased accumulated depreciation to reflect \$1,700 salvage value realized by the Company for sale of copper in 2006, and has revised depreciation expense and the amortization of Contributions in Aid of Construction to reflect the change in Plant in Service reducing depreciation expense by \$2,586. Staff Report, pp. 10, 15.

We find:

The Commission finds Staff's adjustments appropriate, and with other changes approved in this Order increases depreciation expense by \$277 for plant in service documented after Staff's Report was filed and approves a depreciation expense total of \$14,473.

Property Taxes

Atlanta Power requests recovery of \$3,836 annually for property taxes. Atlanta Exh. 2. Staff has reduced property taxes by \$2,261 to \$1,576 per year to reflect the most recent assessments provided by the Company. Staff Report, p. 14. The Company did not reply to this adjustment.

We find:

The Commission accepts Staff's property tax adjustment as reasonable and approves a property tax total of \$1,576.

Rate Case Expenses

Staff reviewed rate case invoices submitted by the Company for this case and excluded items not associated with the surcharge and general rate case expenses (including late fees). Because these costs are associated with two cases, the surcharge (seven-year recovery) and the general rate case (generally three-year amortizations), Staff amortized these costs (\$12,854) over five years. A five-year amortization (after gross-up) recovers \$3,287 each year for rate case expenses. Staff believes that these rate case costs are higher than normal due to the substandard recordkeeping of the Company. Staff Report, p. 15; Atch. D.

Atlanta Power does not object to the costs Staff excluded from rate case expenses. Staff's rate case costs include amounts through September 5, 2008. Since that time, primarily to analyze and respond to the Staff recommendations, the Company states it has incurred an additional \$2,507.50 of cost. Further additional costs will be incurred but the amount is uncertain. The Company's current estimate of rate case costs is \$17,500. Company Reply, p. 8. Its previous estimate was \$13,500 filed in its amended Application, Exhibit 12. Its original estimate was \$6,000. Application, p. 6.

The Company objects to a five-year amortization of rate case costs. The bottom line at issue, it states, is the revenue the Company must collect to be viable and how those revenues should be collected. The Company claims the three-year amortization it proposed is a more realistic time period. Company Reply, pp. 8, 9.

Should the Commission accept the recommendations of Staff, Atlanta Power states it will find it necessary to immediately begin preparing a new general rate case application. The owners simply are not willing and cannot afford to continue operating this Company as a very expensive hobby. Company Reply, p. 9.

We find:

The Commission, after reviewing the entirety of the record in this case, finds Staff's calculated rate case costs through September 5, 2008 and proposed five-year amortization to be reasonable. We add the additional \$2,507 of rate case expense the Company has incurred since that date. We cannot provide recovery for other estimated and undocumented expense. A five-year amortization (after gross-up) for the \$15,361 we approve recovers \$3,928 each year for rate case expenses. The resultant revenue requirement we establish is \$83,680. See Appendix D.

Rate Design

Recurring Rates – Tariff Schedules 1, 2 and 3

Company Proposal

Atlanta Power in its amended Application calculates an amended revenue requirement of \$113,045, a 55% increase over its \$73,051 total adjusted revenue figure. The Company proposes to recover its revenue requirement increase (55%) on a non-uniform basis (Schedule 1 – 39% revenue increase; Schedule 2 – 64% revenue increase; Schedule 3 – 60% revenue increase). Atlanta Exh. 12. The Company provides no explanation or justification for its rate design.

In its amended filing (Exhibit 12) the Company proposes the following rate design:

	Current Rates	Atlanta Proposed Rates
Schedule 1 (Permanent Residential)		
Customer Charge	\$81.00	\$112.00
Energy Charge	\$.05/kWh	\$.08/kWh
kWh Allowance	500 kWh/month	500 kWh/month
Schedule 2 (Permanent Commercial)		
Customer Charge	\$144.00	\$200.00
Energy Charge	\$.18/kWh	\$.32/kWh
kWh Allowance	500 kWh/month	500 kWh/month
Schedule 3 (Seasonal)		
Residential		
Customer Charge	\$35.00	\$45.00
Energy Charge	\$.21/kWh	\$.50/kWh
Commercial (the Company has no seasonal Schedule 3 customers)		
Customer Charge	\$65.00	(no proposal)
Energy Charge	\$.21/kWh	

Staff Proposal

Staff notes that a class cost-of-service study and coincident peak demand information is not available in this case for allocation of costs to customer classes. What is known, however, Staff states, is that the Company (an isolated utility off the electric grid) has no transmission costs and that generation costs for the utility have a large fixed-cost component and a relatively small variable-cost component because all system generation is provided by hydropower. Report, p. 16.

Staff recommends an equal percentage revenue allocation and equal percentage increases to all rates. An across-the-board uniform percentage increase, Staff contends, maintains the rate relationships among the customer classes and requires no customer class to pay more than the average increase. Staff Report, p. 16; Atch. F, Col. (f).

Greene Tree Proposal

Greene Tree proposes that permanent commercial and residential customer class energy rates be the same. Greene Comments, p. 2. Under current rates, the energy charge for permanent residential customers is \$.05/kWh and \$.18/kWh for permanent commercial customers. Stating that there is no difference in the cost of providing a kilowatt-hour of energy to customers of either class, Greene Tree suggests that the size of the current disparity (nearly

four times) may constitute discrimination. *Citing Idaho Code § 61-315 (Discrimination and Preference Prohibited); Grindstone Butte Mutual Canal Co. v. Idaho Public Utilities Commission*, 102 Idaho 175 at 180, 627 P.2d 804 (1981) for a listing of relevant considerations that may justify a difference in rate treatment. Greene Comments, p. 4. Greene Tree currently has installed diesel generation capacity to serve its own load and suggests that there is an unspecified cost above which it may choose to self-generate. Greene Comments, p. 6.

Commission Findings

The calculated revenue requirement we establish above for Atlanta Power is \$83,680. See Appendices C and D. The Commission has considered the rate design proposals of the parties and the discrimination argument of Greene Tree. On the record developed in this case, we find the uniform percentage increase method recommended by Staff to be the fairest and most reasonable means of recovering the Company's revenue requirement. The calculated increase required is 14.55%. See Appendix D. Greene Tree's argument that the rates of commercial customers are almost four times that charged the residential customers at first blush appears to have merit. The rate schedules for customers, however, have more than one component. They consist of three components: (1) a customer charge, (2) a kilowatt-hour allowance, and (3) an energy rate for usage exceeding the allowance. Based on our analysis of billing data, kWh usage and revenue in this case, we find that the average cost per kilowatt-hour for residential and commercial customers is comparable. Atlanta Power makes a similar argument in its Reply to Greene Comments, p. 2; Exh. 13. This result is a consequence of residential customers not exceeding the monthly usage allowance. Commercial customers, on the other hand, routinely exceed the allowance. At present rates the Company calculates that the commercial class of customers excluding Greene Tree's Pinnacle Peaks Lodge uses three times the average energy used by residential customers. Pinnacle Peaks Lodge uses eleven (11) times more energy than the average residential customer. Exh. 13. The chart below which incorporates 2006 adjusted test year customer billing data, and the 14.55% revenue increase we authorize in this Order reflects this equivalency.

Tariff Description	Rate Schedule	2006 No. of Bills Adjusted	2006 Sales Adjusted (kWh)	Present Revenue (\$)	Revenue Adjustments (\$)	Ordered Revenue (\$)	Percentage Change (%)	Average Rate ¢/kWh
Permanent Residential	1	250	96,680	\$20,738	\$3,017	\$23,755	14.55%	24.6
Permanent Commercial	2	59	107,876	\$23,523	\$3,423	\$26,946	14.55%	25.0
Seasonal Residential	3	590	38,765	\$28,791	\$4,189	\$32,980	14.55%	85.1
Seasonal Commercial	3	0	0	\$0	\$0	\$0	0.00%	
Total Retail Sales		899	243,321	\$73,051	\$10,629	\$83,680	14.55%	34.4

The kWh adjustment is 2006 kWh/customer applied to 2007 customer count.

With increasing costs to recover and a small customer base of permanent and seasonal customers, many with self-generation capability, Atlanta Power presents a regulatory challenge in designing rates. This Commission owes a duty to both the Company and its customers. Almost all customers object to the requested rate increase. A few state they will disconnect if the requested rates are approved. If the rates we establish in this case result in customers leaving the system, the fixed costs of the Company must be recovered from a smaller customer base. As rates increase to recover those costs, more customers may drop off the system and the viability of the utility is compromised. We can only hope, as Greene Tree so succinctly states in its comments, that the availability of centrally supplied electric service continues to be recognized by customers as contributing to the overall well-being and viability of the Atlanta community. Greene Comments, p. 6.

Non-Recurring Charges and Fees

Rule 12b (Limitation of Use) – Temporary Connections

The Company proposes to modify the language in Rule 12b (Limitation of Use) of its General Rules and Regulations to clarify that the \$10 per month charge approved by the Commission is for temporary connections only of recreational types of vehicles (campers, motor homes and trailers) connected to the service of a regular customer's electrical connection. All such piggyback connections served through another customer's meter for a period greater than

30 days annually under the Company's proposal will be treated as additional residential or commercial service. The effect of this clarification and language is to increase the charge for such a connection from \$10 to \$82 (820%) per month if connected to a residential service and to \$165 (1,650%) if connected to a commercial service. Application, p. 3.

Staff does not address this change.

We find:

The Commission finds that the Company-proposed modification to its Rule 12b (Limitation of Use) language provides clarification and notice to customers that the temporary connection rule cannot be used for other than its intended purpose without consequence. We find the change reasonable and direct the Company to submit a conforming rule change.

Schedule 4 Other Miscellaneous Charges

Reconnection Charges

Atlanta Power proposes to change its tariff Schedule 4 Reconnection Charges for residential customers who voluntarily or involuntarily disconnect from the system for a period of more than 30 days from \$200 to \$335 (approximately 4 times the monthly base rate). Similarly, the Company proposes to change the reconnection charge for commercial customers who voluntarily or involuntarily disconnect from the system for a period of more than 30 days from \$200 to \$660 (approximately 4 times the monthly base rate). These changes, the Company contends, are necessary to discourage customers from seasonally disconnecting from the system causing a loss of revenue to the Company and resulting in upward pressure on rates. Application, p. 3.

Staff supports a change to the Reconnection Charge and proposes a residential Reconnection Charge of \$340 and a commercial Reconnection Charge of \$600, approximately four times the monthly customer charge. Staff Report, p. 17.

We find:

The Commission finds the proposed change in the Company's reconnection charge to be a reasonable means of maintaining a uniform customer base, fixed-cost recovery and revenue stability. The change is justified as a means of addressing the seasonal/permanent nature of the Company's customer base and the revenue requirement necessary for the continued viability of the utility. We find it reasonable to approve the change and direct the Company to submit a conforming Schedule 4 tariff sheet with its proposed rates.

Atlanta also proposes to add new fees to Schedule 4 that are not currently approved by the Commission:

Returned Check Charge

The Company requests that the Commission approve a new \$20 fee to reprocess and collect for checks returned by any bank for any reason.

Late Payment Fee

The Company also requests that the Commission authorize it to collect late fees of 12% per annum (1% per month) on past-due accounts. Application, p. 4.

Staff recommends the returned check charge and late payment fee be approved. Staff Report, p. 19.

We find:

The Commission finds the proposed returned check charge and late payment fee to be reasonable revenue collection tools, finds it reasonable to approve same and directs the Company to submit a conforming Schedule 4 tariff sheet.

Staff recommends also that the following charges previously approved by the Commission and presently included in the Company's General Rules and Regulations be moved to Schedule 4:

- \$10 monthly charge for additional temporary connections to a meter
- \$25 meter test fee

Staff Report, p. 19.

We find:

The Commission finds this proposed relocation of the temporary connection charge and testing fee to Schedule 4 to be a reasonable administrative change and directs the Company to submit a conforming Schedule 4 tariff sheet.

Recordkeeping

Staff recommends that the Company establish a recordkeeping system to document its business costs. Such documentation, it states, should be obtained and/or prepared contemporaneously with the underlying cost event, should be sufficiently detailed to allow one to evaluate the reasonableness of the costs, and should be easily retrievable. Staff Report, p. 5.

We agree with this recommendation. In this case the Company has sought recovery of some expenses for which no invoices were provided. In some instances it provided only cancelled checks and/or bank statements (documenting debit transactions). Cancelled checks and debit transactions may provide documentation that a payment occurred but do not necessarily establish that a payment was for the Company rather than a personal cost or a cost related to other businesses owned by Israel Ray, the Company's owner. The Company's recordkeeping, we note, is the cause for many of the disputed items in the Company's revenue requirement calculation and caused continuing updates of numbers as the Company provided additional information.

The Company's existing base rates were approved in 1993 in Case No. ATL-E-93-1, Order No. 24925. In that Order we stated "great improvement is needed in the preparation and retention of adequate source documentation." Order No. 24925, p. 12. The Company in that case agreed to maintain and carry forward a proper set of books and to implement the accounting, recordkeeping, and documentation changes recommended by Staff. In the '93 case, we cited the following language from our 1988 Order No. 22167 in Atlanta Power Case No. U-1147-6:

If this attempt by the Company to support its figures (management and director fees) reveals anything, it is that its business practice and associated recordkeeping could be vastly improved. Atlanta must operate the utility as a business and keep proper and contemporaneous records. Expenses must be properly substantiated. Order No. 22167, p. 7.

Order No. 24925, p. 13. We found the Company's accounting procedures in 1993 to be little different than they were in 1988. Sadly the same is true today.

As noted by Staff, Israel Ray has been a stockholder in Atlanta Power Company since its formation in 1982. The Company was managed by Lynn Stevenson until his death in September 2003. Since that time Israel Ray has managed the system. Staff Report, p. 2. In this case remarkably, the Company contends that "Staff should give the benefit of the doubt to the Company." Company Reply, p. 3. As an expression of contriteness, it states "the Company has gotten the message it must retain and file its receipts in a businesslike manner." Company Reply, p. 5. In 1988, we found it unacceptable to allow the Company to dispense with records and leave ratepayers subject to the "trust me" representations of utility management. Order No.

22167, p. 7. Such a position by the Company is no more acceptable today under new management.

Atlanta Power has made great progress in improving physical plant and system reliability. *Idaho Code* § 61-302 (Maintenance of Adequate Service). We noted as much in an investigation docket that we closed in 2005. Case No. ATL-E-03-1, Order No. 29706. Staff makes a similar observation in this case stating “the electric system in Atlanta is in the best condition that it has been in since Atlanta Power Company was formed.” Staff Report, p. 2. Improvements or excellence in one area, however, do not excuse failings in another. Similar improvement must be made in the accounting and financial areas. We direct the Company to implement the Staff-recommended changes.

Annual Reports

The Company, Staff notes, submitted Annual Reports for 2004, 2005, and 2006 on September 5, 2007. Staff recommends that the Company complete the 2007 Annual Report and file it no later than December 31, 2008 and that it file its 2008 Annual Report when due on April 15, 2009. Staff Report, pp. 5, 6. The Company’s reply does not respond to this recommendation.

In our 1993 Atlanta Power Order, we noted that the Company was negligent in the timely filing of its Annual Reports. We reminded the Company that Annual Reports are required by Idaho statute (*Idaho Code* § 61-405). Order No. 24925, p. 13. The Company’s failure to file timely Annual Reports and comply with Commission Orders prevents the Commission from effectively performing its supervisory and regulatory oversight functions. In 1993, we declined to impose sanctions. The Company, albeit under new management today, continues to flout this legal requirement. We direct the Company to file its 2007 Annual Report by year-end and thereafter to comply with the April 15 statutory deadline.

Customer Relations and Information Rules

The Utility Customer Relations Rules (UCRR), IDAPA 31.21.01.000 *et seq.*, includes utility requirements for billing documentation. Atlanta Power bills customers on a monthly basis. Commission Staff in its Report indicates that the billing sample submitted by Atlanta Power indicates a service period and billing date but does not indicate a due date as required by Rule 202.01, UCRR. Staff recommends that the Company update its billing statements to

include a specific due date so that it is clear to customers when a bill payment is due. Staff Report, p. 18.

Rule 103 of the Utility Customer Information Rules (UCIR), IDAPA 31.21.02.000 *et seq.* requires a utility billing statement to include a comparison of the current month's usage with the same period of time the prior year. Staff notes in its Report that the Company's billing sample does not include the required information. Staff recommends that the Company update its statement to include the comparison. Alternatively, Staff states that the Company can ask for an exemption from this requirement if compliance poses a hardship. Staff Report, p. 18.

Staff notes that the Company rarely turns off customers for non-payment, but when it is necessary, it contacts the customer by telephone and a letter before service is disconnected. The Company did not provide a sample of the letter it mails to customers. Staff recommends that the Company work with Staff to establish a protocol to be used before disconnecting a customer and the wording and format for the initial and final notices required by Rules 304 and 305 of the UCRR.

Rule 701 of the UCRR requires a utility to provide its customers on an annual basis a copy of its Rule Summary. Staff states that it is willing to provide a sample copy of the Rule Summary to the Company in electronic format. Staff recommends that the Company be required to send a copy with its updated billing statement and on an annual basis thereafter to comply with the Commission's rules.

Staff notes that it also discussed Third Party Notification, the Medical Certificate, the Winter Payment Plan, and the Winter "Moratorium" with the Company. Staff and the Company will work together on the protocol, and any necessary forms, consistent with Commission Rules 306, 307 and 308, UCRR.

We find:

The Commission finds that unless the Company requests an exemption, it must comply with the requirements of the Commission-approved Utility Customer Relations Rules, IDAPA 31.21.01.000 *et seq.* and Utility Customer Information Rules, IDAPA 31.21.02.000 *et seq.* We find it reasonable to require the Company to work with Staff to bring itself into compliance within a reasonable time frame.

Communication

Staff notes in its Report that utility communication with the customers, especially regarding unplanned outages and planned outages involving system maintenance and repair, needs to be improved. Staff recommends that the Company obtain a dedicated telephone line with an answering machine or voice mail with recorded message capability. Such capability would allow Atlanta Power employees to avoid answering and responding to numerous calls while they are working on restoring service. A recorded message could also provide all available information about the outage and be updated when more information becomes available. Outage messages would also allow customers or other interested persons to get information about outages when they are not in Atlanta. Staff Report, pp. 18 and 19.

We find:

The Commission finds Staff's recommendation reasonable as a means of improving utility customer communication. We find it reasonable to require the Company to implement the Staff recommendation and to secure a dedicated telephone line with an answering machine or voice mail with recorded message capability.

ULTIMATE FINDINGS OF FACT AND CONCLUSIONS OF LAW

The Idaho Public Utilities Commission has jurisdiction over Atlanta Power Company, an electric utility, pursuant to *Idaho Code* §§ 61-119 (Electrical Corporation) and 61-129 (Public Utility). Atlanta Power operates pursuant to Certificate of Convenience and Necessity No. 300. The Commission has jurisdiction over the issues raised in Case No. ATL-E-08-02 pursuant to Idaho Code, Title 61, and the Commission's Rules of Procedure, IDAPA 31.01.01.000 *et seq.*

Having fully reviewed the record in this proceeding, we find that the Company's existing rates are unreasonable and do not afford sufficient revenue to the Company. We authorize an annual total revenue requirement for Atlanta Power of \$83,680, a 14.55% uniform percentage increase in base rates and an adjusted 28.9% surcharge. We conclude that the rates and charges set in this Order are fair, just and reasonable. *Idaho Code* §§ 61-502 and 61-622.

ORDER

In consideration of the foregoing and as more particularly described and qualified above, IT IS HEREBY ORDERED and Atlanta Power Company is directed to submit amended tariff schedules to reflect the Commission-approved rates and charges set forth above and in Appendix A to this Order with an effective date of January 1, 2009.

IT IS FURTHER ORDERED and the Commission hereby approves an adjusted temporary surcharge of 28.9% applied to all tariff rates (except the Schedule 4 “new customer connection charge”) and meter testing charges (General Rules – Regulations and Rates ¶ 15 – Service and Limitations). Atlanta Power Company is directed to file an amended surcharge tariff with an effective date of January 1, 2009.

IT IS FURTHER ORDERED and Atlanta Power Company is directed to bill the emergency surcharge as a separate line item on customers’ bills and to maintain in a separate account on its books a monthly record of surcharge payments. The Company is directed to inform the Commission when the total amount to be recovered by the surcharge has been collected and immediately request cancellation of the surcharge.

IT IS FURTHER ORDERED and the Company is 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.

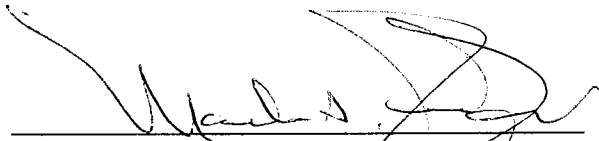
IT IS FURTHER ORDERED and the Company is directed to bring itself into compliance with the requirements of Utility Customer Relations Rules (IDAPA 31,21.01.000 *et seq.*) and Utility Customer Information Rules (IDAPA 31.21.02.000 *et seq.*).

IT IS FURTHER ORDERED and the Company is directed to file its 2007 Annual Report by no later than December 31, 2008 and to provide a status accounting of the surcharge with its Annual Report filings.

IT IS FURTHER ORDERED and the Company is directed to obtain a dedicated telephone line with an answering machine or voice mail with recorded message capability.

THIS IS A FINAL ORDER. Any person interested in this Order may petition for reconsideration within twenty-one (21) days of the service date of this Order. Within seven (7) days after any person has petitioned for reconsideration, any other person may cross-petition for reconsideration. See *Idaho Code* § 61-626.

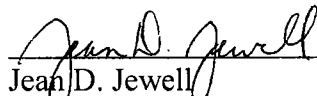
DONE by Order of the Idaho Public Utilities Commission at Boise, Idaho this 19th
day of December 2008.


MACK A. REDFORD, PRESIDENT


MARSHA H. SMITH, COMMISSIONER


JIM D. KEMPTON, COMMISSIONER

ATTEST:


Jean D. Jewell
Commission Secretary

bls/O:ATL-E-08-02_sw3

ATLANTA POWER COMPANY

Case No. ATL-E-08-02

General Rate Case

Description			Units	Current Rates	Commission Ordered Rates
(a)	(b)	(c)	(d)	(e)	(f)
Residential (Permanent)	S1	Customer Charge	(\$)	81.00	92.79
		Energy Charge	(\$/kWh)	0.050	0.057
		kWh Allowance	(kWh)	500	500
		Revenue	(\$)	20,738	23,755
		Increase over Current Rates	(%)		14.55%
Residential (Seasonal)	S3	Customer Charge	(\$)	35.00	40.09
		Energy Charge	(\$/kWh)	0.210	0.241
		kWh Allowance	(kWh)	0	0
		Revenue	(\$)	28,791	32,980
		Increase over Current Rates	(%)		14.55%
Commercial (Permanent)	S2	Customer Charge	(\$)	144.00	164.95
		Energy Charge	(\$/kWh)	0.180	0.206
		kWh Allowance	(kWh)	500	500
		Revenue	(\$)	23,523	26,946
		Increase over Current Rates	(%)		14.55%
Commercial (Seasonal)	S3	Customer Charge	(\$)	65.00	74.46
		Energy Charge	(\$/kWh)	0.210	0.241
		kWh Allowance	(kWh)	0	0
		Revenue	(\$)	0	0
		Increase over Current Rates	(%)		14.55%
		Total Revenue	(\$)	73,051	83,680
		Overall Increase	(\$)		10,629
		Overall Increase	(%)		14.55%

Atlanta Power Company
Calculation of Rate Base
Test Year Ended 12/31/2006
Commission Order No. 30704
Case No. ATL-E-08-2

Line No.	(A) Company Pro Forma	(B) Staff Pro Forma	(C) Commission Order
1 Electric Plant in Service	\$ 394,337	\$ 384,297	\$ 385,992
2 Land	8,145	8,145	8,145
3 FERC License	55,153	55,153	55,153
4 Vehicles	25,547	25,547	25,547
5 Tools and Shop Equipment	4,119	3,576	3,665
6 Office Equipment	1,187	1,187	1,187
7 Total Plant in Service	\$ 488,487	\$ 477,904	\$ 479,689
8 Accumulated Depreciation	(275,858)	(274,341)	(274,756)
9 Contributions in Aid of Construction	(88,315)	(95,443)	(95,443)
10 Amortization of Contributions	4,577	4,326	4,326
11 Net Plant and Equipment	\$ 128,891	\$ 112,446	\$ 113,817
12 Materials and Supplies Inventory	7,000	-	-
13 Cash Working Capital	8,029	5,565	6,055
14 Total Rate Base	<u>\$ 143,920</u>	<u>\$ 118,011</u>	<u>\$ 119,871</u>

Atlanta Power Company
Revenues and Expenses
Test Year Ended 12/31/2006
Commission Order No. 30704
Case No. ATL-E-08-2

Line No.		(A) Company Pro Forma	(B) Staff Pro Forma	(C) Commission Order
1	Revenues	\$ 68,389	\$ 73,051	\$ 73,051
	Operating Expenses:			
2	Power Generation - Labor	9,990	9,740	9,842
3	Power Generation - Materials and Supplies	4,462	2,324	3,936
4	General Officers Salaries	28,800	21,600	21,600
5	General Office Labor	4,200	4,200	4,200
6	General Office Supplies and Expense	485	485	485
7	Rental Expenses	4,150	1,073	1,160
8	Fuel Expenses	3,111	1,626	1,626
9	Licenses, Dues and Fees	211	211	211
10	Insurance	2,278	1,503	2,203
11	Professional Fees	4,319	850	2,265
12	Bank Charges	70	70	70
13	Travel and Lodging	2,158	839	839
14	Total Operating Expenses	\$ 64,234	\$ 44,521	\$ 48,436
15	Depreciation Expense (net Cont. in Aid of Const. Amort.)	16,782	14,196	14,473
16	Property Taxes	3,836	1,576	1,576
17	Total Expenses	\$ 84,852	\$ 60,292	\$ 64,485
18	Net Operating Income	\$ (16,463)	\$ 12,759	\$ 8,566

Atlanta Power Company
Calculation of Revenue Requirement and Percentage Increase in Revenue
Test Year Ended 12/31/2006
Commission Order No. 30704
Case No. ATL-E-08-2

Line
No.

1	Rate Base	\$	119,871	
2	Rate of Return		11.52%	
3	Net Operating Income Required	\$	13,808	
4	Net Operating Income Realized		8,566	
5	Net Operating Income Deficiency	\$	5,242	
6	Deficiency not Subject to Tax Gross-up Factor			
7	Deficiency Subject to Tax Gross-up Factor	\$	5,242	
8	Gross-up Factor		1.278496	
9	Grossed-up Deficiency			6,702
10	Total Revenue Deficiency	\$		6,702
11	Rate Case Expense Amortization			
12	Total Expense	\$	15,361	
13	5-Year Amortization		3,072	
14	Tax Gross-up Factor		1.278496	
15	Gross Revenue Required for Rate Case Costs			3,928
16	Total Gross Revenue Deficiency	\$		10,629
17	Test Year Revenues as Adjusted			73,051
18	Total Gross Revenue Requirement	\$		83,680
19	Percent Increase			14.55%