

**BEFORE THE IDAHO PUBLIC UTILITIES COMMISSION**

**IN THE MATTER OF THE INVESTIGATION )**  
**OF ATLANTA POWER COMPANY'S RATES )** **CASE NO. ATL-E-03-1**  
**AND CUSTOMER SERVICE. )**  
**)** **NOTICE OF PROPOSED ORDER**  
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**)** **NOTICE OF COMMENT**  
**)** **DEADLINE**  
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On September 11, 2000, the Commission received a petition from residents of Atlanta, Idaho, enumerating their concerns about the electric service being provided by Atlanta Power Company (Atlanta Power; Company). The petition requested "a formal investigation into the reliability of electrical service for the Atlanta townsite." In October 2000, Staff proposed to "audit the Company, compile outage information, identify potential improvements and associated costs and survey customers concerning their desire to improve service reliability and the amount they are willing to pay to do so." The Commission approved Staff's recommendation that the customer complaints initially be processed on an informal basis.

During the subsequent period Staff worked with the Company and its customers, which resulted in several improvements and a report detailing Staff's findings. The report, together with the financial analysis and customer survey upon which the report is based, was brought before the Commission during its March 10, 2003 decision meeting.

Pursuant to the Commission's Procedural Rule 312, the Commission may issue a Proposed Order in any proceeding and provide an opportunity for parties to file written comments. The Commission now issues this Proposed Order and will accept written comments from interested persons until May 1, 2003. The Commission may revise this Proposed Order in response to any written comments, and may adopt it as a final Order. See IDAPA 31.01.01.312.

**SUMMARY OF STAFF'S INVESTIGATION**

Staff's investigation focused on three main areas of concern: (1) the Company's ability to promptly repair the system when an outage occurs; (2) a perceived lack of communication with customers; and (3) the need for a backup generator. During the two-year investigation, two of the three identified areas of concern have been improved, to wit: a third

person who lives in Atlanta is now available to assist with system problems and a local telephone number (864-2228) has been established to keep customers informed of planned outages and progress on repairs when the system is out of service. Staff recommended no formal Commission action in these areas.

### **Backup Generator**

Atlanta Power Company is a backcountry power system with a single source of hydro-generation. Because it is not interconnected with any other electric supply system, the entire system is without power if the turbine or generator fails. When rates were last established in 1993, the capital and operating costs of a backup generator were included. Sometime later the fully depreciated backup generator quit working and has not been repaired or replaced.

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

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

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

## Staff Audit

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

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

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

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

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

## COMMISSION DISCUSSION AND FINDINGS

After reviewing the investigative report, financial analysis and customer survey submitted by Staff, the Commission finds that considerable progress has already been made to address the concerns identified in the September 2000 customer petition. We appreciate the efforts of Atlanta Power Company and Staff to make a third person available to repair system problems and establish a local telephone number to keep customers apprised of outage information. Given Atlanta Power's isolated service territory and single source of generation, these measures will provide significant customer benefit at minimal cost.

The customers' petition also requested the Commission investigate the ability of Atlanta Power to provide consistent, quality power. We find that Atlanta Power customers are sometimes without power for several days at a time in part because it is not economical to repair the backup generator. To remedy this reliability concern, Atlanta Power has offered to provide an on-site backup generator if the costs can be recovered from its customers. However, Staff's financial audit reveals that revenues from current rates are not enough to reimburse the Company for the costs of having a Company-owned, on-site backup generator. The Commission is reluctant to direct Atlanta Power to purchase a new backup generator when Staff's customer survey indicates that customers are not willing to bear any substantial rate increase to cover its cost and many customers already have their own back-up generators. Under these circumstances, the Commission finds that Atlanta Power should continue to bring in a leased generator when a multi-day outage is identified rather than purchase a new one. To minimize the likelihood of future unplanned outages, the Commission also directs Staff and the Company to develop a plan to complete reasonable maintenance items.

While Atlanta Power has struggled with recordkeeping and annual reporting issues for the last decade, the Commission finds that the Company should rectify the issues identified in Staff's financial audit as soon as possible. We further find that Atlanta Power should use the Staff Audit Report for 1999 as the basis for filing future annual reports. Generally speaking, the annual reports of regulated utilities are kept on file at the Commission so that Staff, the Idaho Tax Commission, and the public at large can access them for a variety of purposes. Because the Company has not filed annual reports since 1998, we direct Atlanta Power to file its past due annual reports for 2000, 2001, and 2002 by June 15, 2003. Although the Commission does not

excuse non-compliance with annual reporting requirements, we do not see the value of requiring the Company to file annual reports for the years prior to Staff's audit (e.g., 1998 and 1999).

### NOTICE OF COMMENT DEADLINES

YOU ARE FURTHER NOTIFIED that the **deadline for filing written comments or exceptions** with respect to this Proposed Order is **Thursday, May 1, 2003**.

YOU ARE FURTHER NOTIFIED that written comments concerning this Proposed Order must be mailed to the Idaho Public Utilities Commission and Atlanta Power Company at the following addresses:

COMMISSION SECRETARY  
IDAHO PUBLIC UTILITIES COMMISSION  
PO BOX 83720  
BOISE, IDAHO 83720-0074

LYNN STEVENSON  
ATLANTA POWER COMPANY  
319 RIVER ROAD  
BLISS, ID 83314

Street Address for Express Mail:  
472 W WASHINGTON ST  
BOISE, ID 83702-5983

These comments should contain the case caption and case number shown on the first page of this document. Persons desiring to submit comments via e-mail may do so by accessing the Commission's home page located at [www.puc.state.id.us](http://www.puc.state.id.us). Click the "Comments and Questions" icon, and complete the comment form, using the case number as it appears on the front of this document.

YOU ARE FURTHER NOTIFIED that we make our findings as a Proposed Order. Interested persons may file written comments concerning the Proposed Order no later than **Thursday, May 1, 2003**. Atlanta Power Company shall have until **Thursday, May 8, 2003** to file a written response to these comments. At the conclusion of these comment periods we will consider all comments filed and issue a final Order.

YOU ARE FURTHER NOTIFIED that the Staff Report, financial analysis and customer survey referenced in this Order can be viewed during regular business hours at the Idaho Public Utilities Commission, 472 West Washington Street, Boise, Idaho.

### CONCLUSIONS OF LAW

The Idaho Public Utilities Commission has jurisdiction over Atlanta Power Company, an electric utility, and the issues presented in this case pursuant to Idaho Code, Title 61 and the Commission's Rules of Procedure, IDAPA 31.01.01.000 *et seq.*

NOTICE OF PROPOSED ORDER

NOTICE OF COMMENT DEADLINE 5

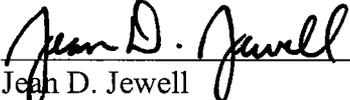
Issued by the Idaho Public Utilities Commission at Boise, Idaho this 10<sup>th</sup>  
day of April 2003.

  
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PAUL KJELLANDER, PRESIDENT

  
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MARSHA H. SMITH, COMMISSIONER

  
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DENNIS S. HANSEN, COMMISSIONER

ATTEST:

  
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Jean D. Jewell  
Commission Secretary

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