

DECISION MEMORANDUM

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

FROM: LISA NORDSTROM

DATE: MAY 19, 2003

**RE: IN THE MATTER OF THE INVESTIGATION OF ATLANTA POWER
COMPANY'S RATES AND CUSTOMER SERVICE. CASE NO. ATL-E-03-1.**

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. The petition requested "a formal investigation into the reliability of electrical service for the Atlanta townsite." At the Commission's direction, Staff processed the customer complaints on an informal basis and worked with the Company and its customers. This resulted in several improvements and a report detailing Staff's findings. On April 10, 2003, the Commission issued a Notice of Proposed Order and Comment Deadline in this docket. The Commission set a May 1 comment deadline to accept written comments from interested persons and extended the Company's reply deadline to May 19.

PUBLIC COMMENTS

The Commission received several comments from Atlanta residents in response to its Proposed Order. As outlined below, these comments identified a variety of specific concerns and frequently requested the Commission provide additional information.

Procedure

- Some customers objected to the informal nature and length of the investigation authorized by the Commission.
- Customers also were upset that they only had three weeks to respond to the Commission's Proposed Order.
- Some customers took issue with the number of customers designated by Staff as "customers of record" and requested a copy of the regulation that prohibits an

individual from complaining about electricity that has been paid for but not provided.

Accounting and Billing

- Atlanta Power's revenue is inadequately collected and collected in a discriminatory manner. For example, the Company does not enforce the Master Metering tariff for rentals in excess of one month or require separate meters for each unit. The Company bends tariffs and Commission rules for some customers but not for others.
- Why is Atlanta Power making too much money? Do customers get a rate reduction?
- Why were there "over-earnings" in 1999 and how does this compare to other years? Some customers "formally requested" that the Company be ordered to correct all of its improper accounting practices from 1993, file all of its annual reports since 1997, and refund overpayment to customers to fund a back-up generator.
- The Company's billing method is difficult to understand and should be made easier.
- Has the 4.5¢/kWh temporary surcharge to pay for a \$57,000 hydraulic gate on the dam been removed now that the note has been paid in full? Without a rate case, the charge should not have become permanent and any overpayments should be returned to customers.
- How can the Commission base the town's rates on "estimates" and "oaths" without supporting documentation? The Commission should disallow all expenses in the past, present and future that do not have supporting documentation.
- What are the true costs of generating power at Kirby Dam?
- Should Atlanta Power require customers to fund new transformers?

Service Quality

- The system has not been promptly repaired as required by the Proposed Order. The outages have been unnecessarily lengthy since 1983, including the 2½-year investigation period and exemplified by a 75-hour outage on March 4-7, 2003.
- The town needs and deserves an onsite back-up generator. The town previously paid for one that was seldom used because it was costly to run and improperly maintained. The town should not be required to pay for a new generator. Please

provide records showing how many hours the old generator ran before it broke and how many hours the Commission expected the generator to function.

- Will the Commission implement and enforce a time limit on how long Atlanta can be without power before a rented back-up generator must be brought in?
- What is the Commission's timeline for a preventative maintenance plan and will the Commission enforce it?
- The third maintenance person recently hired is appreciated but needs more training. When will this happen?
- Customers have not received any personal notice from the Company regarding the taped telephone message to update customers on outage information. What good is this message without advance notice for outages due to scheduled maintenance? Despite contrary information, advance notice has not been provided via the post office, Beaver's Lodge and the Hub.

Non-Compliance with Commission Orders and Rules

- Why does the Commission permit Atlanta Power to operate without filing the proper annual reports and maintaining adequate books? Please explain why the Commission has been so reluctant to enforce its own regulations.
- Why didn't the Commission order Atlanta Power to file annual reports for 1998 and 1999?
- When will the next review of the Company occur and what is the follow-up procedure to ensure that Atlanta Power will accomplish everything the Commission proscribes?
- A substantial fine (i.e., \$10,000) or sanctions should be imposed for the Company's disregard of prior Orders and required paperwork.
- Some customers wish to file a "formal complaint" against the Company for having a tariff that conflicts with a Commission Rule. The Company's tariff requires customers that are disconnected for more than 30 days to be charged \$200 upon reconnection, but the Commission's Rules define a customer disconnected for more than 60 days as a "new customer." IDAPA 31.21.01. These customers demand that the tariff be removed and any improperly collected money be refunded. According to commentors, a court in Elmore County decided this issue in favor of Atlanta customers.
- Does the Commission have a conflict of interest that prevents it from doing its duties as a regulatory agency?

Alternate Solutions

- If customers had access to transmission lines, a new generator purchased for \$30,000 to \$35,000 could operate continuously for less than the Company's current use of hydropower, even with 1½ gallons of diesel consumed hourly at \$2/gallon. At a cost of \$17,000-\$20,000, \$10,000 would remain for equipment service and operation.

STAFF COMMENTS

Staff has reviewed the customer comments received as of April 30 and reaffirmed the results of its investigation and its recommendations. Staff provided additional information in response to certain statements contained in customer comments dated April 26, 2003.

The individuals that drafted the comments were concerned that "again, most customers have not been notified of the telephone number to call." The Notice of Proposed Order and Notice of Comment Deadline to which the interested parties were responding contained the local telephone number (864-2228) that was established to keep customers informed of planned outages and progress on repairs when the system is out of service. This Notice was mailed to the customers of Atlanta Power on April 10, 2003.

The comments also ask in part why they were "virtually ignored by the P.U.C. for over two years since the petition." As noted in previous Staff documents, Staff has had significant ongoing communication with the individuals who wrote these customer comments.

The comments also state in part that it took "over two years to do an audit." While the investigation as a whole took that amount of time, the audit did not. Also, the individuals who wrote these customer comments seem to perceive the over-earnings estimated in the audit as overcharges to the Company's customers. This is not the case. In addition, no generator rental costs were paid during the test year of the audit. Based upon invoices reviewed for subsequent rentals, a month's generator rental is more than \$3,000. During the course of the audit, Staff also reviewed the Company's bank statements, returned checks, invoices for the test year and subsequent years, and obtained financial documentation from organizations with which the Company had such a relationship.

The individuals who wrote these customer comments also suggest other options to provide electrical service, such as allowing the town access to the lines and revenues of the Company to purchase and continuously run a diesel generator. Staff continues to believe that

Atlanta Power Company is the most realistic alternative to provide affordable and reliable electrical service to the residents of Atlanta.

The comments also take issue with the number of Atlanta Power customers of record identified in the signatures to the petition submitted to the Commission in September 2000. As noted in the October 2000 Decision Memorandum, "Staff reviewed the many signatures on the petition and identified the names of six **customers of record**. Some of the others apparently are not customers while others are members of households where one member is the customer of record." Staff noted that the Commission's Utility Customer Relations Rule 5 defines a customer as "having applied for, been accepted, and is currently receiving service from a utility or is assuming responsibility for payment of service provided to another."

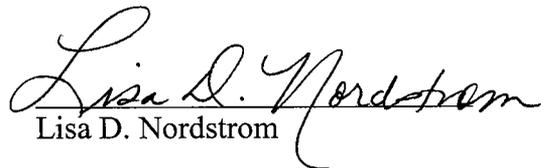
Procedural Recommendation: Before the Commission renders a final decision in this case, Staff would like the opportunity to respond directly to customers in writing regarding issues raised in the comments. Staff further recommends that the Commission schedule a public workshop in Atlanta in June so that Staff may discuss its response and/or resolve any remaining customer concerns in person. Following the workshop, the Commission may wish to allow interested parties to file supplemental comments before the Commission issues a final Order.

COMPANY REPLY COMMENTS

Atlanta Power Company had not filed its Reply Comments as of the time this memorandum was prepared. However, owner Lynn Stevenson informed Staff that he intended to file them on Monday, May 19.

COMMISSION DECISION

Does the Commission wish to adopt Staff's recommendation for further proceedings and a workshop? If not, does the Commission wish to adopt its Proposed Order with or without modification?


Lisa D. Nordstrom

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