

DECISION MEMORANDUM

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

FROM: SCOTT WOODBURY

DATE: JANUARY 27, 2005

**RE: CASE NO. ATL-E-03-1 (Atlanta Power)
INVESTIGATION OF RATES/CUSTOMER SERVICE**

Customer Petitions – Informal Review

On September 11, 2000, the Commission received petitions from residents of Atlanta, Idaho, enumerating their concerns about the electric service provided by Atlanta Power Company. The petitions were signed by six customers of record and many of their family and friends. The petitions requested “a formal investigation into the reliability of electrical service for the Atlanta townsite.” In a Decision Memorandum dated October 4, 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 accepted Staff’s proposal to begin processing the complaints on an informal basis and to proceed with the review as outlined above.

Staff worked with the Company and its customers during a two-year informal review period that culminated in several improvements and a Staff Report (2003 Report) attached to a Decision Memorandum dated March 6, 2003. The 2003 Report presented the results of Staff’s review and made further recommendations to the Commission. Staff’s audit showed that based on a 1999 test year, the Company over-earned by approximately \$3,000 or 5.6%. No allowance for purchase or rental of a backup generator or related fuel costs to run a backup generator were included in this calculation. Staff’s audit also revealed that Company record keeping needed to be improved, that the Company was five years delinquent in filing Commission required annual reports and that the Company was also behind in making payments on several of its financial obligations. Staff recommended that these problems be corrected.

The 2003 Report also discussed the results of a questionnaire that Staff sent to all Atlanta Power customers. Fifty of sixty customers of record responded. The questionnaire queried customers concerning the three main problem areas that Staff identified from the petitions. The problem areas were identified as: (1) the lack of an on-site backup generator, (2) the lack of a local person to back up Dave Gill, the in-town maintenance person, in the event of an unplanned outage and (3) poor communications between the Company and its customers concerning outages. The majority of survey respondents agreed that they would like to see improvement in these areas.

Staff worked with the Company regarding the issues identified by customers. As a result another person, who lives in Atlanta, was identified to assist with system maintenance and a telephone messaging system was installed to notify customers of planned outages and to inform customers of the progress of system repairs. With regard to the backup generator, customers responding to the questionnaire agreed that having one would be beneficial but they were not interested in paying higher rates to have it. Atlanta Power residential rates for "permanent" customers are some of the nations' highest. (\$81 per month plus 5¢ per kWh for all kWh over 500 kWh per month) Staff recommended continuation of the status quo, meaning that the Company not invest in an on-site backup generator but that it lease one and bring it to Atlanta once an extended outage had been identified.

Formal Investigation

Following Staff's March 6, 2003 Decision Memorandum the Commission opened Case No. ATL-E-03-1 and on April 10, 2003, issued a Notice of Proposed Order and Notice of Comment Deadline. The Proposed Order was based on recommendations contained in the 2003 Decision Memorandum and Report. The proposed Order would have found that it was not appropriate for Atlanta Power Company to purchase a backup generator and increase customer rates to pay for it because customers were not interested in paying increased rates to have one. The Order would also have found that substantial progress had been made in obtaining a backup maintenance person to Dave Gill and that substantial progress had been made in communicating outage information to customers. These findings would have provided the basis necessary for the Commission to close the case.

The Proposed Order and a summary of Staff's 2003 Report were mailed to all Atlanta Power customers. This resulted in customer comments containing many more questions and concerns raised primarily by the original petitioners and prompted by the new information made

available to customers. Along with these new concerns, customers pointed out that they still did not have an on-site backup generator, that the third person identified to help with outages had not received any training and that the telephone messaging system was working poorly. At this point in time some of the customers involved their State Senator, Fred Kennedy.

Staff Workshop – June 28, 2003

In yet another Decision Memorandum dated May 19, 2003, Staff summarized the most recent events and proposed to the Commission that Staff be allowed to respond to new questions and concerns in writing and to follow that with a Staff workshop in Atlanta designed to address any remaining questions. The Commission accepted Staff's recommendations and issued Order No. 29257 establishing a date for a public workshop and providing an extended date for written comments. The written questions and answers were mailed to all Atlanta Power customers and Senator Fred Kennedy prior to the workshop. Staff conducted the workshop in Atlanta on Saturday, June 28, 2003. It lasted until all questions were answered, approximately three and one-half hours. The workshop was attended by Company representatives, customers, Senator Kennedy and Commission Staff. One of the customers' major concerns discussed during the workshop was the overdue annual reports. The concern was that without the annual reports the Commission did not have the necessary information to properly regulate and set rates for the Company. Following the workshop the Company agreed to prepare and file all overdue annual reports. Another idea discussed at the workshop was the possibility of Atlanta Power, or the community of Atlanta, obtaining grant money to purchase a backup generator.

Change in Ownership/Management

On September 3, 2003, Lynn Stevenson, the president of Atlanta Power Company, passed away. Before his death he did the following:

1. Submitted all overdue Annual Reports to the Commission on August 8, 2003;
2. Entered into financing (Case No. ATL-E-03-2) that paid past due dam licensing legal fees in full; and

3. In September and October of 2002 paid two loans that were in arrears.

After Lynn Stevenson's death, Israel Ray, a shareholder in the Company, was elected President. Informally, Staff inquired of the Commission as to whether this would be a good time to close the complaint case and allow the new president to build his own record. The Commission's response

was that many of the problems identified in the case still existed and that Staff should work with the new President for a period of time to see if outstanding issues could be resolved.

Resolution of Issues/Present Condition

More than a year has passed under the new administration. Israel Ray purchased Lynn Stevenson's interest in Atlanta Power Company from Lynn's heirs. Israel Ray is the majority stockholder and remains president of the Company. Under his leadership progress has been made in many of the remaining areas of concern. In the accounting and financial areas:

1. The 2003 annual report has been filed.
2. As a condition of the stock acquisition agreement between the estate of Lynn Stevenson and Israel Ray regarding the Company, the estate released the obligation due Lynn Stevenson from the Company. This obligation was approximately \$60,000.

There have also been improvements in the physical system.

1. A hole in the bladder that operates the spillway gates that control water flow to the turbine has been repaired.
2. Four of the wicket gates that control water flow through the turbine have been repaired.
3. Broken or badly warped cross arms have been replaced.
4. A transformer support structure has been replaced.
5. One or more new transformers have been installed to better regulate system voltage.
6. The engine in the Company's old-line truck has been replaced.
7. A new line truck has been purchased that can be operated by a single person from the bucket.
8. The Company's inventory of poles and other supplies has been increased.

Also, Dave Gill's availability has changed. He is available in Atlanta for immediate system repairs most of the time. Customer relations have been improved and, at the suggestion of some customers, outage information is being passed on through telephone calls or through notice provided to the two eating and social establishments in town.

Last year, Staff became aware of federal grant funding available for communities with extremely high home energy costs. Staff informed Israel Ray, Atlanta Power Customers and Senator Fred Kennedy of the availability of this funding. Israel Ray applied for funding that would have connected the Atlanta Power system to Idaho Power's system. Such connection, with an associated power supply agreement, would reduce the need for a backup generator in Atlanta and would allow Atlanta Power to provide power to a cyanide leach gold mining operation proposed in the area. Also included in the grant application, as a secondary and less costly option, was the request for money to purchase a backup generator. The Company did not receive grant money but may apply again this year if the federal program is funded.

STAFF RECOMMENDATION

Staff recommends that this investigation docket be closed. Staff recommends no change in rates at this time. A system like Atlanta Power with no full time employees and a single source of generation will continue to suffer some extended outages. However, Israel Ray, the Company's president and general manager, has demonstrated a commitment to improving customer relations and to the financial and physical health of the Company which in turn benefits ratepayers. Under his management annual reports are current and system reliability and power quality have been improved. These actions have addressed the principal areas of customer complaint. This is not to say that the improvements have completely satisfied all customers. Staff intends to continue to work informally with the Company and its customers to improve the system.

COMMISSION DECISION

Staff notes the progress made by Atlanta Power in customer service, physical plant, and improvements made in reliability and financial and regulatory accounting. Staff recommends that this investigatory docket be closed. Does the Commission agree?

Scott Woodbury

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