

## DECISION MEMORANDUM

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

**FROM: SCOTT WOODBURY  
RANDY LOBB**

**DATE: AUGUST 2, 2007**

**SUBJECT: CASE NO. ATL-E-07-01 (Atlanta Power)  
REQUEST FOR ACCOUNTING ORDER**

On August 1, 2007, Atlanta Power Company (Atlanta Power; Company) filed an Application with the Idaho Public Utilities Commission (Commission) requesting an Order authorizing the Company to defer on its financial accounting records increased operating costs associated with the failure of its hydroelectric turbine. The Company contends that the expenses are extraordinary in nature and well beyond its ability to pay from internally generated revenues. These expenses are presently being paid from personal funds of the owners of the Company.

### **Hydro Turbine Failure**

In early June 2007 the Company reports that its turbine at the Kirby Dam on the Middle Fork of the Boise River failed. The Company, in order to provide continued service to customers, arranged for the rental of a diesel generator. The diesel generator was installed and has been providing service since June 16, 2007. Due to the excessive cost of providing service in this manner, the generator is currently only operating 12 hours per day – six hours in the morning and six hours in the evening.

The Company reports that it has taken the turbine to Yanke Machine Shop in Boise for repair. Yanke Machine Shop has estimated the cost to repair the turbine will be approximately \$60,000 and has informed the Company it cannot complete the repairs to the turbine before the last week in August 2007. Therefore, the Company will continue to experience the extraordinary expenses associated with operation of the diesel generator.

**Extraordinary Costs**

As of July 26, 2007, the Company states that it has experienced the following extraordinary costs associated with the operation of the diesel generator.

Rent – 400 Hours @ \$12.50/Hr	\$5,000.00
Diesel Fuel – (2,200 gallons)	6,180.00
Electric Panel – (Connect to grid)	741.00
Gen Set repair – (Water pump)	168.00
Battery, Oil & Coolant	<u>168.00</u>
Total to Date	\$12,257.00

The Company states that it currently has on hand an inventory of approximately 700 gallons of diesel fuel. Therefore, the Company calculates the average hourly fuel consumption to be approximately 3.75 gallons per hour (2,200 gallons minus 700 gallons = 1,500 gallons/\$400 = 3.75 gallons per hour). With at least 40 days of additional diesel generation expected before the hydro turbine can resume operation, the Company anticipates additional fuel cost to exceed \$3,080 (40 days x 12 hours = 480 hours x 3.75 gallons = 1,800 gallons less 700 gallon inventory = 1,100 gallons @ \$2.80 per gallon = \$3,080). Additional Rent Expense is expected to be in excess of \$6,000 (\$12.50 x 480 hours). The exact cost will be unknown until such time as the hydro turbine is restored to service. The Company expects on occasion to exceed the 12 hours per day of operation to meet the needs of the Atlanta community for special occasions.

**Order Authorizing Deferral of Expenses**

Atlanta Power is not seeking any recovery of its costs at this time. The Company is requesting an Order from the Commission authorizing the Company to establish a deferred expense account on its books of financial record. The Company proposes to record all of its extraordinary costs associated with the operation of the diesel generator in this deferral account. The Company will make application to the Commission in the future and propose a method of recovery of these costs, once they are known, together with the final costs on repair of the hydro turbine. The Company contends that deferred accounting treatment for regulatory purposes is an appropriate, just and reasonable means of providing the Company an opportunity to seek recovery of the extraordinary costs it is experiencing due to the unexpected failure of the Company’s hydro turbine.

Atlanta Power requests that the Commission consider the matter under Modified Procedure and enter its Order authorizing the deferral of the Company's extraordinary costs.

**COMMISSION DECISION**

Atlanta Power Company has requested an accounting Order authorizing deferral of expenses associated with the failure of its hydroelectric turbine. The Company requests that this matter be processed pursuant to Modified Procedure, i.e., by written submission rather than by hearing. Reference Commission Rules of Procedure IDAPA 31.01.01.201-204. It is Staff's intention to file comments regarding the Company's Application. Does the Commission concur with the recommended procedure?

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Scott Woodbury

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