

SCOTT WOODBURY  
DEPUTY ATTORNEY GENERAL  
IDAHO PUBLIC UTILITIES COMMISSION  
PO BOX 83720  
BOISE, IDAHO 83720-0074  
(208) 334-0320  
IDAHO BAR NO. 1895

RECEIVED

2007 AUG 24 A 10:42

IDAHO PUBLIC  
UTILITIES COMMISSION

Street Address for Express Mail:  
472 W. WASHINGTON  
BOISE, IDAHO 83702-5983

Attorney for the Commission Staff

**BEFORE THE IDAHO PUBLIC UTILITIES COMMISSION**

**IN THE MATTER OF THE APPLICATION OF )  
ATLANTA POWER COMPANY, INC. FOR AN ) CASE NO. ATL-E-07-1  
ACCOUNTING ORDER AUTHORIZING THE )  
DEFERRAL OF EXTRAORDINARY EXPENSES )  
ASSOCIATED WITH THE FAILURE OF ) COMMENTS OF THE  
APPLICANT'S HYDROELECTRIC TURBINE ) COMMISSION STAFF  
\_\_\_\_\_ )**

**COMES NOW** the Staff of the Idaho Public Utilities Commission, by and through its Attorney of record, Scott Woodbury, Deputy Attorney General, and in response to the Notice of Application, Notice of Modified Procedure and Notice of Comment/Protest Deadline issued on August 10, 2007, submits the following comments.

**BACKGROUND**

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 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. The Company states these expenses are presently being paid from personal funds of the owners of the Company.

### **Hydro Turbine Failure**

On June 10, 2007 the Company's 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

In its Application the Company states that it expects to operate using the diesel generator for at least another 40 days (beyond July 26). The Company estimates an additional generator rental cost of \$6,000 and fuel costs of \$3,080. The exact costs will be unknown until such time as the hydro turbine is restored to service.

### **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.

### **STAFF REVIEW AND RECOMMENDATIONS**

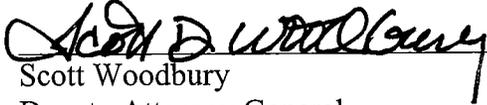
Staff has reviewed the Company's Application and recommends that the Commission approve deferred accounting treatment for Atlanta Power's extraordinary costs to operate diesel generation as proposed in its Application. Consistent with Commission practice, no carrying charge on the deferred amounts should be earned.

Once it was known that the turbine was severely damaged and that repairs would require a long period of time, the Commission Staff strongly encouraged the Company to purchase a backup diesel generator to get the Company through the repair period and to be available in Atlanta as a backup to address future outages. Although it has taken longer than Staff hoped, we are informed that the Company has purchased a diesel powered backup generator that is now or soon will be supplying the electrical needs of Atlanta Power customers. While this acquisition should reduce generator rental costs during the remainder of the repair period, the purchase has resulted in additional capital investment by the Company. The Company has not requested a deferral of these costs at this time and Staff recommends that ratemaking treatment of this investment be addressed in a later filing.

The deferral of the costs as requested in the Application acknowledges the extraordinary nature of these costs and allows these costs to be deferred as an appropriate cost for future ratemaking treatment. A deferral order in the case does not limit the right of Staff to audit, question and challenge the appropriateness, reasonableness and prudence of any costs deferred, as this sort of review is critical to protect ratepayers. This type of review is expected to include review of sufficiently detailed supporting documentation provided by the Company when it seeks and justifies recovery of these costs in a subsequent filing. Staff's review at that time will also include obtaining and inspecting the accounts and records from the Company as should be maintained for a regulated utility, including revenues, expenses, capitalized costs and other related items.

Staff's other area of concern has been Atlanta Power's annual reports. Annual reports are required by *Idaho Code* § 61-405. Atlanta Power's 2004, 2005 and 2006 annual reports are overdue. Without such reports it is difficult for Staff to understand the financial condition of the Company. Staff informed the Company in mid June that the information contained in these annual reports is essential to the processing of any request for rate relief including an emergency surcharge. The Company has been working with the Staff and a private consultant to finalize these reports. Staff is informed that the filing of these reports is imminent. Staff has also been informed that an Application for rate relief will immediately follow the filing of the reports. In fact, Staff has been further informed that a final order approving cost recovery will be required to obtain a loan to pay for turbine repairs before the turbine can be obtained from Yankes and returned to service.

Respectfully submitted this 24<sup>th</sup> day of August 2007.

  
Scott Woodbury  
Deputy Attorney General

Technical Staff: Keith Hessing  
Patricia Harms

i:/umisc/comments/atle07.1swkhph

## CERTIFICATE OF SERVICE

I HEREBY CERTIFY THAT I HAVE THIS 24<sup>TH</sup> DAY OF AUGUST 2007, SERVED THE FOREGOING **COMMENTS OF THE COMMISSION STAFF**, IN CASE NO. ATL-E-07-01, BY MAILING A COPY THEREOF, POSTAGE PREPAID, TO THE FOLLOWING:

ISRAEL RAY  
PRESIDENT  
ATLANTA POWER COMPANY  
11140 CHICKEN DINNER ROAD  
CALDWELL ID 83607

ROBERT SMITH  
UTILITY CONSULTANT  
2209 N BRYSON RD  
BOISE ID 83713

  
\_\_\_\_\_  
SECRETARY