

BEFORE THE IDAHO PUBLIC UTILITIES COMMISSION

**IN THE MATTER OF THE APPLICATION)
OF ATLANTA POWER COMPANY FOR AN) CASE NO. ATL-E-08-02
ORDER AUTHORIZING INCREASES IN)
THE COMPANY'S RATES AND CHARGES)
FOR ELECTRIC SERVICE IN THE STATE) ORDER NO. 30578
OF IDAHO)**

On May 1, 2008, Atlanta Power Company (Atlanta Power; Company) filed an Application with the Idaho Public Utilities Commission (Commission) requesting a general rate increase in the Company's basic tariff rates for electric service together with a request for an emergency surcharge. Atlanta Power operates pursuant to Certificate of Convenience and Necessity No. 300. Atlanta Power is located in Elmore County and provides electric service to approximately 75 residential and commercial customers in Atlanta. On May 20, 2008, the Commission issued a Notice of the Company's Application. In this Order, the Commission addresses the Company's emergency surcharge request and approves a temporary surcharge with modifications and conditions.

Emergency Surcharge

Atlanta Power, as part of its original Application, requested that the Commission declare an emergency and approve a surcharge on existing rates of 54.2% for an effective date of June 1, 2008. In reply comments, the Company amended its surcharge request to 39.15%. By way of background, Atlanta Power states the following:

- By Order No. 30417 dated August 29, 2007 in Case No. ATL-E-07-01, the Commission authorized the Company to defer on its accounting records the extraordinary costs incurred in the year 2007 associated with the failure of Atlanta Power's hydroelectric turbine. That Order recognized that the Company would be filing additional applications seeking recovery of the deferred extraordinary costs.
- By Order No. 30511 dated March 3, 2008 in Case No. ATL-E-08-01, the Commission authorized the Company to incur debt in the amount of \$110,000. The Order recognized the need for the Company to acquire cash to pay the extraordinary costs deferred pursuant to Order No. 30417. Atlanta Power has determined that its loan repayment obligations, including loans from the Company's owners, require monthly payments of

\$3,088.66 per month for the first 12 months and \$2,206.01 per month for an additional 72 months.

On May 29, 2008, the Commission established an expedited schedule to process the Company's request for an emergency surcharge. The Commission made a preliminary finding that the Company's request for emergency surcharge could be processed under Modified Procedure. IDAPA 31.01.01.201-204. A June 5, 2008 deadline was established for Commission Staff to file a report and recommendation, a June 11, 2008 deadline was established for customer comments and Company reply, and a June 12, 2008 Boise hearing date was set for the purpose of taking public comment and testimony.

In addition to the comments and recommendations of Staff regarding the emergency surcharge, the Commission received written comments from some of the Company's customers and the Company's reply to Staff's filing. Oral testimony of customers was received at the Commission's June 12 hearing.

Commission Discussion and Findings

The Commission reviewed and considered the Company's request for an emergency surcharge, the comments and recommendations of Commission Staff, the written comments and testimony of customers, and the Company's reply comments. Based on our review of the record, we continue to find it reasonable to process the Company's emergency surcharge request under Modified Procedure. IDAPA 31.01.01.204.

Atlanta Power requests an emergency surcharge (a percentage of existing rates) to generate revenue to meet repayment obligations on authorized debt associated with the 2007 failure of the Company's hydroelectric turbine and to meet other costs and obligations. The requested surcharge is comprised of three elements: (1) a \$100,000 loan – Eric Alberdi; (2) a \$10,000 loan – Greene Tree, Inc.; and (3) an \$18,808 owner loan.

In Order No. 30511, we determined that the planned expenditures funded by the proceeds of the promissory notes authorized in Case No. ATL-E-08-01 (\$100,000 and \$10,000) were not to be used to establish customer rates until the Commission determined the prudence and authorized recovery amount for each item in the Company's next general rate case. Order No. 30511, p. 4. This prudence review has not occurred. The Company in this filing contends, and we agree, that exigent circumstances exist to grant an emergency temporary surcharge; a surcharge that we find is subject to our prudence review and adjustment (including refund) in the

Company's general rate case. To ensure that an adequate record is maintained should a refund be required, the Commission finds it reasonable to require that individual customer surcharge payments be recorded in a separate account on the Company's books.

In its Application, Atlanta Power requested a temporary surcharge on current rates of 54.2% for the first year and 38.71% for an additional six years. Staff recommends approval of a 31.2% temporary emergency increase to all tariff rates (except the Schedule 4 "new customer connection charge") and meter testing charges (General Rules – Regulations and Rates ¶ 15 – Service and Limitations). Revenue collected by the increased tariff rates is subject to possible partial refund with the Commission's final Order in the Company's general rate case. In reply comments, the Company amended its surcharge request to 39.15%. As discussed and detailed below, we find it reasonable to approve an emergency temporary surcharge of 33.6%.

\$100,000 Loan – Eric Alberdi

The Commission's review of the executed note confirms that the \$100,000 loan made by Eric Alberdi is for a term of seven years at an interest rate of 14% per annum with monthly payments in the amount of \$1,874 (first installment due May 1, 2008). The loan documentation is comprised of a Promissory Note dated April 1, 2008 and a Lock Box and Security Agreement dated April 9, 2008. Citing Order language in Case No. ATL-E-08-01, wherein the Commission determined that the \$100,000 promissory note interest rate of 14% was not to be used to establish the Company's revenue requirement or customer rates (Order No. 30511, p. 4), Staff recommends the use of a 12% interest rate, a return on the equity component of capital structure approved by the Commission to calculate the emergency surcharge for other small companies. The monthly payment of principal and interest for a seven year 12% note is \$1,765.

In reply comments, the Company recommends that the actual carrying costs of the Alberdi note be used for the temporary surcharge. It contends that any interest adjustment should be addressed in the Company's general rate case and that the Company was not able to acquire loan funds at a more reasonable rate. The Company further argues that its owners should not be made to subsidize the carrying costs of this note. The Commission agrees with the Company on this point and finds it reasonable for purposes of emergency surcharge calculation to include the actual carrying costs of the \$100,000 note. We recognize that the monthly payment on the loan is \$1,874. We also acknowledge that in Order No. 30511 we authorized the Company to enter into a \$100,000 loan obligation. We find that the Company's repayment

obligation has already begun and that for this reason, exigent circumstances exist to authorize implementation of an immediate surcharge. We reserve the right to assess the reasonableness of the 14% interest rate and consider arguments regarding the recovery of same from customers in the general rate case and to make adjustments at that time.

\$10,000 Loan – Greene Tree, Inc.

The \$10,000 loan, made by Greene Tree, Inc., a customer of Atlanta Power, is for a term of one year at a rate of 10.75% with loan repayment accomplished through monthly billing credits of \$882.65 for that customer. The loan documentation consists of an Agreement dated March 18, 2008. The Company in its Application proposed to recover this loan from customers over a one-year period. Repayment has already begun and the loan is nearly half paid. Staff recommends a seven-year surcharge recovery period for this loan at a higher 12% interest rate. The monthly surcharge amount recommended by Staff for this note is \$176.53. This amount is derived by calculating a payment amount for a seven-year 12% note of \$10,000. The higher interest rate of 12%, Staff contends, recognizes a longer (seven year) term. In reply comments, the Company states it will accept Staff's adjustment. The Commission acknowledges that in Order No. 30511 we authorized the Company to enter into a \$10,000 loan obligation. We find that the Company's repayment obligation has already begun and that for this reason, exigent circumstances exist to authorize implementation of an immediate surcharge. We find the surcharge amount proposed by Staff and agreed to by the Company to be reasonable.

\$18,808 Owner Loan

In its Application, Atlanta Power also included a proposed emergency surcharge of \$332 per month to recover owner loans in the amount of \$18,808 over seven years at 12% interest. The owner loans include deferred wages. Other costs include those characterized as replacement of the Company's turbine that exceeded the \$110,000 in loans received from third parties. Staff notes that the Commission in Case No. ATL-E-08-01 (Order No. 30511) found that the Company's owners were to be solely responsible for repayment of any portion of the notes (\$100,000 and \$10,000) that might be disallowed in a future rate proceeding. Order No. 30511, p. 4. Staff argues in favor of excluding any "owner's portion" from the temporary emergency surcharge, recommending that the issue be deferred until the general rate case. In reply comments, Atlanta Power contends that the "owner's portion" should be included in the emergency surcharge subject to later refund or adjustment in the general rate case stating that

disallowing recognition of funds loaned to the Company by its owner deprives the owner of the recovery of his costs and adversely affects the Company's already poor cash flow.

The Commission finds Staff's argument persuasive and finds it reasonable to exclude the recovery of amounts owing to the owner from the emergency surcharge. We defer recovery consideration of this \$18,808 until the general rate case.

Surcharge Recovery Calculation

Staff, in its surcharge recovery calculation, proposes two adjustments to the Company's rate design data: (1) Staff proposes use of calendar year 2007 numbers of bills applied to 2006 average use per customer by rate schedule. This adjusts for anomalous usage during the time in 2007 when the hydroelectric system was unavailable and stand-by diesel generation was available only on a limited basis. The Company does not object to this approach and we find the adjustment reasonable.

(2) Staff also recommends in the surcharge recovery calculation to add two additional electric customers to the billing data and to impute revenue attributable to them in calculation of the required surcharge – i.e., adding the Company's owner to Schedule 3 (Seasonal Residential) and adding the home of the Company's two onsite employees to Schedule 1 (Permanent Residential). The Company opposes this adjustment citing Commission language in Atlanta Power Case No. ATL-E-93-1, Order No. 34925, addressing the provision of power from surplus hydro capacity as compensation for something received.

As part of the compensation package for its two employees, the Company states that their home is provided with electric power at no cost. The home provides office space to the Company and a local phone number for customer contact. Were these employees required to pay an electric bill, the Company states that their effective compensation would be reduced and a wage increase would be required.

The second customer that Staff adds is the Company's owner, Israel Ray, who owns property used for temporary housing when he is in Atlanta on Company business. The property is also the site of the stand-by diesel generator, has two buildings used for storage of electric equipment, and provides space for parking and storage of the Company's equipment. It does not make sense, the Company states, to charge itself electric energy rates that would simply become operating costs on the other side of the income statement.

We find it reasonable to defer consideration of Staff's argument to add two customers in revenue and rate design calculations until the general rate case. We will not make this adjustment in surcharge calculations.

Based on the foregoing, the Commission finds it reasonable to calculate a temporary emergency surcharge to recover the following monthly cash flow requirements:

Year 1	Note 1	\$100,000 (7 yrs @ 14%)	\$1,874.00/month
	Note 2	\$10,000 (7 yrs @ 12%)	\$ 176.53/month
			<u>\$ 2,050.53/month</u>

The monthly surcharge that we find reasonable is 33.6% computed as set forth in the attached schedule. We make no adjustment in classification of customers at this stage of proceedings and defer Mr. Alva Greene's argument that his lodge should pay no greater rate for electricity than residential customers to the general rate case.

CONCLUSIONS OF LAW

The Idaho Public Utilities Commission has jurisdiction over Atlanta Power Company and its Application in Case No. ATL-E-08-02 pursuant to Idaho Code, Title 61, and the Commission's Rules of Procedure, IDAPA 31.01.01.000 *et seq.*

ORDER

In consideration of the foregoing and as more particularly described and qualified above, IT IS HEREBY ORDERED and the Commission hereby approves an emergency temporary surcharge of 33.6% applied to all tariff rates (except the Schedule 4 "new customer connection charge") and meter testing charges (General Rules – Regulations and Rates ¶ 15 – Service and Limitations). Atlanta Power Company is directed to file a surcharge tariff prior to implementation.

IT IS FURTHER ORDERED and Atlanta Power Company is directed to bill the emergency surcharge as a separate line item on customers' bills and to maintain in a separate account on its books a record of surcharge payments by each individual customer.

DONE by Order of the Idaho Public Utilities Commission at Boise, Idaho this 26th
day of June 2008.



MACK A. REDFORD, PRESIDENT

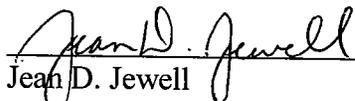
Out of the Office on this Date

MARSHA H. SMITH, COMMISSIONER



JIM D. KEMPTON, COMMISSIONER

ATTEST:



Jean D. Jewell
Commission Secretary

bls/O:ATL-E-08-02_sw2

Atlanta Power Company
 Summary of Revenue
 Commission Decision
 2006 Test Year Adjusted

(1)	(2)	(3)	(4)	(5)	(6)	(7)	(8)	(9)
Line No.	Tariff Description	Rate Schedule	2006 No. to Bills Adjusted	2006 Sales Adjusted (kWh)	Present Revenue (\$)	Revenue Adjustments (\$)	Proposed Revenue (\$)	Percent Change (%)
1	Permanent Residential	1	250	96,760	\$20,742	\$6,975	\$27,717	33.6%
2	Permanent Commercial	2	59	107,877	\$23,524	\$7,911	\$31,435	33.6%
3	Seasonal Residential	3	590	39,292	\$28,901	\$9,720	\$38,621	33.6%
4	Seasonal Commercial	3	0	0	\$0	\$0	\$0	0.0%
5	Total Retail Sales		899	243,929	\$73,166	\$24,606	\$97,772	33.6%