

DECISION MEMORANDUM

TO: COMMISSIONER REDFORD
COMMISSIONER SMITH
COMMISSIONER KEMPTON
COMMISSION SECRETARY
COMMISSION STAFF
LEGAL

FROM: SCOTT WOODBURY
DEPUTY ATTORNEY GENERAL

DATE: MAY 16, 2008

SUBJECT: CASE NO. ATL-E-08-02 (Atlanta Power)
GENERAL RATE CASE AND REQUEST FOR EMERGENCY SURCHARGE

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. 236. Atlanta Power is located in Elmore County and provides electric service to approximately 75 residential and commercial customers in Atlanta.

Emergency Surcharge

Atlanta requests that the Commission declare an emergency and approve a surcharge on existing rates of 54.2% effective June 1, 2008.

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 Idaho Public Utilities 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 Idaho Public Utilities 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. To fully recover these repayment obligations over the term of the two notes comprising the \$110,000 incurred indebtedness, Atlanta Power contends that the Company requires a surcharge on current rates of 54.2% for the first year and 38.71% for the remaining six years (or a surcharge of 33.74% for the first year and 24.1% for the remaining six years at the tariff rates proposed in the Company's Application).

General Rate Case

Atlanta Power is requesting an increase in its electric rate schedules to increase revenues by 60.62%. The Company's current rates were approved by the Commission in Order No. 24925 effective June 15, 1993. Nearly 15 years have elapsed since those rates were established. Escalating those rates to produce the rates proposed in this Application, the Company states, produces an annual growth rate of only 3.2%. The Company is proposing numerous changes in the way it bills customers for their electric consumption.

The Company proposes that the Schedule 1 residential base rate be increased from \$81 per month to \$83 per month (an increase of 2.5%), the 500 kWh free allowance be eliminated and all consumption billed at \$.10 per kWh, an increase of 100% from the current \$.05 per kWh rate.

The Company also proposes that the Schedule 2 commercial base rate be increased from \$144 per month to \$165 per month (14.6% increase), the 500 kWh free allowance be eliminated and all consumption being billed at \$.20 per kWh, an increase of 11.1% from the current \$.18 per kWh rate.

The Company further proposes to eliminate its Schedule 3 seasonal (weekend or part-time use) customer rate schedule. Customers under this rate would be moved to applicable residential or commercial rate schedules. The current seasonal residential base rate would change from \$35 per month to \$83 per month (137%) and the commodity rate would decrease by 52% from \$.21 per kWh to \$.10 per kWh. The seasonal commercial base rate would increase from \$65 per month to \$165 per month (154%) and the commodity rate would decrease by 5% from \$.21 per kWh to \$.20 per kWh.

The Company proposes to modify the language in its Rule 12b (Limitation of Use) to clarify that the \$10 per month charge approved by the Commission is only for temporary connections of recreational types of vehicles (campers, motor homes and trailers) connected to the

service of a regular customer's electrical connection. All such piggyback connections served through another customer's meter for a period greater than 30 days annually under the Company's proposal will be treated as additional residential or commercial service. The effect of this clarification and language is to increase the charge for such a connection from \$10 to \$82 (820%) per month if connected to a residential service and to \$165 (1,650%) if connected to a commercial service.

Atlanta Power proposes to change its Schedule 4 reconnection charges for residential customers who voluntarily or involuntarily disconnect from the system for a period of more than 30 days from \$200 to \$335 (approximately 4 times the monthly base rate). Similarly, the Company proposes to change the reconnection charge for commercial customers who voluntarily or involuntarily disconnect from the system for a period of more than 30 days from \$200 to \$660 (approximately 4 times the monthly base rate). These changes, the Company contends, are necessary to discourage customers from seasonally disconnecting from the system causing a loss of revenue to the Company and resulting in upward pressure on rates to keep the Company viable.

Atlanta also proposes to add new fees that are not currently approved by the Commission. The Company requests that the Commission approve a new \$20 fee to reprocess and collect for checks returned by any bank for any reason. The Company also requests that the Commission authorize it to collect late fees of 12% per annum (1% per month) on past due accounts.

COMMISSION DECISION

Atlanta Power on May 1, 2008 filed an Application for an emergency surcharge (effective June 1, 2008) and a general rate increase. Staff recommends that a notice of the Company's Application be issued. Staff has requested copies of the two promissory notes (\$100,000 and \$10,000) and will make a procedural recommendation regarding the Company's request for an emergency surcharge at the Commission's next scheduled decision meeting (May 27, 2008). Does the Commission agree with Staff's recommended procedure?



Scott Woodbury
Deputy Attorney General

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