

BEFORE THE PUBLIC UTILITIES COMMISSION OF THE STATE OF CALIFORNIA

Application of PACIFIC POWER & LIGHT)
COMPANY under the Public Utilities
Code of the State of California for
authority to increase rates for
electric service and to establish a
Major Additions Adjustment Clause
(MAAC).

Application 84-01-48
(Filed January 24, 1984)

INTERIM OPINION

Pacific Power & Light Company (PP&L) seeks authority to increase rates to recover costs associated with a major addition to its rate base. PP&L owns a 10% interest in Colstrip 3; a coal-fired generating plant located in Montana. Colstrip 3 became available to serve PP&L customers on January 10, 1984. The annual revenue increase associated with this major rate base addition is estimated to be \$1,041,000, or 2.7% over revenues produced by present rates, based on estimated consumption for calendar year 1984.

Since January 10, 1984, PP&L has not been accruing allowance for funds used during construction (AFUDC) and PP&L's rates have not been adjusted to reflect Colstrip 3's availability to serve PP&L's customers. PP&L therefore states:

"In order to allow Applicant a reasonable opportunity to earn a fair rate of return, the Applicant should have an opportunity to recover through rates the operating costs and carrying costs applicable to this facility. Therefore, Applicant requests that the Commission hold a hearing as soon as possible... At such hearing, Applicant will request the Commission promptly to authorize Applicant to begin recording deferred revenues applicable to Colstrip 3. As set forth in Exhibit 3, such deferred revenues will not be collected until the Commission issues a final order in this matter." (Application, pp. 4-5.)

In accordance with this request a notice of prehearing conference was sent to all parties in which applicant was advised to be prepared to offer evidence and testimony in support of its request for interim authority to begin recording deferred revenue applicable to Colstrip 3. A prehearing conference was held June 15, 1984 in San Francisco before Administrative Law Judge Baer at which PP&L sponsored evidence and testimony in support of its request for authority to begin recording deferred revenue for Colstrip 3.

In consultation with the staff of the Revenue Requirements Division PP&L developed a proposed accounting treatment for the deferral of revenue associated with Colstrip 3. PP&L introduced the proposal through its witness Stephen E. Pearson as Exhibit 10. The proposal has the staff's support.

The granting of PP&L's request for interim authority to record deferred revenue, effective immediately, will not involve a rate increase, but will merely allow the company to record for future ratemaking purposes its estimated revenues associated with Colstrip 3. If the Commission in a future order allows PP&L to place Colstrip 3 in rate base and to raise its rates to recover its investment in and operating costs of the plant, then the deferred revenues booked in accordance with this opinion may be amortized over an appropriate period by surcharge or other rate treatment. Our order today places PP&L in the same position it would have been, had this issue been filed on a timely basis during PP&L's general rate case.

Findings of Fact

1. Colstrip 3 became operational on January 10, 1984.
2. The revenue requirement associated with PP&L's interest in Colstrip 3 for California jurisdictional purposes is \$1,041,000 on a 1984 estimated basis.
3. Pending a final order in this proceeding, authority to defer revenue associated with Colstrip 3 will allow PP&L the opportunity to recover its investment and operating costs if the Commission allows Colstrip 3, or a portion thereof, into rate base.
4. No protests have been filed and there is no opposition to PP&L's proposed accounting treatment for the deferral of revenue associated with Colstrip 3.

Conclusions of Law

1. The request for authority to begin recording deferred revenue applicable to Colstrip 3 should be granted, using the procedures prescribed in the Appendix.
2. This order should be effective immediately because Colstrip 3 is operational, PP&L's investment therein is not now in rate base, and PP&L has ceased accruing AFUDC.

INTERIM ORDER

IT IS ORDERED that Pacific Power & Light Company may begin recording deferred revenue applicable to Colstrip 3 as follows in accordance with the accounting treatment described in the Appendix.

This order is effective today.

Dated JUL 18 1984, at San Francisco, California.

LEONARD M. GRIMES, JR.
President

VICTOR CALVO

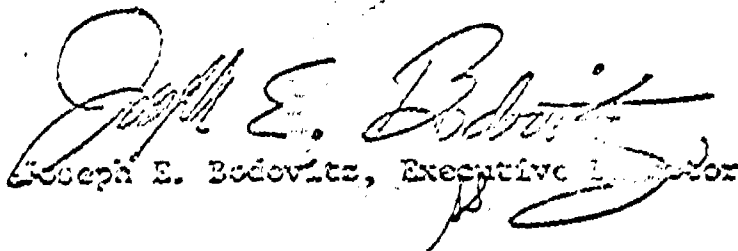
PRISCILLA C. GREW

DONALD VIAL

WILLIAM T. BAGLEY

Commissioners

I CERTIFY THAT THIS DECISION
WAS APPROVED BY THE ABOVE
COMMISSIONERS TODAY.


Joseph E. Bodovitz, Executive Director

Prescribed Accounting Treatment of the
Deferred Billing Relative to Colstrip Unit 3

The following accounting treatment for the deferral of revenue associated with the Colstrip Unit 3 Steam Generating Plant is authorized:

- a. Pacific shall defer a prorata portion of the requested annual revenue requirement associated with Colstrip 3 beginning with service on the date of this order and ending at such time as may be later determined by the Commission. The deferred revenue shall be determined based on kilowatt hour sales during the deferral period times the requested revenue requirement in A.84-01-48 expressed as mills per kilowatt hour using the 1984 test year forecast kilowatt hours as the divisor.
- b. Interest on the balance shall accrue at the 3-month commercial paper interest rate published in the Federal Reserve Bulletin.
- c. The following accounting entries shall be made:
 1. The monthly estimated amount of deferred revenue as previously defined shall be recorded in Account 173, "Accrued Utility Revenues." The determination of such revenues, including supporting documentation, shall be available for review by Commission staff or other interested parties on a monthly basis during the prescribed period.
 2. The credit entry associated with amounts recorded in Account 173, "Accrued Utility Revenues," shall be recorded in Account 456, "Other Electric Revenue."
 3. Each month Pacific shall accrue interest on the average monthly balance and debit Account 173 "Accrued Utility Revenue" and credit Account 419 "Interest Income". If and when increased rates associated with Colstrip Unit 3 are made effective, Account 173 "Accrued Utility Revenues" and Account 456 "Other Electric Revenue" will be adjusted to reflect the actual deferred revenues earned plus interest thereon. The actual deferred revenues earned will be equal to the incremental rate per kilowatt hour based on the final authorized additional revenue requirement, if any, times the actual kilowatt hour sales for the period beginning with the date of the order authorizing deferred revenue accrual and ending with service on the date prior to institution of the surcharge.

Prescribed Accounting Treatment of the
Deferred Billing Relative to Colstrip Unit 3

The following accounting treatment for the deferral of revenue associated with the Colstrip Unit 3 Steam Generating Plant is authorized:

- a. Pacific shall defer a prorata portion of the requested annual revenue requirement associated with Colstrip 3 beginning with service on the date of this order and ending with the effective date as established by the Commission. The deferred revenue shall be determined based on kilowatt hour sales during the deferral period times the requested revenue requirement in A.84-01-48 expressed as mills per kilowatt hour using the 1984 test year forecast kilowatt hours as the divisor. ✓/C
- b. Interest on the balance shall accrue at the 3-month commercial paper interest rate published in the Federal Reserve Bulletin.
- c. The following accounting entries shall be made:
 1. The monthly estimated amount of deferred revenue as previously defined shall be recorded in Account 173, "Accrued Utility Revenues." The determination of such revenues, including supporting documentation, shall be available for review by Commission staff or other interested parties on a monthly basis during the prescribed period.
 2. The credit entry associated with amounts recorded in Account 173, "Accrued Utility Revenues," shall be recorded in Account 456, "Other Electric Revenue."
 3. Each month Pacific shall accrue interest on the average monthly balance and debit Account 173 "Accrued Utility Revenue" and credit Account 419 "Interest Income". If and when increased rates associated with Colstrip Unit 3 are made effective, Account 173 "Accrued Utility Revenues" and Account 456 "Other Electric Revenue" will be adjusted to reflect the actual deferred revenues earned plus interest thereon. The actual deferred revenues earned will be equal to the incremental rate per kilowatt hour based on the final authorized additional revenue requirement, if any, times the actual kilowatt hour sales for the period beginning with the date of the order authorizing deferred revenue accrual and ending with service on the date prior to institution of the surcharge.