

INTEROFFICE MEMORANDUM

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Subject: FERC ADJUSTMENT - COLSTRIP 3 & 4 COMMON

During FERC's recent compliance audit they disallowed certain charges to Acct 101 for Common Plant related to Colstrip 3 & 4, (primarily AFUDC accrued on Plant in Service) totaling \$21,589,277.

The Company was required to book an entry in December 1987 to reduce Plant in Service as follows:

Colstrip 3 & 4 Generation	\$13,325,303.64
Colstrip 3 & 4 Transmission	7,944,337.89
Colstrip # & 4 Communications	319,635.47
	<u>\$21,589,277.00</u>

In addition FERC computed the amount of depreciation that should have been accrued on the Colstrip 3 & 4 Common Plant that was carried in CWIP until the closing of Colstrip # 4 in the amount \$3,803,354. The Company was required to book an entry in December 1987 to increase the Accumulated Provision for Depreciation, Acct. 108, for this amount.

The total of these two adjustments, \$25,392,631 was charged to Misc. Deferred Debits (186-25) in December 1987 to be amortized to Acct 406 over the average useful life of the assets, approximately 37.45 years or 2.67%.

In December 1987 Acct 406 was charged and Acct 186-25 was credited for \$576,627. The amortization applicable to the year 1987. $R1 = 37.45 - 1$

During the 9 months of 1988 Acct 406 was charged and Acct 186-25 was credited for \$510,617.25. $= 36.45$

The amortized balance at 9-30-88 in Acct 186-25 is \$24,305,386.75.

The above all relates to the books as required by FERC.

For Ratemaking, I propose the following:

Depreciation - Depreciation expense will be computed by using 9-30-87 and 9-30-88 simple average times the appropriate rate plus the simple average of CWIP in service (Acct 106) in the two periods. Since the reduction of PIS did not occur on the books until December 1987, the 9-30-87 balance for depreciation purposes will be reduced the \$21,589,277.

Amortization - Amortization expense has been charged \$1,087,244.25 during the test period. Only \$654,774. is applicable to the 12 months ended 9-30-88 computed as follows:

1987 amort recorded in Dec of \$576,627 divided by 12 times 3 months