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COMPTROLLER GENERAL OF THE UNITED STATES  
WASHINGTON, D.C. 20548

B-114858

DEC 19 1975



The Honorable  
The Secretary of the Interior

Dear Mr. Secretary:

We have examined the statement of assets and liabilities of the Federal Columbia River Power System (see note 1 to the financial statements) as of June 30, 1975, and the related statements of revenues and expenses and of changes in financial position for fiscal year 1975. We made our examination in accordance with generally accepted auditing standards and included tests of the accounting records of the Corps of Engineers, the Bureau of Reclamation, and the Bonneville Power Administration and such other auditing procedures as we considered necessary in the circumstances.

The accompanying financial statements were prepared on a cost-accounting basis which included depreciation. The statements do not present the financial results on a basis designed to show whether power rates are adequate to repay the Federal investment in the System, for the fiscal year or cumulatively, on the basis of established repayment periods. (See note 1 to the financial statements.)

In our opinion, the accompanying financial statements (exhibits 1, 2, and 3), subject to the financial effects of future adjustments related to the adoption of firm cost allocations, as explained in note 3, present fairly the financial position of the System at June 30, 1975, the financial results of its power operations, and the changes in financial position for the year then ended, in conformity with accounting principles and standards prescribed by the Comptroller General of the United States.

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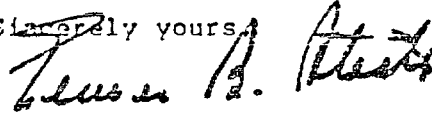
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We are sending copies of this report to the Director, Office of Management and Budget; the Chairman, Federal Power Commission; the Administrator, Bonneville Power Administration; the Commissioner of Reclamation; the Secretary of the Army; and the Chief of Engineers.

Sincerely yours,

Handwritten signature of Thomas A. Stewart in cursive script.

Comptroller General  
of the United States

Enclosures - 6

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FEDERAL COLUMBIA RIVER POWER SYSTEM  
STATEMENT OF REVENUES AND EXPENSES  
FOR THE FISCAL YEARS ENDED JUNE 30, 1975 AND JUNE 30, 1974

	<u>1975</u>	<u>1974</u>
	(In thousands)	
OPERATING REVENUES:		
Bonneville Power Administration		
Sales of electric energy:		
Publicly owned utilities	\$ 99,127	\$ 83,034
Privately owned utilities	44,582	25,380
Federal agencies	6,700	6,699
Aluminum industry	56,469	41,291
Other industry	<u>6,239</u>	<u>4,870</u>
Total	<u>212,917</u>	<u>161,274</u>
Other operating revenues:		
Wheeling revenues	16,321	14,705
Other revenues	<u>5,180</u>	<u>6,074</u>
Total	<u>21,501</u>	<u>20,779</u>
Total Bonneville Power Administration revenues	234,418	182,053
Associated projects		
Other operating revenues	<u>2,729</u>	<u>2,946</u>
Total power system operating revenues	<u>237,147</u>	<u>184,999</u>
OPERATING EXPENSES:		
Operation and maintenance expense:		
Operation expense (Note 9)	45,318	57,774
Maintenance expense	<u>26,005</u>	<u>22,196</u>
Total operation and maintenance expense	71,323	59,970
Purchase and exchange power	19,347	45,243
Depreciation	<u>34,976</u>	<u>33,309</u>
Total operating expenses	<u>125,646</u>	<u>132,522</u>
Net operating revenues	<u>111,501</u>	<u>46,477</u>
INTEREST:		
Interest on Federal investment (Note 2)	128,404	115,368
Interest charged to construction	53,656*	27,051*
Interest income (Note 2)	<u>5,565*</u>	<u>4,001*</u>
Net interest expense	<u>89,183</u>	<u>94,336</u>
NET REVENUE (LCSP) (Schedule B)	<u>\$ 22,318</u>	<u>(\$ 37,859)</u>

\*Denotes deduction

"Notes to the Financial Statements" are an integral part of this statement.

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FEDERAL COLUMBIA RIVER POWER SYSTEM  
 STATEMENT OF ASSETS AND LIABILITIES  
 AS OF JUNE 30, 1975 AND JUNE 30, 1974

Exhibit 2

	<u>ASSETS</u>		<u>LIABILITIES</u>	
	<u>June 30</u>		<u>June 30</u>	
	<u>1975</u>	<u>1974</u>	<u>1975</u>	<u>1974</u>
	(In thousands)		(In thousands)	
<b>FIXED ASSETS:</b>				
Completed plant (Schedule A)	\$5,890,365	\$5,560,656		
Retirement work in progress	<u>35,226</u>	<u>20,677</u>		
	4,925,589	3,601,313		
Less accumulated depreciation	<u>350,325</u>	<u>320,689</u>		
	3,572,664	3,280,624		
Construction work in progress (Schedule A)	<u>1,019,220</u>	<u>1,068,043</u>		
<b>Total fixed assets (Note 9)</b>	<u>4,651,884</u>	<u>4,348,667</u>		
<b>CURRENT ASSETS:</b>				
Unexpended funds (Note 7)	129,798	135,258		
Investments (Notes 2 and 7)	11,011	0		
Special funds	7,002	8,895		
Accounts receivable	48,791	35,721		
Materials and supplies	<u>22,857</u>	<u>17,024</u>		
<b>Total current assets</b>	<u>219,459</u>	<u>196,926</u>		
<b>OTHER ASSETS AND DEFERRED CHARGES:</b>				
Trust funds construction work in progress (Note 7)	16,899	18,184		
Other assets and deferred charges (Note 1)	<u>30,465</u>	<u>13,918</u>		
<b>Total other assets and deferred charges</b>	<u>47,364</u>	<u>32,102</u>		
<b>TOTAL ASSETS</b>	<u>\$4,918,707</u>	<u>\$4,577,695</u>		
<b>PROPRIETARY CAPITAL:</b>				
Investment of U.S. Government in power facilities:				
Congressional appropriations	\$5,571,537	\$5,198,240		
Revenues transferred to Continuing Fund	7,005	7,005		
Transfers from other Federal agencies, net	37,996	36,604		
Interest on Federal investment (Note 8)	<u>1,287,590</u>	<u>1,160,501</u>		
<b>Gross Federal investment</b>	6,910,128	6,402,350		
Less funds returned to U.S. Treasury	<u>2,412,854</u>	<u>2,227,432</u>		
<b>Net investment of U.S. Government</b>	<u>4,497,274</u>	<u>4,174,918</u>		
Accumulated net revenues:				
Balance at beginning of year	290,588	328,546		
Net Revenues - current year (Exhibit 1)	20,518	37,899*		
Prior years adjustment (Note 10)	<u>51*</u>	<u>92*</u>		
<b>Balance at end of year</b>	<u>311,106</u>	<u>366,537</u>		
<b>Total proprietary capital in power facilities before irrigation assistance</b>	4,809,663	4,465,446		
Irrigation assistance (1975, \$511 million; 1974, \$474 million) (Schedule A) (Note 4)				
<b>Total proprietary capital</b>	<u>4,809,663</u>	<u>4,465,446</u>		
<b>COMMITMENTS AND CONTINGENCIES (Notes 5 and 6)</b>				
<b>CURRENT LIABILITIES:</b>				
Accounts payable	60,241	62,560		
Employees accrued leave	<u>7,021</u>	<u>8,320</u>		
<b>Total current liabilities</b>	<u>67,262</u>	<u>71,880</u>		
<b>OTHER LIABILITIES AND DEFERRED CREDITS:</b>				
Trust fund advances (Note 7)	19,505	21,296		
Other deferred credits	<u>22,167</u>	<u>19,072</u>		
<b>Total other liabilities and deferred credits</b>	<u>41,672</u>	<u>40,368</u>		
<b>TOTAL LIABILITIES</b>	<u>\$4,918,607</u>	<u>\$4,517,692</u>		

\*Denotes deduction

"Notes to the Financial Statements" are an integral part of this statement.

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## FEDERAL COLUMBIA RIVER POWER SYSTEM

STATEMENT OF CHANGES IN FINANCIAL POSITION  
FOR THE FISCAL YEARS ENDING JUNE 30, 1975  
AND JUNE 30, 1974

	<u>1975</u>	<u>1974</u>
	(In thousands)	
FINANCIAL RESOURCES PROVIDED FROM:		
Operations:		
Net revenues	\$ 22,318	\$ 37,859*
Expenses not requiring repayment	<u>4,976</u>	<u>35,309</u>
Net revenues available for repayment	17,342	2,550*
Prior years adjustments (Note 10)	<u>517</u> *	<u>90*</u>
Resources provided from operations	<u>17,859</u>	<u>2,640*</u>
Federal investment:		
Congressional appropriations	579,297	510,002
Transfers from other Federal agencies, net	1,592	3,548
Interest on Federal investment	127,089	111,352
Transfers to Continuing Fund	<u>0</u>	<u>2,615</u>
Resources provided from Federal investment	<u>707,978</u>	<u>727,517</u>
Total resources provided	<u>\$725,837</u>	<u>\$730,157</u>
FINANCIAL RESOURCES USED:		
Investment in electric utility plant and facilities, net	<u>\$538,193</u>	<u>\$287,706</u>
Funds returned to U.S. Treasury	<u>185,362</u>	<u>141,322</u>
Other uses:		
Increase in current assets net of current liabilities	27,121	663*
Increase in other assets net of other liabilities	<u>13,679</u>	<u>5,387*</u>
Total other uses	<u>40,800</u>	<u>6,050*</u>
Total resources used	<u>\$764,555</u>	<u>\$422,868</u>

\*Denotes deduction

"Notes to the Financial Statements" are an integral part of this statement.

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FEDERAL COLUMBIA RIVER POWER SYSTEM  
AMOUNT AND ALLOCATION OF PLANT INVESTMENT  
AS OF JUNE 30, 1975

(All dollar amounts in thousands)  
ALLOCATED TO:

Project	Total	COMMERCIAL POWER			IRRIGATION			NONRECOVERABLE					Percent of Total Returnable From Commercial Power Revenues		
		Completed Plant	Work in Progress	Total Commercial Power	Returnable From Commercial Power Revenues	Returnable from Other Sources	Total Irrigation	Navigation	Flood Control	NONRECOVERABLE				Other	
										Fish and Wildlife	Recreation	Other			
<b>Projects in Service</b>															
Transmission facilities (BPA)	\$1,592,595	\$1,592,895	\$ 199,698	\$1,592,595											100.0
Albion Falls (CK)	33,262	32,022		32,022											96.3
Buise (BR)	66,331	4,955	561	5,596	\$ 10,737	\$ 35,281	\$ 46,018		\$ 154	\$ 173		\$ 933			24.5
Bonneville (CK)	136,550	61,765	40,596	102,319				32,520				1,632	19		75.1
Chief Joseph (CK)	184,487	155,012	20,441	185,473			723					255	56		99.8
Columbia Basin (BH)	1,650,758	186,776	372,067	599,643	585,921	68,092	454,013	1,000	45,575				527		69.1
Cougar (LE)	56,791	18,059	1	18,060									208		30.7
Detroit-Hig Cliff (CK)	66,624	40,462		40,462								4,766	290		60.7
Dworak (CK) (a)	312,052	200,140		200,140											69.5
Green Peter-Foster (CK)	89,689	49,614	1	49,615		5,772	5,772	9,759	18,799			4,164			55.5
Hills Creek (CK)	40,794	17,511	14	17,525		4,313	4,313	625	26,250				275		55.5
Happy Horse (BH)	101,371	77,347	5	77,344											75.9
Ice Harbor (CK)	170,701	90,223	27,900	124,123				44,371							72.7
John Day (CK) (a)	515,672	379,357	2	379,359				85,581	14,470			10,844	26,410		73.4
Little Goose (CK) (a)	173,790	118,590	2,532	121,122				46,498				995	2,585		69.7
Lookout Point-Luster (CK)	95,209	45,832	1	45,833		1,324	1,324	709	46,714				75		48.1
Lower Granite (CK) (a)	305,273	234,333	4,082	239,015				52,469				5,678	6,111		78.8
Lower Monumental (LE) (a)	200,317	150,022	682	150,424				47,504				2,032	417		75.1
Mary (CK)	33,276	29,563	971	29,534				52,601				1,091			82.9
Mintaka-Palouse (CK)	97,013	13,599	13	13,572									170		24.1
The Dalles (CK)	318,231	273,523	614	274,337	10,059	43,599	53,450		29,731				294		86.2
Yakima (CK)	65,331	4,571		4,571	10,613	48,429	59,044		42,063			226	\$ 1,152	238	23.3
<b>Projects Under Construction in</b>															
Libby (CK)	454,735		373,834	373,834								76,449		43,450	75.7
Lost Creek (CK)	97,152		13,015	13,015		1,545	1,545		31,494	17,166		13,923	9,000		18.5
Taftan (CK)	52,592		8,609	8,609	31,013	3,559	34,572		8,560			791			75.5
<b>Irrigation Assistance at 11 Projects Having No Power Generation</b>	61,520				61,520		61,520								
<b>Subtotal Plant Investment</b>	<b>6,710,260</b>	<b>3,890,363</b>	<b>1,078,220</b>	<b>4,969,583</b>	<b>510,598</b>	<b>210,427</b>	<b>730,025</b>	<b>416,736</b>	<b>432,131</b>	<b>18,319</b>	<b>49,634</b>	<b>95,23 (c)</b>			<b>81.7</b>
<b>Repayment Obligation retained by Columbia Basin Project</b>	<b>2,211</b>	<b>1,222</b>		<b>1,222 (b)</b>	<b>899</b>		<b>899</b>								<b>100.0</b>
<b>Total</b>	<b>\$6,712,471</b>	<b>\$3,891,585</b>	<b>\$1,079,440</b>	<b>\$4,970,805</b>	<b>\$511,497</b>	<b>\$219,427</b>	<b>\$730,924</b>	<b>\$416,736</b>	<b>\$432,131</b>	<b>\$18,319</b>	<b>\$49,634</b>	<b>\$95,23 (c)</b>			<b>81.7</b>

BPA - Bonneville Power Administration  
CK - Corps of Engineers  
BR - Bureau of Reclamation

(a) Projects in service that have tentative cost allocations at June 30, 1975. Projects under construction have tentative cost allocations (Note 3).

(b) Joint facilities transferred to Bureau of Sport Fisheries and Wildlife. This portion is included in Exhibit 2 as a deferred item.

(c) Included in this amount are non-reimbursable road costs amounting to \$82.7 million.

"Notes to the Financial Statements" are an integral part of this schedule.

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FEDERAL COLUMBIA RIVER POWER SYSTEM  
 RECONCILIATION OF  
 COST ACCOUNTING  
 FINANCIAL STATEMENTS  
 TO REPAYMENT STUDY  
 FOR THE FISCAL YEAR  
 ENDED JUNE 30, 1975  
 (All dollar amounts in thousands)

Schedule B

	Cumulative Balance June 30, 1974	Fiscal Year 1975 Operations	Prior Years Adjustments	Cumulative Balance June 30, 1975	Cumulative Adjustment to Repayment Basis	Cumulative Data through June 30, 1975 on Repayment Study
		(Exhibit 1)	(Note 10)		(Note 1)	
OPERATING REVENUES	<u>32,465,706</u>	<u>3237,147</u>		<u>32,702,853</u>		<u>32,702,853</u>
EXPENSES:						
Purchase and exchange power	202,036	19,347		221,383	314,441	235,824
Operation and maintenance expense	695,438	72,323		766,761		766,761
Interest expense	679,293	59,153		968,466		968,466
Depreciation	<u>308,761</u>	<u>34,976</u>	<u>3517</u>	<u>433,354</u>	<u>433,354</u> *	
Total expenses	<u>2,175,119</u>	<u>214,923</u>	<u>517</u>	<u>2,390,464</u>	<u>419,413</u> *	<u>1,971,051</u>
NET REVENUES (Exhibit 2)	<u>\$ 290,568</u>	<u>\$ 22,716</u>	<u>3517*</u>	<u>3,712,389</u>		
RECONCILIATION TO CUMULATIVE AMORTIZATION				<u>\$ 312,389</u>	<u>\$419,413</u>	731,802
Revenues not available for amortization and carried as investment in U.S. Government securities to provide working capital						<u>11,352*</u>
CUMULATIVE AMORTIZATION						<u>\$ 700,650 (a)</u>
<b>(a) CHANGES IN CUMULATIVE AMORTIZATION:</b>						
Cumulative amortization through June 30, 1974						<u>\$ 651,777</u>
Fiscal year 1975						
Depreciation, including property retirements						35,493
Net revenues						22,319
Prior years adjustments						517*
Purchase and exchange power-adjustment						17,269*
Revenues invested in lieu of amortization						11,352*
Amortization for the year						<u>29,373</u>
Cumulative amortization through June 30, 1975						<u>\$ 700,650</u>

\*Deduction

"Notes to the Financial Statements" are an integral part of this schedule.

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FEDERAL COLUMBIA RIVER POWER SYSTEM

NOTES TO THE FINANCIAL STATEMENTS

Note 1. Major Accounting Considerations

The Federal Columbia River Power System (FCRPS) consists of the Bonneville Power Administration (BPA) and the generating facilities of the Corps of Engineers (Corps) and the Bureau of Reclamation (Bureau) for which BPA is the power marketing agent. Each entity is separately managed and financed, but the facilities are operated as an integrated power system with the financial results consolidated under the FCRPS title.

These financial statements are prepared on a cost accounting basis including compound interest depreciation and interest on the unamortized Federal investment.

Costs of multi-purpose Corps and Bureau projects are assigned to the individual purposes through a cost allocation process. The portion of total project costs allocated to power is included in these statements. Schedule A lists the projects included in FCRPS and the allocation of plant investment to the various purposes.

BPA wholesale power rates are established by using a separate repayment analysis. The differences between the financial statements and the historical data on the repayment analysis are the treatment of fixed assets, purchased power, and amortization. In the accompanying statements, the depreciation life for fixed assets allocated to power averages about 61 years, with the transmission system averaging 40 years and generating

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projects averaging 37 years. However, the repayment periods used to establish power rates are 50 years for the generating projects and 40 years for the transmission system for an average of 46 years.

The purchase and exchange power costs in the cost accounting financial statements reflect the expense on a revenue and expense matching basis, while the figures in the repayment study are on a cash basis. The difference occurs when, for example, net billing for a thermal plant commences before the commercial operation date, such as the Trojan Nuclear Plant. The statement line item "Other assets and deferred charges" on Exhibit 2 for fiscal years 1975 and 1974 includes 321.1 million and \$8.6 million, respectively, of accumulated Trojan Nuclear Plant costs which will be matched and amortized against revenues produced from that project when it starts operation.

The amount of cumulative amortization shown on the repayment study through fiscal year 1975, \$731.3 million, includes \$720.7 million available for repayment of the U. S. Government investment in power facilities and 10.6 million of revenues invested in U. S. Government securities.

Schedule B provides a correlation between the accompanying cost statements and cumulative totals shown in the first line of the separate repayment analysis.

Note 2. Investment and Interest Income

The Federal Columbia River Transmission System Act approved October 18, 1974, authorized BPA to request the Secretary of the Treasury to invest BPA's temporarily excess funds in securities guaranteed by the United

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States Government. BPA does not include any appropriated funds as temporarily excess funds available for investment.

Prior to passage of this Act and agreement with the U. S. Treasury on implementing investment arrangements, BPA imputed an interest income credit on revenues and other non-appropriated funds held on deposit with the U. S. Treasury. In fiscal year 1974 and prior fiscal years, "Interest on federal investment" on Exhibit 1, was reported net of this interest income credit. Beginning in fiscal year 1975, the Exhibit 1 format has been changed to show all interest income as a separate line item. The fiscal year 1974 amounts shown for comparative purposes in "Interest on federal investment" and "Interest income" have accordingly been restated.

The fiscal year 1975 investments are reported at cost after being adjusted to reflect accrued interest income. It is anticipated that investments will be held until maturity.

Note 3. Tentative Cost Allocations

Plant cost and operation and maintenance expenses based on tentative allocations between power and nonpower purposes are included for eight of the projects listed in Schedule A. In the past, adjustments have been made to plant cost and accumulated net revenues when firm allocations were adopted. At June 30, 1977, total joint plant costs for these eight projects are about \$1.5 billion of which \$1.1 billion are tentatively allocated to power and subject to retroactive adjustment. The amount of adjustments that may be necessary when the allocations become firm is not determinable at this time.

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Note 4. Repayment Responsibility for Irrigation Costs

Legislation requires that FCRPS net revenues will be used to repay the U. S. Treasury the cost of Bureau irrigation facilities which benefiting water users are unable to repay. The use of power revenues for such repayments represents a payment for irrigation assistance to the benefiting water users and, while paid by power rate payers, such costs do not represent a regular operations cost of the power program. The irrigation assistance payments will be shown as reductions of accumulated net revenues at the time future payments are made. The first payment is scheduled to be made in 1997. The 1997 and other future payments are disclosed in the FCRPS repayment studies which are used to establish BPA's power rates. Investment made in irrigation facilities through June 30, 1975, results in estimated irrigation assistance of \$511.5 million. This compares to \$474.5 million at June 30, 1974.

Not included in the above irrigation assistance costs, is any portion of \$20.7 million of original project facility costs allocated to irrigation at six Corps projects. If completion of irrigation facilities is ever proposed for authorization and development at these six projects, a determination of water users' repayment ability will probably be made which might result in additional irrigation assistance being required from power revenues.

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Note 5. Commitments to Exchange Power and Acquire Project Capability

BPA has made commitments to acquire all or part of the generating capability of various thermal power plants, listed in the table below. BPA is obligated to pay by exchange and net-billing agreements its share of the project costs whether or not the project is completed, operable, or operated. The "Present Termination Commitment" represents those project financing costs (without credit for assets) which would have been payable over the varied financing repayment periods if the project had terminated at June 30, 1975.

<u>Estimated BPA Portion</u>				
<u>Project Name</u>	<u>Commitment Period</u>	<u>Capacity</u>	<u>Total Capital Cost</u>	<u>Present Termination Commitment</u>
		(Megawatts)	(In thousands)(In thousands)	
Hanford	Present, for project life	900	366,000	3 60,000
Trojan Nuclear Plant	Present, for project life	339	134,500	122,500
WPPSS* Nuclear Project #1	Start 12/79 for project life	850	1,147,000	102,000
WPPSS Nuclear Project #2	Start 12/76 for project life	1100	794,000	480,000
WPPSS Nuclear Project #3	Start 12/80 for project life	868	952,000	29,000

\* Washington Public Power Supply System

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BPA has also entered into agreements with 41 utilities to exchange an agreed amount of power for their rights to the Canadian Entitlement. The Canadian Entitlement is one-half of the additional power benefits realized from three Canadian Treaty dams. It was purchased for a 30-year period by the 41 utilities with a \$314.1 million bond issue. BPA furnishes a specified amount of power regardless of the actual additional power generated.

Note 6. Contingent Liabilities

Contingent liabilities total approximately \$73.8 million of which \$67.0 million represent various contractor claims and \$6.8 million represent claims under the Federal Tort Claims Act.

Note 7. Trust Funds

For comparative purposes the fiscal year 1974 amounts shown on Exhibit 2 for "Unexpended funds" and "Trust fund advances" have been restated to conform with a new financial presentation for fiscal year 1975. In the new presentation, BPA includes appropriate asset and off-setting liability amounts for unexpended and invested trust funds which are now a part of the "BPA Fund" established by passage of the Federal Columbia River Transmission System Act mentioned in Note 2. Previously, BPA reported only trust fund construction work in progress as the appropriate balance for trust fund asset and liability accounts.

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Note 8. Interest Rates

Rates of interest applied to the unamortized Federal investment for each generating project and for each year's investment in the transmission system range from 2 $\frac{1}{2}$ % to 6 1/8%. The rates have been set either by law, by administrative order pursuant to law, or by administrative policies. They have not necessarily been designed to recover the interest costs to the U.S. Treasury to finance the investment.

Note 9. Imputed Rent

The General Services Administration (GSA) provides facilities to EPA, the Corps, and the Bureau. Beginning in fiscal year 1975, all three agencies are required by law to pay GSA approximate commercial rental rates. Prior to fiscal year 1975, EPA and the Bureau imputed the rental cost, but the Corps did not because they believed the costs were insignificant. The Corps has estimated these rental costs at \$1.7 million for fiscal years 1972-74 of which \$.5 million would be expensed and \$1.2 million capitalized.

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Note 10. Adjustments to Accumulated Net Revenues

The following table lists the prior year adjustments deducted from Accumulated Net Revenues as shown in Exhibit 2 and Schedule B.

	Fiscal Year 1975	Fiscal Year 1974
	(In thousands)	
1. Property retirements	\$ 517	\$ -0-
2. Retroactive pay increase off- setting prior year's funds	-0-	225
3. Capitalization of plant previously expensed	-0-	(89)
4. Reduction of interest expense, net	-0-	(35)
	<hr/>	<hr/>
Net Decrease	\$ <u>517</u>	\$ <u>99</u>

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