

Service Date: June 8, 1987

DEPARTMENT OF PUBLIC SERVICE REGULATION  
BEFORE THE PUBLIC SERVICE COMMISSION  
OF THE STATE OF MONTANA

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IN THE MATTER of the Request of ) UTILITY DIVISION Pacific  
Power and Light Company ) for an Accounting Order  
Concerning Treatment of ) DOCKET NO. 87.4.26  
the Deferral and Recovery of )  
Tree Trimming Expense. ) ORDER NO. 5272

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ACCOUNTING ORDER

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BACKGROUND

1. On April 6, 1987, the Commission received a request from Pacific Power and Light Company (PP&L or Company) for an accounting order relating to the treatment for deferral and recovery of tree trimming expense.
2. According to PP&L, a serious tree interference problem exists in many parts of its Montana service territory. In order to get this situation under control, the Company has developed a plan to resolve the problem over the next three years at a cost of approximately \$240,000 per year, as assigned to Montana. The Company is currently authorized recovery in rates of about \$111,000 associated with tree trimming in Montana.
3. The Company believes that in order for it to proceed with the accelerated portion of this tree trimming program that special accounting treatment is necessary to reflect the

extraordinary nature of this particular program and to allow the Company an opportunity to recover its related costs. PP&L, therefore, requests that it be allowed to defer the difference between the total tree trimming expenditure required to implement the program and the amount currently authorized in rates to recover these expenses. The Company also stated that it expects to propose to include the deferred balance in authorized ratemaking results of operations over a three to five year period, with amortization of the deferred balance commencing approximately one year after the implementation of the accelerated program. PP&L expects to propose to recover these expenditures in revised rates, and it will come forward at the earliest possible date in order to provide notice to its customers of the proposed increase and the opportunity for hearing. The Company requests that the additional expense over and above that normally experienced be deferred for accounting purposes until rates which include such deferred charges are effective. At such time the Company will request that it be allowed to increase rates to recover the deferred accounting balance associated with the additional tree trimming charges. The Company proposes to amortize this balance over no more than five years.

4. The Company stated that it must obtain an order from the Commission authorizing PP&L to defer the accelerated expenditures associated with funding this program in order to allow the Company's proposed accounting to conform with generally accepted accounting principles. Therefore, the Company requests that the Commission issue an order authorizing the Company to defer a portion of the tree trimming expenses explained above and, subject to later

notice and opportunity for hearing, allow ratemaking amortization of these deferred charges concurrent with such charges being allowed in rates.

5. The Company's proposed accounting treatment of the deferred operating expenses associated with tree trimming is as follows:

1.) Each month of the deferral period, the portion of total actual tree trimming expense that exceeds the total amount of tree trimming expense currently being recovered in rates will be deferred. The amount deferred will not exceed an average of \$129,000 per year for the three years.

2.) The deferred balance resulting from 1.) above will accrue interest at the currently authorized rate of return.

3.) The Company may later request that the deferred balance plus interest will be amortized as an allowable cost commencing with service rendered on a permanent rate filing date when these costs are included in rates. The amortization period will cover a period of not more than approximately five years.

4.) The following illustrates the appropriate monthly accounting entries to be utilized in recording and amortizing the deferred expense:

#### Deferred Recordings

DR Miscellaneous Deferred Debits	186	XXX
CR Tree Trimming Expense	593-11	XXX

CR Interest Income	419	XXX
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Deferral Amortization

DR Customer Accounts Receivable	142	XXX
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CR Operating Revenues	400	XXX
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DR Tree Trimming Expense	593-11	XXX
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CR Miscellaneous Deferred Debits	186	XXX
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COMMISSION ANALYSIS AND DECISION

6. The Commission is willing to grant PP&L's request for an accounting order. This action, however, is not an approval of the accounting procedure proposed by the Company or the length of time such accounting shall be deemed as proper. This approval is for accounting purposes only to allow PP&L to conform, in the Company's opinion, with generally accepted accounting principles. This Order is not to be construed as, nor is it in any way, a directive as to the proper accounting treatment for such carrying charges, or an approval of either the actual numbers involved, the accounting method used, or the assumptions underlying those numbers. Most importantly, this Order does not prejudice in any fashion the treatment of the numbers and accounts involved for any future ratemaking proceeding. Accordingly, contrary to PP&L's request for immediate ratemaking treatment, the Commission denies any action in this Order concerning proper ratemaking treatment for any of the costs associated with the proposed tree trimming program. For the purposes of future ratemaking treatment, the tree trimming program and any related carrying costs are separate items. The Company will have the

opportunity, as well as the burden, to demonstrate in a future general rate proceeding that any accrued carrying costs associated with this tree trimming plan are recoverable costs. This Order has no bearing upon the merits of such a determination or any other Commission determination concerning any costs or ratemaking treatment associated with the proposed tree trimming program.

#### CONCLUSIONS OF LAW

1. The Pacific Power and Light Company is a public utility furnishing electric service to consumers in the State of Montana, subject to the supervision, regulation, and control of this Commission. Title 69, Chapter 3, MCA, Section 69-3-102, MCA.

Done and dated this 5th day of June, 1987, by a vote of 4-0.

BY ORDER OF THE MONTANA PUBLIC SERVICE COMMISSION

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CLYDE JARVIS, Chairman

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DANNY OBERG, Commissioner

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JOHN B. DRISCOLL, Commissioner

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HOWARD L. ELLIS, Commissioner

ATTEST:

Ann Purcell  
Commission Secretary

(SEAL)

NOTE: Any interested party may request that the Commission reconsider this decision. A motion to reconsider must be filed within ten (10) days. See 38.2.4806, ARM.