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

DEC 21 1970

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Dear Mr. Secretary:

The General Accounting Office has examined the accompanying financial statements prepared by the Bonneville Power Administration, Department of the Interior, for the Federal Columbia River Power System for fiscal year 1970. Our examination was made pursuant to the Budget and Accounting Act, 1921 (31 U.S.C. 53), and the Accounting and Auditing Act of 1950 (31 U.S.C. 67).

The designation "Federal Columbia River Power System" (System) is used to describe the integrated Federal power system in the Pacific Northwest comprising the (1) power generating facilities of the Corps of Engineers (Civil Functions), Department of the Army, and of the Bureau of Reclamation, Department of the Interior, and (2) transmission facilities of the Bonneville Power Administration. The Bonneville Power Administration markets the power generated by the integrated System.

The statements present the financial results of operations and the source and application of funds in the generating, transmitting, and marketing of electric power for fiscal year 1970 and the financial position of the System at June 30, 1970.

Our examination of the financial statements was made 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. Our preceding examination of financial statements of the System was made for fiscal year 1969.

The accompanying financial statements for the System were prepared on a cost-accounting basis. They 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, either for the fiscal year or cumulatively. (See note 2 to the financial statements.) A separate analysis is prepared by the Bonneville Power Administration for the System for repayment purposes. The period over which fixed assets are depreciated for cost-accounting purposes is based on an average composite life of 64 years for the entire System whereas a period of 50 years for the generating projects and 45 years for the transmission system is used for repayment purposes. Wholesale power rates are based upon this repayment analysis rather than the cost-based statements.

Our report for fiscal year 1969 stated that the Department of the Interior had announced in a press release on October 27, 1969, that interest rates applicable to the Government's investment in new Federal power projects would be increased from 3-1/4 to 4-7/8 percent in fiscal year 1970 and that, in subsequent years, the rate would be based on the average yields on long-term obligations of the U.S. Treasury but would be adjusted by not more than one half of 1 percent each July 1. The press release stated that the new rate would apply to projects where the interest rate is subject to administrative determination and would result in interest costs more nearly comparable to the Government's financing costs for new projects.

On January 29, 1970, Secretarial Order 2929 was issued directing the change in the interest rate. Subsequent guidelines for implementing the Secretarial Order provided for an interest rate of 4-7/8 percent for a reservoir project, or unit, the construction of which is initiated after January 29, 1970. Also the guidelines provided that new investment in system transmission facilities each year be treated as a separate stage of development and that the 4-7/8 percent interest rate apply beginning in fiscal year 1971. The Bonneville Power Administration, therefore, will first use the new interest rate in fiscal year 1971.

The accounts and financial statements are subject to retroactive adjustment, because firm allocations of the cost of joint-use facilities to power and other purposes have not been made for four of the 20 generating projects in service as of June 30, 1970. (See note 3 to the financial statements.) Such changes in allocations have sometimes resulted in significant adjustments to plant investment allocated to power and to accumulated net revenues. For example, during fiscal year 1970 firm allocations recorded for the Palisades and Detroit-Big Cliff Projects resulted in the allocations of plant investment to power for the two projects being decreased $1,828,000 and the accumulated net revenues being increased $1,205,000.

Our fiscal year 1968 and 1969 reports commented on the need for firm cost allocations for the Chief Joseph and Palisades Projects which had been in service for more than 10 years. The Bureau of Reclamation has now firmed up the cost allocation for the two projects. Required action to arrive at a firm allocation of the cost for the Chief Joseph Project was not taken until July 1970, and the revised cost allocation will be recorded in the fiscal year 1971 accounts and financial statements as disclosed in note 3.

Other matters, as discussed in the notes to the financial statements, remain to be resolved for improved disclosure of the financial position and results of operations of the integrated power system. These other matters include inconsistencies (1) in computing interest expense on the Federal investment and in capitalizing interest costs during construction, (2) in reporting accrued annual leave as a liability, and (3) in capitalizing preliminary survey and investigation costs.

The General Accounting Office has reviewed some of these matters and has recommended to the Secretary of the Interior or to the Commissioner of Reclamation that the Bureau of Reclamation (1) capitalize interest costs during construction as part of the Federal investment for all power projects constructed prior to 1956 and compute the accumulated annual interest expense on the basis of such noncapitalized costs, (2) compute interest expense on net additions to the Federal investment during each year and make a retroactive adjustment for such interest expense that was not recorded in past years, and (3) provide that such noncapitalized interest costs and interest expense be repaid to the Treasury from power revenues.

The General Accounting Office has also recommended to the Chief of Engineers that preliminary survey and investigation costs incurred prior to congressional authorization of a project be recorded and recovered from power revenues. These recommendations have not been adopted. We are following up on them with the Bureau and the Corps.

Subject to the financial effects of future adjustments related to adoption of firm cost allocations and of the resolution of the other matters described above, the accompanying financial statements, in our opinion, present fairly the assets and liabilities of the Federal Columbia River Power System at June 30, 1970, the financial results of its power operations, and the source and application of its funds for the year then ended, in conformity with accounting principles and standards prescribed for executive agencies of the Federal Government by the Comptroller General of the United States. These accounting principles and standards were applied on a basis consistent with that of the preceding period, except for the change, with which we agree, in the treatment of trust fund assets and liabilities explained in note 10 of the financial statements.

Copies of this report are being sent to the Director, Office of Management and Budget; the Administrator, Bonneville Power Administration; the Commissioner of Reclamation; the Secretary of the Army; and the Chief of Engineers.

Sincerely yours,

Elmer B. Staats

Comptroller General
of the United States

Enclosures

The Honorable
The Secretary of the Interior

EXHIBIT 1

UNITED STATES OF AMERICA

FEDERAL COLUMBIA RIVER POWER SYSTEM

STATEMENT OF COMMERCIAL POWER REVENUES AND EXPENSES
FOR THE FISCAL YEARS ENDED JUNE 30, 1970 AND JUNE 30, 1969

(NOTES 1 AND 2)

(In thousands)

	Fiscal Year 1970	Fiscal Year 1969
OPERATING REVENUES:		
Sales of electric energy by Bonneville Power Administration:		
Publicly owned utilities	$ 58,420	$ 55,752
Privately owned utilities	20,319	16,967
Federal agencies	4,090	4,662
Aluminum industry	44,614	40,871
Other industry	5,449	5,333
Total	132,892	123,585
Other operating revenues:		
Wheeling revenues	9,507	9,160
Other revenues	5,281	4,532
Total	14,788	13,692
Total operating revenues	147,680	137,277
OPERATING EXPENSES:		
Purchase and exchange power	11,468	12,526
Operation	26,022	23,473
Maintenance	13,373	11,053
Depreciation	21,645	19,228
Total operating expenses	72,508	66,280
Net operating revenues	75,172	70,997
INTEREST AND OTHER DEDUCTIONS: (Notes 4 & 5)		
Interest on Federal investment	57,258	49,005
Interest charged to construction	6,896*	5,681*
Miscellaneous income deductions, net	98	441*
Net interest and other deductions	50,460	42,883
NET REVENUES	$ 24,712	$ 28,114
ACCUMULATED NET REVENUES:		
Balance at beginning of year	$322,584	$296,557
Net revenues-current year	24,712	28,114
Prior years adjustments (Note 11)	908*	2,087*
Balance at end of year	$346,388	$322,584

*Denotes deduction

"Notes to the financial statements" are an integral part of this statement.

UNITED STATES OF AMERICA

FEDERAL COLUMBIA RIVER POWER SYSTEM

STATEMENT OF ASSETS AND LIABILITIES OF THE COMMERCIAL POWER PROGRAM AS OF JUNE 30, 1970 AND JUNE 30, 1969 (NOTES 1 AND 2)

(In thousands)

ASSETS

	June 30	
	1970	1969
FIXED ASSETS:		
Completed plant (Schedule A)	$2,749,012	$2,362,822
Retirement work in progress	28,235	11,861
	2,777,247	2,374,683
Less accumulated depreciation	235,997	217,401
	2,541,250	2,157,282
Construction work in progress (Schedule A) (Note 9)	673,421	803,190
Total fixed assets	3,214,671	2,960,472
CURRENT ASSETS:		
Unexpended funds	112,242	141,784
Special funds	2,202	3,314
Accounts receivable	23,897	21,856
Materials and supplies	17,582	13,942
Total current assets	155,923	180,896
DEFERRED CHARGE FOR PAYMENT OF IRRIGATION ASSISTANCE (Schedule A) (Note 6)	390,466	386,943
OTHER ASSETS AND DEFERRED CHARGES:		
Trust funds (Note 10)	6,099	1,092
Other assets and deferred charges (Note 9)	4,303	13,586
Total other assets and deferred charges	10,402	14,678
TOTAL ASSETS	$3,771,462	$3,542,989

LIABILITIES

	June 30	
	1970	1969
INVESTMENT OF U.S. GOVERNMENT:		
Congressional appropriations	$3,846,213	$3,587,005
Revenues transferred to continuing fund	4,033	3,909
Transfers from other Federal agencies, net	27,764	23,799
Interest on Federal investment (Notes 4 and 5)	776,287	705,432
Gross Federal investment	4,654,297	4,320,145
Less funds returned to U.S. Treasury	1,690,018	1,557,948
Net investment of U.S. Government	2,964,279	2,762,197
ACCUMULATED NET REVENUES:		
Balance at beginning of year	322,584	296,557
Net revenues current year (Exhibit 1)	24,712	28,114
Prior years adjustments (Note 11)	908*	2,087*
Balance at end of year	346,388	322,584
CURRENT LIABILITIES:		
Accounts payable	55,832	61,352
Employees accrued leave (Note 5)	4,336	3,937
Total current liabilities	60,168	65,289
LIABILITY OF U.S. GOVERNMENT FOR PAYMENT OF IRRIGATION ASSISTANCE (Schedule A) (Note 6)	390,466	386,943
OTHER LIABILITIES AND DEFERRED CREDITS:		
Trust fund advances (Note 10)	6,099	1,156
Other deferred credits	4,062	4,820
Total other liabilities and deferred credits	10,161	5,976
TOTAL LIABILITIES	$3,771,462	$3,542,989

*Denotes deduction

"Notes to the financial statements" are an integral part of this statement.

EXHIBIT 2

EXHIBIT 3

UNITED STATES OF AMERICA

FEDERAL COLUMBIA RIVER POWER SYSTEM

STATEMENT OF SOURCE AND APPLICATION OF FUNDS OF COMMERCIAL POWER PROGRAM FOR FISCAL YEAR ENDING JUNE 30, 1970 (NOTES 1 AND 2)

(In thousands)

SOURCE OF FUNDS:		
Congressional appropriations	$259,208	
Transfers from other Federal agencies	3,965	
Gross investment		$263,173
Revenue from sale of electric energy	132,892	
Other operating revenue	14,788	
Total revenues		147,680
Total source of funds		$410,853
APPLICATION OF FUNDS:		
Operation and maintenance expense (includes cost of purchased power, miscellaneous income deductions and adjustments for prior years of $1,500)		$52,461
Investment in electric utility plant (Does not include capitalized interest of $21,065)		254,759
Return of funds to U.S. Treasury for:		
Operation and maintenance expense	$ 52,461	
Interest on Federal investment, including adjustment for prior years of $572	49,790	
Repayment of capital investment	29,819	
Total funds returned to U.S. Treasury		132,070
Decrease in current assets and liabilities, net		19,852*
Decrease in other assets and deferred charges, net of other liabilities and deferred credits (excluding irrigation assistance)		8,461*
Funds transferred to the continuing fund		124*
Total application of funds		$410,853

*Denotes deduction
"Notes to the financial statements" are an integral part of this statement.

UNITED STATES OF AMERICA

FEDERAL COLUMBIA RIVER POWER SYSTEM

AMOUNT AND ALLOCATION OF PLANT INVESTMENT
AS OF JUNE 30, 1970 (NOTES 1 AND 3)
PROJECTS IN SERVICE AND UNDER CONSTRUCTION

(In thousands)

		ALLOCATED TO:											
		COMMERCIAL POWER			IRRIGATION			NONREIMBURSABLE					
Project	Total	Completed Plant (Notes 1 and 2)	Construction Work in Progress	Total	Returnable from Commercial Power Revenues	Returnable from Other Sources (Note 6)	Total Irrigation	Navigation	Flood Control	Fish and Wildlife	Recreation	Other	Percent of Total Returnable from Commercial Power Revenues
Projects in Service													
Transmission facilities (BPA)	$1,128,567	$1,013,473	$115,094	$1,128,567									100.0
Albeni Falls (CE)	32,794	31,903		31,903				$ 134	$ 173		$ 584		97.3
Boise (BR)	65,606	4,893	7	4,900	$ 11,002	$ 34,744	$ 45,746		14,960				24.2
Bonneville (CE)	92,292	61,681	2,158	63,839				28,301			152		69.2
Chief Joseph (CE) (d)	157,249	155,592	1,465	157,057							192		99.9
Columbia Basin (BR)	664,678	182,184	62,732 (a)	244,916	327,339	67,773	395,112	1,000	43,110			$ 540	83.6
Cougar (CE)	57,205	17,667	1	17,668		3,081	3,081	513	35,943				30.9
Detroit-Big Cliff (CE)	66,370	40,363	1	40,364		5,026	5,026	219	20,761				60.8
Green Peter-Foster (CE) (d)	86,787	46,894	6	46,900		6,433	6,433	358	31,094		332	1,670	54.0
Hills Creek (CE)	48,761	17,302		17,302		4,583	4,583	625	26,251				35.5
Hungry Horse (BR)	102,154	77,477	12	77,489					24,665				75.9
Ice Harbor (CE)	138,936	93,563	779	94,342				43,661			933		67.9
John Day (CE) (d)	476,303	286,189	65,670	351,859				81,742	13,957		3,735	25,010 (b)	73.9
Little Goose (CE) (d)	153,672	37,228	68,333	105,561				44,168			360	3,583 (b)	68.7
Lookout Point-Dexter (CE)	94,582	45,565	95	45,660		1,412	1,412	706	46,607		197		48.3
Lower Monumental (CE) (d)	186,205	139,973	1	139,974				45,621			610		75.2
McNary (CE)	305,750	256,559	37	256,596				48,465			689		83.9
Minidoka (BR)	37,033	2,554	41	2,595		34,116	34,116				28	294	7.0
Palisades (BR)	59,846	10,724		10,724	9,985	9,348	19,333		29,645		144		34.6
The Dalles (CE)	276,414	222,647	11,274	233,921				41,792			679	22	84.6
Yakima (BR)	63,466	4,581	1	4,582	9,913	47,819	57,732			$1,152			22.8
Projects under Construction													
Dworshak (CE)	152,604		138,251	138,251				5,114	8,181		1,058		90.6
Libby (CE)	219,173		167,340	167,340					41,310			10,523 (b)	76.4
Lost Creek (CE)	7,895		904	904		132	132		3,213	1,409	1,743	494	11.5
Lower Granite (CE)	44,925		38,983	38,983				5,847			56	39 (b)	86.8
Teton (BR)	2,371		236	236	1,316	394	1,710		396		29		65.5
Irrigation assistance at 11 projects having no power generation	30,052	—	—	—	30,052	—	30,052	—	—	—	—	—	100.0
Subtotal plant investment	4,771,690	2,749,012	673,421	3,422,433	389,607	214,861	604,468	348,266	340,266	2,561	11,521	42,175	79.9
Repayment obligation retained by Columbia Basin Project (c)	2,211	1,352	—	1,352	859	—	859	—	—	—	—	—	100.0
Total	$4,773,901	$2,750,364	$673,421	$3,423,785	$390,466	$214,861	$605,327	$348,266	$340,266	$2,561	$11,521	$42,175	79.9

BPA - Bonneville Power Administration
CE - Corps of Engineers Project
BR - Bureau of Reclamation Project

(a) Excludes $60,089 construction costs of the third power plant.
(b) Nonreimbursable road costs.
(c) Joint facilities transferred to Bureau of Sport Fisheries and Wildlife. Power portion is included in the Balance Sheet as a Deferred Item.
(d) Projects in service that have tentative cost allocations at June 30, 1970. Projects under construction have tentative cost allocations. (Note 3)

"Notes to the financial statements" are an integral part of this statement.

SCHEDULE A

UNITED STATES OF AMERICA

FEDERAL COLUMBIA RIVER POWER SYSTEM

NOTES TO THE FINANCIAL STATEMENTS

Note 1. Composition of the Federal Columbia River Power System

The Federal Columbia River Power System (FCRPS) is the name applied to the facilities and operations of the Bonneville Power Administration (BPA) and the hydroelectric generating plants constructed and operated by the Corps of Engineers (Corps) or the Bureau of Reclamation (Bureau) for which BPA transmits and markets the power. The projects in service and under construction at June 30, 1970, are listed in Schedule A.

The three agencies are separately managed and financed, and each has its own accounting system. However, the facilities are operated as an integrated power system, and the financial statements for the three agencies are consolidated under the name Federal Columbia River Power System.

Note 2. Basis of Financial Reporting

The accompanying financial statements are prepared on the cost accounting basis which includes depreciation by the compound interest method as one element of cost. The statements do not show financial results on a repayment basis either for the fiscal year or cumulatively.

The average depreciation life of fixed assets allocated to power is about 85 years for the generating projects and 46 years for the transmission system. The average composite life for the entire system is about 64 years. A separate repayment analysis is prepared for the FCRPS based upon repayment periods of 50 years for the generating projects and 45 years for the transmission system. As a result of the difference between depreciation and repayment periods, depreciation charges accumulated during the repayment periods will be much less than repayment requirements for the same periods. Wholesale power rates are based upon the repayment analysis rather than these cost based statements.

Note 3. Cost Allocations

The term "cost allocation" is used to describe the process of assigning the costs of a multipurpose project to the individual purposes it serves. In such a process, joint-use costs of plant and operations are allocated among the purposes served such as power, irrigation, navigation, and flood control. The portion of total project costs allocated to power is included in the FCRPS financial statements.

Cost allocations are designated as tentative or firm. A tentative allocation of costs among purposes may be adjusted retroactively when it is replaced with a firm allocation. A firm allocation may be adjusted, if conditions warrant, but only on a prospective basis.

Firm allocations have been adopted for all but four of the 20 projects in service as shown in Schedule A. The cost of joint-use facilities at these projects is $480,894,000 of which $343,654,000 is tentatively allocated to power. As firm allocations are adopted retroactive adjustments will be made for any differences.

On July 17, 1970, the Bureau of Reclamation finalized the suballocation of commercial power to irrigation pumping power for the Chief Joseph Project. Prior to that date the Corps had considered the allocation firm but the Department of the Interior considered it tentative pending a final decision of the suballocation. The final suballocation to irrigation pumping power reduces plant costs allocated to power $772,000 and increases Accumulated Net Revenues at June 30, 1970 by about $480,000. Retroactive adjustments will be made in fiscal year 1971.

Note 4. Interest Rates

An interest rate of 2-1/2% is applied to the unpaid Federal investment for the majority of the projects. The projects which use a rate higher than 2-1/2% are as follows: Bureau projects in service, all using a 3% rate, are: Boise, Columbia Basin, Hungry Horse, Minidoka, Palisades, and Yakima-Roza Division. The Bureau's Grand Coulee Third Powerplant, which is under construction, carries a 3-1/8% rate, and the Teton Project carries a 3.342% rate. Corps projects which are under construction and which use rates higher than 2-1/2% are:

Dworshak	2-5/8%
Libby	3-1/8%
Lost Creek	3-1/8%

BPA used the 2-1/2% rate through fiscal year 1963. Subsequently, the following rates were used:

Fiscal Year 1964	2-7/8%
Fiscal Year 1965	3%
Fiscal Years 1966 through 1968	3-1/8%
Fiscal Years 1969 and 1970	3-1/4%

The Secretary of the Interior issued an order dated January 29, 1970, establishing a new interest rate policy for repayment of the Federal investment in power projects. The initial rate under the new policy is 4-7/8%. The order is applicable to new construction initiated by the Corps or Bureau after January 29, 1970, and to BPA's Federal investment beginning in fiscal year 1971. The 4-7/8% rate will be adjusted by not more than one-half of one percent each year until the rate equals the then current average yield rate on long-term U.S. Treasury obligations. The rate is 6-3/8% at June 30, 1970.

Note 5. Variations in Practices Among Reporting Entities

The entities of FCRPS each maintain a separate accounting system designed to meet its particular requirements, and variations in reporting practices exist among the entities. However, cooperation among the entities in prior years has led to the adoption of standard practices such as use of the compound interest method of depreciation. The unresolved variations existing during fiscal year 1970 are as follows:

a. The Corps and BPA include interest during construction and other items such as working capital in the base for computation of interest expense. The Bureau does not include in its base interest during construction for four projects and one division of a fifth, and it also excludes other items such as working capital. In addition, the Bureau's interest base does not include interest from the period of initial allocation to fiscal year 1963 on plant costs of the Columbia Basin Project allocated to future downstream river regulation.
The Bureau excluded these elements based on its interpretation of Federal reclamation law. However, had the Bureau included these elements in its interest base and computed interest at the rate of 2-1/2% for the Columbia Basin and Hungry Horse Projects (the two principal projects involved) accumulated net revenues at June 30, 1970 would be reduced about $22,681,000.

b. All entities currently capitalize interest during construction. However, the Bureau was not required to include capitalized interest for four projects and one division of a fifth. Had the Bureau capitalized interest during construction at a rate of 2-1/2% for the Columbia Basin and Hungry Horse Projects, plant costs, net of depreciation, would be increased by about $11,660,000 at June 30, 1970. The Bureau computed interest expense at a rate of 3% upon completion of these projects. At that time the Corps and BPA used a 2-1/2% interest rate.

c. The Bureau includes in the costs of its projects, general investigation and development costs which are incurred prior to project authorization. It is the policy of the Corps not to include for FCRPS purposes such costs which are incurred prior to project authorization. The Corps has excluded about $2,115,000 of such costs at June 30, 1970.

d. The accounts of the Corps and BPA reflect the liability for accrued but unused annual leave. However, the accounts of the Bureau projects do not include an amount for unused annual leave, estimated to be $770,000 as of June 30, 1970.

Note 6. Repayment Responsibility for Irrigation Costs

Pursuant to legislation, revenues of the FCRPS must repay to the United States Treasury that portion of the cost of irrigation facilities in the Pacific Northwest which the Bureau has determined that benefiting wat r users are unable to repay. At June 30, 1970, this amount is $390,466,000.

Joint project costs of $20,668,000 for the Cougar, Detroit-Big Cliff, Hills Creek, Lookout Point-Dexter, Green Peter-Foster and Lost Creek Projects have been allocated to irrigation pursuant to project authorizations. A determination of water users' repayment ability will be made at the time the irrigation facilities are proposed for authorization and development. If water users' repayment ability is insufficient to meet the repayment requirements, irrigation assistance may be required from power revenues, if authorized by Congress. These costs are not included in the accompanying statements because a final determination as to potential repayment from power revenues has not been made.

Note 7 - Commitments to Exchange Power and Acquire Project Capability

a. Hanford Steam Plant

BPA, the Washington Public Power Supply System (WPPSS), and 76 utility participants have executed agreements under which BPA receives the electric power generated by the 860 megawatt Hanford Steam Plant which was constructed by WPPSS. In return BPA furnishes the participants an amount of power equal in value, at BPA rates, to the annual costs of operating the steam plant and retiring the bonds issued in 1963 to construct the plant. At June 30, 1970, $83,020,000 of the bonds are outstanding and due to be fully retired by 1996. The agreements call for payments to WPPSS by each participant for its portion of the costs of the project based on the Annual Operating Budget. For the year ending June 30, 1970, the participants' shares of the Annual Operating Budget totaled $8,990,000. BPA will be required to make the required power deliveries until 1996 even if the Hanford Steam Plant becomes inoperable. However, the Government may acquire ownership of the plant, subject to Congressional approval. Ownership may be acquired after 1996 without cost, with the assumption of all project assets and liabilities. BPA engineers have estimated that by 1996 the plant will have only a net salvage value.

b. Columbia Storage Power Exchange

BPA has entered into agreements with 41 utilities to exchange an agreed amount of power for their rights to the Canadian Entitlement, which is one-half of the additional power benefits realized at U.S. generating plants as the result of construction of three Canadian Treaty storage dams. The Canadian Entitlement was purchased by the utilities, for a period of thirty years, from Columbia Storage Power Exchange, a non-profit corporation. The transaction was handled through a $314.1 million bond issue which the utilities are repaying through CSPE.

BPA's commitment to the 41 utilities was unconditional and not contingent upon the actual extra generation realized. However, two of the Canadian dams were completed ahead of schedule, and the third is on schedule for completion in 1973. As a result of operating the Canadian dams, benefits to BPA have been very close to the amounts originally estimated.

c. Centralia Coal-Fired Steam Plant

BPA has entered into an agreement with eight utilities to acquire varying portions of project capability ranging from 273 megawatts to 973 megawatts from the in-service dates (scheduled to be September 1, 1971 for Unit 1 and September 1, 1972 for Unit 11) to April 1, 1974. This project capability is being acquired to meet BPA firm power commitments during this period. The greater-than-anticipated load growth of public agency customers, coupled with a delay in completion of Lower Granite, made BPA's resources deficient in meeting its anticipated load. BPA's portion of total project costs for the total period is estimated at $59,000,000. After each unit is commercially operable, BPA's commitment will remain whether or not full capability can be achieved. The plant is under construction at June 30, 1970.

d. Trojan Nuclear Plant

BPA entered into agreements on October 5, 1970, to acquire a share of project capability beginning September 1974, the estimated date of commercial operation. BPA's share is 30% of the capability of the 1,100 megawatt project until at least July 1, 1984, at which time certain withdrawal options may be exercised. For the ten-year period this share of project capability will cost BPA about $113,000,000, based on the estimated annual costs of the project. BPA is committed to 30% of annual costs regardless of the actual generating plant output. Portland General Electric has begun preliminary construction, and expects to receive the AEC construction permit.

Note 8. Contingent Liabilities.

Contingent liabilities applicable to commercial power at June 30, 1970, total approximately $20,500,000; $10,869,000 representing claims under the Federal Tort Claims Act (of which $9,700,000 is a claim against the Bonneville Dam by the Yakima Tribe of Indians); and $9,630,000 representing various contractor claims.

Note 9. Constructive Receipts.

Beginning in Fiscal Year 1969, BPA recorded as an asset and liability the cost of "constructively received" materials as required by BOB 68-10. The asset balance of $9,531,000 was included in Other Assets and Deferred Charges at June 30, 1969. Beginning with Fiscal Year 1970, the asset balance has been recorded in Construction Work in Progress, which parallels the treatment of the Corps and the Bureau. The amount of Construction Work in Progress "constructively received" by BPA at June 30, 1970 is $11,705,000.

Note 10. Trust Funds

Beginning with fiscal year 1970, BPA adopted the practice of including for FCRPS purposes the cost of work in progress under trust agreements. This amount at June 30, 1970 is about $4,656,000. Prior to fiscal year 1970, only unexpended trust fund balances were included.

Note 11. Adjustments to Accumulated Net Revenues.

The following table explains the adjustments which have caused the net decrease in Accumulated Net Revenues of $908,000 shown on Exhibits 1 and 2:

		In Thousands
1.	Correction of BPA's interest expense for prior years because of incorrect allocation of the unpaid investment between varying interest rates	$ (394)
2.	Adjustment to write off expired option ($750,000) and abandoned projects ($963,000)	(1,713)
3.	Reduction of prior years expenses (net) for Detroit-Big Cliff and Palisades Projects due to adoption of firm cost allocations in Fiscal Year 1970	1,205
4.	Miscellaneous minor adjustments	(6)
		$ (908)