

STATE OF MICHIGAN

BEFORE THE MICHIGAN PUBLIC SERVICE COMMISSION

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In the matter, on the Commission’s own motion,)
to promulgate rules adopting the Federal Energy)
Regulatory Commission’s rules of accounts for)
major and nonmajor electric utilities.)
_____)

Case No. U-14811

In the matter, on the Commission’s own motion,)
to promulgate rules adopting the Federal Energy)
Regulatory Commission’s rules of accounts for)
major and nonmajor gas utilities.)
_____)

Case No. U-14812

At the December 1, 2009 meeting of the Michigan Public Service Commission in Lansing,
Michigan.

PRESENT: Hon. Orjiakor N. Isiogu, Chairman
Hon. Monica Martinez, Commissioner
Hon. Steven A. Transeth, Commissioner

ORDER AND NOTICE OF HEARING

On February 3, 2006, the Commission sought permission from the State Office of
Administrative Hearings and Rules (SOAHR) to revise its accounting standards for electric and
gas utilities regulated by the Commission. On May 13 and 18, 2009, the Commission filed
amended requests for rulemaking to rescind the accounting rules, which were modeled after the
1986 edition of the Federal Energy Regulatory Commission’s (FERC) accounting rules, and to
adopt by reference the 2009 versions of FERC’s rules of accounts for major and nonmajor electric
and gas utilities. SOAHR approved the revised requests for rulemaking, SOAHR #2009-025 LG

and #2009-026 LG on May 15, 2009, and SOAHR #2009-033 LG and #2009-034 LG on June 30, 2009.

To provide the public with an opportunity to comment on the proposed rule revisions, the Commission has scheduled a public hearing, which will be held at 9:00 a.m. on January 14, 2010, in the Commission offices at 6545 Mercantile Way in Lansing. Any person may attend the public hearing and may offer comments on the proposed revisions. The Commission encourages interested parties to become involved in the proceedings.

In addition, any person may submit written or electronic comments regarding the proposed rules. The comments must be filed with the Commission and must be received no later than 5:00 p.m. on February 4, 2010. Written comments should be sent to: Executive Secretary, Michigan Public Service Commission, P.O. Box 30221, Lansing, MI 48909. Electronic comments may be e-mailed to mpscdockets@michigan.gov. All comments should reference Case Nos. U-14811 and U-14812. All information submitted to the Commission in this matter will become public information available on the Commission's website and subject to disclosure.

THEREFORE, IT IS ORDERED that:

A. A public hearing regarding the promulgation of rules adopting by reference the 2009 version of the Federal Energy Regulatory Commission's rules of accounts for major and nonmajor electric and gas utilities shall be held at 9:00 a.m. on January 14, 2010, in the offices of the Commission, 6545 Mercantile Way, Lansing. A notice of hearing is attached to this order as Exhibit A. Copies of the proposed rulemakings are attached to this order as Exhibits B and C.

B. The public hearing will be legislative in nature and any person may present data, views, questions, and arguments regarding the issue. Statements may be limited in duration by the

presiding officer in order to ensure that all interested parties have an opportunity to participate in the proceedings.

C. Any person may file written or electronic comments, suggestions, data, views, questions, argument, and modifications concerning the issue. To be considered, all comments must be received at the Commission no later than 5:00 p.m. on February 4, 2010, and should reference Case Nos. U-14811 and U-14812.

The Commission reserves jurisdiction and may issue further orders as necessary.

MICHIGAN PUBLIC SERVICE COMMISSION

Orjiakor N. Isiogu, Chairman

Monica Martinez, Commissioner

Steven A. Transeth, Commissioner

By its action of December 1, 2009.

Mary Jo Kunkle, Executive Secretary

**STATE OF MICHIGAN
BEFORE THE MICHIGAN PUBLIC SERVICE COMMISSION**

**NOTICE OF HEARING
REGARDING THE ADOPTION BY REFERENCE OF THE FEDERAL ENERGY
REGULATORY COMMISSION'S RULES OF ACCOUNTS FOR MAJOR AND
NONMAJOR ELECTRIC AND GAS UTILITIES.
CASE NOS. U-14811 & U-14812
2009-025 LG, # 2009-026 LG, # 2009-033 LG, & # 2009-034 LG**

- The Michigan Public Service Commission is considering adopting the Federal Energy Regulatory Commission's rules of accounts for major and nonmajor electric and gas utilities. The Commission will hold a public hearing to solicit comments from anyone who wishes to comment on the proposed rules.
- The information below describes how a person may participate in this case.
- You may call or write the Michigan Public Service Commission, 6545 Mercantile Way, P.O. Box 30221, Lansing, Michigan 48909, 800.292.9555 for a free copy of the proposed rules. Any person may review the rules at the Commission offices, or on the Commission's E-Docket Website at michigan.gov/mpscedockets.
- The public hearing will be held:

DATE: January 14, 2010

TIME: 9:00 a.m.

LOCATION: Michigan Public Service Commission
6545 Mercantile Way, Suite 7
Lansing, Michigan

PARTICIPATION: Any interested person may attend and participate. The hearing site is accessible, including handicapped parking. Individuals attending the meeting are requested to refrain from using heavily scented personal care products, in order to enhance accessibility for everyone. People needing any accommodation to participate should contact the Commission's Executive Secretary at 517.241.6160 in advance to request mobility, visual, hearing or other assistance. DELEG is an equal opportunity employer/program.

These rules adopt the Federal Energy Regulatory Commission's rules of accounting for major and nonmajor electric and gas utilities. The hearing will be for the

purpose of providing an opportunity for all interested persons to present statements, views, data, questions, or arguments concerning the proposed rules. The public hearing will continue until all parties present have had a reasonable opportunity to present statements regarding the proposed rules. Persons presenting statements may be asked questions by the Commission and its Staff, as well as by the presiding officer. Statements may be limited in duration by the presiding officer in order to ensure that all interested parties have an opportunity to participate in the proceedings.

Written and electronic comments may be filed with the Commission and must be received no later than 5:00 p.m. on February 4, 2010. Written comments should be sent to the: Executive Secretary, Michigan Public Service Commission, P.O. Box 30221, Lansing, Michigan 48909. Electronic comments may be emailed to mpscedockets@michigan.gov. All comments should reference Case Nos. U-14811 and U-14812. All information submitted to the Commission in this manner will become public information available on the Commission's website and subject to disclosure.

Jurisdiction is pursuant to 1919 PA 419, MCL 460.55 *et seq.*; 1969 PA 306, as amended, MCL 24.201 *et seq.*; and the Commission's Rules of Practice and Procedure, as amended, 1999 AC, R 460.17101 *et seq.*

The Commission anticipates that it will take nine months to conclude these rulemaking proceedings. These rules are proposed to become effective upon filing with the Secretary of State.

This notice of hearing is also published in the January 1, 2010 Michigan Register under SOAHR (State Office of Administrative Hearings & Rules) # 2009-025 LG and # 2009-026 LG and # 2009-033 LG and # 2009-034 LG at www.michigan.gov/soahr.

DEPARTMENT OF ENERGY, LABOR, AND ECONOMIC GROWTH

MICHIGAN PUBLIC SERVICE COMMISSION

UNIFORM SYSTEM OF ACCOUNTS FOR MAJOR AND NONMAJOR ELECTRIC UTILITIES

Filed with the Secretary of State on

These rules become effective immediately upon filing with the Secretary of State unless adopted under sections 33, 44, 45a(6), or 48 of 1969 PA 306. Rules adopted under these sections become effective 7 days after filing with the Secretary of State.

(By authority conferred on the Michigan public service commission by section 5 of 1919 PA 419, MCL 460.55)

R 460.9002 of the Michigan Administrative Code is added as follows:

R 460.9002 Adoption by reference of federal standards.

Rule 1. (1) The federal uniform system of accounts for major and nonmajor electric utilities promulgated by the United States federal energy regulatory commission and codified at 18 CFR Part 101 (2009) is adopted by reference in these rules as of the effective date of these rules. The rules are prescribed for the use of all electric utilities under the jurisdiction of the Michigan public service commission, subject to the following exceptions and conditions unless otherwise ordered by the Michigan public service commission:

(a) All orders and practices of the Michigan public service commission in effect as of the effective date of this rule with accounting impacts that conflict with provisions of the uniform system of accounts for major and nonmajor electric utilities shall remain in effect, and future orders and practices with such impacts shall supersede the provisions of the uniform system of accounts for major and nonmajor electric utilities for Michigan retail jurisdictional purposes.

(b) The electric utilities under the jurisdiction of the Michigan public service commission shall apply to the Michigan public service commission for Michigan retail jurisdictional use of the following accounts:

- (i) Account 182.1 - Extraordinary property losses.
- (ii) Account 182.2 - Unrecovered plant and regulatory study costs.
- (iii) Account 182.3 - Other regulatory assets.
- (iv) Account 254 - Other regulatory liabilities.
- (v) Account 407 - Amortization of property losses, unrecovered plant and regulatory study costs.
- (vi) Account 407.3 - Regulatory debits.
- (vii) Account 407.4 - Regulatory credits.

(c) In addition to the accounts listed in 18 CFR Part 101 (2009), the following accounts shall be adopted in order to maintain consistency with accounts previously required by the Michigan public service commission:

November 18, 2009

- (i) Account 246 – Federal income taxes accrued for prior years.
- (ii) Account 246.1 – State and local taxes accrued for prior years.
- (iii) Account 247 – Federal income taxes accrued for prior years – adjustments.
- (iv) Account 247.1 – State and local taxes accrued for prior years – adjustments.
- (d) The following retirement units are required for electric utilities:

- (i) a/c # 365 – overhead wire: termini to termini.
- (ii) a/c # 367 – underground wire: termini to termini.

(2) Each electric utility subject to this rule shall file the following with the Michigan public service commission:

(a) In utility filings and other correspondence with the federal energy regulatory commission or its staff, on and after the effective date of this rule, regarding the utility's accounting practices or the uniform system of accounts for major and nonmajor electric utilities, including but not limited to requests for accounting guidance and or approval of accounting entries, the portion of the initial filing or correspondence by the utility relating to accounting practices or the uniform system of accounts for major and nonmajor electric utilities, and the final disposition of the matter.

(b) In other changes in the utility's accounting practices prompted by the federal energy regulatory commission orders, directives, or correspondence, a written explanation of the change in practice, along with relevant supporting documentation.

(c) In the regular periodic or special compliance audits performed on and after the effective date of this rule by the federal energy regulatory commission or its staff, notification of the commencement of the audit and a copy of the final audit report.

(3) The following classification system is adopted:

Class A: Electric utilities having annual electric operating revenues of \$2,500,000.00 or more.

Class B: Electric utilities having annual electric operating revenues of \$1,000,000.00 or more but less than \$2,500,000.00.

Class C: Electric utilities having annual electric operating revenues of \$150,000.00 or more but less than \$1,000,000.00.

Class D: Electric utilities having annual electric operating revenues of \$25,000.00 or more but less than \$150,000.00.

(4) Electric utilities with annual gross operating revenues of less than \$25,000.00 shall be exempt from this rule until the average of their annual gross revenues, for a period of 3 consecutive years, shall exceed \$25,000.00. Electric utilities exceeding the \$25,000.00 threshold but falling below the minimum threshold of 10,000 megawatt hours of annual sales included in the uniform system of accounts for major and nonmajor electric utilities shall nevertheless utilize the uniform system of accounts for major and nonmajor electric utilities as specified for nonmajor utilities.

(5) The adopted federal regulations shall have the same force and effect as a rule promulgated under 1919 PA 419, MCL 460.55.

(6) Nothing in these rules shall cause the Michigan public service commission to automatically adopt by reference any changes made to the uniform system of accounts for major and nonmajor electric utilities by the federal energy regulatory commission.

(7) Upon the request of any person subject to the provisions of these rules or upon its own motion, the Michigan public service commission may waive any of the requirements of these

rules. Where good cause exists, the Michigan public service commission may grant the requested waiver, provided that the granting of the waiver would not be inconsistent with the purposes of these rules.

(8) The adopted regulations are available via the internet at www.gpoaccess.gov/cfr/ at no charge as of the time of the adoption of these rules. A printed copy of the code of federal regulations, Title 18, Conservation of power and water resources, parts 1-399, revised as of April 1, 2009 is available from the United States government printing office, 732 N. Capitol Street, NW, Washington, DC 20401, or by telephone at 1-866-512-1800 (toll free) or 202-512-1800 for a cost of as of the time of the adoption of these rules of \$68.00. The uniform system of accounts may also be purchased online at <http://bookstore.gpo.gov/>, or from the Michigan Department of Energy, Labor, and Economic Growth, Michigan Public Service Commission, P.O. Box 30221, Lansing, Michigan, 48909 for a cost as of the time of adoption of these rules of \$68.00 plus shipping and handling.

DEPARTMENT OF ENERGY, LABOR, AND ECONOMIC GROWTH

MICHIGAN PUBLIC SERVICE COMMISSION

UNIFORM SYSTEM OF ACCOUNTS FOR MAJOR AND NONMAJOR GAS UTILITIES

Filed with the Secretary of State on

These rules become effective immediately upon filing with the Secretary of State unless adopted under sections 33, 44, 45a(6), or 48 of 1969 PA 306. Rules adopted under these sections become effective 7 days after filing with the Secretary of State.

(By authority conferred on the Michigan public service commission by section 5 of 1919 PA 419, MCL 460.55)

R 460.9022 of the Michigan Administrative Code is added as follows:

R 460.9022 Adoption by reference of federal standards.

Rule 1. (1) The federal Uniform System of Accounts for Major and Nonmajor Gas Utilities promulgated by the United States federal energy regulatory commission and codified at 18 CFR Part 201 (2009) is adopted by reference in these rules as of the effective date of these rules. The rules are prescribed for the use of all gas utilities under the jurisdiction of the Michigan public service commission, subject to the following exceptions and conditions unless otherwise ordered by the Michigan public service commission:

(a) All orders and practices of the Michigan public service commission in effect as of the effective date of this rule with accounting impacts that conflict with provisions of the Uniform System of Accounts for Major and Nonmajor Gas Utilities shall remain in effect, and future orders and practices with such impacts shall supersede the provisions of the Uniform System of Accounts for Major and Nonmajor Gas Utilities for Michigan retail jurisdictional purposes.

(b) All references to federal statutes, federal regulations, and other federal documents are inapplicable where they are not applicable to the jurisdiction exercised by the Michigan public service commission.

(c) Instead of gas companies being divided into Class A, Class B, Class C, and Class D categories, all companies shall be treated as Class A companies.

(d) The following retirement units for natural gas utilities are required:

(i) a/c # 367 – transmission mains: 50 linear feet.

(ii) a/c # 376 – distribution mains: 50 linear feet.

(iii) a/c # 380 – services: one service line, main to meter.

(2) The adopted regulations are available via the internet at www.gpoaccess.gov/cfr/ at no charge as of the time of the adoption of these rules. A printed copy of the code of federal regulations, Title 18, Conservation of Power and Water Resources, Parts 1-399, revised as of April 1, 2009 is available from the United States government printing office, 732 N. Capitol Street, NW, Washington, DC 20401, or by telephone at 1-866-512-1800 (toll free) or 202-512-1800 for a cost of as of the time of the adoption of these rules of \$68.00. The uniform system of accounts may also be purchased online at <http://bookstore.gpo.gov/>, or from the

Michigan Department of Energy, Labor, and Economic Growth, Michigan Public Service Commission, P.O. Box 30221, Lansing, Michigan, 48909 for a cost as of the time of adoption of these rules of \$68.00 plus shipping and handling.