

STATE OF MICHIGAN

BEFORE THE MICHIGAN PUBLIC SERVICE COMMISSION

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In the matter of the application of **CONSUMERS** )  
**ENERGY COMPANY** for accounting and ratemaking )  
approval of depreciation practices for electric and ) Case No. U-16054  
and common utility plant for 2009. )  
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In the matter of the application of **CONSUMERS** )  
**ENERGY COMPANY** and **THE DETROIT EDISON** )  
**COMPANY** for accounting approval of depreciation ) Case No. U-16055  
practices for the Ludington Pumped Storage Plant. )  
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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 GRANTING EXTENSION**

On June 26, 2007, the Commission issued an order in Case No. U-14292 (June 26 order), in which it directed Consumers Energy Company (Consumers), among others, to file its next electric depreciation case no later than August 3, 2009. The Commission also ordered the company to use 2008 data and prepare a cost of removal depreciation study using various methods prescribed by the Commission.

On July 31, 2008, also pursuant to the June 26 order, Consumers filed its gas depreciation study in Case No. U-15629. In that case, the parties presented different calculations for estimating

cost of removal expense in accordance with the directives in the June 26 order. On September 29, 2009, the Commission issued its final order in that case.

On August 3, 2009, Consumers filed a motion to extend the time for filing its electric depreciation case. Consumers stated that it believed that time could be saved, and the resources of the parties could be conserved, if the filing of the case were deferred until the company has the benefit of the guidance from the final order in its gas depreciation case.

Attorney General Michael A. Cox (Attorney General) and the Association of Businesses Advocating Tariff Equity (ABATE) filed responses in opposition to Consumers' motion. ABATE argued that Consumers had over two years to prepare its electric depreciation case and that Consumers' motion, filed on the date its application was due, was untimely. The Attorney General argued that the facts presented by Consumers are insufficient to justify an extension to the filing deadline established by the June 26 order. The Attorney General further argued that each of the depreciation cases required by the June 26 order must be decided independently of the other cases.

### Discussion

In the June 26 order, the Commission directed the utilities to provide cost of removal estimates using various approaches including the traditional straight-line depreciation method, the traditional method using the standard retirement units (SRUs) proposed by the Commission Staff, and a Statement of Financial Accounting Standards (SFAS) No. 143 method, with and without SRUs. The Commission added that examination of the various approaches would, "allow the Commission to assess the propriety of the different proposals and the efficacy of implementing them[.]"

In the September 29, 2009 order in Case No. U-15629, the Commission found that "continued use of the traditional, straight-line depreciation method, coupled with the use of the Staff's

proposed SRUs on a going-forward basis, is the most appropriate means of addressing future removal costs.” Further, the Commission found:

[T]he net present value approach proposed by the Attorney General has been consistently rejected by most Commissions and does not comport with depreciation methods recommended by authoritative sources on depreciation accounting. The accrual for net salvage must be based on estimates of the future cost that will be incurred, not the removal cost at today’s price level. Therefore, it is appropriate to ask current customers to pay for future costs of removal at inflated price levels, and, as Mr. Watson pointed out, the rate base offset compensates rate payers for the prior payment for the costs incurred by the utility. Finally, the Commission finds that the Attorney General’s proposed method significantly decreases the cash flows available to utilities to meet their infrastructure and other public service obligations. This, in turn, has a negative financial effect on both the utility and its customers by requiring that such obligations be met with more expensive sources of external financing and by driving up the cost generally of obtaining money in the capital markets. The Commission finds that the Attorney General has not shown that the adoption of the net present value method would justify these increased costs for utility consumers.

Order, p. 12.

In accordance with the directives in the September 29, 2009 order in Case No. U-15629, the Commission finds Consumers should file, within 60 days of the date of this order, cost of removal studies using the traditional straight-line method, with the Staff’s recommended SRUs, for electric plant and for the Ludington Pumped Storage Facility.

THEREFORE, IT IS ORDERED that:

- A. The motion filed by Consumers Energy Company is granted.
- B. Within 60 days of the date of issuance of this order, Consumers Energy Company shall file cost of removal studies using the traditional straight-line method, with the Commission Staff’s recommended standard retirement units, for electric utility plant and for the Ludington Pumped Storage Facility.

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

Any party desiring to appeal this order must do so in the appropriate court within 30 days after issuance and notice of this order, pursuant to MCL 462.26.

MICHIGAN PUBLIC SERVICE COMMISSION

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Orjiakor N. Isiogu, Chairman

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Monica Martinez, Commissioner

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Steven A. Transeth, Commissioner

By its action of December 1, 2009.

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Mary Jo Kunkle, Executive Secretary