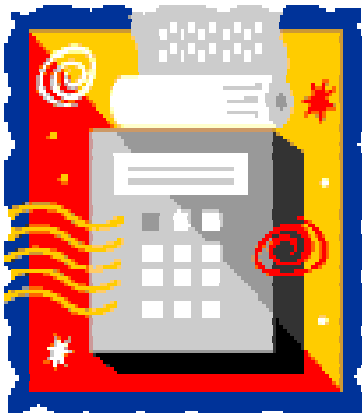


# Utility Accounting: Michigan Practices



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# Financial Techniques-Accounting Approaches and Asset Valuation

The scope of Michigan's financial techniques accounting approaches and asset valuation states that for decades the Michigan Public Services Commission (MPSC) has set rates based on the Cost Approach for valuation of public utility assets.

**FOR MORE INFO...**

(p.6 MPSC-U-13808) <http://www.michigan.gov/mpsc>

# Techniques Employed in Asset Valuation

## Method Approach

Accrual = plant in service

-depreciation reserve

-estimated future net salvage

1 remaining life

# Models for Predicting Revenue and Investment Requirements for the Utility

Models for predicting revenue and investing requirement for the utility is supported by the Federal Energy Regulatory Commission (FERC).



# Alternative Ways of Meeting Out-Turn Demand

- Competitive Markets
- Base Load Plants
- Increase Transmission Lines
- Environmental Equipment
- Nuclear Power
- Renewable Energy Sources

# Alternative Ways of Meeting Out-Turn Demand

- Investment in Infrastructure
- Smart Grid
- Customer Care
- Customer Billing
- Decoupling Mechanism

# Mechanism to Review Investment Decisions and Establishment of Utility Asset

Mechanisms used to review investment decisions and the establishment of utility asset base would be the value approaches of fair market concept and the income, cost and market approaches.

# Other Key Accounting Issues:

## Increasing Transparency

Increasing transparency is another key accounting issue being faced by the industry.

FOR MORE INFO...

<http://www.aicpa.org>



# Review

## Utility Accounting

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