



Financial Statements: Practice

(Balance Sheet Presentation & Determination of Rate Base)

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Preface

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 - Assets Definitions and Overview
 - Uniform System of Accounts
- Long Term Assets in Determination of Rate Base
- Current Assets in Determination of Rate Base
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 - Liabilities Definition and Overview
- Current Liabilities in Determination of Rate Base
- Final Determination of Rate Base
 - Conclusion

What is a Balance Sheet?

An organized array of...

(1.) **assets** &

(2.) **liabilities**

Assets - Liabilities = Stockholders Equity

Net Worth

How Do We Determine Rate Base?

	(a)	(b)	(c)	(d)	(e)
Line No.	Description	Source	Total Company Rate Base	Adjustment	Total Staff Rate Base
1					
2	Plant in Service	Exh. S-2, Sch. B2	6,556,727	(115,713)	6,441,014
3	Plant Held for Future Use	Exh. S-2, Sch. B2	7,747	0	7,747
4	Plant Acquisition Adjustments	Exh. S-2, Sch. B2	0	0	0
5	Construction Work in Progress	Exh. S-2, Sch. B2	199,379	77,277	276,656
6	Less: Retentions	Exh. S-2, Sch. B2	1,107	0	1,107
7	Nuclear Fuel Stock	Exh. S-2, Sch. B2	270,681	0	270,681
8	Spent Nuc Fuel Disp-Spc MI Req	Exh. S-2, Sch. B2	0	0	0
9	Total Utility Plant		7,033,427	(38,436)	6,994,991
10	Adjust EPIS to Michigan Basis		15,047	0	15,047
11	Asset Retirement Obligations		(210,747)	0	(210,747)
12	Total Utility Plant - Michigan Basis		6,837,727	(38,436)	6,799,292
13					
14	Depreciation Reserve	Exh. S-2, Sch. B3	3,269,234	53,142	3,322,376
15	Adjust A/D to Michigan Basis		(70,663)	0	(70,663)
16	Asset Retirement Obligations		(69,346)	0	(69,346)
17	Accum. Depreciation-Michigan Basis		3,129,225	53,142	3,182,367
18					
19	Net Utility Plant		3,708,503	(91,578)	3,616,925
20					
21	Net Capital Lease Property		21,403	0	21,403
22					
23	Total Utility Property and Plant		3,729,906	(91,578)	3,638,328
24					
25	Less: Capital Lease Obligations		21,403	0	21,403
26					
27	Net Plant		3,708,503	(91,578)	3,616,925
28					
29	Less: Deferred Gain - Sale of Rockport U2		46,085	0	46,085
30	Less: Gains Foreign Currency Derivatives		167	0	167
31					
32	Allowance for Working Capital	Exh. S-2, Sch. B4	223,377	(408)	222,969
33					
34	Total Projected Period Rate Base		3,885,628	(91,986)	3,793,642

(1.) Assets

“The...

- (a.) probable future economic benefits obtained or
- (b.) controlled by a particular entity as a result of
- (c.) past transactions or events.”

FASB Concept Statement No. 6, Paragraph 25

(a.) Probable Future Economic Benefits

- Commonly Bought or Sold
- Acceptable to Creditors as Liability Settlement
- Used to Produce Goods or Services

“Incurrence of costs may be significant evidence of acquisition or enhancement of future economic benefits...”

FASB Concepts Statement 6, paragraphs 172 and 173

(b.) Controlled by a Particular Entity

“The entity having an asset is the one that can exchange it, use it to produce goods or services, exact a price for others’ use of it, use it to settle liabilities, hold it, or perhaps distribute it to owners.”

Concepts Statement 6, paragraph 184

(c.) Past Transactions or Events

“An entity has no asset for a particular future economic benefit if the transactions or events that give it access to and control of the benefit are yet in the future.”

Concepts Statement 6, paragraph 191

Utility Plant

Utility Plant

Utility Plant

	(a)	(b)	(c)	(d)	(e)	
	Line No.	Description	Source	Total Company Rate Base	Adjustment	Total Staff Rate Base
101: Electric Plant In Service	1					
	2	Plant in Service	Exh. S-2, Sch. B2	6,556,727	(115,713)	6,441,014
102: Electric Plant Purchased or Sold	3	Plant Held for Future Use	Exh. S-2, Sch. B2	7,747	0	7,747
	4	Plant Acquisition Adjustments	Exh. S-2, Sch. B2	0	0	0
103: Experimental Electric Plant Unclassified	5	Construction Work in Progress	Exh. S-2, Sch. B2	199,379	77,277	276,656
104: Electric Plant Leased to Others	6	Less: Retentions	Exh. S-2, Sch. B2	1,107	0	1,107
105: Electric Plant Held for Future Use	7	Nuclear Fuel Stock	Exh. S-2, Sch. B2	270,681	0	270,681
	8	Spent Nuc Fuel Disp-Spc MI Req	Exh. S-2, Sch. B2	0	0	0
106: Completed Construction Not Classified	9	Total Utility Plant		7,033,427	(38,436)	6,994,991
	10	Adjust EPIS to Michigan Basis		15,047	0	15,047
107: Construction Work In Progress	11	Asset Retirement Obligations		(210,747)	0	(210,747)
108-113: Accumulated Provisions for Depreciation and Amortization	12	Total Utility Plant - Michigan Basis		6,837,727	(38,436)	6,799,292
	13					
114: Acquisition Adjustments	14	Depreciation Reserve	Exh. S-2, Sch. B3	3,269,234	53,142	3,322,376
	15	Adjust A/D to Michigan Basis		(70,663)	0	(70,663)
115: Amortization of Acquisition Adjustments	16	Asset Retirement Obligations		(69,346)	0	(69,346)
	17	Accum. Depreciation-Michigan Basis		3,129,225	53,142	3,182,367
116-119: Other Adjustments (Utility Plant)	18					
120: Nuclear Assets	19	Net Utility Plant		3,708,503	(91,578)	3,616,925
	20					
	21	Net Capital Lease Property		21,403	0	21,403
	22					
	23	Total Utility Property and Plant		3,729,906	(91,578)	3,638,328
	24					
	25	Less: Capital Lease Obligations		21,403	0	21,403
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	31					
	32	Allowance for Working Capital	Exh. S-2, Sch. B4	223,377	(408)	222,969
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Working Capital Assets, (Current)

131:	Cash
132:	Interest Special Deposits
133:	Dividend Special Deposits
134:	Special Deposits
135:	Working Funds
136:	Temporary Cash Investments
141:	Notes Receivable
142:	Customer Accounts Receivable
143:	Other Accounts Receivable
144:	Prov. For Uncollec. Accounts

151-174: Materials and Supplies

171-174: Other Accrued Assets

181-190: Deferred Debits

	(a)	(b)	(c)
Current Assets			
1 Cash and Cash Equivalents	131 + 135	0	
2 Special Deposits	134	68	
3 Accounts Receivables	141+142	46,428	
4 Accounts Receivables - Related Party	146	64,122	
5 Other Accounts Receivables	143+171+172	7,040	
6 Uncollectibles	144	(3,398)	
7 Accrued Utility Revenues	173	17,943	
Inventories			
8 Fuel	151+152	103,210	
9 Allowances - Current	158.1	14,778	
10 Allowances Non-Current	158.1	12,761	
11 Materials and Supplies	154+156	133,946	
12 Prepayments	165	80,484	
13 Other Current Assets	174	33,666	
14 Total Current Assets		<u>511,048</u>	
Regulatory Assets and Deferred Debits			
15 Regulatory Assets	182.3 + 189	91,775	
16 Unamortized Debt Expense	181	0	
17 Accum. Deferred Income Tax	190	0	
18 Other Deferred Debits	183 - 188	44,221	
19 Total Regulatory Assets and Deferred Debits		<u>135,996</u>	
20 Total Assets		<u>647,044</u>	
Liabilities			
Accumulated Provisions			
21 Accumulated Provisions Miscellaneous	228+230	2,387	
22 Total Accumulated Provisions		<u>2,387</u>	
Current and Accrued Liabilities			
23 Short Term Debt (Corporate Borrowing Program)	233	0	
24 Accounts Payable	232	145,253	
25 Accounts Payable - Related Party	234	46,996	
26 Customer Deposits	235	0	
27 Taxes Accrued	236	122,951	
28 Interest Accrued	237	24,483	
29 Dividends Declared	238	111	
30 Obligations Under Capital Leases - Current	243	0	
31 S/T Energy Trading Contracts	244+245	0	
32 Other Current and Accrued Liabilities	241+242	77,926	
33 Total Current and Accrued Liabilities		<u>417,720</u>	
Regulatory Liabilities and Deferred Credits			
34 Regulatory Liabilities	254+257	0	
35 Other Deferred Credits	253	3,560	
36 Total Regulatory Liabilities and Deferred Credits		<u>3,560</u>	
37 Total Liabilities		<u>423,667</u>	
38 Total Assets		<u>647,044</u>	
39 Total Assets Less Total Liabilities		<u>223,377</u>	

(2.) Liabilities

“Liabilities are...

- (a.) probable future sacrifices of economic benefits
- (b.) arising from present obligations of a particular entity to
- (c.) transfer assets or provide services to other entities in the future
- (d.) as a result of past transactions or events.”

FASB Concepts Statement 6, Paragraph 35

(a.) probable future sacrifices of economic benefits

“A liability requires an entity to transfer assets, provide services, or otherwise expend assets to satisfy a responsibility to one or more other entities that it has incurred or that has been imposed on it.”

Concepts Statement 6, paragraph 193

(b.) arising from present obligations of a particular entity

“To have a liability, an entity must be obligated to sacrifice its assets in the future—that is, it must be bound by a legal, equitable, or constructive duty or responsibility to transfer assets or provide services to one or more other entities.”

Concepts Statement 6, paragraph 200

(c.) transfer assets or provide services to other entities in the future

“its [an entities] present responsibilities to transfer economic resources or provide services to other entities in the future”. Two aspects of that definition are especially relevant to accounting for contingencies:

- i. first, that liabilities are present responsibilities and
- ii. second, that they are obligations to other entities.”

Paragraph 58 of APB Statement No. 4

(d.) result of past transactions or events

Items become liabilities of an entity as the result of transactions or other events or circumstances that have already occurred. An entity has a liability only if it has a present obligation to transfer assets to another entity.

Liabilities, (Current)

228.1:	Provision for Property Insurance
228.2:	Provision for Injuries and Damages
228.3:	Provision for Pensions and Benefits
228.4:	Miscellaneous Provisions
231:	Notes Payable
232:	Accounts Payable
233:	Notes Payable, Associated Co.'s
234:	Accounts Payable, Associated Co.'s
235:	Customer Deposits
236:	Taxes Accrued
237:	Interest Accrued
241:	Tax Collections Payable
242:	Miscellaneous

	(a)	(b)	(c)
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