

STATE OF MICHIGAN

BEFORE THE MICHIGAN PUBLIC SERVICE COMMISSION

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In the matter of the application of	)	
<b>ALPENA POWER COMPANY</b> for approval	)	
of depreciation accrual rates and practices	)	Case No. U-11960
to be effective January 1, 2000.	)	
_____	)	

At the May 22, 2000 meeting of the Michigan Public Service Commission in Lansing, Michigan.

PRESENT: Hon. John G. Strand, Chairman  
Hon. David A. Svanda, Commissioner  
Hon. Robert B. Nelson, Commissioner

**ORDER APPROVING DEPRECIATION ACCRUAL RATES AND PRACTICES**

On October 12, 1994, the Commission issued an order in Case No. U-10611 establishing depreciation accrual rates for Alpena Power Company (Alpena) effective January 1, 1995. In its order, the Commission also directed Alpena to file an application for new or revised depreciation accrual rates by August 1, 1999.

During 1999, Alpena undertook a depreciation study, which identified a need to revise Alpena's depreciation accrual rates. On April 16, 1999, Alpena filed an application requesting approval of certain depreciation accrual rates and asked that those rates be made effective on January 1, 2000.

Alpena's study shows that its proposed overall composite accrual rate based upon depreciable electric plant as of December 31, 1998 is 3.41% compared to an existing overall composite accrual

rate of 4.03%. Alpena's study shows that the proposed accrual rates would result in the total annual depreciation accrual being reduced by \$204,505 or 15.36%.

The Commission FINDS that:

- a. Jurisdiction is pursuant to 1909 PA 106, as amended, MCL 460.551 et seq.; MSA 22.151 et seq.; 1919 PA 419, as amended, MCL 460.51 et seq.; MSA 22.1 et seq.; 1939 PA 3, as amended, MCL 460.1 et seq.; MSA 22.13(1) et seq.; 1969 PA 306, as amended, MCL 24.201 et seq.; MSA 3.560(101) et seq.; and the Commission's Rules of Practice and Procedure, as amended, 1992 AACCS, R 460.17101 et seq.
- b. The depreciation accrual rates proposed by Alpena should be approved.
- c. Ex parte approval of the application is appropriate.

THEREFORE, IT IS ORDERED that:

- A. The depreciation accrual rates attached to this order as Appendix A are approved for use by Alpena Power Company and shall be placed into effect as of January 1, 2000.
- B. Beginning January 1, 2000 and continuing until revised by the Commission, Alpena Power Company shall determine its annual accrual for depreciation by applying the depreciation accrual rates set forth in Appendix A to the average of the beginning- and end-of-the-year balances of depreciable property by primary plant accounts. Depreciation expense shall cease to be recorded for any account that becomes fully depreciated before the next depreciation order. If there are subsequent additions, the approved rate shall be used to determine the depreciation expense.
- C. These depreciation accrual rates may be revised by the Commission on its own motion or upon petition by Alpena Power Company prior to December 31, 2004 for any of the following reasons:

1. Extraordinary changes in the service lives or net salvage values.
2. Major property additions for which the depreciation accrual rates are not appropriate.
3. New plant account categories for which depreciation accrual rates have not been established.

D. Before August 1, 2004, Alpena Power Company shall file an application for new or revised depreciation accrual rates. Its proposal shall be supported by a depreciation study, testimony, and other data that the Commission Staff may request and shall be based on data as of the preceding calendar year.

E. During the period that these depreciation rates are in effect, Alpena Power Company shall notify the Commission in advance of any retirement that is proposed to be made prior to or substantially later than the year in which the retirement was assumed in the development of the depreciation accrual rates approved in this order and that will have a significant effect upon the appropriate accumulated provision for depreciation balance.

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; MSA 22.45.

MICHIGAN PUBLIC SERVICE COMMISSION

/s/ John G. Strand  
Chairman

( S E A L )

/s/ David A. Svanda  
Commissioner

/s/ Robert B. Nelson  
Commissioner

By its action of May 22, 2000.

/s/ Dorothy Wideman  
Its Executive Secretary

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MICHIGAN PUBLIC SERVICE COMMISSION

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Chairman

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Commissioner

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By its action of May 22, 2000.

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Suggested Minute:

“Adopt and issue order dated May 22, 2000 approving revised depreciation accrual rates for Alpena Power Company effective as of January 1, 2000, as set forth in the order.”