GRAND RAPIDS PUBLIC UTILITIES COMMISSION
REGULAR WORK SESSION MEETING AGENDA

Wednesday, January 10, 2024
8:00 AM

CALL TO ORDER: Pursuant to due notice and call thereof, a Work Session Meeting of the Grand Rapids Public Utilities Commission will be held on Wednesday, January 10, 2024 at 8:00 AM in the conference room of the Public Works/Public Utilities Service Center at 500 SE 4th Street, Grand Rapids, Minnesota.

CALL OF ROLL:

BUSINESS:

1. Consider a motion to approve $99,694.81 verified claims for December 2023.
2. Review draft Electric Vehicle policy
3. Review CLA assessment report of the accounting and financial reporting requirements of Federal Energy Regulatory Commission (FERC) and Governmental Accounting Standards Board (GASB).

ADJOURNMENT:

The next Regular Meeting of the Commission is scheduled for Wednesday, January 24, 2024 at 4:00 PM in the conference room of the Public Works/Public Utilities Service Center at 500 SE 4th Street.

The next Special meeting/Work Session is scheduled for Wednesday, February 14, 2024 at 8:00 AM in the conference room of the Public Works/Public Utilities Service Center at 500 SE 4th Street.

The GRPUC has adopted a Meeting Protocol Policy, which informs attendees of the GRPUC's desire to conduct meetings in an orderly manner which welcomes all civil input from interested parties. If you are unaware of the policy, please contact our office at 218-326-7024 and we will provide you with a copy of the policy.

GRAND RAPIDS
PUBLIC UTILITIES COMMISSION
AGENDA ITEM

AGENDA DATE: January 10, 2024

AGENDA ITEM: Consider a motion to approve $99,694.81 verified claims for December 2023.

PREPARED BY: Jean Lane, Business Services Manager

BACKGROUND:

See attached check registers:

Computer check register $99,694.81

Total $99,694.81

RECOMMENDATION:
Consider a motion to approve $99,694.81 of verified claims for December 2023.

Grand Rapids Public Utilities
Accounts Payable
December 2023
(Meeting Date: 01/10/2024)

NAME	AMOUNT
Border States	456.00
Central McGowan	623.97
Coles	616.27
Compass Minerals	4,807.00
Cooperative Response Center	1,950.94
Core & Main	990.00
Dakota Supply Group	512.34
Gopher State One Call	43.20
Hawkins	4,756.65
Itasca County	194.49
North Central Laboratories	240.19
Public Utilities	6,628.76
Sandstroms	506.80
Stuart Irby	71,721.80
Wesco	5,546.40
Energy Efficiency Rebate:	
Bender, Reed	100.00
Total	**99,694.81**

GRAND RAPIDS
PUBLIC UTILITIES COMMISSION
AGENDA ITEM

AGENDA DATE: Jan,10, 2024

AGENDA ITEM: Review draft Electric Vehicle policy

PREPARED BY: Chad Troumbly, Electric Department Manager

BACKGROUND:

GRPU managers continue to work on drafting policies for Commission review. This month, the staff is looking to create a policy addressing the emerging use of electric vehicles and charging. GRPU Electric Department strives to keep abreast of new developments that could affect our distribution and customer service. Staff would like to discuss this policy and the process of deploying EV chargers.

The package includes the policy and the customer packet (charging options fact sheet and application) that will be available on the website and at the service center for our customers.

Upon feedback from the Commission on the draft policy, a revised policy will be prepared for approval at the January 24, GRPU Commission meeting.

RECOMMENDATION:

Review and comment on draft Electric Vehicle policy.

GRAND RAPIDS PUBLIC UTILITIES
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COMMISSION POLICY
Electric Vehicle Charging

Category:	Subcategory:	Policy Number:
Electric		

Section 1 - Introduction

This policy was developed to be used as a guide by Grand Rapids Public Utilities (GRPU) personnel and to provide GRPU customers the greatest practicable latitude in the use of utilities services consistent with reliable, economical, and safe service to all customers. The result of using this policy should be consistent, logical, and fair treatment of GRPU customers regarding electricity delivery and infrastructure integrity.

The legal ramifications of these policies are addressed in various parts of the Municipal Code.

Section 2 – Policy

It is the responsibility of the customer or property owner to apply to GRPU when they are adding an additional large electric vehicle (EV) charging load to their service. This load was not an anticipated part of the service size estimate when the original request for service was submitted. Every level 2 (or higher) charger will require a service size verification that is started via the EV application. The verification is used to check transformer and external wire size for possible overloading that may cause reliability concerns. The service size is done by GRPU and does not cover the customer's electrical panel.

With Level 2 or higher charger customers have different rate alternatives available. Time of Use (Off-peak) is an option for users to save money by shifting their EV charging to evenings. Rates for this program can be found online at electric_vehicle_rate_schedule.pdf. Customers can also choose to have the load remain on their general service meter.

EVs are new to most customers, and we encourage people to research charging options online or with the vehicle dealer. Drive Electric Minnesota - Drive Forward (driveelectricmn.org) is a nonprofit website with great information. Not all vehicles can charge at the same rate or use the same chargers. Remember to have a qualified person review your electrical panel, whether it's a garage, home, or business. EV chargers cannot be placed into a load management panel. Below is basic charger information and how they pertain to GRPU customers:

- **Level 1** charging happens when you charge an electric vehicle (EV) using the charger included with the car. These chargers can be plugged with one end into any standard 120 outlet, with the other end being plugged directly into the car. (https://chargehub.com)
    - No GRPUC Requirements but we can add you to a list of future programs offering, if you choose.
- **Level 2** chargers are sold separately from the car, although they're often purchased at the same time. These chargers require a slightly more complicated setup, as they are plugged into a 240V outlet which allows charging 3 to 7 times faster depending on the electric car and the charger. They usually must be installed by an electrician. (https://chargehub.com)
    - Requires EV Application (EV load_management_program_application_fillable.pdf)
    - TOU option requires another meter. The meter base and wiring must be installed by the customer or electrician. The TOU meter measures the power that flows to your vehicle and transmits that data for billing purposes.
- **Level 3** high power commercial DC chargers.
    - Requires EV Application (EV load_management_program_application_fillable.pdf)
- **Bidirectional** chargers can provide backup power to buildings or specific loads. Not all vehicles can support this type of charging and additional hardware is required to not back feed on to the electrical grid during an outage.

The application information will allow utility infrastructure planners to properly align the grid to handle the additional load. It may also help incentivize users to adjust usage for the overall benefit of the system.

What to expect next: GRPU will review the application and evaluate the local system that supplies power to your neighborhood. If it is found to be insufficient, changes will be made to accommodate the new load. You should expect information within 1-2 weeks.

If you or your electrician need more information on how to properly prep your property, please review our website for FAQ or call the office during regular business hours.

GRPUC President

GRPUC Member

POLICY HISTORY:
Adopted:

Revised:

Completed forms can be emailed to info@grpuc.org, subject line EV or dropped off at GRPUC office

GRAND RAPIDS PUBLIC UTILITIES
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For Office Use Only	
Project Number	
WO#	
Electrical Permit Number	
Review Date	
Service Size/%Loaded	i.e.15kVA/90%

Grand Rapids Public Utilities Commission
500 SE 4TH St.
Grand Rapids MN 55744
(218) 326-7024

APPLICATION FOR EV LEVEL 2 AND ABOVE CHARGER PARTICIPATION
ELECTRIC VEHICLE SERVICE

Name _____
Address _____
_____
_____
City/State/Zip _____
Telephone _____
_____

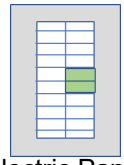
Account # Charger Nameplate _____
(AMPS) _____
(WATTS) _____
Current Customer Y/N
Installer Name _____
Estimated Ready Date _____

I wish to participate in the following electric vehicle service rate programs:

- ☐ Electric Service Rate Schedule
- ☐ Electric Vehicle Service Rate Schedule (Requires TOU Meter)
  Need help deciding (Link)

Sketch For EV Service Rate -TOU (Use following devices, or other, if needed)


Standard Meter


Electric Panel


TOU Meter

Charge Point Station

I have read and understood ELECTRIC VEHICLE CHARGING COMMISSION POLICY (link).

Applicant's Signature _____ Date (mm/dd/yy) _____

I attest that the installation is in conformance with GRPUC regulations and National, State and Local Electrical Codes to the best of my knowledge.

GRPUC Representative _____ Date (mm/dd/yy) _____

I, for myself and on behalf of my heirs, assigns, personal representatives and next-of-kin, HEREBY RELEASE AND HOLD HARMLESS, the Grand Rapids Public Utilities Commission, their officers, officials, agents and employees ("Releasees"), WITH RESPECT TO ANY AND ALL INJURY, DISABILITY, DEATH OR LOSS OR DAMAGE TO PERSON OR PROPERTY, which may be caused except that loss which is the result of gross negligence, willful acts or wanton misconduct of Releasees. I attest that the installation is in conformance with GRPUC regulations and National, State and Local Electrical Codes to the best of my knowledge.

Applicant's Signature _____ Date (mm/dd/yy) _____

Information to Help Decide Your Be
EV Charging Options

There are choices and costs associated with different levels of charging and programs offered by Grand Rapids Public Utilities. Here is some information that may help you decide.

- **Level 1** charging happens when you charge an electric vehicle (EV) using the charger included with the car. These chargers can be plugged with one end into any standard 120V outlet, with the other end being plugged directly into the car.
  - Advantages: No added installation costs.
  - Disadvantages: Regular electric service rate and longer charge times.

- **Level 2** chargers are sold separately from the car. These chargers require a slightly more complicated setup as they are plugged into a 240V outlet which allows charging 3 to 7 times faster, depending on the electric car and the charger. They usually must be installed by an electrician.
  - Advantages: Faster charging time and ability to receive lower time of use EV service rate.
  - Disadvantages: Added costs (to be evaluated by a qualified electrician), home electrical assessment, electrical permit, panel upgrade, installation, charger (typically $500-$700).

- **Electrical Vehicle Service Rate (Level 2 and Up)**
  - Advantages: Reduced rate if charged at night.
  - Disadvantages: Another meter fee, increased installation cost, higher daytime rate.

Frequently Asked Question: Is EV service rate right for me?
Answer: If you can charge at night and you drive enough miles to cover the meter fee.

The following calculation, using average EV Power Usage, estimates break-even at 212 miles per month.

Standard Rate (city over 500 kWh/mo):	EV Rate Off-peak:	Meter Fee:	Rate difference:	Cover Meter Fee:	Miles needed per month:
$0.1159	$0.055	$4.15	$0.0609	68.14 kWh	212.95
Average EV Power usage:					**Miles per day (30):**
0.32 kWh per mile					7.10

GRAND RAPIDS PUBLIC UTILITIES
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Grand Rapids Public Utilities Commission (GRPU) is a municipal utility established by the City of Grand Rapids, Minnesota. Utilities under the jurisdiction of the GRPU include electric distribution, water treatment and distribution, and wastewater collection and treatment.

218-326-7024 • Website: cityofgrandrapidsmn.com/utilities
Facebook: grpucmn

GRAND RAPIDS PUBLIC UTILITIES
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Customer requests information on EV program. Fills out form online or with the help of a CSR.

EV application

Review data — **Approximately 1 week to review**

APPROVED EV application

Customer decides on standard or time of use (TOU) rate.

Standard rate → Customer and electrician driven. No further GRPU action.

APPROVED EV application

Sketch and electrical permit

Customer/electrician has installed hardware and state electrical inspection complete.

Contact GRPU to schedule → GRPU installs TOU meter and starts billing EV under EV TOU rate.

Approximately 1 week to schedule meter install.

GRAND RAPIDS
PUBLIC UTILITIES COMMISSION
AGENDA ITEM

AGENDA DATE: January 10, 2024

AGENDA ITEM: Review CLA assessment report of the accounting and financial reporting requirements of Federal Energy Regulatory Commission (FERC) and Governmental Accounting Standards Board (GASB).

PREPARED BY: Jean Lane, Business Services Manager

BACKGROUND:

In October 2023, the Business Services Manager presented a Clifton Larson Allen (CLA) contract to prepare an assessment of FERC and GASB accounting and financial reporting with the following objectives:

(a) What accounting policies differ between regular GAAP/GASB accounting and FERC accounting and are they actually fully using all FERC policies or just with regards to the meters and transformers.
(b) What would the yearly impact be if water meters and transformers were not depreciated until placed into service.
(c) What kinds of things the FERC chart of accounts (COA) requires or clearly defines that they may want to consider including in their COA in case they ever need to do any FERC reporting.

The deliverable, a memo on recommendation of what accounting regulations to use, is attached and in draft for your review and comments.

I will lead the discussion on the draft assessment and CLA team members will be available, virtually, to discuss and answer questions at the meeting.

Any action item would need to be on a regular GRPU Commission meeting.

RECOMMENDATION:

Review and discuss CLA assessment.

Grand Rapids Public Utilities Commission
Grand Rapids, Minnesota

Based on the statement of work dated October 17, 2023, and per the request of the Grand Rapids Public Utility Business Services Manager, we have conducted an assessment of the accounting and financial reporting requirements of the Federal Energy Regulatory Commission (FERC) and how it impacts the Grand Rapids Public Utilities Commission (the Commission), what aspects of FERC accounting the Commission is utilizing, and what differences in financial reporting would arise from the Commission fully implementing FERC accounting and financial reporting requirements versus GAAP/GASB accounting and financial reporting requirements. Specifically, we identified the following objectives:

A) What accounting policies differ between regular GAAP/GASB accounting and FERC accounting and is the Commission fully using all FERC policies or only utilizing certain FERC policies.

B) What would the yearly impact be if water meters and transformers were not depreciated until placed into service, as currently depreciation is started upon purchase, as per the Commission's understanding of FERC accounting.

C) What items does the FERC chart of accounts require or clearly define that the Commission may want to consider including in their chart of accounts in case they ever need to complete or comply with FERC reporting or accounting requirements.

D) Does it appear necessary to utilize FERC accounting for purposes of obtaining meaningful rate comparisons and rate studies.

With the above objectives in mind, CLA has prepared the following summary to be utilized by the Grand Rapids Public Utilities Commission.

Analysis of FERC Accounting and Financial Reporting Regulations Versus GASB

Background of FERC and FERC Accounting

The Federal Energy Regulatory Commissions (FERC) is an independent agency of the United States government that regulates the interstate transmission of electricity and natural gas and the transportation of oil by pipeline in interstate commerce. FERC also regulates hydropower projects and natural gas terminals. The Energy Policy Act of 2005 gave FERC some additional responsibilities, such as reviewing certain mergers and acquisitions and corporate transactions by electricity companies, approving the siting and abandonment of interstate natural gas pipelines and storage facilities, monitoring and investigating energy markets, etc. Entities within FERC jurisdiction include those that engage in the above-mentioned activities and are subject to the Federal Power Act. Entities and activities that are *not within* FERC's jurisdiction include electricity and natural gas sales to consumers, the regulation of activities of municipal power systems and most rural electric cooperatives, the issuance of state water quality certificates, and other more localized utility operations. These are often regulated by State Public Utility Commissions. In Minnesota, the Minnesota Public Utilities Commission regulates certain safety and services issue of municipal utilities, but much of the operational regulation, such as rate setting, fees, budgeting, etc., is done through the local council or commission. The MNPUC would typically only get involved in a municipal utility to address specific questions, issues, or concerns brought to its attention. This might result in the MNPUC reviewing the matter and issuing a formal statement or judgment based on applicable Minnesota laws.

As part of regulating activities and entities under its jurisdiction, FERC has established a Uniform System of Accounts (USofA) and corresponding accounting rules and regulations which these entities must follow (henceforth referred to collectively as FERC accounting). FERC accounting was established to ensure consistency and comparability as well as to assist entities in preparing various forms and filings which are required to be submitted to FERC. Some state commissions, such as Wisconsin, have developed their own Uniform System of Accounts and other regulations that mirror or mimic that of FERC while others, including Minnesota, do not require municipal utilities to use a prescribed chart of accounts or complete FERC reporting forms. As such, the Commission is not required to utilize a specific chart of accounts, nor does it need to be able to readily compile data to prepare forms based on the FERC (or other) chart of accounts. The Commission does prepare two annual report that are submitted to governing bodies. The first, Form EIA-861S, is completed and submitted to the US Energy Information Administration, an agency of the U.S. Federal Statistical System which is responsible for collecting, analyzing, and disseminating energy information to promote sound policymaking, efficient markets, and public understanding of energy. This is an informational census survey, utilized for assisting in decision making at this level, not a regulatory report for analyzing or reviewing the entities providing the submissions. The second form, the Electric Utility Rule 7610 Report, is completed and submitted to the MN Department of Commerce, Energy and Utilities Division, and is an informational report used to identify emerging trends based on supply and demand, conservation and public health and safety factors, and to determine the level of statewide and service area needs. This, too, is an informational report to assist the state in policy making and is not a regulatory report intended to assess the Commission.

FERC accounting also includes various rules and regulations, which are built into the definitions for each of its accounts included in the USofA. As the Commission is not subject to FERC regulations, it is also not required to follow this accounting guidance. *As a municipal utility in Minnesota, the Commission's audited financial statements must be prepared in accordance with Generally Accepted Accounting Principles (GAAP) and Governmental Accounting Standards Board (GASB) pronouncements.* FERC accounting was designed around Financial Accounting Standards Board (FASB) pronouncements, which are utilized by, among others, for-profit entities and contain many key differences from GASB standards. FERC also publishes guidance and answers to inquiries regarding the implementation of new FASB standards and how to incorporate them into the FERC USofA, but does not do so for new GASB standards, further implying it was created with for-profit entities in mind*. As such, the utilization of FERC accounting is difficult and largely impractical for governmental entities.* Some of the key differences between FERC accounting and GAAP accounting which utilizes GASB pronouncements are summarized below, starting with terminology variances and then application variances.

Terminology Variances

FERC accounting utilizes many terms that are part of FASB pronouncements but would not be correct to include in financial statements prepared utilizing GASB. These terms are specifically listed out in the FERC rules and regulations and are also incorporated into the detailed descriptions of many of the accounts included in the USofA. Some of these terms include, but are not limited to the following:

> **Capital Lease** – With the implementation of GASB 87, capital lease is no longer a term utilized under GASB. Leases are considered short-term or long-term.
> **Operating Lease** – With the implementation of GASB 87, operating lease is no longer a term utilized under GASB. Leases are considered short-term or long-term.

Unamortized Debt Expense – N/A under GASB.
Common Stock – N/A under GASB.
Preferred Stock – N/A under GASB.
Capital Stock – N/A under GASB.
Reacquired Bonds – N/A under GASB.
Retained Earnings – The term net position is utilized under GASB.
Dividends Declared – N/A under GASB.

In addition to FERC accounting utilizing terms that are not compatible with GASB accounting, GASB includes terminology and financial statement classifications that are not included in the FERC USofA. These include, but are not limited to:

Deferred Outflows of Resources
Deferred Inflows of Resources
Due From Other Governments
Due to Other Governments
Unearned Revenue
OPEB (Other Postemployment Benefits)
Net Investment in Capital Assets
Unrestricted Net Position
Net Position
Intergovernmental Revenue
Interfund Transfers

Application Variances
FERC accounting also discusses the use of the various terms embedded within their USofA and the implementation of related accounting practices. Significant variances in the policies and practical application of FERC accounting versus GASB include, but may not be limited to the following:

Leases – The criteria FERC uses for classifying leases is almost identical to the previous GASB criteria, which has since been superseded by GASB Statement No, 87. FERC continues to classify leases as either operating or capital, and capital leases are based on the same four criteria which were previously utilized by GASB. As such, if the Commission had a ten-year lease which did not meet any of these criteria (asset transferring ownership, a bargain purchase option, present value of minimum lease payments equaling or exceeding 90% of the asset fair value, or the lease term equal to or greater than 75% of the economic life of the lease asset), it would be classified as an operating lease utilizing FERC accounting, but would then need to be classified, and properly accounted for, as a long-term lease under GASB.
Unamortized Debt Expense – This term and the treatment of expenses related to the issuance of various debt instruments would not be appropriate under GASB. FERC accounting requires that expenses related to the issuance or assumption of various debt securities be capitalized in an unamortized debt expense account and be amortized over the life of the respective issuance. This is similar to how GASB previously treated these costs, but GASB Statement No. 65, effective in fiscal year 2013, changed this to require the expense of these costs, other than any portion related to prepaid insurance, in the period in which they were incurred. As such, under FERC accounting the Commission would need to track and amortize these

costs and then ensure they were all properly expensed when preparing financial information under GASB.

Gains and Losses on Debt Defeasance with Existing Resources – Under FERC accounting, when a long-term debt issuance is defeased using existing resources and not in connection with a refunding debt issuance, any gain or loss on the defeasance is to be deferred and amortized over the remaining life of the original debt issuance. This is in contrast to GASB standards, which state that any gains or losses in these situations should be recognized fully in the period of the defeasance. As such, if the Commission utilizes FERC accounting, it would need to track any variances between the two methods if this situation arises.

Gains and Losses on Debt Refunding – Under FERC accounting, any calculated gains or losses on debt refunding are to be amortized, similar to GASB requirements. However, FERC accounting allows the utility to elect to amortize any gains or losses either over the original life of the refunded debt or the remaining life of the new debt. This contradicts with GASB standards which required these gains and losses to be amortized over the shorter of the two. As such, if the Commission utilized FERC accounting, it would need to track any variances between the two methods if this situation arises.

Gains and Losses From Disposition of Utility Plant – FERC accounting requires utilities to separate the cost of land purchases for electric operations into two categories when the purchase requires the utility to acquire more land than needed for such purposes. The land is to be divided into land reported within the Electric Plant account and land recorded in the Electric Pant Held for Future Use account. If the land held for future use ends up being sold and not used for electric operations, any significant gains or losses are to be deferred and amortized over a five-year period. This treatment is inconsistent with GASB, which would require the gain or loss on a sale of land to be recognized in the fiscal year of the sale.

Computer Software – FERC accounting includes the capitalized of computer software as an intangible capital asset. While GASB Statement No. 96 addresses Subscription-Based Information Technology Arrangements, essentially leased computer software, and allows for the capitalization of certain types of these agreements as subscription assets, software costs in general are not capitalizable under GASB.

Currently, the Commission is utilizing GASB/GAAP accounting for all the above-mentioned scenarios, thus a conversion to FERC accounting would require recalculating and reanalyzing several areas, in addition to retaining the GASB-based accounting for reporting purposes*. One of the areas where the Commission indicates it is currently utilizing FERC accounting, is with regards to the treatment of meters and transformers purchased*. The Commission's practice is to begin depreciating these assets in the year they are purchased, regardless of when they were placed into service, rather than include them in a non-depreciable inventory account until the time they are placed into service. The FERC USofA contains an inventory account for supplies and materials which are not yet used. This account notes that meters and transformers are not to be recorded in this account. Instead, it includes separate capital asset accounts for both meters and transformers, which specifically note that within these accounts the utility needs to separate between meters and transformers in service and those not yet in service. The depreciation expense accounts then go on to discuss that they are to include depreciation expense for assets in service. This language, along with no evidence to the contrary, would seem to indicate that assets not yet in service, though required to be accounted for in the same capital asset account in the FERC USofA, should not be depreciated.

Treatment of Water Meters and Transformers Not Yet in Service
As noted above, the Commission's current practice is to begin depreciating meters and transformers upon purchase, rather than to hold them in an inventory account until placed in service. In 2022, the Commission had $55,638 in equipment additions. If that entire amount were meters, with a conservative estimated useful life of 20 years, that would equate to $2,782 in depreciation expense per year. It is likely that some of the meters purchased would be placed into service in the same year, but even if all meters are held for an average of five years prior to being placed into service (and assuming all of the equipment additions are meters), it would still only equate to about $13,910 in total over the five-year span.

Applying the same conservative calculation to transformers, which would be included in infrastructure additions, one year of depreciation for the $731,511 in additions in 2022 (assuming a 30-year useful life) would total $24,384 and five years of depreciation would total $121,919.

Both of the above calculations are for one year of additions, so if each year contained a similar amount of additions to meters and transformers, which are all held for an average of five years before being placed into service, this annual amount would end up totaling $135,830 in additional expenses by immediately depreciating both meters and transformers. Due to the conservative assumptions utilized, the actual annual variance is likely much less. However, as noted in the last paragraph of the "Analysis of FERC Accounting and Financial Reporting Regulations Versus GASB" section of this report, it does *not* appear this approach is a prescribed practice under FERC accounting or GASB.

Components of the FERC USofA for the Commission to Consider
The FERC chart of accounts generally contains accounts which are only three digits long, with some containing one decimal for subcategories. Three-digit accounts are somewhat limiting and the Commission will likely have more data and/or subcategories it wants to track. In addition, per review of the USofA, there are few accounts which seem to translate directly to an account the Commission would likely have. As such, if the Commission wants to incorporate any component of the FERC USofA into its own chart of accounts, it seems most practical to add a string of three digits somewhere in the account structure that would contain the FERC account number that is closest to the nature of the account. Below is the general account numbering plan used in the FERC Uniform System of Accounts and a full account listing is included as an appendix to this letter.

100-199 Assets and other debits
200-200 Liabilities and other credits
300-399 Plant accounts
400-432, 434-435 Income accounts
433, 436-439 Retained earnings accounts
440-459 Revenue accounts
500-599 Production, transmission and distribution expenses
900-949 Customer accounts, customer service and informational, sales, and General and administrative expenses

FERC Accounting as it Relates to Rate Setting and Rate Studies
The last key question to consider with regards to whether utilizing FERC accounting is appropriate for the Commission is whether or not it would have an impact on the Commission's ability to meaningfully compare rates and financial results to other municipal utilities or its conduction of utility rate studies. Though we were unable to find definitive information on how

many, if any, municipal utilities in Minnesota utilize FERC accounting, through our experience, inquiries, etc. we were unable to identify any which do fully utilize FERC accounting in its day-to-day accounting records. As such, GASB accounting practices would actually result in more meaningful comparisons to other municipal utilities in the state. In addition, we were unable to identify any concerns with GASB accounting as it relates to conducting rate studies, and many other municipal utilities in Minnesota regularly conduct rate studies without the use of FERC accounting.

Final Considerations

Any decision impacting the record keeping and financial reporting of an entity should not be taken lightly, as inevitably there will be a transition process and a few pain points. Based on the information gathered and presented in this report, the decision to fully utilize FERC accounting practices or transition away from these methods and instead fully implement GAAP/GASB accounting rests with governance of the Commission and not with any regulatory or other body. No guidelines, rules, or laws were identified which would preclude the Commission from moving away from FERC accounting.

Any change to financial practices will require some time and effort. If the Commission were to choose to fully utilize FERC accounting, it appears this would require more changes than choosing to report solely utilizing GAAP/GASB. As is noted earlier in this report, there are several areas where the Commission is not utilizing FERC practices and would have to make several revisions. In moving away from FERC, there would be small financial implications related to the depreciation of meters and transformers. This change would not impact the balance sheet, as the equipment would be included in assets regardless, either as inventory or as a capital asset. The only difference would be that depreciation expense is taken sooner under current practices and would not align with the actual use of the asset. As the Commission plans to implement a new financial software in the near future, revamping the chart of accounts away from the FERC USofA will likely be a bigger change from an internal perspective, though new software usually comes with revisions and improvements to an entity's chart of accounts, regardless of any changes in accounting practices.

Ultimately, the Commission of GRPUC has the authority to decide how the entity will proceed. There may also be additional factors or circumstances that the Commission considers relevant to consider when making this decision, but we were unable to find any rules and regulations or compelling reasons why it would be either required or recommended for Grand Rapids Public Utility Commission to utilize and further implement FERC accounting.

This report is intended solely for the information and use of the Grand Rapids Public Utilities Commission and is not intended to be, and should not be, used by anyone other than these specified parties.

The purpose of this report is solely to describe the information related to the objectives stated above Accordingly, this report is not suitable for any other purpose.

CliftonLarsonAllen LLP

Saint Cloud, Minnesota

[Report Date]

Appendix

Balance Sheet Chart of Accounts

ASSETS AND OTHER DEBITS

1. Utility Plant
   101 Electric plant in service (Major only).
   101.1 Property under capital leases.
   102 Electric plant purchased or sold.
   103 Experimental electric plant unclassified (Major only).
   103.1 Electric plant in process of reclassification (Nonmajor only).
   104 Electric plant leased to others.
   105 Electric plant held for future use.
   106 Completed construction not classified—Electric (Major only).
   107 Construction work in progress—Electric.
   108 Accumulated provision for depreciation of electric utility plant (Major only).
   109 [Reserved]
   110 Accumulated provision for depreciation and amortization of electric utility plant (Nonmajor only).
   111 Accumulated provision for amortization of electric utility plant (Major only).
   112–113 [Reserved]
   114 Electric plant acquisition adjustments.
   115 Accumulated provision for amortization of electric plant acquisition adjustments (Major only).
   116 Other electric plant adjustments.
   118 Other utility plant.
   119 Accumulated provision for depreciation and amortization of other utility plant.
   120.1 Nuclear fuel in process of refinement, conversion, enrichment and fabrication (Major only).
   120.2 Nuclear fuel materials and assemblies—Stock account (Major only).
   120.3 Nuclear fuel assemblies in reactor (Major only).
   120.4 Spent nuclear fuel (Major only).
   120.5 Accumulated provision for amortization of nuclear fuel assemblies (Major only).
   120.6 Nuclear fuel under capital leases (Major only).

2. Other Property and Investments
   121 Nonutility property.
   122 Accumulated provision for depreciation and amortization of nonutility property.
   123 Investment in associated companies (Major only).
   123.1 Investment in subsidiary companies (Major only).
   124 Other investments.
   125 Sinking funds (Major only).
   126 Depreciation fund (Major only).
   127 Amortization fund—Federal (Major only).
   128 Other special funds (Major only).
   129 Special funds (Nonmajor only).

3. Current and Accrued Assets
   130 Cash and working funds (Nonmajor only).
   131 Cash (Major only).

132 Interest special deposits (Major only).
133 Dividend special deposits (Major only).
134 Other special deposits (Major only).
135 Working funds (Major only).
136 Temporary cash investments.
141 Notes receivable.
142 Customer accounts receivable.
143 Other accounts receivable.
144 Accumulated provision for uncollectible accounts—credit.
145 Notes receivable from associated companies.
146 Accounts receivable from associated companies.
151 Fuel stock (Major only).
152 Fuel stock expenses undistributed (Major only).
153 Residuals (Major only).
154 Plant materials and operating supplies.
155 Merchandise (Major only).
156 Other materials and supplies (Major only).
157 Nuclear materials held for sale (Major only).
158.1 Allowance inventory.
158.2 Allowances withheld.
163 Stores expense undistributed (Major only).
165 Prepayments.
171 Interest and dividends receivable (Major only).
172 Rents receivable (Major only).
173 Accrued utility revenues (Major only).
174 Miscellaneous current and accrued assets.
175 Derivative instrument assets.
176 Derivative instrument assets-Hedges.

4. Deferred Debits
   181 Unamortized debt expense.
   182.1 Extraordinary property losses.
   182.2 Unrecovered plant and regulatory study costs.
   182.3 Other regulatory assets.
   183 Preliminary survey and investigation charges (Major only).
   184 Clearing accounts (Major only).
   185 Temporary facilities (Major only).
   186 Miscellaneous deferred debits.
   187 Deferred losses from disposition of utility plant.
   188 Research, development, and demonstration expenditures (Major only).
   189 Unamortized loss on reacquired debt.
   190 Accumulated deferred income taxes.

LIABILITIES AND OTHER CREDITS

5. Proprietary Capital
   201 Common stock issued.
   202 Common stock subscribed (Major only).
   203 Common stock liability for conversion (Major only).
   204 Preferred stock issued.
   205 Preferred stock subscribed (Major only).
   206 Preferred stock liability for conversion (Major only).

207 Premium on capital stock (Major only).
208 Donations received from stockholders (Major only).
209 Reduction in par or stated value of capital stock (Major only).
210 Gain on resale or cancellation of reacquired capital stock (Major only).
211 Miscellaneous paid-in capital.
212 Installments received on capital stock.
213 Discount on capital stock.
214 Capital stock expense.
215 Appropriated retained earnings.
215.1 Appropriated retained earnings—Amortization reserve, Federal.
216 Unappropriated retained earnings.
216.1 Unappropriated undistributed subsidiary earnings (Major only).
217 Reacquired capital stock.
218 Noncorporate proprietorship (Nonmajor only).
219 Accumulated other comprehensive income.

6. Long-Term Debt
221 Bonds.
222 Reacquired bonds (Major only).
223 Advances from associated companies.
224 Other long-term debt.
225 Unamortized premium on long-term debt.
226 Unamortized discount on long-term debt—Debit.

7. Other Noncurrent Liabilities
227 Obligations under capital lease—noncurrent.
228.1 Accumulated provision for property insurance.
228.2 Accumulated provision for injuries and damages.
228.3 Accumulated provision for pensions and benefits.
228.4 Accumulated miscellaneous operating provisions.
229 Accumulated provision for rate refunds.
230 Asset retirement obligations.

8. Current and Accrued Liabilities
231 Notes payable.
232 Accounts payable.
233 Notes payable to associated companies.
234 Accounts payable to associated companies.
235 Customer deposits.
236 Taxes accrued.
237 Interest accrued.
238 Dividends declared (Major only).
239 Matured long-term debt (Major only).
240 Matured interest (Major only).
241 Tax collections payable (Major only).
242 Miscellaneous current and accrued liabilities.
243 Obligations under capital leases—current.
244 Derivatives instrument liabilities.
245 Derivative instrument liabilities-Hedges.

9. Deferred Credits
   251 [Reserved]
   252 Customer advances for construction.
   253 Other deferred credits.
   254 Other regulatory liabilities.
   255 Accumulated deferred investment tax credits.
   256 Deferred gains from disposition of utility plant.
   257 Unamortized gain on reacquired debt.
   281 Accumulated deferred income taxes—Accelerated amortization property
   282 Accumulated deferred income taxes—Other property.
   283 Accumulated deferred income taxes—Other.

Electric Plant Chart of Accounts

1. Intangible Plant
   301 Organization.
   302 Franchises and consents.
   303 Miscellaneous intangible plant.

2. Production Plant
   a. steam production
   310 Land and land rights.
   311 Structures and improvements.
   312 Boiler plant equipment.
   313 Engines and engine-driven generators.
   314 Turbogenerator units.
   315 Accessory electric equipment.
   316 Miscellaneous power plant equipment
   317 Asset retirement costs for steam production plant.
   b. nuclear production
   320 Land and land rights (Major only).
   321 Structures and improvements (Major only).
   322 Reactor plant equipment (Major only).
   323 Turbogenerator units (Major only).
   324 Accessory electric equipment (Major only).
   325 Miscellaneous power plant equipment (Major only).
   326 Asset retirement costs for nuclear production plant (Major only).
   c. hydraulic production
   330 Land and land rights.
   331 Structures and improvements.
   332 Reservoirs, dams, and waterways.
   333 Water wheels, turbines and generators.
   334 Accessory electric equipment.
   335 Miscellaneous power plant equipment.
   336 Roads, railroads and bridges.
   337 Asset retirement costs for hydraulic production plant.
   d. other production
   340 Land and land rights.
   341 Structures and improvements.
   342 Fuel holders, producers, and accessories.
   343 Prime movers.

344 Generators.
345 Accessory electric equipment.
346 Miscellaneous power plant equipment.
347 Asset retirement costs for other production plant.

3. Transmission Plant
   350 Land and land rights.
   351 [Reserved]
   352 Structures and improvements.
   353 Station equipment.
   354 Towers and fixtures.
   355 Poles and fixtures.
   356 Overhead conductors and devices.
   357 Underground conduit.
   358 Underground conductors and devices.
   359 Roads and trails.
   359.1 Asset retirement costs for transmission plant.

4. Distribution Plant
   360 Land and land rights.
   361 Structures and improvements.
   362 Station equipment.
   363 Storage battery equipment.
   364 Poles, towers and fixtures.
   365 Overhead conductors and devices
   366 Underground conduit.
   367 Underground conductors and devices
   368 Line transformers.
   369 Services.
   370 Meters.
   371 Installations on customers' premises
   372 Leased property on customers' premises.
   373 Street lighting and signal systems.
   374 Asset retirement costs for distribution plant.

5. Regional Transmission and Market Operation Plant
   380 Land and land rights.
   381 Structures and improvements.
   382 Computer hardware.
   383 Computer software.
   384 Communication Equipment.
   385 Miscellaneous Regional Transmission and Market Operation Plant.
   386 Asset Retirement Costs for Regional Transmission and Market Operation Plant.
   387 [Reserved]

6. General Plant
   389 Land and land rights.
   390 Structures and improvements.
   391 Office furniture and equipment.
   392 Transportation equipment.
   393 Stores equipment.

394 Tools, shop and garage equipment.
395 Laboratory equipment.
396 Power operated equipment.
397 Communication equipment.
398 Miscellaneous equipment.
399 Other tangible property.
399.1 Asset retirement costs for general plant

Income Chart of Accounts

1. Utility Operating Income
   400 Operating revenues.
   401 Operation expense.
   402 Maintenance expense.
   403 Depreciation expense.
   404 Amortization of limited-term electric plant.
   405 Amortization of other electric plant.
   406 Amortization of electric plant acquisition adjustments.
   407 Amortization of property losses, unrecovered plant and regulatory study costs.
   407.3 Regulatory debits.
   407.4 Regulatory credits.
   408 [Reserved]
   408.1 Taxes other than income taxes, utility operating income.
   409 [Reserved]
   409.1 Income taxes, utility operating income.
   410 [Reserved]
   410.1 Provisions for deferred income taxes, utility operating income.
   411 [Reserved]
   411.1 Provision for deferred income taxes—Credit, utility operating income.
   411.3 [Reserved]
   411.4 Investment tax credit adjustments, utility operations.
   411.6 Gains from disposition of utility plant.
   411.7 Losses from disposition of utility plant.
   411.8 Gains from disposition of allowances.
   411.9 Losses from disposition of allowances.
   412 Revenues from electric plant leased to others.
   413 Expenses of electric plant leased to others.
   414 Other utility operating income.

2. Other Income and Deductions
   a. other income
   415 Revenues from merchandising, jobbing, and contract work.
   416 Costs and expenses of merchandising, jobbing, and contract work.
   417 Revenues from nonutility operations.
   417.1 Expenses of nonutility operations.
   418 Nonoperating rental income.
   418.1 Equity in earnings of subsidiary companies (Major only).
   419 Interest and dividend income.
   419.1 Allowance for other funds used during construction.
   420 Investment tax credits.
   421 Miscellaneous nonoperating income.

421.1 Gain on disposition of property.
b. other income deductions
421.2 Loss on disposition of property.
425 Miscellaneous amortization.
426 [Reserved]
426.1 Donations.
426.2 Life insurance.
426.3 Penalties.
426.4 Expenditures for certain civic, political and related activities.
426.5 Other deductions. Total other income deductions.
c. taxes applicable to other income and deductions
408.2 Taxes other than income taxes, other income and deductions.
409.2 Income tax, other income and deductions.
409.3 Income taxes, extraordinary items.
410.2 Provision for deferred income taxes, other income and deductions.
411.2 Provision for deferred income taxes—Credit, other income and deductions.
411.5 Investment tax credit adjustments, nonutility operations.
420 Investment tax credits.

3. Interest Charges
   427 Interest on long-term debt.
   428 Amortization of debt discount and expense.
   428.1 Amortization of loss on reacquired debt.
   429 Amortization of premium on debt-Cr.
   429.1 Amortization of gain on reacquired debt—Credit.
   430 Interest on debt to associated companies.
   431 Other interest expense.
   432 Allowance for borrowed funds used during construction—Credit.

4. Extraordinary Items
   434 Extraordinary income.
   435 Extraordinary deductions.

<u>Operation and Maintenance Expense Chart of Accounts</u>

1. Power Production Expenses
   a. steam power generation
   Operation
   500 Operation supervision and engineering.
   501 Fuel.
   502 Steam expenses (Major only).
   503 Steam from other sources.
   504 Steam transferred—Credit.
   505 Electric expenses (Major only).
   506 Miscellaneous steam power expenses (Major only).
   507 Rents.
   508 Operation supplies and expenses (Nonmajor only).
   509 Allowances.
   Maintenance
   510 Maintenance supervision and engineering (Major only).
   511 Maintenance of structures (Major only).
   512 Maintenance of boiler plant (Major only).

513 Maintenance of electric plant (Major only).
514 Maintenance of miscellaneous steam plant (Major only).
515 Maintenance of steam production plant (Nonmajor only).
b. nuclear power generation
Operation
517 Operation supervision and engineering (Major only).
518 Nuclear fuel expense (Major only).
519 Coolants and water (Major only).
520 Steam expenses (Major only).
521 Steam from other sources (Major only).
522 Steam transferred—Credit. (Major only).
523 Electric expenses (Major only).
524 Miscellaneous nuclear power expenses (Major only).
525 Rents (Major only).
Maintenance
528 Maintenance supervision and engineering (Major only).
529 Maintenance of structures (Major only).
530 Maintenance of reactor plant equipment (Major only).
531 Maintenance of electric plant (Major only).
532 Maintenance of miscellaneous nuclear plant (Major only).
c. hydraulic power generation
Operation
535 Operation supervision and engineering.
536 Water for power.
537 Hydraulic expenses (Major only).
538 Electric expenses (Major only).
539 Miscellaneous hydraulic power generation expenses (Major only).
540 Rents.
540.1 Operation supplies and expenses (Nonmajor only).
Maintenance
541 Maintenance supervision and engineering (Major only).
542 Maintenance of structures (Major only).
543 Maintenance of reservoirs, dams and waterways (Major only).
544 Maintenance of electric plant (Major only).
545 Maintenance of miscellaneous hydraulic plant (Major only).
545.1 Maintenance of hydraulic production plant (Nonmajor only).
d. other power generation
Operation
546 Operation supervision and engineering.
547 Fuel.
548 Generation expenses (Major only).
549 Miscellaneous other power generation expenses (Major only).
550 Rents.
550.1 Operation supplies and expenses (Nonmajor only).
Maintenance
551 Maintenance supervision and engineering (Major only).
552 Maintenance of structures (Major only).
553 Maintenance of generating and electric plant (Major only).
554 Maintenance of miscellaneous other power generation plant (Major only).
554.1 Maintenance of other power production plant (Nonmajor only).
e. other power supply expenses

555 Purchased power.
556 System control and load dispatching (Major only).
557 Other expenses.

2. Transmission Expenses
Operation
560 Operation supervision and engineering.
561.1 Load dispatch—Reliability.
561.2 Load dispatch—Monitor and operate transmission system.
561.3 Load dispatch—Transmission service and scheduling.
561.4 Scheduling, system control and dispatch services.
561.5 Reliability planning and standards development.
561.6 Transmission service studies.
561.7 Generation interconnection studies.
561.8 Reliability planning and standards development services.
562 Station expenses (Major only).
563 Overhead line expense (Major only).
564 Underground line expenses (Major only).
565 Transmission of electricity by others (Major only).
566 Miscellaneous transmission expenses (Major only).
567 Rents.
567.1 Operation supplies and expenses (Nonmajor only).
Maintenance
568 Maintenance supervision and engineering (Major only).
569 Maintenance of structures (Major only).
569.1 Maintenance of computer hardware.
569.2 Maintenance of computer software.
569.3 Maintenance of communication equipment.
569.4 Maintenance of miscellaneous regional transmission plant.
570 Maintenance of station equipment (Major only).
571 Maintenance of overhead lines (Major only).
572 Maintenance of underground lines (Major only).
573 Maintenance of miscellaneous transmission plant (Major only).
574 Maintenance of transmission plant (Nonmajor only).

3. Regional Market Expenses
Operation
575.1 Operation Supervision.
575.2 Day-ahead and real-time market administration.
575.3 Transmission rights market administration.
575.4 Capacity market administration.
575.5 Ancillary services market administration.
575.6 Market monitoring and compliance.
575.7 Market facilitation, monitoring and compliance services.
575.8 Rents.
Maintenance
576.1 Maintenance of structures and improvements.
576.2 Maintenance of computer hardware.
576.3 Maintenance of computer software.
576.4 Maintenance of communication equipment.
576.5 Maintenance of miscellaneous market operation plant.

4. Distribution Expenses
   Operation
   580 Operation supervision and engineering.
   581 Load dispatching (Major only).
   581.1 Line and station expenses (Nonmajor only).
   582 Station expenses (Major only).
   583 Overhead line expenses (Major only).
   584 Underground line expenses (Major only).
   585 Street lighting and signal system expenses.
   586 Meter expenses.
   587 Customer installations expenses.
   588 Miscellaneous distribution expenses.
   589 Rents.
   Maintenance
   590 Maintenance supervision and engineering (Major only).
   591 Maintenance of structures (Major only).
   592 Maintenance of station equipment (Major only).
   592.1 Maintenance of structures and equipment (Nonmajor only).
   593 Maintenance of overhead lines (Major only).
   594 Maintenance of underground lines (Major only).
   594.1 Maintenance of lines (Nonmajor only).
   595 Maintenance of line transformers.
   596 Maintenance of street lighting and signal systems.
   597 Maintenance of meters.
   598 Maintenance of miscellaneous distribution plant.

5. Customer Accounts Expenses
   Operation
   901 Supervision (Major only).
   902 Meter reading expenses.
   903 Customer records and collection expenses.
   904 Uncollectible accounts.
   905 Miscellaneous customer accounts expenses (Major only).

6. Customer Service and Informational Expenses
   Operation
   906 Customer service and informational expenses (Nonmajor only).
   907 Supervision (Major only).
   908 Customer assistance expenses (Major only).
   909 Informational and instructional advertising expenses (Major only).
   910 Miscellaneous customer service and informational expenses (Major only).

7. Sales Expenses
   Operation
   911 Supervision (Major only).
   912 Demonstrating and selling expenses (Major only).
   913 Advertising expenses (Major only).
   916 Miscellaneous sales expenses (Major only).
   917 Sales expenses (Nonmajor only).

8. Administrative and General Expenses
   Operation
   920 Administrative and general salaries.
   921 Office supplies and expenses.
   922 Administrative expenses transferred—Credit.
   923 Outside services employed.
   924 Property insurance.
   925 Injuries and damages.
   926 Employee pensions and benefits.
   927 Franchise requirements.
   928 Regulatory commission expenses.
   929 Duplicate charges—Credit.
   930.1 General advertising expenses.
   930.2 Miscellaneous general expenses.
   931 Rents.
   933 Transportation expenses (Nonmajor only).