



GRAND RAPIDS PUBLIC UTILITIES COMMISSION AGENDA ITEM

AGENDA DATE: January 24, 2024

AGENDA ITEM: Consider a motion for GRPU to cease Federal Energy Regulatory Commission (FERC) regulatory accounting and only use General Accepted Accounting Principles of Governmental Accounting Standards Board for accounting and reporting.

PREPARED BY: Jean Lane, Business Services Manager

BACKGROUND:

The GRPU Commission met on January 10, 2024, in the work session, and discussed the draft assessment from Clifton Larson Allen (CLA), LLP which reviewed accounting and financial reporting requirements of regulatory accounting of the Federal Energy Regulatory Commission (FERC) versus Generally Accepted Accounting Principles (GAAP) using Governmental Accounting Standards Board (GASB) standards.

There were four objectives CLA, LLP assessed:

1. 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.
2. 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.
3. 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.
4. Does it appear necessary to utilize FERC accounting for the purposes of obtaining meaningful rate comparisons and rate studies.

Mary Reedy, Principal and Michelle Hoffman, CPA from CLA, LLP were available at the work session to discuss the report and answer any questions.

The assessment final considerations are (1) change in accounting decision rests with the Commission; (2) no guidelines, rules or laws were identified which would preclude the Commission from moving away from FERC accounting; (3) if FERC accounting were fully implemented GRPU would still need to account and report per GAAP/GASB; (4) financial impact is a timing difference to the depreciation expense.

Finally, the CLA, LLP assessment stated, “they were unable to find any rules and regulations or compelling reasons why it would be either required or recommended for Grand Rapids Public Utilities Commission to utilize and further implement FERC accounting.”

RECOMMENDATION:

Approve a motion for GRPU to cease Federal Energy Regulatory Commission (FERC) regulatory accounting and only use General Accepted Accounting Principles of Governmental Accounting Standards Board for accounting and reporting effective January 1, 2024.