

ITCT and METC Projected 2012 Attachment O Rate Presentation Questions – MPSC

MPSC-1: Please explain what account AFUDC is recorded to during construction before it is placed into Plant in Service?

Answer: AFUDC is recorded within account 107 construction work in progress before it is placed into Plant in Service.

MPSC-2: Please explain the rate (%) that is earned on AFUDC during the period of construction, prior to being placed in Plant in Service.

Answer: We do not earn on our accrued AFUDC during the period of construction, prior to being placed in Plant in Service. We do accrue AFUDC on our construction work in process balances based on the formula and elements discussed in Electric Plant Instruction No. 3 Components of construction costs item 17 Allowance for funds used during construction. The AFUDC rates are determined annually based on actual elements from the prior year.

MPSC-3: Please explain the criteria for a construction project to be considered In Service. Does the entire project need to be energized or is the completed construction of a single component or group of components of a project sufficient to allow that component(s) to be considered In Service?

Answer: When a part only of a plant or project is placed in operation or is completed and ready for service but the construction work as a whole is incomplete, that part of the cost of the property placed in operation or ready for service, shall be treated as Electric Plant in Service, which is based on the Note to the CFR paragraph included in the Electric Plant Instruction No. 3 Components of construction costs item 17 Allowance for funds used during construction.