

November 4, 2005

Ms. Mary Jo Kunkle
Executive Secretary
Michigan Public Service Commission
6545 Mercantile Way, Suite 7
Lansing, MI 48911

Re: Case No. U-14292
Accounting Standards No. 143
MECA Reply Brief

Dear Ms. Kunkle:

Enclosed please find original and four copies of Michigan Electric Cooperative Association's Reply Brief and Proof of Service in the above-referenced matter. These documents will also be electronically filed.

If you have any questions, please do not hesitate to contact me.

Sincerely,

DYKEMA GOSSETT PLLC

Stewart A. Binke

SAB:jmb

Enclosures

cc: Michael Peters
Albert Ernst
Parties of Record

STATE OF MICHIGAN

BEFORE THE MICHIGAN PUBLIC SERVICE COMMISSION

* * * * *

In the matter, on the Commission’s own motion,)	
to establish appropriate accounting and ratemaking)	Case No. U-14292
treatment for STATEMENT OF FINANCIAL)	
ACCOUNTING STANDARDS NO. 143.)	
)	

THE MICHIGAN ELECTRIC COOPERATIVE ASSOCIATION’S

REPLY BRIEF

The Michigan Electric Cooperative Association (“MECA”), by and through its attorneys, Dykema Gossett PLLC, hereby submits its Reply Brief to Staff’s Initial Brief in this proceeding. The fact that MECA does not respond herein to other positions or statements raised by Staff or other parties to this proceeding should not be construed to mean that MECA necessarily agrees with or supports such positions.

At pages 17 through 18 of its Initial Brief, Staff recommends that the Commission waive its proposed recommendations for the Michigan electric distribution cooperatives. ABATE’s witness, James Selecky, concurred that his recommendations as to any accounting and ratemaking changes should not be applied, and was not intended to apply to the Michigan electric distribution utilities. (5 Tr 674-675). MECA supports Staff’s recommendation that the Commission waive electric distribution cooperatives’ compliance with any requirements arising out of this proceeding.

As Staff aptly noted in its Initial Brief and as MECA’s witness John E. Fought testified, Michigan electric distribution cooperatives are financed by the Rural Utilities Service (“RUS”) and/or the National Rural Utilities Cooperative Finance Corporation (“CFC”). The RUS establishes the accounting and financial reporting requirements for its borrowers, and CFC

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follows and adopts the same requirements. The RUS aims to set accounting standards consistent with those established by the Financial Accounting Standards Board (“FASB”), and generally follows the Uniform System of Accounts for electric utilities required by the FERC. RUS has adopted FERC Order 631 and the accounting requirements for FAS 143 ARO’s. (4 Tr 426-427). Consequently, electric distribution cooperatives reporting will be complying with FAS 143 and FERC Order 631 standards, and imposing additional requirements on the electric distribution cooperatives will not provide any substantive benefit.

WHEREFORE, for the reasons stated herein and its Initial Brief in this case, MECA respectfully requests that the Commission waive electric distribution cooperatives’ compliance with any requirements arising out of this proceeding.

Respectfully submitted,

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Dated: November 4, 2005

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