



201 N. WASHINGTON SQUARE • SUITE 810
LANSING, MICHIGAN 48933

TELEPHONE 517 / 482-6237 • FAX 517 / 482-6937 • WWW.VARNUMLAW.COM

ERIC J. SCHNEIDEWIND

E-MAIL ejschneidewind@varnumlaw.com

May 26, 2005

Ms. Mary Jo Kunkle
Michigan Public Service Commission
6545 Mercantile Way
P.O. Box 30221
Lansing, MI 48909

Re: Case No. U-14274

Dear Ms. Kunkle:

Attached for electronic filing is Energy Michigan's Exceptions to Proposal for Decision in the above captioned matter. Also attached is the original Proof of Service indicating service upon counsel.

Thank you for your assistance in this matter.

Very truly yours,

VARNUM, RIDDERING, SCHMIDT & HOWLETT LLP

Eric J. Schneidewind

EJS/mrr

cc: ALJ
parties

STATE OF MICHIGAN

BEFORE THE MICHIGAN PUBLIC SERVICE COMMISSION

In the matter of the application of)
CONSUMERS ENERGY COMPANY)
for approval of a power supply cost)
recovery plan and for authorization)
of monthly power supply cost recovery)
factors for calendar year 2005.)
_____)

Case U-14274

EXCEPTIONS OF ENERGY MICHIGAN, INC.

May 26, 2005

Eric J. Schneidewind
Varnum Riddering Schmidt & Howlett LLP
Counsel for Energy Michigan, Inc.
201 N. Washington Square, Suite 810
Lansing, MI 48933
(517) 482-6237

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STATE OF MICHIGAN

BEFORE THE MICHIGAN PUBLIC SERVICE COMMISSION

In the matter of the application of)	
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EXCEPTIONS OF ENERGY MICHIGAN, INC.

I. Introduction and Summary of Position

A. Introduction

These Exceptions to the Proposal for Decision (the "PFD") issued by Administrative Law Judge Mark Cummins ("ALJ") on May 12, 2005 are filed by Varnum Riddering Schmidt & Howlett LLP on behalf of Energy Michigan, Inc. ("Energy Michigan"). Failure to respond to specific findings of fact or conclusions of law in the PFD should not be taken as agreement with those findings or conclusions.

Energy Michigan recognizes that the PFD issued on May 12, 2005 denied the Application of Energy Michigan for late intervention in this matter as well as the request of Energy Michigan that it be permitted to file Exceptions and Replies to the PFD. However, on May 17, 2005, Energy Michigan filed an Application for Leave to Appeal ("Application for Leave") the ruling of the ALJ and renewed its request for admission as an Intervenor in this matter with full rights to file Exceptions and Replies.

Given the issuance of the PFD in this matter on My 12, 2005, it is unlikely that the Commission will rule on the Energy Michigan Application for Leave before the May 26, 2005 due date for Exceptions. Therefore, Energy Michigan has filed these Exceptions in the nature of an Offer Of

Proof under Rule 337(3) which may become a part of this record in the event that the Commission does grant the Energy Michigan Application for Leave.

This course of action is necessary because, if the Commission ultimately grants the Energy Michigan Application for Leave, there would be a delay in the proceeding or potential prejudice to other parties because Energy Michigan would have to file its Exceptions and Replies after the May 26 and June 6 dates established by the ALJ for Exceptions and Replies respectively. If the Commission does not rule upon the Energy Michigan Application for Leave prior to the June 6, 2005 due date for Replies, Energy Michigan will proceed to file Replies to Exceptions under the same theory.

B. Summary of Exceptions.

1. The ALJ improperly rejected Energy Michigan's Petition for Late Intervention.

Only two parties to this matter filed comments on the Energy Michigan Petition for Late Intervention and both of these parties (Attorney General and Consumers Energy) indicated a willingness to accept participation by Energy Michigan on limited grounds. The ALJ ignored these responses. Late intervention is justified by the failure of this docket to notice the intent of some parties to dispose of 2004 reconciliation and stranded cost issues as well as 2005 stranded cost issues. Without notice that these issues would be considered, Energy Michigan had no basis to conclude that intervention was appropriate. By granting limited intervention to file Exceptions and Replies the ALJ could have avoided any prejudice to a party by admitting Energy Michigan to the case.

2. Final resolution of 2005 allocation of revenues issues should be accomplished in the 2005 reconciliation and stranded cost cases.

It is premature to decide a brand new method of allocating third party revenue and of calculating stranded costs in a 2005 PSCR plan case when the 2004 PSCR Reconciliation case is pending and the 2004 stranded cost case has not even been

filed. Rather, the results of this case should be used to structure the temporary allocation of revenues and the final issues should be decided in the context of the 2005 Reconciliation case when the stranded cost claims of Consumers are also available.

3. The Staff allocation formula contains a mathematical flawed.

The methodology proposed by the Staff is mathematically flawed because it always results in a finding that ROA customers should pay a portion of Consumers' "stranded" generation costs. Under the Staff allocation formula, ROA customers would pay stranded costs even if third party sales of power brought \$1,000/Mwh. This is because the Staff formula assumes that ROA customers always pay a percentage of generation fixed costs equal to the percentage of ROA sales to the total amount of system deliveries. Such a formula always results in stranded costs payable by ROA customers regardless of the amount of revenue received by Consumers from third party sales. The Staff's methodology is therefore flawed and should not be adopted as a long term formula to allocate revenue or determine stranded costs.

II. Exception #1:

The ALJ Improperly Rejected Energy Michigan's Petition For Late Intervention

A. The PFD

The PFD cited three grounds for rejecting the Petition of Energy Michigan for Late Intervention:

1. The ALJ characterized the comments of Consumers Energy and the Attorney General as opposing the Energy Michigan intervention "due to the lengthy amount of time that has passed" (Consumers Energy) and an inconsistency in the Energy Michigan position of asking for late intervention but also reserving the

right to raise due process issues even if the Intervention is granted. PFD, p. 34-35.

2. The ALJ found that Energy Michigan did not show good cause for late intervention because the Company's Application did provide adequate notice. PFD, p. 35-36.
3. The ALJ found that the timing of the Energy Michigan Intervention would prejudice other parties because Energy Michigan could "offer a previously undisclosed position in the context of its Exceptions" and that tactic would deny parties an adequate opportunity to investigate and address new arguments raised by Energy Michigan. PFD, p. 36.

B. Energy Michigan Reply

1. The PFD incorrectly summarizes the comments of the Attorney General and Consumers Energy as opposing the Energy Michigan Petition.

Only Consumers and the Attorney General responded to the Energy Michigan Petition for Late Intervention.

While Consumers Energy stated that good reason did exist to deny the Energy Michigan Petition, Consumers also said that, if granted, the Exceptions and Replies of Energy Michigan "should be limited to the issue of Mr. Ancona's proposed treatment of revenues from third party sales". PFD, p. 34. Energy Michigan can accept this limitation since its late Petition clearly stated that its area of interest was limited to allocation of third party sales and particularly to changes to the formula for calculating stranded costs which would result from and be a part of any new allocation of third party sales revenues.

The Attorney General proposed two alternatives, only one of which involved denying the Energy Michigan Petition outright. The Attorney General stated that Intervention would

be acceptable if conditioned upon the Petitioner's waiver of all rights to appeal on due process grounds. PFD, p. 35.

Energy Michigan can accept the Attorney General's limitations with two important exceptions: Energy Michigan believes (and suspects that the Attorney General would also agree) that any attempt to use the 2005 PSCR Plan decision as precedent for the 2004 Consumers Energy PSCR Reconciliation Case U-13917-R should be rejected because the 2004 PSCR Reconciliation was not noticed to potential parties as a subject in this case. Also, this 2005 Plan case cannot be used as precedent for revising the basic MPSC "Staff Method" for calculating stranded costs, particularly for the year 2004. Revision of the "Staff Method" of calculating stranded costs was not noticed for this case.

Thus, the ALJ rejected the most reasonable reaction to the Energy Michigan Petition for late intervention: a grant of intervention status which limited Energy Michigan's right to comment limited to Exceptions and Replies related to allocation of third party sales revenues coupled with a finding that due process requirements would be satisfied if such an intervention was granted. Instead the ALJ utilized the most severe remedy: total rejection of the Energy Michigan intervention without any alternative. The record does not support this conclusion.

2. The Energy Michigan Petition to Intervene did show good cause.

Good cause was shown for late intervention by the Energy Michigan Petition for Late Intervention.

a. The notice in this matter did not specify that the proceeding would cover fundamental changes in the method of calculating stranded costs.

While it may be argued whether the notice in this matter and even the Application alerted potentially interested parties regarding the issue of allocating third party sales revenue between retail and ROA customer issues, it cannot be argued that the notice failed to alert potential parties that fundamental changes to the "Staff

method" of calculating stranded costs would be discussed and ultimately approved by the ALJ. Thus, the requirements of MPSC Rule 305(1)(c) were not met: The notice did not alert potentially interested parties that Case U-14274 would cover revision of the "Staff Method" of calculating stranded costs. Also see MCL 24.271(d).

Whereas the Staff method of calculating stranded costs includes comparing fixed costs of generation (consisting of the fixed costs of generating plants as well as fixed costs of power purchase agreements) with fixed costs revenues, the Staff proposal in this case suggested a new method to allocate third party sales revenue and a corresponding removal of all PSCR and costs from the entire equation formerly used by the Commission to calculate stranded costs. Staff's new proposal, as modified by Consumers Energy, removes PSCR costs and revenue and removed approximately 95% of third party sales revenue from the stranded cost calculation methodology. Staff also seems to suggest that ROA customers always be responsible for a percent of fixed generation costs which is equal to the ROA percent share of total sales regardless of how high the level of retail sales, how high the third party sales income or how high Consumers' overall rate of return.

This is not a change in allocation of third party sales revenues, this is a fundamental revision of the Commission's stranded cost methodology. The Consumers U-14274 Application, supporting testimony and notice contain no reference whatsoever to such a fundamental change in Commission policy.

b. Moreover, the timing of this matter which applies to the year 2005 is such that a final decision by the Commission for the 2005 Plan will be rendered well before Consumers' current Application regarding the final reconciliation of 2004 PSCR costs is decided in Case U-13917-R. In the 2004 Reconciliation case, Consumers has alleged that it has well over \$20 million of stranded costs in the year 2004 but that third party sales revenue will more than offset these costs, potentially resulting in zero stranded costs for the year 2004. U-13917-R,

testimony of David Ronk, p. 25. A final decision in U-13917-R is not expected until April or May 2006. See U-13917-R schedule.

Consumers own witness Ronk acknowledges that the Staff position in this case could alter the 2004 Reconciliation result in Case U-13917-R. Id., p. 25. Thus, if the Commission adopts the Staff methodology as recommended by the PFD for this U-14274 case, it may, in effect, set a precedent which will be used in the 2004 case as recommended by Mr. Torrey and that decision could automatically result in large stranded costs being determined before the U-13917-R case is decided or before Consumers has even filed a 2004 stranded cost case.

In other words, despite being noticed as a 2005 PSCR Plan case with potential third party sales allocation issues, by adopting a fundamental revision of the Commission's stranded cost methodology, this case could dictate the method by which stranded costs for the year 2004 and 2005 are calculated.

The notice in this case did not alert potentially interested parties that the outcome would affect the 2004 PSCR reconciliation and the 2004 stranded cost case. If such a result occurs, the Commission notice requirements set forth in Rule 305(1)(c) will be violated. Also, see MCL 24.271(d).

3. The Energy Michigan Intervention will not delay or prejudice other parties.

The ALJ was simply wrong when he stated that allowing Energy Michigan to participate in this proceeding could prejudice other parties by allowing Energy Michigan to offer a previously undisclosed position. PFD, p. 36.

If Energy Michigan is limited to comments on the third party sales allocation process, these comments cannot be adopted or incorporated in a final decision unless they are supported by record evidence. See A.P.A. MCL 24.276.

If admitted as a party, Energy Michigan will take the position that far reaching amendments of the Commission's method of calculating stranded costs cannot be determined in a vacuum in one isolated PSCR Plan case. Rather, the results of this plan case may be utilized as would any PSCR Plan during calendar year 2005 but would be subject to reconciliation. At the time of the reconciliation, the results of 2005 should be incorporated into a 2005 stranded cost filing, if any. At that time, the parties to the 2004 PSCR reconciliation and the 2004 stranded cost case can argue about the amount of third party sales revenue and the proper method of both allocating that revenue between retail and ROA customer issues as well as the appropriate changes to the stranded cost calculation methodology necessary to accomplish the final result.

Energy Michigan repeats the obvious point: The 2005 PSCR Plan, 2004 and 2005 PSCR Reconciliation cases and the 2004 and 2005 stranded cost cases cannot be decided in the isolation of one PSCR plan case. The 2005 PSCR Plan case can be used as a preliminary finding but final determinations of PSCR issues for a calendar year cannot and should not be accomplished outside the context of a final determination of stranded costs.

All of these arguments are based on materials contained in the record and certainly would come as no surprise to any party. Moreover, there can be no prejudice to the parties in this matter if they have an opportunity to respond to these factual and policy arguments in the form of Replies to Exceptions.

Thus, the Energy Michigan request for late intervention would neither delay this proceeding nor would it prejudice other parties who would be given ample opportunity to reply to Energy Michigan arguments in the form of Replies to Exceptions.

III. Exception #2

A Final Decision On A New Method Of Allocating Third Party Sales Revenue And Calculating Stranded Costs Should Not Be Adopted In A 2005 PSCR Plan Case.

A. The PFD

The PFD not only adopted an MPSC Staff proposal to allocate 94.8% of all third party sales revenues to retail customers rather than to offset stranded costs for ROA customers, it did a great deal more.

The Staff's formula which arrived at the 94.8% factor for allocating third party sales revenue to retail customers is developed by assuming that PSCR customers will pay 100% of all PSCR fixed costs of power supply (a correct assumption) and that PSCR customers always pay only a percentage of the fixed generation costs equal to the percent of total retail sales to the percent of total system deliveries (an incorrect assumption). In other words, if Consumers has \$220 million of fixed generation costs and total annual deliveries of 40 million MWh with ROA sales of 4 million MWh, retail customers would be responsible for 90% of fixed generation costs and ROA customers would be responsible for 10% of those costs under the Staff calculation. PFD, p. 26-27.

The ALJ correctly referenced Rebuttal Testimony of Consumers' witness Torrey (Exhibit A-21) which demonstrated that the Staff method of allocating third party sales was, in fact, a new method for calculating stranded costs because the "new" Staff method required an examination and allocation of PSCR power purchase contract fixed costs and fixed generation costs of generation plants owned by Consumers. See Exhibit A-21, lines 27 and 28 attached as Tab A. Also see the notes at the bottom of Exhibit A-21 showing how the entire "old" Staff method of calculating stranded costs would have to be revised in the light of Staff's recommendations.

The testimony of Staff Witness Ancona not only covers the "new" Staff allocation method but the Staff position in their Initial Brief also recommends changes in the formula by which all stranded costs would be calculated (e.g. see Ancona Testimony urging that all PSCR revenues and expenses be removed from the stranded cost calculation rather than limiting discussion to the narrow issue of calculating the amount of third party sales that would be credited to retail customers). 3 TR 213 and Staff Brief, p. 6. Staff's Reply Brief also describes Staff's plan as a proposal for allocating third party sale proceeds between Consumers PSCR and stranded cost cases. Staff Reply Brief, p. 2.

In rebuttal testimony, Consumers Energy proposed to use Staff's new allocation method to determine the same issue in the pending 2004 PSCR case despite the fact that this U-14274 proceeding was noticed as affecting only 2005 PSCR results. Consumers Energy Rebuttal Witness Torrey responded to Staff's testimony by stating, "I can think of no reason why the [Staff 2005 PSCR Plan] proposals would not be equally applicable to the treatment of PSCR items in the 2004 PSCR and 2004 stranded cost proceedings. Mr. Torrey went on to state, "Further, it is important that the Commission provide interested parties certainty through consistency by reaffirming that the fixed production cost methodology will be used to determine stranded costs in 2004 and 2005 with the PSCR related cost and revenue line items adjusted per my illustration to reflect the return to an operating PSCR mechanism in 2004 and 2005." Rebuttal Testimony of Michael A. Torrey, 3 TR 433, (emphasis supplied).

The collective impact of the Application of Consumers Energy in Case U-14274 for 2005 as well as the reconciliation filing U-13917-R to reconcile 2004 costs has been to create the impression among potentially interested parties such as Energy Michigan that issues involving stranded costs will be resolved in future stranded cost filings or that the allocation of third party sales between PSCR customers and ROA customers for the year 2004 will be decided in Case U-13917-R. It is now clear that both Staff, Consumers and, potentially, other interested parties, are proposing to resolve these critical, far reaching issues for both 2004 and 2005 in the context of this 2005 PSCR Plan case in which Energy Michigan is not a party.

B. Energy Michigan Reply.

1. The Notice was inadequate.

The Commission should not and must not use a 2005 PSCR Plan case to make fundamental alterations in the calculation of stranded costs which could be used as precedent for a pending 2004 PSCR case and stranded cost filing. The notice in this matter violated MPSC Rule 305(1)(c) because it did not alert parties interested in the 2004 case that a critical issue of calculating 2004 stranded costs would somehow be determined in a 2005 PSCR Plan case. These matters should be decided in a combined

proceeding or a decision in this matter should be deferred until the other filings are before parties and those parties have a chance to understand the implications of the Commission's decision.

The attempts of Staff and Consumers Energy to resolve far reaching stranded cost issues for calendar years 2004, 2005 and potentially 2006 and beyond (if the stranded cost method is substantially revised) will not pass tests of fundamental due process nor (as will be seen in Exception #3 below) any logical test of mathematical accuracy. Based upon the procedural flaws inherent with filing a 2005 plan case which attempts to resolve 2004, 2005 and 2006 and beyond issues, as well as the inherent mathematical flaws in the Staff proposal, the Commission may use the "new" Staff proposal as the basis for the 2005 plan year but reserve final decision regarding the Staff methodology for the 2005 PSCR reconciliation and 2005 stranded cost calculation cases. This approach will result in a logical progression where 2004 reconciliation and stranded cost issues are decided (together with any consideration of a new stranded cost methodology) and that result or new methodology can be applied consistently for 2005 on a going forward basis.

2. It is bad policy to fundamentally change the "Staff Method" of calculating stranded costs in a PSCR Plan case.

If the Commission attempts to adopt a new stranded cost methodology in the 2005 plan case, it will have absolutely no idea regarding the impact of that decision on actual 2005 stranded costs or competition. This will be the case because 2005 final third party revenues and stranded costs have yet to be incurred, much less calculated. The place to resolve these issues is in a 2005 reconciliation case combined with a 2005 stranded cost case.

IV. Exception # 3

The Staff Method Of Allocating Third Party Sales Revenues

Contains a Mathematical Flaw

A. The PFD

As noted in Exception #2 above, the PFD essentially adopts the entire Staff plan for allocating third party sales revenue between retail customers and ROA customers. PFD, p. 29.

However, the method utilized by Staff to make this calculation is part of a new formula which can be used to calculate all stranded costs. The method proposed by Staff essentially determines the percent of third party sales revenue to be allocated to retail customers by the following steps:

1. The denominator of the percentage formula is all PSCR capacity costs plus all generation fixed costs.
2. The numerator of the formula consists of all PSCR fixed costs plus a percent of generation fixed costs equal to total retail sales as a percent of total system deliveries times generation fixed costs.
3. Dividing the numerator by the denominator results in a percentage of third party revenues credited to PSCR customers that is always less than 1.

An example illustrates this process. Assume PSCR fixed costs of \$520 million and generation fixed costs of \$220 million for power supply fixed costs totaling \$740 million. Further, assume that Consumers' total electric system deliveries are 40 million MWh with 36 million MWh of retail sales, e.g. 90%. Using these numbers, Staff calculates the percentage of third party sales revenues allocated to retail customers as 95% (\$520 million PSCR fixed costs plus 90% of \$220 million generation costs = \$698 million divided by \$740 million total fixed costs equals 95%). This is the method advocated by Staff and adopted by the ALJ. PFD, p. 29.

B. Energy Michigan Reply

A closer review of the Staff/Consumers concept of allocating third party sales revenue between retail and ROA customers shows that application of this concept to calculate stranded costs would always result in a stranded cost being paid by ROA customers no matter how much fixed

cost revenue is collected by Consumers from third party sales. The Staff concept as modified by Consumers allocates about 95% of third party sales revenues to retail customers in the year 2005 based on the assumption that retail customers pay 100% of \$520 million total PSCR fixed costs and 90% of \$220 million generation fixed costs for a total of \$698 million. However, that same formula, if applied in a stranded cost case, would mean that ROA customers always pay 10% of Consumers' production fixed costs no matter how much third party sales revenue is received by Consumers.

An illustration reveals the mathematical flaw in Staff's approach. Assume that instead of the \$92 million of third party sales revenue received in the 2003 year covered in Exhibit A-21, Consumers had received \$150 million. Under this assumption (generation costs were \$220 million) Staff's formula would still result in the retail customers paying 100% of the PSCR costs and only 90% of the fixed generation costs of \$220 million. Retail customers would get 95% of third party sales revenue or \$142 million but ROA customers would still be responsible for 10% of generation fixed costs or about \$22 million per year, but get only 5% of third party sales revenue or \$7.5 million.

Staff's formulistic approach contains a basic underlying flaw: With third party sales at \$150 million per year, Consumers could not possibly have had any stranded generation costs attributable to ROA service in the year 2003 used in Exhibit A-21 as an example. At some price level, third party sales must pay all Consumers' fixed generation costs. Yet, under the Staff approach, ROA customers would still be paying stranded costs. Under Staff's new method, this result is true regardless of the level of total system sales or total power supply fixed cost revenue collected by Consumers Energy.

Thus, the Staff approach is fundamentally flawed because it always yields stranded costs based on the assumption that no matter how great revenue is from third party sales, ROA customers must always pay stranded costs. Adoption of this methodology for calculating stranded costs would be reversible error because it is demonstrably flawed.

The PFD should be rejected for this reason alone: The Staff method, as adopted, cannot work accurately.

V. Conclusion and Prayer for Relief

WHEREFORE, Energy Michigan respectfully requests that the Commission:

- A. Overrule the ALJ and allow Energy Michigan to file Exceptions and Replies in matter;
- B. Utilize the recommendation of the PFD as a format for the 2005 plan year but reserve final decision on the Staff methodology for allocating third party sales (or any such methodology) until completion of the 2005 Reconciliation Case and stranded cost cases; and
- C. Rule that the Staff methodology contains a fundamental flaw which must be reviewed and corrected in a PSCR Reconciliation proceeding for the year 2005.

Respectfully submitted,

VARNUM, RIDDERING, SCHMIDT & HOWLETTLLP
Attorneys for Energy Michigan, Inc.

May 26, 2005

By: _____
Eric J. Schneidewind (P20037)
The Victor Center, Suite 810
201 N. Washington Square
Lansing, Michigan 48933
(517) 482-6237

TAB A

Case U-14274
Exceptions Of Energy Michigan, Inc.

**Illustration of PSCR Items in Stranded Cost
Fixed Production Cost Methodology**

Case No. U-14274
Witness: Michael A. Torrey
Exhibit: A- 22 (MAT-1)
Date: February 2005

Consumers Energy Calculation of 2003 Stranded Costs (\$000's)		2003 Staff Multi Year Options Included ¹	PSCR Items Impacted by Staff Proposal
Line #	Description		
1	Net Production Plant Including CWIP	\$ 1,528,950	
2	Pre-tax Rate of Return	10.63%	
3	Return Requirement	\$ 162,527	
4	Depreciation	63,048	
5	R&PP Tax	42,421	
6	Insurance	3,056	
7	P&I Capacity	499,869	Exclude.
8	Rev. Req. of Fixed Costs of Generation	\$ 770,921	
9	Net Cost of Summer Capacity (Options)	21,647	Exclude.
10	Total Revenue Requirement	<u>\$ 792,568</u>	
11	Total Revenue Requirement	\$ 792,568	
12	Remove Clean Air Act Revenue Requirement	51,440	
13	Total Revenue Requirement	<u>\$ 741,128</u>	
14	Total Revenue from Sales to Ultimate Customers	\$ 2,321,440	Exclude PSCR base and factor revenue.
15	Imputed Revenues	21,626	
16	Total Revenue from Sales to Ultimate Customers	\$ 2,343,066	Exclude PSCR base and factor revenue.
17	Generation as a % of Total Sales	29.1048%	Exclude PSCR revenues and costs.
18	Contribution to Fixed Costs of Direct Generation	\$ 681,945	
19	Contribution to Fixed Costs From 3rd Party Sales	13,553	Would be allocated based on Staff proposal. See below.
20	Total Contribution to Fixed Costs of Generation	<u>\$ 695,498</u>	
21	Total Stranded Costs	\$ 45,631	
22	Add: Clean Air Act Revenue Requirement	-	
23	Total Stranded Costs	<u>\$ 45,631</u>	

Illustration of Staff Proposal for 2005 Third-Party Sales Allocation Using 2003 Stranded Cost Data

24	2003 PSCR related Fixed Production Costs: P&I capacity (line 7) + Summer Capacity (line 9) = \$521,516
25	2003 Remaining Fixed Production Costs: Total Revenue Requirement (line 13) - \$521,516 = \$219,612
26	2005 Sales Projection: Choice Sales / Total Sales = 17.6% (Ancona, p. 8)
27	Recovery of Remaining Fixed Production Cost from PSCR Customers: 82.4% x \$219,612 = \$180,960
28	PSCR Customer Responsibility for Fixed Production Costs: (\$521,516 + \$180,960) / \$741,128 = 94.8%
29	2005 Third-Party Sales Net Proceeds Allocated to PSCR: 94.8% x \$92,525 = \$87,714
30	2005 Third-Party Sales Net Proceeds Allocated to Stranded Cost: 5.2% x \$92,525 = \$4,811

Note:

¹ Source Case No. U-14098 Exhibit S-21.

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Case U-14274

PROOF OF SERVICE

Monica Robinson, duly sworn, deposes and says that on this 26th day of May, 2005 she served a copy of Energy Michigan, Inc.'s Exceptions to Proposal for Decision upon the individuals listed on the attached service list by e-mail only at their last known addresses.

Monica Robinson

Subscribed and sworn to before me
this 26th day of May, 2005.

Eric J. Schneidewind, Notary Public
Eaton County, Michigan
Acting in Ingham County, Michigan
My Commission Expires: April 24, 2006

U-14347 SERVICE LIST

Hon. Mark E. Cummins
6545 Mercantile Way
P.O. Box 30221
Lansing, MI 48909-8195

Michael Brown
Plunkett & Cooney
325 E. Grand River, Suite 250
East Lansing, MI 48923

John Shea
Jon R. Robinson
Consumers Energy Company
One Energy Plaza
Jackson, MI 49201

Gary B. Pasek
MCV Limited Partnership
100 Progress Place
Midland, MI 48640

Michael Orris
MPSC Staff
6545 Mercantile Way, Suite 15
Lansing, MI 48911

Don Keskey
Clark Hill
212 E. Grand River Avenue
Lansing, MI 48906

Don Erickson
MI Dept of Attorney General
525 W Ottawa St Fl 6
PO Box 30212
Lansing, MI 48909-7712

Bob Strong
Clark Hill
255 S. Woodward Avenue, Suite 301
Birmingham, MI 48009

David E. S. Marvin
Thomas Waters
Fraser Trebilcock Davis & Dunlap
124 W. Allegan, Suite 1000
Lansing, MI 48933

Richard Vander Veen
Mackinaw Power
414 E. Main Street, Suite B
Lowell, MI 49331

Diane Royal
Shaltz & Royal
2379 Woodlake Road, Suite 480B
Okemos, MI 48864