



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

TO: Parties in Case U-14526

RE: Errata

DATE: March 10, 2006

The Energy Michigan Testimony filed March 6, 2006 in this matter advocated removal of variable PSCR related costs in the stranded cost calculation. Direct Testimony, page 11, lines 13-14. However, the example calculations used by Energy Michigan to illustrate this proposal (Exhibit EM-2, page 1 of 1, column (e), line 18 and Exhibit EM-1, page 1 of 1, lines 18 and 21) remove both fixed and variable PSCR costs instead of just variable PSCR costs.

The attached revised Exhibits EM-1 and EM-2 correct this error.

I regret any inconvenience caused by this errata.

Very truly yours,

Varnum, Riddering, Schmidt & Howlett LLP

Eric J. Schneidewind

EJS/mrr

ENERGY MICHIGAN
Consumers Energy Company's 2004 Stranded Cost Case
STRANDED COST CALCULATIONS

Case No: U-14526
Exhibit No. EM-1 (RAP-1R)
Page No: 1 of 1
Witness: R.A. Polich
Date: 6-Mar-06

<u>Line No.</u>	<u>Description</u>	<u>CONSUMERS' METHOD</u>	<u>JURISDICTIONAL COSTS</u>	<u>CONSUMERS' METHOD USING 2004 PSCR REVENUES</u>	<u>ENERGY MICHIGAN'S METHOD WITHOUT PSCR COSTS</u>	<u>Source</u>
	(a)	(b)	(c)	(d)	(e)	
<u>Direct Costs</u>						
1	Net Production Plant	\$1,602,201	\$1,602,201	\$1,602,201	\$1,602,201	Exhibit A-1 (CFB-1)
2	Pre-Tax Rate of Return	10.63%	10.63%	10.63%	10.63%	Exhibit A-1 (CFB-1)
3	Return Required	\$170,314	\$170,314	\$170,314	\$170,314	Exhibit A-1 (CFB-1)
4	AFUDC Offset @10.63%	(\$19,404)	(\$19,404)	(\$19,404)	(\$19,404)	Exhibit A-1 (CFB-1)
5	Depreciation	\$66,327	\$66,327	\$66,327	\$66,327	Exhibit A-1 (CFB-1)
6	Property Taxes	\$43,263	\$43,263	\$43,263	\$43,263	Exhibit A-1 (CFB-1)
7	Insurance	\$3,516	\$3,516	\$3,516	\$3,516	Exhibit A-1 (CFB-1)
8	PPA Capacity Charges	\$498,361	\$498,361	\$498,361	\$447,006	Exhibit A-1 (CFB-1)
9	Revenue Required of Fixed Gen.	\$762,377	\$762,377	\$762,377	\$711,022	Sum of lines 3-8
10	Net Cost of Summer Capacity (Options)	\$14,108	\$14,108	\$14,108	\$14,108	Consumers Workpaper CFB WP-2
11	Total Generation Related Reg Assets	\$776,485	\$776,485	\$776,485	\$725,130	Sum of lines 9-10
12	Remove Clean Air Act Rev Req	(\$37,420)	(\$37,420)	(\$37,420)	(\$37,420)	Exhibit A-3 (CFB-3)
13	Remove 10d(4) Revenue Recovery	(\$11,791)	(\$11,791)	(\$11,791)	(\$11,791)	Consumers Workpaper CFB WP-2c
14	Total Revenue Requirement	\$727,274	\$727,274	\$727,274	\$675,919	Sum of lines 12-13
<u>Fixed Generation Related Revenue</u>						
15	Total Revenue from Sales to Ultimate Customers	\$2,325,190	\$2,325,190	\$2,325,190	\$2,325,190	Consumers Workpaper CFB WP-2
16	Remove 2004 Non-P&I Capacity PSCR Revenues	\$0	\$0	\$0	(\$491,179)	2004 PSCR Rev minus Jurs P&I cost ln 18, col (e) EM-2
17	Adjusted revenue from Sales to ultimate customer	\$2,325,190	\$2,325,190	\$2,325,190	\$1,834,011	Sum of lines 15-16
18	Generation Related Rev Req as a % of Revenues from Ult Customers	30.2405%	31.4970%	31.8238%	41.3598%	EM-2 (RAP-2)
19	Contribution to Fixed Costs of Direct Generation	\$703,148	\$732,364	\$739,963	\$758,543	Line 17 mult by Line 18
20	ADD: Contribution to Fixed Cost from Third Party Sales	\$24,126	\$29,688	\$29,688	\$24,126	Exhibit A-7 (JMK-3), line 11
21	Total Contribution to Fixed Generation Costs	\$727,274	\$762,052	\$769,651	\$782,669	Sum of lines 18-20
22	Total Stranded Costs/(Benefits)	(\$0)	(\$34,778)	(\$42,377)	(\$106,750)	Line 21 minus Line 14
23	Difference from Exhibit A-1 (CFB-1)		(\$34,778)	(\$42,377)	(\$106,749)	
24	Portion of Stranded Cost related to PSCR Costs				\$18,580	

ENERGY MICHIGAN

Consumers Energy Company's 2004 Stranded Cost Case

CALCULATION OF FIXED GENERATION % OF TOTAL SALES

Case No: U-14526
 Exhibit No. EM-2 (RAP-2R)
 Page No: 1 of 1
 Witness: R.A. Polich
 Date: 6-Mar-06

<u>Line No.</u>	<u>Description</u>	<u>CONSUMERS' METHOD</u>	<u>CONSUMERS' JURISDICTIONAL COSTS</u>	<u>CONSUMERS' METHOD USING 2004 PSCR</u>	<u>CONSUMERS' METHOD USING 2004 PSCR REVENUES</u>	<u>ENERGY MICHIGAN'S METHOD WITHOUT PSCR COSTS</u>	<u>Source</u>
	(a)	(b)	(c)	(d)	(d)	(e)	
1	Net Plant	\$1,366,572,000					Exhibit A-2 (CFB-2)
2	Return	10.63%					Exhibit A-2 (CFB-2)
3	Return Requirement	\$145,266,604					Exhibit A-2 (CFB-2)
4	P&I Capacity	\$501,006,796					Exhibit A-2 (CFB-2)
5	Depreciation Expense	\$73,719,000					Exhibit A-2 (CFB-2)
6	R&PP Tax	\$44,467,000					Exhibit A-2 (CFB-2)
7	Property Insurance	<u>\$1,905,257</u>					Exhibit A-2 (CFB-2)
8	Total Revenue Requirement	\$766,364,657					Sum of lines 3-7
9	Remove Palisades Return Of and On	(\$88,405,903)					Exhibit A-2 (CFB-2)
10	Total Revenue Requirement	\$677,958,754	\$677,958,754	\$677,958,754	\$677,958,754	\$677,958,754	Sum of lines 8-9
11	Total Revenue	\$2,325,666,000	\$2,325,666,000	\$2,325,666,000	\$2,325,666,000	\$2,325,666,000	Exhibit A-2 (CFB-2)
12	Remove Palisades Return Of and On	(\$88,405,903)	(\$88,405,903)	(\$88,405,903)	(\$88,405,903)	(\$88,405,903)	Exhibit A-2 (CFB-2)
13	Remove Nuclear Decommissioning Revenue	(\$49,955,000)	(\$49,955,000)	(\$49,955,000)	(\$49,955,000)	(\$49,955,000)	Exhibit A-2 (CFB-2)
14	Less: 96 Fuel	(\$267,873,000)	(\$267,873,000)	(\$267,873,000)	(\$267,873,000)	(\$267,873,000)	Exhibit A-2 (CFB-2)
15	Less: 96 P&I	(\$727,264,000)	(\$727,264,000)	(\$727,264,000)	(\$727,264,000)	(\$727,264,000)	Exhibit A-2 (CFB-2)
16	Sub Total	\$1,192,168,097	\$1,192,168,097	\$1,192,168,097	\$1,192,168,097	\$1,192,168,097	Sum of lines 11-15
17	Plus: 2004 Fuel	\$309,258,160					Exhibit A-2 (CFB-2)
18	Plus: 2004 P&I (col b) & 2004 PSCR Revenues (col c)	<u>\$740,466,689</u>	<u>\$960,289,276</u>	<u>\$938,185,372</u>	<u>\$938,185,372</u>	<u>\$447,006,234</u>	Exhibit A-2 (CFB-2)
19	1996 Revenue Adjusted for 2004 PSCR Costs/Revenues	\$2,241,892,946	\$2,152,457,373	\$2,130,353,469	\$2,130,353,469	\$1,639,174,331	Sum of lines 17-18
20	Fixed Generation as a % of Total Sales	30.2405%	31.4970%	31.8238%	31.8238%	41.3598%	Line 10 divided by Line 19
 <u>JURISDICTIONAL P&I CAPACITY</u>							
21	2004 Actual Fixed Capacity Costs	\$498,821,042	Exhibit A-13 (DFR-1), Case U-13917-R				
22	2004 PSCR Jurisdictional Factor	89.61%	Exhibit A-22 (JMS-3 Rev), Case U-13917-R				
23	2004 Jurisdictional P&I Capacity Costs	\$447,006,234					

NOTE: Column (e), Line 18 is the 2004 Jurisdictional P&I Capacity Costs

STATE OF MICHIGAN

BEFORE THE MICHIGAN PUBLIC SERVICE COMMISSION

In the matter of the application of)
CONSUMERS ENERGY COMPANY)
for determination of net stranded costs)
for the year 2004 and approval of net)
stranded cost recovery charges.)
_____)

Case No. U-14526

PROOF OF SERVICE

Monica Robinson, duly sworn, deposes and says that on this 10th day of March 2006 she served a copy of Errata re Testimony and Exhibits of Richard A. Polich on Behalf of Energy Michigan, Inc. upon the individuals listed on the attached service list by e-mail at their last known addresses.

Monica Robinson

Subscribed and sworn to before me
This 10th day of March 2006.

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

U-14526 SERVICE LIST

Jon R. Robinson
jrobinson@cmsenergy.com
Consumers Energy Company

Kristin Smith
smithkm@michigan.gov
Larry Bak
lsbak@michigan.gov
MPSC Staff

Michael Moody
moodyme@michigan.gov
MI Dept of Attorney General

John Dempsey
jdempsey@dickinson-wright.com
Jennifer Frye
jfrye@dickinson-wright.com
NEM

Robert Strong
rstrong@clarkhill.com
ABATE

Michael Brown
mbrown@plunkettcooney.com
Gary Pasek
gbpasek@midcogen.com
MCV