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February 24, 2012

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

Re: Case No. U-16566

Dear Ms. Kunkle:

Attached for paperless electronic filing are Energy Michigan's Exceptions Also attached is a Proof of Service indicating service on counsel.

Thank you for your assistance in this matter.

Very truly yours,

VARNUM, LLP

Eric J. Schneidewind

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Date: 2012.02.24 14:07:09 -05'00'

Eric J. Schneidewind

EJS/mrr

cc: ALJ
parties

STATE OF MICHIGAN

BEFORE THE MICHIGAN PUBLIC SERVICE COMMISSION

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In the matter of the application of	)	
CONSUMERS ENERGY COMPANY	)	
for authority to reconcile electric	)	
revenue pursuant to Pilot Revenue	)	Case No. U-16566
Decoupling Mechanism	)	
and for other relief.	)	
___________________________________	)	

EXCEPTIONS OF ENERGY MICHIGAN, INC.

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STATE OF MICHIGAN

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and for other relief.	)	
______________________________	)	

EXCEPTIONS OF ENERGY MICHIGAN, INC.

I. Introduction and Summary of Exceptions

A. Introduction.

On February 3, 2012, Administrative Law Judge, Dennis W. Mack ("ALJ") issued a Notice of Proposal For Decision in this matter ("PFD"). The ALJ provided that Exceptions to the PFD, if any, must be filed on or before February 24, 2012 and Replies thereto may be filed on or before March 9, 2012. These Exceptions filed by Varnum on behalf of Energy Michigan, Inc. ("Energy Michigan") respond to issues decided in the PFD. Failure to respond to other issues or positions recommended in the PFD should not be construed as agreement with those issues or positions.

B. Summary of Exceptions.

<u>Exception #1.</u> There is no objective evidence showing that ROA migration causes <u>net</u> harm to full service customers.

The ALJ proposed to charge ROA customers a Pilot Revenue Decoupling Mechanism ("PRDM") for lost power supply revenue, largely based on the <u>undocumented</u> assumption that migration to ROA service causes financial harm to full service customers.

Energy Michigan Witness Alex Zakem produced Testimony and detailed numerical analysis, using Consumers Energy's own PSCR numbers, showing that PSCR savings resulting from ROA migration (lowered power purchases, reduced purchases of renewables, line losses and sales of excess power) would offset proposed PRDM charges which recover lost non-fuel revenue resulting from Choice migration. Consumers Energy did not offer substantive rebuttal to Mr. Zakem's Testimony and Exhibits. Rather, a Consumers witness merely opined that it was unlikely that PSCR savings would offset PRDM charges reflecting lost revenue.

Because ROA customers do not participate in PSCR savings, it would be inequitable (and illegal) to charge them for lost PRDM revenue but fail to credit them with PSCR savings. Thus the entire foundation for the PFD approach of charging ROA customers for lost non-fuel power supply revenue has been shown to be unsubstantiated and inaccurate.

<u>Exception #2</u>. The PFD failed to adopt a PRDM allocation method that would charge ROA customers only for lost distribution revenue.

The PFD proposed to charge ROA customers for lost power supply revenue (and lost distribution revenue) largely based on the assumption that ROA customers benefit from Consumers' power supply and therefore should bear a portion of power supply costs.

As noted in Exception #1 above there is no proof whatsoever that full service customers suffer a <u>net</u> revenue loss when PRDM charges are netted against PSCR savings. <u>Because ROA customers do not participate in the PSCR they would be forced to pay Consumers PRDM lost power supply revenue charges but not participate in the PSCR offset of savings</u>. That would be illegal and unfair.

The ALJ has also failed to demonstrate that ROA customers actually use Consumers' power supply resources – instead relying on mere opinion which is unsupported by a substantiated allocation of such costs.

The conclusion of the ALJ that separate PRDM adjustments for full service and ROA service (splitting power supply and distribution) would be "unnecessarily complicated" is demonstrably false as demonstrated by the Testimony of MPSC Staff which supported separate power and distribution charges with only distribution charges being allocated to ROA service. Moreover, the Attorney General not only proposed the same outcome as the Staff (separate power and distribution charges) but literally provided the calculation methodology and resulting specific surcharges necessary to implement the proposal. <u>Note that both of the referenced MPSC Staff and Attorney General proposals for separate power supply and distribution charges were designed to work within the framework of the APU or Average Use methodology adopted by the ALJ.</u>

In conclusion, the proposal of the ALJ to levy PRDM power supply costs on ROA customers ignores the fact that ROA customers do not participate in the PSCR savings that offset these costs to full service customers. The PFD also ignores the fact that ROA customers do not use and have not been specifically allocated power supply costs. Finally, testimony and exhibits placed on the record by MPSC Staff and the Attorney General demonstrate that it would be technically feasible to implement separate power supply and distribution PRDM charges using the Average Per Customer Use methodology adopted by the ALJ.

II. <u>Energy Michigan Exception #1:</u>

There Is No Objective Evidence Of Record To Support The Conclusion That Customer Migration to ROA Service Has Caused Net Harm To Full Service Customers

A. The PFD.

The ALJ concludes that the purpose of the PRDM is to "mitigate the loss of non-fuel revenues, including those attributable to Choice migration." PFD, p. 24. The ALJ goes on to find that Retail Open Access ("ROA") customers should pay the same amount as full service customers for lost or reduced power supply fixed cost revenues caused by Choice migration. Id, p. 27-28.

The foundation of the ALJ's proposal to charge ROA customers for power supply services, therefore, rests upon an assumption that Choice migration has caused an economic detriment or loss to full service customers. Only after making this finding does the ALJ recommend that ROA customers share in contributing to this alleged revenue shortage based on the theory that ROA customers are benefited by Consumers Energy power supply services. Id.

B. Energy Michigan Exception #1: There Is No Objective Evidence Of Record To Support The Conclusion That Customer Migration to ROA Service Has Caused <u>Net</u> Harm To Full Service Customers.

The Testimony of Energy Michigan Witness Alexander J. Zakem demonstrated that the <u>net</u> impact of ROA migration on full service customers due to alleged unrecovered production costs is, if anything, very small. <u>Mr. Zakem's Testimony and numerical support which is summarized below was not discussed in the PFD and has not been substantively refuted by any witness on the record including the rebuttal witnesses of Consumers Energy.</u>

Following is a summary of Mr. Zakem's Testimony.

1. <u>Choice Migration Produces Both Lost Revenue And Increased PSCR Savings Applicable To Full Service Customers.</u>

It is true that Consumers Energy non-fuel power supply revenue decreases due to the reduced full service sales caused by migration of full service customers to ROA service.

However, it is equally true that <u>Consumers and/or its full service customers experience PSCR savings due to reduced purchases of expensive sources of power, reduced use of fuel and reduced purchases of renewable resources that are required to comprise 10% of all sales</u>. PSCR savings due to avoided line losses and transmission costs are also available to full service customers. <u>In the alternative, Consumers can choose to continue generating at existing levels and produce offsetting revenue by selling excess power into wholesale markets</u>. Zakem Direct, Tr 119-20.

These savings or additional revenues are calculated in the PSCR process and are used to reduce PSCR costs <u>to only full service customers not for Choice customers.</u> Therefore the adverse impacts of a loss of revenue due to ROA migration are addressed in the PRDM process and offsetting savings to full service customers occur in the separate PSCR process. <u>But the net effect on the full service customer is what counts, and Mr. Zakem has proven – using Consumers' own PSCR numbers – that that effect is, if anything, very small.</u> Id. See attached Exhibits EM-2 and EM-3.

Mr. Zakem also demonstrated how these savings occur. Mr. Zakem showed that in the case of Consumers Energy, savings are achieved by the sale of excess power supply into the market accompanied by savings on transmission expense, line losses, etc. Id.

2. <u>The Impact of PSCR Savings is Limited to Full Service Customers.</u>

Mr. Zakem's Exhibit EM-2 summarizes these results in a scenario applicable to Consumers Energy where excess power supply is sold into the wholesale market at prices projected by Consumers Energy in its 2011 PSCR plan U-16432. <u>These wholesale revenues plus transmission and line loss savings produce PSCR revenue or savings which exceed the loss of the fixed cost revenues associated with migrating ROA service load</u>. Exhibit EM-2.

Thus, using data supplied by Consumers Energy Mr. Zakem demonstrated that the impact of ROA migration when the loss of fixed cost revenues are netted against PSCR savings is very small, if anything. Indeed in the example produced by Mr. Zakem there was a very small net advantage to Consumers and its customers.

Exhibit EM-3 illustrates how both the PRDM and PSCR mechanisms act together such that full service customers get the net effect of both a PRDM surcharge and a PSCR refund from customer transfers to ROA service. Therefore as a result of Consumers Energy's proposal to apply the same PRDM power surcharge to both full service and ROA customers in a rate class, full service customers will see virtually no change in the <u>net amount</u> of what they pay because the PSCR savings will offset the PRDM surcharge. <u>However under the PFD PRDM proposal,</u>

ROA customers receiving no PSCR savings would be assessed the full amount of the PRDM surcharge including recovery of power supply revenue shortfalls.

Thus, ROA customers who do not take power supply service and are not included in PSCR proceedings do not receive benefits from reduced PSCR costs and should not be assessed any portion of a shortfall in power supply revenues.

3. There Was No Substantive Rebuttal To Mr. Zakem.

Mr. Zakem's conclusions and underlying data were not challenged by Consumers Energy except for a statement by Rebuttal Witness Clifford that, "It is highly unlikely that the amount of variable fuel savings and revenues from the increased ability to sell power into the wholesale market are sufficient to offset the negative impact on remaining full service customers when other customers switch to ROA." Tr 195.

This is the entire Consumers Energy rebuttal of Mr. Zakem's detailed numerical analysis as described above. Thus, Consumers has failed to present credible, objective evidence rebutting Mr. Zakem's conclusion that full service customers have not suffered net harm due to ROA migration when PSCR savings are netted against PRDM revenue losses. It follows from this fact that there is no substantial evidence to support a PRDM power supply charge assessment to ROA customers since it has not been proven that full service customers experience net costs due to ROA migration.

III. Exception #2:

The PFD Failed To Adopt A PRDM Allocation Method That Incorporates Separate Adjustments For Power Supply, Applicable Only To Full Service Customers And Distribution Applicable To Both Full Service And ROA Customers

A. The PFD.

The PFD adopted the Consumers Energy PRDM proposal which determines the changes in use per customer for non-fuel revenue <u>related to both power supply and distribution</u> and allocates these alleged revenue shortfalls to the following three rate classes: 1) residential; 2) combined ROA and full service secondary voltage; and 3) combined ROA and full service primary voltage. PFD, p. 24. The ALJ rejected alternate rate groupings recommended by Energy Michigan, the MPSC Staff and the Attorney General which allocated only revenue losses or gains from distribution changes in use to ROA primary and ROA secondary customers while allocating both power supply and distribution changes in revenue to full service residential, secondary and primary voltage customers. PFD, p. 26-28.

The ALJ justified his proposal to assess ROA customers for power supply related costs on the following grounds:

1. There would be a net revenue loss if reduced power supply revenues are not recovered from ROA customers. PFD, p. 26.

2. ROA customers use Consumers as a Provider of Last Resort ("POLR") and Consumers' regional generating capacity is a "necessary predicate" of ROA service. PFD, p. 27.

3. ROA customers are in a customer class, i.e. secondary or primary which is subject to the 50-25-25 allocation of production related and transmission costs proposed by Consumers Energy. Therefore, assessment of charges for these services to ROA customers does not violate MCL 460.11(1) (e.g. prohibition of rates that are not cost based).

4. Separate PRDM adjustments for full service and ROA requires the formulation and application of a proration formula which would be "unnecessarily complicated" and is inconsistent with the tradition approach to ratemaking. PFD, p. 27.

B. Energy Michigan Exception #2: The PFD Failed To Adopt A PRDM Allocation Method That Incorporates Separate Adjustments For Power Supply, Applicable Only To Full Service Customers And Distribution Applicable To Both Full Service And ROA Customers.

1. There is no credible evidence proving that ROA migration causes a net revenue loss to full service customers.

ROA Customers Already Pay Substantial Power Supply Costs

ROA customers who do not use power supply services nonetheless are required to pay 2.1 mills/kWh for stranded costs found by the Commission prior to the passage of PA 286 in October 2008. Full service customers pay only .9 mill/kWh. See attached Consumers tariff sheet D-5.00. ROA customers also pay securitization charges currently assessed at a level of 2.12 mills/kWh for production related costs despite the fact that ROA customers do not use production facilities. See attached Consumers tariff sheet D-3.00.

Thus ROA customers currently pay over 4 mills/kWh (almost 5% of an industrial customer power bill) for costs of production facilities which they do not use. This revenue which offsets production costs is clearly a net benefit to full service customers.

PSCR Savings from Choice Migration Offsets PRDM Costs For Full Service Customers

Energy Michigan Testimony presented by Alex Zakem has demonstrated conclusively that the net impact of ROA migration on full service customers due to alleged unrecovered production costs is, if anything, very small. See Exception #1 above and attached Exhibits EM-2 and EM-3.

The entire rebuttal of Consumers Energy to the detailed and persuasive Testimony of Mr. Zakem summarized in Exception #1 was the following comment presented by Consumers Energy Rebuttal Witness Philip Clifford: "It is highly unlikely that the amount of variable fuel savings and revenues from the increased ability to sell power into the wholesale market are sufficient to offset the negative impact on the remaining full service customers when other customers switch to ROA." Clifford Rebuttal Testimony, Tr 195.

Mr. Clifford failed to provide any meaningful rebuttal to Mr. Zakem's conclusion that ROA migration does not produce a negative impact on full service customers when both PSCR savings and PRDM costs are netted out. <u>Because ROA customers do not participate in the PSCR production cost savings, it would be grossly unfair to assess them the PRDM costs for lost production cost revenues.</u> Also, the entire equitable argument of Consumers and the ALJ that ROA customers must pay power costs because full service customers are burdened by Choice migration has been effectively demolished. Without credible Rebuttal of Mr. Zakem's Testimony, the conclusions presented by Mr. Zakem that the <u>net</u> impact of Choice on full service customers is, if anything, very small must stand and thus the entire foundation of the PFD for charging power supply costs to ROA customers is destroyed.

2. There is no proof that Consumers has incurred costs to act as a POLR or that Consumers regional generating capacity is essential to the existence of ROA service. PFD, p. 27.

As will be more fully discussed below, ROA customers are not allocated any power supply costs because their use characteristics of power supply service are zero. There is no allocation of POLR service cost to ROA customers because in fact Consumers has not demonstrated that such a cost of service exists. Zakem, 2 Tr 118-19. Absent an allocation of cost or legal support for their contentions in the form of law or Commission Order, Consumers' assertions that ROA customers must pay for POLR service are unsupported and thus must be rejected.

The same arguments apply to the unsubstantiated observation of the ALJ that somehow Consumers Energy generation is a "predicate" for ROA service. This statement reflects a complete lack of understanding regarding the role and function of the Midwest Independent System Operator ("MISO") which dispatches all generation within the region, compensates the owners of that generation for use of their generating equipment. and charges retail suppliers for power supply services provided to their customers. MISO provides power supply services to all load, and the retail Load Serving Entity – whether traditional utility or AES -- pays MISO for power supply services to its customers. If a supplier also owns and operates generation, then MISO pays that supplier. Therefore, ROA customers are already paying for power supply services through their AESs to MISO. They do not owe anything to Consumers Energy for power supply services.

The MISO Market structure has been in place since 2005 and is commonly known. There is no provision in the MISO regulations which would allow a utility to withhold a portion of its generation fleet to act as "Provider of Last Resort" for ROA service. See Testimony of Alex Zakem in Case U-16472, 8 Tr 1296. Rather, Consumers Energy is compensated by MISO for operating their generation fleet when economical. AES providers must contract for power supplies which operate independently from the Consumers Energy system. Id., 1297-98. There is no evidence of record to support the assumptions of the ALJ on this point.

3. No allocation of power supply services to ROA customers is allowed under MCL 460.11(1) or any other lawful requirement.

Energy Michigan Witness Zakem directly answered the question: Would ROA customers be allocated any power supply costs under cost of service provisions in PA 286? Mr. Zakem responded:

> No, they would not. PA 286 requires a “50-25-25” allocation method for “production-related and transmission costs.” The “50-25-25” method allocates 50% of the costs in question according to the customer class’s proportional contribution to the average of the 12 monthly utility peaks in a given year; it allocates 25% of the costs according to the energy provided by the utility and used by the customer class during the Midwest ISO on-peak hours for the given year; and it allocates the remaining 25% of the costs according to the energy provided by the utility and used in total by the customer class in the given year. Zakem, Tr 121.

> Under the "50-25-25" method required by PA 286, ROA customers would not be allocated any of the utility's production related or transmission costs. The reason for this is straightforward: ROA customers do not take energy from the utility. Therefore, (a) they do not contribute to the utility's monthly peaks; (b) they do not take utility energy during the Midwest ISO's on-peak hours; and (c) they do not take utility energy at any time. Id.

Consequently, if the intent of PA 286 § 11(1) is for all customer classes, including ROA customer classes, to pay rates equal to the cost of providing service to the respective classes, then the rates ROA customers pay should not include any production related or transmission costs. For a more thorough discussion of this issue see Energy Michigan Initial Brief, p. 11-14.

4. Proposals of the MPSC Staff and the Attorney General show that use of separate power and distribution adjustments does not require a proration formula or customer by customer ratemaking.

It is simply not true that use of separate PRDM adjustments for power supply and distribution with only distribution billed to ROA customers would require customer by customer ratemaking or other complicated techniques.

The MPSC Staff (which preferred the actual exposure method of calculating fixed revenue loss) has stated that separate power supply and distribution calculations can be used as part of the Average Use Per Customer ("APU") method adopted in the PFD. While reiterating that use of the Consumers APU method presents a high likelihood of unjust and unreasonable rates, Staff has stated that <u>if the APU method is used, the calculation should be carried out for distribution and power supply separately, as argued by Energy Michigan and the Attorney General in their Initial Briefs</u>. Staff Reply Brief, p. 16. Staff further urged that, "Any surcharges negative or positive resulting from the distribution portion of the calculation should be applied to both full service and Choice customers. Any surcharges negative or positive resulting from the power supply portion of the calculation should be applied to full service customers only." Id, p. 16-17. Staff is quite clear that if the APU method is approved, separate distribution and power supply charges should be utilized with only distribution charges applied to ROA customers. Id.

The Attorney General went a step further than Staff by not only recommending separate power supply and distribution PRDM charges but also providing a calculation of the specific charges that would be used in conjunction with the APU methodology. The Attorney General's Brief at page 10 through 12 sets forth the Testimony of Attorney General Witness Coppola supporting use of separate power supply and distribution charges – billing only distribution to ROA customers. Moreover, Mr. Coppola presented Exhibits AG-4 and AG-5 which calculate specific PRDM charges under an APU framework for secondary bundled service, secondary ROA service, primary bundled service and primary ROA service. See attached Exhibits AG-4 and AG-5. The Testimony and Exhibits of Attorney General Witness Coppola conclusively demonstrate that it is relatively simple to combine separate power supply and distribution PRDM surcharges – billing only the distribution surcharges to ROA customers with the overall APU method ultimately adopted in the PFD. The ALJ's assertions to the contrary are lacking in credibility given the existence of Mr. Coppola's Testimony and evidence which were not rebutted successfully.

5. The Consumers proposal to surcharge or credit ROA customers for power costs is inconsistent with Commission precedent.

The Commission recently considered a similar if not identical fact situation in Case U-16472 regarding implementation of a Revenue Decoupling Mechanism for Detroit Edison. In that case, MPSC Staff proposed an RDM similar to that proposed by Staff in this case which would calculate the RDM surcharges/credits assessable to ROA customers which only cover distribution costs. Power supply revenue shortfalls or surpluses related to non-fuel power costs would not be assessed to ROA customers.

In the Opinion and Order of the Commission ruling on the Detroit Edison RDM, the Commission specifically stated,

> For full service customers, revenues reflected in the [RDM charge] calculation are equal to total class revenue less the customer charge, fuel and purchase power, and other surcharges. For Retail Open Access customers, revenues reflected in the [RDM charge] calculation are equal to total rate class revenue less customer charge revenue and other surcharges <u>and shall not include revenue shortfalls in non-fuel power costs.</u> Opinion and Order of the Commission, October 20, 2011, U-16472, p. 87 (emphasis supplied).

Thus, recent Commission precedent on this issue has very clearly stated that ROA customers should not be assessed RDM surcharges/credits related to power costs.

IV. Conclusion and Prayer for Relief

WHEREFORE, Energy Michigan respectfully requests that the Commission specifically find that

1. The record of this matter contains no proof that ROA customer migration causes a net negative effect on full service customers; and

2. Any method of assessing PRDM charges should utilize separate distribution and power supply PRDM charges with only PRDM distribution charges applicable to ROA service.

Respectfully submitted,

Varnum, LLP
Attorneys for Energy Michigan, Inc.

Eric J. Schneidewind

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February 24, 2012 By: ____________________________________

Eric J. Schneidewind (P20037)
The Victor Center, Suite 810
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Estimated Net Change in Revenue: Revenue Reduction vs. Savings Due To Electric Choice

Case No: U-16566
Exhibit: EM-2 (AJZ-2)
Page: 1 of 1

A. Calculation of Net Change

I. Decrease in Power Supply Revenues [1]

a. Decrease at Average Consumers Energy Rate Design Power Supply Revenues: Secondary + Primary – E-1:

Design revenues	$1,488,945,000	
Design sales (MWh)	20,313,935	
Average reduction ($/MWh)		***- $ 73.30***
		=====

II. PSCR Savings [2]

a. Increase in Wholesale Sales at Average Sale Price:

Total revenues	$39,140,000	
Total sales (MWh)	642,414	
Average increase ($/MWh)		*$60.93*

b. Transmission Savings:

Net transmission expense	$242,920,285	
System requirements (MWh)	36,573,385	
Average savings ($/MWh)		*$6.64*

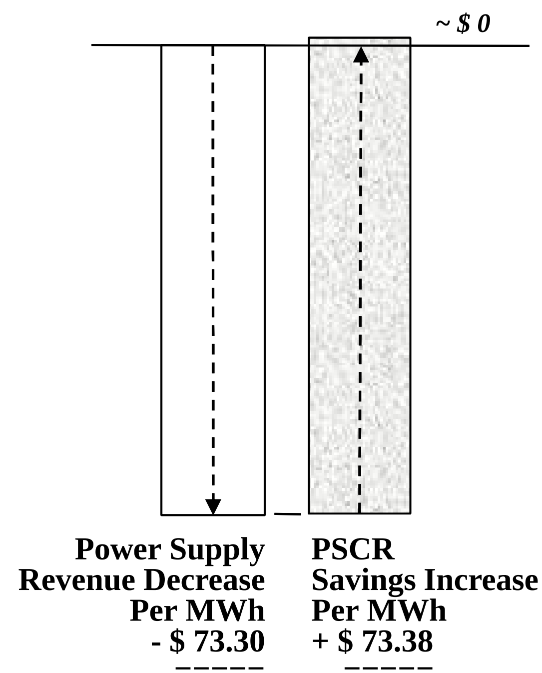
c. Total Average Savings = a + b	*$67.57*
d. x Line Loss Savings	x 1.086
e. ***Total PSCR Average Savings ($/MWh)***	***+ $ 73.38***
	=====

III. Net Change in Revenue ***~ $ 0***

1. *Source: CE U-16191 Order, 4Nov2010: Attachment A, Schedule F-2.*
2. *Source: CE U-16432 PSCR Plan for 2011: Exhibit A-1; Exhibit A-14, pages 2 & 3.*

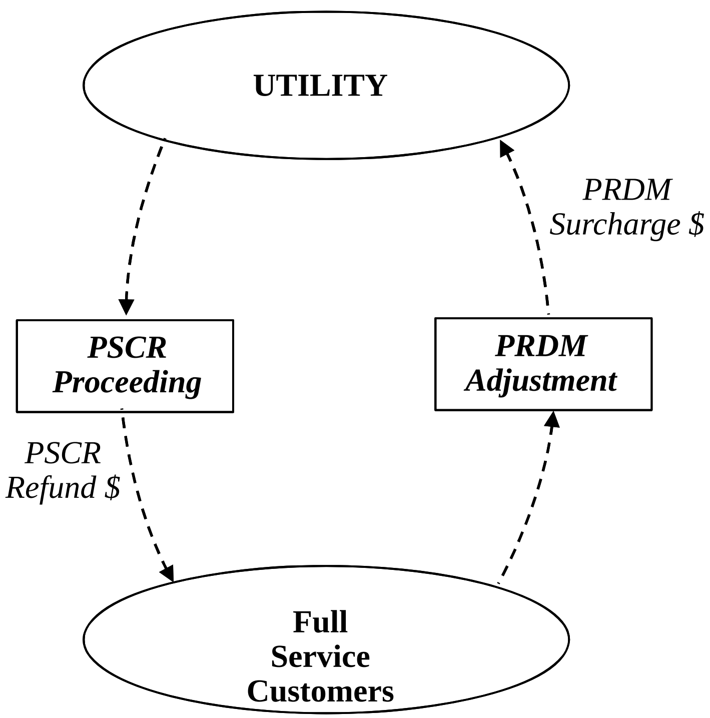
B. Illustration of Net Change

Net Change in Revenue
@ CE Design Rates U-16191
& PSCR Plan U-16432
Net ~ $ 0



Netting Method: Power Supply Cost Recovery and Pilot Revenue Decoupling Mechanism

I. PSCR Savings & PRDM Surcharge Are Netted Via Two Proceedings



Customers *receive*: PSCR Refund $
Customers *pay*: PRDM Surcharge $

II. PSCR Base is the Intermediate Benchmark for Adjustments in the Two Proceedings

A. PSCR Refund = Incremental Savings - PSCR Base $

B. PRDM Surcharge = Power Supply Tariff Revenues - PSCR Base $

C. Net paid by Full Service Customers = B – A

= Tariff Rev - PSCR Base - (Incremental Savings - PSCR Base)
= Tariff Rev - PSCR Base - Incremental Savings + PSCR Base
= Tariff Rev - Incremental Savings

~ 0 ~ very small for year 2011

Conclusion:

- The effect on remaining full service customers of migration to Electric Choice depends on the *difference between Power Supply tariff revenues and incremental PSCR savings*.

SURCHARGES

Rate Schedule	Stranded Cost Recovery Surcharge (Case No. U-15744) Effective for Sept 2009 Bill Month through June 2013 Bill Month	Electric Restructuring Implementation Program Surcharge (Case No. U-16012) Effective for 36 Billing Months Beginning with April 2010 Bill Month (1)
Rate RS	NA	NA
Rate RT	NA	NA
Rate REV-1	NA	NA
Rate REV-2	NA	NA
Rate REV-3	NA	NA
Rate GS	$0.000900/kWh	$0.001134/kWh
Rate GSD	0.000900/kWh	0.001134/kWh
Rate GP	0.000900/kWh	0.001134/kWh
Rate GPD	0.000900/kWh	0.001134/kWh
Rate E-1	NA	NA
Rate GSG-1	NA	0.001134/kWh
Rate GSG-2	NA	0.001134/kWh
Rate GML	NA	0.001134/kWh
Rate GUL	NA	0.001134/kWh
Rate GU-XL	NA	0.001134/kWh
Rate GU	NA	0.001134/kWh
Rate PA	NA	NA
Rate ROA-R	0.002100/kWh	NA
Rate ROA-S	0.002100/kWh	0.001134/kWh
Rate ROA-P	0.002100/kWh	0.001134/kWh

(1) The surcharge is applicable for customers <15kW (2,862 kWh).

SECURITIZATION AND SECURITIZATION TAX CHARGES

The actual Securitization Charge and Securitization Tax Charge are authorized pursuant to Rule C9., Securitization Charges, Tax Charges, Initial Implementation and True-up Methodology. The Securitization Charge and the Securitization Tax Charge are billed to all full service and ROA customers based upon usage. These charges shall be shown separately on the customer's bill.

The actual Securitization Charges applied to customers' bills are as follows:

	$/kWh		
Billing Month	Securitization Charge	Securitization Tax Charge	Total Securitization Charges
December 2001 - November 2002	$0.001427	$0.000250	$0.001677
December 2002 - November 2003	0.001328	0.000418	0.001746
December 2003 - November 2004	0.001299	0.000419	0.001718
December 2004 - November 2005	0.001311	0.000424	0.001735
December 2005 - November 2006	0.001302	0.000447	0.001749
December 2006 - November 2007	0.001265	0.000456	0.001721
December 2007 - November 2008	0.001269	0.000535	0.001804
December 2008 - November 2009	0.001358	0.000611	0.001969
December 2009 - November 2010	0.001327	0.000629	0.001956
December 2010 - November 2011	0.001250	0.000597	0.001847
December 2011 - February 2012	*0.001767*	*0.000761*	*0.002528*
March 2012 - November 2012	*0.001365*	*0.000761*	*0.002126*

MICHIGAN PUBLIC SERVICE COMMISSION
Consumers Energy Company

AG Calculation of Decoupling Refunds or Surcharges, including Interest
(Sales in MWh, Revenues in $000, Surcharges in ¢/kWh)

Method A

Line	Rate Class	Decoupling Revenue Surcharge (Refund) w/ Interest [1]	2012 Elec. Sales [2]	Total Surcharge (Refund) Rate
	(a)	(b)	(c)	(d)
		(000s)	(MWhs)	(b) / (c)
1	Residential Class	$ (7,512.7)	12,538,669	$ (0.000599)
2	Secondary Bundled Service	3,757.5	7,587,072	$ 0.000495
3	Secondary ROA Service	179.3	264,831	$ 0.000677
4	Primary Bundled Service	30,583.1	11,160,246	$ 0.002740
5	Primary ROA Service	(51.1)	3,714,491	$ (0.000014)
6		$ 26,956.1	35,265,309	

Source:
(1) Exhibit AG-5.
(2) Exhibit AG-5 Workpaper and Company response to AG-CE-5, 2012 Fprecasted Sales attachment.

Michigan Public Service Commission
Consumers Energy Company

Case No: U-16566
Exhibit: AG-5
Date: May 2011

METHOD A

AG Calculation of Revenue Decoupling Surcharge or Refund with Interest

Residential Surcharge $ **(0.000599)** ($0.000599)

Recovery of Electric Revenue Decoupling Mechanism - Residential

Line No.	(a) Month	(b) Sales (MWhs)	(c) Beginning Balance ($000)	(d) ERDM Refund ($000)	(e) Ending Balance ($000)	(f) Average Balance ($000)	(g) Interest (%)	(h) Interest ($000)	(i) Cumulative Interest ($000)	(j) Balance Schedule ($000)
1	Jan-12	1,242,845	($7,502.0)	($744.7)	($6,757.3)	($7,129.7)	0.29%	($1.7)	($1.7)	($6,759.1)
2	Feb-12	1,091,409	($6,757.3)	($653.9)	($6,103.4)	($6,430.4)	0.29%	($1.6)	($3.3)	($6,106.7)
3	Mar-12	1,043,380	($6,103.4)	($625.2)	($5,478.2)	($5,790.8)	0.29%	($1.4)	($4.7)	($5,482.9)
4	Apr-12	946,406	($5,478.2)	($567.1)	($4,911.2)	($5,194.7)	0.29%	($1.3)	($5.9)	($4,917.1)
5	May-12	860,681	($4,911.2)	($515.7)	($4,395.5)	($4,653.3)	0.29%	($1.1)	($7.1)	($4,402.5)
6	Jun-12	941,398	($4,395.5)	($564.1)	($3,831.4)	($4,113.5)	0.29%	($1.0)	($8.1)	($3,839.5)
7	Jul-12	1,154,974	($3,831.4)	($692.0)	($3,139.4)	($3,485.4)	0.29%	($0.8)	($8.9)	($3,148.3)
8	Aug-12	1,188,912	($3,139.4)	($712.4)	($2,427.1)	($2,783.2)	0.29%	($0.7)	($9.6)	($2,436.6)
9	Sep-12	1,082,037	($2,427.1)	($648.3)	($1,778.7)	($2,102.9)	0.29%	($0.5)	($10.1)	($1,788.8)
10	Oct-12	915,571	($1,778.7)	($548.6)	($1,230.2)	($1,504.5)	0.29%	($0.4)	($10.4)	($1,240.6)
11	Nov-12	948,275	($1,230.2)	($568.2)	($662.0)	($946.1)	0.29%	($0.2)	($10.7)	($672.7)
12	Dec-12	1,122,780	($662.0)	($672.7)	$10.7	($325.6)	0.29%	($0.1)	($10.7)	($0.0)
13		12,538,668		($7,512.7)				($10.7)		

January Short Term Borrowing Rate, .29%

Secondary Bundled Service Surchar $ **0.000495** $0.000495

Recovery of Electric Revenue Decoupling Mechanism - Secondary Bundled Service

Line No.	(a) Month	(b) Sales (MWhs)	(c) Beginning Balance ($000)	(d) ERDM Collection ($000)	(e) Ending Balance ($000)	(f) Average Balance ($000)	(g) Interest (%)	(h) Interest ($000)	(i) Cumulative Interest ($000)	(j) Balance Schedule ($000)
14	Jan-12	656,525	$3,752.0	$325.1	$3,426.9	$3,589.4	0.29%	$0.9	$0.9	$3,427.7
15	Feb-12	613,015	$3,426.9	$303.6	$3,123.3	$3,275.1	0.29%	$0.8	$1.7	$3,124.9
16	Mar-12	617,380	$3,123.3	$305.8	$2,817.5	$2,970.4	0.29%	$0.7	$2.4	$2,819.9
17	Apr-12	590,804	$2,817.5	$292.6	$2,524.9	$2,671.2	0.29%	$0.6	$3.0	$2,527.9
18	May-12	586,319	$2,524.9	$290.4	$2,234.5	$2,379.7	0.29%	$0.6	$3.6	$2,238.1
19	Jun-12	627,362	$2,234.5	$310.7	$1,923.8	$2,079.2	0.29%	$0.5	$4.1	$1,927.9
20	Jul-12	694,225	$1,923.8	$343.8	$1,580.0	$1,751.9	0.29%	$0.4	$4.5	$1,584.5
21	Aug-12	682,497	$1,580.0	$338.0	$1,242.0	$1,411.0	0.29%	$0.3	$4.9	$1,246.9
22	Sep-12	676,277	$1,242.0	$334.9	$907.1	$1,074.5	0.29%	$0.3	$5.1	$912.2
23	Oct-12	607,260	$907.1	$300.7	$606.3	$756.7	0.29%	$0.2	$5.3	$611.6
24	Nov-12	596,967	$606.3	$295.6	$310.7	$458.5	0.29%	$0.1	$5.4	$316.1
25	Dec-12	638,442	$310.7	$316.2	($5.5)	$152.6	0.29%	$0.0	$5.5	($0.0)
26		7,587,073		$3,757.5				$5.5		

Michigan Public Service Commission
Consumers Energy Company

METHOD A

Case No: U-16566
Exhibit: AG-5
Date: May 2011

AG Calculation of Revenue Decoupling Surcharge or Refund with Interest

Secondary ROA Service Surcharge $ 0.000677 0.000677

Recovery of Electric Revenue Decoupling Mechanism - Secondary ROA Service

Line No.	(a) Month	(b) Sales (MWhs)	(c) Beginning Balance ($000)	(d) ERDM Collection ($000)	(e) Ending Balance ($000)	(f) Average Balance ($000)	(g) Interest (%)	(h) Interest ($000)	(i) Cumulative Interest ($000)	(i) Balance Schedule ($000)
27	Jan-12	21,572	$179.0	$14.6	$164.4	$171.7	0.29%	$0.0	$0.0	$164.4
28	Feb-12	22,430	$164.4	$15.2	$149.2	$156.8	0.29%	$0.0	$0.1	$149.3
29	Mar-12	20,575	$149.2	$13.9	$135.3	$142.2	0.29%	$0.0	$0.1	$135.4
30	Apr-12	22,217	$135.3	$15.0	$120.2	$127.8	0.29%	$0.0	$0.1	$120.4
31	May-12	20,630	$120.2	$14.0	$106.3	$113.3	0.29%	$0.0	$0.2	$106.4
32	Jun-12	23,852	$106.3	$16.1	$90.1	$98.2	0.29%	$0.0	$0.2	$90.3
33	Jul-12	23,286	$90.1	$15.8	$74.4	$82.2	0.29%	$0.0	$0.2	$74.6
34	Aug-12	24,883	$74.4	$16.8	$57.5	$65.9	0.29%	$0.0	$0.2	$57.7
35	Sep-12	20,946	$57.5	$14.2	$43.3	$50.4	0.29%	$0.0	$0.2	$43.6
36	Oct-12	21,250	$43.3	$14.4	$28.9	$36.1	0.29%	$0.0	$0.3	$29.2
37	Nov-12	21,719	$28.9	$14.7	$14.2	$21.6	0.29%	$0.0	$0.3	$14.5
38	Dec-12	21,471	$14.2	$14.5	($0.3)	$7.0	0.29%	$0.0	$0.3	($0.0)
39		264,831		$179.3				$0.3		

Primary Surcharge Bundled Service $ 0.002740 $0.002740

Recovery of Electric Revenue Decoupling Mechanism - Primary Bundled Service

Line No.	(a) Month	(b) Sales (MWhs)	(c) Beginning Balance ($000)	(d) ERDM Collection ($000)	(e) Ending Balance ($000)	(f) Average Balance ($000)	(g) Interest (%)	(h) Interest ($000)	(i) Cumulative Interest ($000)	(i) Balance Schedule ($000)
40	Jan-12	887,543	$30,538.0	$2,432.2	$28,105.8	$29,321.9	0.29%	$7.1	$7.1	$28,112.9
41	Feb-12	885,723	$28,105.8	$2,427.2	$25,678.6	$26,892.2	0.29%	$6.5	$13.6	$25,692.2
42	Mar-12	879,218	$25,678.6	$2,409.4	$23,269.2	$24,473.9	0.29%	$5.9	$19.5	$23,288.7
43	Apr-12	899,001	$23,269.2	$2,463.6	$20,805.7	$22,037.4	0.29%	$5.3	$24.8	$20,830.5
44	May-12	899,411	$20,805.7	$2,464.7	$18,340.9	$19,573.3	0.29%	$4.7	$29.6	$18,370.5
45	Jun-12	933,365	$18,340.9	$2,557.8	$15,783.2	$17,062.1	0.29%	$4.1	$33.7	$15,816.9
46	Jul-12	978,615	$15,783.2	$2,681.8	$13,101.4	$14,442.3	0.29%	$3.5	$37.2	$13,138.6
47	Aug-12	955,642	$13,101.4	$2,618.8	$10,482.6	$11,792.0	0.29%	$2.8	$40.0	$10,522.6
48	Sep-12	979,357	$10,482.6	$2,683.8	$7,798.8	$9,140.7	0.29%	$2.2	$42.2	$7,841.1
49	Oct-12	950,340	$7,798.8	$2,604.3	$5,194.6	$6,496.7	0.29%	$1.6	$43.8	$5,238.4
50	Nov-12	945,742	$5,194.6	$2,591.7	$2,602.9	$3,898.7	0.29%	$0.9	$44.7	$2,647.6
51	Dec-12	966,292	$2,602.9	$2,648.0	($45.1)	$1,278.9	0.29%	$0.3	$45.0	($0.0)
52		11,160,248		$30,583.1				$45.0		

Primary Surcharge ROA Service $ (0.000014) ($0.000014)

Recovery of Electric Revenue Decoupling Mechanism - Primary ROA Service

Line No.	(a) Month	(b) Sales (MWhs)	(c) Beginning Balance ($000)	(d) ERDM Collection ($000)	(e) Ending Balance ($000)	(f) Average Balance ($000)	(g) Interest (%)	(h) Interest ($000)	(i) Cumulative Interest ($000)	(i) Balance Schedule ($000)
53	Jan-12	305,294	($51.0)	($4.2)	($46.8)	($48.9)	0.29%	($0.0)	($0.0)	($46.8)
54	Feb-12	307,904	($46.8)	($4.2)	($42.6)	($44.7)	0.29%	($0.0)	($0.0)	($42.6)
55	Mar-12	291,418	($42.6)	($4.0)	($38.6)	($40.6)	0.29%	($0.0)	($0.0)	($38.6)
56	Apr-12	301,853	($38.6)	($4.2)	($34.4)	($36.5)	0.29%	($0.0)	($0.0)	($34.5)
57	May-12	289,532	($34.4)	($4.0)	($30.4)	($32.4)	0.29%	($0.0)	($0.0)	($30.5)
58	Jun-12	316,714	($30.4)	($4.4)	($26.1)	($28.3)	0.29%	($0.0)	($0.1)	($26.1)
59	Jul-12	322,253	($26.1)	($4.4)	($21.6)	($23.9)	0.29%	($0.0)	($0.1)	($21.7)
60	Aug-12	345,777	($21.6)	($4.8)	($16.9)	($19.3)	0.29%	($0.0)	($0.1)	($17.0)
61	Sep-12	321,708	($16.9)	($4.4)	($12.5)	($14.7)	0.29%	($0.0)	($0.1)	($12.5)
62	Oct-12	301,931	($12.5)	($4.2)	($8.3)	($10.4)	0.29%	($0.0)	($0.1)	($8.4)
63	Nov-12	304,914	($8.3)	($4.2)	($4.1)	($6.2)	0.29%	($0.0)	($0.1)	($4.2)
64	Dec-12	305,192	($4.1)	($4.2)	$0.1	($2.0)	0.29%	($0.0)	($0.1)	($0.0)
65		3,714,491		($51.1)				($0.1)		

STATE OF MICHIGAN

BEFORE THE MICHIGAN PUBLIC SERVICE COMMISSION

****

In the matter of the application of CONSUMERS ENERGY COMPANY for authority to reconcile electric revenue pursuant to Pilot Revenue Decoupling Mechanism and for other relief.	)	Case No. U-16566

PROOF OF SERVICE

STATE OF MICHIGAN)
) ss.
COUNTY OF INGHAM)

Monica Robinson, the undersigned, being first duly sworn, deposes and says that she is a Legal Secretary at Varnum LLP and that on the 24th day of February, 2012 she served a copy of Energy Michigan, Inc.'s Exceptions upon those individuals listed on the attached Service List by email at their last known addresses.

Monica Robinson

Digitally signed by Monica Robinson
DN: cn=Monica Robinson, o, ou, email=mrrobinson@varnumlaw.com, c=US
Date: 2012.02.24 14:09:42 -05'00'

Monica Robinson

CASE NO. U-16566 SERVICE LIST

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