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March 6, 2013

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

Re: Case No. U-17087

Dear Ms. Kunkle:

Attached for paperless electronic filing is Brief of Energy Michigan, Inc. Regarding Consumers Energy Company Self-Implementation Filing. 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

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 authority to increase its rates for)	Case No. U-17087
the generation and distribution of)	
electricity and for other relief.)	
_____)	

BRIEF OF ENERGY MICHIGAN, INC. REGARDING
CONSUMERS ENERGY COMPANY SELF-IMPLEMENTATION FILING

INTRODUCTION

This Brief of Energy Michigan, Inc. ("Energy Michigan") is filed by Varnum in response to the February 27, 2013 self-implementation filing of Consumers Energy Company ("Consumers" or "Consumers Energy") in this matter.

I SUMMARY OF ARGUMENT

The Consumers Energy Application for an interim rate increase of \$110 million was proposed by Company witness Ronn Rasmussen. Mr. Rasmussen presented two alternatives to the Michigan Public Service Commission ("Commission") for implementation of the interim increase: 1) Implementation by equal percentage rate increases to all rates and customer classes; or 2) Implementation according to the rate design requested by the Company in the case. Rasmussen, p. 10-11.

Mr. Rasmussen correctly states that under Michigan law, the Company must implement the interim increase as an equal percent unless ordered to do otherwise by the Commission. MCL 460.6a(1).

Energy Michigan requests that the Commission allow the interim increase to be implemented by means of equal percentages for the following reasons:

1. The Company proposed rate design incorporates new, radical and untried methods of allocation, particularly for production costs, which should not be implemented, if at all, before there is a thorough hearing with Testimony and Briefs. Controversial new proposals should not be implemented without full due process.
2. The Company rate design results in significant disparity in the impact of the interim rate increase and therefore, causes corresponding hardships. Some rate classes get little or no increase at all, other classes such as residential customers receive more than a 4% increase and ROA secondary customers would receive increases of 11.5%. Exhibit SI-3 (attached).
3. The proposed Company rate design may be illegal. The Attorney General has estimated that the use of the 100/0/0 methodology would cause residential rates to increase by more than \$56 million which is a 3.2% impact. This impact exceeds the lawful maximum of 2.5% impact due to rate restructuring. Coppola, p. 80.

II. ARGUMENT

- A. New, Radical And Unproven Allocation Methods Which Are Controversial Should Not Be Implemented On An Interim Basis Without Full Due Process.

The Company has proposed a radical, new method for allocating production costs which would abandon the statutorily approved 50/25/25 method and allocate 100% of production costs to four summer peaks and 0% to energy. Keaton, p. 8.

This cost allocation method is controversial as is shown by the opposition of MPSC Staff, the Attorney General and Energy Michigan. Putnam, p. 6-7; Coppola, p. 80; Zakem, p. 35-38.

Part of the controversy attached to the 100% demand method as will be more fully explained below is due to the fact that use of this allocation method would shift approximately \$56 million of costs from business customers to residential customers. Coppola, p. 80. Such a shift could cause other, legal problems as is more fully explained below.

In any event, the interim increase process is accomplished on an accelerated timeframe and does not incorporate full procedural guarantees such as Proposed Decisions, Exceptions, and more lengthy timeframes to conduct discovery. Therefore, adoption of the Company rate design incorporating a new, untried allocation methodology would be highly controversial and cause great and inequitable rate impact without availability to full due process rights.

B. Adoption Of The 100/0/0 Method Causes Widely Disparate Impact On Customers.

Exhibits SI-1, pages 1 of 2 and 2 of 2 allow a comparison of the rate increases which would be produced by use of equal percentages (2.95%) and adoption of the Company's rate design proposals including implementation of the 100/0/0 method. See Exhibit SI-1, attached.

The percentage variations are well illustrated by Exhibit SI-3, page 1 of 1, which shows that under the Company rate design proposal, the \$110 million increase would cause a 4.08% increase for residential customers, a 0% increase for many primary customers but an 11.56% increase for secondary service ROA-S customers. These wide variations in rates create a very uneven impact and potential hardship among various customer classes (see attached exhibits).

C. The Proposed Company Rate Design May Be Illegal.

The Attorney General has shown that various rate "deskewing" adjustments to eliminate the remaining subsidies to residential customers will cause residential rates to rise by approximately \$30.4 million or roughly 1.7%. Coppola, p. 80. However, adoption of the 100/0/0 allocation method may shift an additional \$56 million from business customers to residential customers. Coppola, Id. This has been calculated to increase residential rates by 3.2%. Id.

2008 PA 286 limits residential rate increases caused by cost shifting to 2.5% per year. The \$30.4 million deskewing adjustment is a 1.7% residential increase. Also, the shift of costs from business customers to residential caused by the adoption of the 100/0/0 cost allocation methodology would shift an additional \$56 million. This amounts to 3.2%. In total, the two shifts of deskewing and 100/0/0 create a 4.9% increase in residential rates. These levels greatly exceed the 2.5% cap mandated by law. Coppola, p. 80 and MCL 460.11(2).

III. SUMMARY AND CONCLUSION

Implementation of the Consumers Energy interim increase of \$110 million by use of the Company's proposed rate design would create widely different rate impacts and a great level of controversy. Moreover, the impact would vary significantly between customer classes and, in any event, may be illegal.

WHEREFORE, Energy Michigan respectfully requests that the Commission use equal percentages to calculate rate increases under any interim increase allowed.

Respectfully submitted,

Varnum,^{LLP}
Attorneys for Energy Michigan, Inc.

March 6, 2013

By: _____
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Attachments to Brief of Energy Michigan, Inc.
Regarding
Consumers Energy Company Self-Implementation Filing

Equal Percent Increase

M.P.S.C. No. 13 - Electric
Consumers Energy Company

Sheet No. D-2.20

INTERIM RATE INCREASE, SUBJECT TO REFUND

*Interim Rate Increase,
Subject to Refund
(Case No. U-17087)
Effective for service
rendered on and after
March 19, 2013*

Rate Schedule

Rate RS	\$0.004020/kWh
Rate RT	0.003435/kWh
Rate REV-1	0.003035/kWh
Rate REV-2	0.003035/kWh
Rate GS	0.004068/kWh
Rate GSD	0.003368/kWh
Rate GP	0.002973/kWh
Rate GPD	0.002695/kWh
Rate MMPP	0.001802/kWh
Rate E-1	NA
Rate GSG-1	0.003198/kWh
Rate GSG-2	0.003198/kWh
Rate GML	0.003049/kWh
Rate GUL	0.006140/kWh
Rate GU-XL	0.006140/kWh
Rate GU	0.002552/kWh
Rate PA	NA
Rate ROA-R	0.004020/kWh
Rate ROA-S	0.000784/kWh
Rate ROA-P	0.000235/kWh

Issued XXXXXX XX, 2013
J.G. Russell,
President and Chief Executive Officer
Jackson, Michigan

Effective for Service rendered on
and after March 19, 2013

Issued under authority of the
2008 PA 286, Section 6A and the
Michigan Public Service Commission
in Case No. U-17087

Alternative Method

M.P.S.C. No. 13 - Electric
Consumers Energy Company

Sheet No. D-2.20

INTERIM RATE INCREASE, SUBJECT TO REFUND

*Interim Rate Increase,
Subject to Refund
(Case No. U-17087)
Effective for service
rendered on and after
March 19, 2013*

Rate Schedule

Rate RS	\$0.005545/kWh
Rate RT	0.004552/kWh
Rate REV-1	0.004188/kWh
Rate REV-2	0.004188/kWh
Rate GS	0.004995/kWh
Rate GSD	0.005641/kWh
Rate GP	0.000041/kWh
Rate GPD	NA
Rate MMPP	NA
Rate E-1	NA
Rate GSG-1	NA
Rate GSG-2	NA
Rate GML	NA
Rate GUL	NA
Rate GU-XL	NA
Rate GU	NA
Rate PA	NA
Rate ROA-R	0.005545/kWh
Rate ROA-S	0.003068/kWh
Rate ROA-P	0.000235/kWh

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CALCULATION OF ALTERNATE INTERIM SURCHARGES TO RECOVER \$110 MILLION
Based on Equal Percent of Present Revenue
 (Sales in MWh, Revenues in \$000, Surcharges in ¢/kWh)

Line	Description	Elec. Sales	Present Revenue ⁽¹⁾	Interim Increase ⁽²⁾	Total Surcharge	Percent Increase
		(a)	(b)	(c)	(d)	(e)
BUNDLED SERVICE						
Residential Class						
1	Rate Schedule RS.....	12,365,842	\$1,682,418	\$49,705	0.4020¢	2.95%
2	Rate Schedule RT.....	42,558	4,948	\$146	0.3435	2.95%
3	Rate Schedule REV.....	753	77	2	0.3035	2.95%
4		<u>12,409,153</u>	<u>1,687,443</u>	<u>49,853</u>		
Secondary Class						
5	Rate Schedule GS.....	3,185,763	\$438,708	\$12,961	0.4068	2.95%
6	Rate Schedule GSD.....	4,186,967	477,260	14,100	0.3368	2.95%
7		<u>7,372,730</u>	<u>\$915,968</u>	<u>\$27,061</u>		
Primary Class						
8	Rate Schedule GP.....	1,206,685	\$121,445	\$3,588	0.2973	2.95%
9	Rate Schedule GPD.....	9,817,942	895,443	26,455	0.2695	2.95%
10	Rate Schedule MMMP.....	333,554	20,345	601	0.1802	2.95%
11		<u>11,358,181</u>	<u>1,037,232</u>	<u>30,644</u>		
Lighting/Unmetered Class						
12	Rate Schedule GML.....	8,641	\$892	\$26	0.3049	2.95%
13	Rate Schedule GUL.....	150,394	31,255	923	0.6140	2.95%
14	Rate Schedule GU-XL.....	0	0	0	0.6140	-
15	Rate Schedule GU.....	102,672	8,869	262	0.2552	2.95%
16		<u>261,707</u>	<u>\$41,016</u>	<u>\$1,212</u>		
Self-Generation Class						
17	Rate Schedule GSG-1.....	0	\$0	\$0	0.3198	-
18	Rate Schedule GSG-2.....	51,767	5,604	166	0.3198	2.95%
19		<u>51,767</u>	<u>\$5,604</u>	<u>\$166</u>		
20	Total Bundled Service.....	31,453,538	\$3,687,263	\$108,936		2.95%
ROA SERVICE						
21	Residential Service ROA-R.....	0	\$0	\$0	0.4020¢	-
22	Secondary Service ROA-S.....	255,556	\$6,780	\$200	0.0784	2.95%
23	Primary Service ROA-P.....	3,679,049	\$29,249	\$864	0.0235	2.95%
24	Total ROA Service.....	3,934,605	36,029	1,064		2.95%
25	Total Bundled & ROA Service.....	<u>35,388,143</u>	<u>\$3,723,292</u>	<u>\$110,000</u>		2.95%

Notes

- (1) Filed present revenues excluding PSCR Factor, Rate E-1, and Self-Generation power supply revenues.
 (2) Allocated based on present revenues.

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and for other relief.)
_____)

Case No. U-17087

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 6th day of March, 2013, she served a copy of the Brief of Energy Michigan, Inc. Regarding Consumers Energy Company Self-Implementation and to those individuals listed on the attached Service List by email at their last known addresses.

Monica Robinson

SERVICE LIST CASE U-17087

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