

S T A T E O F M I C H I G A N
BEFORE THE MICHIGAN PUBLIC SERVICE COMMISSION

* * * *

In the matter of the application of)
CONSUMERS ENERGY COMPANY)
for authority to increase its rates for)
the generation and distribution of)
electricity and for other relief.)
_____)

Case No. U-18322

QUALIFICATIONS AND DIRECT TESTIMONY OF
BRIAN WELKE
MICHIGAN PUBLIC SERVICE COMMISSION

8/10/2017

QUALIFICATIONS OF BRIAN WELKE
CASE NUMBER U-18322
PART I

1 Q. Please state your name and business address.

2 A. My name is Brian Welke. My business address is 7109 W. Saginaw Hwy,
3 Lansing, MI 48917.

4 Q. By whom are you employed and in what capacity?

5 A. I am employed by the Michigan Public Service Commission (MPSC or
6 Commission) as the Manager of the Income Analysis Unit.

7 Q. How long have you been employed by the Commission?

8 A. Since September, 2008.

9 Q. What is your educational and professional background?

10 A. I graduated from Eastern Michigan University with a Bachelor's of Science
11 Degree in Accounting in 2006. I have been involved in rate case audits and have
12 testified before the Commission numerous times.

13	<u>Case No.</u>	<u>Case Description</u>
14	U-15645	Consumers Energy Electric Rate Case
15	U-15768	Detroit Edison Electric Rate Case
16	U-15981	Wisconsin Electric Power Company Electric Rate Case
17	U-15986	Consumers Energy Gas Rate Case
18	U-16009	Complaint Case against Detroit Edison Company
19	U-16180	Indiana and Michigan Company Electric Rate Case
20	U-16191	Consumers Energy Electric Rate Case
21	U-16166	Upper Peninsula Power Company Electric Rate Case
22	U-16169	SEMCO Energy Gas Rate Case
23	U-16999	Detroit Edison Gas Rate Case

QUALIFICATIONS OF BRIAN WELKE
CASE NUMBER U-18322
PART I

1	U-17761	Public Lighting of Detroit Reconciliation
2	U-17767	Detroit Edison Electric Rate Case
3	U-17895	Upper Peninsula Power Company Electric Rate Case
4	U-17999	Detroit Edison Gas Rate Case
5	U-17014	Detroit Edison Gas Rate Case
6	U-17882	Consumers Energy Gas Rate Case
7	U-18124	Consumers Energy Electric Rate Case

DIRECT TESTIMONY OF BRIAN WELKE
CASE NUMBER U-18322
PART II

1 Q. What is the purpose of your testimony?

2 A. The purpose of my testimony is to present MPSC Staff's Other Operations and
3 Maintenance (O&M) Expense for the projected test-year period ending September
4 30, 2018. This testimony also supports Staff adjustments to benefits expenses,
5 Uncollectible Accounts Expense, and expected cost savings.

6 Q. Are you sponsoring exhibits?

7 A. Yes.

8	Exhibit	Schedule	Title
---	---------	----------	-------

9	S-3	C5	Projected Other O&M Expense for the 12 Months Ending
10			September 30, 2018. (1 Page).

11	S-7		Projected PBGC Premiums & Actuarial Fees Expense for
12			the 12 Months Ending September 30, 2018. (1 Page).

13	S-7.1		Projected Uncollectible Accounts Expense for the 12
14			Months Ending September 30, 2018. (4 Pages).

15	S-7.2		Projected Incentive Compensation Tied to Non-Financial
16			Metrics for the 12 Months Ending September 30, 2018.
17			(2 Pages).

18	S-8		Company Unable to Provide 2016 Historical Test-Year
19			Normalizations. (1 Page).

20	S-8.1		2006- 2016 Fuel and Purchased Power Expenses. (1
21			Page).

22	S-8.2		Staff Estimation of 2016 Other O&M Expense. (1 Page).
----	-------	--	---

DIRECT TESTIMONY OF BRIAN WELKE
CASE NUMBER U-18322
PART II

1	S-8.3	Company Estimation of 2016 Other O&M Expense. (3
2		Pages).
3	S-8.4	Non-Fuel O&M Cost Reductions Investor Slide. (1 Page).
4	S-8.5	2014 – 2016 Average & Combined Average Growth Rate
5		(CAGR) Non-Fuel Other O&M Expense Trend. (1 Page).
6	S-9	No Operational Plan to Achieve 2% Cost Reductions for
7		the Test-Year Ended September 30, 2018. (1 Page).
8	S-9.1	2% Per Year Cost Reductions for the Test-Year Ended
9		September 30, 2018. (1 Page).
10	S-9.2	2% Per Year Cost Reductions Calculation for the 12
11		Months Ending September 30, 2018. (1 Page).
12	S-9.3	Unresolved Task in Budget for the 12 Months Ending
13		September 30, 2018. (1 Page).
14	S-9.4	Unresolved Task Other O&M Adjustment for the 12
15		Months Ended September 30, 2018. (1 Page).
16	S-11	April 5-7, 2017 Investor Presentation. (43 Pages).
17	S-11.1	Unresolved Task. (1 Page).
18	S-11.2	Staff's 2 nd Discovery to Consumers Energy. (40 Pages).
19	Q.	Please describe Exhibit S-3, Schedule C5, titled Projected Other O&M Expense
20		for the 12 Months Ending September 30, 2018.
21	A.	Exhibit S-3, Schedule C5 presents Staff's projected Other O&M Expense of
22		\$538,288,000 for the 12-month period ending September 30, 2018, a reduction of
23		\$89,314,000 from the Company's projection of \$627,602,000. Staff projections

DIRECT TESTIMONY OF BRIAN WELKE
CASE NUMBER U-18322
PART II

1 were developed for the categories listed in column (a.). Column (c.) presents the
2 Company's projection and column (e.) presents Staff's projection, with the
3 difference shown in column (d.). The differences in column (d.) represent Staff's
4 adjustments and are supported by the exhibits and Staff testimony listed in
5 column (b.).

6 The adjustments relating to Pension Expense, Defined Benefit (DB) Supplemental
7 Executive Retirement Plan (SERP) Expenses, Defined Contribution (DC) SERP
8 Expenses, Uncollectible Accounts Expense, 2% O&M Annual Cost Savings, and
9 the Employee Incentive Compensation Plan (EICP) & Restricted Stock Expenses
10 found on lines 5, 6, 8, 13, 20, and 22 are supported in this testimony.

11 **Pension Expense**

12 Q. What is Staff's projected Pension Expense and how does it compare to the
13 Company's projection?

14 A. Staff's Pension Expense projection is \$22,986,000, a \$1,108,000 reduction from
15 the Company's projection of \$24,094,000.

16 Q. Why is Staff recommending a reduction of \$1,108,000 from the Company's
17 Pension Expense projection?

18 A. Embedded within the Company's Pension Expense projection is an estimate of
19 their Pension Benefit Guaranty Corporation (PBGC) premiums and actuarial fees
20 expenses. Since 2011, the Company's yearly PBGC premiums and actuarial fee
21 expenses have ranged from \$959,387 to \$1,349,606 before business segment
22 allocations and capitalization. Despite this range, the Company has projected
23 their PBGC premiums and actuarial fee expenses at \$4,900,000, which is

DIRECT TESTIMONY OF BRIAN WELKE
CASE NUMBER U-18322
PART II

1 significantly outside of the historical range. (See Ex. S-7, ln 1, col (c.)). Because
2 the Company's projected PBGC premiums and actuarial fee expense are out of
3 line with their historical range, Staff used the Company's 2016 actual amount of
4 \$1,349,606 as Staff's projection, which is also the highest this expense has been
5 since 2011.

6 **Uncollectible Accounts Expense**

7 Q. What is Staff's projected Uncollectible Accounts Expense projection and how
8 does it compare to the Company's projection?

9 A. Staff's Uncollectible Accounts Expense projection is \$19,575,000, a \$2,007,000
10 reduction from the Company's projection of \$21,582,000. (See Ex.S-7.1, pg. 1).

11 Q. How did Staff make its Uncollectible Accounts Expense projection?

12 A. Staff used the Company's May 3, 2017 Uncollectible Accounts projection
13 presented to its Board of Directors (BOD). (See Ex. S-7, pg. 3). While the
14 Commission has rejected Staff adjustments based on projections presented to the
15 Company's BOD in the past, (See Case No. U-17735, Commission Order Dated
16 11/19/2015, pg. 53), Staff nonetheless believes that this case is different and that
17 it is appropriate to use the projection presented to the BOD for the Uncollectible
18 Accounts Expense projection in this case.

19 Q. Why does Staff believe that the Company's Uncollectible Accounts Expense
20 projection presented to its BOD is appropriate in this case?

21 A. The Company has successfully implemented new collection practices, such as a
22 "turn-on compliance program," and implemented new actions aimed at reducing
23 30-day-plus arrearages. (See Ex. S-7.1, pg. 2). Also, the Company's Smart

DIRECT TESTIMONY OF BRIAN WELKE
CASE NUMBER U-18322
PART II

1 Energy program is projected to offset Uncollectible Accounts Expense by
2 between \$6,422,000 (Ex. A-55 (DLH-4), ln 8) and \$7,693,000 (Fromm
3 Testimony, pg 11). Using the Company's Uncollectible Accounts Expense
4 presented to its BOD captures these efforts made by the Company.

5 Q. Does Staff propose an alternative Uncollectible Accounts Expense projection?

6 A. Yes. In the last two Consumers Energy rate cases, the Commission has decided
7 that Uncollectible Accounts Expense should be forecast based on a five-year
8 average. Based on the Bad Debt Loss Ratios (BDLR's) found on Company
9 Exhibits A-40 (DLH-4) from Case No. U-17990 and A-55 (DLH-4) in this case,
10 the five-year average of the ratio of net charge offs is .672%. Multiplying the
11 five-year average of the ratio of net charge offs by Staff's projected revenue of
12 \$4,293,830,000 would result in an Uncollectible Accounts Expense projection of
13 \$28,863,000. Using Staff's Smart Energy savings, Uncollectible Accounts
14 Expense projection would be to be \$21,170,000, which is \$412,000 less than the
15 Company's projection of \$21,582,000. (See Ex. S-7.1 pg. 4).

16 **DB and DC SERP Expense:**

17 Q. What is Staff's projected DB and DC SERP Expense projection and how does it
18 compare to the Company's projection?

19 A. Staff's DB and DC SERP Expense projection is \$0, a \$2,349,000 reduction from
20 the Company's projection of \$2,349,000. (See Ex. S3, Sch. C5, ln's 6 & 8).

21 Q. Since 2005, has the Commission included DB or DC SERP expenses as a
22 component of the revenue requirement in any rate case?

DIRECT TESTIMONY OF BRIAN WELKE
CASE NUMBER U-18322
PART II

1 A. No. The Commission has specifically excluded DB and DC SERP as a component
2 of the revenue requirement in the following cases:

3 - Case No. U-14347, dated 12/22/2005, (Consumers Energy electric rate case)

4 - Case No. U-15244, dated 12/23/2008, (Detroit Edison electric rate case)

5 - Case No. U-15768, dated 1/11/2010, (Detroit Edison electric rate case)

6 - Case No. U-16472, dated 10/20/2011, (Detroit Edison electric rate case)

7 - Case No. U-17735, dated 11/19/2015 (Consumers Energy electric rate case)

8 Q. Why has the Commission previously disallowed these expenses?

9 A. The Commission has previously found that the costs of these plans are not
10 commensurate with the benefits to ratepayers. Further, the Commission has found
11 that the benefits of these plans accrue to investors in the form of higher share
12 prices and dividends, but benefit ratepayers only tangentially. (MPSC Case No.
13 U-14347, Opinion and Order, December 22, 2005, Pg 34). Additionally, in the
14 MPSC Case No. U-17735 Opinion and Order dated November 19, 2015, pg 72,
15 the Commission stated:

16 In substantial agreement with the ALJ's analysis and reasoning,
17 the Commission adopts the Staff's proposed DB SERP and DC
18 SERP disallowances. A review of the record shows that, similar
19 to Consumers' past requests for SERP, the benefits to ratepayers
20 are not commensurate with the costs. Unlike the short-term
21 employee incentive compensation program discussed below, the
22 Commission is able to identify few, if any, metrics for DB SERP
23 and DC SERP that are tied to ratepayer benefits.
24

25 For the reasons given above from the Commission's order in Case No. U-17735,
26 Staff recommends that DB and DC SERP Expense be excluded from the revenue
27 requirement in this case as well.

DIRECT TESTIMONY OF BRIAN WELKE
CASE NUMBER U-18322
PART II

EICP & Restricted Stock Plan Expense

Q. What is Staff's EICP & Restricted Stock Plan Expense projection and how does it compare to the Company's projection?

A. Staff's EICP & Restricted Stock Plan Expense projection is \$1,177,150, a \$13,580,000 reduction from the Company's projection of \$14,757,000. (See Ex. S-3, Schedule C5, ln 22).

Q. Please describe Consumers Energy's EICP and Restricted Stock Plan Expense Plan as proposed in this case.

A. The Company's EICP rewards non-union employees for achieving short-term goals related to continuous improvement, safety, quality, cost, delivery, morale, and financial performance. For non-officer employees, 50% of the potential payout is contingent on achieving non-financial goals, and the other 50% is predicated on achieving financial goals. For officers, financial performance is prioritized.

The Company's Restricted Stock Plan, also known as "long-term incentives," rewards Company Officers, Board of Director members, and other "key salaried employees" based on achievement of financial goals and length of employment. 75% of the payout is contingent on achieving financial goals, while the remaining 25% is contingent on remaining employed for three years.

Q. Since 2005, has the Commission included EICP and Restricted Stock Plan Expenses as a component of the revenue requirement in any rate case?

A. Prior to this case, the Commission completely excluded incentive compensation as a component of the revenue requirement in the following cases:

DIRECT TESTIMONY OF BRIAN WELKE
CASE NUMBER U-18322
PART II

- 1 - Case No. U-14347, dated 12/22/2005, (Consumers Energy electric rate case)
- 2 - Case No. U-14547, dated 11/21/2006, (Consumers Energy gas rate case)
- 3 - Case No. U-15245, dated 6/10/2008, (Consumers Energy electric rate case)
- 4 - Case No. U-15244, dated 12/23/2008, (Detroit Edison electric rate case)
- 5 - Case No. U-15645, dated 11/2/2009, (Consumers Energy electric rate case)
- 6 - Case No. U-15981, dated 7/1/2010, (Wisconsin Electric Power electric rate case)
- 7 - Case No. U-15768, dated 1/11/2010, (Detroit Edison electric rate case)
- 8 - Case No. U-16472, dated 10/20/2011, (Detroit Edison electric rate case)

9 Q. What reasons did the Commission provide for excluding incentive compensation
10 from the revenue requirement in the cases listed above?

11 A. The Commission's decision to exclude incentive compensation from the revenue
12 requirement was founded on two premises. First, the Commission found that
13 incentive compensation plans that were tied to Company earnings and cash flow
14 were financial considerations that largely benefited shareholders and should not
15 be paid for by ratepayers. (See MPSC Case No. U-14347, Opinion and Order,
16 December 22, 2005, pg 35). Second, the Commission has repeatedly found that
17 utilities must quantify the benefits to ratepayers of employee incentive
18 compensation plans that are tied to non-financial metrics and demonstrate that the
19 benefits to customers of such plans outweigh the costs. (See MPSC Case No. U-
20 15244, Opinion and Order, December 23, 2008, pg 38).
21 Beginning December of 2014 however, the Commission began approving the
22 portion of EICP & Restricted Stock Plan Expense that relates to non-financial

DIRECT TESTIMONY OF BRIAN WELKE
CASE NUMBER U-18322
PART II

1 measures. The Commission has approved EICP & Restricted Stock Plan Expense
2 related to non-financial measures in the following cases:

3 - Case No. U-17735, dated 11/19/2015 (Consumers Energy electric rate case)

4 - Case No. U-17990, dated 2/28/2017 (Consumers Energy electric rate case)

5 - Case No. U-18014, dated 1/31/2017 (Detroit Edison electric rate case)

6 Q. What reasons did the Commission provide for including EICP & Restricted Stock
7 Plan expenses related to non-financial measures in the Order in Case No. U-
8 17990?

9 A. The Commission provided two reasons. First, the Commission found that
10 Consumers provided convincing evidence that the non-financial measures of the
11 [Company's Incentive Compensation Plans] provide appreciable benefits to
12 ratepayers..." and that the Company "...quantified the benefits associated with
13 [the plans non-financial measures]. (Case No. U-17990, Commission Order
14 Dated 2/28/2017, pg. 106).

15 Q. Does the EICP & Restricted Stock Plan Expense proposed by the Company have
16 financial metrics?

17 A. Yes. \$13,580,000 of the Incentive Compensation Expense projected by the
18 Company relates to the achievement of financial performance measures. The
19 financial performance measures are Earnings Per Share (EPS), Relative EPS
20 growth (Relative EPS), operating cash flow, and Relative Total Shareholder
21 Returns (Relative TSR).

22 Q. Does the EICP & Restricted Stock Plan Expense proposed by the Company have
23 non-financial measures?

DIRECT TESTIMONY OF BRIAN WELKE
CASE NUMBER U-18322
PART II

1 A. Yes. \$1,177,150 of the Incentive Compensation Expense projected by the
2 Company relates to the achievement of employee and public safety, distribution
3 reliability, customer care, competitive gas prices, on time delivery of work orders,
4 and customer satisfaction. (Ex. S-7.2, pg 1).

5 Q. What is Staff's recommendation regarding Consumers Energy's current request
6 for inclusion of EICP & Restricted Stock Plan Expenses within the revenue
7 requirement?

8 A. Staff recommends exclusion of incentive plan costs that relate to financial
9 measures from the revenue requirement, because those measures largely benefit
10 shareholders.

11 Q. Why is the adjustment for EICP & Restricted Stock Expense presented after
12 "Total Projected Other O&M Expense" on Exhibit S-3, Schedule C5?

13 A. Staff updated the historical test-year Other O&M expense in this case from 2015
14 to 2016. The 2016 Other O&M amount developed by Staff included EICP &
15 Restricted Stock Expenses. Since Staff used an updated 2016 Other O&M
16 Expense as the base from which Staff projected 2017 and 2018 Other O&M
17 Expense, it's Staff's belief that the \$551,868,000 Total Projected Other O&M
18 Expense includes EICP & Restricted Stock Expense.

19 **2% O&M Annual Cost Savings**

20 Q. What is "2% Annual Cost Savings" found on line 20 of Exhibit S-3, Schedule
21 C5?

22 A. On April 5-7, 2017, the Company presented evidence to a group of investors that
23 the Company expects to achieve 2% O&M Annual Cost Savings from 2017

DIRECT TESTIMONY OF BRIAN WELKE
CASE NUMBER U-18322
PART II

1 through 2019. (See Ex. S-11 and Ex. S-8.4). The projected test-year in this case
2 is October 1, 2017 through September 30, 2018. Staff requested the Company to
3 reconcile that expectation with its O&M projection of \$627,602,000 in this case.

4 The Company replied:

5 “The Company does not yet have an operating plan that supports the
6 2% per year spending reductions through 2019. The O&M expense
7 projections submitted in the rate case align with the Company’s
8 operating plan, which do not yet achieve 2% per year reductions.
9 Therefore, it is not possible to reconcile the O&M request in the current
10 electric case to this investor slide.” (See Ex. S-9). (*Emphasis added*).
11

12 Staff then requested that the Company provide projected test-year O&M expense,
13 assuming it had an operating plan that achieves 2% per year cost reductions. The

14 Company replied:

15 “...the Company does not yet have an operating plan that both
16 supports the Company’s objectives and achieves 2% annual O&M
17 reductions in the test-year period. Therefore, it is not possible to
18 provide the requested schedule aligned with an operating plan
19 that achieves 2% cost reductions per year. If the Company is able
20 to achieve further cost savings with improved productivity and/or
21 sustaining cost reduction measures, the Company will pass these
22 savings onto customers as it files future rate cases to recover its
23 continued investment.” (See Ex. S-9.1). (*Emphasis added*).
24

25 Based on the answers to Staff discovery provided above, Staff concluded that the
26 Company’s case does not include an adjustment for 2% O&M Annual Cost
27 Savings from 2017 through 2019, and that in the event any savings are achieved,
28 it will pass the savings on to ratepayers in a future rate case. Staff’s “2% Annual
29 Cost Savings” adjustment therefore represents the inclusion of 2% Annual Cost

DIRECT TESTIMONY OF BRIAN WELKE
CASE NUMBER U-18322
PART II

1 Savings into the Company's projections and passes those savings along to
2 ratepayers in this rate case.

3 Q. Does the Company's projected test-year expense forecast include costs necessary
4 to achieve 2-3% O&M reductions?

5 A. Yes. The Company has included \$1 million in its case to implement a lean
6 operating system called "CE Way." CE Way is Consumers Energy's lean
7 operating system focused on delivering a set of behaviors, skills, and tools that
8 will help to achieve a 2-3% O&M reduction on an annual basis once the Company
9 fully transitions. (Michael A. Torrey, pg 18).

10 Q. Please describe how staff derived its 2% Annual Cost Savings adjustment amount
11 of \$50,961,000.

12 A. Staff used the Company's actual 2016 O&M expense found on its P-521 annual
13 report, removed fuel and purchased power expenses (see Ex. S-8.1), and made
14 normalization adjustments to derive a 2016 Other O&M Expense of
15 \$571,652,000, (See Ex. S-8.2, ln 16, col (j.)), which is remarkably close to the
16 \$571,706,000 figure that the Company provided Staff for its actual 2016 Other
17 O&M Expense. (See Ex. S-8.3, pg 1).

18 Taking the Company's figure, Staff then reduced 2016's Other O&M
19 Expense by 2% per year through 2018, which resulted in a projected Other O&M
20 Expense of \$560,272,000 for 2017 and \$549,066,000 for 2018. The 2017
21 expense projection was weighted by 25% to reflect October through December
22 2017. The 2018 expense projection was weighted 75% to reflect January through

DIRECT TESTIMONY OF BRIAN WELKE
CASE NUMBER U-18322
PART II

1 September of 2018. After weightings, Staff's projected Other O&M expense is
2 \$551,868,000. (See Ex. S-9.2 & Ex. S-3, Sch. C5, ln 21, col (e)).

3 Staff made Other O&M adjustments totaling \$24,773,000 to Electric
4 Distribution, Fossil & Hydro Generation, Benefits, and Uncollectible Accounts.
5 (Ex. S-3, Sch. C5, col (d.) ln's 1-13). Therefore, the adjustment needed to tie to
6 Staff's total projected Other O&M Expense total of \$551,868,000 is \$50,961,000.
7 (Ex. S-3, Sch. C5, ln 20).

8 Q. Should the Commission rely solely on Staff's derivation of 2% O&M Annual
9 Cost Savings through 2018?

10 A. No. While not used as a basis for Staff's proposed adjustment, Staff did ask the
11 Company for its 2017 and 2018 BOD reviewed budgets. The BOD reviewed
12 budget provided to Staff included a line item called "Unresolved Task in Budget."
13 The Unresolved Task in Budget for 2017 is -\$13,000,000. The Unresolved Task
14 in Budget for 2018 is -\$58,000,000. (See Ex. S-9.3).

15 Q. What is "Unresolved Task"?

16 A. According to the Company, Unresolved Task is O&M reductions that are above
17 and beyond the current operational plans for the Company. (See Ex. S-11.1).
18 Because the Company also characterized the "2% per year spending reductions"
19 as outside of the Company's current operational plan, Staff believes that the two
20 terms/phrases are related. Further, if the Company's Unresolved Task in Budget
21 amounts were applied to the projected test year in this case, the result would be an
22 adjustment of \$46,750,000. (See Ex. S-9.4, ln 3).

DIRECT TESTIMONY OF BRIAN WELKE
CASE NUMBER U-18322
PART II

1 | Q. Does this complete your testimony?

2 | A. Yes.

3 |

✻ ✻ ✻ ✻

Case No. U-18322

8/10/2017

Schedule C5

Michigan Public Service Commission
Consumers Energy Company - Electric
Projected Other O&M Expense
for the 12 Months Ending September 30, 2018
(\$000)

Case No.: U-18322
Exhibit: S-3
Schedule: C5
Witness: Welke
Date: 8/10/2017
Page: 1 of 1

Ln.	Description (a.)	Source (b.)	Company Projection (c.)	Staff Adjustment (d.)	Staff Projection (e.)
1	Electric Distribution Expense	MPSC Staff Laruwe	\$ 216,337	\$ (14,652)	\$ 201,685
2	Fossil & Hydro Generation Expense	MPSC Staff Evans	153,259	(4,658)	148,602
3	Business Service Expense	A-8 (JRF-14), Sch. C-5	16,411		16,411
4	Information Technology Expense	A-8 (JRF-14), Sch. C-5	53,901		53,901
5	Pension Expense	Welke Exhibit S-7	24,094	(1,108)	22,986
6	DB SERP Expense	Welke Testimony pg.'s. 7-8	2,142	(2,142)	-
7	Defined Company Contribution Plan Expense	A-8 (JRF-14), Sch. C-5	7,592		7,592
8	DC SERP Expense	Welke Testimony pg.'s. 7-8	207	(207)	-
9	401(k) Savings Plan Expense	A-8 (JRF-14), Sch. C-5	7,651		7,651
10	Active Health Care / Insurance / LTD Expense	A-8 (JRF-14), Sch. C-5	23,371		23,371
11	Retiree Health Care and Life Insurance Expense	A-8 (JRF-14), Sch. C-5	(4,750)		(4,750)
12	Corporate Expense	A-8 (JRF-14), Sch. C-5	51,787		51,787
13	Uncollectible Accounts Expense	Exhibit S-7.1	21,582	(2,007)	19,575
14	Injuries and Damages Expense	A-8 (JRF-14), Sch. C-4	4,391	-	4,391
15	Demand Response Other O&M Expense	A-8 (JRF-14), Sch. C-5	3,389		3,389
16	Paymentus Other O&M Expense	A-8 (JRF-14), Sch. C-5	7,299		7,299
17	Customer Experience	A-8 (JRF-14), Sch. C-5	14,887		14,887
18	Jobwork Expense	A-8 (JRF-14), Sch. C-5	9,295		9,295
19	Incentive Compensation Expense	A-8 (JRF-14), Sch. C-5	14,757		14,757
20	2% Annual Cost Savings	Welke Exhibit S-9.2	-	(50,961)	(50,961)
21	Total Projected Other O&M Expense	Sum Lines 1 through 20	627,602	(75,734)	551,868
22	EICP and Restricted Stock Expense	Exhibit S-7.2			(13,580)
23	Total Adjusted Projected Other O&M Expense	Sum Lines 21 & 22			\$ 538,288

Exhibit S-7

Michigan Public Service Commission
 Consumers Energy Company - Electric
 Projected PBGC Premiums & Actuarial Fees Expense
 for the 12 Months Ending September 30, 2018
 (\$000)

Case No.: U-18322
 Exhibit: S-7
 Schedule: n/a
 Witness: Welke
 Date: 8/10/2017
 Page: 1 of 1

Ln.	Description		Source	Company Projection	Staff Adjustment	Staff Projection
	(a.)		(b.)	(c.)	(d.)	(e.)
1	Actuarial Services/PBGC Premiums		WP-BAW-5	\$ 4,900	\$ (3,550)	\$ 1,350
2	Electric Portion (Business Segment Allocation)	60.00%	Co. Allocation	2,940	(2,130)	810
3	Capital Portion (Capitalized)	48.00%	Co. Allocation	1,411	(1,023)	389
4	Total Actuarial Services/PBGC Premiums Elec. Portion		Line 2 less Line 3	<u>\$ 1,529</u>	<u>\$ (1,108)</u>	<u>\$ 421</u>

Notes:

1.) Actuarial Services/PBGC Premiums By Year 2011 Through 2016

2011	\$	1,051,099
2012	\$	959,387
2013	\$	1,162,709
2014	\$	1,085,866
2015	\$	1,315,207
2016	\$	1,349,606

Exhibit S-7.1

Michigan Public Service Commission
Consumers Energy Company - Electric
Projected Uncollectible Accounts Expense
for the 12 Months Ending September 30, 2018

Case No.: U-18322
Exhibit: S-7.1
Schedule: n/a
Witness: Welke
Date: 8/10/2017
Page: 1 of 4

In.	Description	Source	Amount	Yr. Alloc.	Calculation
	(a.)	(b.)	(c.)	(d.)	(e.)
1	Electric Uncollectibles 2017	S-7.1 Pg 3	17,400,000	X 0.25	4,350,000
2	Electric Uncollectibles 2018	S-7.1 Pg 3	20,300,000	X 0.75	15,225,000
3	Staff Uncollectible Accounts Expense Total	sum lines 1&2			19,575,000
4	Company Uncollectible Accounts Expense Total	A-55 (DLH-4)			21,582,000
5	Staff Adjustment	3 less 4			(2,007,000)

Exhibit S-7.1

Michigan Public Service Commission
Consumers Energy Company - Electric
Projected Uncollectible Accounts Expense
for the 12 Months Ending September 30, 2018

Case No.: U-18322
Exhibit: S-7.1
Schedule: n/a
Witness: Welke
Date: 8/10/2017
Page: 2 of 4

Request #: 143
Page 1 of 1

MPSC AUDIT REQUEST

CASE NO: U-18322
DATE OF REQUEST: 5/03/2017
NO. BAW-9
REQUESTED BY: Brian A. Welke
DATE OF RESPONSE: 5/10/17
RESPONDENT: Daniel L. Harry

Question:

According to the Company's 2016 10-k, "Also contributing to the change was a \$13 million reduction in uncollectible accounts expense due primarily to the successful implementation of new collection practices..." (p 56.)

1. What are the new collection practices?

Consumers Electric Utility Results of Operations

Year Ended September 30	2016	2015	2014	2013	2012
Operating income	1,111	1,011	1,011	1,011	1,011
Operating expenses					
Cost of goods sold	(1,111)	(1,111)	(1,111)	(1,111)	(1,111)
Depreciation and amortization	(1,111)	(1,111)	(1,111)	(1,111)	(1,111)
Other operating expenses	(1,111)	(1,111)	(1,111)	(1,111)	(1,111)
Operating income	1,111	1,011	1,011	1,011	1,011
Other income (expense)	(1,111)	(1,111)	(1,111)	(1,111)	(1,111)
Income before taxes	(1,111)	(1,111)	(1,111)	(1,111)	(1,111)
Income tax expense	(1,111)	(1,111)	(1,111)	(1,111)	(1,111)
Net income	(2,222)	(2,222)	(2,222)	(2,222)	(2,222)

Consumers is a division of Consolidated Edison of New York, Inc. (ConEd) and is a subsidiary of ConEd.

Rate of Return and Rate Recovery: For 2016, Consumers' rate of return was 10.2% (compared with 10.1% in 2015). This change reflected a 100 million dollar decrease in the rate of return on capital assets and a \$12 million decrease in the rate of return on other assets. These changes were offset by a \$12 million increase in the rate of return on other assets, reflecting the acquisition of ConEd's 2015 rate of return on capital assets and a \$12 million increase in the rate of return on other assets. (Consumers' 2016 rate of return on capital assets was 10.2% and 10.1% in 2015.)

For 2015, Consumers' rate of return was 10.1% (compared with 10.0% in 2014). This change reflected a 100 million dollar increase in the rate of return on capital assets and a \$12 million increase in the rate of return on other assets, reflecting the acquisition of ConEd's 2014 rate of return on capital assets and a \$12 million increase in the rate of return on other assets. (Consumers' 2015 rate of return on capital assets was 10.1% and 10.0% in 2014.)

Rate of Return and Other Operating Expenses: For 2016, Consumers' rate of return was 10.2% (compared with 10.1% in 2015). This change reflected a 100 million dollar decrease in the rate of return on capital assets and a \$12 million decrease in the rate of return on other assets, reflecting the acquisition of ConEd's 2015 rate of return on capital assets and a \$12 million decrease in the rate of return on other assets. (Consumers' 2016 rate of return on capital assets was 10.2% and 10.1% in 2015.)

For 2015, Consumers' rate of return was 10.1% (compared with 10.0% in 2014). This change reflected a 100 million dollar increase in the rate of return on capital assets and a \$12 million increase in the rate of return on other assets, reflecting the acquisition of ConEd's 2014 rate of return on capital assets and a \$12 million increase in the rate of return on other assets. (Consumers' 2015 rate of return on capital assets was 10.1% and 10.0% in 2014.)

Answer:

1. There were two changes in collection practices that contributed to the reduction in uncollectible accounts expense in 2016. First, the Company implemented a turn-on compliance program in late 2015 which, delivered reductions in 2016. Under this program customers are required to pay any past-due balance on a previous held account prior to the turn-on of a new service. Second, in 2015 the Company initiated actions to reduce the number of accounts 30 or more days past due. This served to reduce the amount of write-offs in 2016.

Exhibit S-7.1

Michigan Public Service Commission
Consumers Energy Company - Electric
Projected Uncollectible Accounts Expense
for the 12 Months Ending September 30, 2018

Case No.: U-18322
 Exhibit: S-7.1
 Schedule: n/a
 Witness: Welke
 Date: 8/10/2017
 Page: 3 of 4

Request #: 144
 Page 1 of 1

MPSC AUDIT REQUEST

CASE NO: U-18322
 DATE OF REQUEST: 5/03/2017
 NO. BAW-9
 REQUESTED BY: Brian A. Welke
 DATE OF RESPONSE: May 10, 2017
 RESPONDENT: Daniel L. Harry

Question:

According to the Company's 2016 10-k, "Also contributing to the change was a \$13 million reduction in uncollectible accounts expense due primarily to the successful implementation of new collection practices..." (p 56.)

2. Please provide the most current, (as of May 3, 2017) uncollectible expense projections for 2017 and 2018 provided to the Company's Board of Directors. Please break out between the electric utility and gas utility.

Consumers Electric Utility Results of Operations

Year Ended (December 31)	2016	2015	2014	2013	2012	2011	2010	2009	2008	2007	2006	2005	2004	2003	2002	2001	2000	1999	1998	1997	1996	1995	1994	1993	1992	1991	1990	1989	1988	1987	1986	1985	1984	1983	1982	1981	1980	1979	1978	1977	1976	1975	1974	1973	1972	1971	1970	1969	1968	1967	1966	1965	1964	1963	1962	1961	1960	1959	1958	1957	1956	1955	1954	1953	1952	1951	1950	1949	1948	1947	1946	1945	1944	1943	1942	1941	1940	1939	1938	1937	1936	1935	1934	1933	1932	1931	1930	1929	1928	1927	1926	1925	1924	1923	1922	1921	1920	1919	1918	1917	1916	1915	1914	1913	1912	1911	1910	1909	1908	1907	1906	1905	1904	1903	1902	1901	1900	1899	1898	1897	1896	1895	1894	1893	1892	1891	1890	1889	1888	1887	1886	1885	1884	1883	1882	1881	1880	1879	1878	1877	1876	1875	1874	1873	1872	1871	1870	1869	1868	1867	1866	1865	1864	1863	1862	1861	1860	1859	1858	1857	1856	1855	1854	1853	1852	1851	1850	1849	1848	1847	1846	1845	1844	1843	1842	1841	1840	1839	1838	1837	1836	1835	1834	1833	1832	1831	1830	1829	1828	1827	1826	1825	1824	1823	1822	1821	1820	1819	1818	1817	1816	1815	1814	1813	1812	1811	1810	1809	1808	1807	1806	1805	1804	1803	1802	1801	1800	1799	1798	1797	1796	1795	1794	1793	1792	1791	1790	1789	1788	1787	1786	1785	1784	1783	1782	1781	1780	1779	1778	1777	1776	1775	1774	1773	1772	1771	1770	1769	1768	1767	1766	1765	1764	1763	1762	1761	1760	1759	1758	1757	1756	1755	1754	1753	1752	1751	1750	1749	1748	1747	1746	1745	1744	1743	1742	1741	1740	1739	1738	1737	1736	1735	1734	1733	1732	1731	1730	1729	1728	1727	1726	1725	1724	1723	1722	1721	1720	1719	1718	1717	1716	1715	1714	1713	1712	1711	1710	1709	1708	1707	1706	1705	1704	1703	1702	1701	1700	1699	1698	1697	1696	1695	1694	1693	1692	1691	1690	1689	1688	1687	1686	1685	1684	1683	1682	1681	1680	1679	1678	1677	1676	1675	1674	1673	1672	1671	1670	1669	1668	1667	1666	1665	1664	1663	1662	1661	1660	1659	1658	1657	1656	1655	1654	1653	1652	1651	1650	1649	1648	1647	1646	1645	1644	1643	1642	1641	1640	1639	1638	1637	1636	1635	1634	1633	1632	1631	1630	1629	1628	1627	1626	1625	1624	1623	1622	1621	1620	1619	1618	1617	1616	1615	1614	1613	1612	1611	1610	1609	1608	1607	1606	1605	1604	1603	1602	1601	1600	1599	1598	1597	1596	1595	1594	1593	1592	1591	1590	1589	1588	1587	1586	1585	1584	1583	1582	1581	1580	1579	1578	1577	1576	1575	1574	1573	1572	1571	1570	1569	1568	1567	1566	1565	1564	1563	1562	1561	1560	1559	1558	1557	1556	1555	1554	1553	1552	1551	1550	1549	1548	1547	1546	1545	1544	1543	1542	1541	1540	1539	1538	1537	1536	1535	1534	1533	1532	1531	1530	1529	1528	1527	1526	1525	1524	1523	1522	1521	1520	1519	1518	1517	1516	1515	1514	1513	1512	1511	1510	1509	1508	1507	1506	1505	1504	1503	1502	1501	1500	1499	1498	1497	1496	1495	1494	1493	1492	1491	1490	1489	1488	1487	1486	1485	1484	1483	1482	1481	1480	1479	1478	1477	1476	1475	1474	1473	1472	1471	1470	1469	1468	1467	1466	1465	1464	1463	1462	1461	1460	1459	1458	1457	1456	1455	1454	1453	1452	1451	1450	1449	1448	1447	1446	1445	1444	1443	1442	1441	1440	1439	1438	1437	1436	1435	1434	1433	1432	1431	1430	1429	1428	1427	1426	1425	1424	1423	1422	1421	1420	1419	1418	1417	1416	1415	1414	1413	1412	1411	1410	1409	1408	1407	1406	1405	1404	1403	1402	1401	1400	1399	1398	1397	1396	1395	1394	1393	1392	1391	1390	1389	1388	1387	1386	1385	1384	1383	1382	1381	1380	1379	1378	1377	1376	1375	1374	1373	1372	1371	1370	1369	1368	1367	1366	1365	1364	1363	1362	1361	1360	1359	1358	1357	1356	1355	1354	1353	1352	1351	1350	1349	1348	1347	1346	1345	1344	1343	1342	1341	1340	1339	1338	1337	1336	1335	1334	1333	1332	1331	1330	1329	1328	1327	1326	1325	1324	1323	1322	1321	1320	1319	1318	1317	1316	1315	1314	1313	1312	1311	1310	1309	1308	1307	1306	1305	1304	1303	1302	1301	1300	1299	1298	1297	1296	1295	1294	1293	1292	1291	1290	1289	1288	1287	1286	1285	1284	1283	1282	1281	1280	1279	1278	1277	1276	1275	1274	1273	1272	1271	1270	1269	1268	1267	1266	1265	1264	1263	1262	1261	1260	1259	1258	1257	1256	1255	1254	1253	1252	1251	1250	1249	1248	1247	1246	1245	1244	1243	1242	1241	1240	1239	1238	1237	1236	1235	1234	1233	1232	1231	1230	1229	1228	1227	1226	1225	1224	1223	1222	1221	1220	1219	1218	1217	1216	1215	1214	1213	1212	1211	1210	1209	1208	1207	1206	1205	1204	1203	1202	1201	1200	1199	1198	1197	1196	1195	1194	1193	1192	1191	1190	1189	1188	1187	1186	1185	1184	1183	1182	1181	1180	1179	1178	1177	1176	1175	1174	1173	1172	1171	1170	1169	1168	1167	1166	1165	1164	1163	1162	1161	1160	1159	1158	1157	1156	1155	1154	1153	1152	1151	1150	1149	1148	1147	1146	1145	1144	1143	1142	1141	1140	1139	1138	1137	1136	1135	1134	1133	1132	1131	1130	1129	1128	1127	1126	1125	1124	1123	1122	1121	1120	1119	1118	1117	1116	1115	1114	1113	1112	1111	1110	1109	1108	1107	1106	1105	1104	1103	1102	1101	1100	1099	1098	1097	1096	1095	1094	1093	1092	1091	1090	1089	1088	1087	1086	1085	1084	1083	1082	1081	1080	1079	1078	1077	1076	1075	1074	1073	1072	1071	1070	1069	1068	1067	1066	1065	1064	1063	1062	1061	1060	1059	1058	1057	1056	1055	1054	1053	1052	1051	1050	1049	1048	1047	1046	1045	1044	1043	1042	1041	1040	1039	1038	1037	1036	1035	1034	1033	1032	1031	1030	1029	1028	1027	1026	1025	1024	1023	1022	1021	1020	1019	1018	1017	1016	1015	1014	1013	1012	1011	1010	1009	1008	1007	1006	1005	1004	1003	1002	1001	1000	999	998	997	996	995	994	993	992	991	990	989	988	987	986	985	984	983	982	981	980	979	978	977	976	975	974	973	972	971	970	969	968	967	966	965	964	963	962	961	960	959	958	957	956	955	954	953	952	951	950	949	948	947	946	945	944	943	942	941	940	939	938	937	936	935	934	933	932	931	930	929	928	927	926	925	924	923	922	921	920	919	918	917	916	915	914	913	912	911	910	909	908	907	906	905	904	903	902	901	900	899	898	897	896	895	894	893	892	891	890	889	888	887	886	885	884	883	882	881	880	879	878	877	876	875	874	873	872	871	870	869	868	867	866	865	864	863	862	861	860	859	858	857	856	855	854	853	852	851	850	849	848	847	846	845	844	843	842	841	840	839	838	837	836	835	834	833	832	831	830	829	828	827	826	825	824	823	822	821	820	819	818	817	816	815	814	813	812	811	810	809	808	807	806	805	804	803	802	801	800	799	798	797	796	795	794	793	792	791	790	789	788	787	786	785	784	783	782	781	780	779	778	777	776	775	774	773	772	771	770	769	768	767	766	765	764	763	762	761	760	759	758	757	756	755	754	753	752	751	750	749	748	747	746	745	744	743	742	741	740	739	738	737	736	735	734	733	732	731	730	729	728	727	726	725	724	723	722	721	720	719	718	717	716	715	714	713	712	711	710	709	708	707	706	705	704	703	702	701	700	699	698	697	696	695	694	693	692	691	690	689	688	687	686	685	684	683	682	681	680	679	678	677	676	675	674	673	672	671	670	669	668	667	666	665	664	663	662	661	660	659	658	657	656	655	654	653	652	651	650	649	648	647	646	645	644	643	642	641	640	639	638	637	636	635	634	633	632	631	630	629	628	627	626	625	624	623	622	621	620	619	618	617	616	615	614	613	612	611	610	609	608	607	606	605	604	603	602	601	600	599	598
--------------------------	------	------	------	------	------	------	------	------	------	------	------	------	------	------	------	------	------	------	------	------	------	------	------	------	------	------	------	------	------	------	------	------	------	------	------	------	------	------	------	------	------	------	------	------	------	------	------	------	------	------	------	------	------	------	------	------	------	------	------	------	------	------	------	------	------	------	------	------	------	------	------	------	------	------	------	------	------	------	------	------	------	------	------	------	------	------	------	------	------	------	------	------	------	------	------	------	------	------	------	------	------	------	------	------	------	------	------	------	------	------	------	------	------	------	------	------	------	------	------	------	------	------	------	------	------	------	------	------	------	------	------	------	------	------	------	------	------	------	------	------	------	------	------	------	------	------	------	------	------	------	------	------	------	------	------	------	------	------	------	------	------	------	------	------	------	------	------	------	------	------	------	------	------	------	------	------	------	------	------	------	------	------	------	------	------	------	------	------	------	------	------	------	------	------	------	------	------	------	------	------	------	------	------	------	------	------	------	------	------	------	------	------	------	------	------	------	------	------	------	------	------	------	------	------	------	------	------	------	------	------	------	------	------	------	------	------	------	------	------	------	------	------	------	------	------	------	------	------	------	------	------	------	------	------	------	------	------	------	------	------	------	------	------	------	------	------	------	------	------	------	------	------	------	------	------	------	------	------	------	------	------	------	------	------	------	------	------	------	------	------	------	------	------	------	------	------	------	------	------	------	------	------	------	------	------	------	------	------	------	------	------	------	------	------	------	------	------	------	------	------	------	------	------	------	------	------	------	------	------	------	------	------	------	------	------	------	------	------	------	------	------	------	------	------	------	------	------	------	------	------	------	------	------	------	------	------	------	------	------	------	------	------	------	------	------	------	------	------	------	------	------	------	------	------	------	------	------	------	------	------	------	------	------	------	------	------	------	------	------	------	------	------	------	------	------	------	------	------	------	------	------	------	------	------	------	------	------	------	------	------	------	------	------	------	------	------	------	------	------	------	------	------	------	------	------	------	------	------	------	------	------	------	------	------	------	------	------	------	------	------	------	------	------	------	------	------	------	------	------	------	------	------	------	------	------	------	------	------	------	------	------	------	------	------	------	------	------	------	------	------	------	------	------	------	------	------	------	------	------	------	------	------	------	------	------	------	------	------	------	------	------	------	------	------	------	------	------	------	------	------	------	------	------	------	------	------	------	------	------	------	------	------	------	------	------	------	------	------	------	------	------	------	------	------	------	------	------	------	------	------	------	------	------	------	------	------	------	------	------	------	------	------	------	------	------	------	------	------	------	------	------	------	------	------	------	------	------	------	------	------	------	------	------	------	------	------	------	------	------	------	------	------	------	------	------	------	------	------	------	------	------	------	------	------	------	------	------	------	------	------	------	------	------	------	------	------	------	------	------	------	------	------	------	------	------	------	------	------	------	------	------	------	------	------	------	------	------	------	------	------	------	------	------	------	------	------	------	------	------	------	------	------	------	------	------	------	------	------	------	------	------	------	------	------	------	------	------	------	------	------	------	------	------	------	------	------	------	------	------	------	------	------	------	------	------	------	------	------	------	------	------	------	------	------	------	------	------	------	------	------	------	------	------	------	------	------	------	------	------	------	------	------	------	------	------	------	------	------	------	------	------	------	------	------	------	------	------	------	------	------	------	------	------	------	------	------	------	------	------	------	------	------	------	------	------	------	------	------	------	------	------	------	------	------	------	------	------	------	------	------	------	------	------	------	------	------	------	------	------	------	------	------	------	------	------	------	------	------	------	------	------	------	------	------	------	------	------	------	------	------	------	------	------	------	------	------	------	------	------	------	------	------	------	------	------	------	------	------	------	------	------	------	------	------	------	------	------	------	------	------	------	------	------	------	------	------	------	------	------	------	------	------	------	------	------	------	------	------	------	------	------	------	------	------	------	------	------	------	------	------	------	------	------	------	------	------	------	------	------	------	------	------	------	------	------	------	------	------	------	------	------	------	------	------	------	------	------	------	------	------	------	------	------	------	------	------	------	------	------	------	------	------	------	------	------	------	------	------	------	------	------	------	------	------	------	------	------	------	------	------	------	------	------	------	------	------	------	------	------	------	------	------	------	------	------	------	------	------	------	------	------	------	------	------	------	------	------	------	------	------	------	------	------	------	------	------	------	------	------	------	------	------	------	------	------	------	------	------	------	------	------	------	------	------	------	------	------	------	------	------	------	------	------	------	------	------	------	------	------	------	------	------	------	------	------	------	------	------	------	------	------	------	------	------	------	------	------	------	------	------	------	------	------	------	------	------	------	------	------	------	------	------	------	------	------	------	------	------	------	------	------	------	------	------	------	------	------	------	------	------	------	------	------	------	------	------	------	-----	-----	-----	-----	-----	-----	-----	-----	-----	-----	-----	-----	-----	-----	-----	-----	-----	-----	-----	-----	-----	-----	-----	-----	-----	-----	-----	-----	-----	-----	-----	-----	-----	-----	-----	-----	-----	-----	-----	-----	-----	-----	-----	-----	-----	-----	-----	-----	-----	-----	-----	-----	-----	-----	-----	-----	-----	-----	-----	-----	-----	-----	-----	-----	-----	-----	-----	-----	-----	-----	-----	-----	-----	-----	-----	-----	-----	-----	-----	-----	-----	-----	-----	-----	-----	-----	-----	-----	-----	-----	-----	-----	-----	-----	-----	-----	-----	-----	-----	-----	-----	-----	-----	-----	-----	-----	-----	-----	-----	-----	-----	-----	-----	-----	-----	-----	-----	-----	-----	-----	-----	-----	-----	-----	-----	-----	-----	-----	-----	-----	-----	-----	-----	-----	-----	-----	-----	-----	-----	-----	-----	-----	-----	-----	-----	-----	-----	-----	-----	-----	-----	-----	-----	-----	-----	-----	-----	-----	-----	-----	-----	-----	-----	-----	-----	-----	-----	-----	-----	-----	-----	-----	-----	-----	-----	-----	-----	-----	-----	-----	-----	-----	-----	-----	-----	-----	-----	-----	-----	-----	-----	-----	-----	-----	-----	-----	-----	-----	-----	-----	-----	-----	-----	-----	-----	-----	-----	-----	-----	-----	-----	-----	-----	-----	-----	-----	-----	-----	-----	-----	-----	-----	-----	-----	-----	-----	-----	-----	-----	-----	-----	-----	-----	-----	-----	-----	-----	-----	-----	-----	-----	-----	-----	-----	-----	-----	-----	-----	-----	-----	-----	-----	-----	-----	-----	-----	-----	-----	-----	-----	-----	-----	-----	-----	-----	-----	-----	-----	-----	-----	-----	-----	-----	-----	-----	-----	-----	-----	-----	-----	-----	-----	-----	-----	-----	-----	-----	-----	-----	-----	-----	-----	-----	-----	-----	-----	-----	-----	-----	-----	-----	-----	-----	-----	-----	-----	-----	-----	-----	-----	-----	-----	-----	-----	-----	-----	-----	-----	-----	-----	-----	-----	-----	-----	-----	-----	-----	-----	-----	-----	-----	-----	-----	-----	-----	-----	-----	-----	-----	-----	-----	-----	-----	-----	-----	-----	-----	-----	-----	-----	-----	-----	-----	-----	-----	-----	-----	-----	-----	-----	-----	-----	-----	-----	-----	-----	-----	-----	-----	-----	-----	-----	-----	-----	-----	-----	-----	-----	-----	-----	-----	-----	-----	-----	-----	-----	-----	-----	-----	-----	-----	-----	-----	-----	-----	-----	-----	-----	-----	-----	-----	-----

Exhibit S-7.1

Michigan Public Service Commission
Consumers Energy Company - Electric
Projected Uncollectible Accounts Expense
for the 12 Months Ending September 30, 2018

Case No.: U-18322
Exhibit: S-7.1
Schedule: n/a
Witness: Welke
Date: 8/10/2017
Page: 4 of 4

Uncollectible Accounts Expense Projection Matrix					
Ln.	Description	Source	Co. Rate Case AMI Benefits 1/	Co. Business Case AMI Benefits 2/	Includes AMI Benefits
	(a.)	(b.)	(c.)	(d.)	(e.)
1	3-Year BLDR @ .652%	A-55 (DLH-4)	\$ 21,582	\$ 20,311	
2	5-Year BLDR @ .672%	U-17990 Exh A-40 (DLH-4)	\$ 22,441	\$ 21,170	
3	Company Management (Board of Directors)	Exhibit S-7.1, pg 3			\$ 19,575

Notes:

1/ Co. Rate Case AMI Benefits	\$	(6,244,000)
2/ Co. Business Case AMI Benefits	\$	(7,693,000)

Exhibit S-7.2

Michigan Public Service Commission

Consumers Energy Company -Electric

Projected Incentive Compensation tied to Non-Financial Metrics
for the 12 Months Ending September 30, 2018

Case No.: U-18322

Exhibit: S-7.2

Schedule: n/a

Witness: Welke

Date: 8/10/2017

Page: 1 of 2

Request #: 191

Page 1 of 1

MPSC AUDIT REQUEST

CASE NO: U-18322

DATE OF REQUEST: 5/23/2017

NO. BAW-14

REQUESTED BY: Brian A. Welke

DATE OF RESPONSE: 5/24/2017

RESPONDENT: Amy M. Conrad

Question:

1. Relating to incentive compensation, if no financial metrics are achieved and all other non-financial metrics are achieved at target, what would the total officer and non-officer projected test year payout be? (Only the amount to be reflected in the revenue requirement.)

Answer:

The total officer and non-officer projected test year annual incentive compensation expense would be as follows for the test year payout if no financial metrics were achieved and all other non-financial metrics were achieved at target:

Officer	\$0
Non-Officer	\$1,177,150

Exhibit S-7.2

Michigan Public Service Commission

Consumers Energy Company - Electric

Projected Incentive Compensation tied to Non-Financial Metrics

for the 12 Months Ending September 30, 2018

(\$000)

Case No.: U-18322

Exhibit: S-7.2

Schedule: n/a

Witness: Welke

Date: 8/10/2017

Page: 2 of 2

Regulatory Reporting

					YTD Actual	YTD YR-1 Actual
Receiving Segment	Regulatory Account		Operational Account		2016	2015
Electric	91841005	Clear Acct-Cap Over	5236800	Emply Inc Comp Pln	3,308,472.24	
Electric	94264000	CIVIC/POLITICAL	5236800	Emply Inc Comp Pln	75,232.08	72,681.96
Electric	94265010	OTHER DEDUCTIONS	5236800	Emply Inc Comp Pln	2,334,872.20	9,161,303.52
Electric	95000010	OP SUPV & ENGIN	5236800	Emply Inc Comp Pln	375,883.98	
Electric	95100010	MTC SUPV & ENGIN	5236800	Emply Inc Comp Pln	389,856.98	
Electric	95350010	OP SUPV & ENGIN- HY	5236800	Emply Inc Comp Pln	39,345.57	
Electric	95410010	MTC SUPV & ENGIN	5236800	Emply Inc Comp Pln	38,487.73	
Electric	95460010	SUPV & ENGG-OTH PWR	5236800	Emply Inc Comp Pln	55,859.64	
Electric	95510010	MTC SUPV & ENGIN	5236800	Emply Inc Comp Pln	55,615.17	
Electric	95560010	SYS CONTROL AND DISP	5236800	Emply Inc Comp Pln	336,411.43	
Electric	95800010	OP SUPV & ENGG-DISTR	5236800	Emply Inc Comp Pln	267,892.54	
Electric	95900010	MTC SUPV AND ENGIN	5236800	Emply Inc Comp Pln	138,352.42	
Electric	99010010	SUPV CUST ACCT-E	5236800	Emply Inc Comp Pln	90,820.64	
Electric	99030010	CUST REC COLL E	5236800	Emply Inc Comp Pln	333,009.05	
Electric	99070010	SUPRV CUST SVC-ELEC	5236800	Emply Inc Comp Pln	90,820.64	
Electric	99200010	A & G SAL-ELECT	5236800	Emply Inc Comp Pln	3,121,329.37	
Electric	99210010	OFFICE SUPP EXP-E	5236800	Emply Inc Comp Pln	135,063.81	
Electric	99220010	ADMIN TRANSF CR-E	5236800	Emply Inc Comp Pln	-1,387,848.61	
Electric	Result				9,796,272.15	9,244,465.48
Overall Result					9,796,272.15	9,244,465.48

Exhibit S-8

Michigan Public Service Commission
Consumers Energy Company - Electric
Company Unable to Provide 2016 Historical Test-Year Normalizations

Case No.: U-18322
Exhibit: S-8
Schedule: n/a
Witness: Welke
Date: 8/10/2017
Page: 1 of 1

Request #: 197
Page 1 of 1

MPSC AUDIT REQUEST

CASE NO: U-18322
DATE OF REQUEST: 5/24/2017
NO. BAW-16
REQUESTED BY: Brian A. Welke
DATE OF RESPONSE: 05/25/2017
RESPONDENT: Heidi Myers

Question:

1. Please provide the "Historical Year Adjustments" from A-8, (JRF-23) Schedule C-14 column (g.) lines 2-13 assuming a 2016 historical test-year.

Answer:

1. The requested information has not been created and is therefore not available to provide. Historical year adjustments are prepared for the purpose of presenting a historical test year in a rate case filing. The Historical test year in this case is 2015.

Exhibit S-8.1

Michigan Public Service Commission
Consumers Energy Company - Electric
2006 - 2016 Fuel and Purchased Power Expenses
(\$000)

Case No.: U-18322
Exhibit: S-8.1
Schedule: n/a
Witness: Welke
Date: 8/10/2017
Page: 1 of 1

Ln	Description	Source	2006	2007	2008	2009	2010	2011	2012	2013	2014	2015	2016
	(a.)	(b.)	(c.)	(d.)	(e.)	(f.)	(g.)	(h.)	(i.)	(j.)	(k.)	(l.)	(m.)
Fuel Expenses													
1	FUEL - Account 501	MPSC P-521 Acct. 501 2006-2016	\$ 426,657	\$ 426,545	\$ 434,152	\$ 441,686	\$ 490,158	\$ 507,895	\$ 463,551	\$ 507,895	\$ 471,847	\$ 430,932	\$ 275,898
2	FUEL Handling	GL SAP Acct. 95012010 / WP-BAW-6	(13,984)	(13,957)	(13,642)	(13,274)	(14,070)	(14,597)	(13,591)	(13,785)	(13,893)	(12,120)	(13,623)
3	Allowances - Acct 509	MPSC P-521 Acct. 509 2006-2016	-	-	-	-	-	-	-	-	-	-	-
4	FUEL - Account 547	MPSC P-521 Acct. 547 2006-2016	3,467	3,451	72,191	30,981	43,799	63,555	66,050	46,525	108,958	77,399	130,419
5	Total Fuel Expense	Add Lines 1 thru 4	416,140	416,039	492,701	459,393	519,887	556,853	516,010	540,635	566,912	496,211	392,694
Purchased & Interchange Expense													
6	Purchased Power - Account 555	MPSC P-521 Acct. 555 2006-2016	996,175	1,346,603	1,231,526	1,029,456	1,090,271	1,101,937	1,164,417	1,159,756	1,328,845	1,125,834	1,214,942
7	Regional Market Expense	MPSC P-521	-	-	-	-	-	8,522	8,300	8,205	6,180	6,887	6,921
8	Transmission Expense	MPSC P-521	138,454	120,150	168,482	225,195	240,920	259,239	273,654	302,524	337,514	346,106	371,255
9	Load Dispatch	MPSC P-521	-	-	-	-	-	(1,194)	(1,279)	(1,255)	(1,327)	(1,480)	(1,561)
10	Total Purchased & Interchange Ex.	Add Lines 6 thru 9	1,134,629	1,466,753	1,400,008	1,254,651	1,331,191	1,368,504	1,445,092	1,469,230	1,671,212	1,477,347	1,591,557
11	Total Fuel and P&I	Add Lines 5 & 10	1,550,769	1,882,792	1,892,709	1,714,044	1,851,078	1,925,357	1,961,102	2,009,865	2,238,124	1,973,558	1,984,251
12	MPSC P-521 Page 323 Total O&M		2,297,604	2,479,681	2,486,933	2,352,106	2,542,377	2,644,143	2,665,732	2,734,403	2,938,236	2,658,459	2,643,947
13	Total Unadjusted O&M Carried to Exh. S-8 .2	Line 11 less Line 12	\$ (746,835)	\$ (596,889)	\$ (594,224)	\$ (638,062)	\$ (691,299)	\$ (718,786)	\$ (704,630)	\$ (724,538)	\$ (700,112)	\$ (684,901)	\$ (659,696)

Exhibit S-8.2

Michigan Public Service Commission
Consumers Energy Company - Electric
Staff Estimation of 2016 Other O&M Expense
(\$000)

Case No.: U-18322
Exhibit: S-8.2
Schedule: n/a
Witness: Welke
Date: 8/10/2017
Page: 1 of 1

Ln	Description	Source	2014 Expenses		Source	2015 Expenses		Source	2016 Expenses	
			Fuel P&I	O&M		Fuel P&I	O&M		Fuel P&I	O&M
	(a.)	(b.)	(c.)	(d.)	(e.)	(f.)	(g.)	(h.)	(i.)	(j.)
1	Historical Test-Year Unadjusted Other O&M Expense	S-8 p1, ln 11, (k.) S-8 p1, ln 13, (k.)	<u>2,238,123</u>	<u>699,633</u>	S-8 p1, ln 11, (l.) S-8 p1, ln 13, (l.)	<u>\$ 1,973,559</u>	<u>\$ 684,900</u>	S-8 p1, ln 11, (m.) S-8 p1, ln 13, (m.)	<u>\$ 1,984,251</u>	<u>\$ 659,696</u>
	Adjustments									
2	Compensation Normalizations	WP-BAW-1		13,920	Exh. A-8 (JRF-23)		18,838			
3	Dues and Donations Disallowances	" "		(183)	" "		(349)	Carried from 2015		(349)
4	Corporate Giving & Communications - Staff Salaries	" "		(147)	" "		(165)	Carried from 2015		(165)
5	Corporate Normalizations	" "		(217)						
7	City of Jackson Development Agreement	" "		(3,300)	" "		3,300			
8	Additional Premiums due to Large Storm Activity	" "		(1,700)						
9	PSCR Adjustments	" "		(1,165)						
10	Interest Income on Cash Equivalents	" "		(47)	" "		(128)			
11	Jobwork Revenues/Expenses	" "		8,353	" "		9,295	S-8, ln 19, 4(c.)		10,095
12	Net Surcharge Revenue to be Removed	" "		(108,605)	" "		(126,596)	WP-BAW-4		(97,626)
15	Total Normalizing Adjustments	Sum ln's 2 thru 12	-	<u>(93,092)</u>	Sum ln's 2 thru 12	-	<u>(95,805)</u>	Sum ln's 2 thru 12	-	<u>(88,044)</u>
16	Adjusted Historical Test-Year Other O&M Expense	U-17990 Ex. A-8 (AKR-61) C14 16 (g.) / WP-BAW-1	<u>2,238,123</u>	<u>606,542</u>	Exh. A-8 (JRF-23) C-14 ln 15 col (g.)	<u>1,973,559</u>	<u>589,095</u>	Add ln's 1 & 15	<u>1,984,251</u>	<u>571,652</u>

Exhibit S-8.3

Michigan Public Service Commission
Consumers Energy Company - Electric
Co. Estimation of 2016 Other O&M Expense
(\$000)

Case No.: U-18322
Exhibit: S-8.3
Schedule: n/a
Witness: Welke
Date: 8/10/2017
Page: 1 of 3

Ln.	Description	Source	Co. 2016 Actual #1	Co. 2016 Actual #2
	(a.)	(b.)	(c.)	(d.)
1	Electric Distribution	Pages 2 & 3	\$ 195,709	\$ 215,147
2	Fossil & Hydro Generation	Pages 2 & 3	155,515	149,561
3	Business Service	Pages 2 & 3	16,672	-
4	Information Technology	Pages 2 & 3	45,489	45,034
5	Smart Energy Program	Pages 2 & 3	10,046	10,046
6	Pension	Pages 2 & 3	18,078	18,103
7	DB SERP	Pages 2 & 3	2,323	2,990
8	Defined Company Contribution Plan	Pages 2 & 3	6,497	6,497
9	DC SERP	Pages 2 & 3	188	358
10	401 (K) Savings Plan	Pages 2 & 3	7,892	7,892
11	Active Health Care/ Insurance/ LTD	Pages 2 & 3	23,612	25,079
12	Retiree Health Care and Life Insurance	Pages 2 & 3	(11,627)	(11,627)
13	Corporate	Pages 2 & 3	49,282	48,549
14	Uncollectibles	Pages 2 & 3	19,195	15,619
15	Injuries & Damages	Pages 2 & 3	4,543	4,789
16	Demand Response Other O&M Expense	Pages 2 & 3	604	
17	Paymentus Other O&M Expense	Pages 2 & 3	2,117	
18	Customer Experience	Pages 2 & 3	5,605	3,317
19	Jobwork Expense	Pages 2 & 3	10,099	9,419
20	Incentive Compensation	Pages 2 & 3	9,867	14,635
21	Total Projected Other O&M Expense		<u>\$ 571,706</u>	<u>\$ 565,408</u>

Schedule S-8.3

Michigan Public Service Commission
Consumers Energy Company - Electric Co.
Estimation of 2016 Other O&M Expense (\$000)

Case No.: U-18322
Exhibit: S-8.3
Schedule: n/a
Witness: Welke
Date: 8/10/2017
Page: 2 of 3

MICHIGAN PUBLIC SERVICE COMMISSION

Consumers Energy Company
Projected Other O&M Expense ⁽¹⁾
(\$00)

Line	Description	Budget*					Preliminary 2016***	Actual					
		2013	2014	2015	2016	2017		2011	2012	2013	2014	2015	2016
1	Electric Distribution	\$184,695	\$216,526	\$212,657	\$222,200	\$224,873	204,934	\$233,452	\$234,775	\$252,589	\$240,092	\$218,941	215,147
2	Fossil & Hydro Generation	166,156	180,589	159,098	156,043	147,824	139,892	185,325	180,737	163,360	160,730	150,617	149,561
3	Business Technology Solutions / IT Department	34,433	39,776	40,586	43,253	44,984	56,762	32,687	44,015	36,328	48,921	47,731	45,034
4	Smart Energy Program	11,013	7,331	9,357	12,274	0	0	1,094	4,221	9,051	6,439	8,084	10,046
5	Pension	47,384	30,317	42,057	36,318	24,556	26,565	40,681	40,210	49,199	23,927	37,506	18,103
6	SERP	5,795	5,636	6,483	5,855	3,016	3,147	4,363	5,337	4,221	4,997	6,535	2,990
7	DC SERP	168	211	154	234	242	240	153	171	152	270	224	358
8	Defined Company Contribution Plan	3,941	4,608	5,297	5,849	7,183	6,760	7,691	3,103	3,795	4,861	5,701	6,407
9	401 (K) Savings Plan	5,844	7,328	6,540	6,615	7,789	7,824	6,467	6,538	6,682	6,873	7,007	7,902
10	Active Health Care/ Insurance/ LTD	31,980	27,053	28,662	25,336	25,728	24,576	28,571	27,211	25,122	25,637	24,657	25,079
11	Retiree Health Care and Life Insurance	33,975	(12,392)	(8,661)	(4,222)	(5,545)	(3,561)	29,505	29,626	9,614	(18,814)	(8,058)	(11,627)
12	Corporate	46,553	51,499	58,411	49,402	51,606	61,941	38,347	43,273	51,331	56,333	47,559	48,549
13	Uncollectibles	27,087	27,100	24,221	24,373	22,044	19,588	33,230	23,622	32,594	33,324	28,240	15,619
14	Injuries & Damages	5,364	5,155	5,337	5,777	5,770	4,361	5,474	3,789	4,682	6,629	3,067	4,769
15	Customer Experience & Marketing						18,115						3,317
16	Accounts Receivable Sale Costs	826	1,105	739	0	0	0	703	737	721	752	658	0
17	Jobwork Expense	7,527	7,051	7,491	11,400	13,204	14,350	6,922	7,076	7,516	7,874	9,283	9,419
18	Incentive Compensation	10,074	12,441	13,260	12,765	17,870	19,352	4,755	9,295	9,496	10,634	13,769	14,635
19	Other O&M Expense												
20	Projected Other O&M Expense	\$617,656	\$591,539	\$613,314	\$613,475	\$590,966	\$608,196	\$654,440	\$664,039	\$661,473	\$624,906	\$601,569	\$565,408

(1) Beginning in 2016, O&M expenses include expense associated with Jackson Gas Plant as recovery was authorized in U-17735 Final Order issued on November 19, 2015.

*Note: Budget O&M dollars are reviewed by the Board of Directors. Budget and Actual dollars were adjusted to conform to the O&M format provided in the audit question. Adjustments include removal of items not in general rates, as reconciled below.

**Authorized numbers based on amounts in the case record.

***The removal of the "Circuit 7" is included in the Fossil and Hydro Generation amount.

****2016 budget is preliminary.

Schedule S-8.3

Michigan Public Service Commission
 Consumers Energy Company - Electric Co.
 Estimation of 2016 Other O&M Expense (\$000)

Case No.: U-18322
 Exhibit: S-8.3
 Schedule: n/a
 Witness: Welke
 Date: 8/10/2017
 Page: 3 of 3

MICHIGAN PUBLIC SERVICE COMMISSION		Case No.: U-18322		
Consumers Energy Company		No. BAW 3-3		
Other O&M Expense				
Audit Request #21				
(\$000)				
Line	Description	U-18322 Request	2016 Actual	Difference
	(a)	(b)	(c)	(d)
1	Electric Distribution	\$ 216,337	\$ 195,709	\$ 20,628
2	Fossil & Hydro Generation	153,259	155,515	(2,256)
3	Business Service	16,411	16,672	(261)
4	Information Technology	53,801	45,489	8,412
5	Smart Energy Program	-	10,046	(10,046)
6	Pension	24,094	18,078	6,016
7	DB SERP	2,142	2,323	(181)
8	Defined Company Contribution Plan	7,592	6,497	1,095
9	DC SERP	207	188	19
10	401(K) Savings Plan	7,651	7,892	(241)
11	Active Health Care/ Insurance/ LTD	23,371	23,612	(241)
12	Retiree Health Care and Life Insurance	(4,750)	(11,627)	6,877
13	Corporate	51,787	49,282	2,505
14	Uncollectibles	21,582	19,195	2,387
15	Injuries & Damages	4,391	4,543	(152)
16	Demand Response Other O&M Exp	3,389	604	2,785
17	Paymentus Other O&M Expense	7,299	2,117	5,182
18	Customer Experience	14,887	5,605	9,282
19	Jobwork Expense	9,295	10,099	(804)
20	Incentive Compensation	14,757	9,867	4,890
21	Total Projected Other O&M Expense	\$ 627,602	\$ 571,706	\$ 55,896

Exhibit S-8.4

Michigan Public Service Commission
Consumers Energy Company - Electric
Non-Fuel O&M Cost Reductions Investor Slide

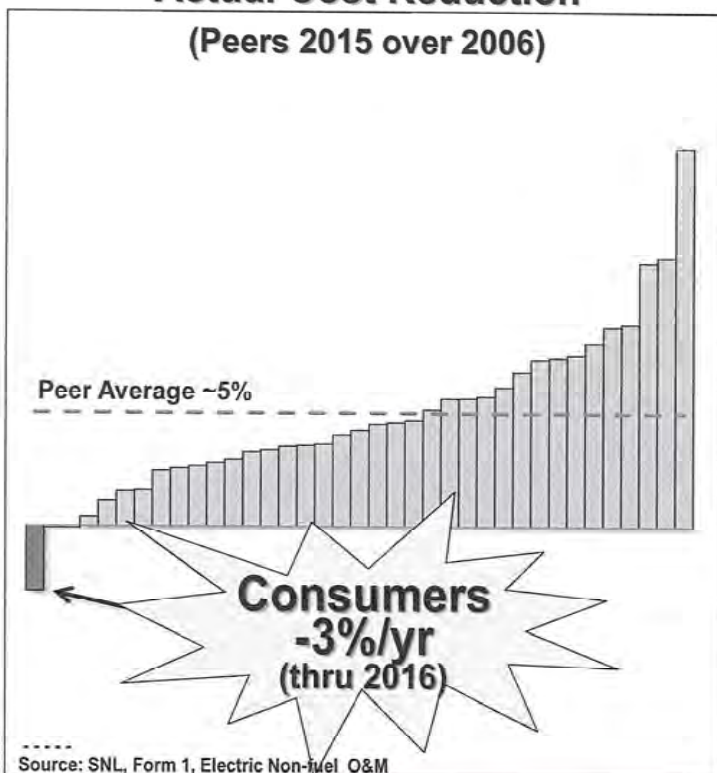
Case No.: U-18322
Exhibit: S-8.4
Schedule: n/a
Witness: Welke
Date: 8/10/2017
Page: 1 of 1

Model: O&M Cost Performance Helps to Fund....

CMS ENERGY

Actual Cost Reduction

(Peers 2015 over 2006)



New Annual Cost Savings

	Three-Year Avg	
	2014 - 2016 (mils)	2017 - 2019 (mils)
Good Business Decisions		
• Attrition	\$ - 16	\$ - 16
• Productivity (Coal → Gas)	- 20	- 5
• Enhanced capitalization	- 10	- 4
• Smart Meters	- 4	- 5
"Consumers Energy Way"		
• Work Management & Eliminate Waste	- 15	- 20
Increases		
• Mortality, Disc. Rates, & Other	+20	0
• Service Upgr./Inflation	+10	+ 30
Net savings	\$ - 35	\$ - 20
Percent savings	> 3% a year!	2% a year!

.... needed customer investments.

Exhibit S-8.5

Michigan Public Service Commission
Consumers Energy Company - Electric
2014 - 2016 Average & CAGR Non-Fuel Other O&M Expense Trend
(\$000)

Case No.: U-18322
Exhibit: S-8.5
Schedule: n/a
Witness: Welke
Date: 8/10/2017
Page: 1 of 1

Ln	Description	Source	Amount	Average	CAGR
	(a.)	(b.)	(c.)	(d.)	(e.)
1	2014 Adjusted Other O&M Expense	Exh S-8.2	606,542		
2	2015 Adjusted Other O&M Expense	Exh S-8.2	589,095		
3	2016 Adjusted Historical Test Year O&M Expense	Exh S-8.2	571,652		
4	Average	1 /		-2.92%	
5	Combined Average Growth Rate (CAGR)	2 /			-2.92%

Notes

1 /	2015 over 2014	-2.88%
	2016 over 2015	<u>-2.96%</u>
	Average	-2.92%
2 /	$((571,652/606,542)^{(1/2)})-1$	-2.92%

Exhibit S-9

Michigan Public Service Commission
Consumers Energy Company - Electric
No Operational Plan to Achieve 2% Cost Reductions
for the Test-Year Ended September 30, 2018

Case No.: U-18322
Exhibit: S-9
Schedule: n/a
Witness: Welke
Date: 8/10/2017
Page: 1 of 1

18322-ST-CE-28
Page 1 of 2

18322-ST-CE-28

Question:

24. Relating to "Investor Meetings April 5-7, 2017" Presentation Slide #9, entitled "O&M Cost Performance Helps to Fund . . ." and the box entitled "New Annual Cost Savings":
- a. please provide total projected costs for 2017-2019 and tie to "2% a year!"
 - b. please tie projected 2017-2019 costs to a "Three-Year Average 2017-2019" reduction of "\$-20."
 - c. please tie the Company's \$627,602,000 O&M expense projection to the Company's projected costs from questions 4(a) and 4(b).
 - d. please provide the income statements for 2017, 2018, and 2019 that tie to the total projected expenses from questions 4(a) and 4(b).
 - e. relating to question 4(d), please break out and tie the expense portion of the income statements into the categories of expense shown on Attachment #2.

Response:

- 24.
- a. This is a projected 2% per year O&M savings from 2016. In 2016, total O&M, excluding spending on Energy Efficiency and job work, was \$948 million. The financial target for O&M excluding spending on Energy Efficiency and job work in 2019 is approximately \$895 million. The Company does not yet have an operational plan that aligns with this level of O&M spending reductions.
 - b. The difference between \$948 million in 2016 and \$895 million in 2019 is \$53 million. This is rounded to \$20 million per year savings for the slide.
 - c. The Company does not yet have an operating plan that supports the 2% per year spending reductions through 2019. The O&M expense projections submitted in the electric rate case align with the Company's operating plan, which do not yet achieve 2% per year reductions. Therefore, it is not possible to reconcile the O&M request in the current electric case to this investor slide.
 - d. As discussed in the answer to 24(c), the Company does not yet have an operating plan that supports the 2% per year spending reductions through 2019. The O&M expense projections submitted in the electric rate case align with the

Exhibit S-9.1

Michigan Public Service Commission
Consumers Energy Company - Electric
2% Per Year Cost Reductions
for the Test-Year Ended September 30, 2018

Case No.: U-18322
Exhibit: S-9.1
Schedule: n/a
Witness: Welke
Date: 8/10/2017
Page: 1 of 1

18322-ST-CE-107

Question:

82. Regarding Response 24 c. (See Attachment A) which reads as follows:

"The Company does not yet have an operating plan that supports the 2% per year spending reductions through 2019. The O&M expense projections submitted in the electric rate case align with the Company's operating plan, which do not yet achieve 2% per year reductions. Therefore, it is not possible to reconcile the O&M request in the current electric case to this investor slide."

- a. Please review and provide Exhibit A-8 (JRF-23) Schedule C-14 (See Attachment B) that aligns with an assumption of an operating plan that achieves 2% per year cost reductions.

Response:

As stated in the audit response above, the Company does not yet have an operating plan that both supports the Company's objectives and achieves 2% annual O&M reductions in the test year period. Therefore, it is not possible to provide the requested schedule aligned with an operating plan that achieves 2% cost reductions per year. The Company's operating plan that enables achievement of its objectives for the test year is provided in each witness' exhibits. If the Company is able to achieve further cost savings with improved productivity and/or sustaining cost reduction measures, the Company will pass these savings onto customers as it files future rate cases to recover its continued investment.



Andrew Denato
June 5, 2017

Exhibit S-9.2

Michigan Public Service Commission
Consumers Energy Company - Electric
2% Per Year Cost Reductions Calculation for
the 12 Months Ending September 30, 2018
(\$000)

Case No.: U-18322
Exhibit: S-9.2
Schedule: n/a
Witness: Welke
Date: 8/10/2017
Page: 1 of 1

Ln	Description	Source	Amount	Test-Year Allocator	Total
	(a.)	(b.)	(c.)	(d.)	(e.)
1	2016 Historical Test-Year (Company)	S-8.3	571,706		
2	2017 Projected with 2% Cost Savings	Line 1 x .98	560,272	x	140,068
3	2018 Projected with 2% Cost Savings	Line 2 x .98	549,066	x	411,800
4	Projected Test-Year Other O&M Expense	Sum Lines 2 & 3			<u>551,868</u>

Exhibit S-9.3

Michigan Public Service Commission
Consumers Energy Company - Electric
Unresolved Task in Budget
for the 12 Months Ending September 30, 2018
(\$000)

Case No.: U-18322
Exhibit: S-9.3
Schedule: n/a
Witness: Welke
Date: 8/10/2017
Page: 1 of 1

Line	Description	Budget*					Preliminary
		2013	2014	2015	2016	2017	2018****
1	Electric Distribution	\$194,695	\$216,528	\$212,657	\$222,200	\$224,673	204,934
2	Fossil & Hydro Generation	158,156	160,589	159,098	156,043	147,824	139,892
3	Business Technology Solutions / IT Dept.	34,433	39,776	40,586	43,253	44,994	56,762
4	Smart Energy Program	11,013	7,331	9,357	12,274	0	0
5	Pension	47,384	30,317	42,057	36,318	24,559	29,586
6	SERP	5,706	5,838	6,493	5,856	3,016	3,147
7	DC SERP	198	211	154	234	242	240
8	Defined Company Contribution Plan	3,841	4,609	5,297	5,849	7,183	6,760
9	401 (K) Savings Plan	6,844	7,328	6,940	6,615	7,789	7,624
10	Active Health Care/ Insurance/ LTD	31,980	27,053	26,962	25,338	25,728	24,576
11	Retiree Health Care and Life Insurance	23,975	(12,392)	(6,661)	(4,222)	(5,545)	(3,561)
12	Corporate	48,553	51,499	58,411	49,402	51,606	61,941
13	Uncollectibles	27,087	27,100	24,221	24,373	22,044	19,589
14	Injuries & Damages	5,364	5,155	5,337	5,777	5,779	4,391
15	Customer Experience & Marketing						18,113
16	Accounts Receivable Sale Costs	826	1,105	739	0	0	0
17	Jobwork Expense	7,527	7,051	7,491	11,400	13,204	14,850
18	Incentive Compensation	10,074	12,441	13,360	12,765	17,870	19,352
19	Other O&M Expense						
20	Projected Other O&M Expense	\$617,656	\$591,539	\$613,314	\$613,475	\$590,966	\$608,196
<u>Reconciliation to Budget Data Book / Actual</u>							
21	Adjusted Other O&M Expense (From Above)	617,656	591,539	613,314	613,475	590,966	608,196
22	Add Energy Efficiency	68,697	75,008	76,892	77,348	78,708	118,790
23	Add LIEAF/LIEEF/VHWF	-	21,219	21,300	20,959	21,032	20,700
24	Add Top 5/6 EICP & Restricted Stock	4,883	3,975	4,676	8,180	8,880	-
25	Add MDNR Fees (Generation)	-	820	815	-	-	-
26	Add Corp Giving / Advertising	482	482	482	482	482	544
27	Add VSP/Separation Expenses	-	-	-	-	-	-
28	Add UA Amortization	-	-	-	-	-	-
29	Add Renewables O&M (Includes Lake Winds amort)	3,750	3,144	7,229	10,499	10,915	12,004
30	Add Clean Coal Plant Recovery	-	-	-	-	-	-
31	Add Monthly Major Maintenance Deferral Amortization	(3,443)	2,382	7,915	-	-	-
32	Add Spent Nuclear Fuel Credit	-	-	-	-	-	-
33	Less A/R Sale Cost if not in Financial, (2010-2011)	-	-	-	-	-	-
34	Add Benefits adj (Exec from SERP & DB SERP)	-	-	-	-	-	-
35	Other Adjustments	-	-	(587)	2,207	(323)	166
36	Unresolved Task in Budget	-	-	(12,000)	(20,000)	(13,000)	(58,000)
37	Subtotal	74,369	107,030	106,722	99,675	106,694	94,204
38	Budget Data Book / Actual	692,025	698,569	720,037	713,150	697,660	702,400

36 Unresolved Task in Budget

**2017
\$-13 Million**

**2018
\$-58 Million**

Exhibit S-9.4

Michigan Public Service Commission
Consumers Energy Company - Electric
Unresolved Task Other O&M Adjustment
for the 12 Months Ended September 30, 2018
(\$000)

Case No.: U-18322
Exhibit: S-9.4
Schedule: n/a
Witness: Welke
Date: 8/10/2017
Page: 1 of 1

Ln	Description	Source	Amount	Test-Year Allocator	Total
	(a.)	(b.)	(c.)	(d.)	(e.)
1	2017 Unresolved Task	S-9.3	\$ (13,000)	x 0.25	\$ (3,250)
2	2018 Unresolved Task	S-9.3	(58,000)	x 0.75	<u>(43,500)</u>
3	Unresolved Task Other O&M Adjustment	Sum Lines 1 & 2			<u><u>\$ (46,750)</u></u>

CMS ENERGY

CMS
LISTED
NYSE

Investor Meetings

April 5 - 7, 2017



This presentation is made as of the date hereof and contains “forward-looking statements” as defined in Rule 3b-6 of the Securities Exchange Act of 1934, Rule 175 of the Securities Act of 1933, and relevant legal decisions. The forward-looking statements are subject to risks and uncertainties. All forward-looking statements should be considered in the context of the risk and other factors detailed from time to time in CMS Energy’s and Consumers Energy’s Securities and Exchange Commission filings. Forward-looking statements should be read in conjunction with “FORWARD-LOOKING STATEMENTS AND INFORMATION” and “RISK FACTORS” sections of CMS Energy’s and Consumers Energy’s Form 10-K for the year ended December 31, 2016 and as updated in subsequent 10-Qs. CMS Energy’s and Consumers Energy’s “FORWARD-LOOKING STATEMENTS AND INFORMATION” and “RISK FACTORS” sections are incorporated herein by reference and discuss important factors that could cause CMS Energy’s and Consumers Energy’s results to differ materially from those anticipated in such statements. CMS Energy and Consumers Energy undertake no obligation to update any of the information presented herein to reflect facts, events or circumstances after the date hereof.

The presentation also includes non-GAAP measures when describing CMS Energy’s results of operations and financial performance. A reconciliation of each of these measures to the most directly comparable GAAP measure is included in the appendix and posted on our website at www.cmsenergy.com.

CMS Energy provides historical financial results on both a reported (GAAP) and adjusted (non-GAAP) basis and provides forward-looking guidance on an adjusted basis. Adjustments could include items such as discontinued operations, asset sales, impairments, restructuring costs, regulatory items from prior years, or other items. Management views adjusted earnings as a key measure of the company’s present operating financial performance and uses adjusted earnings for external communications with analysts and investors. Internally, the company uses adjusted earnings to measure and assess performance. Because the company is not able to estimate the impact of specific line items, which have the potential to significantly impact, favorably or unfavorably, the company’s reported earnings in future periods, the company is not providing reported earnings guidance nor is it providing a reconciliation for the comparable future period earnings. The adjusted earnings should be considered supplemental information to assist in fully understanding our business results, rather than as a substitute for the reported earnings.

Investors and others should note that CMS Energy routinely posts important information on its website and considers the Investor Relations section, www.cmsenergy.com/investor-relations, a channel of distribution.

People

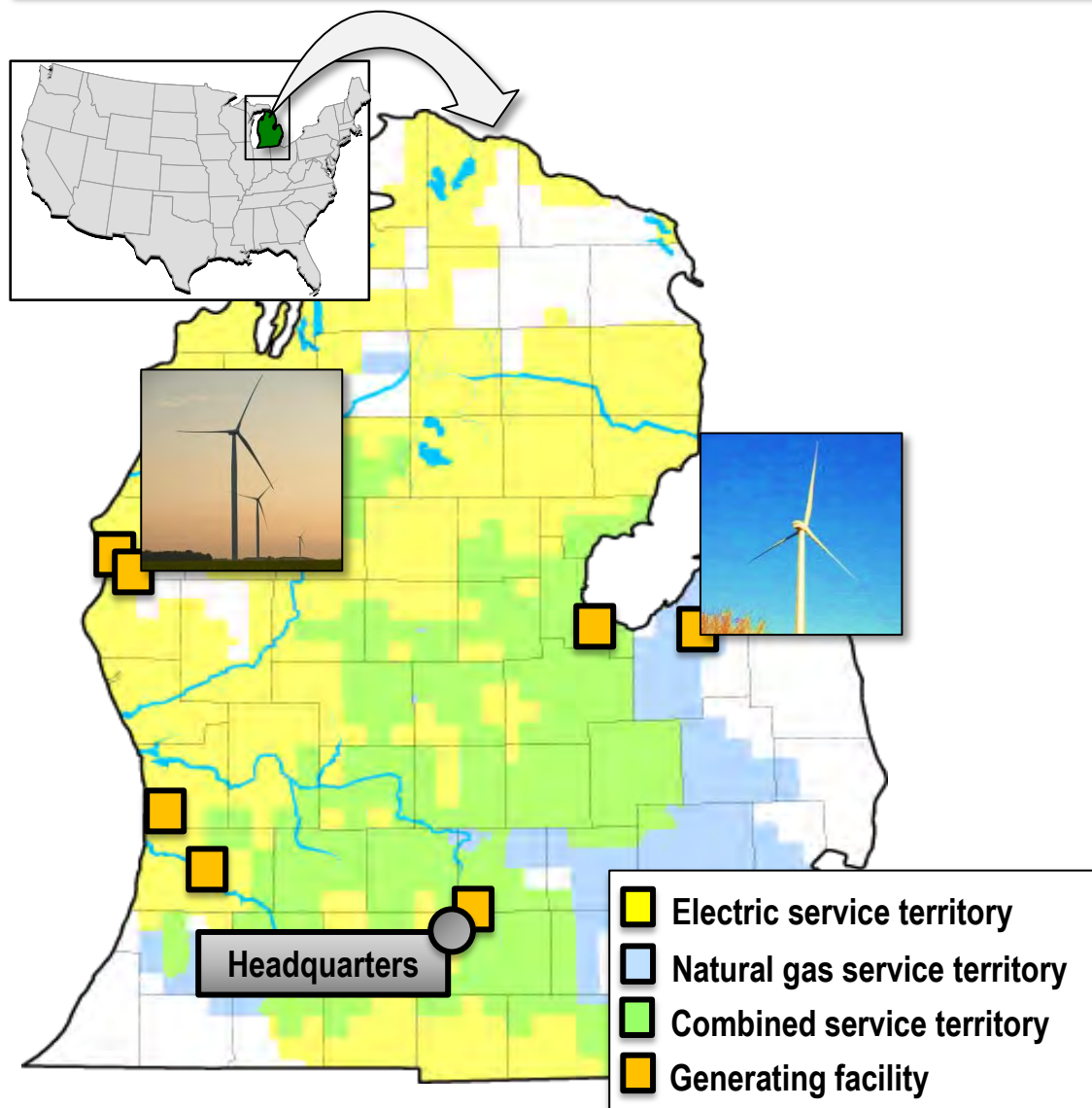
- Highly engaged employees
- Low residential bills;
competitive industrial rates

Planet

- | | | | |
|-----------------------|-------------|---|-------------|
| | <u>2005</u> | | <u>2017</u> |
| • Coal Capacity | 41% | → | 21% |
| | <u>2005</u> | | <u>2021</u> |
| • Renewables Capacity | 3 | → | ≥15 |

Profit

- 14th year of EPS^{a)} growth 7%+



^{a)} Adjusted EPS (non-GAAP)

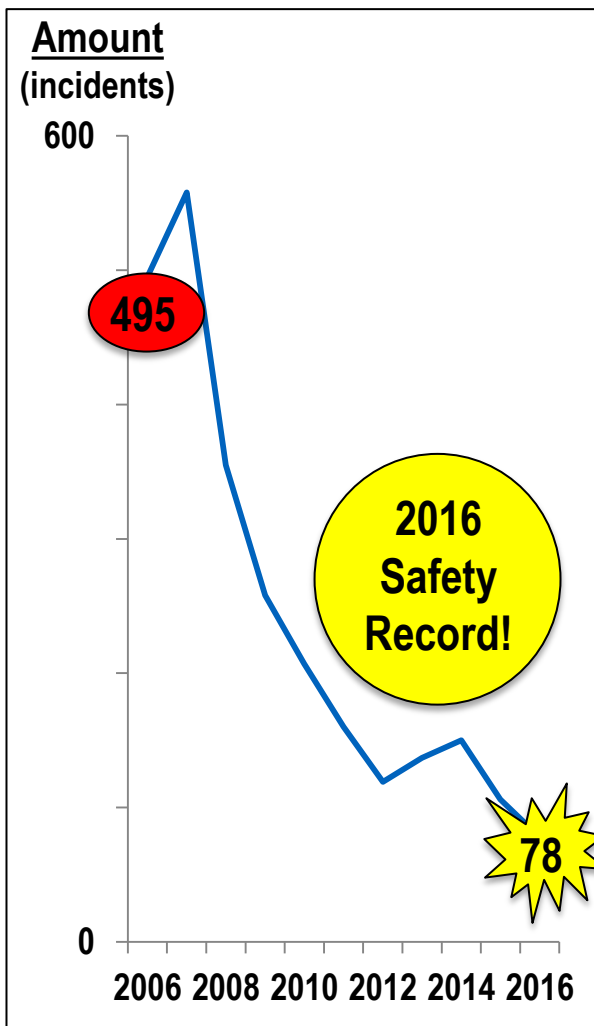
... fourth largest combination utility in the United States.

		Prior	Now
PEOPLE	<ul style="list-style-type: none"> • Safety (annual incidents) • Rates • Cost (2016) 	495 in 2006 ~2% Down 3%	78 in 2016 -- best ever! 2% Down 6½%
PLANET	<ul style="list-style-type: none"> • Coal Capacity Mix • Renewable Portfolio Standard 	41% in 2005 10%	21% in 2017 ≥ 15% by 2021
PROFIT	<ul style="list-style-type: none"> • EPS ^{a)} • Dividend • Cash Flow (bils) 	5% to 7% 5% to 7% \$1.5	7% in 2016 7% in 2016 \$1.6

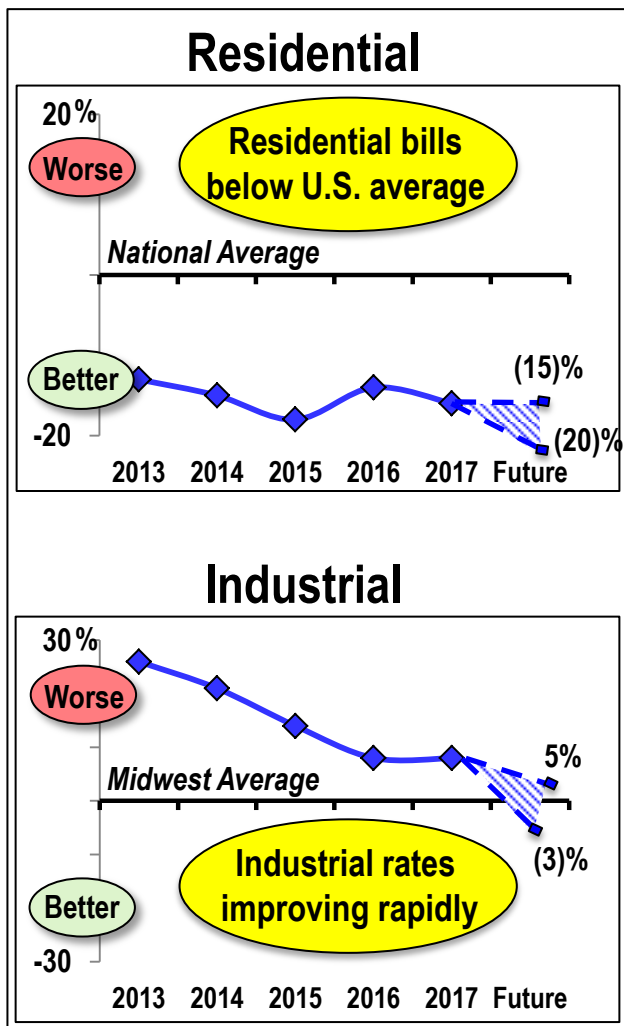
^{a)} Adjusted EPS (non-GAAP)

... continued strong, consistent results.

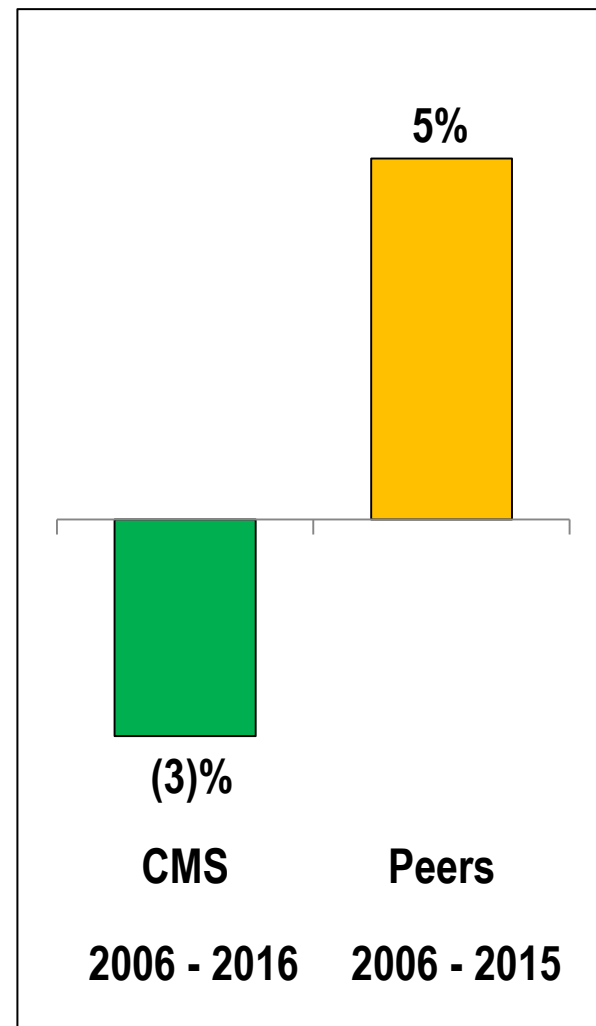
Safety



Electric Prices

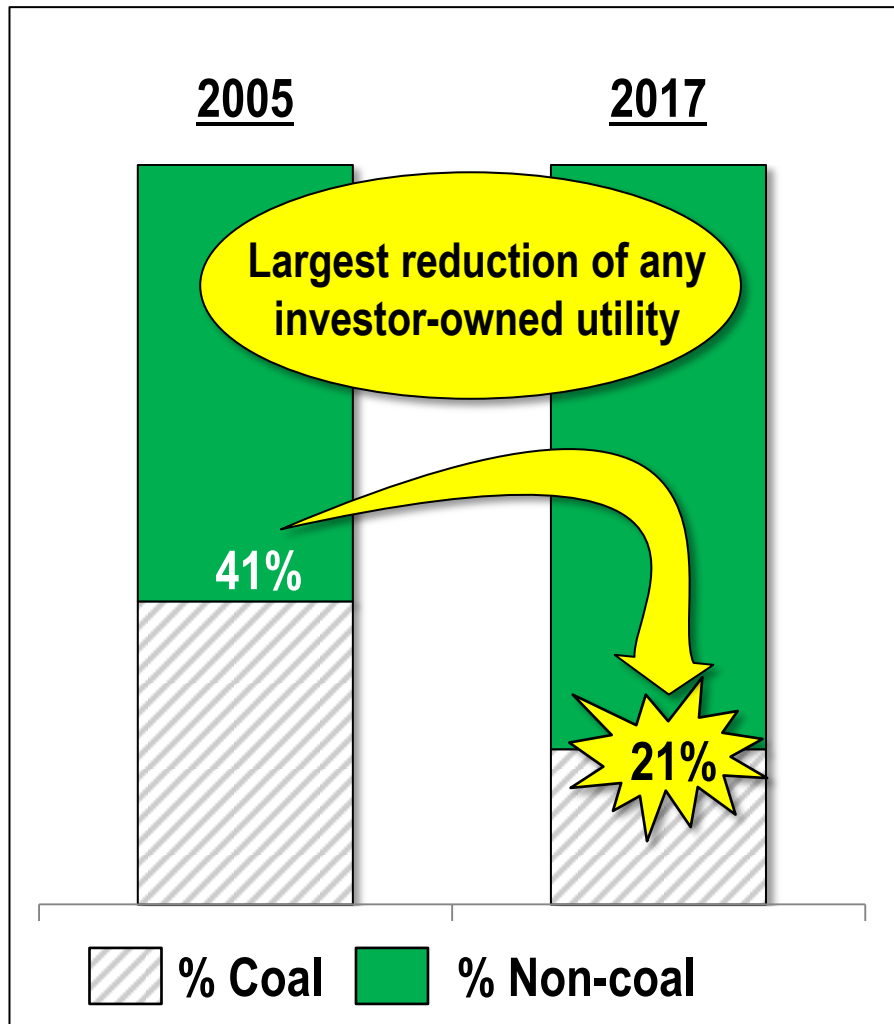


Annual Cost



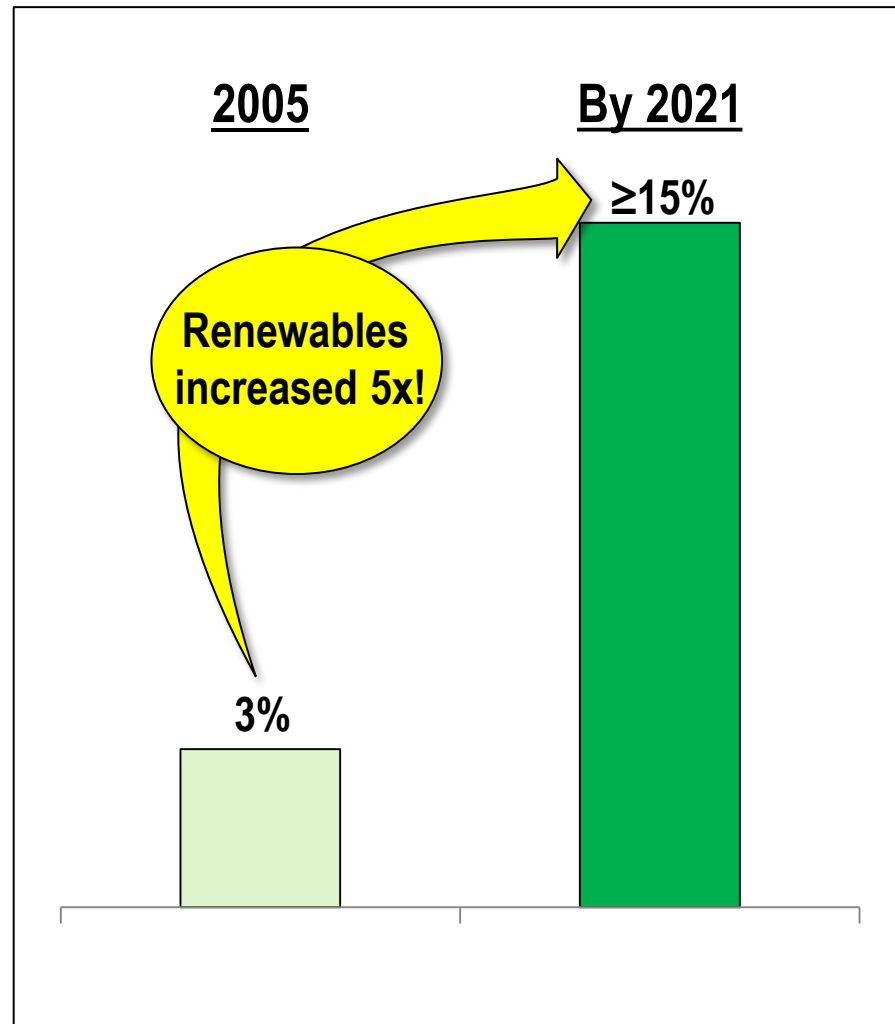
.... industry-leading safety and customer culture.

Coal



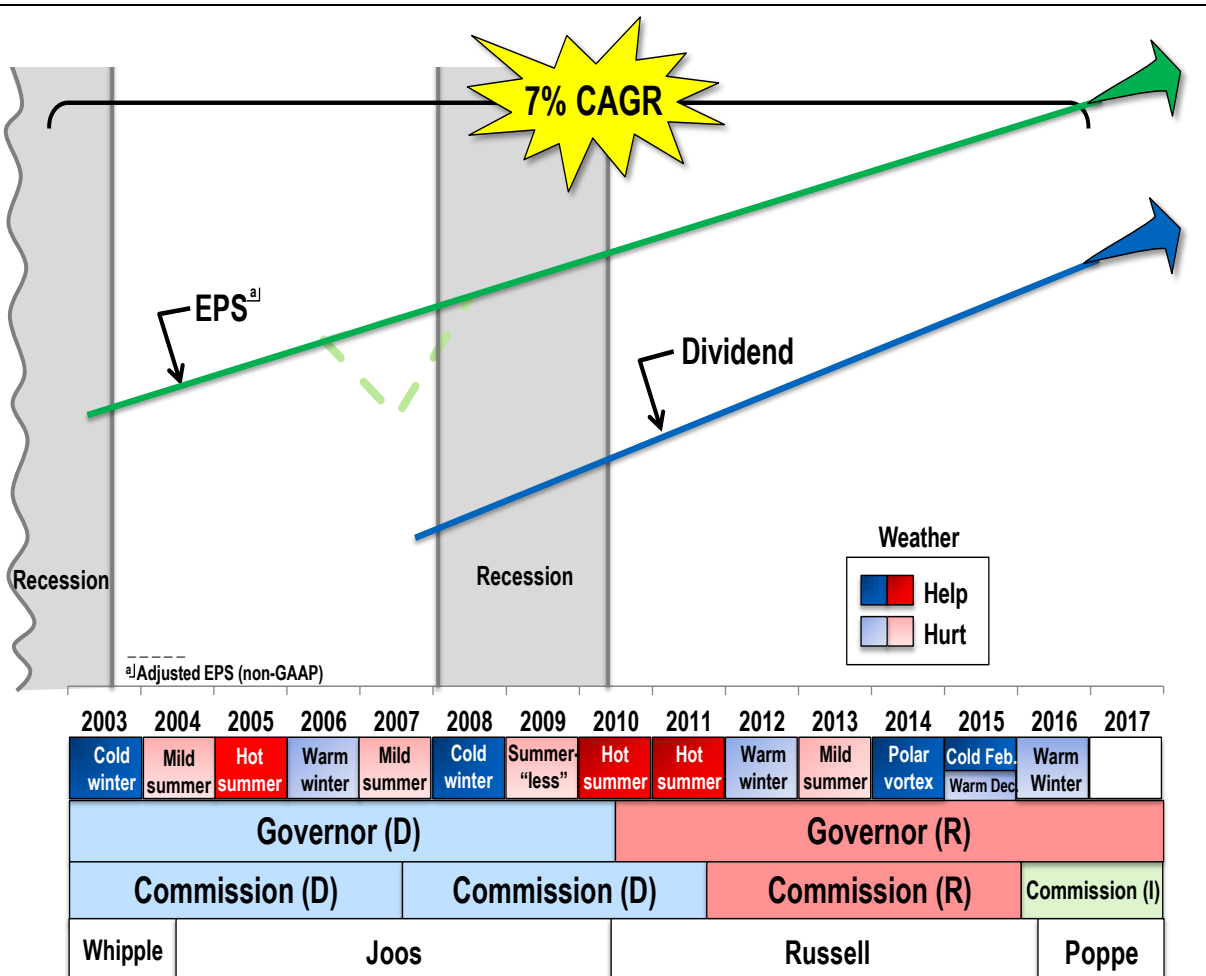
Capacity Mix

Renewables

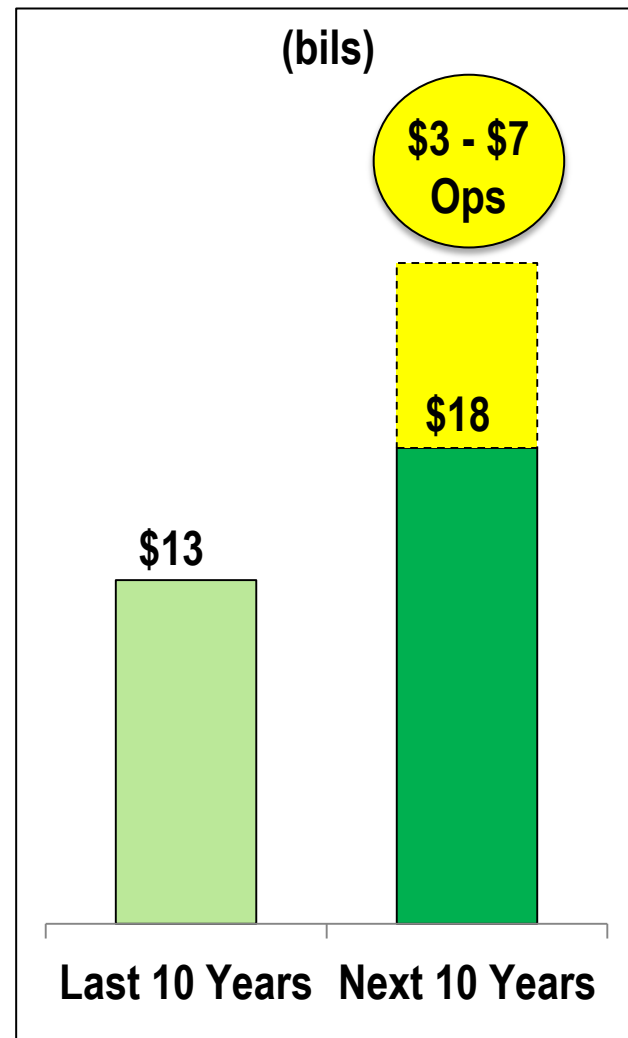


.... #1 U.S. Utility in "Sustainalytics" rankings.

We Work With Everyone



Customer Investment



.... consistent growth with even more opportunities ahead.

2017+ Plan

Customer investment (reliability, costs, enviro mandates) 6% - 8%

Self Funding:

- O&M cost reductions 2 - 3 pts
- Sales growth "ED" 1
- No "block" equity dilution & other 2

INVESTMENT SELF-FUNDED

5 - 6 pts

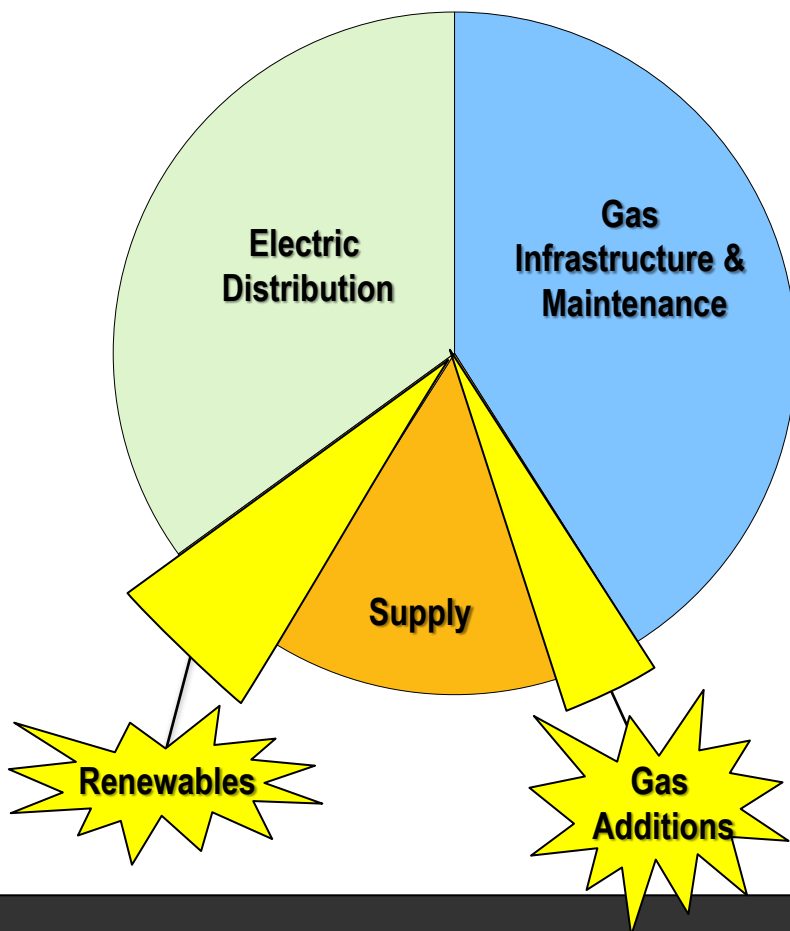
Rate increase "at or below inflation"

<2%

... continues to drive sustainable growth, with upside opportunities.

2018 - 2027

\$18 billion



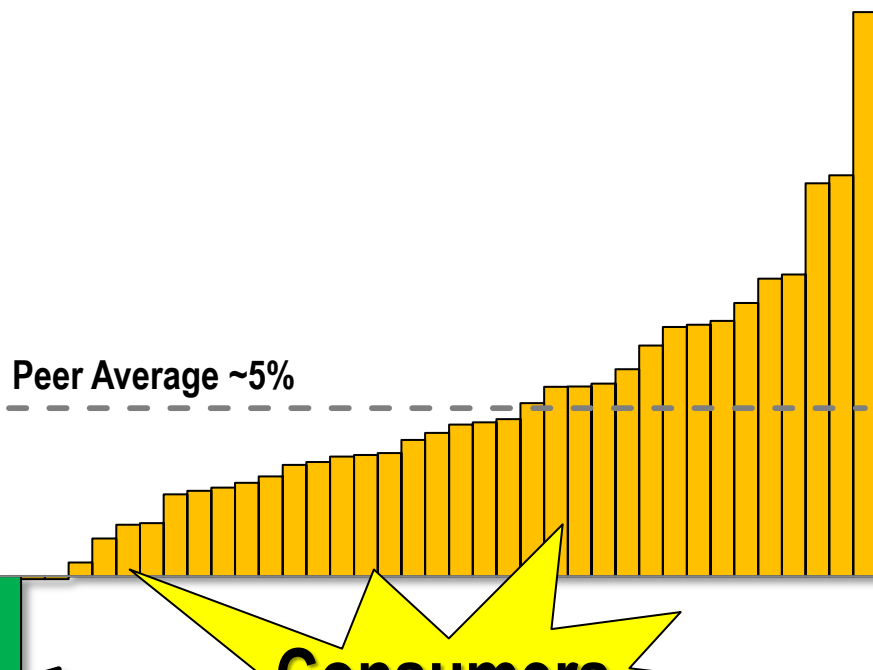
Details

	Capex (bils)
● Gas Infrastructure & Maintenance	\$ 8
● Supply (incl. renewables)	4
● Electric Distribution	6
Total Customer Investment	\$18
● <u>Future Opportunities:</u>	
– Improve gas infrastructure	
– Grid modernization	
– More renewables	
– PPA replacement	
	3 - 7
● Plan w/ Opportunities	<u>\$21 - \$25</u>

.... with even more opportunity ahead.

Actual Cost Reduction

(Peers 2015 over 2006)



Consumers
-3%/yr
(thru 2016)

Source: SNL, Form 1, Electric Non-fuel O&M

New Annual Cost Savings

	Three-Year Avg	
	2014	2017
	- 2016	- 2019
	(mils)	(mils)
Good Business Decisions		
• Attrition	\$ - 16	\$ - 16
• Productivity (Coal → Gas)	- 20	- 5
• Enhanced capitalization	- 10	- 4
• Smart Meters	- 4	- 5
"Consumers Energy Way"		
• Work Management & Eliminate Waste	- 15	- 20
Increases		
• Mortality, Disc. Rates, & Other	+20	0
• Service Upgr./Inflation	+10	+ 30
Net savings	\$ - 35	\$ - 20

Percent savings

> 3%
a year!

2%
a year!

.... needed customer investments.

Our Service Territory^{a)} Outperforms

	Grand Rapids	Michigan	U.S
Building Permits ^{b)}	+349%	+253%	+110%
GDP 2010→2015	23	14	12
Population 2010→2016	6	1½	4
Unemployment (1/17)	3½	5	5

Grand Rapids ranked third best in USA for job creation & economic development by Area Development Magazine

^{a)} Grand Rapids

^{b)} Annualized numbers February 2010→February 2017

Examples of New Business

Electric Gas Combination

Announcement

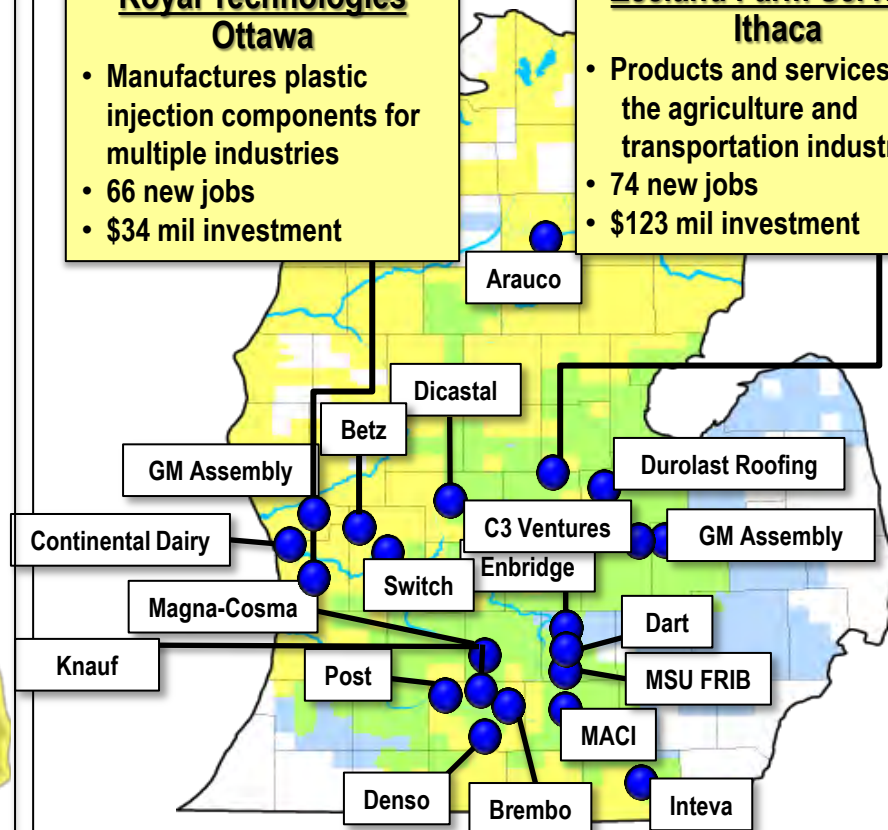
Royal Technologies Ottawa

- Manufactures plastic injection components for multiple industries
- 66 new jobs
- \$34 mil investment

Announcement

Zeeland Farm Services Ithaca

- Products and services to the agriculture and transportation industries
- 74 new jobs
- \$123 mil investment



... opportunities to improve even more.



.... a culture of continuous improvement.

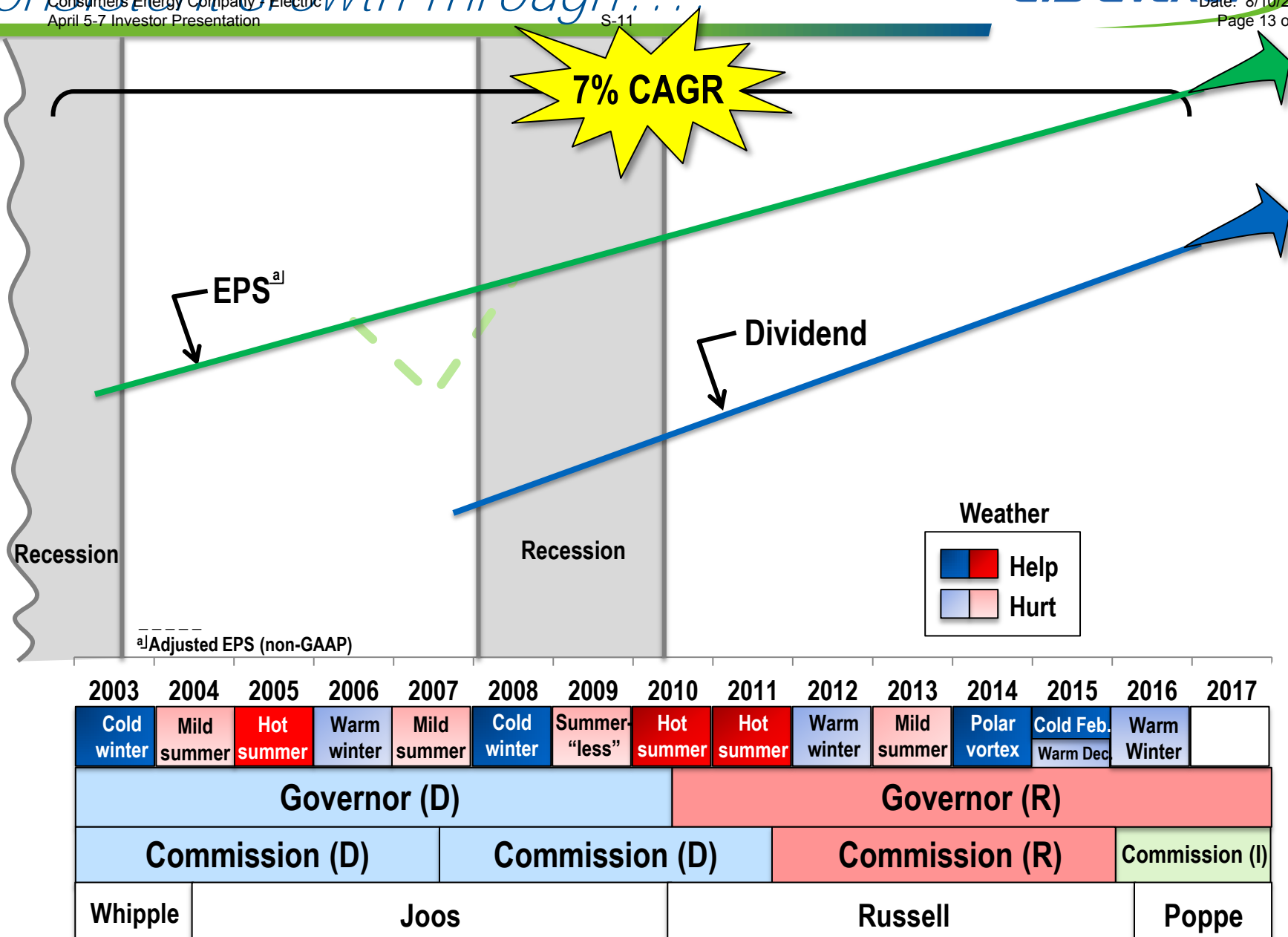
Consistent Growth Through...

Michigan Public Service Commission
Consumers Energy Company - Electric
April 5-7 Investor Presentation

S-11

CMS ENERGY

Case No: U-18322
Exhibit S-11
Witness: Welke
Date: 8/10/2017
Page 13 of 43



... recessions, adverse weather, and leadership changes. 12

Customer Investment: Evolution of Capex Growth (Next 10 Years)

Michigan Public Service Commission
Consumers Energy Company - Electric
April 5-7 Investor Presentation

S-11

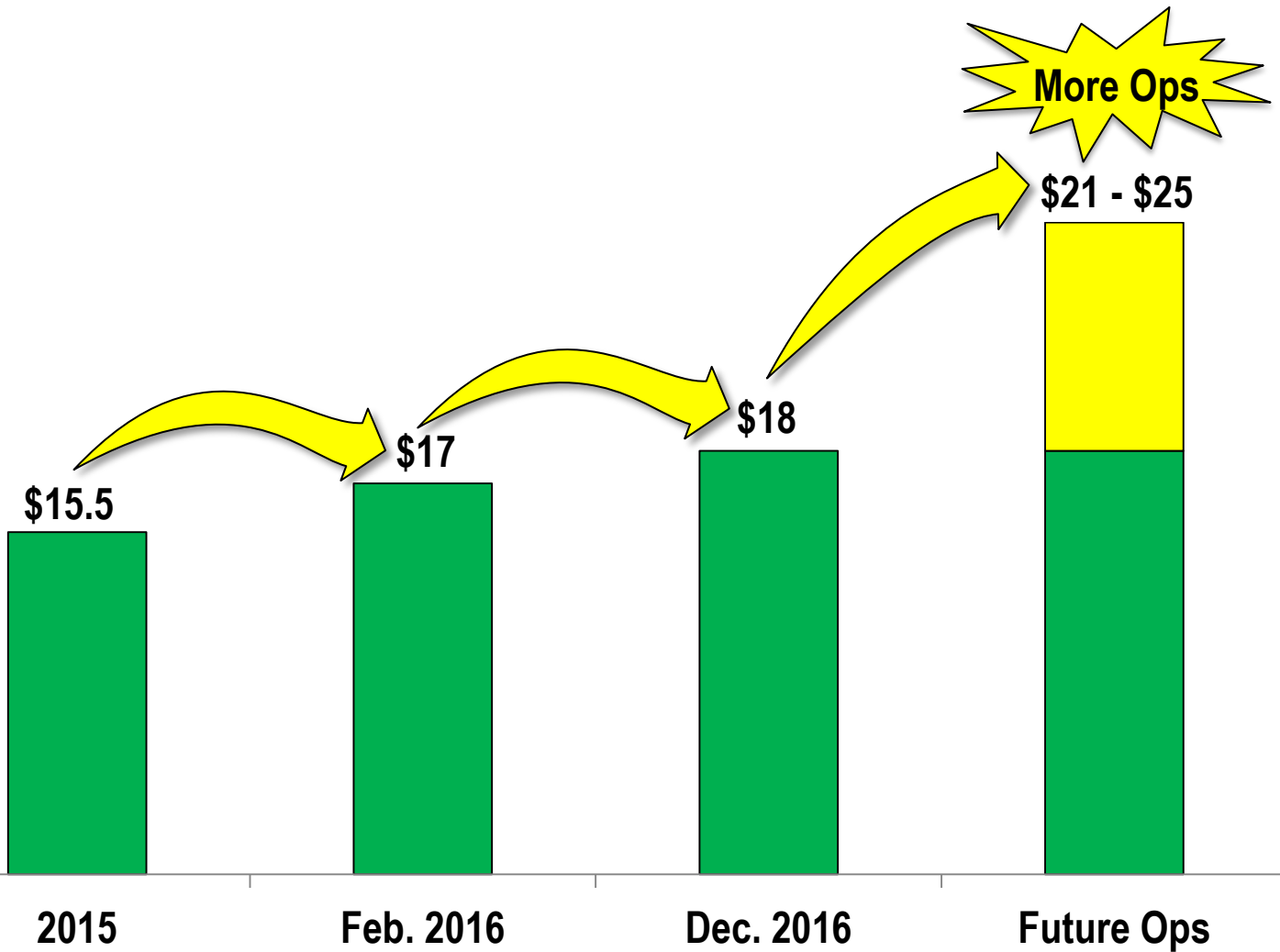
CMS ENERGY

Case No: U-18322
Exhibit S-11
Witness: Welke
Date: 8/10/2017
Page 14 of 43

**Capex
(bils)**

\$25

0



. . . . supports high-end adjusted EPS growth.

Saginaw Trail Pipeline



+\$0.6 billion

- 94 miles, 24" diameter
- Multi-year project

Gas Infrastructure



+\$1 billion

- Reduce system risk and increase capacity
- 25 years remaining at current levels

Renewables



+\$1 billion

- State RPS 15%
- Build 500MW
- Expect to go substantially higher

... safety, reliability, and environmentally responsible.

Customer Investment: Customer Value Investment (\$18 billion)....

Michigan Public Service Commission
Consumers Energy Company - Electric
April 5-7 Investor Presentation

S-11

CMS ENERGY

Case No: U-18322
Exhibit S-11
Witness: Welke
Date: 8/10/2017
Page 16 of 43

Clean Power

\$1.4 Billion



Clean energy

Infrastructure

\$3.4 Billion



Gas expansion

Reliability

\$2.8 Billion



Grid Modernization

Maintenance

\$10.4 Billion



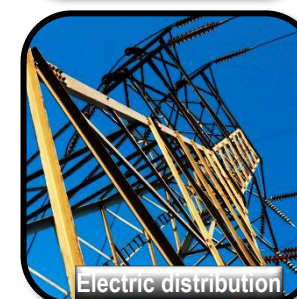
Grid



Ludington Pumped Storage



Gas distribution



Electric distribution



New gas capacity



Solar



Gas storage



Electric reliability

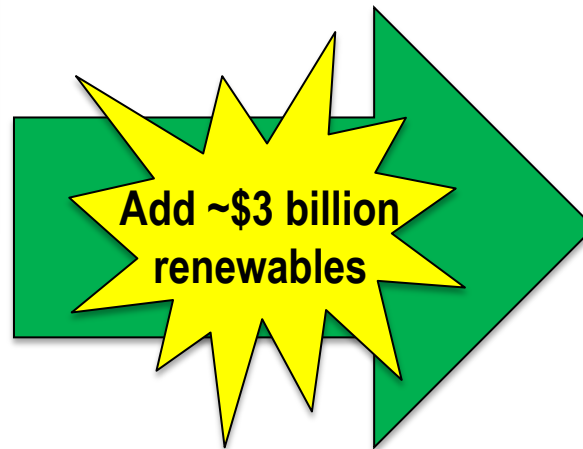


Generation

... remains small and incremental, with no “big bets” and opportunity to grow.

MCV PPA

- 1,240 MW
- Expires 2025



Replacement Opportunities

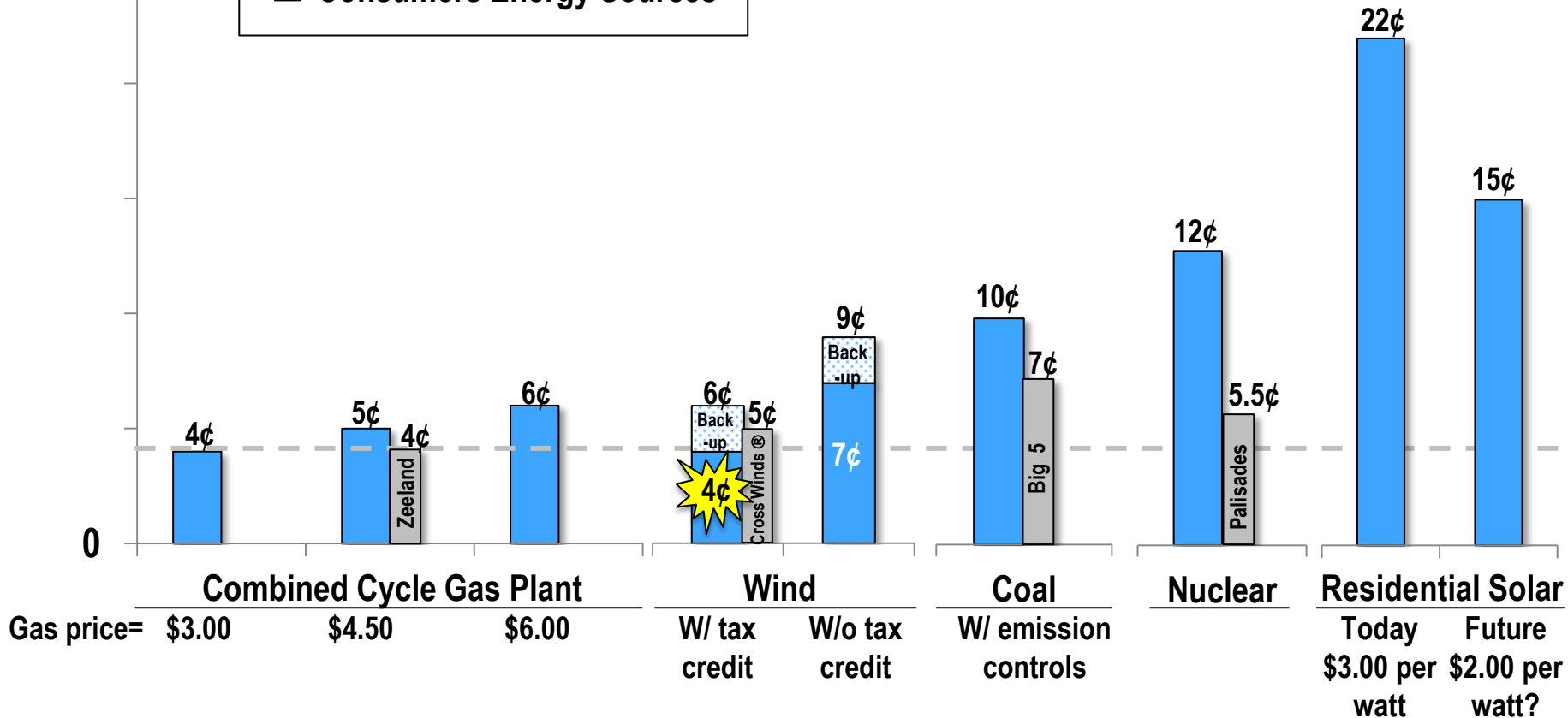
- Renewables
- Energy efficiency
- Demand response



.... Clean and Lean.

**Levelized cost
 of new build**

(¢/kWh)
 25
 0



.... combined cycle gas is the most attractive new source of supply.

Tons CO₂

(mils)

20

Consumers Energy 2012 Emissions

Retire
950 MW
coal

State of Michigan Target
(Consumers Energy's share)

Positioned well for compliance

0

2015 2016 2017 2018 2019 2020 2021 2022 2023 2024 2025 2026 2027 2028 2029 2030

.... because we live here too.

Clean and Lean: Projected Reduction of Air Pollutants By 2020 . . .

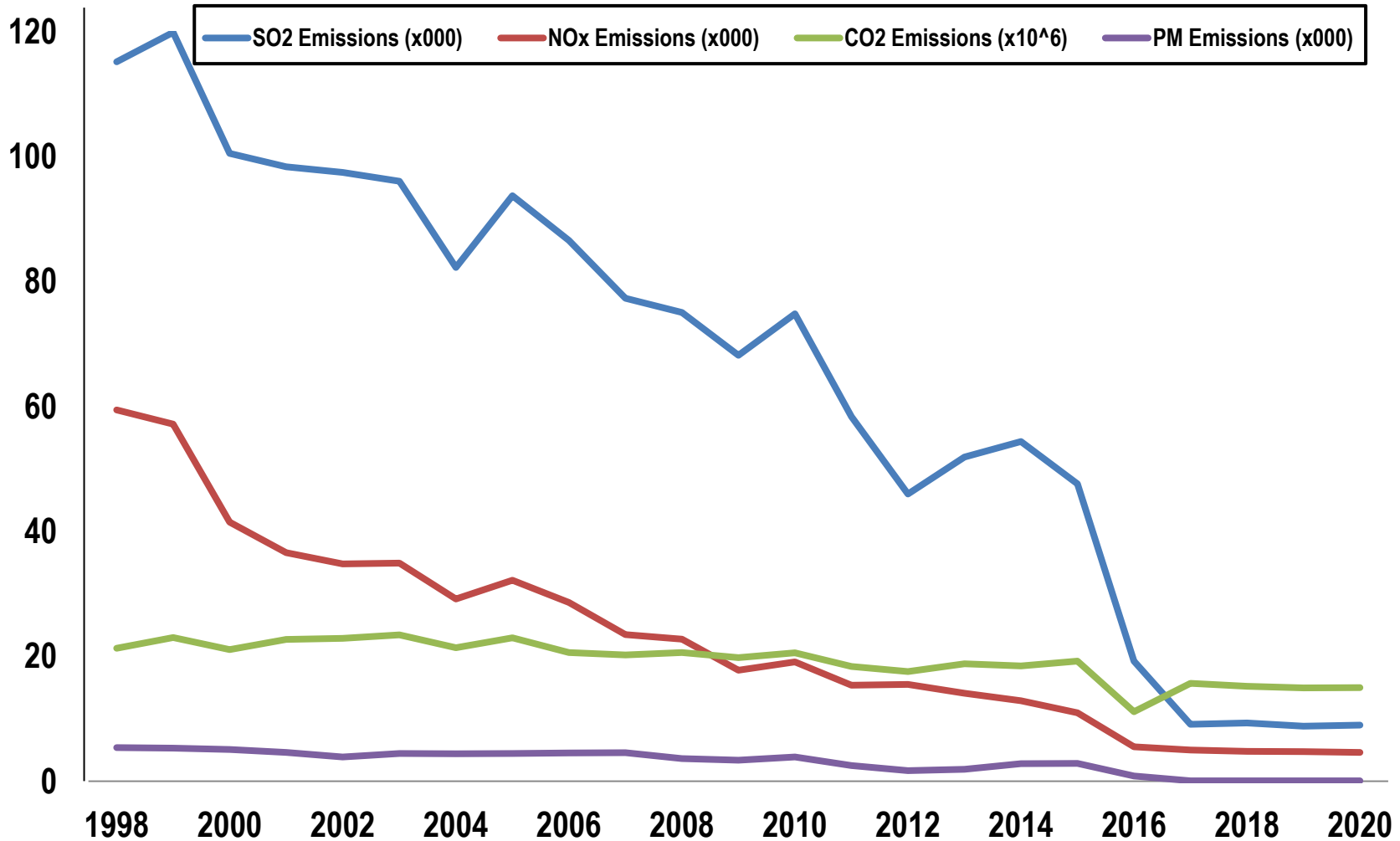
Michigan Public Service Commission
Consumers Energy Company Electric
April 5-7 Investor Presentation

S-11

CMS ENERGY

Case No: U-18322
Exhibit S-11
Witness: Welke
Date: 8/10/2017
Page 20 of 43

Amount
(tons of pollutants)



. . . significant reduction.

Apple Blossom Wind Farm

- Competitive price
- 100 MW
- Commercial operation by 2018
- Capacity, energy, and renewable credits
- PPA with option to purchase



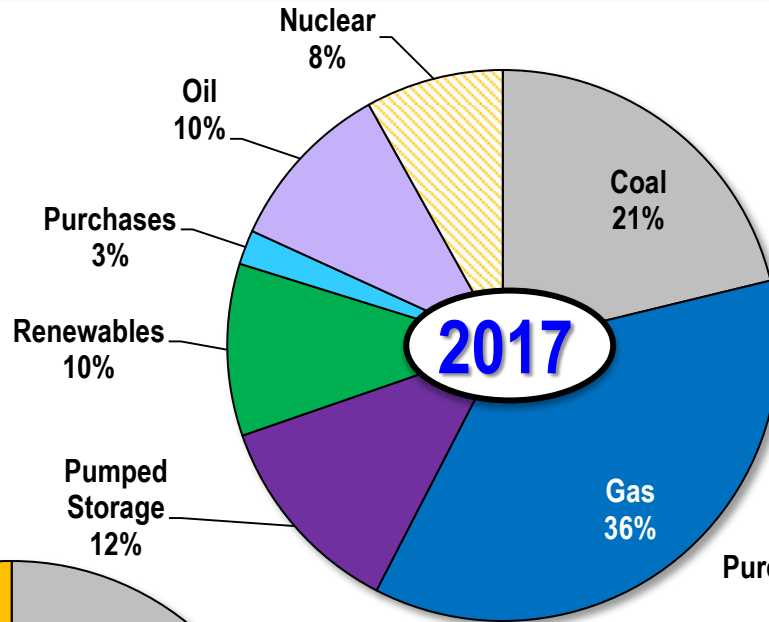
Community Solar Gardens

- Utility Scale Solar
 - Grand Valley State University, 3 MW
 - Western Michigan University, 1 MW

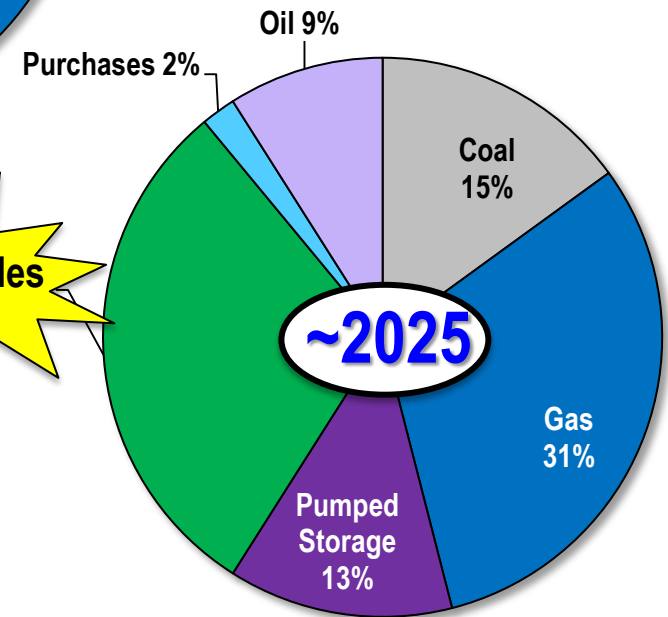
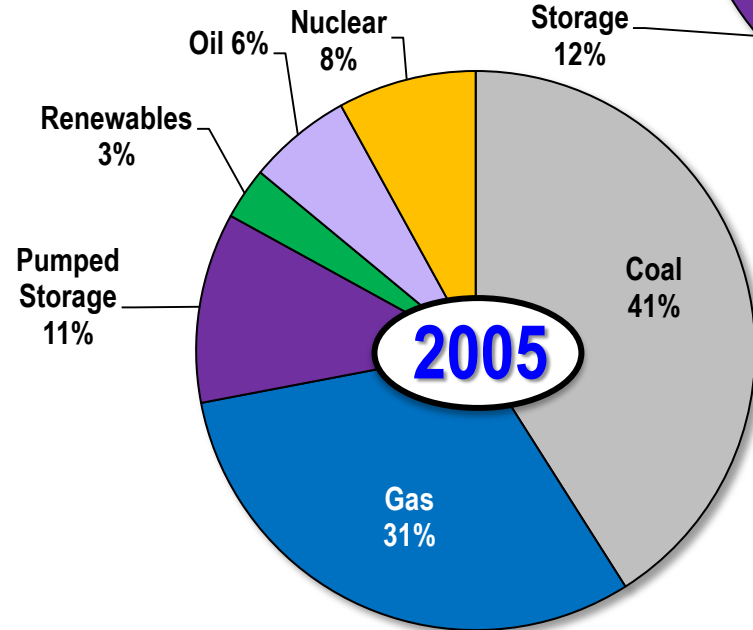


Digital rendering of Grand Valley's campus

. . . . demonstrates ability to grow green generation.



Potential Future Capacity Mix



.... evolving to cleaner generation and becoming more cost competitive.

<u>Total Company Supply</u>	<u>2015</u>		<u>2016</u>		<u>Future</u>
• Coal	41%		24% ^{a)}		↓
• Gas	18		27		↑
• Renewables	4		4		↑↑
• Pumped Storage	(1)		(1)		FLAT
• PPA (Nuclear and Gas) ^{b)}	38		46		↓

^{a)}Includes 3% from Classic 7 coal plants (shutdown April 2016) ^{b)}Includes market purchases

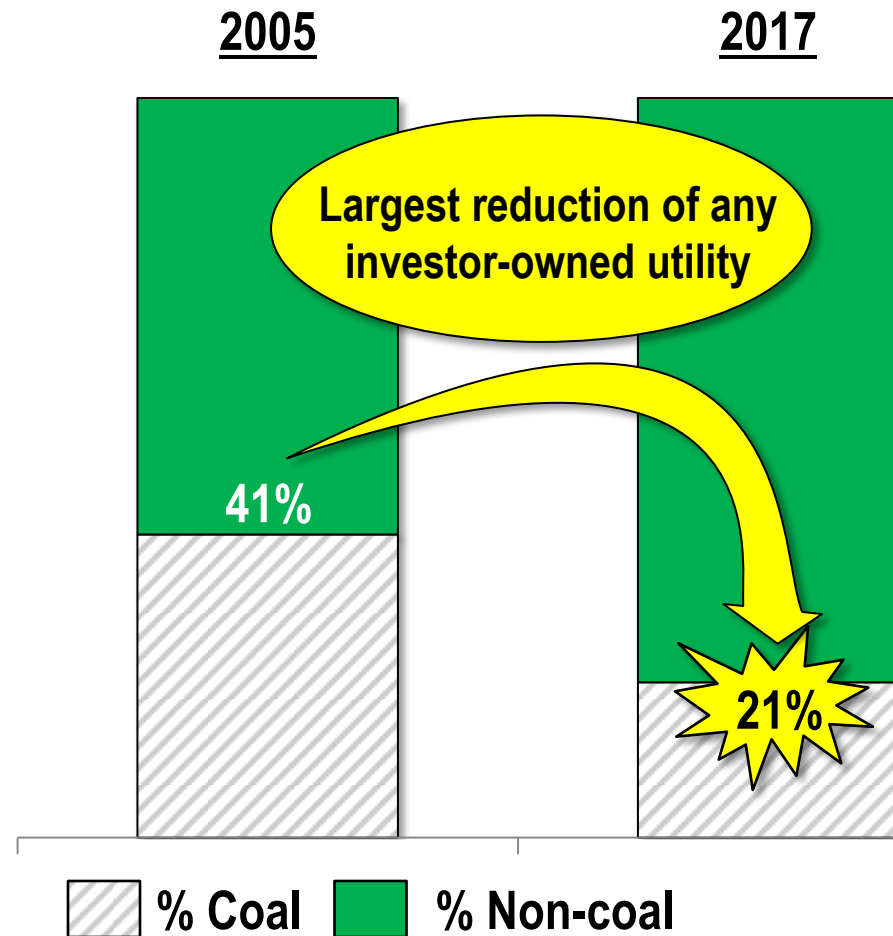
... significant shift away from coal.

A Sustainable Strategy

- Retired 950 MW of coal
- Found positions for affected employees
- Worked with local communities early on
- Reduced our environmental impact

Positioned well for
carbon reduction

Coal Capacity Mix



... transition to cleaner fuels.

Customer

What's New?

- Subsidies addressed
 - ROA reform
 - Net metering
- Increased energy efficiency & demand response incentive
- RPS -- 15% by end of 2021
- Improved Regulatory Process
 - 10 month rate case

Investor

What is the Impact?

- Price competitiveness
- Secure capacity
- Improved incentives
- Additional rate base opportunity
- Streamlined process
- Reliability planning
- Pre-approval of projects

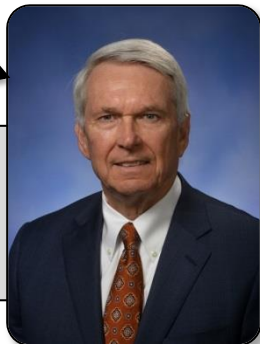
.... strengthens our Plan AND benefits our customers.

Commission: Updated Terms



Sally Talberg (I)
Chairman
Term Ends: July 2, 2021
Prior: July 2, 2019

Switched
term-end
dates



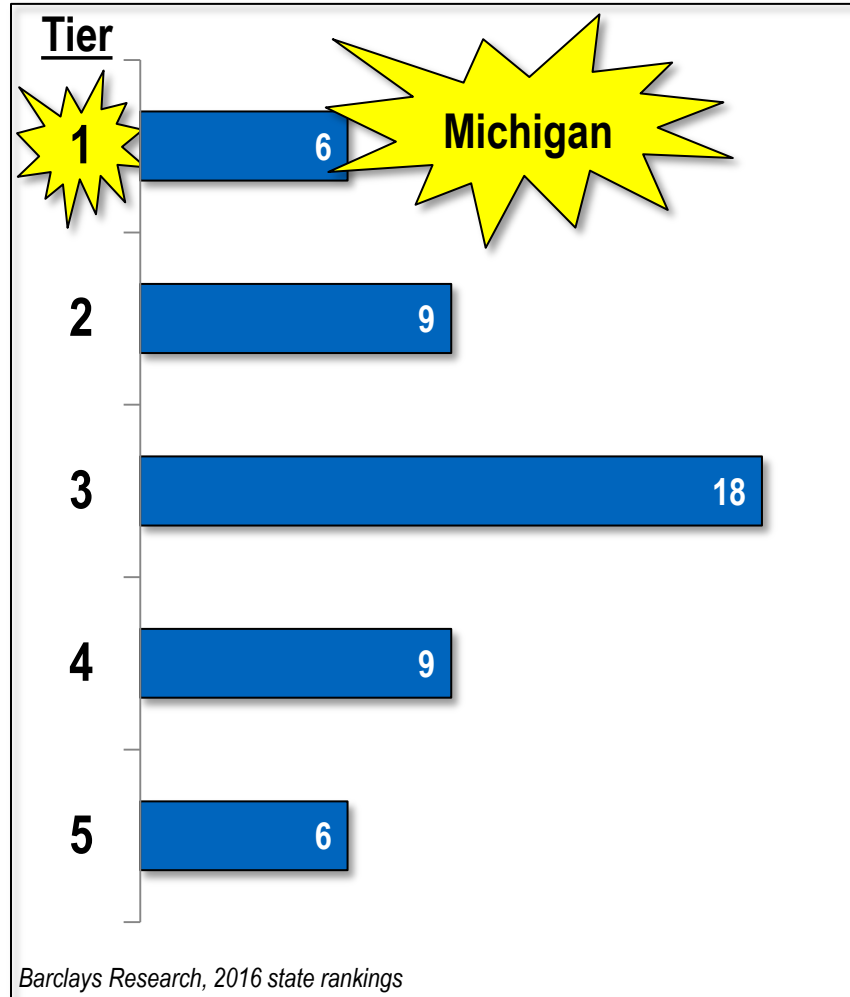
Norm Saari (R)
Term Ends: July 2, 2019
Prior: July 2, 2021



Rachael Eubanks (I)
Term Ends: July 2, 2023
Prior: July 2, 2017

Reappointed!

Tier 1 State Ranking



.... constructive regulation.

	<u>Electric</u>	<u>Gas</u>
Filed	March 31st, 2017	August 1st, 2016
Amount (mils)	\$173	\$90
Self-implement	October 1st, 2017	January 29th, 2017
Final Order By	March 30th, 2018	July 31st, 2017
Customer Benefits	<ul style="list-style-type: none"> • Safety • Reliability • Environmental 	<ul style="list-style-type: none"> • Safety • Deliverability • Capacity

... designed to serve customers and investors.

Assumptions

- Lower federal tax rate at 15% (vs 35%)
- Loss of interest deductibility on all debt (may be less/better)
- Loss of state income tax deductibility
- Retention of property tax deductibility
- 100% asset expensing

Impact

CMS Better Than Today

Utility

- More than ample investment “Backfill”



Enterprises

- Improved earnings & cash flow

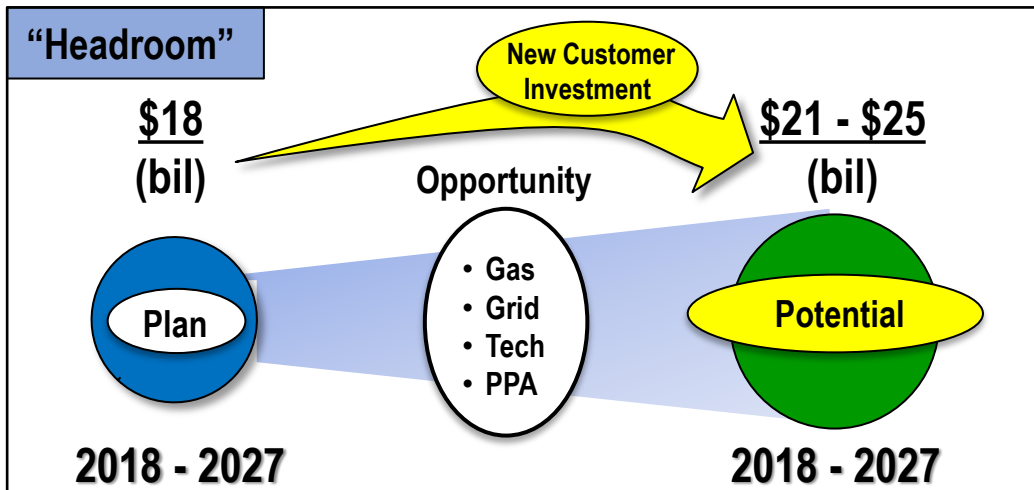


Parent

- Interest deduction loss
- Offset by EnerBank interest income



“Headroom”



.... can be accretive and reduce rates.

Scenarios^{a]}

Corporate Tax Rate	Alternative		
	15%	20%	25%

Assumptions

Asset Expensing

- Amount	100%	100%	100%
- Annual Backfill (mils)	\$100	\$200	\$300

Loss of Interest Deductions

100%	100%	100%
------	------	------

Result

Customer Rate Decrease	4%	1%	Neg.
------------------------	----	----	------

Investors

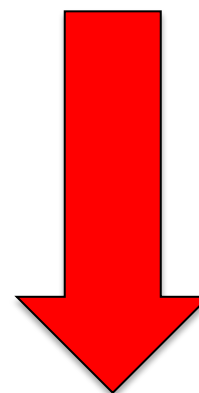


^{a]}5-Year outlook

Non-Regulated

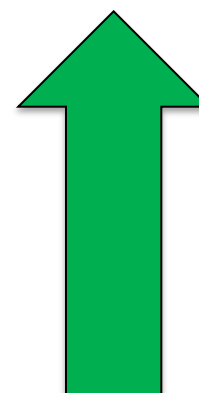
EnerBank interest income offsets
Parent interest expense

\$130 mil



\$130 mil

Parent Interest Expense

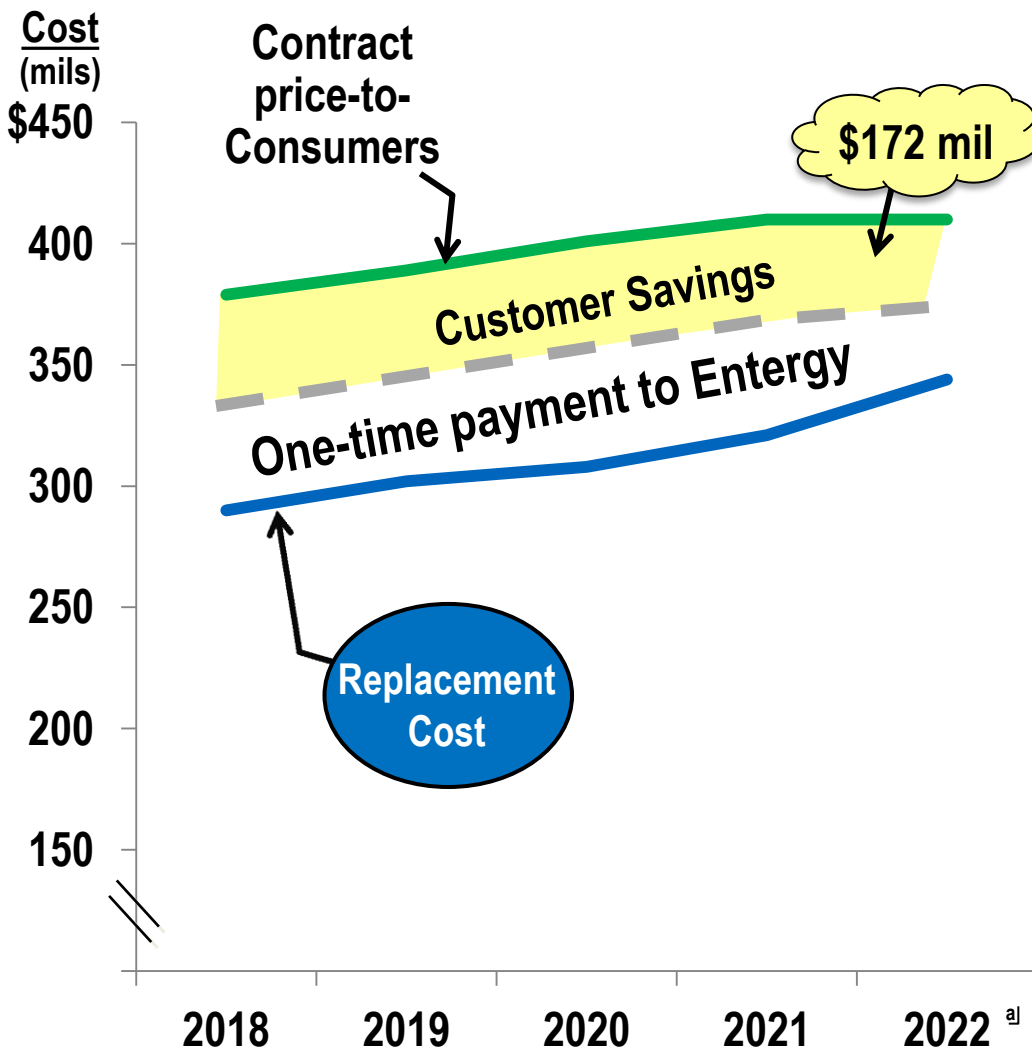


EnerBank Net Interest Income

.... good for customers AND investors.

Palisades PPA Contract

Approach



- 1 Replace above market PPA contract (customer savings)
- 2 Fully utilize existing assets
- 3 Emphasis on no carbon solutions
 - Energy Efficiency,
 - Demand Response, and
 - Renewable wind
- 4 Avoid large capacity needs (no "big bets")
- 5 Future coal-to-gas opportunities
- 6 **RESULT: world class performance**

Pre-Tax Income

(mils)

\$80

40

0

Contracts
(layering in over time)

\$12

Outage
pull-ahead

\$30

Better
Performance

\$35

\$55

+\$20

\$75

+\$40

2015

2016

2017

Future

Capacity (\$/kw-mth)

≈ \$1.00

≈ \$2.00

≈ \$3.00

\$4.50

\$7.50

Available:

- Energy
- Capacity

0%

0%

0%

25%

0

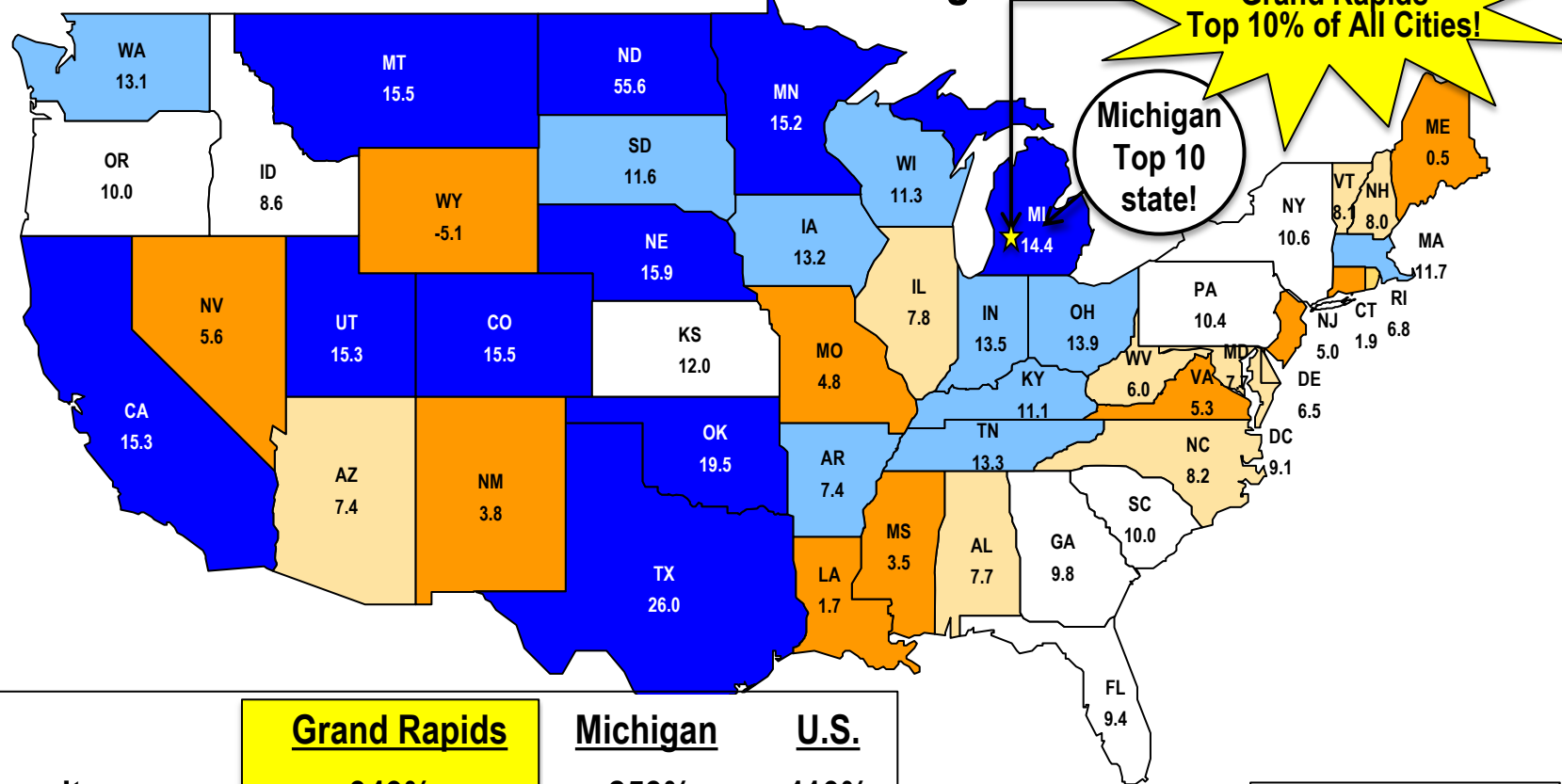
0

10

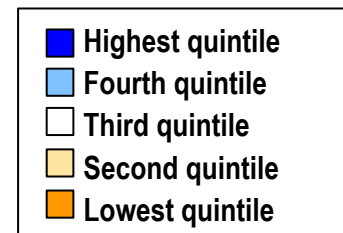
50% - 90%

.... adding value.

Gross Domestic Product – 2010 through 2015



	Grand Rapids	Michigan	U.S.
Building Permits	+349%	+253%	+110%
GDP ('10 to '15)	23	14	12
Population ('10 to '16)	6	1/2	4
Unemployment (1/17)	3 1/2	5	5



Source: U.S. Department of Commerce – bea.gov, real GDP 2009 chained dollars, 2015 advance and 2009 – 2014 revised, 6/14/16

.... Grand Rapids ranked third best in USA for job creation and economic development.

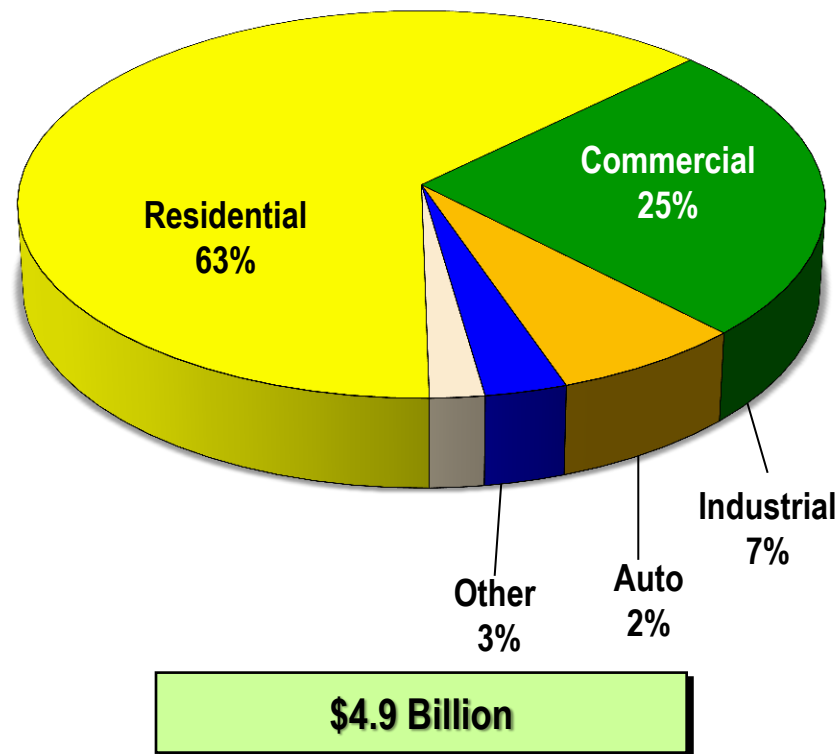
Top Ten Customers

(2016 Ranked by Revenue)

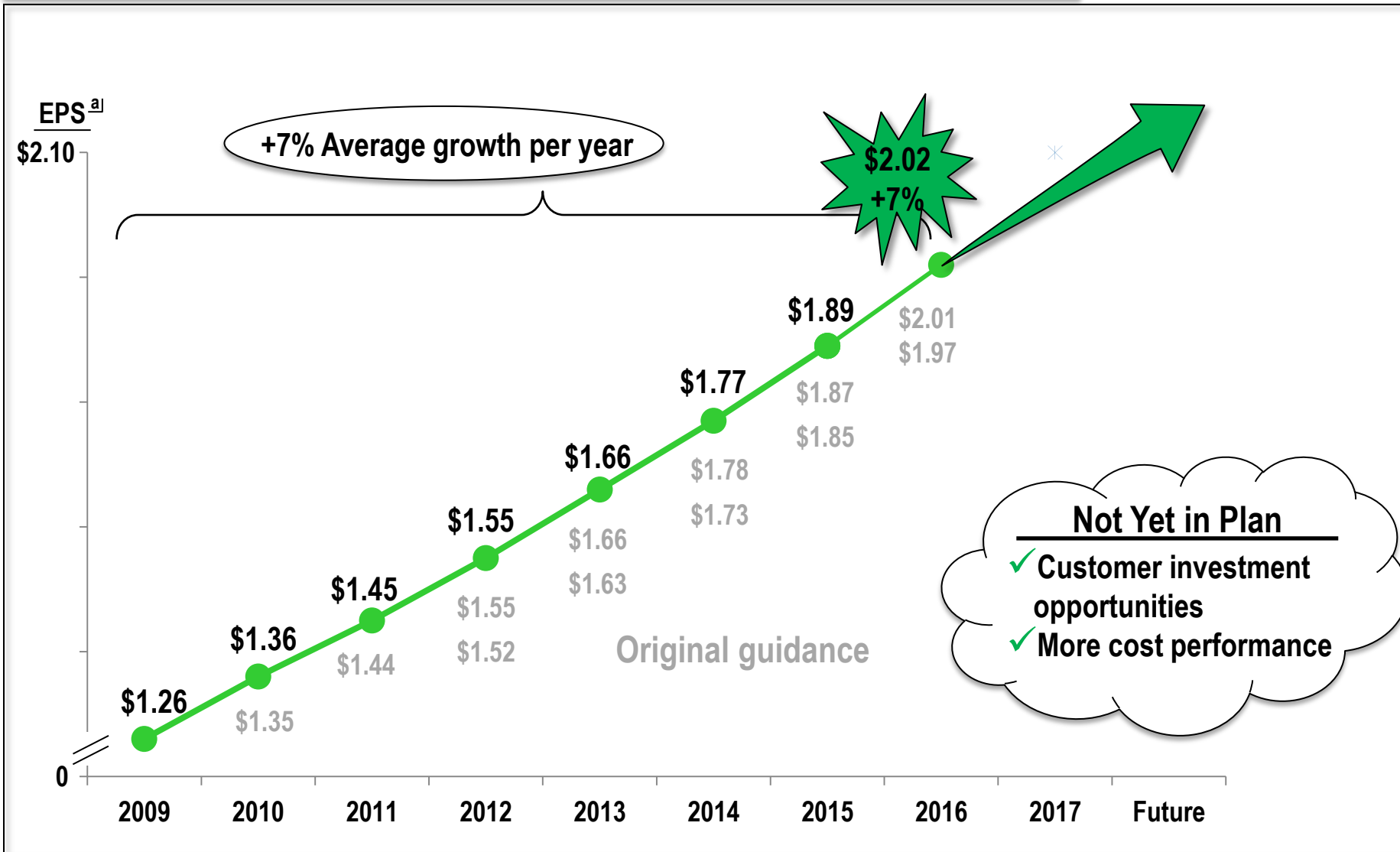
1. Hemlock Semiconductor Corporation
2. General Motors Company
3. State of Michigan
4. Meijer Inc.
5. Nexteer Automotive Corporation
6. AT&T Inc.
7. Enbridge Energy Partners L.P.
8. Spectrum Health Hospitals
9. Gerdau Macsteel
10. Wal-Mart Stores Inc.

Percentage of gross margin is 1.5%

2016 Gross Margin



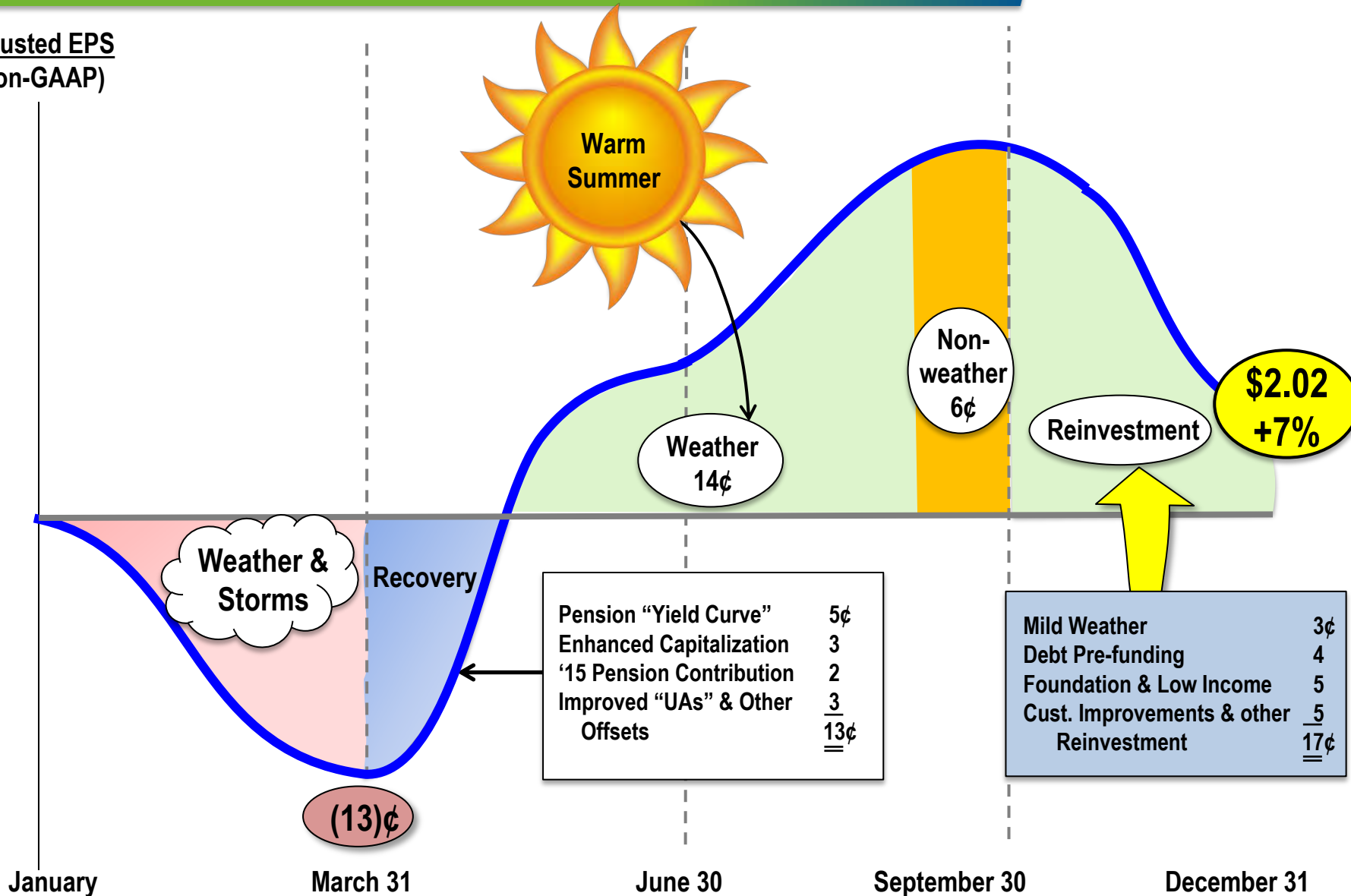
. . . . with "Autos" only 2% of gross margin.



^{a)} Adjusted EPS (non-GAAP)

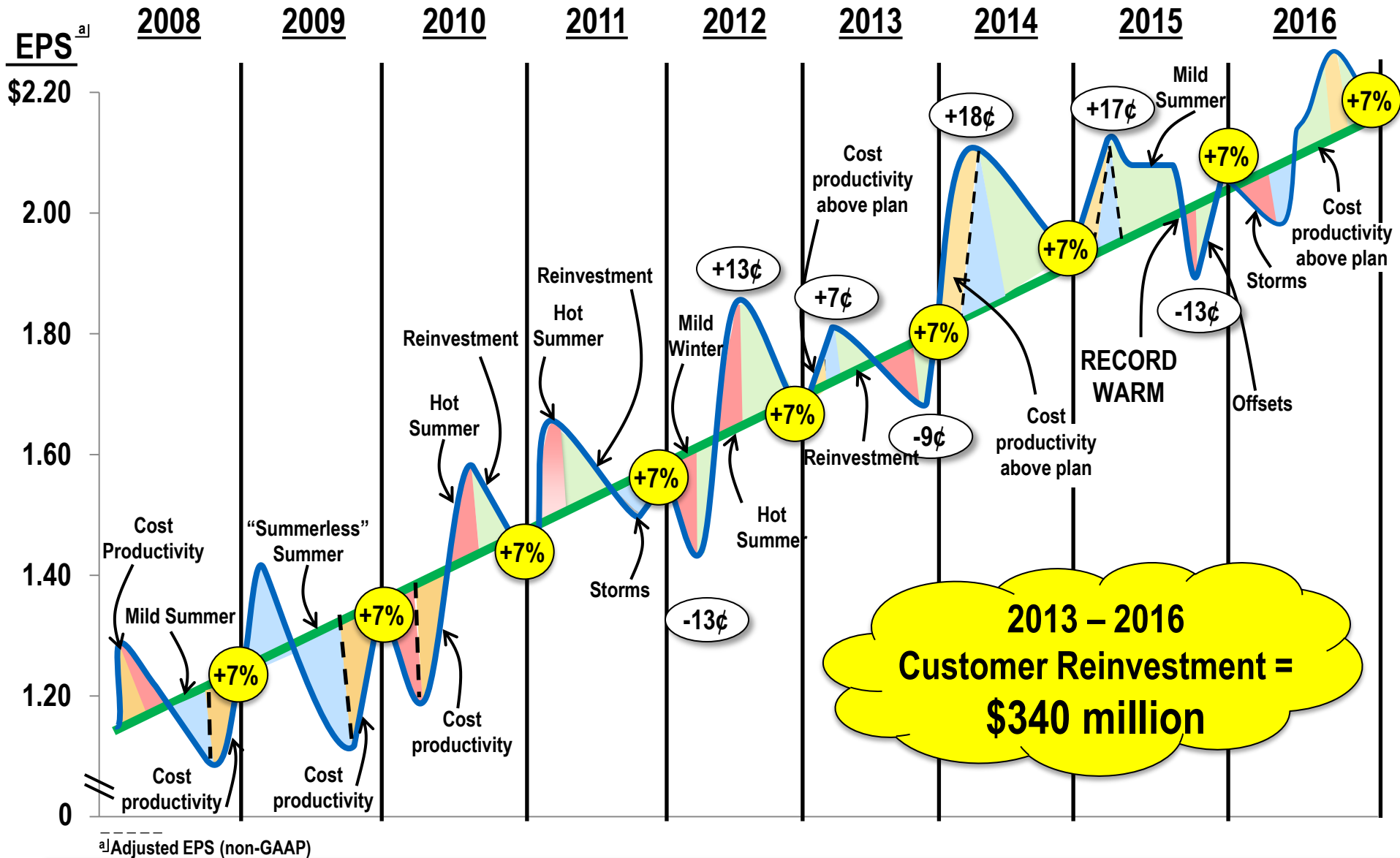
... track record of consistent growth.

Adjusted EPS (non-GAAP)



^{a)} Adjusted EPS (non-GAAP)

.... high end, +7% at \$2.02. 37



.... maximizes benefits for customers AND investors.

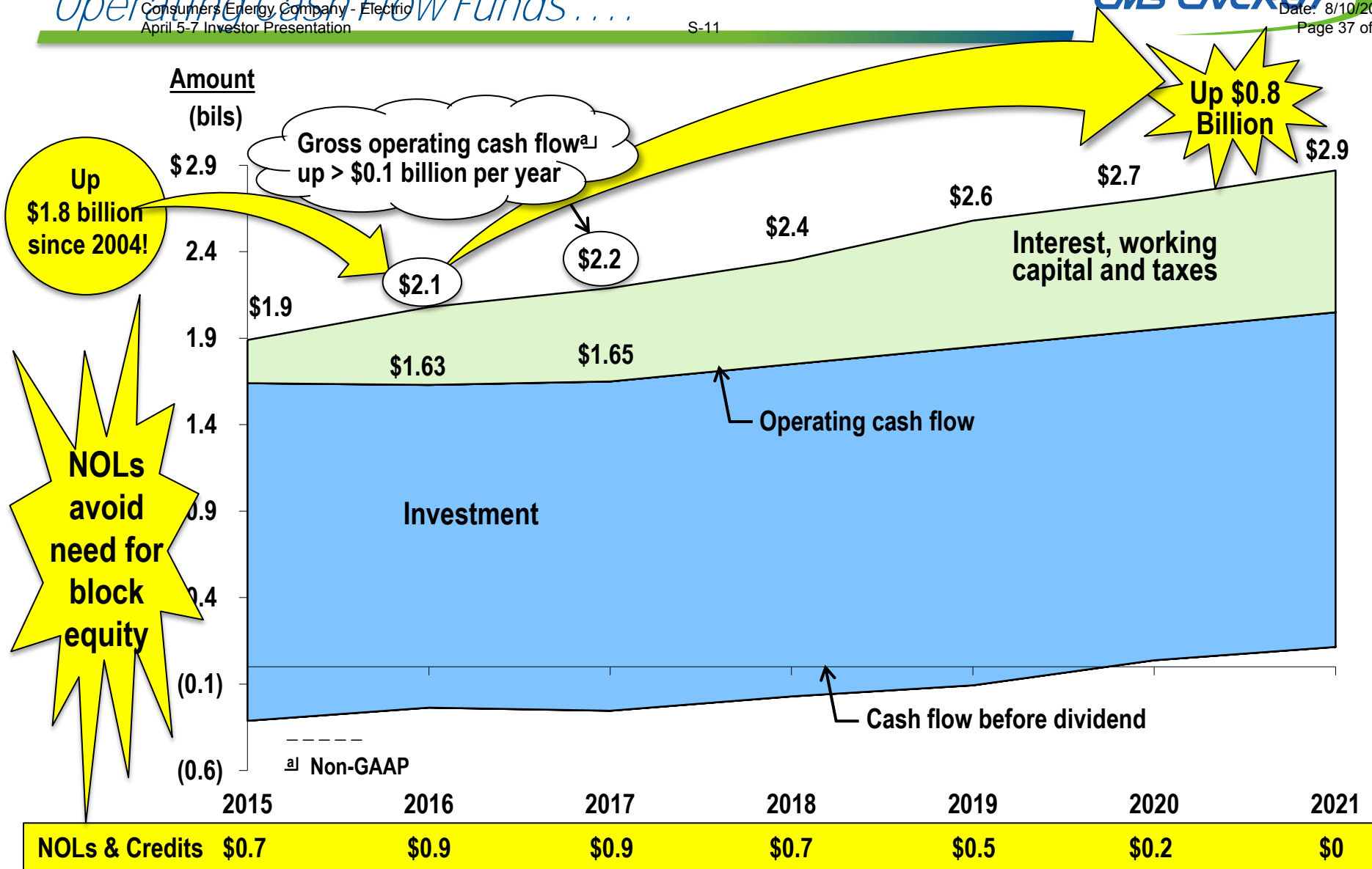
Financial: Operating Cash Flow Funds....

Michigan Public Service Commission
Consumers Energy Company - Electric
April 5-7 Investor Presentation

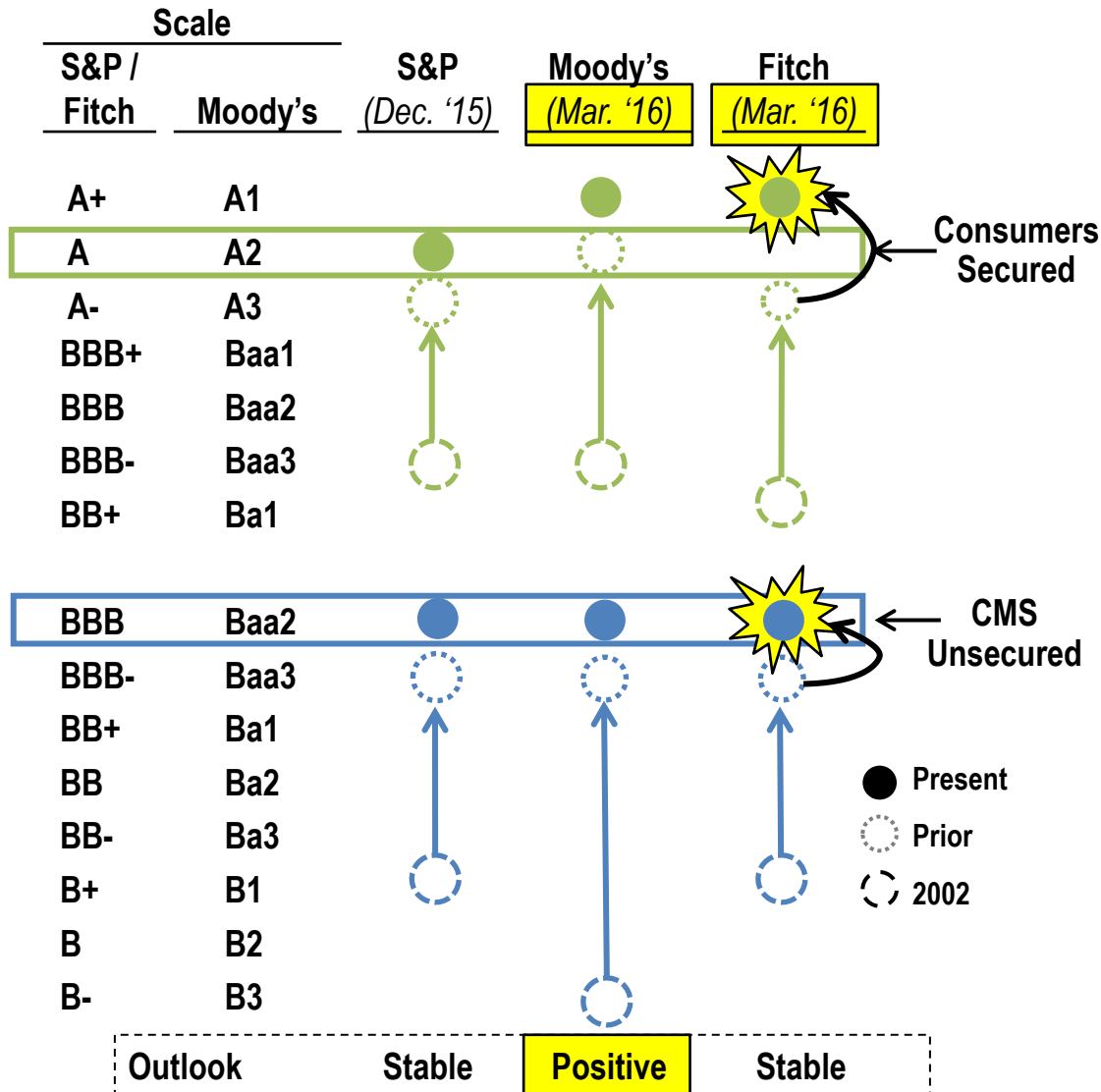
S-11

CMS ENERGY

Case No: U-18322
Exhibit S-11
Witness: Welke
Date: 8/10/2017
Page 37 of 43



... investments with no block equity.



Strategy

- Strong financial position
- Growing operating cash flow
- Return on regulated investment
- Supportive regulatory environment

.... upgraded by Fitch and positive outlook by Moody's.

GAAP Reconciliation

CMS ENERGY CORPORATION
Earnings Per Share By Year GAAP Reconciliation
(Unaudited)

	2003	2004	2005	2006	2007	2008	2009	2010	2011	2012	2013	2014	2015	2016
Reported earnings (loss) per share - GAAP	(\$0.30)	\$0.64	(\$0.44)	(\$0.41)	(\$1.02)	\$1.20	\$0.91	\$1.28	\$1.58	\$1.42	\$1.66	\$1.74	\$1.89	\$1.98
Pretax items:														
Electric and gas utility	0.32	(0.60)	-	-	(0.06)	0.08	0.55	0.05	-	0.27	-	-	-	0.04
Tax impact	(0.11)	0.21	-	-	(0.01)	(0.03)	(0.22)	(0.02)	-	(0.10)	-	-	-	(0.01)
Enterprises	0.93	0.97	0.06	(0.12)	1.67	(0.02)	0.14	(0.05)	*	(0.01)	*	0.05	*	*
Tax impact	(0.19)	(0.35)	(0.02)	0.10	(0.42)	*	(0.05)	0.02	(0.11)	*	(*)	(0.02)	(*)	(*)
Corporate interest and other	0.25	(0.06)	0.06	0.45	0.17	0.01	0.01	*	-	*	*	*	*	0.02
Tax impact	(0.09)	0.03	(0.02)	(0.18)	(0.49)	(0.03)	(*)	(*)	(0.01)	(*)	(*)	(*)	(*)	(0.01)
Discontinued operations (income) loss, net	(0.16)	0.02	(0.07)	(0.03)	0.40	(*)	(0.08)	0.08	(0.01)	(0.03)	*	(*)	(*)	*
Asset impairment charges	-	-	2.80	1.07	0.93	-	-	-	-	-	-	-	-	-
Tax impact	-	-	(0.98)	(0.31)	(0.33)	-	-	-	-	-	-	-	-	-
Cumulative accounting changes	0.25	0.02	-	-	-	-	-	-	-	-	-	-	-	-
Tax impact	(0.09)	(0.01)	-	-	-	-	-	-	-	-	-	-	-	-
Adjusted earnings per share, including MTM - non-GAAP	\$0.81	\$0.87	\$1.39	\$0.57	\$0.84	\$1.21 (a)	\$1.26	\$1.36	\$1.45	\$1.55	\$1.66	\$1.77	\$1.89	\$2.02
Mark-to-market		0.04	(0.65)	0.80										
Tax impact		(0.01)	0.22	(0.29)										
Adjusted earnings per share, excluding MTM - non-GAAP	NA	\$0.90	\$0.96	\$1.08	NA	NA	NA	NA	NA	NA	NA	NA	NA	NA

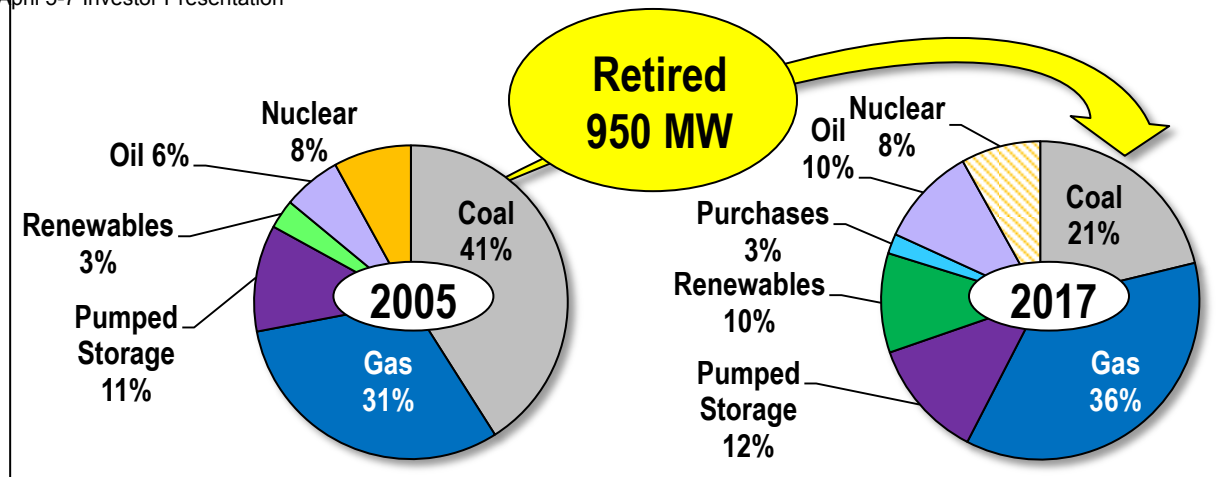
* Less than \$0.01 per share.

(a) \$1.25 excluding discontinued Exeter operations and accounting changes related to convertible debt and restricted stock.

CMS Energy
Reconciliation of Gross Operating Cash Flow to GAAP Operating Activities
(unaudited)
(mils)

	2015	2016	2017	2018	2019	2020	2021
Consumers Operating Income + Depreciation & Amortization	\$ 1,866	\$ 2,037	\$ 2,138	\$ 2,315	\$ 2,547	\$ 2,678	\$ 2,816
Enterprises Project Cash Flows	20	46	53	54	53	53	54
Gross Operating Cash Flow	\$ 1,886	\$ 2,083	\$ 2,191	\$ 2,369	\$ 2,600	\$ 2,731	\$ 2,870
Other operating activities including taxes, interest payments and working capital	(246)	(454)	(541)	(619)	(750)	(781)	(820)
Net cash provided by operating activities	\$ 1,640	\$ 1,629	\$ 1,650	\$ 1,750	\$ 1,850	\$ 1,950	\$ 2,050

Reduced Coal Dependency



Optimized Assets



Gas & Renewables

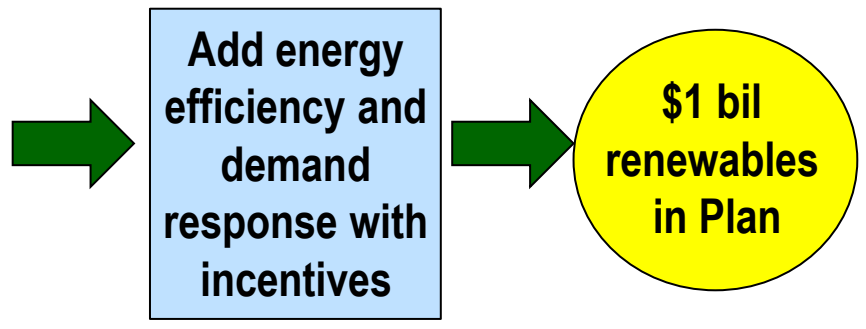
- Jackson, 540 MW
- Wind, 704 MW
- Solar, 4 MW



Now: Replacing Capacity (without carbon)

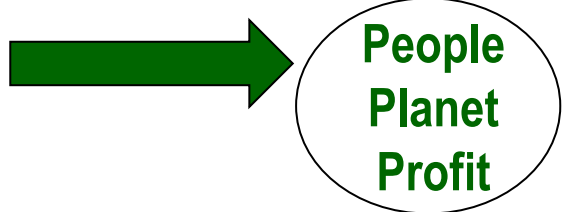


Terminate PPA



Future: "Wind for PPA"

Renewables replace MCV



Why?

People
Planet
Profit

INVESTOR INFORMATION

CMS Energy Corporation
Investor Relations Department
One Energy Plaza, Jackson, MI 49201

Phil McAndrews (517) 788-1464
Travis Uphaus (517) 768-3114
www.cmsenergy.com

S-11



OUR MODEL; OUR PLAN

People, Planet, and Profit

**OUTPERFORMED FOR A DECADE:
NEXT DECADE EVEN BRIGHTER**



- 14 year track record, +7% EPS^{aj} growth
- Capex -- \$18 billion, 100% organic (\$3 - \$7 billion capex opportunities) (more with "wind for PPA")
- Self-funded -- No block equity dilution! (10 years -- up from 5!)
- Best cost performance in sector (Down 3%/year since 2006)

The "Consumers Energy Way"

- Safety: every day is a safe day
- Quality: we get it right the first time
- Cost: we see and eliminate waste
- Delivery: we get it done on time
- Morale: we are proud to serve
- a culture of continuous improvement.

**CMS Energy: World Class Performance
Delivering Hometown Service
April 2017**

Adjusted EPS

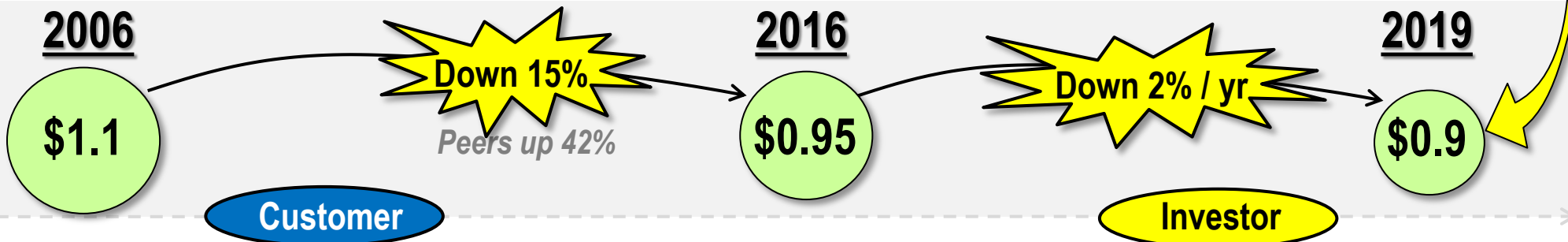
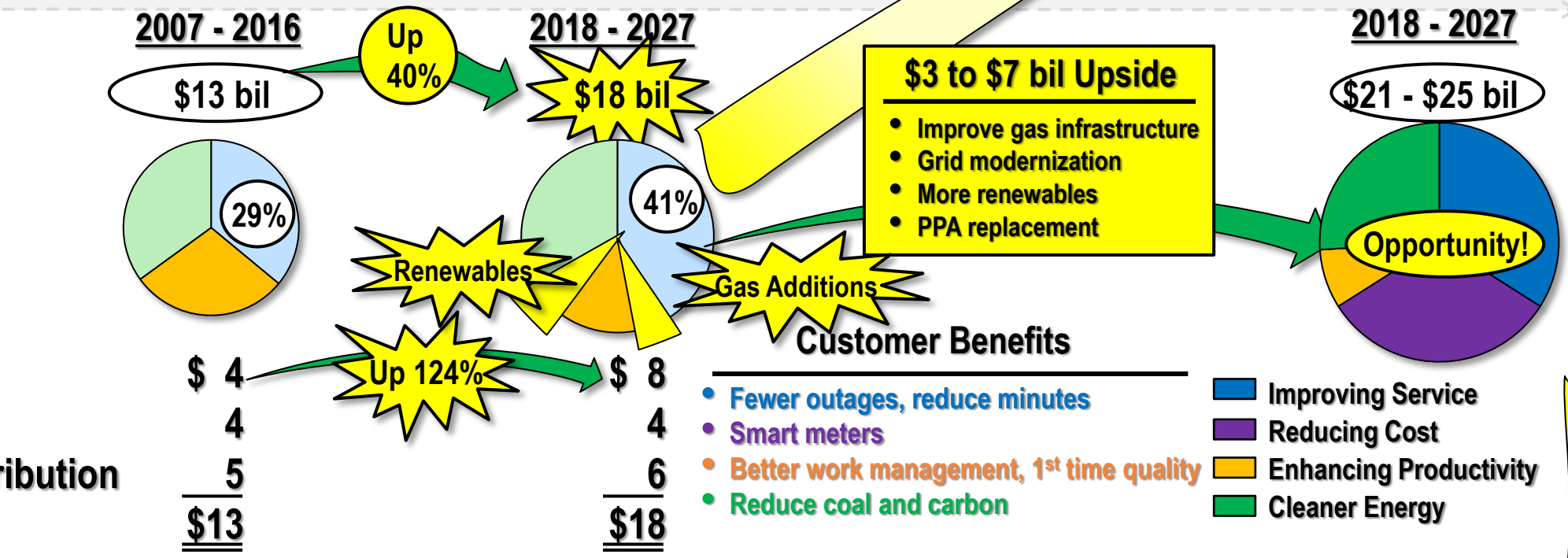
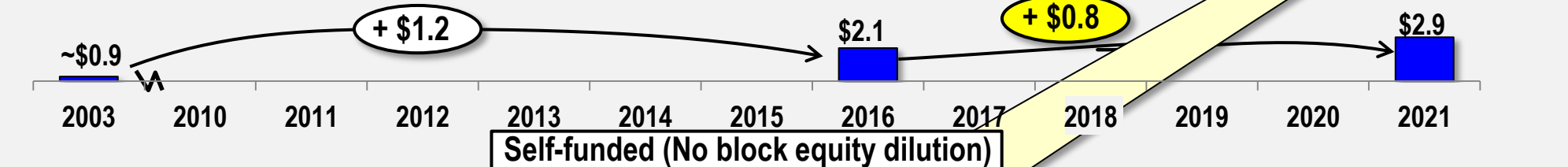
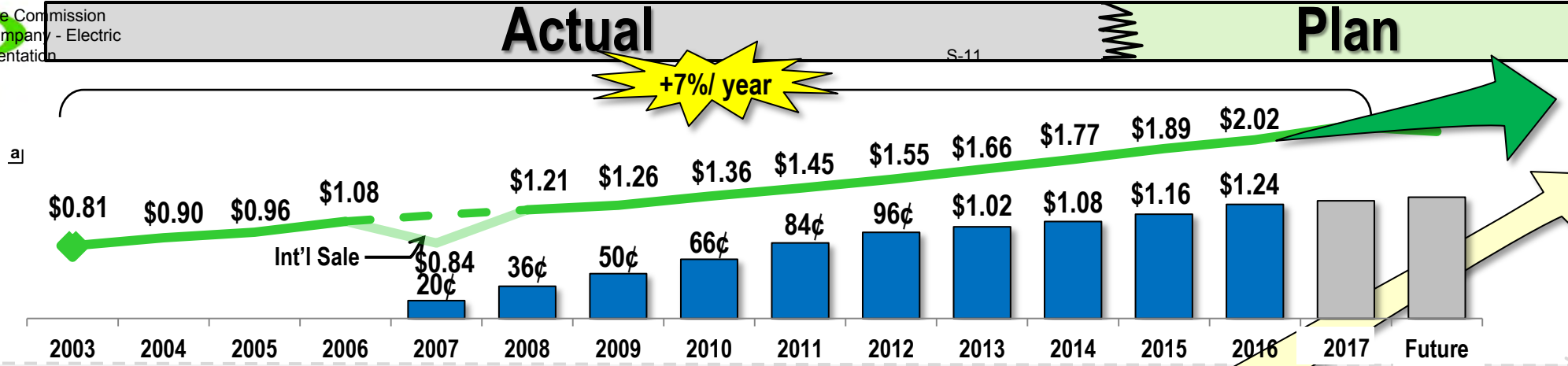
Dividend

Gross OCF (bils)

CapEx

O&M Cost (bils)

2017 Energy Law



- | | | |
|----------------------------------|---|--|
| • ROA Reform – Subsidy addressed | → | • Price competitiveness; secure capacity |
| • Increased EE & DR incentive | → | • Improved incentives |
| • RPS -- 15% by end of 2021 | → | • Additional rate base opportunity |
| • Integrated Resources Plan | → | • Reliability planning; pre-approval of projects |
| • Improve Regulatory Process | → | • Streamlined process (10 month rate case) |

Model

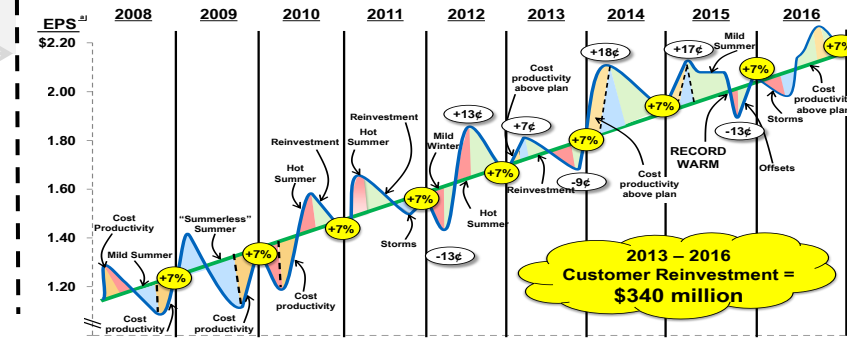
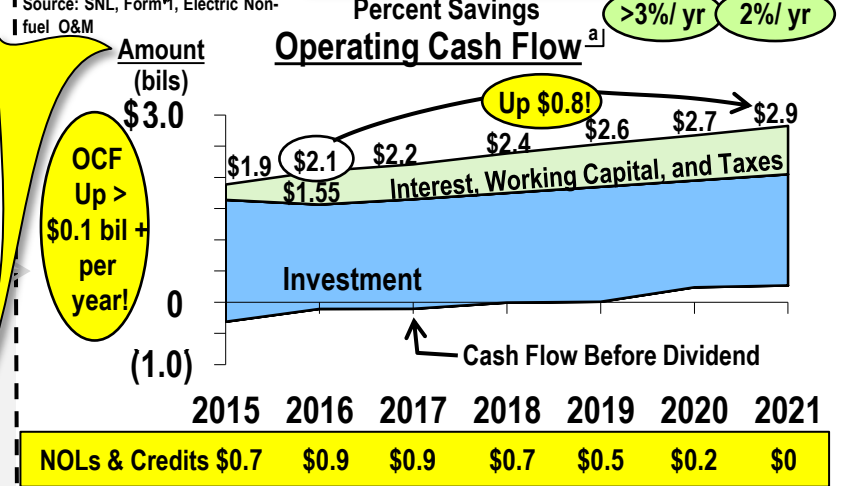
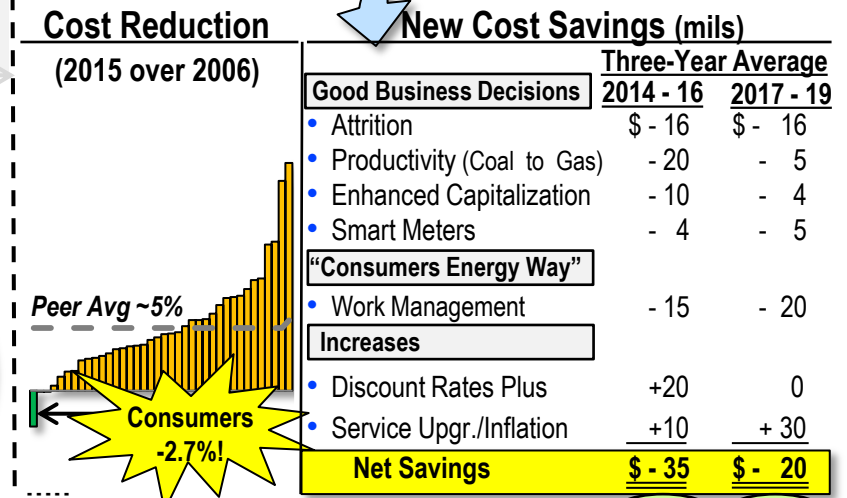
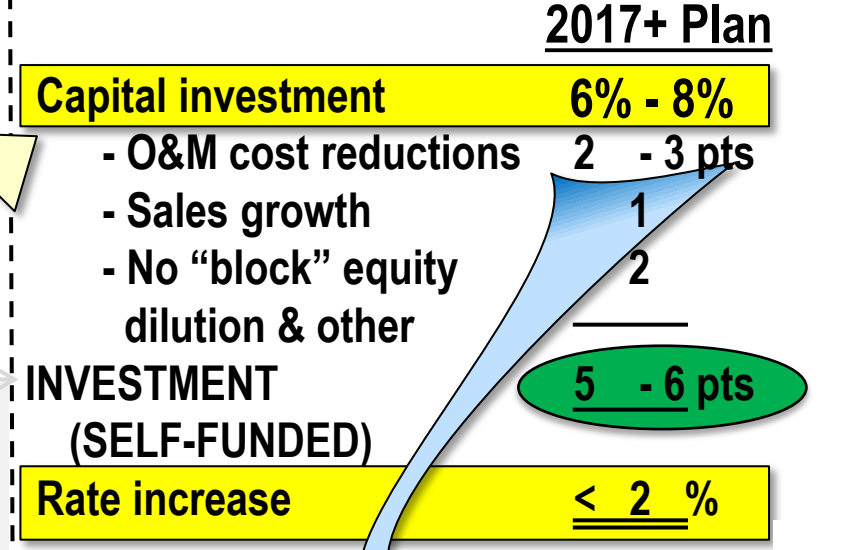


Exhibit S-11.1

Michigan Public Service Commission
Consumers Energy Company - Electric
Unresolved Task

Case No.: U-18322
Exhibit: S-11.1
Schedule: n/a
Witness: Welke
Date: 8/10/2017
Page: 1 of 1

Request #: 153
Page 1 of 2

MPSC AUDIT REQUEST

CASE NO: U-17735
DATE OF REQUEST: 02/18/15
NO. RFN-10
REQUESTED BY: Robert F. Nichols II
DATE OF RESPONSE: 03/06/15
RESPONDENT: Andrew Denato and Jason Shore

Question:

153. Referring to Audit Response #103, line 37, 2015 Budget, Unresolved Tasks in the Budget, (\$12) million:
- Please provide a brief description of this line item.
 - My understanding of this line item is that amounts in the Budget Data Book reviewed by the Board of Directors reflect a \$12 million lower O&M than the budgeted amounts included here, but the \$12 million cannot be identified by line item at this time. Said another way, \$12 million of O&M savings will be found in one of the line items above line 37, but the line items are not specifically identifiable at this time. Is this a correct statement?
 - Items found on Lines 21 through 36 seem to fit into two categories: Category #1 are items that have a matching revenue collection component outside of regular/base rates and Category #2 are items previously specifically excluded from rates by the Commission. Is there any reason to believe the (\$12) million in Unresolved Tasks in Budget would be resolved in lines 21 through 36? It seems nearly inevitable that the unresolved tasks would be found in lines 1 through 20. Please elaborate.
 - Should MPSC Staff support a total Other O&M in the instant case's projected test year that is higher than the total amount included in the Board reviewed Budget, but reconciled to amounts includable in general rates? Said another way, is there any reason Staff should not take the Board reviewed Budget for 2015 and reduce it for amounts not includable in general rates? Please provide any reasons why Staff should support a higher amount.

Answer:

153.

- The (\$12) million unresolved task in the budget represents O&M reductions that would be made assuming the Company was unable to obtain full recovery of its projected costs.
★ These reductions are above and beyond the current operational plans for the Company.
- It is correct that the budget data book reviewed by the Board of Directors is lower by \$12 million for this unresolved task. It is also correct that the specific line items of the \$12 million were not identified at the time the data book was compiled and have still not been identified. Absent a resolution for this budget task, the Company's current expectation is that the \$12 million represents reasonable and necessary expenditures needed to meet its O&M obligations in 2015. The O&M dollars projected in this case are reasonable and necessary amounts to be recovered in electric rates.

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 the
generation and distribution of electricity
and for other relief.

Case No. **U-18322**
(e-file paperless)

**MICHIGAN PUBLIC SERVICE COMMISSION STAFF'S
SECOND DISCOVERY REQUEST TO
CONSUMERS ENERGY COMPANY**

The Michigan Public Service Commission Staff, by its attorneys, Spencer A. Sattler, Amit T. Singh, Meredith R. Beidler, and Monica M. Stephens submits the following discovery request to Consumers Energy Company in accordance with MCR 2.309, MCR 2.310, and Rule 423 of the Commission's Rules of Practice and Procedure.

INSTRUCTIONS

- A. Each discovery request must be answered separately and fully in writing under oath, and each answer should identify the person responsible for the answer.
- B. If a question is directed to a witness who cannot answer the question, redirect the question to a person who can answer it.
- C. For any requests with subparts, provide a complete separate response to each subpart.

D. Data requests apply to all responsive information and documents (if not privileged) in your control or the control of your attorneys, witnesses, or other agents.

E. With respect to any document or communication for which you claim a privilege, identify the document or communication, including the general subject matter, but not the substance, state the privilege involved and also state the factual and legal basis for the privilege.

F. These data requests are to be construed broadly to elicit all requested information that is discoverable under the MPSC's Rules of Practice and Procedure and the Michigan Court Rules. Accordingly:

- the present tense shall be read to include the past tense and the past tense shall be read to include the present tense; and
- the singular shall be read to include the plural and the plural shall be read to include the singular.

G. If you believe a question or data request is ambiguous, please ask counsel for Staff to clarify the question as soon as possible.

H. Where your response to any question or data request is based on assumptions or requires you to refer to any work paper, study, or other analysis, please describe the assumptions and provide the work paper, study, or analyses.

I. If any responsive information or document is not in your control, but you know or believe that it exists, please identify the information or document and indicate, to the best of your ability, the document's location and custodian.

J. If there are any documents that have been destroyed or are unavailable, which would otherwise have been provided, please identify and describe the following:

- the subject matter and content of the document;
- the date the document was destroyed or removed; and
- the reasons the document was destroyed or is unavailable.

K. These requests are continuing and require further and supplemental responses if you receive or generate additional information within the scope of these requests between the time of the original responses and the close of the record in this case.

L. If, for good cause, you cannot provide a timely answer to a question, provide an estimated response date.

DEFINITIONS

A. The term "break out" means to separate an amount, figure, or data set into its component parts to identify and classify, where appropriate, each component part.

B. The term “communication” includes all mediums of communication, including written, printed, electronic, verbal, or pictorial, no matter how it is transmitted.

C. The term “copy” means any reproduction, in whole or in part, of an original document.

D. The definition of “document” in MCR 2.310(A)(1) applies to the term “document” as it is used in Staff’s discovery requests, no matter how the document is stored, produced, reproduced, or transmitted.

E. The term “each” includes the term “every” and “every” includes the term “each.” The term “any” includes the term “all” and “all” includes the term “any.” The term “and” includes the term “or” and “or” includes the term “and.”

F. The terms “relating to” or “related to” means being in any way relevant to, commenting on, consisting of, referring to, composing, comprising, discussing, evidencing, identifying, involving, reflecting, or underlying.

G. The terms “state,” “describe,” and “explain” call for answers independent from any documents that are required in response to a request. The answer should be in a form (e.g., narrative, tabular, etc.) appropriate to a complete response to the request.

H. The terms “you” and “your” refer to the Consumers Energy Company.

**INTERROGATORIES AND
REQUESTS FOR PRODUCTION OF DOCUMENTS**

21. Relating to “Investor Meetings April 5-7, 2017” Presentation
(Attachment #1) Slide #9, entitled “O&M Cost Performance Helps to Fund . . .” and
the box describing the source as “SNL, Form 1, Electric Non-Fuel O&M”:

- a. please provide total actual costs by year from 2006 thru 2016
and tie the costs to the statement: “-3%/yr (thru 2016).”
- b. for 2011 thru 2016, please break out and tie the yearly amounts
provided in question 1(a) to the categories of expenses provided
to Staff in case U-17990 in response to Staff Request #: 005
(Attachment #2). Please also tie the categories of expense to the
MPSC P-521 for years 2011 thru 2016.

22. Relating to the Company’s 2011 through 2016 SEC filed 10-k’s,
(Attachment #3), please provide the Electric utility income statements that tie to
the following “Net Income Available to Common Stockholders” taken from
Attachment #3:

- a. \$333 million for 2011.
- b. \$325 million for 2012.
- c. \$363 million for 2013.
- d. \$384 million for 2014.
- e. \$437 million for 2015.

f. \$458 million for 2016.

23. Relating to question 2, for all years, please break out and tie the expense portion of the income statements to the categories of expense shown on Attachment #2.

24. Relating to “Investor Meetings April 5-7, 2017” Presentation Slide #9 entitled “O&M Cost Performance Helps to Fund . . .” and the box entitled “New Annual Cost Savings”:

- a. please provide total projected costs for 2017-2019 and tie to “2% a year!”
- b. please tie projected 2017-2019 costs to a “Three-Year Average 2017-2019” reduction of “\$-20.”
- c. please tie the Company’s \$627,602,000 O&M expense projection to the Company’s projected costs from questions 4(a) and 4(b).
- d. please provide the income statements for 2017, 2018, and 2019 that tie to the total projected expenses from questions 4(a) and 4(b).
- e. relating to question 4(d), please break out and tie the expense portion of the income statements into the categories of expense shown on Attachment #2.

25. Relating to “Investor Meetings April 5-7, 2017” Presentation Slide #9, please indicate where in this case (either in whole or in part):

- a. “Good Business Decisions 2017-2019” and “Attrition” of \$-16 Million a year is presented and supported. Please provide the testimony references, exhibits, or workpapers that support your answer.
- b. “Good Business Decisions 2017-2019” and “Productivity” of \$-5 Million is presented and supported. Please provide the testimony references, exhibits, or workpapers that support your answer.
- c. “Good Business Decisions 2017-2019” and “Enhanced Capitalization” of \$-4 Million is presented and supported. Please provide the testimony references, exhibits, or workpapers that support your answer.
- d. “Good Business Decisions 2017-2019” and “Smart Meters” of \$-5 Million is presented and supported. Please provide the testimony references, exhibits, or workpapers that support your answer.
- e. “Consumers Energy Way” and “Work Management & Eliminate Waste” of \$-20 Million is presented and supported. Please provide the testimony references, exhibits, or workpapers that support your answer.

- f. “Increases” and “Mortality, Disc. Rates & Other” of \$0 is presented and supported. Please provide the testimony references, exhibits, or workpapers that support your answer.
- g. “Increases” and “Service Upgr./Inflation” of \$+30 Million is presented and supported. Please provide the testimony references, exhibits, or workpapers that support your answer.

26. In Attachment #2, line 35 under the heading “Reconciliation to Budget Data Book” accounts for “Unresolved Task in Budget.” Was there an amount of “Unresolved Task[s]” that was not included in Case No. U-18322? “Unresolved Task,” as the term is used in this question, is any amount shown in “Reconciliation to Budget Data Book” that would work as a reduction to the revenue requirement, such as the amount shown on line 35 of attachment #2.

27. Relating to “Investor Meetings April 5-7, 2017” Slide #29, does the rate case include any of the following assumptions?

- a. Lower federal tax rate at 15% (vs. 35%)?
- b. Loss of interest deductibility on any debt?
- c. Loss of state income tax deductibility?
- d. Retention of property tax deductibility?
- e. 100% asset expensing?

28. If the answer to any of questions 7(a) through 7(e) is yes, please detail the impact of that assumption on this case.

Respectfully submitted,

**MICHIGAN PUBLIC SERVICE COMMISSION
STAFF**

Spencer A. Sattler (P70524)
Amit T. Singh (P75492)
Meredith R. Beidler (P78256)
Monica M. Stephens (P73782)
Assistant Attorneys General
Public Service Division
7109 W. Saginaw Hwy., 3rd Floor
Lansing, MI 48917

DATED: May 2, 2017
18322/Discovery/2nd Disc Req to CEC

A CMS Energy Company

May 17, 2017

Via U.S. and Electronic Mail

Spencer A. Sattler, Esq.
Assistant Attorney General
7109 West Saginaw Highway
Post Office Box 30221
Lansing, MI 48909

General Offices:
One Energy Plaza
Jackson, MI 49201
Tel: (517) 788-0550
Fax: (517) 768-3644

*Washington Office:
1730 Rhode Island Ave. N.W.
Suite 1007
Washington, DC 20036
Tel: (202) 778-3340
Fax: (202) 778-3355

Writer's Direct Dial Number: (517) 788-0835
Writer's E-mail Address: bret.totoraitis@cmsenergy.com

LEGAL DEPARTMENT
CATHERINE M REYNOLDS
Senior Vice President
and General Counsel

MELISSA M GLEESPEEN
Vice President, Corporate
Secretary and Chief
Compliance Officer

SHAUN M JOHNSON
Vice President and Deputy
General Counsel

H Richard Chambers
Eric V Luoma
Shelley J Ruckman
Kimberly C Wilson
Assistant General Counsel

Ashley L Bancroft
Robert W Beach
Don A D'Amato
Robert A. Farr
Gary A Gensch, Jr.
Kelly M Hall
Gary L Kelterborn
Chantez P Knowles
Mary Jo Lawrie
Jason M Miltstone
Rhonda M Morris
Deborah A Moss*
Mirce Michael Nestor
James D W Roush
Scott J Sinkwitz
Adam C Smith
Janae M Thayer
Bret A Totoraitis
Anne M Uitylugt
Attorney

Re: MPSC Case No. U-18322 - In the matter of the application of Consumers Energy Company for authority to increase its rates for the generation and distribution of electricity and for other relief.

Dear Mr. Sattler:

Enclosed are the Company's responses to discovery questions 18322-ST-CE-25 through 27 and 30 through 32. These responses are being served in hard copy format only on the requesting party. The requesting party and all others will be served with the discovery responses by e-mail. [NOTE: The Excel attachment(s) pertaining to Response No(s). 25 and 26 are being provided via e-mail to all parties.] In an effort to save time in preparing responses to discovery requests, all responses will no longer be notarized.

In providing these responses, the Company does not necessarily concede that the requested information is relevant or material to these proceedings. The Company therefore specifically reserves the right to raise objections to the introduction into evidence, through cross-examination or otherwise, of any material supplied pursuant to a discovery request.

The Company intends to supplement a prior response if it becomes aware of a relevant and material error in the response. The Company also intends to supplement a prior response if it becomes aware that there has been a significant change in circumstances unknown to the requesting party which would substantially alter a prior response in a manner which is material and relevant to this case. However, the Company does not keep prior responses under continuous review.

Enclosed with this transmittal is a copy of your May 2, 2017 interrogatories with our internal numbering system annotated in the margins. This will assist you in cross-referencing and tracking our responses.

Sincerely,

Digitally signed by
Bret A. Totoraitis
Date: 2017.05.17
16:39:09 -04'00'

Bret A. Totoraitis

CC Hon. Sharon L. Feldman, ALJ (letter and proof of service only via e-mail)
Kavita Kale, Executive Secretary (letter & proof of service via e-file)
Kevin Higgins (letter & responses via e-mail), khiggins@energystrat.com (& Hard C. of KRO Reqs)+Excels/Disks
Parties of Record

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 the
generation and distribution of electricity
and for other relief.

Case No. **U-18322**
(e-file paperless)

**MICHIGAN PUBLIC SERVICE COMMISSION STAFF'S
SECOND DISCOVERY REQUEST TO
CONSUMERS ENERGY COMPANY**

The Michigan Public Service Commission Staff, by its attorneys, Spencer A. Sattler, Amit T. Singh, Meredith R. Beidler, and Monica M. Stephens submits the following discovery request to Consumers Energy Company in accordance with MCR 2.309, MCR 2.310, and Rule 423 of the Commission's Rules of Practice and Procedure.

INSTRUCTIONS

- A. Each discovery request must be answered separately and fully in writing under oath, and each answer should identify the person responsible for the answer.
- B. If a question is directed to a witness who cannot answer the question, redirect the question to a person who can answer it.
- C. For any requests with subparts, provide a complete separate response to each subpart.

D. Data requests apply to all responsive information and documents (if not privileged) in your control or the control of your attorneys, witnesses, or other agents.

E. With respect to any document or communication for which you claim a privilege, identify the document or communication, including the general subject matter, but not the substance, state the privilege involved and also state the factual and legal basis for the privilege.

F. These data requests are to be construed broadly to elicit all requested information that is discoverable under the MPSC's Rules of Practice and Procedure and the Michigan Court Rules. Accordingly:

- the present tense shall be read to include the past tense and the past tense shall be read to include the present tense; and
- the singular shall be read to include the plural and the plural shall be read to include the singular.

G. If you believe a question or data request is ambiguous, please ask counsel for Staff to clarify the question as soon as possible.

H. Where your response to any question or data request is based on assumptions or requires you to refer to any work paper, study, or other analysis, please describe the assumptions and provide the work paper, study, or analyses.

I. If any responsive information or document is not in your control, but you know or believe that it exists, please identify the information or document and indicate, to the best of your ability, the document's location and custodian.

J. If there are any documents that have been destroyed or are unavailable, which would otherwise have been provided, please identify and describe the following:

- the subject matter and content of the document;
- the date the document was destroyed or removed; and
- the reasons the document was destroyed or is unavailable.

K. These requests are continuing and require further and supplemental responses if you receive or generate additional information within the scope of these requests between the time of the original responses and the close of the record in this case.

L. If, for good cause, you cannot provide a timely answer to a question, provide an estimated response date.

DEFINITIONS

A. The term "break out" means to separate an amount, figure, or data set into its component parts to identify and classify, where appropriate, each component part.

B. The term “communication” includes all mediums of communication, including written, printed, electronic, verbal, or pictorial, no matter how it is transmitted.

C. The term “copy” means any reproduction, in whole or in part, of an original document.

D. The definition of “document” in MCR 2.310(A)(1) applies to the term “document” as it is used in Staff’s discovery requests, no matter how the document is stored, produced, reproduced, or transmitted.

E. The term “each” includes the term “every” and “every” includes the term “each.” The term “any” includes the term “all” and “all” includes the term “any.” The term “and” includes the term “or” and “or” includes the term “and.”

F. The terms “relating to” or “related to” means being in any way relevant to, commenting on, consisting of, referring to, composing, comprising, discussing, evidencing, identifying, involving, reflecting, or underlying.

G. The terms “state,” “describe,” and “explain” call for answers independent from any documents that are required in response to a request. The answer should be in a form (e.g., narrative, tabular, etc.) appropriate to a complete response to the request.

H. The terms “you” and “your” refer to the Consumers Energy Company.

**INTERROGATORIES AND
REQUESTS FOR PRODUCTION OF DOCUMENTS**

18322-ST-CE-25

21. Relating to “Investor Meetings April 5-7, 2017” Presentation

(Attachment #1) Slide #9, entitled “O&M Cost Performance Helps to Fund . . .” and the box describing the source as “SNL, Form 1, Electric Non-Fuel O&M”:

- a. please provide total actual costs by year from 2006 thru 2016 and tie the costs to the statement: “-3%/yr (thru 2016).”
- b. for 2011 thru 2016, please break out and tie the yearly amounts provided in question 1(a) to the categories of expenses provided to Staff in case U-17990 in response to Staff Request #: 005 (Attachment #2). Please also tie the categories of expense to the MPSC P-521 for years 2011 thru 2016.

18322-ST-CE-26

22. Relating to the Company’s 2011 through 2016 SEC filed 10-k’s,

(Attachment #3), please provide the Electric utility income statements that tie to the following “Net Income Available to Common Stockholders” taken from Attachment #3:

- a. \$333 million for 2011.
- b. \$325 million for 2012.
- c. \$363 million for 2013.
- d. \$384 million for 2014.
- e. \$437 million for 2015.

f. \$458 million for 2016.

18322-ST-CE-27 23. Relating to question 2, for all years, please break out and tie the expense portion of the income statements to the categories of expense shown on Attachment #2.

18322-ST-CE-28 24. Relating to "Investor Meetings April 5-7, 2017" Presentation Slide #9 entitled "O&M Cost Performance Helps to Fund . . ." and the box entitled "New Annual Cost Savings":

- a. please provide total projected costs for 2017-2019 and tie to "2% a year!"
- b. please tie projected 2017-2019 costs to a "Three-Year Average 2017-2019" reduction of "\$-20."
- c. please tie the Company's \$627,602,000 O&M expense projection to the Company's projected costs from questions 4(a) and 4(b).
- d. please provide the income statements for 2017, 2018, and 2019 that tie to the total projected expenses from questions 4(a) and 4(b).
- e. relating to question 4(d), please break out and tie the expense portion of the income statements into the categories of expense shown on Attachment #2.

18322-ST-CE-29 25. Relating to "Investor Meetings April 5-7, 2017" Presentation Slide #9, please indicate where in this case (either in whole or in part):

- a. “Good Business Decisions 2017-2019” and “Attrition” of \$-16 Million a year is presented and supported. Please provide the testimony references, exhibits, or workpapers that support your answer.
- b. “Good Business Decisions 2017-2019” and “Productivity” of \$-5 Million is presented and supported. Please provide the testimony references, exhibits, or workpapers that support your answer.
- c. “Good Business Decisions 2017-2019” and “Enhanced Capitalization” of \$-4 Million is presented and supported. Please provide the testimony references, exhibits, or workpapers that support your answer.
- d. “Good Business Decisions 2017-2019” and “Smart Meters” of \$-5 Million is presented and supported. Please provide the testimony references, exhibits, or workpapers that support your answer.
- e. “Consumers Energy Way” and “Work Management & Eliminate Waste” of \$-20 Million is presented and supported. Please provide the testimony references, exhibits, or workpapers that support your answer.

- f. “Increases” and “Mortality, Disc. Rates & Other” of \$0 is presented and supported. Please provide the testimony references, exhibits, or workpapers that support your answer.
- g. “Increases” and “Service Upgr./Inflation” of \$+30 Million is presented and supported. Please provide the testimony references, exhibits, or workpapers that support your answer.

18322-ST-CE-30 26. In Attachment #2, line 35 under the heading “Reconciliation to Budget Data Book” accounts for “Unresolved Task in Budget.” Was there an amount of “Unresolved Task[s]” that was not included in Case No. U-18322? “Unresolved Task,” as the term is used in this question, is any amount shown in “Reconciliation to Budget Data Book” that would work as a reduction to the revenue requirement, such as the amount shown on line 35 of attachment #2.

18322-ST-CE-31 27. Relating to “Investor Meetings April 5-7, 2017” Slide #29, does the rate case include any of the following assumptions?

- a. Lower federal tax rate at 15% (vs. 35%)?
- b. Loss of interest deductibility on any debt?
- c. Loss of state income tax deductibility?
- d. Retention of property tax deductibility?
- e. 100% asset expensing?

18322-ST-CE-32

28. If the answer to any of questions 7(a) through 7(e) is yes, please detail the impact of that assumption on this case.

Respectfully submitted,

**MICHIGAN PUBLIC SERVICE COMMISSION
STAFF**



Spencer A. Sattler (P70524)
Amit T. Singh (P75492)
Meredith R. Beidler (P78256)
Monica M. Stephens (P73782)
Assistant Attorneys General
Public Service Division
7109 W. Saginaw Hwy., 3rd Floor
Lansing, MI 48917

DATED: May 2, 2017

18322/Discovery/2nd Disc Req to CEC

Attachment #2

MPSC AUDIT REQUEST

CASE NO: U-17990
DATE OF REQUEST: 03/08/16
NO. RFN-1
REQUESTED BY: Robert F. Nichols
DATE OF RESPONSE: 03/22/16
RESPONDENT: Andrew Denato and Jason Shore

Question:

1. Regarding Schedule C5: Please complete the provided Excel attachment "C5 Worksheet Attachment". This is partially completed from U-17735 Audit Request RFN-3 Q103. Please update to include 2016 and 2017 budget amounts, 2014 and 2015 actual amounts, and U-17735 ordered amount.

Answer:

1. See attached.

Michigan Public Service Commission
Consumers Energy Company - Electric
Staff's 2nd Discovery to Consumers Energy

MICHIGAN PUBLIC SERVICE COMMISSION

Consumers Energy Company
Projected Other O&M Expense ⁽¹⁾
(000)

S-11.2

Case No. U-17990
Audit Request RFN-1
Worksheet Attachment
Date: March 2018
Page 1 of 1

		Budget*					Actual					U-16794 (YE 9/30/12)		U-17087 (YE 12/31/13)			U-17735 (YE 5/31/16)		U-17990 (YE 8/31/17)	
Line	Description	2013	2014	2015	2016	2017	2011	2012	2013	2014	Preliminary 2015	Requested	Ordered	Requested	Ordered**	Actual 2013	Requested	Ordered***	Requested	
	(a.)																			
1	Electric Distribution	\$194,895	\$216,528	\$212,657	\$222,200	\$224,673	\$233,452	\$234,775	\$252,589	\$240,092	\$218,941	\$ 219,961	\$ 211,511	\$ 233,661	\$ 218,853	\$ 252,589	\$ 239,439	\$ 230,239	\$ 236,353	
2	Fossil & Hydro Generation	158,156	160,589	159,098	156,043	147,824	185,325	180,737	163,380	160,730	150,617	186,350	167,684	164,263	164,263	163,380	176,827	138,372	148,793	
3	Business Technology Solutions / IT Department	34,433	39,776	40,586	43,253	44,994	32,687	44,015	36,328	49,921	47,731	32,834	32,170	36,238	36,238	36,328	41,411	41,411	43,326	
4	Smart Energy Program	11,013	7,331	9,357	12,274	0	1,094	4,221	9,051	6,439	8,084	7,072	4,000	8,134	6,971	9,051	14,238	14,238	13,762	
5	Pension	47,384	30,317	42,057	36,318	24,559	40,681	40,210	46,199	23,927	37,566	40,638	40,638	47,362	47,362	46,199	37,447	37,447	21,244	
6	SERP	5,706	5,838	6,493	5,856	3,016	4,383	5,337	4,221	4,997	6,535			4,056		4,221	4,588		2,422	
7	DC SERP	198	211	154	234	242	153	171	152	270	224			134		152	159		239	
8	Defined Company Contribution Plan	3,841	4,609	5,297	5,849	7,183	2,691	3,103	3,793	4,891	5,701	3,931	3,931	3,841	3,841	3,793	5,738	5,738	7,469	
9	401 (K) Savings Plan	6,844	7,328	6,940	6,615	7,789	6,467	6,538	6,682	6,873	7,007	6,721	6,721	6,814	6,814	6,682	7,012	7,012	7,674	
10	Active Health Care/ Insurance/ LTD	31,980	27,053	26,962	25,338	25,728	28,571	27,211	26,122	25,637	24,637	30,451	30,451	32,219	32,219	26,122	27,534	27,534	28,012	
11	Retiree Health Care and Life Insurance	23,975	(12,392)	(6,661)	(4,222)	(5,545)	29,505	29,626	6,614	(16,814)	(8,058)	25,250	25,250	30,505	30,505	6,614	(9,223)	(9,223)	(12,365)	
12	Corporate	46,553	51,499	56,411	49,402	51,606	38,347	43,273	51,331	58,333	47,559	30,085	28,090	37,014	36,021	51,331	54,285	51,781	53,480	
13	Uncollectibles	27,087	27,100	24,221	24,373	22,044	33,230	23,922	32,594	33,324	28,240	32,346	31,746	27,737	25,162	32,594	30,799	25,299	26,913	
14	Injuries & Damages	5,364	5,155	5,337	5,777	5,779	5,474	3,789	4,682	6,829	3,067	4,985	3,880	5,450	5,450	4,682	4,653	4,653	4,531	
15	Accounts Receivable Sale Costs	826	1,105	739	0	0	703	737	721	752	655	1,082	1,082	1,385	1,385	721	714	714	-	
16	Jobwork Expense	7,527	7,051	7,491	11,400	13,204	6,922	7,078	7,518	7,874	9,295	7,661	7,661	6,794	6,794	7,518	7,535	7,535	9,039	
17	Incentive Compensation	10,074	12,441	13,360	12,765	17,870	4,755	9,295	9,496	10,634	13,768			9,017	0	9,496	12,807	5,307	14,377	
18	Other O&M Expense											(212)	(212)	(143)	(1,051)					
19	Projected Other O&M Expense	\$617,656	\$591,539	\$613,314	\$613,475	\$590,966	\$654,440	\$664,039	\$661,473	\$624,908	\$601,569	\$ 629,155	\$ 594,593	\$ 654,481	\$ 620,827	\$ 661,473	\$ 655,963	\$ 588,057	\$ 607,269	

(1) Beginning in 2016, O&M expenses include expenses associated with Jackson Gas Plant as recovery was authorized in U-17735 Final Order issued on November 19, 2015.

*Note: Budget O&M dollars are reviewed by the Board of Directors. Budget and Actual dollars were adjusted to conform to the O&M format provided in the audit question. Adjustments include removal of items not in general rates, as reconciled below.

**Authorized numbers based on amounts in the case record.

*** The removal of the Classic 7 is included in the Fossil and Hydro Generation amount

Reconciliation to Budget Data Book / Actual

20	Adjusted Other O&M Expense (From Above)	\$17,656	\$91,539	\$13,314	\$13,475	\$90,966	\$54,440	\$64,039	\$61,473	\$24,908	\$01,569								
21	Add Energy Efficiency	68,897	75,008	76,892	77,348	78,708	49,114	66,848	69,170	74,726	76,039								
22	Add LIEAF/LIEEF/VHWF	-	21,219	21,300	20,959	21,032	26,536	13,498	7,058	21,050	20,895								
23	Add Top 5 EICP & Restricted Stock	4,883	3,975	4,676	8,180	8,880	4,125	5,362	6,489	5,486	7,879								
24	Add MDNR Fees (Generation)	-	820	815	-	-	383	814	-	820	815								
25	Add Corp Giving / Advertising	482	482	482	482	482	482	482	559	482	482								
26	Add VSP	-	-	-	-	-	327	7,705	(1)	-	-								
27	Add UA Amortization	-	-	-	-	-	818	1,658	-	-	-								
28	Add Renewables O&M (includes Lake Winds amort)	3,750	3,144	7,229	10,499	10,915	734	3,216	2,349	2,006	8,032								
29	Add Clean Coal Plant Recovery	-	-	-	-	-	-	(14,450)	-	-	-								
30	Add Monthly Major Maintenance Deferral Amortization	(3,443)	2,382	7,915	-	-	-	(5,490)	(4,344)	1,785	7,974								
31	Add Spent Nuclear Fuel Credit	-	-	-	-	-	-	(12,085)	-	-	-								
32	Less A/R Sale Cost if not in Financial, (2010-2011)	-	-	-	-	-	(703)	-	-	-	-								
33	Add Benefits adj (Exec from SERP & DB SERP)	-	-	-	-	-	-	-	2,444	-	-								
34	Other Adjustments	-	-	(587)	2,207	(323)	(420)	9	10,557	128	(126)								
35	Unresolved Task in Budget	-	-	(12,000)	(20,000)	(13,000)	-	-	-	-	-								
36	Subtotal	74,369	107,030	106,722	99,675	106,694	81,397	67,570	94,281	106,483	121,990								
37	Budget Data Book / Actual	692,025	696,569	720,037	713,150	697,660	735,837	731,609	755,753	731,391	723,559								

Attachment #3

CMS Energy Consolidated Results of Operations

<i>In Millions, Except Per Share Amounts</i>			
Years Ended December 31	2016	2015	2014
Net Income Available to Common Stockholders	\$ 551	\$ 523	\$ 477
Basic Earnings Per Share	\$ 1.99	\$ 1.90	\$ 1.76
Diluted Earnings Per Share	\$ 1.98	\$ 1.89	\$ 1.74

<i>In Millions</i>						
Years Ended December 31	2016	2015	Change	2015	2014	Change
Electric utility	\$ 458	\$ 437	\$ 21	\$ 437	\$ 384	\$ 53
Gas utility	155	154	1	154	179	(25)
Enterprises	17	4	13	4	(1)	5
Corporate interest and other	(79)	(72)	(7)	(72)	(85)	13
Net Income Available to						
Common Stockholders	\$ 551	\$ 523	\$ 28	\$ 523	\$ 477	\$ 46

CMS Energy Consolidated Results of Operations

	<i>In Millions, Except Per Share Amounts</i>		
Years Ended December 31	2015	2014	2013
Net Income Available to Common Stockholders	\$ 523	\$ 477	\$ 452
Basic Earnings Per Share	\$ 1.90	\$ 1.76	\$ 1.71
Diluted Earnings Per Share	\$ 1.89	\$ 1.74	\$ 1.66

	<i>In Millions</i>					
Years Ended December 31	2015	2014	Change	2014	2013	Change
Electric utility	\$ 437	\$ 384	\$ 53	\$ 384	\$ 363	\$ 21
Gas utility	154	179	(25)	179	168	11
Enterprises	4	(1)	5	(1)	2	(3)
Corporate interest and other	(72)	(85)	13	(85)	(81)	(4)
Net Income Available to Common Stockholders	\$ 523	\$ 477	\$ 46	\$ 477	\$ 452	\$ 25

Presented in the following table are specific after-tax changes to net income available to common stockholders for 2015 versus 2014:

CMS ENERGY CONSOLIDATED RESULTS OF OPERATIONS

	<i>In Millions, Except Per Share Amounts</i>		
Years Ended December 31	2013	2012	2011
Net Income Available to Common Stockholders	\$ 452	\$ 382	\$ 415
Basic Earnings Per Share	\$ 1.71	\$ 1.46	\$ 1.66
Diluted Earnings Per Share	\$ 1.66	\$ 1.42	\$ 1.58

	<i>In Millions</i>					
Years Ended December 31	2013	2012	Change	2012	2011	Change
Electric utility	\$ 363	\$ 325	\$ 38	\$ 325	\$ 333	\$ (8)
Gas utility	168	110	58	110	130	(20)
Enterprises	2	16	(14)	16	32	(16)
Corporate interest and other	(81)	(76)	(5)	(76)	(82)	6
Discontinued operations	—	7	(7)	7	2	5
Net Income Available to Common Stockholders	\$ 452	\$ 382	\$ 70	\$ 382	\$ 415	\$ (33)

RESULTS OF OPERATIONS

CMS ENERGY'S CONSOLIDATED RESULTS OF OPERATIONS

Years Ended December 31

	<u>2011</u>	<u>2010</u>	<u>2009</u>
	<u>In Millions, Except Per</u>		
	<u>Share Amounts</u>		
Net Income Available to Common Stockholders	\$ 415	\$ 324	\$ 218
Basic Earnings Per Share	\$1.66	\$1.40	\$0.96
Diluted Earnings Per Share	\$1.58	\$1.28	\$0.91

Years Ended December 31

	<u>2011</u>	<u>2010</u>	<u>Change</u>	<u>2010</u>	<u>2009</u>	<u>Change</u>
	<u>In Millions</u>					
Electric utility	\$333	\$ 303	\$ 30	\$ 303	\$194	\$ 109
Gas utility	130	127	3	127	96	31
Enterprises	32	36	(4)	36	(7)	43
Corporate interest and other	(82)	(119)	37	(119)	(85)	(34)
Discontinued operations	2	(23)	25	(23)	20	(43)
Net Income Available to Common Stockholders	\$415	\$ 324	\$ 91	\$ 324	\$218	\$ 106

18322-ST-CE-25


Question:

21. Relating to “Investor Meetings April 5-7, 2017” Presentation (Attachment #1) Slide #9, entitled “O&M Cost Performance Helps to Fund . . .” and the box describing the source as “SNL, Form 1, Electric Non-Fuel O&M”:
- a. please provide total actual costs by year from 2006 thru 2016 and tie the costs to the statement: “-3%/yr (thru 2016).”
 - b. for 2011 thru 2016, please break out and tie the yearly amounts provided in question 1(a) to the categories of expenses provided to Staff in case U-17990 in response to Staff Request #: 005 (Attachment #2). Please also tie the categories of expense to the MPSC P-521 for years 2011 thru 2016.

Response:

- 21.
- a. See attachment A.
 - b. See attachment A. The Company is unable to break out and tie the yearly amounts by category. However, total Electric O&M amounts reflected in the investor meeting slide is comparable to the Company’s response Staff Request #005 in case U17990 Line 37 – Budget Data Book / Actual.
See attachment B as an example (for 2015) of total O&M reflected in the presentation slide #9 reconciled to FERC Form 1 reporting.

(NOTE: Attached is document numbered 32200047.)



Andrew Denato
May 15, 2017

Corporate Accounting and Reporting

	2006	2007	2008	2009	2010	2011	2012	2013	2014	2015	2016
	(mils)	(mils)	(mils)	(mils)	(mils)	(mils)	(mils)	(mils)	(mils)	(mils)	(mils)
<u>Electric Utility</u>											
Subtotal	\$ (598)	\$ (544)	\$ (570)	\$ (615)	\$ (636)	\$ (681)	\$ (670)	\$ (683)	\$ (647)	\$ (630)	\$ (593)
Coal Plant Recovery	-	-	-	-	(22)	-	14	-	-	-	-
Major Maintenance Deferral	-	-	-	-	-	-	5	4	(2)	(8)	-
Palisades	(130)	(38)	-	-	-	-	-	-	-	-	-
MCV	(48)	(37)	17	-	-	-	-	-	-	-	-
Energy Efficiency	-	-	-	(23)	(34)	(49)	(67)	(69)	(75)	(76)	(77)
Job work	(30)	(24)	(11)	(9)	(8)	(7)	(7)	(8)	(8)	(9)	(9)
Total Electric	\$ (806)	\$ (644)	\$ (565)	\$ (646)	\$ (699)	\$ (737)	\$ (724)	\$ (756)	\$ (731)	\$ (724)	\$ (679)

Electric Non-Fuel O&M
(CAGR)
2016 2006
\$593M vs \$806M
(3)% Annually

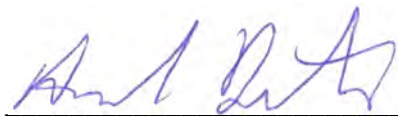
18322-ST-CE-26

Question:

22. Relating to the Company's 2011 through 2016 SEC filed 10-k's, (Attachment #3), please provide the Electric utility income statements that tie to the following "Net Income Available to Common Stockholders" taken from Attachment #3:
- a. \$333 million for 2011.
 - b. \$325 million for 2012.
 - c. \$363 million for 2013.
 - d. \$384 million for 2014.
 - e. \$437 million for 2015.
 - f. \$458 million for 2016.

Response:

22. See attached.



Andrew Denato
May 15, 2017

Corporate Accounting and Reporting

18322-ST-CE-27

Question:

23. Relating to question 2, for all years, please break out and tie the expense portion of the income statements to the categories of expense shown on Attachment #2.

Response:

23. The categories of expense shown on Attachment #2 will not tie to the income statement provided in the Company's response to discovery CE-26. Attachment #2 reflects O&M expense categories used in ratemaking, while the income statement for CE-26 is based on financial expense (GAAP). However the "Other Operating Expense" line of the electric income statement shown on CE-26 ties to the total "Budget Data Book / Actual" expense on line 37 of Attachment #2.



Andrew Denato
May 15, 2017

Corporate Accounting and Reporting

18322-ST-CE-30

Question:

26. In Attachment #2, line 35 under the heading “Reconciliation to Budget Data Book” accounts for “Unresolved Task in Budget.” Was there an amount of “Unresolved Task[s]” that was not included in Case No. U-18322? “Unresolved Task,” as the term is used in this question, is any amount shown in “Reconciliation to Budget Data Book” that would work as a reduction to the revenue requirement, such as the amount shown on line 35 of attachment #2.

Response:

26. The amount shown on line 35 of attachment #2 represents O&M reductions for which the specific line items have not been identified. The Company’s expectation is that the amount represents reasonable and necessary expenditures needed to meet its O&M obligations.

See Company’s response to Staff Audit Request #24 in this case. The need for the projected O&M expense requested in this case is supported by witness testimony and exhibits. Task is a term used in the development of budgets and is not utilized in the development of a rate case. As the Commission noted in the November 19, 2015 Order in case number U-17335, a utility’s annual budget and a rate case filing serve different purposes. The O&M dollars projected in this case are reasonable and necessary amounts to be recovered in electric rates.



Andrew Denato
May 15, 2017

Corporate Accounting and Reporting

MPSC Case No. U-18322
Consumers Energy Company's Response to
Staff's Second Discovery Request

18322-ST-CE-31:

27. Relating to "Investor Meetings April 5-7, 2017" Slide #29, does the rate case include any of the following assumptions?

- a. Lower federal tax rate at 15% (vs. 35%)?
- b. Loss of interest deductibility on any debt?
- c. Loss of state income tax deductibility?
- d. Retention of property tax deductibility?
- e. 100% asset expensing?

Response:

- a. No
- b. No
- c. No
- d. Yes
- e. No



Brian VanBlarcum
May 11, 2017

Corporate Tax Department

MPSC Case No. U-18322
Consumers Energy Company's Response to
Staff's Second Discovery Request

18322-ST-CE-32:

28. If the answer to any of questions 7(a) through 7(e) is yes, please detail the impact of that assumption on this case.

Response:

- d. Property taxes are deductible under current tax law. The Company utilized current tax law in preparing U-18322. Therefore, the rate case assumes the retention of property tax deductibility for income tax purposes.



Brian VanBlarcum

May 11, 2017

Corporate Tax Department

A CMS Energy Company

General Offices:
One Energy Plaza
Jackson, MI 49201
Tel: (517) 788-0550
Fax: (517) 768-3644

*Washington Office:
1730 Rhode Island Ave. N.W.
Suite 1007
Washington, DC 20036
Tel: (202) 778-3340
Fax: (202) 778-3355

Writer's Direct Dial Number: (517) 788-0835
Writer's E-mail Address: bret.totoraitis@cmsenergy.com

LEGAL DEPARTMENT
CATHERINE M REYNOLDS
Senior Vice President
and General Counsel

MELISSA M GLEESPEEN
Vice President, Corporate
Secretary and Chief
Compliance Officer

SHAUN M JOHNSON
Vice President and Deputy
General Counsel

H Richard Chambers
Eric V Luoma
Shelley J Ruckman
Kimberly C Wilson
Assistant General Counsel

Ashley L Bancroft
Robert W Beach
Don A D'Amato
Robert A. Farr
Gary A Gensch, Jr.
Kelly M Hall
Gary L Kelterborn
Chantez P Knowles
Mary Jo Lawrie
Jason M Milstone
Rhonda M Morris
Deborah A Moss*
Mirce Michael Nestor
James D W Roush
Scott J Sinkwits
Adam C Smith
Janae M Thayer
Bret A Totoraitis
Anne M Uitvlugt
Attorney

May 22, 2017

Via U.S. and Electronic Mail

Spencer A. Sattler, Esq.
Assistant Attorney General
7109 West Saginaw Highway
Post Office Box 30221
Lansing, MI 48909

Re: MPSC Case No. U-18322 - In the matter of the application of Consumers Energy Company for authority to increase its rates for the generation and distribution of electricity and for other relief.


Dear Mr. Sattler:

Enclosed are the Company's responses to discovery questions 18322-ST-CE-28 and 29. These responses are being served in hard copy format only on the requesting party. The requesting party and all others will be served with the discovery responses by e-mail. In an effort to save time in preparing responses to discovery requests, all responses will no longer be notarized.

In providing these responses, the Company does not necessarily concede that the requested information is relevant or material to these proceedings. The Company therefore specifically reserves the right to raise objections to the introduction into evidence, through cross-examination or otherwise, of any material supplied pursuant to a discovery request.

The Company intends to supplement a prior response if it becomes aware of a relevant and material error in the response. The Company also intends to supplement a prior response if it becomes aware that there has been a significant change in circumstances unknown to the requesting party which would substantially alter a prior response in a manner which is material and relevant to this case. However, the Company does not keep prior responses under continuous review.

Sincerely,

 Digitally signed by Bret
A. Totoraitis
Date: 2017.05.22
16:38:04 -04'00'

Bret A. Totoraitis

CC Hon. Sharon L. Feldman, ALJ (letter and proof of service only via e-mail)
Kavita Kale, Executive Secretary (letter & proof of service via e-file)
Sebastian Coppola (letter & responses via e-mail), sebcoppola@corplytics.com (& Hard C. of AG Reqs) +Excels/Disks
Kevin Higgins (letter & responses via e-mail), khiggins@energystrat.com (& Hard C. of KRO Reqs)+Excels/Disks
Jeffrey C. Pollock (letter & responses via e-mail), jcp@jpollockinc.com (& Hard C. of ABATE Reqs)+Excels/Disks
Parties of Record

18322-ST-CE-28

Question:

24. Relating to “Investor Meetings April 5-7, 2017” Presentation Slide #9, entitled “O&M Cost Performance Helps to Fund . . .” and the box entitled “New Annual Cost Savings”:
- a. please provide total projected costs for 2017-2019 and tie to “2% a year!”
 - b. please tie projected 2017-2019 costs to a “Three-Year Average 2017-2019” reduction of “\$-20.”
 - c. please tie the Company’s \$627,602,000 O&M expense projection to the Company’s projected costs from questions 4(a) and 4(b).
 - d. please provide the income statements for 2017, 2018, and 2019 that tie to the total projected expenses from questions 4(a) and 4(b).
 - e. relating to question 4(d), please break out and tie the expense portion of the income statements into the categories of expense shown on Attachment #2.

Response:

- 24.
- a. This is a projected 2% per year O&M savings from 2016. In 2016, total O&M, excluding spending on Energy Efficiency and job work, was \$948 million. The financial target for O&M excluding spending on Energy Efficiency and job work in 2019 is approximately \$895 million. The Company does not yet have an operational plan that aligns with this level of O&M spending reductions.
 - b. The difference between \$948 million in 2016 and \$895 million in 2019 is \$53 million. This is rounded to \$20 million per year savings for the slide.
 - c. The Company does not yet have an operating plan that supports the 2% per year spending reductions through 2019. The O&M expense projections submitted in the electric rate case align with the Company’s operating plan, which do not yet achieve 2% per year reductions. Therefore, it is not possible to reconcile the O&M request in the current electric case to this investor slide.
 - d. As discussed in the answer to 24(c), the Company does not yet have an operating plan that supports the 2% per year spending reductions through 2019. The O&M expense projections submitted in the electric rate case align with the Company’s operating plan, which do not yet achieve 2% per year reductions. Therefore, it is not possible to reconcile the O&M request in the current electric case to this investor slide.

- e. As discussed in the answer to 24(c), the Company does not yet have an operating plan that supports the 2% per year spending reductions through 2019. The O&M expense projections submitted in the electric rate case align with the Company's operating plan, which do not yet achieve 2% per year reductions. Therefore, it is not possible to reconcile the O&M request in the current electric case to this investor slide.



Andrew Denato
May 22, 2017

Corporate Accounting and Reporting

18322-ST-CE-29

Question:

25. Relating to “Investor Meetings April 5-7, 2017” Presentation Slide #9, please indicate where in this case (either in whole or in part):
- a. “Good Business Decisions 2017-2019” and “Attrition” of \$-16 Million a year is presented and supported. Please provide the testimony references, exhibits, or workpapers that support your answer.
 - b. “Good Business Decisions 2017-2019” and “Productivity” of \$-5 Million is presented and supported. Please provide the testimony references, exhibits, or workpapers that support your answer.
 - c. “Good Business Decisions 2017-2019” and “Enhanced Capitalization” of \$-4 Million is presented and supported. Please provide the testimony references, exhibits, or workpapers that support your answer.
 - d. “Good Business Decisions 2017-2019” and “Smart Meters” of \$-5 Million is presented and supported. Please provide the testimony references, exhibits, or workpapers that support your answer.
 - e. “Consumers Energy Way” and “Work Management & Eliminate Waste” of \$-20 Million is presented and supported. Please provide the testimony references, exhibits, or workpapers that support your answer.
 - f. “Increases” and “Mortality, Disc. Rates & Other” of \$0 is presented and supported. Please provide the testimony references, exhibits, or workpapers that support your answer.
 - g. “Increases” and “Service Upgr./Inflation” of \$+30 Million is presented and supported. Please provide the testimony references, exhibits, or workpapers that support your answer.

Response:

- 25.
- a. Attrition represents the cost savings the Company will sustain as it turns over its workforce. The Company will incur savings as it experiences retirements from higher paid employees with defined-benefit pension plans and replaces them with new hires who receive a defined-contribution retirement plan. These attrition savings are inherent in each witness’s cost projections, however the amount per organization is not available. The Company does not complete 5-year forecasts

that identify all attrition savings at a line item level, by organization. This slide is a high-level summary for investors and other key stakeholders that provides insight into how the Company has achieved historical costs savings as well as how it intends to continue to reduce costs into the future.

- b. Productivity primarily represents cost reduction the Company plans to achieve by shifting its owned generation fleet from coal to gas and renewables. The Company's smaller coal facilities ("Classic 7") were shut down in 2016 while the Jackson gas plant was purchased in 2016. Also, Cross Winds' first expansion is under construction and is expected to be in service early 2018. Some of these productivity savings are inherent in each witness's cost projections, however the amount per organization is not available. Some productivity savings are also not in witnesses' spending plans as the operational plan to deliver the savings in 2019 are still under development. The Company does not complete 5-year forecasts that identify all productivity savings at an organizational line item level. This slide is a high-level summary for investors and other key stakeholders that provides insight into how the Company has achieved historical costs savings as well as how it intends to continue to reduce costs into the future.
- c. Enhanced capitalization represents O&M cost reductions the Company plans to achieve through higher capitalization of spend. This includes implementation of programs, such as the Company's "pole top capitalization program," as well as increased capitalization of Administrative and General labor costs, as an increasing percentage of operational labor supports capital projects. Some of these O&M reductions are inherent in each witness's cost projections, however the amount per organization is not available. Some O&M savings from enhanced capitalization are also not in witnesses' spending plans as the operational plan to deliver the savings in 2019 are still under development. The Company does not complete 5-year forecasts that identify all productivity savings at an organizational line item level. This slide is a high-level summary for investors and other key stakeholders that provides insight into how the Company has achieved historical costs savings as well as how it intends to continue to reduce costs into the future.
- d. As seen in lines 33-35 of Exhibit A-82 (LDW-3), the Company projects approximately \$36 million in O&M savings due to Smart Energy. This is \$18 million more than the \$18 million savings experienced in 2016. This supports the estimated \$5 million per year savings 2017-2019 as shown in the slide.
- e. This primarily represents cost reductions the Company plans to achieve by implementing the Company's CE Way program. Some of these savings are inherent in each witness's cost projections, however the amount per organization is not available. Some CE Way savings are also not in witnesses' spending plans as the operational plan to deliver these savings in 2019 are still under development. The Company does not complete 5-year forecasts that identify all

CE Way savings at an organizational line item level. This slide is a high-level summary for investors and other key stakeholders that provides insight into how the Company has achieved historical costs savings as well as how it intends to continue to reduce costs into the future.

- f. This represents projected benefit cost increases in 2019 as supported by our actuaries at Aon Hewitt. At this time, Aon Hewitt does not project any cost increases, hence, no 2017-2019 increase is assigned to this line.
- g. This primarily represents other cost increases the Company projects to incur due to annual pay increases, cost inflation, service upgrades and other. These cost increases are inherent in each witness's cost projections, however the amount per organization is not available. The Company does not complete 5-year forecasts that identify all cost increases at an organizational line item level. This slide is a high-level summary for investors and other key stakeholders that provides insight into how the Company has achieved historical costs savings as well as how it intends to continue to reduce costs into the future.



Andrew Denato
May 22, 2017

Corporate Accounting and Reporting

BEFORE THE MICHIGAN PUBLIC SERVICE COMMISSION

Case No. **U-18322**
(**e-file paperless**)

[illegible]

Flora Champenois
Gabrielle Winick
fchampenois@earthjustice.org
gwinick@earthjustice.org

Michigan Cable**Telecommunications Ass'n**

David E.S. Marvin
Michael S. Ashton
Fraser Trebilcock Davis & Dunlap
124 W. Allegan St., Ste. 1000
Lansing, MI 48933
dmarvin@fraserlawfirm.com
mashton@fraserlawfirm.com

Attorney General, Special Litigation Unit

John A. Janiszewski
Joel B. King
Assistant Attorneys General
Environment, Natural Resources
and Agriculture Div.
G. Mennen Williams Bldg., 6th Floor
525 W. Ottawa St.; P.O. Box 30755
Lansing, MI 48909
janiszewskij2@michigan.gov
kingj38@michigan.gov
ag-enra-spec-lit@michigan.gov

**Wal-Mart Stores East, LP;
Sam's East, Inc.**

Melissa M. Horne
Higgins, Cavanagh & Cooney, PC
10 Dorrance St., 4th Floor
Providence, RI 02903
mhorne@hcc-law.com

**Michigan State Utility Workers
Council, Utility Workers Union of
America, AFL-CIO**

John R. Canzano
Patrick J. Rorai
423 N. Main St., Ste. 200
Royal Oak, MI 48067
jcanzano@michworklaw.com
prorai@michworklaw.com

Sierra Club

Michael Soules
1625 Massachusetts Ave N.W.
Ste. 702
Washington, DC 20036
msoules@earthjustice.org

The Kroger Co.

Kurt J. Boehm
Jody Kyler Cohn
Boehm, Kurtz & Lowry
36 E. Seventh St., Ste. 1510
Cincinnati, OH 45202
kboehm@bkllawfirm.com
jkylercohn@bkllawfirm.com

**Hemlock Semiconductor Operations
LLC;****Constellation NewEnergy, Inc.**

Jennifer Utter Heston
Fraser Trebilcock Davis & Dunlap, PC
124 W. Allegan St., Ste. 1000
Lansing, MI 48933
jheston@fraserlawfirm.com

**Association of Businesses
Advocating Tariff Equity;
Gerdau Macsteel, Inc.**

Michael J. Pattwell
Sean P. Gallagher
Clark Hill PLC
212 E. Grand River Ave.
Lansing, MI 48906
mpattwell@clarkhill.com
sgallagher@clarkhill.com
jcp@jpollockinc.com

Environmental Law & Policy Center

Margrethe K. Kearney
Environmental Law & Policy Center
1514 Wealthy St. SE, Suite 256
Grand Rapids, MI 49506
mkearney@elpc.org

Bradley Klein
Environmental Law & Policy Center
35 E. Wacker Dr., Suite 1600
Chicago, IL 60601
bklein@elpc.org

Kristin Field
kfield@elpc.org

**Midland Cogeneration Venture
Limited Partnership**

Richard J. Aaron
Jason Hanselman
Dykema Gossett
Capitol View
201 Townsend St., Ste. 900
Lansing, MI 48933
raaron@dykema.com
jhanselman@dykema.com
cedunn@midcogen.com

Energy Michigan, Inc.

Laura A. Chappelle
Timothy J. Lundgren
Varnum Law
The Victor Center
201 N. Washington Sq., Ste. 910
Lansing, MI 48933-1323
lachappelle@varnumlaw.com
tjlundgren@varnumlaw.com

Toni L. Newell
Varnum Law
333 Bridge St., N.W.
Grand Rapids, MI 49504
tlnewell@varnumlaw.com

Residential Customer Group

Don L. Keskey
Brian W. Coyer
Public Law Resource Center PLLC
University Office Place
333 Albert Ave., Ste. 425
East Lansing, MI 48823
donkeskey@publiclawresourcecenter.com
bwcoyer@publiclawresourcecenter.com

Midwest Cogeneration Ass'n

John R. Liskey
Attorney at Law PLLC
921 N. Washington Ave.
Lansing, MI 48906
john@liskeypllc.com

Patricia F. Sharkey
Environmental Law Counsel, PC
180 N. LaSalle St., Suite 3700
Chicago, IL 60601
psharkey@e-lawcounsel.com

Administrative Law Judge

Hon. Sharon L. Feldman
Administrative Law Judge
Michigan Public Service Comm.
7109 W. Saginaw Hwy., 3rd Floor
Lansing, MI 48917
feldmans@michigan.gov

Jennifer M. Brooks

Subscribed and sworn to before me
this **10th** day of **August, 2017**.

Steven J. Cook,
Notary Public, State of Michigan,
County of Ingham
Acting in County of Eaton
My Commission Expires: 04/30/2018