

STATE OF MICHIGAN
BEFORE THE MICHIGAN PUBLIC SERVICE COMMISSION

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In the matter of the application of	)	
CONSUMERS ENERGY COMPANY	)	
for <i>ex parte</i> approval of certain amendments	)	Case No. U-21859
to Rate GPD.	)	
_____	)	

At the November 6, 2025 meeting of the Michigan Public Service Commission in
Lansing, Michigan.

PRESENT: Hon. Daniel C. Scripps, Chair
Hon. Katherine L. Peretick, Commissioner
Hon. Shaquila Myers, Commissioner

ORDER

I. HISTORY OF PROCEEDINGS

On February 7, 2025, Consumers Energy Company (Consumers) filed an application in this case (February 7 application), with a supporting affidavit and exhibit, requesting *ex parte* approval of certain amendments to the company's General Primary Demand Rate (Rate GPD) to add a Data Center Provision.

On February 20, 2025, the Data Center Coalition (DCC) filed a petition for leave to intervene, an objection to the request for *ex parte* approval, and a request for a contested case proceeding. The Association of Businesses Advocating Tariff Equity (ABATE) also filed a petition to intervene and a motion for a contested case proceeding on the same date. On February 24, 2025, the Michigan Department of Attorney General (Attorney General) filed a

petition to intervene and a request for a contested case proceeding.

On February 28, 2025, Consumers filed an answer opposing the motions for a contested case proceeding and requesting that in-person hearings be held. On March 6, 2025, DCC filed a response to Consumers' answer.

On March 7, 2025, Michigan Environmental Council, Natural Resources Defense Council, Inc., Sierra Club, and Citizens Utility Board of Michigan (collectively, MNSC) filed a petition to intervene and a motion for a contested case. On March 10, 2025, the Ecology Center, Inc., Environmental Law & Policy Center (ELPC), Union of Concerned Scientists, Inc., and Vote Solar (collectively, the Clean Energy Organizations or CEOs) filed a petition to intervene and a motion for a contested case.

On March 13, 2025, the Commission issued an order in this case (March 13 order) granting the motions for a contested case. The Commission found that:

[t]he electric load of new data centers presents unique and significant cost implications, and the development of an evidentiary record to consider the February 7 application is prudent and reasonable. MCL 460.6a(3); *see also*, June 30, 2020 order in Case No. U-20763, pp. 69-70. Thus, the Commission grants the requests for a contested case proceeding in this matter. Mich Admin Code, R 792.10415(1).

March 13 order, p. 3. The Commission scheduled a prehearing conference and directed that notice be given. The Commission indicated that it would read the record in this matter in order to provide an expeditious decision and directed that the record be closed by September 16, 2025. *Id.*, pp. 3-4. The Commission also stated that additional petitions to intervene could be filed by April 9, 2025.

On March 18, 2025, Switch, Ltd. (Switch) filed a petition to intervene. On April 9, 2025, the Michigan Energy Innovation Business Council, the Institute for Energy Innovation, and Advanced Energy United, Inc. (United) (collectively, MEIU) filed a petition to intervene.

On April 8, 2025, Consumers filed a motion in limine. On April 14, 2025, ABATE, DCC, MNSC, the Attorney General, and the CEOs each filed a response in opposition to the motion in limine.

On April 16, 2025, Administrative Law Judge Katherine E. Talbot (ALJ) held a prehearing conference and a hearing on the motion in limine. The ALJ acknowledged the intervention of the Attorney General and granted the petitions to intervene filed by ABATE, DCC, the CEOs, MNSC, MEIU, and Switch. The ALJ approved a schedule ensuring that the record in this matter would close no later than September 16, 2025. 1 Tr 14-20.¹ The Commission Staff (Staff) also participated in the proceeding. After hearing argument, the ALJ denied Consumers' request to hold in-person hearings in this matter and denied Consumers' motion in limine. 1 Tr 14-20, 46-51.²

On April 30, 2025, Consumers filed an application for leave to appeal the ALJ's ruling on the motion in limine pursuant to Mich Admin Code, R 792.10433 (Rule 433). On May 14, 2025, ABATE, MNSC, the CEOs, and the Attorney General filed responses in opposition to the application for leave to appeal.

On May 23, 2025, the Attorney General filed a motion to compel discovery responses from Consumers and a request for the entry of a protective order. On May 28, 2025, MNSC filed a concurrence with the motion to compel, and on May 29, 2025, Switch filed a response to the motion to compel. On May 30, 2025, the ALJ held a hearing on the motion to compel at which the

¹ All citations to Volume 1 of the transcript in this order are to the corrected transcript located at filing #U-21859-0073.

² The ALJ granted exclusion of the issue of whether Consumers should serve data center load, finding that no party had disputed this issue and that the Commission, in any case, cannot abrogate Consumers' obligation to serve. 1 Tr 48. Consumers withdrew its motion with respect to the issue of the development of a new rate for data centers. 1 Tr 25.

Attorney General and MNSC stated that they withdrew the motion. 2 Tr 58. The ALJ thereafter approved a protective order for use in this matter. 2 Tr 60.

On June 12, 2025, the Staff, ABATE, DCC, the CEOs, MEIU, MNSC, and the Attorney General filed direct testimony and exhibits. On July 9, 2025, MEIU, ABATE, MNSC, Consumers, the Staff, the Attorney General, DCC, and the CEOs filed rebuttal testimony and exhibits.

On August 4, 2025, the Attorney General filed a motion to exclude evidence filed by DCC, and DCC filed a motion for leave to file corrected rebuttal testimony and a copy of the corrected rebuttal testimony. On August 5, 2025, DCC filed a response to the Attorney General's motion to exclude evidence. On August 6, 2025, MNSC filed a concurrence with the Attorney General's motion, and the Attorney General filed a response to DCC's motion for leave to file corrected rebuttal testimony. On August 8, 2025, DCC filed its corrected rebuttal testimony. *See*, 6 Tr 1038-1077.

On August 21, 2025, initial briefs were filed by the Staff, Consumers, DCC, MNSC, the CEOs, the Attorney General, MEIU, and ABATE. On August 22, 2025, Consumers filed a corrected initial brief (with pagination).

Also on August 21, 2025, DCC filed a motion seeking administrative notice of a proposed settlement agreement being considered by the Kansas State Corporation Commission (KSCC), hereafter referred to as the pending KSCC settlement agreement. On August 28, 2025, the ALJ held a hearing on the motion. There was no opposition to the motion and the ALJ granted it. 7 Tr 1087. On September 4, 2025, the Attorney General filed a motion for administrative notice of certain documents and websites. On September 11, 2025, the ALJ held a hearing on the motion and granted it, noting that there was no opposition. *See*, Ruling Granting Relief Requested in the

Attorney General's Motion for Administrative Notice, filing #U-21859-0208 (Ruling). The ALJ described the materials as follows:

The materials referenced in the Motion include five articles, with internet links to websites, three filings in Cause No. 46097 before the Indiana Regulatory Commission, including testimony, and the Consumers Energy's Electric Rate Book. The Attorney General avers that one article was referenced by a Company witness in testimony, another article was discussed during cross-examination of a witness and referenced in the Attorney General's Initial Brief, and two of the other articles were also referenced in that brief. The Attorney General included the documents from Cause No. 46097 before the Indiana Regulatory Commission as attachments to this motion. And the Attorney General included a link to Consumers Energy's Electric Rate Book.

Ruling, pp. 1-2 (citing the Attorney General's motion, pp. 4-7).³

On September 16, 2025, reply briefs were filed by the Staff, Consumers, DCC, MNSC, the CEOs, the Attorney General, MEIU, and ABATE, and the ALJ transmitted this matter to the Commission.⁴

II. REQUEST FOR LEAVE TO APPEAL

Consumers originally brought a broader motion in limine, but subsequently limited the motion to a request to prohibit the offering of evidence on the issues of "the impact of data centers on other utility requirements such as compliance with the renewable energy credit standard and the clean energy standard, and . . . the requirements for data centers to meet a Michigan sales tax

³ The Commission agrees with the ALJ and Consumers that it is not necessary to seek administrative notice of a utility's rate book. *See*, Ruling, p. 2.

⁴ On September 29, 2025, the Attorney General filed a notice stating that she has adopted two of the positions of other parties. On September 30, 2025, DCC filed a motion for administrative notice of a contested settlement agreement recently filed with the Missouri Public Service Commission for potential approval. On November 3, 2025, the Attorney General filed another notice stating that she has adopted two of the positions of other parties. The Commission finds that the record in the instant case closed on September 16, 2025. *See*, March 13 order, pp. 3-4; and filing #U-21859-0217.

exemption.” Consumers’ application for leave to appeal, p. 3; *see, id.*, p. 3, n. 1. Consumers argues that the Commission should reject the ALJ’s ruling on the motion in limine because it is important that this case be decided on an expedited basis and because these issues are legally irrelevant to this proceeding. *Id.*, p. 5. Consumers notes that Mich Admin Code, R 792.10427 (Rule 427) provides that the Michigan Rules of Evidence (MRE) as applied in nonjury civil cases shall be followed in Commission proceedings “as far as practicable” and argues that evidence that is irrelevant, prejudicial, or only marginally probative should be excluded under MRE 104(b). Consumers contends that there will be other opportunities (some of which are statutorily required) to address the issues introduced by the intervenors, but that the instant case should deal exclusively with the tariff modifications requested by the company. Consumers’ application for leave to appeal, pp. 4-7.

Consumers attaches Appendix A to its request for leave to appeal, which contains a sampling of discovery requests and is intended to illustrate the harm resulting from allowing these issues to remain in the case. Consumers asserts that the discovery includes:

questions probing the cost of providing service to data centers, the Company’s compliance with the renewable energy standard, the Company’s plan to develop tariff offerings to allow data centers to qualify for sales and use tax exemptions, and jobs associated with new data centers. None of these issues help to prove or disprove the reasonableness of the Company’s proposed financial risk mitigation modifications to Rate GPD.

Id., p. 8. Consumers contends that its proposed tariff revisions are needed whether or not a data center customer can make a clean energy demonstration and that the company’s compliance with clean and renewable energy standards will be decided in other proceedings. Consumers emphasizes that the tariff revisions are needed quickly before additional data center customers are served. The company argues that these other issues unnecessarily complicate the proceeding.

In her response, the Attorney General contends that Consumers first attempted to limit the scope of this proceeding by applying for *ex parte* relief and notes that the Commission found it prudent to develop a full evidentiary record. The Attorney General argues that Consumers simply repeats many of the same arguments that it made in opposition to the request for a contested proceeding, which were rejected by the Commission. Attorney General's response, pp. 2-4. The Attorney General notes Consumers' argument that renewable energy issues are better addressed in the renewable energy plan (REP) case, Case No. U-21816, but argues that the company failed to present any discussion of data center tariffs in that case. She further notes that the sales tax exemption statute explicitly requires Consumers to identify and, if necessary, develop tariffs that support data centers in making the necessary showings to qualify for the exemption. Attorney General's response, pp. 5-6 (citing MCL 205.54ee(10)(e)(ix)). The Attorney General notes that the Commission did not limit the scope of this case in the March 13 order, and she argues that even the company recognizes that the impact of data center load on other customers is a relevant issue.

The Attorney General further asserts that the requested relief should be denied because the Commission has already adopted an expedited schedule and the motion in limine cannot affect that expedited schedule, thus the company does not qualify for relief under Rule 433. Attorney General's response, p. 10. Finally, the Attorney General avers that Consumers' discovery responses show a lack of analysis, making the inclusion of these issues more important.

In its response, ABATE notes that Consumers states that "a long-term solution to address the unique issues presented by new data center loads could include development of an entirely new rate," thus conceding that this is an issue in the instant case. ABATE's response, p. 5 (quoting Consumers' application for leave to appeal, p. 2). ABATE contends that this is the

proceeding for addressing what protections need to be put into place to protect other customers, which includes consideration of whether a separate rate is required.

In their response, the CEOs argue that the ALJ correctly applied the law, and they contend that the Commission has already set an expeditious schedule and the company fails to show how inclusion of the contested issues will cause delay to that schedule. CEOs' response, p. 1. The CEOs point to the Commission's broad discretion to determine what factors are relevant, as well as the ALJ's finding that the clean and renewable energy programs "are addressed in the GPD tariff rate book[.]" *Id.*, p. 2 (quoting 1 Tr 49). The CEOs state that Consumers did not respond to this finding. The CEOs aver that Consumers simply attempts to relitigate the issue of whether this should have been a contested case. Finally, they argue that the Commission can lay a foundation for compliance with renewable and clean energy laws through tariff development and thus should consider all of the issues.

In its response, MNSC argues that the Commission must be able to consider all relevant tariff design issues addressing the significant and unique implications for other customers arising from data center load. MNSC's response, p. 3. MNSC contends that Consumers has failed to show any harm arising from the examination of these issues and the Commission has broad discretion to consider all tariff-related issues pursuant to MCL 460.557(2). *See*, 1 Tr 47. MNSC asserts that this contested case is the proper venue for considering data center tariffs for Consumers; and that the statutory provisions of Public Act 207 of 2024 (Act 207) require data centers to procure clean energy (at 90% of their forecasted electricity usage) in order to qualify for sales tax exemptions, and require Consumers to identify and, if necessary, develop data center tariffs that support this undertaking. *See*, MCL 205.54ee(10)(e)(ix). MNSC notes that time is of the essence and that Consumers has not identified any alternate proceeding wherein

these issues will be considered. MNSC's response, p. 12. Turning to the renewable and clean energy requirements, MNSC states that Consumers' rate book specifies that its renewable energy credit (REC) programs are available to Rate GPD customers, and contends that rate design for data center customers is an important topic for all customers. Finally, MNSC asserts that Consumers has failed to show any harm resulting from the four discovery questions that it includes in Appendix A.

Rule 427(1) provides that "[t]he rules of evidence as applied in nonjury civil cases in circuit court shall be followed as far as practicable, but the commission may admit and give probative effect to evidence of a type commonly relied upon by reasonably prudent persons in the conduct of their affairs." *See also*, MCL 24.275. MRE 401 defines relevant evidence as "evidence having any tendency to make the existence of any fact that is of consequence to the determination of the action more probable or less probable than it would be without the evidence." Mich Admin Code, R 792.10428 provides that "[t]he commission may use its experience, technical competence, and specialized knowledge in the evaluation of evidence presented to it." *See also*, MCL 24.277.

The Commission grants Consumers' request for leave to appeal but denies the relief requested. The Commission affirms the ALJ's ruling and finds that evidence pertaining to the applicable renewable and clean energy requirements and the qualifications for the sales and use tax exemptions is relevant to this proceeding. As Consumers makes clear in its application, data centers are a unique industry with characteristics that differ significantly from other commercial and industrial enterprises. *See*, February 7 application, p. 2. This is a case of first impression. The Commission benefits from the development of a robust record on the disputed issues, even in instances where the agency ultimately finds that certain determinations are more appropriate for other forums. The Commission agrees with the Attorney General and the other

intervenors that evidence pertaining to the statutorily-mandated energy requirements that apply to all data centers that seek to qualify for tax exemptions is evidence that should be considered by reasonably prudent persons crafting a tariff that will apply to those data centers, and the same is true of evidence pertaining to the statutorily-mandated energy requirements that apply to all electric providers with respect to increasing renewable and clean energy standards based on load. As the ALJ found, the magnitude of the potential stranded costs calls for a full and complete record, and the fact that the renewable and clean energy standards will also be discussed in other proceedings does not preclude their discussion in the instant case or render them irrelevant. 1 Tr 48-49. Added to this is the fact that renewable programs are addressed in Rate GPD. The Commission agrees with the ALJ and denies Consumers' request to overturn her ruling on the motion in limine.

III. EVIDENTIARY RECORD

The record consists of testimony from 12 witnesses in 1,089 pages of public and confidential transcript, along with 114 exhibits and 10 items that were granted administrative notice. The docket also contains one public comment, which can be viewed in the section of the docket labeled "Case Comments." The various parties' summaries of the evidence and arguments in support of their respective positions are fully set forth in the evidentiary record. While the Commission has considered the entire record in arriving at its findings and conclusions expressed in this order, only the arguments and evidence necessary for a reasoned analysis of the disputed issues will be directly addressed in this order. This order provides a brief summary of each witness' direct and rebuttal testimony, as follows.

A. Direct Testimony

1. Consumers Energy Company

Laura M. Connolly is the Director of Regulated Pricing in the Rate and Regulation Department of Consumers. She presents the company's direct case and sponsors Exhibit A-1 (proposed tariff sheets) at 3 Tr 77-88, and her rebuttal testimony appears at 3 Tr 89-103. She is cross-examined at 3 Tr 105-255.

Ms. Connolly testifies that Consumers defines a data center "as a centralized facility used for the management, storage, processing, and distribution of data with a load of 100 MW [megawatts] or more at a single site or on an aggregated (more than one site in the Company's service territory) basis." 3 Tr 81. She states that tariff changes are needed because the company has data center "inquiries that total over 15 gigawatts [GW] of electric load" for possible development. 3 Tr 81. Ms. Connolly explains that data centers are massive, energy intensive facilities that require a large capital investment from the utility and that operate 24 hours a day, 365 days a year; but that supply a small number of permanent jobs, making them significantly different from typical industrial operations with a high level of demand. She states that tariff changes are needed in order to protect other customers from the risk of stranded assets and increased costs which could result if the data center load does not materialize as represented. Ms. Connolly testifies that Rate GPD is the most competitive rate for this type of load and that the utility would like to keep all new data centers on the same rate in order to analyze their load shape. Ms. Connolly proposes the following amendments to Rate GPD for application to data center customers. 3 Tr 82.

Ms. Connolly proposes to require a 15-year minimum contract term from the data center customer, based on the long-term nature of the investments that the company will have to make

such as in power purchase agreements (PPAs) or in building generation assets. She notes that PPAs are generally 15-25 year agreements and new self-built assets may have a 30-year depreciation. She also proposes a minimum billing demand (MBD) requirement in order to ensure that the costs of the utility's investment are covered by the customer whether or not the requested capacity is being used. An MBD is a contractual obligation to pay a base amount for power each month even if actual electric usage is lower. *See*, 3 Tr 83. The contract with the customer would include up to a 5-year ramp-up period, and then a 15-year contract term during which the MBD would apply. She states that the MBD would consist of on-peak demand, transmission demand, and max demand charges based on 80% of the contracted capacity, regardless of actual usage. 3 Tr 83.

Ms. Connolly proposes a financial security mechanism to ensure that the data center customer is economically viable based on a standard risk review to be performed by Consumers. She also proposes an exit fee that would ensure that there are no stranded assets if the customer ceases to take service, calculated by multiplying the MBD by the number of months remaining in the term of the contract as of the date that the customer ceases to take service. 3 Tr 84.

Ms. Connolly proposes a one-time contract change allowance to give the data center customer some flexibility, that would allow the customer a one-time reduction to their contracted capacity at the company's discretion. She also proposes that the company should be able to suspend service and/or amend the contract if a customer is using 1,000 kilowatts (kW) or more above its contracted capacity amount. 3 Tr 84. Finally, she proposes an upfront administrative fee of \$100,000 to cover the costs incurred by Consumers "for the engineering study, supply planning, project management, economic development, and rates support needed

to develop a project proposal . . . based on estimated labor hours and hourly labor rates expected to generate the study and supporting materials.” 3 Tr 85. Ms. Connolly notes that these potential customers tend to ask for information on multiple sites with multiple load scenarios, and the sites are often ones that have not been previously studied by Consumers. 3 Tr 85.

Ms. Connolly testifies that these new tariff provisions should apply only to new data centers above 100 MW because these customers are unique, in that they have extremely large loads and introduce greater risk than other Rate GPD customers. She notes that Consumers’ largest Rate GPD customer currently is at 28 MW, and the company has had inquiries regarding data center service for a single load greater than 1,000 MW. 3 Tr 86. She also states that data center hardware needs to be refreshed more often than other typical manufacturing equipment, and data centers have the ability to easily transfer their functions to locations outside of Michigan. She states that other differences from typical large industrial customers are that data centers do not develop local supply chains and do not create significant local commercial activity or employment. Ms. Connolly opines that these differences present a greater risk for stranded assets. 3 Tr 87.

Finally, Ms. Connolly testifies that *ex parte* approval of the tariff changes will not increase rates to any customers, and that the company will submit an annual report to the Commission with seven required informational items. 3 Tr 88.

2. The Commission Staff

David W. Isakson is a Departmental Analyst in the Rates and Tariffs Section of the Regulated Energy Division of the Commission. He testifies regarding a number of recommended changes to Consumers’ proposal and sponsors Exhibits S-1 through S-3. His

direct testimony appears at 4 Tr 288-318. His rebuttal testimony appears at 4 Tr 319-323. His cross-examination appears at 4 Tr 324-402. It is notable that, in her rebuttal testimony, Ms. Connolly adopts most of Mr. Isakson's proposals from his direct testimony, thus revising some of Consumers' positions. 3 Tr 91.

After providing a brief description of Consumers' proposed tariff revisions, Mr. Isakson explains that current Rate GPD customers are required to have a minimum on-peak billing demand of 60% of their highest on-peak billing demand of the four preceding summer months and a written contract for a minimum of one year, and may also increase their contracted capacity, thus illustrating the potential need for revisions to this tariff. 4 Tr 295-296.

Beginning with the financial security proposal, Mr. Isakson testifies regarding the unique aspects of data centers and his concerns regarding the scale and diversity (or lack thereof) of their load. He explains that diversity can be a hedge against the loss of load. He adds that customers are at risk of becoming responsible for the cost of stranded assets (assets that are no longer used and useful before the end of their useful life), and shareholders are at risk for becoming responsible if regulators deem a stranded asset to be an imprudent cost. Mr. Isakson notes the difference in scale with respect to data centers and he points to the fact that the utility does not currently serve any customers at or above 100 MW on Rate GPD, because there are "simply not many industries or individual customers that could require that much capacity all at once, save for data centers." 4 Tr 294. Thus, he notes that if interest and investment in artificial intelligence (AI) evaporate after investments in infrastructure have been made, there is no obvious way to recover these costs (thus stranding them). 4 Tr 294-295. He notes that assets may become stranded through no fault of the company or its other ratepayers.

Against this background, Mr. Isakson testifies that if Consumers is given complete

discretionary authority to determine the financial security measures, such authority should “be conditional on the Company taking complete cost responsibility for any resulting stranded assets.” 4 Tr 302. He recommends that the Commission not allow any recovery of stranded assets resulting from a customer’s exit from service under the amended data center tariff as proposed by Consumers. Thus, other customers would be assured that they would not be responsible for the risk associated with stranded assets from data centers. Alternatively, Mr. Isakson proposes that the Commission could warn the company that any stranded assets will be subject to a presumption of imprudence. 4 Tr 303.

Mr. Isakson refers to Indiana Michigan Power Company’s (I&M’s) Power Tariff, which was approved via settlement agreement on February 19, 2025 (Indiana Settlement), as an example of a data center tariff in a neighboring jurisdiction. *See*, Exhibit S-3. He makes several proposals for changes to Rate GPD, some of which are based on the Indiana Settlement. Mr. Isakson testifies that the Staff proposes the following changes to Rate GPD:

1. Remove the definition of “Data Center” from the tariff and update the availability of the new provision to apply to all new large load customers with a load of greater than or equal to 100 MW.
2. Include a more detailed, transparent definition of the collateral requirement and acceptable forms of payment. Define the collateral amount to be equal to the exit fee.
3. In the event of a large load customer’s request to increase or decrease its contracted capacity, require the Company to make an ex parte showing of no harm to other customers.
4. Require the Company to make every effort to reduce the exit fee with offsetting revenue.
5. Require the large load customer to notify the Company at least 3 years prior to an expected capacity reduction or exit from service.
6. Do not allow the customer to reassign its capacity obligation to another entity without approval by the Company.
7. At the conclusion of the large load customer’s contract term require the contract to be extended for 3 years, recurring at every completion of the previous contract term, with all the tariff provisions remaining in effect, absent action by the customer.
8. Require the Company to reconcile the project proposal fee to actual costs after

they have been incurred and to return or collect any difference by the end of the ramp-up period.

9. Require the exit fee to apply during the ramp-up period.

4 Tr 307-308.

Mr. Isakson explains that typically tariffs are not targeted to particular end uses and thus recommends that the definition of data center be removed and the tariff be applicable to all “large load customers,” while retaining the 100 MW threshold. Regarding the financial security measures, he recommends that certain language used in the Indiana Settlement regarding collateral be used in place of the company’s language. Mr. Isakson recommends that the collateral amount be equal to the exit fee, while keeping the MBD at 80% of contract capacity multiplied by the remaining months on the customer’s contract. He notes that, as the term of the contract progresses, the exit fee and the collateral amount will decrease, and he recommends that they be recalculated annually. Mr. Isakson adds that this will negate the need for Consumers to independently determine financial security for each customer and “would match what the customer would already actually pay should they leave service prematurely, which also represents the minimum amount they would be responsible for as a continuing customer.” 4 Tr 310. As an alternative, Mr. Isakson recommends adoption of terms similar to those in a pending settlement which he refers to as Ohio Power’s Data Center Tariff (Ohio tariff), and which is described in the Lawrence Berkeley National Laboratory policy brief (LBNL Report) which appears in Exhibit S-2. *See also*, Exhibit AG-1.23. He states that this proposed tariff requires collateral equal to 50% of the total minimum charges “if the customer does not meet a certain level of credit rating or cannot show an audited balance sheet greater than 10 times the collateral requirement.” 4 Tr 310.

Mr. Isakson opines that it is within the Commission’s discretion to allow changes to

contracted capacity, and that such requests should be brought before the Commission via an *ex parte* application seeking approval for the contract amendment. He notes that such a change would also affect the exit fee and the collateral requirement, and he testifies that Consumers should be required to mitigate the exit fee where prudently possible by generating offsetting revenue, such as through selling the unused capacity back to the market or using it to serve other customers. Mr. Isakson states that large load customers should be required to notify the company at least three years prior to a capacity reduction or an exit from service in order to give Consumers sufficient time to incorporate the reduction to load and reduce the exit fee. He opines that such a customer should not be allowed to reassign the contract capacity on its own. 4 Tr 314. He further recommends that the large load customer's contract be extended for three years at its conclusion and every three years thereafter (absent action by the customer) to ensure that the contract provisions remain in place. Finally, Mr. Isakson recommends that the administrative fee be reconciled to actual costs, and that the exit fee should apply during the ramp-up period because the utility will already be making investments. 4 Tr 315-317.

3. The Association of Businesses Advocating Tariff Equity

James R. Dauphinais is a consultant and Managing Principle of Brubaker & Associates, Inc. His direct testimony appears at 5 Tr 804-821 and his rebuttal testimony appears at 5 Tr 827-841. He does not state that he is sponsoring any exhibits.

Mr. Dauphinais testifies that Consumers should be required to establish a brand new standalone rate for large data center load, with Rate GPD only serving as a starting point. He states that Consumers' current total peak system demand is 7 GW, whereas the company has received new data center load inquiries amounting to 15 GW, and seven of those inquiries are

requesting 900 MW or more per individual customer. He sees this as an opportunity to significantly contribute to average embedded fixed costs, but also as a significant cost subsidy risk. Mr. Dauphinais notes that the Commission approved the closure of Consumers' Large Economic Development Rate (Rate LED) to new data centers in the June 6, 2024 order in Case No. U-21646. 5 Tr 811.

In addition to proposing the need for a separate tariff, Mr. Dauphinais recommends additional reporting requirements which, he states, will ensure that Consumers does not enter into a contract wherein the company's incremental cost of providing service exceeds the average embedded cost of service, and will ensure that customers are protected from stranded costs and from capacity reductions. He states that discovery shows that Consumers has engaged a local transmission owner to examine the cost of large load additions and has been told that an addition of 2.65 GW, which the company considers to be a probable aggregate addition, would require an investment of \$730-780 million. 5 Tr 816; *see*, Exhibits MEC-8, DCC-1. Mr. Dauphinais opines that such costs will be assigned neither to the new data center nor to Consumers' contributions in aid of construction (CIAC) account, but will instead be passed on by Consumers to all full-service customers through both base rates and the power supply cost recovery (PSCR) factor. He argues that Consumers has not provided a method of protection against this subsidization. Mr. Dauphinais contends that Consumers should be directed to make certain cost demonstrations in its annual reporting and should make plans for how to utilize stranded resources to serve other loads. His annual reporting recommendations involve a demonstration that expected incremental costs to provide power supply and delivery is less than the expected average embedded cost of providing service. 5 Tr 818. He recommends a five-year notice of termination requirement. Finally, he recommends that

Consumers not be authorized to reduce or increase contract capacity without filing an *ex parte* application with the Commission for approval of the change which demonstrates that there will be no stranded assets. 5 Tr 820.

4. Michigan Environmental Council, Natural Resources Defense Council, Inc., Sierra Club, and Citizens Utility Board of Michigan

Douglas B. Jester is Managing Partner of 5 Lakes Energy. His direct testimony appears at 5 Tr 844-867. He sponsors Exhibits MEC-1 through MEC-4.

Mr. Jester opines that Consumers' proposal addresses some risks but ignores others. Mr. Jester notes that Act 207 and Public Act 181 of 2024 (Act 181) provide for sales and use tax exemptions, respectively, for data centers with aggregate investments above \$250 million. 5 Tr 854. He asserts that any tariff for serving data centers should be structured to enable the data center to comply with these two tax exemption laws, noting that both acts include language requiring utilities to develop tariffs, if necessary, that support data centers in making the required demonstrations. Mr. Jester states that, under Act 207, a data center must be able to show that at least 90% of its power supply requirements are obtained through renewable generation, voluntary green pricing, or a long-term contract that ensures that no costs to service the data center are passed on to other customers of the utility. 5 Tr 856; *see*, MCL 205.54ee(10)(e)(ix). He testifies that Consumers' proposal does not address this issue nor does the company's draft contract located at Exhibit MEC-2. Mr. Jester states that the Michigan Legislature has encouraged data centers to procure power from renewable sources and Consumers complies with that directive "[o]nly to the extent that the data center voluntarily uses behind the meter [BTM] renewable energy and participates in [Consumers'] voluntary green pricing program[.]" and the company does not address long term contracts. 5 Tr 857.

Mr. Jester states that Consumers' proposal also falls short because it does not comply with the statutory requirement that the data center not cause residential customers to subsidize the data center's electric service. He opines that any tariff for serving data centers should provide that any data center customer who seeks to qualify for the sales and use tax exemptions will obtain its energy supply in the required ways. Thus, he argues, the tariff should so specify, and should explain "how [Consumers] will supply, and the data center will procure, clean energy annually" that meets the 90% requirement. 5 Tr 859. To help the utility comply with both the tax laws and Michigan's clean energy requirements, Mr. Jester recommends that Consumers provide at least 60% renewable energy to data center customers as part of a resource portfolio dedicated to that customer (a "bespoke" portfolio). 5 Tr 859.

Mr. Jester states that Consumers' proposed tariff will pass data center costs on to other customers via the cost of service study (COSS) method that is currently (and traditionally) used to allocate costs. He notes that Consumers directly assigns costs to customers under its Long-Term Industrial Load Retention Rate (LTILRR), and he recommends that Consumers do the same with data center customers. He provides an example of how the COSS method results in raising base rates for other customers and states that MNSC witness Ms. Palmer also explains this problem. Mr. Jester testifies that a "more practical and plausible approach is to supply data centers from bespoke resources and directly assign those costs to data center customers." 5 Tr 863. He also recommends the adoption of a rate schedule, either in this proceeding or in a separate proceeding, that directly assigns all major incremental costs of serving data center load to the data center rather than using standard COSS allocators. Finally, he states that the Commission should ensure that costs for construction work in progress (CWIP) "related to serving data centers are not included in rates to current customers, but are

deferred until the data center load appears and then allocated to the data center load.” 5 Tr 866.

Ms. Caroline Palmer is a Principal Associate with Synapse Energy Economics. Her direct testimony appears at 5 Tr 869-906 and her rebuttal testimony appears at 5 Tr 909-924. She sponsors Exhibits MEC-5 through MEC-23.

Ms. Palmer notes Consumers’ evidence showing that 2.65 GW of large load is, based on engagement with the transmission owner, the probable amount that may be added to the company’s load, and she testifies that this would require a 49% increase over Consumers’ 2024 generation, which would also occur over an extremely short time period. 5 Tr 877. She opines that this necessitates the re-evaluation of the way that utility costs are traditionally tracked and allocated to customers.

Noting that 79% of Rate GPD customers are below 1 MW and the largest current Rate GPD customer is at 28 MW, Ms. Palmer recommends an eligibility threshold of 50 MW in order to capture a broader range of data center customers. She suggests a 75% load factor threshold for customers below 100 MW. She also recommends that Consumers develop a separate rate rather than use Rate GPD for data centers, lest it result in substantial future rate increases for the other customers on Rate GPD under traditional cost allocation. Ms. Palmer testifies that “there are likely to be cost allocation consequences to the current customers, as Consumers’ cost of service study (COSS) begins to allocate costs to the class based on average demand and energy characteristics that are significantly larger than before.” 5 Tr 880. She notes Consumers’ evidence that the company is reluctant to create a new rate class without at least three years’ of actual historic load data to develop a load shape, but she states that Consumers could develop a new rate without any actual load data by making assumptions

about the prospective load profile. Ms. Palmer states that simply placing these customers into Rate GPD involves making assumptions, and Consumers already serves one data center customer, which could be informative. She recommends that the new rate class be developed as soon as possible. 5 Tr 881.

Ms. Palmer states that a 15-year contract term is not appropriate because it does not match the lifespan of the typical resources which will be used to serve this load such as self-builds (30-year depreciation schedule) and PPAs (15- to 25-year terms). She states that 15 years will result in cost shifting and she notes that Kentucky uses a 20-year minimum contract term for large loads. She also recommends a higher MBD than 80%, suggesting that 90% is more accurate and reflects what has been approved in Kentucky. She explains the impact of the MBD on cost allocation this way:

Under traditional cost allocation methodologies, it is important that Consumers update its cost of service study (COSS) to reflect the minimum billing demand requirement. Traditionally, demand allocators are based on actual load data, so costs would be allocated to classes based on actual demand rather than minimum billing demand. For example, a data center customer with 100 MW of contract capacity but a peak demand of 60 MW would be treated as 60 MW for allocating demand costs. However, the revenues from that customer would reflect 80 MW of demand due to the proposed 80% minimum billing demand requirement. This discrepancy would underrepresent the cost to serve the customer class, causing it to appear to have higher revenues than costs, or a very high rate of return. It would also overrepresent the cost to serve other customer classes, appearing as though they are responsible for a higher proportion of system costs, when those costs are actually attributable to investments made for data centers.

5 Tr 884. To address this issue, Ms. Palmer recommends that in its next rate case COSS filing, Consumers adjust the allocator data to include any additional demand that would have been billed to the class under the MBD requirement. But she notes that this recommendation will not be necessary if the Commission approves her other recommendations discussed below.

Ms. Palmer opines that Consumers' proposed exit fee does not cover the full extent of potential costs, including the system access charge (SAC), and grants Consumers too much discretion. 5 Tr 886-887. She recommends that the exit fee include the infrastructure portion of Rate GPD's SAC and she states that this is consistent with the Indiana Settlement. Ms. Palmer recommends that both the exit fee and any contract capacity reduction be subject to review and approval by the Commission in a contested case and that the filing for approval must make certain demonstrations. 5 Tr 889. She states that advance notice is not required if this recommendation is adopted, but opines that, otherwise, advance notice of 42 months for exit or reduction should be given before the end of the original 15-year contract term. Ms. Palmer also recommends that the MBD and the exit fee apply during the ramp-up period and be sized to the individual capacity milestones. 5 Tr 892. She also recommends strengthening the administrative fee provision.

Turning to the issue of cost shifting, Ms. Palmer states that "[w]hile some degree of cost socialization is inherent in utility cost allocation, the scale of the anticipated investment calls for reevaluating its treatment." 5 Tr 895. She notes that MCL 205.54ee(10)(e)(x)(c) requires that, in order to qualify for the sales tax exemption, the data center must not take electric service under a rate that causes residential customers to subsidize the data center's service. Ms. Palmer states that Consumers' use of traditional ratemaking (and traditional ratemaking itself) "is premised on the assumption that system costs are generally shared by or attributable to a mix of customer classes and that the COSS properly allocates those costs to the customers who cause them." 5 Tr 896. She states that, in light of their magnitude, it is likely that Consumers could separately identify and directly allocate data center costs and she recommends that this be done, based on the fact that a COSS is an imprecise tool and the

subjective determinations inherent in a COSS do not adequately reflect the characteristics of data center load.

Addressing generation load specifically, Ms. Palmer states that based on the hypothetical supplied by Consumers in discovery for a new 500 MW customer, the 2.65 GW of probable load will result in \$2.9 billion in generation (PPA) costs which represents a 160% increase over the \$1.8 billion in total fuel and purchased and interchanged power expense reflected in the latest COSS. 5 Tr 898; *see*, Exhibit MEC-19. Ms. Palmer states that:

[a]llocating a 150% increase in plant investment across all customer classes when that new plant investment identifiably serves a particular class is unnecessary, unjust, and unreasonable. Incremental costs of this magnitude should compel Consumers, the Commission, and intervening parties to scrutinize traditional approaches to measuring and assigning costs when they are attributable to a small group of customers with unprecedented volumes of new load.

5 Tr 899. She estimates that adding this hypothetical 500 MW customer will increase each customer class's rates, with residential rates increasing by 9.1% and Rate GPD rates increasing by 10.2%. 5 Tr 899, Table 1. Ms. Palmer further notes that Consumers applies the 4CP (coincident peak) 75/0/25 cost allocation methodology which combines various demand resources into one cost pool for the 75% demand, and baseload plants have higher capital costs than peakers. She states that data centers can be expected to use continuous power which means a higher proportion of baseload. She opines that data center costs should not be allocated via the COSS but instead should be directly assigned through the design of the data center tariff rate. 5 Tr 902.

Addressing distribution costs, Ms. Palmer states that Consumers did not offer any cost estimates beyond the cost of transformers. 5 Tr 903. She states that Rule C1.4 Extraordinary Facility Requirements and Charges in Consumers' Rate Book (Rule C1.4) would govern data centers since they have capacity requirements above 1,000 kW, and this rule provides two

options, one of which involves CIAC. She avers that “[t]o the extent that Consumers’ CIAC allowances incorporate power supply revenue, the allowances are oversized and may not sufficiently collect the costs of distribution investments made for data center customers.”

5 Tr 904. She recommends that dedicated facilities costs should be assigned directly to the data center customer without the opportunity to offset any of those costs via a CIAC contribution. 5 Tr 905.

5. Michigan Department of Attorney General

Mr. Michael W. Deupree is a Research Consultant with the Acadian Consulting Group. His direct testimony appears at 5 Tr 968-995, and his rebuttal testimony appears at 5 Tr 1001-1017. He sponsors Exhibits AG-1.1 through AG-1.11.

Mr. Deupree reports that Consumers has received 67 separate inquiries from potential data center customers within the past 12 months, ranging from 4 MW to 2,100 MW. *See*, Exhibits AG-1.1, AG-1.2. Having analyzed the inquiries, he states that more than 80% of the prospective customers are under 600 MW and about 60% are under 400 MW, but eight projects are greater than 1 GW (1,000 MW). Based on his concern about gaming the tariff, he recommends that the tariff be limited to data center customers with demand requirements in excess of 50 MW at a single site or 100 MW in aggregate across multiple locations, and be available only to customers who will maintain at least an 80% load factor during regular operations. 5 Tr 981-982.

Regarding term length, Mr. Deupree recommends an evergreen provision of at least five years, meaning that the contract would be automatically extended for that period unless the customer provides a written notice of termination five years prior to the end date, and he recommends that the ramp-up period be defined. He opposes the set administrative fee but

recommends that potential customers be responsible for all costs associated with Consumers' examination of the interconnection requirements. Mr. Deupree states that, after discovery, he finds the company's collateral requirements to be sufficient, but notes that the tariff should provide the specifics and that Consumers has indicated that interconnection costs may be applied to CIAC under Rule C1.4. However, Mr. Deupree testifies that Consumers indicated that a new 100 MW load may result in a range of \$46.5-\$96 million in total interconnection costs (available in Exhibit AG-1.9). Thus, he advocates that new data center customers be required to pay for all direct costs associated with the interconnection of their project. He also finds it concerning that all customers would pay for transmission network upgrades needed to accommodate the additional load from a new data center through the PSCR process. 5 Tr 983-989.

Mr. Deupree recommends that the exit fee be required during the ramp-up period, and that reductions to capacity be approved only through a contested case process and may not exceed 10% of the initial contracted capacity, with four years' written notice required and no reduction available until five years into the contract term. 5 Tr 991. He also recommends that data center customers be required to cover the costs associated with compliance with the renewable energy standards (RES) enacted in Public Act 235 of 2023 (Act 235). Based on his analysis of the amount of RECs, Consumers will be required to procure for 2026-2027, he recommends that the data center tariff include provisions requiring the customer to procure at least 60% of its load from renewable sources located within the Midcontinent Independent System Operator, Inc.'s (MISO's) local resource zone 7 (Zone 7). He testifies that this will ensure that other ratepayers are not burdened with the costs of compliance with Act 235 on behalf of new data centers, and he opines that, based on the popularity of environmental,

social, and governance (ESG) initiatives, “[t]hese companies would likely welcome the ability to directly offset expected energy requirements with contracts to provide renewable energy.”

5 Tr 993.

Mr. Deupree notes that MCL 205.54ee(6)(c)(iii) and (10)(e)(ix) require an enterprise data center to procure 90% of its annual forecasted electric usage from clean energy in order to obtain the sales tax exemption, and MCL 205.54ee(10)(e)(ix) requires utilities to develop tariffs, contracts, and other mechanisms, if necessary, that support the data center in reaching this procurement standard. Thus, he recommends that the data center tariff contain:

terms for requiring data center customers to meet the 90% clean energy procurement standard if they seek to be eligible as an enterprise data center under MCL 205.54ee. This will help to reach the state’s clean energy goals as set forth under [Act] 235 as well as mitigate the risks of compliance cost shifting to other customers.

5 Tr 994.

6. The Ecology Center, Inc., Environmental Law & Policy Center, Union of Concerned Scientists, Inc., and Vote Solar

Mr. Saad Siddique is an economist and energy analyst with ELPC. His direct testimony appears at 5 Tr 767-787 and his rebuttal testimony appears at 5 Tr 788-801. He sponsors Exhibits CEO-1 through CEO-9.

Mr. Siddique notes that Michigan’s 2023 climate legislation requires Consumers to source escalating percentages of renewable energy over time, and the state’s clean energy standard expands the scope of non-renewable clean energy. *See*, MCL 460.1028, MCL 460.1051. He states that these laws are relevant to the instant proceeding because large new loads will affect the utility’s ability to meet these standards and deadlines, thus presenting Consumers with two challenges—meeting increased demand and meeting the need for accelerated clean energy procurement. 5 Tr 775. He notes that in the company’s most recent integrated resource plan

(IRP) and REP, Consumers reflects much less anticipated load than the 2.65 GW that appear to be probable additions in the instant case. Mr. Siddique testifies that:

[i]n order to serve 2.65 GW of new data center load (per the Company's current projections in this case), Consumers would need an additional 6.85 million RECs [renewable energy credits]. In total, Consumers would need to procure 31.77 million RECs in 2035, which is more than an eightfold increase from the 3.8 million RECs it has procured in 2023.

5 Tr 777 (footnote omitted). He states that this is a conservative estimate since Consumers has received inquiries for 15 GW of new load. Mr. Siddique testifies that this renewable energy (RE) compliance challenge should be addressed in the data center tariff by requiring data center customers to acquire their own clean energy, thus enabling Consumers to meet the state's goals. He also notes MISO's interconnection queue backlog (which contains 1,603 active requests totaling 309 GW) and the fact that interconnection generally takes at least three to four years.

Mr. Siddique states that the Commission can help Consumers to mitigate these challenges by taking proactive measures with this tariff language "such as requiring data centers to fund new renewable generation and prioritizing their interconnection" in order to "prevent these infrastructure expenses from being socialized to Michigan ratepayers while ensuring that Consumers can meet its RES obligations." 5 Tr 781. Thus, he recommends that the data center tariff clarify the availability of Consumers' voluntary green pricing (VGP) program, encourage the deployment of behind the meter (BTM) solutions like onsite storage, and encourage optimal siting and operational measures to minimize infrastructure costs. 5 Tr 782. Mr. Siddique urges the Commission not to wait until Consumers' next IRP, which will not occur until 2026, to address these issues. He states that the tariff should be used to require data center customers to develop their own clean energy sourcing plans and to direct

Consumers to prioritize new interconnection applications that include clean energy commitments. Finally, he advocates for appropriate reporting and accountability. 5 Tr 784.

7. Michigan Energy Innovation Business Council, the Institute for Energy Innovation, and Advanced Energy United, Inc.

John D. Albers is a Director at United. His direct testimony appears at 5 Tr 927-952 and his rebuttal testimony appears at 5 Tr 953-965. He sponsors Exhibits MEIU-1 through MEIU-5.

Mr. Albers testifies that Michigan's energy and tax incentive laws:

impose requirements that affect the provisioning of electrical service that are not accounted for in the proposed revisions to Rate GPD. Additionally, it is not uncommon for large-load customers to have voluntary renewable energy goals as part of organizational environmental, social, and governance ("ESG") goals. The proposed revisions to Rate GPD do not reflect such ESG goals either. I recommend that Consumers fully accounts for how it intends to satisfy both its obligations under Michigan law and the preferences of new customers for low-carbon or carbon-free resources.

5 Tr 933. Mr. Albers describes the statutory requirements that he references, noting that: (1) MCL 460.6t mandates the use of IRPs; (2) MCL 460.1028 requires utilities to acquire an increasing number of RECs to meet the renewable portfolio standard (RPS); (3) MCL 460.1022 requires utilities to file an REP that demonstrates how that RPS standard will be met; (4) MCL 460.1051 requires utilities to file a clean energy plan (CEP) showing how the utility will comply with increasing clean energy obligations (with "clean energy" encompassing certain non-renewable energy sources); (5) MCL 460.1011 sets minimum energy storage obligations; (6) MCL 205.54ee(10)(e)(ix) requires a data center to procure clean energy equivalent to 90% of the facility's forecasted annual electricity usage in order to qualify for the sales tax exemption; and (7) MCL 205.94cc(10)(e)(ix) makes the same requirement for the use tax exemption. *See also*, MCL 460.1003. He notes that, for the two

tax exemptions, a “facility can satisfy this requirement through (1) self-supply through on-site generation of renewable energy, (2) a long-term contract with the electric utility, or (3) participation in a voluntary green pricing program.” 5 Tr 935. Mr. Albers opines that if even a small portion of the data center projects under discussion actually materialize, the tariff language should cover not only ratepayer protections, but should also address how the generation to power the data centers will be sourced, particularly in light of the three procurement options presented for the tax exemptions. 5 Tr 937.

Mr. Albers recommends revisions to Consumers’ proposal. He recommends an eligibility threshold of 25 MW with the tariff being applicable to all large load. He further recommends that the customer be given the ability to choose the types of resources it desires, “such as generation, transmission, or distribution resources that are sourced or supported via utility procurements, bilateral or trilateral contracting, behind-the-meter and/or front-of-meter [FTM] collocation arrangements.” 5 Tr 938. He states that this is reasonable in light of the size of the load and the fact that existing customers will be insulated from the costs. Mr. Albers notes that the average inquiry request has been for 492 MW. 5 Tr 938, n. 3; Exhibit MEIU-2. He states that such customers often have ESG goals, and, thus, must also plan for paying the costs of the required renewable and clean energy that Consumers must procure. He argues that customers should be allowed to make their preferences known. Mr. Albers recommends that the tariff itself provide options for the customer including BTM resources, self-service power, and on-site supply; and the tariff should reflect that “minimum demand calculations will consider the netting capabilities of a customer’s firm commitments to reduce load with BTM or self-service power resources.” 5 Tr 939. He adds that the customer should also be given the option to make monetary contributions to existing energy waste reduction (EWR), demand

response (DR), virtual power plant (VPP), and demand flexibility programs, which will help reduce the impact of other customers' energy usage on the grid, thus making it easier for Consumers to serve the large load customer and continue to achieve statutory compliance. Mr. Albers states that large load customers could also earmark contributions for aiding low-income programs and for establishing programs that enable distributed generation (DG) as a resource, such as through supporting the installation of BTM rooftop solar. He adds that FTM options could include improvements to substations, the implementation of dynamic transformer rating (DTR), and the deployment of grid enhancing technologies (GETs). 5 Tr 940-941. He recommends that such options be listed in the tariff.

Mr. Albers acknowledges that these measures will not meet all of the capacity need for such a project and he testifies that the large load tariff should reference Consumers' existing tariff Section C10.6(H) (MPSC No. 14 – Electric, Sheet Nos. C-56.60 and C-57.00) which allows for the use of an External Power Purchase Agreement for customers participating in Consumers' VGP program. He further recommends that Consumers issue an all-source request for proposal (RFP) open to utility-owned and third-party owned projects using the Commission's Competitive Procurement Guidelines and an Independent Administrator. 5 Tr 943-944. In sum, Mr. Albers recommends that the tariff contain a menu of options for the customer, allowing the customer to participate in the selection of resources rather than allowing Consumers to unilaterally decide how best to serve each large load customer. Mr. Albers suggests that, in this unique situation where the equivalent of a new power plant is required with the addition of each new large load customer, simply relying on updates to the IRP, REP, and CEP will place too much burden on the parties to these cases and result in too much delay for affected customers. Finally, he states that large load customers should be able

to quantify and document their voluntary contributions to programs for ESG reporting, and that “to the extent that meeting new load leads to new wind, solar, or battery storage facilities following an all-source RFP, the ownership of such facilities should be split 50/50 between Consumers and third-party developers.” 5 Tr 947. He contends that this ownership split is in the public interest and will ensure that a strong third-party market exists in Michigan.

8. Data Center Coalition

Mr. Justin Bieber is a Principal at Energy Strategies, L.L.C. His direct testimony appears at 5 Tr 607-662 and his rebuttal testimony appears at 5 Tr 663-693.

Mr. Bieber describes the DCC as a national membership association for the data center industry whose 39 members include prospective customers of Consumers. 5 Tr 618.⁵ He states that Consumers has not analyzed the extent to which data center customers will be contributing to the recovery of fixed costs and recommends several revisions to Consumers’ proposal.

Mr. Bieber agrees with the use of 100 MW as a threshold but disagrees with application of the new tariff to data centers alone, since the same risks are associated with all large load. He recommends a minimum contract term of 10 years and an MBD of 70%. He states that Consumers based its proposals on benchmarking rather than performing quantitative analysis, and that the company ignored the generation investment that will be required to serve the load. He also notes that Consumers did not consider distribution costs, but states that the company’s tariffs allow a monthly extraordinary facilities charge and require CIAC “when extraordinary facilities are required to interconnect a customer.” 5 Tr 635 (citing Consumers’ Rate Book

⁵ For a list of DCC’s members, see DCC’s Petition to Intervene, p. 2., n. 1 (applying natural pagination), filing #U-21859-0004.

MPSC No. 14 – Electric).

While stating that he also did not consider distribution costs, Mr. Bieber explains that he performed his own analysis using the 2.65 GW of probable load addition, and adds that:

my analysis compares the net present value (“NPV”) of the expected annual revenue requirements associated with the anticipated transmission investments over the depreciable life of the assets to the NPV of the revenues from Rate GPD 1 transmission charges. These revenues are projected under both the Company’s proposed Minimum Contract Term and Minimum Billing Demand, as well as under my recommended Minimum Contract Term and Minimum Billing Demand.

5 Tr 636.⁶ Mr. Bieber states that his proposal (using a 10-year contract term and 70% MBD) results in the more reasonable figure of \$336.9 million in minimum transmission revenues above the incremental revenue requirement, as compared to Consumers’ proposal (using a 15-year contract term and an 80% MBD), which results in \$1.08 billion in minimum transmission revenues above the incremental revenue requirement. 5 Tr 638-639. He also notes that his analysis only reflects the minimum level of revenues that would be collected, and that actual revenues could exceed that amount. Citing Exhibit DCC-1, he states that Consumers has conceded that it is not necessary for the contract term to equal the life of the generating assets procured to serve that customer class. 5 Tr 641. Thus, Mr. Bieber argues that:

it is not necessary or appropriate to directly assign the cost of incremental generation or transmission assets to new large load customers. Incremental generation or transmission assets provide benefits to both new and existing customers. And similarly, revenues from new large load customers contribute to the cost recovery of both new and existing assets.

5 Tr 641.

Turning to the exit fee, Mr. Bieber supports the company’s proposal to mitigate the exit fee through reassignment of capacity using reasonable efforts, but argues that the company’s

⁶ “Rate GPD 1” refers to voltage level 1, which is the highest voltage level available on Rate GPD.

proposed exit fee amount is excessive. He recommends that the exit fee be equal to the MBD multiplied by the lesser of 60 months or the remaining months on the contract term and that the customer be required to provide 36 months' advance written notice of contract termination prior to the expiration of the minimum term. 5 Tr 644. Thus, he notes, a customer that terminates service at the beginning of its contract term would be subject to at least 96 months (eight years) of MBD payments. Mr. Bieber states that the exit fee in the Indiana Settlement is similar. He offers an analysis of the exit fee in comparison to the cost of incremental infrastructure necessary to accommodate the likely 2.65 GW of load and he testifies that the exit fee revenues alone "would significantly exceed the estimated capital costs, and . . . roughly double the estimated \$730-\$780 million investment." 5 Tr 652. Mr. Bieber also suggests that the obligation to mitigate the exit fee on the part of the utility should remain a continuing obligation and could result in a refund to the customer on an ongoing basis.

Turning to the issue of reductions to contract capacity, Mr. Bieber contends that this should not be limited to a one-time reduction if the reduction does not create a stranded asset or shift any costs. 5 Tr 656. He also argues that the one-time opportunity for a defined capacity reduction of 15% should not be at the company's discretion and should not require Commission approval, provided that the customer provides written notice 36 months in advance. Mr. Bieber further recommends that the large load customer "be allowed to reduce Contact Capacity beyond the allowable 15%, where the incremental Capacity Contract reduction will be subject to the Exit Fee provisions discussed above." 5 Tr 658. Thus, the customer could reduce capacity beyond 15% if the utility determines that there will be no adverse impact to other customers, or by paying the exit fee applicable to the incremental lost capacity (above the 15%).

Regarding financial security, Mr. Bieber recommends that it be reduced over the term of the contract and that drawdowns be used to offset costs for all remaining customers. Finally, he recommends that any annual reporting should explicitly safeguard confidential customer information. 5 Tr 661.

B. Rebuttal Testimony

1. Consumers Energy Company

In her rebuttal testimony, Ms. Connolly sponsors Exhibit A-2, which contains revised proposed tariff sheets.

She testifies that, on rebuttal, Consumers agrees to the Staff's proposals to: (1) change the name of the tariff to cover large load (agreeing with DCC and MEIU as well); (2) provide a more transparent definition of the collateral requirement and forms of payment; (3) define the collateral requirement as equal to the exit fee; (4) require the company to make every effort to reduce the exit fee with offsetting revenue; (5) prohibit the large load customer from reassigning its capacity; and (6) require the exit fee during the ramp-up period. 3 Tr 91.

Ms. Connolly states that Consumers continues to support the 100 MW eligibility requirement (agreed to by the Staff and DCC) but also supports the Attorney General's proposal to include two sites of 50 MW each owned by the same entity. She does not support a minimum load factor eligibility requirement, noting that the company has to build the system to support 100% of the expected load. Ms. Connolly opines that load factor is "not a relevant consideration for the risks the Company is seeking to mitigate" via this tariff. 3 Tr 92. She states that the company continues to support the 80% MBD requirement, which aligns with the Staff.

Ms. Connolly adds that Consumers agrees to make efforts to reduce the exit fee by

identifying offsetting revenues from other large load customers but does not agree with setting a maximum term for the exit fee to apply since that may result in stranded costs. Consumers also disagrees with including the infrastructure portion of the SAC in the exit fee, as she states that this cost should be handled through the CIAC agreement. 3 Tr 94. Ms. Connolly states that Consumers supports DCC's proposal to allow a one-time 15% reduction in contract capacity, and the Attorney General's proposal of a required four-year notice period for that request, as this aligns with the state reliability mechanism (SRM) planning period. She adds that if the Commission adopts a cap on the reduction, then Commission approval for the reduction should not be required; and she notes that the four-year advance notice provision means that Consumers will have time to incorporate the new requirements into rate cases and IRPs. Ms. Connolly states that Consumers continues to support a 15-year minimum contract term and five-year renewal extensions with a minimum of four years' notice of plans to terminate or extend the contract, noting that 15 years aligns with most PPAs, and four years aligns with the proposed notice period for contract changes. 3 Tr 96-97.

Regarding financial security measures, Ms. Connolly states that Consumers agrees to include language setting the collateral equal to the exit fee and allowing the security requirement to be reduced over time as shown in Exhibit A-2. However, Consumers disagrees with the Staff's proposed stipulation regarding stranded assets because the company is obligated to serve the load. She opines that placing the onus of stranded costs on the company is inconsistent with the regulatory compact and lacks a legal or factual basis. She also states that it is "premature and unnecessary for the Commission to opine on the recovery of future stranded costs in the context of this proceeding." 3 Tr 99.

Ms. Connolly testifies that ABATE's proposed reporting requirements are burdensome and

unnecessary and that Commission approval should not be required for Consumers to enter a rate contract that is in accordance with its tariffs. She states that the company files annual electric rate cases “which will include forecasts of expected data center load in the test year, as well as the power supply, transmission, and delivery costs to serve that load. Any concerns about plans to serve these customers are better addressed through the general rate case process.” 3 Tr 99. Ms. Connolly opines that the issue of whether to directly assign costs to customers is beyond the scope of this tariff proposal case and should be handled in a rate case. She states that Consumers intends to file a data center cost allocation and rate design proposal in a future rate case. She also states that the company withdraws its proposal for an administrative fee based on a change to the “intake process.” 3 Tr 101. Finally, she notes that the Attorney General, the CEOs, MNSC, and MEIU all made proposals related to renewable and clean energy requirements. Ms. Connolly states that these should not be addressed in this case but rather in REP and IRP cases. She states that the company’s latest REP case, Case No. U-21816, includes “sufficient renewables to meet an expected 1,145 MW of data center load by 2032” and she indicates that forecasts will be refined in future REP and IRP filings. 3 Tr 102. She states that Consumers will comply with all state energy laws. 3 Tr 99-103.

2. The Commission Staff

Jesse J. Harlow is the Manager of the Renewable Energy Section of the Energy Resources Division of the Commission. His rebuttal testimony appears at 5 Tr 1022-1030.

Mr. Harlow testifies that this docket is not the appropriate place to address the renewable and clean energy requirements of Act 235, noting that:

Staff believes that there are already processes in place that will provide a more appropriate forum to address all of these issues. While the intervenors in the instant case have focused on the Renewable Energy and Clean Energy requirements, there are several other issues that would require more detailed planning in the appropriate

contested cases, such as distributed generation caps, choice caps, etc., which will require significant planning in the appropriate format if/when Consumers Energy (Consumers or the Company) has realized such load additions.

5 Tr 1026. Mr. Harlow also points to MEIU's testimony regarding PPAs being of lower cost than company-owned assets and testifies that, for the 2011-2018 period, the result showing whether PPAs or company-owned assets were less expensive flipped back and forth each year. He opines that PPAs do not produce significant cost savings for ratepayers in comparison to company-owned projects and he does not recommend adoption of an arbitrary 50/50 split between such assets. Mr. Harlow states that Consumers, instead, "should be choosing the most economical and viable resources that meet the statutory requirements" regardless of ownership, while including the option for third-party owned PPAs in all future solicitations.

5 Tr 1028.

On rebuttal, Mr. Isakson takes issue with DCC's analysis regarding transmission revenue, stating that:

like with customers on any rate it is difficult to impossible to directly tie one customer with their specific cost to serve. The whole point of the cost of service study exercise is to allocate system costs to customer classes, and not to individual customers. Imprecise rates (i.e. not tailored to the individual) are a *good* thing, because it causes rates to change gradually over time. This saves the customer from financing each and every upgrade, replacement, or change to their specific service as they occur. Customers making contributions in aid of construction (CIAC) must pay directly for their costs for line extensions, but that is only after an allowance is applied. . . . Instead the Commission's focus should be [on] weighing the risk of load loss with a reasonable amount of revenue guarantee.

4 Tr 320-321 (emphasis in original). He also opposes the proposals from MNSC and the Attorney General to limit the customer to a particular load factor, stating that a higher load factor is not necessarily what makes these customers unique. 4 Tr 321-322. Regarding defining the ramp-up period, Mr. Isakson notes that the customer may never reach its MBD and thus never become subject to the additional protections, which, he opines, is a result that

should be avoided. He recommends that the company be able to negotiate the ramp-up period via its contract for a maximum of five years. 4 Tr 323.

Mr. Nicholas M. Revere is the Director of the Energy Operations Division of the Commission. His rebuttal testimony appears at 4 Tr 407-418 and his cross-examination appears at 4 Tr 419-480.

Mr. Revere addresses the testimony from the CEOs, MEIU, the Attorney General, and MNSC regarding the potential impact of data center load with regard to various statutory obligations. He testifies that:

[m]any of the issues identified by the intervenors have existing processes through which they are considered as part of a holistic case, rather than only as they apply to customers under the provision, rendering the requested solutions duplicative, unnecessary, or inappropriately narrowed. The integrated resource planning (IRP), renewable energy planning (REP), and capacity demonstration processes set up by the Commission consistent with the prevailing statutes are the appropriate place to consider the resources and plans that are most appropriate to ensure compliance with those statutes. Considering such issues outside of the context of those established processes risks failing to consider everything appropriate in determining how best to comply with those statutes.

4 Tr 415. He adds that the tax exemption provisions should also be considered in another case, and that it is unnecessary to duplicate the existing VGP provisions outside of the VGP program. Mr. Revere cautions against dealing with such issues on an ad-hoc basis. He notes that the scale of data centers is unique, but adds that they will be part of Consumers' overall load and the utility will plan for the overall load accordingly.

Finally, Mr. Revere states that the Staff has a number of concerns with the concept of requiring these customers to pay for their service through direct assignment. He notes that the LTILRR "is more the exception that proves the rule as it required passage of legislation to enable something different than the standard." 4 Tr 417; *see*, MCL 460.10gg. He adds that time-matching a specific plant to a specific customer is unrealistic, and that subsidization does

not occur “if every customer pays the cost to serve their portion of the total requirement based on appropriate allocations of the total costs, leading to the necessity of rejecting [the intervenors’] claims.” 4 Tr 417-418.

3. The Association of Businesses Advocating Tariff Equity

Mr. Dauphinais rebuts the testimony filed by DCC and the Staff regarding the tariff’s eligibility threshold. He reiterates his position that it is not unduly discriminatory to limit this tariff to data center load rather than applying it to all large load, and he states that it should be done via a separate rate due to the differences in risk level and load factor compared to other Rate GPD customers. He disagrees with the 100 MW threshold and testifies that it should be 300 MW for a single site or aggregation of sites based on his analysis of the inquiries that Consumers has received. He states that Exhibit AB-2 shows that “over 93% (14,200 MW) of the total MWs of large data center load addition inquiries Consumers has received are from load additions greater than or equal to 300 MW in size.” 5 Tr 835. He states that it is important “not to unduly inhibit economic development below a 300 MW threshold[,]” particularly if the tariff applies to all large load rather than only to data centers. Mr. Dauphinais adds that the aggregation provision should be implemented by summing the total MW from a given entity and all of its affiliates that enter service within five years of each other. He also recommends rejection of DCC’s proposal for a one-time 15% capacity reduction at the sole discretion of the customer and recommends an *ex parte* proceeding, at a minimum. Finally, he recommends rejection of the Attorney General’s and MNSC’s proposal to lower eligibility to 50 MW, again stating that such a low eligibility limit could unduly inhibit economic development due to the extra requirements that will become part of this tariff. 5 Tr 836-841.

4. Michigan Environmental Council, Natural Resources Defense Council, Inc., Sierra Club, and Citizens Utility Board of Michigan

Ms. Palmer rebuts DCC's testimony and sponsors Exhibit MEC-24. She disagrees with DCC's recommended 10-year contract term and 70% MBD on grounds that DCC, in its quantitative analysis, considers only the cost of incremental transmission investments and not the full set of transmission resources, and has only evaluated transmission costs and has not considered other significant costs. 5 Tr 913. Ms. Palmer states that large load customers will likely benefit from the entire existing and planned transmission system, but DCC does not take embedded costs into account and, even in considering transmission costs, does not include the additional transmission infrastructure required for the interconnection of additional generation to support the load. She adds that neither Consumers nor DCC have considered changes to Zone 7 capacity import limits as a result of data center load, and that, in recommending a shorter contract term and lower MBD, DCC has not evaluated generation costs.

Ms. Palmer offers her own analysis of the estimated hypothetical incremental generation costs associated with large load customers based on Consumers' acknowledgement of a probable 2.65 GW of new data center load, factoring in such concerns, and she states that Consumers will need approximately 3.38 GW of new generating capacity to serve 2.65 GW of data center load. 5 Tr 917. She testifies that a reasonable estimate of the associated capital cost is \$8.1 billion (excluding any carbon capture and sequestration costs). 5 Tr 917-918. Ms. Palmer notes that the amount of associated revenues estimated by Consumers and DCC are about \$3.5 billion and \$5.2 billion lower, respectively, than her cost estimate. In contrast, she states that using her recommended 20-year contract term and an MBD of 90% generates minimum revenues of \$6.4 billion, which is still \$1.7 billion lower than the incremental generation cost that she identified. 5 Tr 919. Her conclusion is that DCC's proposed contract

term and MBD should be rejected.

Ms. Palmer states that the Commission should not lower the exit fee or permit refunds as recommended by DCC. She again notes that DCC's proposals are based on incremental transmission costs but those costs are incomplete. She agrees that it is reasonable to provide a refund where the capacity has been reassigned, but argues that "if Consumers secures capacity- and energy-market revenues, those should be allocated among the customer classes consistent with Consumers' established revenue allocation practices, not preferentially allocated to data center customers." 5 Tr 921. Ms. Palmer further opines that the Commission should not permit a 15% one-time capacity reduction as proposed by DCC as it represents a substantial amount of load. She recommends that exit fee waivers and contract capacity reductions be subject to Commission review. Finally, Ms. Palmer does not object to the notion of applying the tariff to all large load; but she notes that, though there is little history to rely on with respect to data centers, there have already been some significant cancellations. 5 Tr 923-924.

5. The Michigan Department of Attorney General

Mr. Deupree rebuts MNSC, ABATE, and DCC. He notes DCC's general agreement with the need for tariff restrictions on large load in order to protect ratepayers, but argues that the proposed 10-year contract term and 70% MBD will introduce additional risk and are inconsistent with the Indiana Settlement which requires a 12-year contract term and 80% MBD; and he notes that DCC was a party to the I&M case. 5 Tr 1007-1008. He agrees with DCC that exit fees should be mitigated where possible, but states that they should apply during the ramp-up period and should be subject to the MBD. As far as the calculations that DCC used for arriving at its proposals, Mr. Deupree states that they did not consider

distribution costs or the costs associated with bringing the required amount of new generation assets online to serve these new large load customers. In the absence of generation expense modeling, he recommends that DCC's proposals be rejected and the Commission approve the 15-year term and 80% MBD. 5 Tr 1011-1012.

Mr. Deupree agrees with ABATE that Consumers should be directed to file an application for a separate rate for large load customers as soon as possible, using Rate GPD as a starting point. He also agrees with MNSC that large load customers should "be required to enter into contracts with the Company for procurement of at least 60 percent of incremental energy requirements through renewable resources." 5 Tr 1015 (footnote omitted). He states that Consumers already has the ability to mandate such a requirement because all electric providers in Michigan are required to offer a VGP program. He also agrees with MNSC that incremental costs associated with system upgrades should be directly assigned to the large load customer through a new rate.

6. The Ecology Center, Inc., Environmental Law & Policy Center, Union of Concerned Scientists, Inc., and Vote Solar

Mr. Siddique rebuts DCC's testimony regarding the benefits of incremental generation and the direct assignment of costs. He notes that traditional cost allocation "assumes that new customers help spread fixed system costs over a larger customer base, thereby reducing average costs for all customers[,]" and adds that MNSC witnesses Jester and Palmer have demonstrated that this is "mathematically sound" when system costs (the numerator) are fixed but total load (the denominator) increases. 5 Tr 791. However, Mr. Siddique states that the unique scale of data centers means that the numerator and denominator increase together at similar rates, and, unlike typical industrial loads, can result in higher costs for existing customers rather than lower costs. He states that this reality will require a new approach to

plant and distribution investments.

Mr. Siddique notes Ms. Palmer's example wherein a 2.65 GW data center with a 90% load factor would increase annual energy requirements by 49% but would raise peak demand by only 35% and testifies that, under Michigan's current 4CP allocation method, the data center class of customer would be allocated only 35% of new generation costs with the remaining 14% recovered from other existing customers. 5 Tr 795. Mr. Siddique adds that:

[t]his systematic under-allocation is compounded by the fact that meeting a constant 24/7 load block requires substantial base-load resources such as renewable energy plus storage or dispatchable generation, which have high capital costs. These base-load resources, sized to serve the data center's average demand rather than its marginal peak contribution, recover their high fixed costs primarily through the same capacity allocators that already understate the data center's responsibility, thereby magnifying the cross-subsidy effect rather than reducing it.

Id. (footnote omitted). He is concerned that traditional cost allocation will result in subsidization and he agrees with MNSC that the soundest method for planning is to use IRP modeling to isolate the incremental generation and transmission costs required to serve the new load and assign those costs directly to the class of customers that is causing them, without the possibility of offsetting the costs via a CIAC contract. He recommends that this new rate class be created as soon as possible.

Mr. Siddique opines that MEIU's testimony regarding giving new customers options for helping other customers reduce the impact of the increased load is grounded in sound economic and energy system principles and data centers should use these options to help reduce peak system demand, but that this is not a substitute for the direct assignment of costs. 5 Tr 796-801.

7. Michigan Energy Innovation Business Council, the Institute for Energy Innovation, and Advanced Energy United, Inc.

Mr. Albers also files rebuttal on the eligibility issue and sponsors Exhibit MEIU-6. He

provides a chart illustrating the various parties' positions on this issue at 5 Tr 957. He reiterates his position that eligibility should begin at 25 MW and the tariff should apply to any large load customer. He testifies that his position should not be considered an outlier, stating that of the 994 customers currently on Rate GPD, only two are above 25 MW. *See*, Exhibit MEIU-4. He also opines that certain aspects of the large load tariff that are under discussion could be reserved for only the largest load customers and need not be required across the board. Mr. Albers adds that:

[t]he investment necessary to serve 25 MW of new load can be mitigated if Consumers allows the new customer to contribute to existing energy waste reduction ("EWR") or demand response ("DR") programs or fund the creation of new programs, such as a virtual power plant ("VPP") program or a program fostering the expansion of behind the-meter ("BTM") distributed energy resources, such as rooftop solar and energy storage. Given a need to satisfy at least 25 MW of new load, a new customer could find supporting such programs a financially preferable option and could result in meaningful contributions to such programs.

5 Tr 961-962. Thus, he recommends that the tariff include a list of options for the new customer that may help mitigate the impact of that customer's load including the above described options and GETs, and he notes that loads of all sizes may have ESG goals that could be met with such an approach. 5 Tr 964.

8. Data Center Coalition

Ms. Shana Ramirez is a Director at Energy and Environmental Economics, also known as E3. Her rebuttal testimony can be found at 6 Tr 1044-1076.

Ms. Ramirez states that large loads such as data centers "pose several potential risks related to system reliability, cost impacts, and regulatory compliance" but that they can also "provide substantial economic, operational, and strategic benefits to the utility and the broader community" such as by providing stable, long-term demand and additional utility revenues.

6 Tr 1047-1048. At a high level, she recommends that financial security measures should be

proportionate to the specific risks involved with the project and should be flexible such that they change over time to reflect changes to risk. She supports applying such measures to all large load, not just data centers, but she notes that the data center industry sector is diverse and thus a uniform approach to financial security requirements is not appropriate.

Ms. Ramirez opines that Consumers' 100% security proposal is disproportionate to the actual risk presented, particularly when combined with other safeguards such as exit fees, MBD provisions, and long-term contracts. She states that many of these customers will likely have "investment-grade credit and stable, long-term commitments." 6 Tr 1054. She supports flexible collateral structures and bilateral agreements. Turning to the Staff's proposal, Ms. Ramirez opines that this collateral proposal is also excessive and presents a barrier to development. She testifies that a better method would be based on a customer's monthly bill over a defined period, stating that:

[t]his method better reflects actual exposure and allows exemptions for creditworthy customers. The collateral should increase as the utility makes investments on the customers [sic] behalf to the date of energization and then should also be reduced annually following the ramp period, recognizing the declining risk to the utility and ratepayers. If the Commission includes credit requirements in the tariff, they should be based on project-specific risk.

6 Tr 1056. She also finds the Attorney General's proposal to be overly prescriptive. She supports the establishment of a consistent framework for determining financial security based on best practices.

Ms. Ramirez testifies that E3 has identified best practices for managing the financial security of large load customers. She describes her approach as milestone-based, so that collateral grows as the utility's investments on behalf of the customer grow, is gradually reduced once the load has been fully ramped, and continues to decrease month by month as the utility recovers its capital investments. She recommends a standardized menu of

acceptable collateral instruments which would include letters of credit, guarantees, surety bonds, and cash deposits, and she provides additional detail. 6 Tr 1059-1062. Ms. Ramirez recommends exemptions from collateral requirements based on objective criteria such as the customer's investment rating and liquidity. She recommends that the mechanism for collateral reduction be clearly outlined in the tariff or service agreement. She recommends scalability and adaptability, and she opines that varied approaches may arise across different jurisdictions based on size, risk tolerance, customer profile, and the regulatory environment. 6 Tr 1064.

For the instant case, Ms. Ramirez offers the following standardized framework (if the Commission prefers this to bilateral negotiations). She states that “[c]ustomers should post collateral equal to two years of non-fuel revenue, beginning when Consumers makes capital investments to serve the customer, increasing at the same pace as Consumers makes investments, and reaching the full amount by the time the project is energized.” 6 Tr 1065. She states that this mechanism should remain in place during the ramp-up period and that this amount will “cover the costs associated with underutilized assets until the capacity can be reassigned to a new customer and that customer becomes operational[.]” and that collateral should be reduced by 10% annually after one year of operations at contracted capacity and reach zero by the end of the 10-year contract term. *Id.* She suggests that no new collateral be required for a contract extension unless there are new investments. Ms. Ramirez avers that the 10% “mirrors the reduced risk to Consumers and ratepayers of stranded assets.” 6 Tr 1066.

Ms. Ramirez also describes credit ratings or conditions that should result in a 50% or 30% exemption from the collateral requirement, depending on the applicant's qualifications. Ms. Ramirez states that acceptable forms of collateral are “a guarantee from a parent, affiliate, tenant or other entity with a financial interest in the customer; a letter of credit; a surety bond,

or cash[,]” with the cash earning interest and with collateral proceeds, if drawn upon, being used to offset costs for remaining ratepayers. *Id.* She provides the following illustration of the difference between her proposal and the company’s proposal:

Consider an illustrative data center customer with a contracted demand of 100 MW and a typical load factor of 85 percent. Under Consumers Energy’s Large General Service Primary Demand Rate, an estimate of the customer’s annual cost for electric service would be approximately \$25.4 million. Under Consumers’ proposal, which requires collateral equal to 15 years of expected revenues, this customer would be obligated to provide over \$380 million in collateral to the utility. Assuming Consumer’s [sic] pre-tax weighted average costs of capital (“WACC”) of 7.85 percent as the discount rate over the 15-year term, with equal monthly credits applied to the customer’s account, the net present cost of this collateral commitment would be approximately \$150 million. By contrast, under a more proportionate and risk-aligned collateral framework, such as a requirement equal to 2 years of expected revenues, the same customer would provide \$51 million in collateral. Using the same WACC and assuming the collateral is returned in equal monthly installments over a 10-year period, the net present cost to the customer would be approximately \$24 million.

6 Tr 1067. She contends that this highlights the need to avoid excessive collateral obligations which could deter investment in Michigan.

Turning to the clean energy proposals, Ms. Ramirez notes that Act 235 requires utilities to meet increasing clean energy targets in 2030 and 2035, both in the form of renewable energy and clean energy, and she posits that this is important to some data center customers with ESG goals. 6 Tr 1069. However, she also notes that, for some data centers, the time to market is the primary concern. Regarding the Attorney General’s proposals, Ms. Ramirez states that the Attorney General’s proposal for 90% clean energy related to the tax exemptions is reasonable, but she questions the 60% renewable energy target, stating that “it would be prudent to obtain further clarity on the implementation framework, associated timelines, and operational implications.” 6 Tr 1072. She makes the same comment regarding the CEOs’ proposal and MNSC’s proposal regarding the 60% target. Ms. Ramirez states that she supports MEIU’s

proposal, adding that:

[a]llowing customers to reduce their effective contract capacity in exchange for deploying on-site resources promotes flexibility and recognizes distributed energy investments. The recommendation to permit third-party PPAs outside of the VGP program enhances market access and customer choice. Requiring Consumers Energy to issue competitive, independently evaluated all source RFPs for unmet needs improves transparency and cost control. Providing customers the option to pay a premium for prioritizing specific resource types further supports alignment between sustainability goals and utility planning. Overall, MEIU's proposal offers a balanced and practical framework for advancing clean energy while maintaining customer choice and protecting ratepayers.

6 Tr 1074. Finally, she recommends that the Commission direct Consumers to conduct further analysis and engage with interested persons to evaluate the feasibility of the 60% renewable energy procurement target, and she supports the application of any such requirement to all large load customers. 6 Tr 1076.

Mr. Bieber rebuts MNSC, and states that Ms. Palmer fails to provide any justification for why the tariff at issue should apply only to data centers. He supports the Staff's and MEIU's positions on this issue. He also opposes the proposal to create a separate rate class, arguing that this runs counter to "the underlying premise that unique protections are required for new large load customers because those loads might not materialize as planned." 5 Tr 677. He notes that some other jurisdictions have adopted large load tariffs that do not refer to the end use.

Mr. Bieber also responds to MNSC and the Attorney General on the issue of cost allocation. He notes that system transmission and generation resources are "jointly utilized to serve all loads on the system" and states that he has concerns regarding the proposal to directly assign costs to the customer. Mr. Bieber states that this fails to recognize that the assets that are utilized by all customers are part of an interconnected system and he worries that such a scheme "could result in different rates for customers receiving substantially the

same service, simply based on when they requested service. Additionally, it would not be reasonable to require new customers to pay for both embedded costs and incremental costs.”

5 Tr 682. He urges the Commission to examine cost allocation proposals in a rate case rather than in this proceeding.

Mr. Bieber states that Ms. Palmer did not provide any quantitative analysis to support her contract term and MBD recommendations, nor did the Attorney General or the Staff.

Regarding the mitigation obligation and Commission review, he states that:

[i]n situations where a large load customer may be permitted to reduce capacity without being required to pay an Exit Fee, in situations where Consumers is able to mitigate potential adverse impacts to other customers, I agree with the intervenors that it would be reasonable for the Commission to evaluate the proposed mitigation. This process would provide the Commission the opportunity to thoroughly assess and confirm that the proposed mitigation would, in fact, sufficiently prevent adverse impacts to other customers. However, to the extent that a large load customer pays an Exit Fee in order to reduce or terminate contract capacity, then there should not be any need to file a proceeding before the Commission.

5 Tr 689. He recommends that increases to contract capacity be handled through the tariff and not require a Commission filing, as such a requirement could operate to discourage development. He also suggests that customers be allowed to negotiate contract extensions with the company and that the Commission reject a uniform extension timeline.

IV. BRIEFING

A. Initial Briefs

1. Consumers Energy Company

Consumers’ initial brief largely repeats Ms. Connolly’s testimony. Consumers notes that, in the absence of the provisions that it recommends, any data center may currently take service on Rate GPD and other customers would pay for the incremental costs to serve that data center. Consumers argues that the most relevant evidence in the instant case is the Indiana Settlement,

which features many of the provisions that Consumers proposes. *See*, Exhibit S-3; 4 Tr 304-306. Consumers notes that it adopted a compromise position on rebuttal, agreeing with the Staff's proposals to make the tariff applicable to large load rather than simply to data centers, include more detail in the collateral requirement and additional forms of payment, define the collateral amount as equal to the exit fee, reduce the exit fee by offsetting revenue, prohibit customers from reassigning their capacity to another entity without approval, and apply the exit fee during the ramp-up period. Consumers' initial brief, p. 4. *See*, Exhibit A-2; 3 Tr 91.

Consumers states that it agrees with the Staff and DCC that the tariff should apply to all large load greater than 100 MW regardless of end use. Consumers continues to support an eligibility threshold of 100 MW but agrees with the Attorney General's recommendation to include two or more sites of 50 MW or greater per site owned by the same entity. Consumers opposes using a minimum load factor as an eligibility requirement, arguing that the Attorney General has not explained the relevance of the load factor as it pertains to investments. Consumers supports a 15-year contract term with five-year renewal extensions and a minimum of four years' notice to terminate or extend, arguing that the contract term more closely aligns with the terms of PPAs and other assets, and the four years' notice aligns with the proposed notice for contract capacity changes and with the capacity planning process. Consumers' initial brief, p. 9.

Consumers supports its proposed 80% MBD which aligns with the Indiana Settlement. 3 Tr 93. Consumers opposes DCC's suggestion to set a maximum term for the exit fee, arguing that the planning required to deal with the lost load could easily take more than 60 months. Consumers also opposes MNSC's recommendation to include the infrastructure portion of the SAC in the exit fee, and contends that this should be handled through the CIAC

agreement. Consumers again withdraws its request for an administrative fee. Consumers' initial brief, p. 12.

Turning to contract capacity reductions and increases, the company states that it agrees with DCC's proposal to allow a one-time reduction of 15% and agrees with the Attorney General's suggestion of four years' required notice for a request to reduce capacity. Consumers contends that if these guardrails are approved, then the company should not be required to seek Commission approval of the capacity change. *Id.*, p. 11.

Turning to the issue of reporting, Consumers states that its annual report:

will provide information on the number of executed rate contracts which are subject to the Rate GPD Large Load provision. The report will also provide the aggregated large customer load provision MW and MWh [megawatt-hours] in service and the number of reductions and/or increases to capacity requests and associated MW. Additionally, the report will provide the number of termination of contract notices and the Exit Fees applied. 3 TR 86.

Consumers' initial brief, p. 12. Consumers disagrees with the Attorney General's proposal that all large load customers' contracts be approved by the Commission, arguing that this is the reason why standard tariffs exist. Consumers also objects to the proposal to include forecasts in annual reports as overly burdensome, stating that the company files annual electric rate cases which will "include forecasts of expected data center and other large customer loads in the test year, as well as the power supply, transmission, and delivery costs to serve those loads." *Id.*

2. The Commission Staff

The Staff begins by stating that it:

emphasizes that the proper lens of analysis for Staff's and the Company's recommendations in this case is the mitigation of harm to existing customers if an LLC [large load customer] leaves service rather than what will happen when LLC load comes online. The issue of the recovery of stranded assets would be addressed if and when they occur There are no currently approved tariff provisions on

Rate GPD that would properly ensure financial security from LLCs, but the Company's Extraordinary Facilities Requirement allows the Company to make special contractual arrangements if it deems a customer has unacceptable credit risk or any other reason "within the sound discretion of the Company." (4 TR 298-299.)

Staff's initial brief, p. 7. The Staff reiterates that Consumers should take complete cost responsibility for any stranded costs if the company, in its sole discretion, is allowed to determine the financial security of potential customers. The Staff notes that these costs are not created by existing customers, nor do existing customers play any role in determining the amount of risk that the company proposes to take on. *Id.*, p. 8 (citing 4 Tr 302-303).

The Staff refers to the LBNL Report (which outlines the regulatory activities of various jurisdictions with respect to data centers), and the Staff notes that the Indiana Settlement did not limit that tariff to simply data centers but rather applied it to large load customers of 70 MW at a single site or 150 MW in aggregate. *See*, Exhibit S-2. The Staff states that the tariff adopted in the Indiana Settlement requires a contract term of 12 years, requires an exit fee, allows for a capacity reduction, and has a five-year ramp-up period. Staff's initial brief, p. 9. The Staff states that:

[t]he Indiana tariff differs from the Company's proposal regarding collateral, as it requires 2 years' worth of revenue equal to the LLC's non-fuel bill and allows for exemptions depending on the LLC's creditworthiness; all of which are explicitly laid out in the tariff. (4 TR 306.) Staff relied on the Indiana tariff, among other things, to develop its proposed modifications to the Company's tariff amendment proposals. (4 TR 303.)

Staff's initial brief, p. 9.

The Staff recommends that the Rate GPD tariff revisions be applied to all large load customers greater than or equal to 100 MW, arguing that the end use is not relevant to what is unique about large loads. The Staff notes that Consumers and DCC both agreed with this modification on rebuttal. *See*, 3 Tr 91; 5 Tr 675. In response to ABATE, the Staff states that it

is the size of the load and the potential impact on other customers with reference to the creation of stranded costs that makes large load unique. The Staff disagrees with the Attorney General's proposal to make a load factor of 80% an eligibility requirement and MNSC's proposal for a load factor of 75%, because this "may inadvertently exclude some LLCs from the new provision" even though an early exit from service by such an excluded customer could still be harmful to other customers. Staff's initial brief, p. 12.

Regarding financial security, the Staff recommends the use of language that is included in the Indiana Settlement tariff addressing how collateral may be provided by the customer, which includes "a guarantee from the ultimate parent or a corporate affiliate[.]" a standby irrevocable letter of credit, or cash. Staff's initial brief, p. 13 (citing 4 Tr 311-312). The Staff also recommends that the collateral amount be defined in the tariff as equal to the exit fee. The Staff avers that other states have lower collateral requirements, and, as an alternative, adds that "the Commission may consider setting the requirement to half of the exit fee instead. (4 TR 310-311)." Staff's initial brief, p. 14. The Staff states that the amount should be recalculated annually and should allow for reimbursements to the customer, noting that Consumers agreed to all of these proposals. The Staff urges the Commission to adopt the tariff in Exhibit S-1. The Staff reiterates that if Consumers retains complete discretion to decide on financial security measures, then that power must be conditional on taking complete cost responsibility as well. *Id.*, p. 16.

Regarding contract capacity changes, the Staff recommends (in agreement with ABATE) that Consumers be required to make an *ex parte* showing of no harm to other customers resulting from an increase or decrease to contract capacity. *Id.*, p. 17. The Staff states that:

[b]ecause the Commission is solely responsible for determining the reasonableness and prudence of utility spending, or in this case a reduction in revenue, with regard

to the effect on customer rates, it is not appropriate to allow the Company absolute discretion to allow a capacity reduction. (4 TR 313.) Staff recommends that the *ex parte* filing shows that other customers will not be made to pay for any negative effects of the LLC's capacity reduction, including the effect on transmission expense. *Id.*

Staff's initial brief, p. 17. The Staff agrees with ABATE and the Attorney General that the large load customer should not be allowed a one-time discretionary 15% reduction because that has the potential to create a stranded asset and, again, the Staff advocates for an *ex parte* filing. The Staff agrees that the company should be required to mitigate the exit fee where possible and notes that the company has agreed. *Id.*, p. 18. Regarding notification, the Staff recommends that the customer be required to give Consumers at least three years' notice prior to a reduction of capacity or an exit from service, and that customers should not be allowed to reassign capacity to another entity without Consumers' approval.

The Staff recommends contract extensions for three years as this would coincide with the notification period and would result in a lower exit fee and collateral amount. *Id.*, p. 20. The Staff also recommends that, once the initial term of the contract has run, the notification requirements remain in place. The Staff recommends that the exit fee apply during the ramp-up period because the company will have begun to make investments, and the Staff points out that no party objected to this recommendation. The Staff proposes that the ramp-up period should be the lesser of five years or when the large load customer's monthly peak demand equals or is greater than the MBD. *Id.*, p. 22.

The Staff contends that the potential effects of data center load on the utility's compliance with other statutory requirements should not be addressed in the instant proceeding. The Staff opines that the proposals put forward by the CEOs, MEIU, MNSC, and the Attorney General should be considered in other cases where the Commission has existing statutory processes that

will allow a holistic examination. *Id.*, p. 26. The Staff argues that generation considerations should be addressed in IRPs, REPs, and capacity demonstration cases, and contends that considering such issues outside of those existing avenues risks failing to consider everything that should be considered in determining how best to meet the energy standards. *See*, 4 Tr 414-415. The Staff notes its position that the tariff at issue herein should apply to all large load, and thus argues that issues regarding compliance with the data center tax exemption statutes should be dealt with in another case. The Staff also disagrees with any proposal to duplicate existing VGP options outside of the VGP program or to include them in the tariff, since any potential large load customer will be made aware of the VGP options during its negotiations with Consumers. Staff's initial brief, p. 27.

The Staff further argues that the issue of whether costs should be allocated directly to the large load customer should not be addressed in this proceeding. The Staff states that:

[i]ntervening parties' witnesses seem to be operating under the assumption that "any resources built to accommodate load under the provision would be more expensive than the resources that would otherwise be built to serve customers," an assumption unsupported by evidence in the instant case; given the scale of the generation that would be required to serve the load, it is possible that such generation would be cheaper than what would have been built absent the load due to economies of scale. (4 TR 416-417.) Also, the Company currently "plans its generation to serve the entirety of the load it is responsible for, not for individual customers," and "under standard ratemaking, costs are allocated to customers based on measures of how they contribute to the load that needs to be served by the Company in total." (4 TR 417.)

Staff's initial brief, pp. 28-29. The Staff contends that the LTILRR is the exception that proves the rule, and argues that the notion of time-matching generation to load is unrealistic. Finally, on this issue, the Staff argues that there is no evidence on the instant record showing that any customer group would subsidize another customer group under the tariff at issue, and states that this issue should be "reexamined if appropriate in other cases with more evidence." *Id.*,

p. 29.

Lastly, the Staff disagrees with MEIU's recommendation that resource ownership should be split 50/50 between company-owned and PPA resources for all future competitive solicitations for renewables and batteries. The Staff asserts that MEIU's "logic has no bearing in the current market for renewable resources" and points to Mr. Harlow's testimony showing that there are no significant cost savings associated with PPAs as compared to company-owned resources. *Id.*, p. 30 (citing 5 Tr 1027). The Staff opines that such a requirement is no longer necessary.

3. Association of Businesses Advocating Tariff Equity

ABATE contends that Consumers' proposal for Rate GPD will not protect existing customers from stranded costs in the event that the load does not fully materialize and the company's proposed reporting requirements are inadequate. ABATE is also concerned that the provisions of the tariff should not encompass customers who do not present the same risk that data center customers present. ABATE argues that a separate tariff is required for data centers and they should not be served under Rate GPD because that will result in cost shifting.

ABATE states that subsidization is a risk:

if either: (i) the collected non-fuel revenues from the fully materialized load are less than the incremental fixed costs incurred by Consumers to serve the load; or (ii) the load fails to full[y] materialize (or fails to remain fully materialized) and its non-fuel revenues fall far enough below projections that they no longer cover the incremental fixed costs Consumers incurred to serve them. (*Id.*) Furthermore, beyond cost subsidy risks, these customers' size and their service needs represent resource adequacy, reliability, and service quality issues for existing customers. (*Id.*)

ABATE's initial brief, p. 3 (citing 5 Tr 810-811). ABATE notes that the Commission granted Consumers' request to close Rate LED to data centers in order to give the company time to develop an appropriate ratemaking solution for data centers. *See*, June 6, 2024 order in Case

No. U-21646.

ABATE argues that a new, standalone rate is required and development of that rate should not be delayed, because the anticipated data center loads should be together on the same rate, they differ significantly from existing Rate GPD customers, and they will quickly come to dominate the Rate GPD class. ABATE's initial brief, pp. 4-5. ABATE states that Rate GPD should be left as-is and should be closed to new data center load, thereby protecting Rate GPD customers from intra-class subsidies. ABATE contends that Consumers conceded that three years' of load data is not needed, and ABATE adds that DCC's claims about the amount of analysis that is needed are overstated. *Id.*, p. 6 (citing 3 Tr 209 and 5 Tr 676-677). ABATE notes that the soonest that a separate rate could be approved in a rate case would be mid-2027 and argues that this is an unreasonable delay for this urgent situation.

ABATE contends that Consumers' proposed reporting requirements are lacking. ABATE refers to Consumers' estimate obtained from a local transmission owner for 2.65 GW of new large load of \$730 to \$780 million in transmission costs; but notes that this would be in addition to generation costs and generation interconnection transmission infrastructure costs, which would be incurred through higher MISO Schedule 9 and/or Schedule 26 transmission charges and would be passed on to all full-service customers through base rates and the PSCR factor. ABATE also argues that the cost of generation to serve the new load would be passed on to all full-service customers through the same combination of base rates and the PSCR factor. ABATE's initial brief, p. 9 (citing 5 Tr 816-821). In light of this potential for subsidization, ABATE asserts that the Commission must include the following in the required annual reporting:

- In its proposed annual reporting to the Commission, Consumers should demonstrate its expected incremental cost to provide power supply and delivery

service to new large data center loads continues to be less than its expected average embedded cost of providing that service.

- If transmission investments are required to accommodate a new large data center load customer, Consumers should verify that Consumers' incurred cost for those investments through higher MISO transmission charges will not cause the incremental cost to serve the new large data center customer to exceed Consumers' average embedded cost to serve that customer.
- Consumers should be required to, at least on an *ex parte* basis, file an application with the Commission for approval of each proposed large data center load contract and demonstrate in that filing that Consumers' incremental cost to serve that new customer is less than Consumers' average embedded cost to serve it.

ABATE's initial brief, p. 9. ABATE avers that in the May 23, 2024 order in Case No. U-21637, the Commission acknowledged the significant burdens associated with the existing rate case process, and thus the claim that these issues can be addressed in a rate case is not credible.

ABATE argues that data center contracts should include five-year evergreen provisions (automatic extensions) and should not leave this issue to negotiation, as DCC proposes. Thus, contract termination should require five years' written notice per ABATE. Regarding changes to contract capacity, ABATE opines that Consumers should be required to file, at least on an *ex parte* basis, an application with the Commission for approval of the increase or decrease, and the applicant must demonstrate that the change will not result in a stranded asset. ABATE opposes DCC's proposal for a one-time reduction as unreasonable in light of the company's reasons for opening this docket. ABATE's initial brief, pp. 12-13.

ABATE argues that the Commission should reject the Staff's and DCC's proposal to apply the tariff to large load without regard to the end use, positing that both the size of the load and its operational characteristics are what make data center load unique. ABATE contends that "there is nothing discriminatory about addressing the unique characteristics of a certain customer type in a specific manner" and argues that the company's rate book is replete with

examples of tariffs that are based on specific customer characteristics. *Id.*, p. 13. ABATE argues that differential treatment is not discriminatory if it responds to unique and particular risks associated with a certain type of service. ABATE notes that no party, including Consumers, argued that data centers are like traditional manufacturing industries or that data center load exhibits a demonstrated track record of materializing.

ABATE contends that the data center tariff should apply to data center load of 300 MW or greater, and that a 100 MW threshold will unnecessarily apply the new provisions to traditional customers. ABATE's initial brief, p. 16. ABATE contends that data centers present unique risks, stating that:

[b]eyond their size, it is the relatively new and immediate scale of their proliferation, their specific operating characteristics, and their limited operational ties to their localities that make them unique. As such they present specific stranded cost concerns which are not present with other types of large customers, such as industrial or manufacturing entities. . . . While a sizable manufacturing facility entails a local workforce and supply chain commitments which ground it in its location, data center customers have none of these locational attachments.

Id., p. 17. ABATE argues that economic development will be unduly inhibited if the provisions are applied too broadly. *See*, 5 Tr 834-839. ABATE notes that over 93% of the inquiries Consumers has received have been for projects greater than or equal to 300 MW. ABATE states that the provisions should apply to this level and to aggregated additions "of an entity and its affiliates entering service within five years of each other." ABATE's initial brief, p. 18.

4. Michigan Environmental Council, Natural Resources Defense Council, Inc., Sierra Club, and Citizens Utility Board of Michigan

While stating that there are some risks that are unique to data centers, MNSC adds that it does not object to the application of the revised tariff to all new large loads. MNSC's initial brief, p. 4. To illustrate the increased risk associated with a data center, MNSC notes that three

planned data centers in Ohio were recently cancelled, one of which had been granted a tax abatement. *Id.*, p. 5 (citing 5 Tr 923-924). MNSC argues that eligibility should be on an aggregated basis and supports a threshold of 50 MW, stating that at least four of the inquiries that Consumers has received are for data centers between 50 and 75 MW. MNSC contends that a lower threshold will capture a broader range of customers and thereby limit more risk. MNSC states that Ohio has adopted a data center tariff with a 25 MW threshold and the Indiana Settlement sets a threshold of 70 MW at an individual site. MNSC's initial brief, p. 7 (citing 5 Tr 878-879; Exhibit AG-1.23). MNSC supports a threshold of 50 MW with a 75% load factor threshold for customers below 100 MW, and notes that this would put all existing Rate GPD customers outside of the tariff. MNSC states that a "75% load factor threshold for customers between 50 MW and 100 MW would therefore help ensure that other commercial or industrial businesses are not unintentionally impacted by the new Rate GPD terms." MNSC's initial brief, p. 8.

Turning to stranded asset protections, MNSC argues that 20 years should be the minimum contract term in order to cover the life of the generating assets because anything shorter than that could result in cost shifting if the customer exits or reduces their load before the contract term has run. MNSC argues that newly-built construction usually has a 30-year depreciation schedule and PPAs range from 15 to 25 years. *Id.*, p. 9. MNSC notes that, on cross-examination, Ms. Connolly agreed that most PPAs have a term of at least 20 years. *See*, 3 Tr 83. MNSC contends that DCC, in showing the number of assumptions that need to be made regarding transmission and generation investments, has illustrated the need for a longer contract term in its estimation of transmission revenues. MNSC contends that the new load will cause significant wear and tear to existing transmission assets thus necessitating additional

infrastructure, and will consume a portion of the capacity limit, for which costs have not been taken into account. MNSC argues that this lack of analysis skews in favor of a longer contract term and a higher MBD. MNSC notes that:

[u]sing DCC's own workpapers and an estimated investment in new combined cycle units at \$2,400/kW, MNSC witness Caroline Palmer found the NPV of generation revenues expected from an assumed 2.65 GW of large Rate GPD customers over the Company's proposed minimum contract term and minimum billing demand to total \$4.6 billion. Under DCC's proposed minimum billing demand and contract term this number was \$2.9 billion. Both numbers are significantly lower than a reasonable estimate of the installed capital cost of serving the new data center load: \$8.1 billion.

MNSC's initial brief, p. 12 (citing 5 Tr 917-919). Along with the longer term, MNSC supports a five-year evergreen provision with a five-year notice requirement, and argues that this should not be left to negotiation because doing so would increase uncertainty and reduce transparency.

MNSC supports an MBD of 90% and notes that Consumers conceded that it did not analyze an MBD other than 80%. *See*, Exhibit MEC-13. MNSC states that Kentucky recently approved a 90% MBD, and that Ohio approved an 85% MBD for loads above 116 MW.

MNSC's initial brief, p. 15 (citing 5 Tr 884). MNSC recommends that Consumers reflect the MBD charge in its next COSS if the Commission does not require direct assignment of data center costs. MNSC disagrees with DCC's 70% MBD proposal arguing that, in its analysis, DCC only considered incremental transmission investments and left out other significant transmission and generation costs. MNSC notes that Ms. Palmer estimated incremental generation costs of \$8.1 billion and "demonstrated that neither Consumers' proposed terms nor those of the DCC come close to covering these costs over the contract term[,]" and that even MNSC's proposed 20-year term and 90% MBD falls short. MNSC's initial brief, pp. 16-17 (citing 5 Tr 917-919). MNSC avers that neither Consumers nor DCC provided any quantitative analysis to rebut MNSC's positions.

MNSC recommends adoption of an administrative fee, despite Consumers' withdrawal of the proposal, because such costs should be paid by data center customers and not by existing customers. MNSC notes that prospective data center proposals are costly to develop and recommends that Consumers track actual costs and reconcile them once the analysis is complete, without any cap. MNSC's initial brief, p. 19. MNSC asserts that:

[a]bsent a way to charge data center customers, the project proposal costs are allocated to other customers. Indeed, due to current methods for allocating administrative and general O&M [operations and maintenance], residential customers will pay the majority of data centers' project proposal fees [A] prospective data center could request numerous studies without signing a contract or paying into Consumers' system, leaving existing customers on the hook. Providing a developed, engineered proposal for service to a data center confers a business benefit to the data center, who can use that information to compare various options regionally or nationally. The data center should pay for that benefit. There is no cost causation or equity justification to require Consumers' existing customers to pay for it.

Id., p. 20 (citing 3 Tr 231-232). MNSC asserts that such tracking should not be administratively burdensome and that, in any case, the need for a tracking system should not provide a reason for abandoning the administrative fee.

MNSC argues that the exit fee should include at least the infrastructure portion of the SAC, which includes the costs associated with the service drop, meter, and transformer. MNSC disagrees with Consumers' argument that this should be handled via the CIAC agreement, arguing that these costs are not included in the CIAC agreement. *See*, Exhibit MEC-26. MNSC recommends that the exit fee cover the entire contract term rather than five or eight years. MNSC argues that the Commission should be the entity to determine whether harm will result from either an exit or a capacity reduction and these actions should require Commission review and approval via a contested case filing. MNSC opposes the notion of refunds where Consumers has reassigned capacity or otherwise mitigated costs,

arguing that this would constitute preferential treatment. MNSC's initial brief, p. 26. MNSC contends that the entire power system is a shared resource and that such mitigating revenues should be allocated among all customer classes consistent with traditional revenue allocation practices. *Id.* (citing 5 Tr 921). MNSC opposes authorizing Consumers to allow a one-time capacity reduction in the company's discretion. MNSC recommends a cap and 42 months' advance notice of a reduction, or Consumers' four-year notice proposal. MNSC's initial brief, p. 28. MNSC states that requests to reduce capacity should be subject to review and approval by the Commission in a contested case.

MNSC recommends that the MBD and exit fee apply during the ramp-up period and that both should be scaled to the target contract capacity during the ramp-up period in a phased way, to reflect the customer's target capacity for that particular year. *Id.*, p. 29. MNSC notes that Consumers and the Staff agreed that the exit fee should apply during the ramp-up period and no party rebutted this concept.

MNSC notes that during this proceeding Consumers announced that it had reached an agreement with a 1 GW data center. *See*, Exhibits MEC-46, MEC-47. MNSC also notes that no party disputed the fact that data center load will require substantial generation investments. Thus, MNSC contends, it does not make sense to wait (as Consumers proposes) for the next IRP to address generation cost allocation, when the company provided "in response to discovery in this proceeding an estimate of \$544 million to serve a hypothetical 500 MW, 100% load factor customer through a PPA." MNSC's initial brief, p. 31 (citing 5 Tr 897-898 and Exhibits MEC-19, MEC-20C). Highlighting the magnitude of the potential costs involved, MNSC states that:

MNSC witness Palmer estimated a cost of \$1 billion to serve a 500 MW customer, and between \$5.3 billion and \$8.1 billion to serve 2.65 GW of load that the

Company considers to be “more probable prospects” based on “advanced discussions with economic development and data center projects.” Neither Consumers nor the Data Center Coalition rebutted these cost estimates or offered any competing cost estimates of their own. In addition to the generation investments, there would also be significant transmission and distribution costs related to bringing new large load customers onto the Company’s system. In discovery, Consumers identified an estimated \$730 million to \$780 million in transmission infrastructure costs to interconnect 2.65 GW of large load customers, while noting that such estimate did not include costs for interconnecting new generation needed to serve such load. The Company also identified between \$28 million and \$34 million in distribution system costs for each new 100 MW of load.

MNSC’s initial brief, p. 32 (citing 5 Tr 898, 917, and Exhibits MEC-8, DCC-1, MEC-21, and AG-1.14).

MNSC posits that under the company’s current cost allocation framework, significant costs associated with serving this new load will fall on other customer classes, noting that Consumers analyzed the potential costs associated with a 500 MW PPA and the result was an increase to production rates for every customer class, including an increase of 9.1% for the residential class. MNSC’s initial brief, p. 33 (citing 5 Tr 899). MNSC explains that this is due to the fact that production costs “are allocated 75% on demand, based on four coincident peaks, and only 25% on energy. Because data centers are expected to use near continuous power, they are responsible for a higher share of the utility’s costliest resources, but are allocated a relatively lower proportion of generation costs incurred to serve them.” MNSC’s initial brief, pp. 32-33 (citing 5 Tr 900). MNSC posits that this shift is inevitable anytime “the incremental costs per unit of service to a class of customers is higher than the embedded cost per unit of service to existing customers.” MNSC’s initial brief, p. 34 (citing 5 Tr 863, 794-795). MNSC states that the testimony demonstrating this effect was unrebutted, and that Ms. Connolly agreed with this proposition on cross-examination at 3 Tr 200-202. MNSC urges the Commission to act now to ensure that these costs are fairly and equitably allocated, or, at a

minimum, through a follow-up proceeding initiated within the next six months. MNSC argues that Consumers repeatedly declined to state a specific time when it would address cost allocation issues and did not make any data center cost allocation proposals in the pending rate case the company filed during the pendency of this proceeding, in June of 2025 (Case No. U-21870). *See*, 3 Tr 204-207, 211-212. MNSC asserts that waiting until Consumers has actual contracts with customers means that cost recovery requests could precede the adoption of a fair framework, and further argues that deferring these issues to a rate case will only add to the size and complexity of rate cases “that are already taxing the resources of all involved.” MNSC’s initial brief, p. 37. MNSC recommends the use of the instant proceeding or a separate proceeding to address this issue.

Turning to the assignment of costs, MNSC states that:

MNSC witnesses Palmer and Jester highlight how the most effective way to minimize the shifting of costs discussed above is for the Company to track the generation, transmission, and distribution costs attributable to serving data center and other large load customers, and then to directly assign any such attributable costs to those customers as a class. One way to do so is for Consumers to model an optimal system expansion plan both with and without large load additions, which would clearly identify the incremental costs imposed by the large load customers. Those incremental costs could then be directly assigned to large load customers by designing the applicable tariff rate to collect the revenue requirement associated with such incremental costs. By doing so, the Company would be more directly following cost causation principles, while also avoiding the subjectiveness and imprecise nature of traditional cost of service studies.

MNSC’s initial brief, pp. 38-39 (citing 5 Tr 902, 897). Alternatively, MNSC advocates the use of a bespoke resource portfolio that could be directly allocated to the data center customer.

MNSC notes that both the CEOs and the Attorney General also support the direct assignment of large load costs. Responding to the opposition voiced by DCC and the Staff, MNSC argues that these costs should not be socialized due to their magnitude and unprecedented character, including the high load factor, 24/7/365 demand profile, and the fact that the vast majority of

new generation and transmission investments will be driven by such a small number of discrete loads. MNSC's initial brief, p. 40. MNSC recommends that the Commission direct Consumers to conduct the necessary cost tracking, and open a special proceeding within six months of the final order in the instant case.

MNSC adds that the revised tariff should advance the achievement of Michigan's renewable and clean energy standards and that time is of the essence due to Consumers' statements regarding a probable 2.65 GW of additions, and the 1 GW addition that has already been contracted by the company. MNSC states that Ms. Connolly testified that the company has not yet planned for data center customers in an REP and that she did not know specifically whether there would be enough time to address renewable energy procurements. *See*, 3 Tr 241-244. MNSC urges the Commission to:

adopt tariff terms that (1) support enterprise data centers in demonstrating compliance with Public Act 207's 90% clean energy requirement to qualify for tax exemptions, and (2) ensure the portfolio of resources used to serve each data center customer at least match the renewable energy percentages required by Michigan's Renewable Energy Standards ("RES").

MNSC's initial brief, p. 43.

Beginning with the tax exemption provisions, MNSC notes the three procurement options available to data center customers under MCL 205.54ee(10)(e)(ix) and cites the fact that the statute places some of the burden of compliance on the utility by requiring the utility, if necessary, to develop tariffs and contracts that support compliance with the 90% standard. MNSC argues that this issue should not be ignored in this proceeding, and that Consumers has failed to identify any future proceeding in which it will develop such a tariff, noting that Ms. Connolly simply said that compliance would be ensured through the IRP and REP cases. MNSC contends that tariff provisions are not typically dealt with in these cases and thus argues

that punting the issue provides little assurance to customers. MNSC posits that the tariff can be used to ensure that the customer procures clean energy through a combination of VGP projects, long-term contracts, and self-supply, citing 5 Tr 859. MNSC notes that the Attorney General also recommends incorporating such provisions. MNSC argues that early planning will be the key. MNSC's initial brief, p. 45.

Turning to the RES and clean energy standards (CES) and the increases required in 2030 and 2035, MNSC urges the Commission to include tariff requirements that will help Consumers achieve these mandated goals. MNSC observes that the generation investments related to these customers will be long-term in nature and will materially affect the company's ability to comply, and notes that:

[s]ubtracting the 1.145 GW of Industrial LED load forecasted in Consumers' most recent Renewable Energy Plan ("REP") from this 2.65 GW total leaves 1.505 GW of "more probable" data center prospects. As CEOs witness Siddique calculated in his Direct Testimony, Consumers would require an additional 6,850,302 additional megawatt-hours ("MWh") per year of renewable energy in 2035 to serve this 1.505 GW of more probable data center prospects while complying with the 60% RES. If this 6,850,302 additional MWh/year was met entirely with incremental wind energy, it would require an additional 2,697 MW of wind generation. If met entirely with incremental solar energy, it would require an additional 3,400 MW of solar generation. Consumers has not planned for this additional 6,850,302 MWh of additional renewable energy in its most recent REP.

MNSC's initial brief, pp. 47-48 (citing 3 Tr 240-241 and 5 Tr 776-777). MNSC adds that Consumers would need 13,655,088 additional MWh/year of renewables to comply with the RES, which is a 55% increase over the number of RECs Consumers is currently planning to procure in 2035. MNSC contends that delay will only make this problem costlier for customers and will lead to rushed decisions and more risk.

5. The Michigan Department of Attorney General

The Attorney General notes Consumers' recent announcement of a 1 GW data center

agreement, and states that this will likely be equivalent to adding the retail demand of the city of Detroit to Consumers' load. Attorney General's initial brief, p. 1 (citing 4 Tr 339-341). The Attorney General argues that neither Consumers nor DCC have provided comprehensive cost modeling, despite being in the best position to do so (among the parties to this proceeding). The Attorney General observes that the only cost estimates that Consumers provided are for interconnection costs for a 100 MW customer, but these do not include the costs of generation to serve the load, the costs of the transmission associated with generation build-out, or the costs of distribution. *See*, 3 Tr 113-119. The Attorney General states that, leading up to the Indiana Settlement, I&M estimated \$600 million in incremental investments for a 150 MW facility. Attorney General's initial brief, p. 15 (citing Exhibit AG-1.15 and 5 Tr 1011). The Attorney General states that scaling this to 100 MW and adding in Consumers' estimates results in an initial investment of \$446.5 million to \$496 million, which still excludes certain cost categories. Attorney General's initial brief, pp. 15-16; 5 Tr 632, 695-700.

The Attorney General contends that DCC's cost modeling shows that even Consumers' proposed tariff terms would not result in sufficient revenue to cover this estimated and incomplete cost projection, as those terms would only produce \$435.33 million. *See*, 3 Tr 632. She states that such a customer would have an exit fee of \$359.14 million, which would fail to satisfy estimated costs by more than \$85 million, even with the low-end and non-comprehensive data that is available here. Attorney General's initial brief, p. 18. She observes that Kentucky and Indiana have adopted a 20-year minimum contract term and 90% MBD, and argues that these still might undershoot the required mark. The Attorney General also contends that Consumers admitted that "those CIAC contracts are completely permissive, do not obligate a customer to the entirety of their interconnection costs even if the utility seeks to

apply a CIAC contract, and are completely avoidable by a customer through early termination.” *Id.*, p. 19 (citing Exhibit AG-1.13 and 3 Tr 190-191). She posits that Consumers’ proposed revenue guarantee provisions are not reasonable or prudent.

The Attorney General presents the following three alternative recommendations for addressing the issue of incremental cost recovery:

A.iii.a. A Direct-assignment approach, wherein a 15-year minimum contract term and 80% minimum billing demand apply, and the new large customers are also directly assigned at least the following categories of costs: A) their interconnection costs; B) their portion of nonallocated PSCR costs; and C) the procurement or cost of procurement for their added [Act] 235 compliance requirements. The Attorney General considers this to be the most effective approach;

A.iii.b. A no/partial direct-assignment approach, wherein either: A) a 20-year minimum contract term and 90% minimum billing demand apply; or B) a 17.5-year minimum contract term and 85% minimum billing demand apply and the new large customers are also directly assigned their interconnection costs; and

A.iii.c. A special contract approach, wherein, if the Commission does not prefer either of the other recommended approaches, the terms of service for each customer are determined through a contested special contract proceeding until a standalone rate for these customers is established.

Attorney General’s initial brief, pp. 19-20. The Attorney General provides further explanation of each alternative.

Beginning with the direct assignment approach, the Attorney General opines that this is the most effective solution as it would remove the large load customers from the calculation of cost allocation in rate cases. The Attorney General states that during cross-examination Ms. Connolly confirmed that, using the “12CP methodology” residential customers would assume a greater generation cost responsibility for these large load customers than Rate GPD customers would assume. *Id.*, pp. 20-21 (citing 3 Tr 200-202). Noting that Consumers asks that this issue be addressed in a rate case but does not otherwise take a position on direct assignment, the Attorney General argues that direct assignment takes care of the subsidization

problem and she recommends direct assignment of interconnection costs, new generation asset costs incurred to serve, and the non-allocated portion of transmission costs required for interconnection. Attorney General's initial brief, p. 21; *see*, Exhibit AG-1.13. In particular, she recommends direct assignment of the costs to cover compliance with the Act 235 energy standards, which are expressed as a percentage of a utility's retail sales. As explained by Mr. Deupree, the Attorney General recommends that the Commission require the large load customer to enter into contracts with Consumers for the procurement of at least 60% of incremental energy requirements to be supplied from renewable resources. Attorney General's initial brief, pp. 22-23 (citing 5 Tr 992-995). She adds that with these direct assignments, "Consumers' proposal of a 15-year minimum contract term and [80% MBD] would probably be adequate." Attorney General's initial brief, p. 23.

Turning to the partial direct assignment approach, the Attorney General recommends a 20-year minimum contract term and 90% MBD, and argues that this would "clear the high-end calculation of generation plus interconnection" produced by DCC's calculations; but she notes that this still does not account for transmission or distribution costs associated with the build-out of generation to serve. *Id.*, p. 24. However, if the Commission adopts direct assignment of the new interconnection costs, the Attorney General recommends a 17.5-year minimum contract term and an 85% MBD.

The Attorney General argues that the special contract approach dovetails with the positions of ABATE and the Staff, and that the ratepayer protections offered by Consumers, DCC, and the Staff on this record are inadequate to achieve cost recovery or to protect against stranded assets. *Id.*, pp. 26-27.

The Attorney General recommends an exit fee calculated as the customer's MBD

multiplied by the number of months remaining in their contract term (which, she argues, agrees with Consumers and the Staff) and that it apply during the ramp-up period (which agrees with Consumers, the Staff, and MNSC). She recommends against allowing Consumers to make unilateral reductions to the exit fee, and she argues that customers should pay the MBD at certain capacity milestone levels as described by MNSC. The Attorney General recommends an evergreen provision of five years with a five-year written notice of termination requirement, and that the exit fee should extend to the end of any evergreen period. Attorney General's initial brief, p. 29.

The Attorney General agrees with the Staff that the collateral requirement should be set at the exit fee amount; but, in the alternative, she recommends adoption of the collateral requirement approved in Ohio of 50% of the total minimum charges for the full term of the contract. *Id.*, p. 30 (citing Exhibit AG-1.23). The Attorney General also recommends adoption of the collateral provisions approved in Ohio which permit exemptions based on specific credit ratings (which are higher than those proposed by DCC). Attorney General's initial brief, p. 30.

On the issue of whether the tariff under review should be applied solely to data centers, the Attorney General offers that:

a solution to the parties' concerns about singling out data center customers can be seen in recent legislation ("HB 3546") enacted in Oregon, referred to as the POWER Act, which directs minimization of cost-shifting in tariff provisions concerning eligible customers. The POWER Act uses the North American Industry Classification System codes (NAICS codes) to describe the industries at issue. The statute specifically references NAICS code 518210, which refers to "Computing Infrastructure Providers, Data Processing, Web Hosting, and Related Services." This category does not single-out data centers, and includes both large data center operations and similar large non-data center computing operations.

Id., p. 31 (citing 5 Tr 1012-1013). The Attorney General supports the 100 MW threshold for aggregate customer operations at multiple sites and 50 MW for any single site. The Attorney

General notes that Ohio adopted a threshold of 25 MW, and agrees with MNSC that a threshold lower than 100 MW would capture a broader range of operations and limit additional risk. Attorney General's initial brief, p. 32.

In agreement with ABATE and MNSC, the Attorney General recommends that Consumers be required to seek approval for a new standalone rate as soon as possible, and:

further recommends that Consumers be required to request for such approval as part of its next electric rate case, and that at least three months before filing its case application, Consumers provide the parties to the present case with notice of its planned approach for a separate rate applicable to data center customers.

Id. She contends that a representative load shape has been produced on the instant record by DCC, and that the separate rate should be developed as soon as possible to mitigate risk. *See*, Exhibit AG-1.27. She recommends use of the incremental cost modeling described by Ms. Palmer. Attorney General's initial brief, p. 33.

Regarding a capacity reduction, the Attorney General recommends that it be limited to only once, be determined in a contested case, be no more than 10% of the original contracted capacity, be subject to four years' written notice, and be available only after five years of the contract term have passed. *Id.*, p. 34.

Turning to the clean and renewable energy standards, the Attorney General repeats her recommendation that new large load customers be required to cover the utility's added costs of compliance with Act 235, and be required to enter into contracts with Consumers for procurement of at least 60% of incremental energy requirements via renewables. She observes that Consumers did not model this new data center demand for its currently pending REP case, Case No. U-21816. She also supports a requirement that data centers meet the 90% clean energy requirement if they seek to be eligible as enterprise data centers under MCL 205.54ee. *Id.*, pp. 34-36.

The Attorney General asserts that certain other proposals on this record are inadequate. The Attorney General argues that Consumers' proposals regarding the MBD and exit fee are unreasonable, and she notes that the company failed to engage with several topics. She also disagrees with the "Staff's position in this case [which] seems to be that any of the parties' proposals—or even none at all—would be reasonable and prudent." *Id.*, p. 39. The Attorney General argues that the Staff seems to recommend socializing the cost and that the Staff's recommendations "present little to no probative value in this case." *Id.*, pp. 42-43. She also disagrees with the Staff regarding direct assignment, contending that the record contains evidence that unprecedented additions will take place and that subsidization by other ratepayers is likely, "such as the portion of transmission costs distributed without allocation through the PSCR." *Id.*, p. 44 (citing Exhibit AG-1.13).

6. The Ecology Center, Environmental Law & Policy Center, Union of Concerned Scientists, and Vote Solar

The CEOs posit that Consumers' application focuses on the necessary financial and contracting terms and ignores "(1) the amount and type of new generating capacity needed to power these new loads, (2) the criteria Consumers will use to study and connect these new large loads to the grid, and (3) how the Company will allocate the costs to interconnect these customers." CEOs' initial brief, p. 1. The CEOs contend that taking a wait-and-see approach will result in more risk for existing customers, thus they advocate incorporating clean and renewable energy related terms into the tariff and directing the company to develop transparent load interconnection standards, initially through a workgroup. They also recommend that the company develop a new rate exclusive to large load customers "founded upon an analytical approach to cost allocation which uses advanced modeling to assign the significant costs associated with interconnecting large load customers to the new rate class." *Id.*, p. 2.

The CEOs describe Michigan’s climate laws, including the provisions of Act 235 which amended the RPS and created the CES, noting that both standards require a ramping-up over time. *See*, MCL 460.1028, MCL 460.1011(c), and MCL 460.1051. The CEOs state that the RPS requires “that between 2024 and 2029, 15 percent of Consumers’ total retail energy sales derive from renewable sources or RECs, then 50 percent from 2030 through 2034, and 60 percent in 2035 and thereafter” and the CES requires “80 percent clean energy from 2035 through 2039 and then 100 percent clean energy from 2040 onward[;]” and utilities “may meet 20 percent of the 2035 target and 40 percent of the 2040 target with non-renewable clean energy, provided they submit compliance plans via [IRPs] approved by the Commission.” CEOs’ initial brief, pp. 3-4. The CEOs opine that, because these targets are expressed as a percentage of total electric retail sales, the large loads at issue in this case will materially affect Consumers’ ability to meet these targets.

The CEOs contend that they have shown that the company would have to procure 12 million additional RECs by 2035 to serve 2.65 GW of new large load, which translates to 4,748 MW of wind or 5,987 MW of solar resources. *Id.*, p. 4 (citing 5 Tr 776). Further, the CEOs aver, “[n]ew load of this magnitude coupled with the increased RPS obligations in future years associated with already-expected load growth mean that the Company will ‘need to procure 31.77 million RECs in 2035, which is more than an eightfold increase from the 3.8 million RECs it has procured in 2023.’” CEOs’ initial brief, p. 6 (quoting 5 Tr 777). The CEOs argue that the next REP and IRP cases will not be resolved for several years and the company should begin to be proactive now due to the scale and the urgency of the data center service challenge. They contend that Consumers will begin to push up against the 2030 mandate of 50% renewables, noting that 2.65 GW is 35% of the company’s current load and

will require a \$730-\$780 million transmission buildout. *See*, Exhibit DCC-1. To address this challenge, the CEOs recommend that large load customers be required to provide clean energy sourcing plans and have access to the VGP program, and that they maintain adequate reporting around usage and clean energy.

The CEOs also recommend load interconnection process reforms. The CEOs note that Consumers stated that it does not maintain a load interconnection queue, and they argue that the company's current approach to interconnection "reflects the previous decades of flat and decreasing customer demand[.]" CEOs' initial brief, p. 10 (citing 3 Tr 154 and Exhibit CEO-10). The CEOs characterize the current interconnection process as antiquated and they recommend that the Commission direct a working group process to update load interconnection standards, including "discussion of 'expedited' interconnection pathways for large loads which would bring their own clean generation resources and commit to participate in interruptible load or demand response programs. Siddique Direct, 5 TR 783." CEOs' initial brief, p. 12. The CEOs aver that such a process could address the unique aspects of extremely large loads.

The CEOs also recommend that the Commission require Consumers to establish a new rate for large loads based on marginal cost modeling, noting that MNSC and ABATE support the concept of a separate new rate. The CEOs support MNSC's testimony regarding the need for IRP-style modeling to support a reconfigured COSS and advocating a bespoke resource portfolio and direct cost assignment. The CEOs argue that this would ensure fairness and transparency as well as compliance with statutory requirements, and would facilitate better tracking and assignment of costs in alignment with cost causation principles. *Id.*, p. 14.

7. Michigan Energy Innovation Business Council, the Institute for Energy Innovation, and Advanced Energy United, Inc.

MEIU states that its positions in the instant case are based on the requirements contained in Act 235 and Acts 181 and 207. In addition to the ramping-up of the clean and renewable energy standards, MEIU notes that the sales and use tax exemptions require the procurement of clean energy equivalent to 90% of the utility's forecasted annual electricity usage, and allow the procurement via self-supply of onsite renewable generation, a long-term contract which ensures that no costs are passed on to other customers, or participation in a VGP program. MEIU's initial brief, p. 4 (citing MCL 205.54ee(10)(e)(ix)(A)-(C)); *see also*, MCL 205.94cc(10)(e)(ix). Thus, MEIU argues, resource procurement should not be ignored in this proceeding. MEIU's initial brief, p. 4; 5 Tr 936-937.

MEIU states that it takes no position on the threshold at which the customer protections should apply, but it does recommend that customers be given a greater say in how they are served at 25 MW or greater of new load, and this should not be limited to data centers. MEIU's initial brief, p. 5. MEIU notes that Consumers currently has only four customers with demand in excess of 25 MW and two of them are on Rate GPD. MEIU avers that:

given that the goal of any tariff emerging from this proceeding and the goal of both MCL 205.54ee(10)(e)(ix)(B) and MCL 205.94cc(10)(e)(ix)(B) is to insulate existing customers from the cost of serving new large load, "allowing the new large-load customers more say in how their load is served is appropriate and reasonable." 5 Tr 938. In other words, since large-load customers are effectively underwriting and backstopping the resources serving them, taking their opinions into account just makes sense. 5 Tr 939[.]

MEIU's initial brief, p. 6. MEIU opines that the terms related to customer protections may only be needed at higher MW thresholds. MEIU argues that a threshold of 25 MW is still substantial, may still include companies that have ESG goals, and will add to overall flexibility for customers and have a beneficial impact on the company.

MEIU recommends that the large load tariff contain a flexible menu of potential generation options and distribution and transmission system improvements, including EWR, DR, VPP, and BTM resources, as ways for the customer to reduce the MBD under the tariff, and options for making voluntary monetary contributions to existing EWR, DR, VPP and demand flexibility programs. MEIU's initial brief, pp. 8-9 (citing 5 Tr 939-940). MEIU posits that customers should also be able to explore making investments in the distribution and transmission systems "that would increase grid efficiency overall and enable Consumers to provide service to the customer both more quickly and more efficiently, depending on the circumstance" such as dynamic transformers and GETs. MEIU's initial brief, p. 10 (citing 5 Tr 941). MEIU also argues that the tariff must include clear reference to the external PPA option within the VGP program tariff, Section C10.6(H). MEIU states that the tariff should also stipulate the use of all-source RFPs for acquiring other resources consistent with the Commission's Competitive Procurement Guidelines, and argues that Consumers should target a 50/50 ownership split of any incremental wind, solar, or battery storage resources procured to serve large load.⁷ MEIU recommends rejecting the Staff's testimony to the contrary regarding the benefits of such a split.

8. Data Center Coalition

DCC argues that data centers present risks and opportunities, and that these can be balanced through a standardized set of tariffed terms and conditions that encourage development in Consumers' territory but also require long-term commitments from the applicant as a condition of service. DCC's initial brief, p. 1. DCC avers that Consumers offered no analysis in support of its forecasted costs, revenues, load, demand, or risk. DCC

⁷ The Commission notes that the Competitive Procurement Guidelines will be undergoing review as described in the September 11, 2025 order in Case No. U-21816, p. 45.

states that it has performed quantitative analysis of the company's data and a review of industry best practices in forming its recommendations. DCC contends that the filed testimony "demonstrates that parties share the objective of protecting the Company's customers from the risk of stranded assets, and further, agree that Consumers should address that risk by establish[ing] a tariffed set of standardized terms and conditions for large customers[.]" DCC's initial brief, p. 3. DCC states that its recommended tariff amendments are in Exhibit DCC-3, and asserts that these amendments require unprecedented commitments from new large load customers.

DCC argues that the record in this case supports a 10-year minimum contract term and a 70% MBD. DCC states that using the current Rate GPD charges for voltage level 1 customers and applying the minimum contract term and MBD that the company requests, "a 500 MW data center load would commit to minimum billing demand payments of \$119.7 million per year, or approximately \$2.2 billion in total over the customer's minimum contract term." DCC's initial brief, pp. 6-7; *see*, 5 Tr 632. DCC contends that, though Consumers is the party with the burden of proof in this proceeding, the company has offered no quantitative analysis in support of the 15-year term and 80% MBD and instead only refers to typical depreciation lives and PPA terms, without explaining how these are relevant to minimum obligations for data center customers. DCC adds that it conducted discovery aimed at understanding the potential incremental infrastructure costs for Consumers and the company responded that, based on engagement with a transmission owner to evaluate 2.65 GW of probable load, the estimate is \$730-\$780 million, but that the company responded that it has not addressed the potential generation investment. Exhibit DCC-1; DCC's initial brief, p. 9. With respect to distribution costs, DCC avers that the company's tariffs allow the imposition of a monthly

extraordinary facilities charge or the requirement of CIAC. DCC states that it calculated the NPV of the minimum transmission revenues resulting from Consumers' proposed tariff terms and found them to exceed the NPV of the estimated incremental transmission revenue requirement resulting from these additions by \$1.1 billion. By comparison, DCC states that the NPV of the estimated incremental transmission revenues resulting from DCC's proposed tariff terms is \$336.9 million above the estimated revenue requirement. DCC characterizes Consumers' terms as providing a grossly disproportionate amount of revenue. *Id.*, p. 11.

DCC argues that financial security requirements should be proportionate to risk, and notes that many of these data center customers may be "backed by financially stable sponsors and supported by long-term commercial commitments." *Id.*, p. 13. DCC supports requirements that are staged, tailored to the situation, and offer a range of credit tools. DCC contends that the Staff's and the company's proposals are excessive and will deter developers from locating in Michigan. DCC states that the Indiana Settlement requires large load customers to provide two years' of minimum demand charges as collateral and permits exemptions for certain customers, which is more reasonable. *See*, 6 Tr 1064. DCC adds that the pending KSCC settlement agreement results in requiring two years' of minimum demand charges as collateral and permits exemptions from that requirement. DCC's initial brief, pp. 15-16.

DCC states that it supports the best practices described by Ms. Ramirez using a phased approach for financial security and a standardized set of acceptable collateral instruments. DCC also argues that it is important to avoid overlapping forms of security such as combining CIAC, exit fees, and demand guarantees; and that it is important to offer exemptions because overcollateralization can create unnecessary barriers to development. For example, "a customer with an investment-grade rating and liquidity exceeding ten times the required

collateral should not be subject to the same obligations as a customer with speculative credit and low liquidity.” *Id.*, pp. 18-19. DCC recommends scalability and adaptability, as well as transparency and consistency, including defining clear credit evaluation criteria. DCC recommends the following financial security requirements for large load customers:

Collateral Amount and Duration: Large Load customers should be required to post collateral equal to two years of non-fuel revenue. However, rather than requiring that customers post the full collateral requirement at once, the collateral requirement should scale up as Consumers makes capital investments to serve the customer, to reflect the increasing risk to the Company and its customers. This level of collateral provides sufficient “skin in the game” to demonstrate the customer’s commitment to project development. Maintaining the collateral during the ramp period also serves as an incentive for the customer to achieve full load ramp, thereby minimizing the risk of cost shifts to other customers. While instances of customer default are rare, in such cases, two years of non-fuel revenue would be sufficient to cover the costs associated with underutilized assets until the capacity can be reassigned to a new customer and that customer becomes operational.

Ramp-Down Schedule: After one year of operations at contracted capacity, collateral should be reduced by 10 percent annually, reaching zero by the end of the contract term. If the contract is extended, no new collateral should be required unless additional utility investments are necessary. The 10 percent reduction annually mirrors the reduced risk to Consumers and ratepayers of stranded assets.

Credit Rating-Based Exemptions: Customers whose guarantor has a credit rating of at least BBB (S&P) or Baa3 (Moody’s), and liquidity of at least five times the collateral amount, should be eligible for a 50 percent exemption. These entities should be required to certify their rating and liquidity annually. Customers without formal ratings should be allowed to qualify for a 30 percent exemption if their guarantor meets the same rating threshold, is not on a credit watch, and maintains five times liquidity, subject to the same annual certification.

Acceptable Forms of Collateral: Customer should be permitted the option of posting collateral in the form of a guarantee from a parent, affiliate, tenant or other entity with a financial interest in the customer; a letter of credit; a surety bond, or cash.

Collateral in the form of Cash: Collateral posted in cash should accrue interest while held by Consumers.

Use of Collateral Proceeds: If Consumers draws on posted collateral, the proceeds should be used to offset costs for remaining ratepayers to ensure the financial

security serves its intended purpose to offset costs for all ratepayers.

DCC's initial brief, pp. 20-22 (citing 6 Tr 1065-1066).

DCC agrees that Consumers should charge an exit fee but argues that the proposed amount is unreasonable. DCC recommends adoption of the requirement that Consumers make all reasonable efforts to mitigate the fee with available forms of revenue, and argues that the fee should be set to the equivalent of 60 months' of minimum charges, or the remaining months left on the contract term with 36 months' advance notice. DCC's initial brief, pp. 23-26. DCC asserts that the exit fee should apply to the extent that the utility is unable to reassign capacity or otherwise provide mitigation, but that the mitigation requirement should be ongoing and the customer should be eligible for refunds. DCC notes the backlog of Consumers' interconnection queue and posits that there will be customers seeking orphan capacity. 5 Tr 645. DCC notes that even under the worst case scenario a customer would be subject to eight years' of MBD payments (36 months plus 60 months). *See*, 5 Tr 649. DCC states that a 500 MW customer in that scenario would be responsible for \$838 million in revenues over the eight years, creating a strong incentive to honor the contract. DCC's initial brief, p. 27. DCC avers that the same customer, under Consumers' terms, would owe \$1.05 billion. *Id.*, p. 28.

DCC contends that customers should be able to reduce capacity more than once, subject to a capacity reduction fee, and the Commission should not require agency approval. DCC advocates for reductions beyond the 15% "if Consumers determines there will be no adverse impacts to other customers or the Company, or if the customer pays an exit fee applicable to the incremental capacity reduction exceeding the one-time, 15% reduction." *Id.*, p. 29 (citing 5 Tr 658). DCC states that the Indiana Settlement allows reductions beyond a one-time 20% capacity reduction, subject to an exit fee. DCC posits that such reductions will benefit the

large load customer as well as other customers seeking capacity, and that the exit fee will mitigate any potential harm thus eliminating the need for any agency review.

Turning to reporting requirements, DCC supports Consumers' proposal with the addition that confidential customer information is safeguarded from disclosure, including using aggregated data if there are enough customers. *See*, 3 Tr 88; 5 Tr 661. DCC also supports applying the tariff to all large load customers, noting that Michigan explicitly prohibits discriminatory tariffs in MCL 460.557. DCC states that large load tariffs have been implemented in Indiana, Oregon, Utah, and West Virginia. DCC's initial brief, p. 36.⁸

B. Reply Briefs

1. Consumers Energy Company

Consumers begins by quoting the LBNL Report, which opines that:

ensuring new data centers have sufficient energy supply to maintain and continuously develop AI training models in the United States is vital for protecting national security and ensuring that AI systems are safe, secure, and trustworthy. The United States also has a strong interest in supporting the domestic development of AI applications, as they represent U.S. leadership in technology innovation and economic growth.

Consumers' reply brief, p. 2 (quoting Exhibit S-2, p. 1). Consumers states that Michigan has "roll[ed] out the red carpet for new data centers" by enacting Acts 181 and 207, and notes that the company has already entered into an initial agreement for a data center. Consumers' reply brief, p. 2. Consumers argues that this proceeding should focus on the company's application and the Commission should decline to address the Act 235 and tax exemption issues.

⁸ Throughout this proceeding, reference is sometimes made to decisions from other states that are not available in the evidentiary record. Additionally, the Commission notes that all sample large load center tariffs introduced into the record from other states are the product of settlement, and some are only pending settlement agreements that have not received final approval from the relevant state agency. *See*, Exhibits S-3, AG-1.12, and AG-1.23, and administrative notice items.

Consumers urges the Commission to follow the advice of the Staff to rely on the existing processes (such as the IRP, REP, and VGP cases) for addressing these issues. Consumers further contends that issues addressing cost allocation and assignment should be handled in an electric rate case, as well as the establishment of a new rate. Consumers states that it will “propose a Large Load rate solution in future rate case proceedings, and other parties can make rate proposals in future rate cases, as well.” *Id.*, p. 5.

Consumers asserts that load growth is beneficial, and that the focus of this case should be on what happens if that load disappears; thus, the company supports its proposals for modifying Rate GPD. Consumers argues that its proposals for the changed rate are consistent with the State’s decision to attract data centers. The company states that its proposals are benchmarked to other regulatory jurisdictions and are closely aligned with the Staff’s positions. Consumers’ reply brief, p. 7 (citing 3 Tr 100; Exhibits AG-1.23, S-3, and A-2).

Consumers states that it supports:

- An eligibility requirement of (i) 100 MW or more at a single site or (ii) two or more sites of 50 MW or greater per site which are owned by the same entity and located in Consumers Energy’s service territory [3 TR 92];
- A 15-year minimum contract term, commencing after any negotiated ramp-up period [3 TR 96];
 - Five-year contract renewal extensions with a minimum of four years’ notice of plans to terminate or extend the contract [3 TR 96];
- An 80% Minimum Billing Demand Requirement [3 TR 93];
- Financial Security Requirements;
 - Including a more detailed, transparent definition of the collateral requirement and acceptable forms of payment [3 TR 97];
 - Defining the collateral amount as equal to the Exit Fee [3 TR 97];
- An Exit fee requirement;

- Reducing the Exit Fee with offsetting revenue when available [3 TR 93];
- Requiring the Exit Fee to apply during any applicable ramp-up period [3 TR 91];
- A one-time reduction to Contract Capacity at the Company's discretion [3 TR 94];
- Suspension and/or contract amendment if the customer uses 1,000 kW or more above the Contracted Capacity [3 TR 84-85];
- Four years' notice should be provided before a customer's request to reduce its Contracted Capacity [3 TR 94]; and
- Preventing customers on this provision from reassigning their capacity obligation to another entity without Company approval [3 TR 91].

Consumers' reply brief, pp. 7-8.

Noting that it does not currently have authority to require any collateral from Rate GPD customers, Consumers describes this issue as an area of significant disagreement. The company notes that it has modified its position during the case and now supports the Staff's proposal that the collateral equal the maximum exit fee and that it decrease over the course of the contract term. If this proposal is adopted, Consumers indicates that it supports the use of the collateral exemption language adopted in the Indiana Settlement. Consumers' reply brief, pp. 9-10 (citing and quoting from Exhibit S-3, pp. 54-55). Consumers argues that this language is acceptable because it would apply to customers who "are demonstrably collectible." Consumers' reply brief, p. 10. Consumers contends that the Staff's original position (based on the company's original position) regarding forcing complete cost responsibility on to Consumers is unnecessary, unlawful, punitive, and inconsistent with the regulatory compact and the duty to serve.

Consumers states that it will provide an annual report as previously described and that it agrees with DCC's request that customer information be confidential. Consumers adds that,

consistent with the Data Privacy tariff, the company will anonymize data in the written report and will provide certain information verbally to the Staff pursuant to a confidentiality agreement. Consumers contends that ABATE's proposed additional reporting requirements related to power supply, transmission, and delivery are unnecessary as this information is supplied in electric rate cases within forecasts of expected load in the test year, along with the power supply, transmission, and delivery costs to serve that load. Consumers also disputes ABATE's proposal for an *ex parte* filing for approval of each data center contract, arguing that ABATE provided no evidence or law justifying such a requirement when there will be a tariffed rate to rely upon. Consumers' reply brief, p. 13.

2. The Commission Staff

The Staff opposes MSNC's proposal of a minimum load factor of 75% for loads between 50 MW and 100 MW, which, the Staff argues, is intended to exclude customers with load shapes "dissimilar from data centers[.]" Staff's reply brief, p. 1. The Staff contends that it is the size of the load that makes these large load customers unique and thus a provision that is intended to ensure that the tariff applies only to data centers should be rejected. *Id.*, p. 2. Likewise, the Staff argues that NAICS Code 518210 is just another definition of data centers and recommends that the Attorney General's proposal be rejected because, again, it is the size of the load that makes these customers unique.

Regarding the use of cost estimates in this proceeding, the Staff notes that DCC's evaluation of potential costs does not include distribution or power supply costs, and argues that it is not appropriate to attempt to examine the effect of varying minimum terms or MBDs on the basis of a single cost component. The Staff contends that:

[a]n analysis that evaluates all actual costs of serving a new LLC is nearly impossible to make ahead of time because costs are unknown and can vary

depending on a wide range of factors. (4 TR 370.) Staff argued that it is difficult to directly tie one customer with their specific cost to serve, and that the Commission must decide on an appropriate level of minimum revenue in the context of what would happen if the LLC exited service. (4 TR 320-321.)

Staff's reply brief, p. 3. The Staff asserts that the contract term and the MBD are important due to their effects on the collateral requirement and the exit fee, and that its proposal to require the company to mitigate the exit fee will ensure that a customer who leaves service will not overpay. The Staff adds that any revenue generated through market sales that is above what the customer would have paid should be used to offset costs for all power supply customers. In response to the claim that the Staff did not take a position on certain issues, the Staff notes that its proposed tariff sheet in Exhibit S-1 reflects a 15-year minimum contract term and 80% MBD. The Staff argues that rates and tariffs adopted by the Commission are *prima facie* lawful and reasonable. *Id.*, p. 5. The Staff further notes that it proposed numerous revisions to the company's recommended tariff, which were agreed to by the Attorney General and Consumers. The Staff emphasizes that the issue "of potential subsidy by existing customers cannot be determined in the instant case because there are no actual cost data or LLCs (as proposed to be defined as greater than 100MW) currently in service on which to evaluate their impact. (3 TR 151.)" *Id.*, p. 6. The Staff adds that it "does not predict whether or not LLCs will be beneficial or detrimental to the future rates paid by existing customers because the data to do so does not exist." *Id.*, p. 7. The Staff urges the Commission to focus on the potential harm to remaining customers caused by large load customers leaving service, and to address the impact on rates in a future proceeding.

Turning to the issue of collateral, the Staff disagrees with DCC's position and notes that the Staff and Consumers developed their recommendations in part by looking at the regulatory activities of other states. The Staff adds that "[t]he purpose of Staff's recommended collateral

obligation for LLCs is not to deter nor spur data center customers from taking service with the Company, but instead to protect existing customers. (4 TR 310-311.)” Staff’s reply brief, p. 9. The Staff argues that a collateral obligation equal to the exit fee with an MBD of 80% is a reasonable compromise, and argues that the actions of Indiana and Kansas are informative but not dispositive. The Staff opposes collateral exemptions because they weaken the revenue guarantee and do not treat all large load customers equally. Finally, the Staff notes that the exit fee will be annually recalculated and will preclude the need for Consumers to do a credit analysis. *Id.*, pp. 10-11.

3. Association of Businesses Advocating Tariff Equity

ABATE disagrees with making the revised tariff applicable to all large load because it does not account for the unique risk associated with data centers. ABATE recommends a standalone rate with a size threshold of 300 MW. ABATE’s reply brief, p. 2. ABATE argues that the LTILRR is an example of such a rate, and urges the Commission to establish another separate rate. *See*, MCL 460.10gg. ABATE argues that such an approach is not discriminatory as claimed by DCC, because the Commission has found that “[r]ational differences in classifications and rates can be non-discriminatory, provided appropriate standards are used to differentiate customers.” ABATE’s reply brief, p. 3 (quoting the May 9, 1995 order in Case No. U-10787, pp. 19-20). ABATE adds that the Commission has twice acknowledged the unique risks associated with data centers by approving the exclusion of data center customers from economic development tariffs for Consumers and DTE Electric Company (DTE Electric) in Case Nos. U-21160 and U-21163, respectively. *See also*, Case No. U-21164. Thus, ABATE argues, the Commission has sanctioned the exclusion of data centers from established rates and their separate treatment. ABATE’s reply brief, p. 4.

ABATE notes that the Commission may consider any lawful factors it deems relevant in ratemaking and this specifically includes the “risks of business.” *Id.* (quoting MCL 460.557(2)).

ABATE contends that data centers do not differ simply in size from other large manufacturing or industrial customers, but rather also in operating characteristics, noting that the record reflects that they have few employees, have limited local supply chains, and have a higher likelihood and ease of relocation. ABATE rejects the notion that their stranded asset risk is the same as that for any other 100 MW customer, because, for example, there is no diversity within the customer group that could act as a hedge against the loss of a certain industry, as is demonstrated in the Staff’s testimony. ABATE’s reply brief, p. 7. ABATE argues that data centers present specific risks to other customers, and a separate rate should be developed as soon as possible. ABATE avers that the issues concerning clean and renewable energy and tax exemptions do not belong in this proceeding to address Rate GPD, but rather must be addressed in a separate tariff. ABATE posits that the Attorney General’s recommendation to use NAICS Code 518210 is reasonable.

ABATE contends that Consumers’ proposed reporting requirements are inadequate. ABATE argues that information regarding power supply, transmission, and delivery investments in large load is necessary for transparency and that all large load customer contracts should be brought before the Commission for *ex parte* approval, noting that LTILRR customers’ contracts must be approved. ABATE contends that, per Consumers’ proposal, the costs associated with serving these customers would neither be directly assigned to the customer nor subject to CIAC, and thus will end up being passed on to all full-service customers, and will lack transparency. ABATE’s reply brief, p. 9. ABATE also argues that

the Commission has acknowledged in Case No. U-21637 that the rate case process is already overburdened and thus is not the optimal forum for deciding these cost allocation issues.

ABATE disagrees with DCC's proposed contract term of 10 years, noting that the proposal is based only on partial transmission costs. ABATE contends that DCC makes unsupported assumptions about potential revenue sufficiencies from market sales or renewed contracts. ABATE points to the total lack of information on the cost of the generation investments that will have to be made and the lack of comprehensive cost modeling. ABATE contends that there must be a 15-year minimum contract term with a 5-year evergreen provision. *Id.*, p. 13. Finally, ABATE argues that capacity reductions must be subject to Commission review, so that the surrounding facts and circumstances, the cost impact to other customers, and the mitigation measures can be assessed.

4. Michigan Environmental Council, Natural Resources Defense Council, Inc., Sierra Club, and Citizens Utility Board of Michigan

MNSC supports a 50 MW eligibility threshold to capture a broader range of customers and to more closely align with Ohio and Indiana, and MNSC seeks a 75% load factor threshold for facilities between 50 MW and 100 MW. MNSC's reply brief, p. 2. MNSC objects to ABATE's proposed 300 MW threshold and notes that ABATE did not provide evidence of any data center tariff adopting such a high threshold. MNSC argues that the proposal should be rejected because "the generation needed to serve just 500 MW of new data center load would cost an estimated \$544 million to \$1 billion, and raise production rates for residential customers by 9.1% and commercial customers by 8.8%." *Id.*, p. 4 (citing 5 Tr 897-899). MNSC adds that such a high threshold would make it easier for large projects to avoid Rate GPD and thus avoid the provisions intended to address the risk of stranded costs by reducing the size of the project to 299 MW.

MNSC supports a minimum contract term of 20 years to align with the utility's payment obligations. MNSC's reply brief, p. 7. MNSC also disagrees with DCC's proposed 10-year term because the calculations that this recommendation relies upon are substantially incomplete in that they ignore generation costs and significant transmission costs. MNSC argues that DCC's proposed 10-year term would generate \$5.2 billion less in revenues than the capital costs of meeting just the incremental generation needs. *Id.*, pp. 9-10 (citing 5 Tr 918). MNSC supports a 90% MBD and again refers to the missing elements from DCC's analysis, contending that the vast majority of costs that Consumers will incur to serve data center load will be generation costs. MNSC refers to Ms. Palmer's testimony showing hypothetical incremental generation costs of \$8.1 billion associated with 2.65 GW of new load. MNSC further notes that a CIAC agreement does not cover distribution costs and does not require an exit fee. MNSC asserts that the parties have not shown that either 70% or 80% MBD will be sufficient. MNSC's reply brief, pp. 12-13.

Turning to the administrative fee, MNSC states that it agrees with the Staff that the fee should be reconciled to actual costs. Regarding the exit fee, MNSC notes that Consumers conceded that distribution costs are not typically included in CIAC, such as the costs for the service drop, metering, and transformers. *Id.*, p. 14. MSNC agrees with Consumers that the exit fee should not be capped; and also agrees with the Attorney General, the company, and the Staff (variously) that capacity reductions should be subject to a cap, should have an advance notice requirement, and should be subject to Commission review and approval. MNSC urges the Commission to reject DCC's proposal for capacity reductions at the customer's discretion and argues that the Commission should have the ability to deny a capacity reduction request. *Id.*, p. 19; *see*, Exhibit A-2, p. 4; *cf.* Exhibit DCC-3, p. 3.

Turning to cost allocation, MNSC argues that a new rate class should be created for these customers, similar to the recommendations of the Attorney General, the CEOs, and ABATE. MNSC repeats that it is open to addressing these issues in a dedicated proceeding within the next six months. MNSC disagrees with the Staff's assertion that there are existing proceedings to address these issues, and points to the testimony of Mr. Jester showing how data center load will result in subsidization by non-data center customers, along with supporting testimony from Ms. Palmer and Mr. Siddique. MNSC's reply brief, p. 21 (citing 5 Tr 862-863, 899, and 795-796). MNSC asserts that the Staff only claims that it is possible that the generation could be cheaper than generation that would have been acquired without this load, but offers no evidence. MNSC argues that direct assignment of the costs would not constitute undue discrimination and costs could be assigned individually or as a class.

MNSC also supports the inclusion of tariff provisions that will help ensure Consumers' compliance with the clean and renewable energy standards, disagreeing with the Staff. MNSC supports tariff provisions that require any data center seeking the tax exemptions to adhere to the 90% clean energy standard mandated by that statute, and provisions that require a portfolio of resources that is at least 60% renewables as mandated by Act 235. MNSC accuses the Staff of conflating these two positions. Noting the statutory duty of Consumers to identify and, if necessary, develop tariffs that support the tax exemption measures, MNSC argues that the tariff should contain these provisions even if it includes all large load. MNSC's reply brief, p. 25. MNSC contends that the Staff's assertion that existing processes can be used to address these issues is wrong, and that waiting for future REP and IRP cases will increase costs and make statutory compliance with the RES and CES more difficult. MNSC points to the testimony of Ms. Connolly that "if renewable energy requirements are not addressed in this

proceeding, she did not ‘know specifically that there’s enough time’ to make renewable energy procurements after signing data center contracts.” *Id.*, p. 26 (quoting 3 Tr 243-244).

5. Michigan Department of Attorney General

The Attorney General begins by replying to DCC on several issues. The Attorney General argues that a 70% MBD is too low, as it would result in annual revenue of about \$20.49 million for a 100 MW customer, giving rise to a total of about \$240 million, but (in contrast) the low-end estimate of the generation and interconnection costs for this customer is \$446.5 million, leading to a considerable shortage and cost-shift. Attorney General’s reply brief, pp. 3-4 (citing 5 Tr 700 and Attorney General’s initial brief, p. 16). The Attorney General notes that this hypothetical customer is an order of magnitude smaller than the 1 GW customer that Consumers has recently announced as an addition. Attorney General’s reply brief, p. 4 (citing Exhibit MEC-46). She contends that a CIAC agreement does not offset this difference and has no exit fee. Attorney General’s reply brief, p. 4 (citing Exhibit AG-1.13 and 3 Tr 190-191). Beyond these points, the Attorney General contends that DCC’s minimal cost modeling is of little probative value because it includes only interconnection transmission costs and ignores distribution, generation, and the transmission costs associated with the generation. The Attorney General argues that this makes DCC’s recommendations regarding revenue guarantees of little use. She notes that DCC made no attempt to quantify the risk of stranded assets and failed to address the Staff’s observation that, if investment in AI dries up, then it is not clear how the unwanted capacity would be mitigated. Attorney General’s reply brief, pp. 6-7. The Attorney General urges the Commission to adopt one of the three options for guaranteeing revenue set forth in her initial brief.

She also disagrees with DCC’s exit fee proposal, noting again that DCC’s analysis results

in a revenue amount that is less than half of the lowest-end projection for incremental costs, as described above. The Attorney General argues that DCC's proposed maximum exit fee period of eight years (60 months plus 36 months) is inadequate and will result in raising only 38% of the lowest-end of the non-comprehensive incremental cost estimate. *Id.*, pp. 8-9. She supports an exit fee period of the remaining months on the contract, in line with Consumers and MNSC. *Id.*, pp. 10-11.

Turning to collateral, the Attorney General argues that DCC fails to explain what makes two years' of revenue a sufficient amount to protect against stranded costs, and DCC fails to identify any analyses or studies (or its own calculations) in support of this proposal. *Id.*, pp. 12-15 (quoting 4 Tr 547-549, 557-558). She contends that DCC's proposed MBD and contract term do not result in reaching the low-end of Consumers' estimated interconnection costs for a 100 MW customer, even excluding generation and transmission build-out costs. Attorney General's reply brief, pp. 15-16. She adds that DCC fails to provide any reasoned analysis that shows that these provisions will protect existing ratepayers, and fails to support its exemption proposals as well, citing only to "experience." *Id.*, p. 16 (quoting 4 Tr 590). The Attorney General faults DCC for never considering the industry-wide risk presented by the Staff's testimony on the possibility of loss of interest in AI.

Turning to eligibility, the Attorney General states that DCC misreads MCL 460.557(4) and ignores the fact that "Consumers already provides varying terms of service for particularized uses." Attorney General's reply brief, p. 17. The Attorney General notes that MCL 460.557(4) states that "[t]he rates of an electric utility shall be just and reasonable and a consumer shall not be charged more or less than other consumers are charged for like contemporaneous service rendered under similar circumstances and conditions." She argues

that, under this standard, the unique aspects of data centers justify the creation of a new class of service. The Attorney General notes that many particularized rates already exist, with Rate LED being one such example, and other examples being residential customers taking service for powering electric vehicles, campgrounds, and harbor slips. She further notes that the Public Utility Commission of Ohio (PUCO) recently found that data centers are different from other customers, have unique and concentrated load, run all day every day and cannot shift usage to off-peak times, cannot be naturally hedged by other industries, and “pose a different type of risk, as well as an increased amount of risk” compared to other customers. Attorney General’s reply brief, pp. 19-20 (citing and quoting the July 9, 2025 Opinion Order in Case No. 24-508-EL-ATA before the Public Utility Commission of Ohio at 63-64, 77-78).⁹ The Attorney General contends that the record in the instant proceeding reflects the same characteristics, citing 3 Tr 81 and 86, and Exhibit AG-1.9 which, she states, show that data centers dwarf the load of other customers, run at high demand 24/7/365, and require high interconnection costs. She adds that the Staff’s testimony shows that data centers do not allow for hedging, and their load (due to the volume) is not likely to be taken on by other customers. The Attorney General notes that Consumers and the Staff agree on the uniqueness of data center load and operating characteristics, all of which supports the creation of a unique class. Regarding concerns about singling out data centers, she reiterates her recommendation to use NAICS Code 518210. Attorney General’s reply brief, pp. 22-23.

The Attorney General replies to the Staff on the issues of RES and CES and disagrees with the notion of waiting for REP and IRP cases. She argues that these issues are well within the

⁹ The referenced PUCO order is not an exhibit or the subject of a request for administrative notice, but the approved Ohio tariff is available as Exhibit AG-1.23. *See*, filings #U-21859-0200 and -0204.

Commission's broad authority over ratemaking in the instant case, and she adds that Consumers apparently failed to model new data center demand in Case No. U-21816. Attorney General's reply brief, p. 24. She further argues that the sales tax exemption statute explicitly calls for the development of tariffs at MCL 205.54ee(10)(e)(ix). She urges the Commission to reject the Staff's position.

In conclusion, she recommends adoption of the positions she described in her initial brief, including the adoption of the provisions of the Ohio tariff regarding collateral and collateral exemption provisions, if the Commission chooses not to adopt the Staff's proposal to set the collateral at the amount of the exit fee. Attorney General's reply brief, p. 28. The Attorney General recommends that:

Consumers be required to put forward a standalone rate for these customers as soon as possible and at least as early as part of its next electric rate case, and that at least three months before filing its application, Consumers provide the parties to the present case with notice of its planned approach for a separate rate applicable to data center customers. The Attorney General also herein adopts MNSC witness Palmers' [sic] recommendations for incremental cost modeling as part of Consumers' IRP, namely that the Company conduct IRP [modeling] with and without data center load to isolate incremental costs. The Attorney General specifically recommends that the Commission require such modeling as part of the Company's next IRP.

Id., pp. 29-30.

6. The Ecology Center, Inc., Environmental Law & Policy Center, Union of Concerned Scientists, Inc., and Vote Solar

The CEOs begin by noting that no party rebutted the argument that delay in considering the issues of compliance with the RES and CES will simply raise compliance costs. They further argue that evidence showing that the addition of this large load will increase costs for all customers and will jeopardize the utility's ability to comply with these obligations was uncontroverted. CEOs' reply brief, p. 1. The CEOs contend that their proposed set of tariff

provisions will mitigate these costs and risks, and that the Commission should establish a workgroup to focus on the interconnection process. They argue that the customers themselves can play an active and important role in selecting the generation that serves them by requiring that they submit a clean energy sourcing plan. *Id.*, pp. 2-3. The CEOs assert that delay could result in rushed procurements, and they argue that “the recommended tariff provisions and load interconnection group proposed by the CEO do not fit cleanly into either a renewable energy plan or integrated resource plan case” and they contend that they are laying the foundation for issues that will ultimately be determined in future REP and IRP cases. *Id.*, p. 4. However, they note that the next IRP will not be implemented until 2029 at the earliest.

7. Michigan Energy Innovation Business Council, the Institute for Energy Innovation, and Advanced Energy United, Inc.

MEIU argues that this proceeding is the holistic case for approval of tariff language, and thus the RES and CES compliance issues should be addressed herein, despite the Staff’s and Consumers’ opposition. MEIU’s reply brief, p. 3. MEIU posits that other cases deal with these issues on their own and do not examine how they all fit together to play a role in how future service is provided. MEIU avers that large load customers should be treated “as resources to be tapped and partners to be collaborated with along the way toward compliance with the RPS and other statutory standards.” *Id.* MEIU argues that the Staff attempts to take agency away from the customer by moving these issues to the broader regulatory process. MEIU further posits that its recommendations do not actually bear directly on the issues in an REP, IRP, or VGP proceeding, and that:

[i]ncluding any of MEIU’s proposals in the tariff, which include traditional behind-the-meter generation; the opportunity to make contributions to EWR, DR, VPP and demand flexibility programs; examination of transmission and distribution upgrades; and the existing External Power Purchase Agreement option in Consumers’ VGP tariff, see MEIU Initial Br at 8–11, would not require the

Commission to make any determinations as to future resource mix (including the proportions of generation vs. demand-side resources) or as to utility compliance with discrete statutory requirements or require the Commission to approve any particular customer program. As MEIU witness Albers explains, these options for the most part simply create the space for the customer and Consumers to collaborate on opportunities. See, *e.g.*, 5 Tr 945–47.

Id., p. 5. MEIU asks the Commission to take this opportunity to empower large load customers to choose advanced energy technologies.

MEIU disagrees with the Staff’s view of a 50/50 renewable and storage resource ownership split and reiterates that the Staff’s 2016 report on renewables found that ““for each year in which there were both company-owned projects and purchased power agreements, the weighted average cost of the purchased power agreements was lower than the company-owned projects in that respective year.”” *Id.*, pp. 6-7 (quoting the Staff’s Report on the Implementation of the P.A. 295 Renewable Energy Standard and the Cost-Effectiveness of the Energy Standards, February 15, 2017, p. 19). MEIU urges the Commission to adopt the 50/50 split to curb “the monopolistic tendencies that Consumers can otherwise be expected to exhibit.” MEIU’s reply brief, p. 7.

8. Data Center Coalition

DCC contends that the adoption of the other parties’ extreme proposals will discourage development, undermine the intent of the Legislature in enacting the tax exemptions, and make Michigan “an outlier relative to other regional jurisdictions that have adopted or are considering tariffs” for large loads. DCC’s reply brief, p. 2. DCC cites the example of the Indiana Settlement which requires collateral equal to two years’ of minimum demand charges, and which includes a 12-year contract term and 80% MBD. DCC posits that the Commission’s focus should be on addressing the issue of a reasonable amount of revenue guarantee to address the risk of load loss, and that the proposals related to allocation are premature and

drastic. *Id.*, p. 5.

DCC urges the Commission to reject Consumers', the Staff's, and the Attorney General's collateral proposal which could potentially require collateral and an exit fee covering 15 years of payments, as well as their rejection of any proposed exemptions from the collateral requirement based on creditworthiness. *Id.*, p. 7. DCC contends that these parties' positions are not grounded in an analysis of the actual risk posed by large load customers as individuals or as a class, and they focus on the maximum exposure while ignoring the opportunities that the utility will have to mitigate any costs associated with exiting customers. DCC argues that the purpose of collateral is to mitigate risk, not to eliminate it, and the positions of these parties will require customers to "lock up hundreds of millions of dollars in capital over a decade or more." *Id.*, p. 8. DCC again points to the Indiana Settlement's collateral requirement of two years' of minimum charges (with the availability of exemptions) and posits that this would result in about \$50 million in collateral for a representative 100 MW customer. DCC argues that this amount is sufficient to cover any costs associated with underutilized assets.

DCC asserts that MNSC's proposed 20-year contract and 90% MBD is not supported by the record and would act as a barrier to locating in Michigan. DCC contends that this proposal is aligned with Kentucky Power Company's large load tariff, but the case wherein that tariff was adopted had only two intervenors (and neither was a data center). *Id.*, p. 10. DCC notes that both the Attorney General and MNSC attempted to use DCC's incremental cost analysis as a basis for adding in generation and other incremental costs. DCC notes that Mr. Deupree supported a 15-year term and an 80% MBD at 5 Tr 1012. DCC also argues that these other analyses are flawed because they do not rely on data provided by Consumers, and they make other assumptions about the cost of new combined cycle units (which may not be used).

DCC's reply brief, pp. 11-12. DCC contends that Mr. Bieber's analysis, while covering only certain transmission costs, is grounded in the company's data and demonstrates that a 10-year term and 70% MBD would provide sufficient revenues.

DCC contends that it is impractical to require Commission approval for contract reductions and increases, whether *ex parte* or contested. DCC argues that the purpose of a tariff is to establish transparent standards that preclude the need for such a proceeding. DCC notes that the Indiana Settlement provides for a 20% contract capacity reduction without the payment of an exit fee or the need for a Commission process any time after the first five years of the contract have expired with 42-months written notice. *Id.*, pp. 13-14; Exhibit S-3. DCC states that the I&M tariff also allows additional reductions without regulatory approval, subject to a capacity reduction fee. DCC's reply brief, p. 14. DCC states that the pending KSCC settlement agreement "also permits large load customers to reduce contract capacity beyond the 25 MW/10% threshold without requiring further Commission approval, but subject to a capacity reduction fee." *Id.* (footnote omitted). DCC asserts that the parties have not demonstrated a need for this onerous process.

Finally, DCC contends that the Commission should not attempt to resolve every policy issue that arises from the emergence of data centers in this proceeding, but instead should focus on the issue of stranded costs associated with load that does not materialize or that departs early. DCC agrees with the Staff that the issues of cost allocation, rate design, and RES and CES energy procurement will be addressed through the existing processes and that adopting customer protections quickly should be the focus of the instant case. *Id.*, p. 15. DCC posits that IRP and REP cases will provide a more robust record and a broader array of parties. DCC argues that Consumers has very little load data to rely upon and seemingly little evidence of

costs, which are basic prerequisites for determining cost allocation. DCC contends that a rate case will allow for a comprehensive review of revenue requirements in the context of load characteristics. DCC observes that generation and transmission assets are system assets, and direct assignment of costs falls outside of the normal paradigm, and contends that such a proposal is premature in the face of so much uncertainty. Regarding MNSC's bespoke resource proposal, DCC states that:

new transmission and generation investments cannot exclusively be used by a single customer or customer group, with the exception of certain limited radial transmission facilities. Under standard ratemaking practice, that means the costs of those resources "are allocated to customers based on measures of how they contribute to the load that needs to be served by the Company in total." The Company relies on [MISO] to operate the transmission system and dispatch generation resources. This reality is outside of Consumers' control: the Company has no option, as a MISO marketplace participant, to dedicate, for example, one entire generating facility exclusively to one customer.

Id., p. 19 (citing 5 Tr 681 and 4 Tr 417). DCC also argues that the proposal could lead to customers with identical load profiles paying different rates. DCC states that these issues should be addressed "once the Company incurs costs to serve large loads and seeks to recover those costs from its customers." DCC's reply brief, p. 21. Finally, DCC states that it is generally supportive of proposals to allow large load customers to access clean and renewable energy, but recommends that these issues be deferred to a future IRP or other proceeding.

V. LEGAL STANDARDS

While this proceeding has no effect on the rates of existing Consumers customers, it does have significant financial implications for any potential future large load customer (as that term will now be defined) that is enrolled in Rate GPD. The Commission must set rates that are just and reasonable. MCL 460.557(4). The Commission has broad ratemaking authority which applies to the modification of tariff provisions. MCL 460.54; MCL 460.6. The ratemaking

process requires the Commission to balance investor and customer interests. *Ass'n of Businesses Advocating Tariff Equity v Pub Serv Comm*, 208 Mich App 248, 267; 527 NW2d 533 (1994). In ratemaking, the Commission “may, in the exercise of its discretion, determine what factors are relevant in a particular case.” *In re Consumers Energy Co*, 278 Mich App 547, 563; 753 NW2d 287 (2008) (citing *Attorney General v Pub Serv Comm*, 231 Mich App 76, 79; 585 NW2d 310 (1998), and *Attorney General v Pub Serv Comm*, 133 Mich App 719, 725-726; 349 NW2d 539 (1984)). Further, the Commission is “not bound by any particular ratemaking method and can make pragmatic adjustments in order to respond to particular circumstances of any given case.” *Consumers*, 278 Mich App at 563. The Commission has found that:

a rate proposal can be lawful and non-discriminatory even though it creates a rate class for which only some customers qualify and even though there are differences in rates among customers within the rate class. Rational differences in classifications and rates can be nondiscriminatory, provided appropriate standards are used to differentiate customers. The resulting issues are largely factual.

May 9, 1995 order in Case No. U-10787, pp. 19-20.

The Commission cannot approve a utility’s application to amend its tariffs unless it finds the amendments to be prudent, reasonable, and in the public interest. *See*, March 13 order, p. 3; *see also*, June 9, 2016 order in Case No. U-17752, p. 3. The Commission has found that the amendment of tariff provisions is “squarely within the Commission’s authority.” May 2, 2019 order in Case No. U-20162, p. 106 (citing *Union Carbide Corp v Pub Serv Comm*, 431 Mich 135; 428 NW2d 322 (1988)); *see also*, September 24, 2013 order in Case No. U-17422, pp. 7-8. Filed tariffs have the force and effect of law. *Crancer v Lowden*, 315 US 631, 635; 62 S Ct 763; 86 L Ed 1077 (1942). “Once filed, a tariff binds the filing party ‘with the force of law.’” *Verizon North, Inc v Strand*, 140 FSupp2d 803, 807 (WD Mich 2000), *aff’d in part and*

vacated in part, 309 F3d 935 (CA 6 2002), quoting *Burlington N RR Co v Surface Transp Bd*, 75 F3d 685, 690 (DC Cir 1996). Thus, Consumers’ relationship with its customers is defined by its tariffs, and separate contracts may not be used to modify those tariffs. *See, Falmouth Co-op Marketing Ass’n v Pennsylvania RR Co*, 232 Mich 538, 545; 205 NW 477 (1925); and *CenturyTel of Mich v Pub Serv Comm*, 245 Mich App 351, 365; 627 NW2d 632 (2001).

VI. DISCUSSION

As an initial matter, the Commission agrees with DCC that the significant increase in load represented by data centers and other large load customers “pose[s] several potential risks related to system reliability, cost impacts, and regulatory compliance” while also offering a range of potential benefits to existing customers and the state as a whole. 6 Tr 1047-1048. In evaluating the proposed changes to Rate GPD, the Commission seeks to harness these potential benefits while ensuring that these new large load customers fully pay for the costs needed to serve them, and that there are adequate guardrails in place to avoid both cross-subsidization from other customers and the risk of stranded assets should the anticipated load fail to fully materialize.

As ABATE noted, cross-subsidization could result in situations in which “the collected non-fuel revenues from the fully materialized load are less than the incremental fixed costs incurred by Consumers to serve the load.” ABATE’s initial brief, p. 3 (citing 5 Tr 810-811). In other words, if the rate under which the large load customer takes service is insufficient to fully cover all costs associated with serving them—including generation and other resources, as well as transmission and distribution—then existing customers would be effectively subsidizing these new large load customers. This is of particular concern given the size of the potential large load customers, making it necessary to add greater visibility into the generation

and other resources needed to serve them. Furthermore, while considerations involving resource adequacy will largely be addressed through IRPs and capacity demonstrations filed pursuant to MCL 460.6w, it will be important to understand what resources will be used or constructed to serve these new large loads, particularly given the potential for a single customer of this size to materially affect the utility's capacity position.

In addition to ensuring that all costs are paid for should these customers ultimately perform as expected, it is also important to ensure adequate exit fees to compensate existing customers if, as in ABATE's second example, "the load fails to full[y] materialize (or fails to remain fully materialized) and its non-fuel revenues fall far enough below projections that they no longer cover the incremental fixed costs Consumers incurred to serve them." ABATE's initial brief, p. 3. Finally, even in instances in which exit fees are sufficient to protect against loads that fail to materialize or against customers that cancel or reduce service prior to meeting the minimum term of billing demand, it is also necessary to ensure that sufficient collateral is in place if the contracted large load customer ultimately becomes insolvent and unable to pay the required exit fee. This is particularly important for customers with lower credit ratings, as well as in the case of any potential industry-wide decline that also impacts the financial position of otherwise healthy corporate parents.

It is against this backdrop that the Commission reviews the specific elements proposed by the company and the evidence from the intervening parties.

To start, the Commission finds that these large load issues should be dealt with through revisions to Rate GPD rather than through the creation of a separate rate class using the record in this matter. The Commission agrees with the company and the Staff that there is some urgency to the need for tariff provisions that will provide protection to the utility and its

existing ratepayers against the unusual risks associated with loads larger than any that the utility has ever served, and the parties have shown that the existing provisions of Rate GPD do not provide that protection. The Commission acknowledges the concerns expressed by ABATE and MNSC and notes that this decision does not preclude the creation of a separate rate class at a future time in the context of a separate proceeding such as a rate case. As MNSC concedes, creation of a separate rate class in the instant proceeding would require Consumers to make a significant number of assumptions about the load profiles of prospective customers. *See*, 5 Tr 880. The Commission also finds that Consumers' single existing data center customer is unlikely to provide sufficient load data to allow the utility to accurately make these projections. That customer is being served on Rate LED and the company is unaware of its load schedule. 3 Tr 207.

Once these customers begin to materialize (assuming that they do), Consumers intends to use actual load data to analyze whether these customers should have a rate that is specific to their load and the company appears to be aware of the need for urgency. *See*, 3 Tr 82, 207, and 218. Consumers has indicated that it typically uses three years of actual load data to develop a load shape for cost allocation, but has also said that it "has not developed a target number of large-scale data center customers that would need to come online before developing a rate." Exhibit MEC-11; 3 Tr 207-209. For all of these reasons, the Commission finds that the instant proceeding should be used to revise Rate GPD. As the Attorney General points out, this may turn out to be a stop-gap measure, but it will serve to protect customers until a better record is presented in a future rate case (as discussed further below).

Turning to eligibility, the Commission finds that the new large load tariff provisions should apply to loads of 100 MW or greater. Additionally, these provisions should apply to

customers with an aggregate load of 100 MW or more when those customers share a common owner and individually have a load of 20 MW or more. Consumers has discretion in determining when common ownership is present. The positions on this eligibility issue ranged from 25 MW (MEIU) to 300 MW (ABATE). MEIU's 25 MW proposal was centered on the concept of providing customers with greater input into how they are served and did not constitute a recommendation on eligibility for the additional ratepayer protections that are the focus of this effort. In the context of this record, ABATE's 300 MW proposal appears to be an outlier and would eliminate too many very large customers (19 out of 67, for example, in the instant case) from the tariff requirements that address the risk of stranded costs. Exhibits AG-1.1, AG-1.2. Arguments for a lower threshold based on the size of Rate GPD's current customer base do not seem relevant, as the loads that are contemplated in the instant proceeding are on a different scale from the current customer base (Rate GPD's largest current customer has a load of 28 MW). The 100 MW threshold would capture at least 61 of the 67 inquiries that Consumers has received and possibly more if aggregation is involved (which cannot be known at this point). Exhibits AG-1.1, AG-1.2. The Commission further finds that a single owner with multiple sites of at least 20 MW per site should be subject to the large load provisions of Rate GPD if all sites together total 100 MW or more. Thus, the Commission agrees with Consumers, the Staff, and DCC that 100 MW (with a 20 MW aggregation provision) is the appropriate eligibility threshold.

The Commission also finds that eligibility should be end-use neutral, rather than applied only to data center customers. The Commission agrees with the Staff that the end-use at issue here does not involve a unique type of service such as that required for metal melting or electric vehicle charging, but that the size itself is the unique feature that must be addressed.

4 Tr 308-309. While ABATE is correct that MCL 460.557 does not preclude the creation of rates with different terms and conditions for one group of customers versus another, the Commission agrees with the Staff that, in this case, it is the size of the customer that results in the need for additional tariff-based protections. The Commission sees no reason to limit those protections to a particular end-use, despite the relative certainty that data centers are the only potential customers that are likely to be assigned to the large load provisions of Rate GPD in the near future.

Finally, on the topic of eligibility, the Commission rejects MNSC's proposal to include a load factor requirement. The Commission agrees with Consumers that the relevance of load factor as it relates to the necessary investments was not adequately explained, given that the system must be built to accommodate 100% of the load. 3 Tr 92. The Commission also agrees with the Staff's observation that adding a minimum load factor is both unnecessary and may result in excluding customers that should be required to comply with the additional customer protections included in the proposed tariff amendments. 4 Tr 321-322. The Commission finds that load factor is not a consideration that should be included in eligibility.

Turning to the contract term, the Commission agrees with Consumers, the Staff, and the Attorney General that the appropriate term is 15 years. The contract term will begin after the conclusion of the ramp-up period. The ramp-up period shall not exceed five years but is otherwise subject to negotiation with Consumers. The positions on the issue of contract term ranged from 10 years (DCC) to 20 years (MNSC). The Commission agrees with the company, the Staff, and the Attorney General that, while not a perfect match, 15 years approximates the life of the investments that will need to be made in the form of PPAs and self-built generation. In this case, as in so many proceedings, the Commission is called upon to balance competing

risks—the significant risk of stranded costs versus the risk of disincentivizing economic development of the kind represented by data centers and other large load customers. The Commission finds that the longer proposed contract term of 20 years is longer than needed to provide the revenue certainty required and the shorter term of 10 years presents too much risk for the creation of stranded assets.

Further, the Commission finds that the tariff should include automatic five-year evergreen contract extensions as proposed by Consumers, the Attorney General, ABATE, and MNSC. As proposed by Consumers, the Commission approves a four-year written notice requirement for exiting the contract as well as for reducing contract capacity (as discussed below). Positions on the notice issue ranged from three years (the Staff and DCC) to five years (ABATE, MNSC, and the Attorney General). The Commission finds that Consumers’ four-year proposal is reasonable and provides a nexus with the capacity demonstration process established pursuant to Section 6w of Public Act 341 of 2016. Regarding contract extensions, the Commission is not persuaded that the extension should be limited to three years simply to reduce the exit fee and collateral requirement; and, regarding the notice requirement, the Commission agrees with Consumers and other parties that the four-year requirement aligns with the SRM process. *See*, 4 Tr 315, 3 Tr 95. Finally, the Commission notes that all notification requirements remain in effect during any contract extensions.

Turning to the MBD, the Commission agrees with Consumers, the Staff, and the Attorney General that an 80% MBD is reasonable.¹⁰ Positions on the MBD issue ranged from 70% (DCC) to 90% (MNSC). The Commission approves an MBD to begin at the end of the ramp-

¹⁰ The Commission recognizes that the Attorney General’s position is contingent upon adoption of the 15-year contract term and direct assignment of certain costs to the large load customer. Cost allocation proposals are addressed below.

up period of on-peak demand, transmission, and max demand charges based on no less than 80% of the contracted capacity, regardless of the customer's actual usage. DCC's 70% MBD proposal is based on DCC's analysis of the NPV of the minimum transmission revenues for 2.65 GW of load. As many parties noted, the usefulness (and resulting relevance) of DCC's analysis is limited by the fact that it includes only transmission interconnection costs and revenues and ignores generation, distribution, and all other transmission costs, along with potential costs associated with building the generation and all embedded fixed costs. *See*, 4 Tr 644-648, Table JB-4. The Commission recognizes that Consumers provided little else for DCC to work with in the form of evidence on these future costs. However, the Commission is not convinced that DCC has demonstrated that 70% is the appropriate MBD based on this analysis. For its 90% proposal, MNSC relies on its characterization of best practices in other states; however, the Commission notes that the Indiana Settlement and the pending KSCC settlement agreement adopt an 80% MBD. The Commission also observes that the 80% MBD received the most support among the parties and aligns with what was approved in Indiana—the closest state, geographically, to Michigan, and a fellow midwestern and MISO state which also shares regulation of I&M. Combined with the minimum contract term, the Commission finds that an 80% MBD reasonably balances Consumers' and ratepayers' interests in ensuring sufficient financial support for the necessary investments and large load customers' interests in flexibility and a fair assessment of the risk.

Regarding the exit fee, the Commission again finds that the consensus position is the most reasonable and thus, in agreement with Consumers, the Staff, the Attorney General, and MNSC, approves an exit fee equal to the MBD multiplied by the number of months remaining on the contract term, to be applicable during the ramp-up period and contract term (and

including contract extensions if notice of contract termination has not been provided). The Commission finds that Consumers should take all reasonable steps to mitigate the exit fee, including selling unused capacity back to the market and using it to serve other new or existing customers within its system. *See*, 4 Tr 314. The customer is prohibited from reassigning capacity on its own. While it is a small amount in comparison to this base calculation, the Commission also adopts MNSC's proposal to include the SAC in the exit fee, based on Consumers' testimony that these amounts would be stranded in the event of an exit unless another customer takes service in the same location. *See*, 3 Tr 191.

The Commission agrees with DCC that if the exit fee is imposed, then there is no need for the Commission to approve the contract termination or the exit fee, but disagrees with DCC's proposed cap of five years' worth of the exit fee. This proposal would create an unacceptable potential for stranded costs where there is anything above five years remaining on the contract, as this represents investments that have not yet been paid off. As Consumers points out, five years may well be an insufficient amount of time for the utility to address the impact of the exit. And again, DCC's attempt to support the five-year cap by reference to its quantitative analysis of costs and revenues suffers from the fact that the analysis includes only incremental transmission charges. *See*, 4 Tr 644-648, Table JB-4.

DCC also suggests mitigating the exit fee via scaling back the use of "underutilized assets," but the Commission finds that this proposal was never fleshed out. *See*, 5 Tr 646. The Commission also declines to adopt MNSC's proposal to share the benefits of any mitigating measures among all customer classes, finding instead that the unique nature and massive scale of load that is under discussion weighs in favor of providing the benefits of the mitigation to the affected customer. Commission review and approval of the mitigation effort is not

required, as customers have the option of filing a complaint with the Commission if they believe that mitigation was not adequately pursued. *See*, Mich Admin Code, R 792.10439. Finally, in agreement with the Staff, the Commission finds that any revenue resulting from market sales that exceeds what the customer would have paid should be used to offset costs to all PSCR customers.

Turning to the issue of contracted capacity increases and reductions, the Commission finds that large load customers should be allowed a one-time reduction of no more than 10% of contracted capacity, with a four-year written notice requirement. This reduction shall be discretionary and will not require Commission approval, but Consumers is directed to inform the Staff whenever this reduction provision is deployed by a customer. This decision aligns with elements of the positions of several parties, including the Attorney General, the company, the Staff, DCC, and MNSC, but does not adopt any party's position as a whole. If a customer seeks to reduce the capacity of its contract by more than 10% or seeks an additional reduction after the one-time discretionary reduction described above, the customer can do so by paying a portion of the exit fee pro-rated to the percentage of capacity being reduced. Alternatively, if a customer seeks a capacity reduction other than the one-time discretionary reduction, and Consumers asserts that paying the exit fee is unnecessary, that reduction will be subject to Commission review and approval in an *ex parte* proceeding. The Commission finds that the customer may not assign capacity to another customer in its own discretion. All other capacity reductions will be subject to Commission review and approval in an *ex parte* proceeding.¹¹

The Commission also authorizes Consumers to suspend service if usage is 1 MW or more

¹¹ The Commission notes that any *ex parte* proceeding may be converted to a contested case in the Commission's discretion. Mich Admin Code, R 792.10415(1) (Rule 415(1)); *see*, March 13 order.

above the contracted capacity (and seek amendment of the contract at the company's discretion), as this will help maintain the reliability of the system.

Regarding the issue of collateral, the Commission notes that while issues of contract length, eligibility requirements, and exit fees are well suited to a generally applicable tariff, issues of collateral are more dependent on the specific creditworthiness of an individual applicant. As DCC notes, "a customer with an investment-grade rating and liquidity exceeding ten times the required collateral should not be subject to the same obligations as a customer with speculative credit and low liquidity." DCC's initial brief, pp. 18-19. As such, the Commission is adopting a set of collateral requirements that can act as a default, while providing for Consumers to apply for approval to seek higher or lower collateral requirements on a case-by-case basis. For this default collateral requirement, the Commission agrees with the alternative proposals made by the Attorney General and the Staff, and finds that the default collateral provision should be 50% of the total minimum monthly charges multiplied by the number of months remaining on the full term of the contract, to be recalculated annually, or, in other words, half of the exit fee. Thus, this default collateral provision will evolve over time (like the exit fee) to reflect the milestone framework that several parties supported. While it is not equal to the exit fee, the Commission finds that this calculation can serve as a default amount of security to approximate the specific risk presented by an unknown large load customer. The default acceptable forms of collateral include a standby irrevocable letter of credit or cash (which earns interest). *See*, Exhibits A-2, S-1, and AG-1.23. Because of the uncertainty regarding the credit quality of an unknown large load customer, the Commission is not approving a parent guarantee as sufficient to meet this default collateral requirement, though the Commission remains open to considering the use of parent guarantees—either on

their own or in concert with other collateral—on a case-by-case basis. The Commission finds that the Attorney General convincingly rebutted DCC’s proposal of two years’ of non-fuel revenues, showing that there was no evidence demonstrating that this amount would be sufficient to offset relevant costs, and persuasively arguing that this amount would barely cover just the estimated interconnection costs. 4 Tr 547-549, 557-558; *see*, Attorney General’s reply brief, pp. 12-17. The Commission also notes that no party disputed DCC’s recommendation that collateral in the form of cash should earn interest. The Commission declines DCC’s recommendation to opine on how the collateral proceeds should be used in the event that the utility must draw upon them.

If Consumers determines that a different amount of collateral (either higher or lower) or a different form of collateral (including a guarantee from a parent company) is appropriate for a given large load customer, Consumers shall include this information in the general application (as discussed below) that will be required for each large load customer prior to that customer moving on to Rate GPD. Consumers’ application should demonstrate that it is reasonable and prudent to adjust the level(s) or form of collateral. The Commission will review this request, taking into account the risk level of the individual large load customer, including the credit rating of the customer and/or its parent company. If the Commission decides the different level or form of collateral presented in the filing is commensurate with the risk presented by the customer, it may approve a level different from the default. If either the default collateral or an approved alternative collateral amount is insufficient in the event of a default and results in Consumers incurring stranded costs, and if Consumers then seeks recovery of the stranded costs, then the Commission will address recovery of those stranded costs at that point in time. The *ex parte* application should include a demonstration that the alternative collateral

requirement will not burden other customers with the risk of stranded costs. The Commission finds that collateral exemptions are not required, in light of the utility's ability to require an amount lower than the default collateral provision approved by this order.

Turning to the issue of cost allocation, the Commission finds that issues involving cost allocation must be undertaken in a rate case (or, potentially, an alternative holistic cost allocation proceeding)¹² where the Commission routinely examines costs and their allocation within the context of the utility's entire cost to serve, and where CIAC issues can also be considered. Tariff design is not the same as rate design, and the Commission agrees with the company and the Staff that the instant record, which lacks any COSS, is inadequate for performing rate design and cost allocation. While a standalone proceeding focused on rate design for data centers and other large load customers offers certain advantages, the Commission has historically avoided setting rates in a single-issue rate case (outside of changes to tax laws) because such cases inherently prevent the examination of costs and revenues as a whole. *See, e.g.,* November 19, 2015 order in Case No. U-17735, pp. 86-87. Moreover, an investigative proceeding would not afford the parties the cross-examination and discovery opportunities that exist in a contested case. However, the Commission observes that the parties are entirely correct that rate cases are also problematic given the strict statutory timelines involved in those proceedings. Thus, to give the parties to future rate cases a fair advance start on this issue, the Commission provides some direction and guidance to Consumers.

¹² Pursuant to the Commission's direction in Case No. U-21637, on October 30, 2025, the Staff filed a draft proposal to adopt a separate, standalone proceeding covering the issues of cost of service and rate design outside of rate cases, to be followed by collaborative meetings and a further report. *See, July 10, 2025 order in Case No. U-21637, pp. 37-38, 42.*

In its next rate case filed after the conclusion of Case No. U-21870, Consumers shall file a cost allocation and rate design proposal that ensures that large load interconnection customers are paying the costs of interconnection. Consumers shall file at least six cost allocation and rate design proposals: (1) one under traditional ratemaking as exemplified by Consumers' current COSS from its most recent rate case order including the expected full contract capacity of any large load customer(s) on Rate GPD; (2) same as (1), but with the inclusion of a new large load customer rate class (100 MW or greater, with a 20 MW threshold for aggregation of loads from the same customer); (3) same as (2), but using 12CP to allocate costs instead of 4CP where 4CP is currently being utilized; (4) one under traditional ratemaking utilizing the most recently approved COSS without the large load customer(s) in service; (5) one utilizing a direct assignment of costs to a new large load customer rate class, including transmission, generation, and distribution costs (thus encompassing the CIAC issue); and (6) one utilizing a direct assignment of costs to the individual large load customer, again including transmission, generation, and distribution costs. Consumers shall provide all the data necessary to allow the Staff and intervenors to recreate the proposals, which may be filed under seal if necessary, including a workpaper listing all assumptions used to create the proposals.

These proposals should illustrate the impact on test year costs for both existing ratepayers and for large load customers and allow for a comparison of those impacts, including the large load customer's effect on surcharges. Consumers shall provide a summary exhibit comparing the impacts of these six cost allocation and rate design proposals on all customer classes on a side-by-side basis. The Commission finds that the information provided by the six cost allocation and rate design proposals addresses MNSC's concern regarding whether the allocator data should be adjusted, as MNSC will have access to this data and can make that

argument in the rate case, if it chooses. *See*, 5 Tr 884-885. The Commission notes that Consumers stated that, with Commission approval, it plans to transfer any existing large load customers to a new rate that results from a rate case order. 3 Tr 218-219. This expectation should be included in any contract that Consumers enters into with a large load customer served on Rate GPD after the date of this order. Finally, with regard to timing, the Commission agrees that, in light of the acknowledged shortcomings of the rate case process, the six cost allocation and rate design proposals described above should be made available to the parties to the instant case three months prior to the filing of the company's next rate case application.

Additionally, as demonstrated by MNSC and unrebutted by Consumers, the addition of a 500 MW PPA to serve a large load customer causes a 9.1% increase to residential rates if existing cost of service principles are followed. MNSC's initial brief, p. 33; *see also*, 3 Tr 199-202. This is unacceptable. A core tenet of ratemaking is that customers are responsible for the costs they impose on the system and the costs required to serve them. Residential, commercial, and other industrial customers should not have to pay for investments driven solely by large load additions. As MNSC argues, these costs should not be socialized due to their magnitude and unprecedented character, including the high load factor, 24/7/365 demand profile, and the fact that the vast majority of new generation and transmission investments will be driven by such a small number of discrete loads. MNSC's initial brief, p. 40. Specifically, the Commission notes that much of the evidence presented in terms of the costs of serving these large load customers omitted generation resources, including the costs for these additional resources. Indeed, as Mr. Bieber notes in his testimony, "the Company has not performed the analyses that would be necessary to identify incremental generation investments to serve new

large loads.” 5 Tr 634.

Without better understanding how these large new loads will be served and the costs involved in doing so, it is impossible for the Commission to understand whether existing customers will end up bearing a portion of such costs. As such, prior to each large load customer taking service under this tariff, Consumers must make an *ex parte* filing with the Commission that clearly demonstrates compliance with the tariff requirements and that costs caused by the interconnecting large load customer to be served under this tariff are not being paid for by other customers. In support of this filing, Consumers should include any modeling or COSSs that support this demonstration. In addition, the Commission recognizes that, in many cases, Consumers may enter into special contracts with these customers to address the generation and other resources needed to serve these customers, deviations from the default collateral requirements detailed above, and other provisions. An application for approval of any special contract shall also include a showing that the full costs of serving the large load customer are paid for by that customer under the provisions of the special contract. While the Commission is not requiring the dedication of specific bespoke generation or other resources to serve the large load customer or requiring such customers to provide their own generation or other resources (or to contract with Consumers for any additional resources), the filing should detail the generation, storage, and other resources (including, potentially, VPPs and demand-side resources) that will be required to serve that large load customer and how that interconnecting customer will cover the costs of such resources. *See*, MEIU’s initial brief, pp. 8-9; 5 Tr 939-941, 961-962. The Commission will endeavor to make a decision on these filings within 90 days of the filing date.

While the Commission notes and largely agrees with the Staff’s argument that Consumers

“plans its generation to serve the entirety of the load it is responsible for, not for individual customers,” it is important to remember that the individual customer being connected pursuant to this tariff adds at least 100 MW of new load on the system, and is potentially orders of magnitude larger than any customer currently taking service under Rate GPD. 4 Tr 417. As such, in order to ensure that other customers are not effectively subsidizing these new large load customers, it is critical to understand the resources being used or constructed to serve these customers and the costs associated with doing so.

With respect to the issue of modeling with and without data center scenarios, the Commission finds that this issue will be addressed in Case No. U-21867, where the Commission is considering changes to the Michigan Integrated Resource Planning Parameters (MIRPP) and the IRP filing requirements, as well as the adoption of CEP filing requirements. The Commission notes that the Staff’s August 15, 2025 Draft MIRPP Report, filed in that docket, recommends modeling of incremental large load increases equal to 10% of the utility’s annual forecasted load in years 2030, 2035, and 2040. *See*, Case No. U-21867, filing #U-1867-0003, p. 28.

Likewise, the Commission agrees with Consumers and the Staff that issues related to renewable and clean energy standards should be addressed in the proceedings that are already structured to address these issues, including REP, CEP, IRP, and VGP program cases, as well as rate cases. As the Staff notes, capacity demonstration cases and EWR cases will be involved as well. The Commission recognizes that MCL 460.1051 and MCL 460.1028 require a ramping-up of clean and renewable energy supplies and they are volumetrically-based. These are requirements that will be addressed in the proceedings where such requirements are reviewed under the statutorily authorized process. As the Staff correctly noted, the existing

separate proceedings authorized by statute have a wider scope and allow for better consideration of alternatives. Thus, the Commission declines the suggestion to include mandated renewable and clean energy requirements in the large load provisions of Rate GPD. This does not foreclose the possibility of changes to the tariff at a later date based on the results of future CEP, REP, IRP, VGP, and rate cases, nor does it ignore that many of these issues are likely to be included in the required filings detailed above that show the generation and other resources required to serve these new large load customers and how the costs associated with these resources will be recovered from the large load customers in order to avoid cost shifting. But it means that the Commission is not persuaded to include such requirements based on the record in the instant case. Recognizing that this is likely to happen in any case, the Commission directs Consumers to discuss VGP options with prospective large load customers during contract negotiations.

The Commission likewise declines the suggestion to include requirements related to the sales and use tax exemptions in Rate GPD. The Commission notes that MCL 205.54ee requires the data center applicant to obtain a certification that it qualifies for the sales tax exemption from the Michigan Strategic Fund. The statute provides that a facility seeking the exemption “shall certify to the Michigan strategic fund, in the form and manner prescribed by the Michigan strategic fund, that the facility has procured or will procure clean energy as described in . . . MCL 460.1051, equivalent to 90% of the facility's forecasted electricity usage on an annual basis as required under subsection (10)(e)(ix).” MCL 205.54ee(6)(c)(iii). The Michigan Economic Development Corporation and the Michigan Strategic Fund “shall review the application and either issue a certificate to the applicant or provide written reasons for its

denial.” MCL 205.54ee(6)(a).¹³ The Michigan Strategic Fund has an ongoing obligation to “determine whether the facility continues to qualify as an enterprise data center” and “shall revoke a certificate issued under subdivision (a) if it determines a facility no longer meets the definition of an enterprise data center.” MCL 205.54ee(6)(b) and (d). The use tax exemption legislation contains the same language. MCL 205.94cc(6)(a)-(d). Thus, the Commission concludes that the plain language of the statute requires the Michigan Strategic Fund to determine the data center applicant’s compliance with the qualifications for the exemption. The Commission finds that the statutes speak for themselves and it is not necessary to repeat the provisions of the two statutes in Rate GPD, though certainly any long-term supply contracts, participation in VGP offerings, filings detailing the generation and other resources that will be used to serve these new customers, and other information may be useful to the Michigan Strategic Fund in making its required findings.

Turning to the issue of annual reporting, the Commission approves Consumers’ proposal and notes Consumers’ agreement with DCC regarding the issue of confidentiality. The additional reporting requirements proposed by ABATE really go to the issue of whether the company’s rate is reasonable and prudent, and they would require the type of showing that is necessary in a rate case. *See*, ABATE’s initial brief, pp. 7-9. The Commission finds that these requirements are not appropriate for annual reporting. Consumers’ proposal includes, among other things, aggregate data center service in MW and MWh, information on capacity reductions and increases, and information on exits and exit fees. 3 Tr 88. The Commission finds this proposal to be adequate and directs Consumers to file annual reports in the instant docket. Annual reporting should commence no later than 12 months from the date that

¹³ *See also*, MCL 125.2002; MCL 125.2004(g); and MCL 125.2005.

Consumers enters into a contract with a prospective Rate GPD customer under its large load provisions.

The Commission declines to adopt the CEOs' suggestion of a future workgroup to discuss interconnection-related issues. Mr. Siddique did not provide testimony on the workgroup concept, but, in their initial brief, the CEOs recommend that the Commission direct the commencement of a workgroup "that can identify best practices for load interconnection, including a process that streamlines the interconnection process for large loads that incorporate load flexibility and/or clean generation." CEOs' initial brief, p. 2; *see also, id.*, p. 12. The Commission believes that this recommendation stems from the following portion of Mr. Siddique's testimony:

The Commission should direct Consumers to prioritize the interconnection of data center customers that demonstrate through their Clean Energy Sourcing Plans that their load would not negatively impact Consumers' compliance with its RES obligations and/or otherwise pose less of a burden on the Company's system. Load paired with behind-the-meter renewable generation, energy storage, or load flexibility poses less of a burden on the Company's grid, requires less upgrades to the Company's systems, and incurs less costs to comply with the Company's RES obligations. For these reasons, it would be appropriate for the Commission to direct Consumers to prioritize load interconnection requests that incorporate these behind-the-meter strategies.

5 Tr 783-784. The CEOs advocate expedited interconnection "for large loads which would bring their own clean generation resources and commit to participate in interruptible load or demand response programs." CEOs' initial brief, p. 12.

While the Commission broadly supports the concept of providing customers with flexible load choices, the CEOs' proposal appears to focus on crafting a set of practices that would result in the Commission directing Consumers to provide an advantage (in the form of an easier or faster interconnection process) to particular prospective customers based on the energy sources that the customers commit to using. However, the CEOs make no attempt to

provide evidence or argument demonstrating the Commission’s legal authority to direct Consumers to provide preferential treatment for particular prospective customers. *See, e.g.,* MCL 460.557(4).

Additionally, while acknowledging that data centers present new and unique challenges, the Commission is not persuaded that the interconnection standards are outdated. Service to new customers is governed by the Service Quality and Reliability Standards for Electric Distribution Systems, Mich Admin Code, R 460.701 *et seq.*, and the Technical Standards for Electric Service, Mich Admin Code, R 460.3101 *et seq.* Both of these rule sets were recently amended and became effective on April 10, 2023. *See, Case Nos. U-20629, U-20630.* Mich Admin Code, R 460.3410 provides that “[a]n electric utility or cooperative shall develop a plan, approved by the commission, for the extensions of facilities where the investment is in excess of that included in the regular rates for service and for which the customer is required to pay all or part of the cost.” Mich Admin Code, R 460.724(b) provides that it is an unacceptable level of performance for an electric utility to complete less than 90% of its “new service installations within 15 days.” However, this performance standard does not apply to “[n]ew service hookups dependent on the construction of a line extension other than the service line[.]” Mich Admin Code, R 460.702(p); *see, Mich Admin Code, R 460.732(b).* Load interconnection requests that incorporate BTM strategies or parallel interconnection are governed by the Interconnection and Distributed Generation Standards, Mich Admin Code, R 460.901a *et seq.* (the MIXDG rules). These new rules went into effect on April 25, 2023, and one major utility is still in the process of adopting interconnection procedures. *See, Case Nos. U-20890 and U-21482.* Thus, all three rule sets have recently undergone revision. The CEOs do not indicate where the technical, service quality, or MIXDG rules fall short, and the

Commission finds that a workgroup to discuss new interconnection standards is not advisable at this time.

Regarding the issue of an administrative fee the Commission finds that, in light of the unique size of the loads involved, an administrative fee that is charged upfront directly to the applicant and reconciled to actual costs is advisable. The Commission agrees with the Attorney General and MNSC that it should adopt Consumers' original proposal of \$100,000 as an upfront fee, with that amount to be reconciled at the conclusion of the performance of the studies necessary to give the applicant the information it needs, but with no cap. As Consumers indicated in its application, this amount should "collect the costs incurred by the Company for the engineering study, supply planning, project management, economic development, and rate support needed to develop a project proposal." Application, p. 3. Because this is a new customer, these project proposal costs are not addressed by the MIXDG rules and may be incurred in connection with inquiries or project proposals that do not result in contracts. After withdrawal of its fee proposal, Consumers indicated that the cost of developing a project proposal would "be recovered via ordinary ratemaking cost allocation processes" and MNSC demonstrated that this will result in ratepayers shouldering this cost. Exhibit MEC-30; MNSC's initial brief, p. 20; 3 Tr 231-232. Given the lack of record evidence, the Commission is not convinced that any change to the "intake process" could have resulted in making this project proposal cost a reasonable one to be borne by existing ratepayers. *See*, 3 Tr 101. Again, the Commission notes the unique nature of the contemplated loads. Given that these potential large loads will involve massive investments on the part of the applicant, it is prudent to expect that some (if not most) of them will not materialize. The Commission does not find that existing ratepayers are obliged to fund the effort to draw these

potential customers to Consumers' service territory. The Commission is also not convinced that the burden associated with tracking the costs incurred in developing project proposals is greater than the benefit of recovering those costs, and Consumers provided no evidence to support this argument. *See*, Exhibit MEC-30; 3 Tr 101. Thus, the Commission finds that the fee should be required upon application, and costs incurred in responding to data center and other large load inquiries should be tracked and reconciled, including costs that exceed \$100,000, allowing for refunds or further payments after reconciliation.

THEREFORE, IT IS ORDERED that:

A. Within 30 days of the date of this order, Consumers Energy Company shall file with the Commission tariff sheets reflecting the decisions in this order. After the tariff sheets have been reviewed and accepted by the Commission Staff for inclusion in the company's tariff books, Consumers Energy Company shall promptly file the final tariff sheets in this docket and serve all parties.

B. Consumers Energy Company shall provide annual reporting in the instant docket as described in this order, which shall commence no later than 12 months from the date that Consumers Energy Company enters into a contract with a prospective General Primary Demand Rate—Rate GPD customer under the large load provisions, as described in this order.

C. In its next electric rate case, Consumers Energy Company shall provide the six cost allocation and rate design proposals described in this order, and shall, no less than three months prior to the rate case application date, serve the six proposals upon all of the parties to Case No. U-21859.

D. Prior to each large load customer taking service under the General Primary Demand Rate—Rate GPD provisions approved in this order, Consumers Energy Company shall make

an *ex parte* filing in a new docket that demonstrates compliance with the tariff requirements approved in this order, and that demonstrates that costs caused by the interconnecting large load customer to be served under the tariff are not being paid for by other customers.

Consumers Energy Company shall include in the filing any modeling or cost of service studies that support this demonstration. If setting a collateral amount for a large load customer under General Primary Demand Rate—Rate GPD above or below the default provision approved in this order, Consumers Energy Company shall include this information in the application and demonstrate the reasonableness and prudence of the alternative collateral amount.

E. Consumers Energy Company’s petition for leave to appeal is granted, but the relief requested is denied.

The Commission reserves jurisdiction and may issue further orders as necessary.

Any party desiring to appeal this order must do so in the appropriate court within 30 days after issuance and notice of this order, pursuant to MCL 462.26. To comply with the Michigan Rules of Court's requirement to notify the Commission of an appeal, appellants shall send required notices to both the Commission's Executive Secretary and to the Commission's Legal Counsel. Electronic notifications should be sent to the Executive Secretary at LARA-MPSC-Edockets@michigan.gov and to the Michigan Department of Attorney General - Public Service Division at sheac1@michigan.gov. In lieu of electronic submissions, paper copies of such notifications may be sent to the Executive Secretary and the Attorney General - Public Service Division at 7109 W. Saginaw Hwy., Lansing, MI 48917.

MICHIGAN PUBLIC SERVICE COMMISSION

Daniel C. Scripps, Chair

Katherine L. Peretick, Commissioner

Shaquila Myers, Commissioner

By its action of November 6, 2025.

Lisa Felice, Executive Secretary

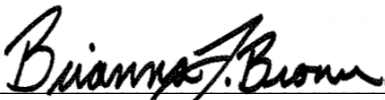
PROOF OF SERVICE

STATE OF MICHIGAN)

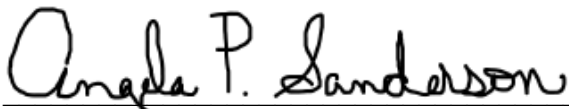
Case No. U-21859

County of Ingham)

Brianna Brown being duly sworn, deposes and says that on November 6, 2025 A.D. she electronically notified the attached list of this Commission Order via e-mail transmission, to the persons as shown on the attached service list (Listserv Distribution List).


Brianna Brown

Subscribed and sworn to before me
this 6th day of November 2025.



Angela P. Sanderson
Notary Public, Shiawassee County, Michigan
As acting in Eaton County
My Commission Expires: May 21, 2030

Service List for Case: U-21859

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