STATE OF MICHIGAN

BEFORE THE MICHIGAN PUBLIC SERVICE COMMISSION

* * * * *

In the matter of the application of **CONSUMERS ENERGY COMPANY** for authority to increase its rates for the generation and distribution of electricity and for other relief.	)))))	Case No. U-21870

At the March 27, 2026 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

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I. HISTORY OF PROCEEDINGS

On June 2, 2025, Consumers Energy Company (Consumers) filed an application requesting authority to increase its retail rates for the generation and distribution of electricity by approximately $436 million based on a projected 12-month test year ending April 30, 2027, plus an additional $24.3 million for a distribution deferral through a 12-month surcharge.[1] Application, p. 2. Consumers also requested other forms of regulatory relief including miscellaneous accounting authority. The company is currently providing service pursuant to base rates established by the March 21, 2025 order in Case No. U-21585 (March 21 order), in addition to various other approved costs through tariffs on file with the Commission, including power supply cost recovery (PSCR) factors, renewable energy plan (REP) surcharges, energy waste reduction (EWR) surcharges, demand response (DR) surcharges, distribution deferral surcharges, investment recovery mechanism (IRM) surcharges, and securitization bond charges.

According to Consumers, the rate increase sought in this case is based on the company's projections for relevant items of investment, expense, and revenue for a test year covering the 12-month period ending April 30, 2027. Application, p. 2. The company stated that it used depreciation rates authorized in Case Nos. U-20844 and U-20849 in determining its revenue requirements for this case and proposed a return on equity (ROE) of 10.25%, with an overall rate of return (ROR) on total rate base of 6.35% and a 50.75% common equity ratio. Application, p. 3. In its application, Consumers stated that a primary driver of its requested rate relief is the investments needed to support key objectives of its Reliability Roadmap, as presented in its Electric Distribution Infrastructure Investment Plan (EDIIP or distribution system plan (DSP),

[1] By the time of briefing, Consumers adjusted the claimed revenue deficiency to approximately $422.8 million. Consumers' initial brief, p. 1.

generally referred to as the Reliability Roadmap herein based on the parties' usage) filed in Case No. U-20147 on September 27, 2023. Application, pp. 3-4.

The company stated that additional factors contributing to its need for increased electric revenues include investments in electric utility generation assets, investments in assets to comply with safety and legal requirements, technology investments, investments in the company's fleet and facilities, operations and maintenance (O&M) expenses to support long-term investments, and increased financing costs to attract capital for necessary investments. *Id*., p. 7. Additional requests include costs associated with the company's DR programs, along with the company's request to maintain its transportation electrification plan (TEP) and associated funding as approved in previous Commission cases. *Id*., pp. 8-9. The company also sought rate design and tariff changes, along with approval of other mechanisms, surcharges, and amortization expenses in this case. *Id*., pp. 9-11. Consumers stated that it is in negotiations for the sale of its 13 hydroelectric dams and associated facilities. *Id*., p. 7. The company also stated that:

> [o]n May 23, 2025, the U.S. Department of Energy [DOE] issued Order No. 202-25-3 ("DOE Order") requiring Consumers Energy to continue operating the Campbell Plant beyond May 31, 2025. The Company is coordinating with the Midcontinent Independent System Operator, Inc. [MISO] and complying with the DOE Order. The costs presented in this electric rate case have not been adjusted to reflect the impacts of the DOE Order. Consumers Energy plans to request recovery of the costs associated with the DOE Order through a Federal Energy Regulatory Commission [FERC] process, as provided by the DOE Order and federal law.

Application, p. 8.

Consumers indicated that it intends to allocate the proposed revenue increase as set forth in Attachment A to its application, and that Attachment B to its application provides a comparison of typical residential bills under both the present and the proposed rates. *Id*., p. 9.

On July 2, 2025, Administrative Law Judge Jonathan F. Thoits (ALJ) conducted a prehearing conference at which the ALJ either acknowledged or granted intervention in the case to the

following parties: the Michigan Department of Attorney General (Attorney General); Michigan Cable Telecommunications Association; Michigan Environmental Council (MEC), Natural Resources Defense Council, Inc. (NRDC), Sierra Club, and Citizens Utility Board of Michigan (CUB) (collectively, MNSC);[2] the Environmental Law and Policy Center, Ecology Center, Inc., Union of Concerned Scientists, and Vote Solar (collectively, the Clean Energy Organizations or the CEOs); Energy Michigan; the Foundry Association of Michigan; Michigan Energy Innovation Business Council, Institute for Energy Innovation, and Advanced Energy United (collectively, MEIU); Urban Core Collective (UCC); Michigan Electric Transmission Company (METC); the Association of Businesses Advocating Tariff Equity (ABATE); Great Lakes Renewable Energy Association, Inc. (GLREA); Hemlock Semiconductor Corporation (HSC); Solar Technology LLC (Solar Technology); The Kroger Co. (Kroger); and Walmart Inc. (Walmart). Consumers and the Commission Staff (Staff) also participated in the proceeding. A schedule for the case was established by the ALJ in accordance with the 10-month timeframe set forth in MCL 460.6a(5).

On June 5, 2025, the ALJ adopted a protective order (Protective Order) for use in the matter.

Direct testimony was filed by the Staff and most of the intervenors on September 30, 2025, and rebuttal testimony was filed on October 21, 2025. Revised direct testimony was filed on October 9 and October 21, 2025, and revised rebuttal testimony was filed on November 11, 2025.

Evidentiary hearings were held on November 4-6 and 10, 2025, where cross-examination took place. Timely initial and reply briefs were filed thereafter by most of the parties in this case.

[2] MEC, NRDC, CUB and the Sierra Club provided testimony in numerous different groupings, as described in the PFD, pp. 6-7. Briefing on behalf of these parties was submitted collectively and thus their evidence and arguments are referred to in this order as belonging to MNSC unless otherwise noted.

The ALJ issued a Proposal for Decision on January 29, 2026, and an amended Proposal for Decision (PFD) on that same day. On February 2, 2026, the ALJ filed Appendices to the PFD. On February 17, 2026, the Staff, Solar Technology, ABATE, the Attorney General, MEIU, MNSC, Consumers, the CEOs, UCC, and GLREA filed exceptions (with the Attorney General filing a confidential version as well). On February 26, 2026, Solar Technology, the Staff, Consumers, ABATE, UCC, MNSC, MEIU, and the Attorney General filed replies to exceptions.

The record consists of testimony from 82 witnesses contained within 4,616 pages of transcript[3] (some of which is filed confidentially), along with approximately 693 marked exhibits (several of which also have a confidential version).[4]

A. Applications for Leave to Appeal

1. Evidentiary Requirements for Return on Equity

The case contains a number of evidentiary and/or procedural disputes.[5] The first dispute involved evidentiary requirements set by the ALJ with respect to the issue of ROE. The Commission has issued two orders addressing this matter and it requires no further attention in the instant order. *See*, November 6, 2025 and January 15, 2026 orders in Case No. U-21870.

[3] The transcript appears in seven volumes. The record inadvertently contains two volumes labeled Volume 1. In this order, the Commission refers to the July 2, 2025 prehearing transcript as Volume 1A (located at filing #U-21870-0095) and the September 10, 2025 motion hearing transcript as Volume 1B (located at filing #U-21870-0326). Additionally, Volume 2 has not been utilized as it is missing certain rebuttal testimony that appears in full in Volume 3. All citations to Volume 3 are to the corrected volume (located at filing #U-21870-0419).

[4] The docket also contains public comments within the Case Comments section. *See*, Case No. U-21870, filing ##U-21870-0001-CC through -0123-CC as of March 26, 2026.

[5] Evidentiary or procedural disputes that do not require the involvement of the Commission are not listed here.

2. Reply Brief Page Limit

The second dispute involves page limits. On December 23, 2025, Consumers filed a motion for permission to exceed the ALJ's 30-page limit on the length of reply briefs (contained in the July 8, 2025 scheduling memo), and also filed a 66-page reply brief. On December 26, 2025, the ALJ issued a ruling (December 26 ruling) denying the motion and allowing Consumers to file a conforming reply brief no later than January 5, 2026 (which Consumers did). On January 6, 2026, Consumers filed an application for leave to appeal the December 26 ruling and a brief in support of the application (Consumers' brief), pursuant to Mich Admin Code, R 792.10433 (Rule 433). On January 14, 2026, the Staff filed a response in support of Consumers' application for leave to appeal (Staff's response).

In the December 26 ruling, the ALJ found that Consumers failed to show that there were new or expanded arguments in the parties' initial briefs. The ALJ found that:

> Consumers' assertions are contradicted by its Motion and its Reply Brief. While Consumers asserts that there are "several new or expanded arguments" that it wants to address in its Reply Brief, this Ruling notes that the Table of Contents in the Reply Brief lists 35 separately titled sections of argument. Moreover, Consumers acknowledges that its determination of which arguments to address in its Reply Brief was not based on whether the arguments were "new or expanded arguments", but rather was based on whether the issues "were adequately addressed" the first time around by Consumers in its Initial Brief. Thus, it is very likely that the Reply Brief includes many arguments which are repetitive of the arguments included in Consumers' Initial Brief.

December 26 ruling, p. 2 (notes omitted). The ALJ noted the Commission's recognition of the discretion of an administrative law judge to set such requirements in the September 26, 2019 order in Case No. U-20322 (September 26 order), pp. 5-6. The ALJ denied the motion but allowed Consumers to file a complying brief on or before January 5, 2026.

Rule 433 of the Commission's Rules of Practice and Procedure, Mich Admin Code, R 792.10433, establishes the standards for reviewing applications for leave to appeal. Not every

application merits immediate review. An appellant must establish one of the following conditions before the Commission will grant review:

> a. A decision on the ruling before submission of the full case to the Commission for final decision will materially advance a timely resolution of the proceeding.
>
> b. A decision on the ruling before submission of the full case to the Commission for final decision will prevent substantial harm to the appellant or the public-at-large.
>
> c. A decision on the ruling before submission of the full case to the Commission for final decision is consistent with other criteria that the Commission may establish by order.

Rule 433(2)(a)-(c). If the Commission grants review, it will reverse an administrative law judge's ruling if the Commission finds that a different result is more appropriate. June 5, 1996 order in Case No. U-11057, p. 2.

In its brief in support, Consumers argues that its application merits immediate review under all three of the criteria listed in Rule 433. Consumers' brief, pp. 4-5. With respect to Rule 433(a), Consumers contends that there is a likelihood that the ALJ will render unsupported decisions thus shifting the burden of decision-making on to the Commission. With respect to Rule 433(b), Consumers argues that the company will "suffer substantial harm if it is not allowed to respond to claims and arguments raised for the first time in the initial briefs filed by opposing parties." *Id*., p. 4. With respect to Rule 433(c), Consumers notes that Mich Admin Code, R 792.10434(3) (Rule 434(3)) provides that reply briefs are "confined to rebuttal of the arguments contained in other parties' initial briefs." The company argues that it has been deprived of this opportunity by the ALJ's page limit and ruling. Consumers' brief, p. 5.

Consumers contends that the page limit and the ruling constitute unreasonable, arbitrary, and capricious violations of Consumers' right to present written arguments on issues of fact, law, and

policy. Consumers notes that the ALJ offered no explanation of the basis for the 30-page limit in the scheduling memo. Consumers further notes that MCL 24.272(3) provides that "parties shall be given an opportunity to present . . . written arguments on issues of law and policy and an opportunity to present . . . argument on issues of fact." Consumers' brief, p. 6. The company adds that Rule 434(3) provides for the filing of rebuttal of the arguments contained in other parties' initial briefs. Consumers asserts that rate cases are highly complex, technical, and fact dependent, and that initial and reply briefs function as closing arguments in these cases because they are the parties' sole opportunity to summarize the evidence. Consumers states that MCL 24.280 authorizes the ALJ to regulate the course of proceedings but does not provide any authority specific to briefs. Consumers notes that in the September 26 order the Commission stated that the ALJ's authority '"may include limiting the length and content of reply briefs."' Consumers' brief, p. 7 (quoting the September 26 order, p. 6). Consumers adds, however, that the length of reply briefs was not the issue in Case No. U-20322, which instead involved the content of reply briefs. *See*, September 26 order. Consumers contends that the September 26 order does not provide the ALJ "carte blanche power to limit the length of reply briefs to any degree the ALJ pleases." Consumers' brief, p. 8.

Turning to the question of the scope of the ALJ's power, Consumers contends that MCL 24.306 is relevant. MCL 24.306 provides as follows:

> (1) Except when a statute or the constitution provides for a different scope of review, the court shall hold unlawful and set aside a decision or order of an agency if substantial rights of the petitioner have been prejudiced because the decision or order is any of the following:
> (a) In violation of the constitution or a statute.
> (b) In excess of the statutory authority or jurisdiction of the agency.
> (c) Made upon unlawful procedure resulting in material prejudice to a party.
> (d) Not supported by competent, material and substantial evidence on the whole record.

(e) Arbitrary, capricious or clearly an abuse or unwarranted exercise of discretion.

(f) Affected by other substantial and material error of law.

(2) The court, as appropriate, may affirm, reverse or modify the decision or order or remand the case for further proceedings.

MCL 24.306. Consumers contends that MCL 24.306(c) and (e) are applicable here, because the ALJ may not deprive a party of its right to have an opportunity to present written arguments on issues of fact, law, and policy. Consumers maintains that both the page limit and the ruling violate these limitations on the ALJ's authority. Consumers' brief, pp. 8-9.

Consumers contends that the ALJ's decisions are subject to an arbitrary and capricious standard of review, and that a ruling is arbitrary and capricious '"when it lacks an adequate determining principle, when it reflects an absence of consideration or adjustment with reference to principles, circumstances, or significance, or when it is freakish or whimsical.'" Consumers' brief, p. 9 (quoting *Wescott v Civil Serv Comm*, 298 Mich App 158, 162; 825 NW2d 674 (2012)). Consumers argues that:

> the ALJ should have given earnest consideration to the reasonableness and efficacy of any limits he placed on the parties' opportunity to present reply briefs in this case. The ALJ failed to do so. He offered no "adequate determining principle" for his original 30-page limit; in fact, he offered no determining principle at all.

Consumers' brief, p. 9. Consumers notes that the ALJ assumed that the 66-page reply brief was repetitive of the company's initial brief without actually confirming whether it was. *See*, December 26 ruling, p. 2. Consumers states that the ALJ did not need to speculate. The company claims that there were actually 63 discrete new claims or arguments filed by the opposing parties in initial briefs, and thus the company actually had to forego some arguments in the 66-page reply brief. *See*, Consumers' brief, p. 10, n. 3.

Consumers offers some statistics on the shortest reply briefs filed, indicating that over the past 16 years the shortest was 74 pages and the average was 160. Consumers notes that the law places

the burden of proof on the utility for every cost element and asserts that "the utilities have almost no control over the number of contested issues" because opposing parties may generate an unlimited number of issues. Consumers' brief, p. 11. Consumers claims that it has the final word, in a sense, with its rebuttal testimony, and thus opposing parties often deal with rebuttal evidence in their initial briefs for the first time; while opposing parties have the freedom to deal with only a single issue if they choose. Consumers contends that the ALJ failed to consider the fact that 13 initial briefs containing 950 pages of argument (including at least 63 new claims) might not be adequately addressed in 30 pages. Consumers provides several examples of significant new claims that the company alleges were made in initial briefs. *Id*., p. 14. Consumers contends, then, that the ALJ's page limit and ruling fail to demonstrate "that he applied any 'adequate determining principles' in making the decision or that he applied any appropriate 'consideration or adjustment with reference to principles, circumstances, or significance.' By definition, his denial of the Company's Motion was arbitrary and capricious." *Id*., p. 15.

Moving on, Consumers contends that the ALJ's rationale for denying the motion is illogical and unreasonable in that he appears to rely on the fact that the table of contents of the 66-page brief shows 35 separately titled sections, but never explains what the relevance of this is or how this contradicts the arguments put forth in the company's motion. Consumers notes that the ALJ also appears to rely on the fact that the motion mentions the existence of new and expanded arguments which are not adequately addressed in the company's initial brief. Again, Consumers notes that the ALJ fails to explain the logic of his reasoning. *See*, December 26 ruling, pp. 1-2; Consumers' brief, pp. 16-17. Finally, Consumers argues that the page limit and the December 26 ruling violate the company's due process rights to notice and the opportunity to be heard under the U.S. and Michigan Constitutions, and, in particular, the right of a party to present closing

argument and every available defense. *Id*., pp. 17-19. In sum, Consumers asserts that the ALJ's decisions:

> were not reasonable in light of (i) the long history of typical reply briefs filed by major electric utilities in electric rate cases, (ii) the reasons why electric utilities' reply briefs are ordinarily much longer than 30 pages, (iii) the number of opposing initial briefs filed and the number of pages of argument contained in those initial briefs, (iv) the nature of the issues raised in the opposing parties' initial briefs, and (v) the number of new claims and arguments contained in the opposing parties' initial briefs.

Id., p. 19. Consumers asks the Commission for immediate consideration.

In its response, the Staff supports Consumers' application for leave to appeal, also arguing that "parties must be allowed the opportunity to make the arguments they deem appropriate to best serve their client's interests." Staff's response, p. 3. Referring to the November 6, 2025 order in the instant docket, the Staff contends that:

> [r]eversal of the ALJ's ruling is again merited because this ruling is yet another inappropriate impediment to a party's ability to bring the arguments that a party deems appropriate. In Staff's application for leave to appeal, Staff did not contest the page limit restriction to reply briefs because the scheduling memorandum outlined a process that would protect the parties due process rights by the ability to file a motion and seek leave to exceed the page limit. Now that this process has been attempted to be utilized by one of the parties, and its request has been denied in a manner reasonably described as arbitrary and capricious, Staff supports the Commission's intervention and reversal of the ALJ's decision.

Staff's response, p. 3. The Staff asserts that the ALJ failed to provide lawful reasoning for the ruling prohibiting a party from defending its position and asks the Commission for immediate consideration, arguing that "no party should arbitrarily and capriciously have their meaningful ability to make argument prohibited by a scheduling memorandum." *Id*., p. 4.

The Commission agrees with Consumers and the Staff, in part. As noted above, in deciding applications for leave to appeal, the Commission does not apply an arbitrary and capricious standard of review but rather, if the Commission grants review, it will reverse an administrative

law judge's ruling if the Commission finds that a different result is more appropriate. June 5, 1996 order in Case No. U-11057, p. 2. The Commission did not find that immediate review was required for Consumers' application for leave to appeal in light of the fact that the Commission may consider the 66-page reply brief if it so chooses (depending on the outcome of the appeal), and because, in any case, the PFD constitutes a set of recommendations that are subject to change in the Commission's final order. MCL 24.281(3). However, the Commission grants the application for leave to appeal herein and grants part of the requested relief.

Rate cases have become so expansive that they are unwieldy and administrative law judges are at pains to try to render these cases manageable—an admittedly onerous task. As the presiding officer, the ALJ has the authority to "[r]egulate the course of the hearings, set the time and place for continued hearings, and fix the time for filing of briefs and other documents." MCL 24.280(1)(d). The Commission does not find that the ALJ's 30-page reply brief limit set in the July 8, 2025 scheduling memo requires reversal. As the company and the Staff point out, the ALJ provided an avenue for relief from the limit "as otherwise permitted by motion granted by the ALJ." July 8, 2025 scheduling memo, p. 3 (applying natural pagination).

However, while it is true that the September 26 order provides little explication of the scope of the ALJ's authority to limit the length and content of briefing, the Commission agrees with Consumers that that decision was not intended to provide carte blanche discretion to limit the ability of parties to make arguments, particularly in light of the fact that the Commission's statement regarding brief length was dicta in that case. The Commission finds that the considerations presented by Consumers in its application and brief are persuasive and that the motion should have been decided differently. It is true that initial briefs routinely contain material that responds to rebuttal and that was not previously presented in the record (and is sometimes

rejected by the Commission for that reason, depending on the issue). If restricted by the page limit, Consumers would have been expected to respond to 950 pages of initial briefing within 30 pages. Rate cases are indeed highly complex, technical, and fact dependent, and initial and reply briefs serve to function as closing arguments in some sense, since the enormity of these cases means that they do not lend themselves to summarization in the hearing room before the ALJ. It also appears from the wording of the December 26 ruling that the ALJ assumed that the 66-page reply brief was repetitive of the company's initial brief without actually confirming whether it was. *See*, December 26 ruling, p. 2.

Thus, the Commission finds that a different result is more appropriate in this case and that Consumers' motion to file a 66-page reply brief should have been granted. The Commission will consider the full 66-page reply brief in these proceedings where it determines that such consideration is necessary.

3. Anonymous Customer A

The third dispute involves an anonymous party to the instant proceeding. On September 2, 2025, the Attorney General submitted her sixth set of discovery requests to Consumers, and on September 16, 2025, Consumers responded to the discovery and also notified a customer (soon to be known as Customer A) that the company intended to disclose a redacted copy of a contract.

On September 18, 2025, pseudonymous Customer A (Customer A) filed a petition for late intervention for the limited purpose of protecting confidential information from disclosure during this proceeding, and paired that petition with a motion to quash a portion of the Attorney General's discovery request along with the resulting response and document production from Consumers, in order to prevent the improper disclosure of confidential information (motion to quash). On September 25, 2025, the Staff, Consumers, and the Attorney General each filed a response to

Customer A's petition and motion. On September 30, 2025 the ALJ held a hearing on the petition and the motion to quash, and on October 3, 2025, the ALJ issued a ruling (October 3 ruling) on the petition to intervene. The ALJ found that Customer A is entitled to intervention by right and permissive intervention, and further found that "allowing this petitioner to use the pseudonym Customer A in its intervention is appropriate because doing otherwise would further the harm to Customer A by requiring it to publicly link its name to the commercially sensitive information its intervention seeks to protect." October 3 ruling, pp. 5-6. Thus, late intervention for Customer A was granted. No applications for leave to appeal the October 3 ruling regarding intervention were filed.

On January 22, 2026, the ALJ issued a ruling on Customer A's motion to quash discovery (January 22 ruling) granting the motion in part and denying the motion in part, and directing all party representatives who received certain discovery responses to, within ten days of the date of the ruling, "delete any electronic copies of the Contracts, destroy any printed copies of the Contracts, and certify to Customer A's attorney that they have complied with this Ruling and Protective Order." January 22 ruling, p. 20.[6]

On February 2, 2026, the Staff and the Attorney General each filed an application for leave to appeal the January 22 ruling and a brief in support (referred to herein as Staff's brief and Attorney General's brief) seeking immediate relief from the order to delete or destroy certain documents. On February 5, 2026, Customer A filed an application for leave to appeal and a brief in support (referred to herein as Customer A's brief) seeking immediate relief from the January 22 ruling's finding that Consumers' production was not in violation of Customer A's privacy rights, and

[6] "Contracts" in the quoted language refers to copies of nine contracts which were produced by Consumers in response the Attorney General's discovery request, pursuant to the Protective Order.

immediate interim relief in the form of an order allowing Customer A to "receive notice of potential further disclosure of its confidential information" similar to the notice provided under the Protective Order. Customer A's brief, p. 1.

On February 19, 2026, Consumers, the Attorney General, and the Staff each filed a response to Customer A's application for leave to appeal (these are referred to herein as Consumers' response, the Attorney General's response, and the Staff's second response). Consumers also filed a confidential version of its response with the discovery response documents attached.[7] No responses to the Staff's and the Attorney General's applications were filed.

a. Background

Consumers provided testimony on its High Voltage Distribution (HVD) Strategic Customers New Business Program, wherein the company seeks capital expenditures to meet the needs of new commercial and industrial (C&I) customers that are too energy intensive to be served by the Low Voltage Distribution (LVD) system. 3 Tr 1296-1299. The company indicated that costs are often driven by the specific needs of each customer, and the company projected capital expenditures of $90 million in the bridge period and $43.86 million in the test year (net of the contributions that are expected to be made by customers). 3 Tr 1297-1298. Consumers also included costs for a canceled project. 3 Tr 1299. The Attorney General sought discovery regarding the content of the contracts with these customers, in order to explore the potential for stranded costs.

The Attorney General's discovery request (Question 159, b. and c.) and Consumers' response are as follows:

> [Request] b. For each customer project, provide the type of business the customer is involved in, the business location, the contract status (whether signed or not), the

[7] The Commission and the Staff have reviewed the confidential version of the discovery response, but are not in possession of (and have not reviewed) an unredacted version of the discovery response.

> phase the project is currently in (scoping, conceptual design, engineering design, construction, completed), the project cost by year from inception to completion with and without any CIAC, and what facilities will be installed.
>
> [Request] c. For each customer project, provide a copy of the signed contract and explain what provisions have been included in the contract for reimbursement of capital expenditures and O&M expenses incurred by the Company in case the customer abandons the project before completion of construction and also subsequent to start of operations but before the Company has recovered the full investment in the project.
>
> [Consumers' response to Question 159, b. and c.:]
>
> Objection of Counsel: Consumers Energy Company objects to this discovery request because it requests information that is not relevant and that is personally identifiable Customer Account information that cannot be disclosed under Consumers Energy's Customer Data Privacy tariff. Subject to this objection, Consumers Energy responds as follows:
>
> b.) See objection noted above for the type of business and business location requested. See Attachment 2 to this response for the rest of the information requested in part b.
>
> c.) Please see confidential attachments 3a, 3b, 4, 5, 6, 7, 8, 9, and 10 for copies of the signed contracts. It can be explained that the Company's contracts with customers depending on the type of contract have minimum billing requirements for certain energy usages and terms, and/or provisions for prorated payment of investments if the customer ceases operation prior to the end of the term of the contract. Additionally, the Company performs risk reviews on projects over $1M [million] and may require additional security (e.g. a letter of credit or parental guaranty) as a result of the review.

Consumers' response to Customer A's motion to quash, pp. 1-3. In response to c., Consumers produced copies of nine signed contracts marked "confidential" and redacted (the Contracts referred to above), that were produced subject to the Protective Order for the parties who signed the non-disclosure agreement (NDA). Consumers' response to Customer A's motion to quash, pp. 2-3. Customer A did not object to the production of Attachment 2, but objected to the remainder of the production (Attachments #a through 10). *See*, October 1, 2025 Notice of Non-Objection (filing # U-21870-0275). In the motion to quash, Customer A argued that: (1) the

Contracts contain trade secrets and sensitive commercial information and that its data privacy rights were violated; (2) the Contracts were disclosed to State employees making the information vulnerable to a Freedom of Information Act (FOIA) request; (3) aggregated information could have served the purpose of the discovery; and (4) the parties should be directed to delete and destroy electronic and printed copies of the Contracts and Consumers should provide three days' notice before producing a copy of a contract. Customer A's motion to quash, pp. 6-16.

b. January 22, 2026 Ruling

In the January 22 ruling, the ALJ found that the information sought via the Attorney General's discovery request was relevant to the case and agreed with the Attorney General that Customer A's alternative proposal of using aggregate data was an insufficient substitute. January 22 ruling, pp. 9–10.

The ALJ disagreed with Consumers' assertion that it was permitted to disclose Protected Customer Information (as defined by Consumers) without customer consent pursuant to its obligation to respond to discovery requests under Mich Admin Code, R 460.153 (Rule 53) and R 792.10423 (Rule 423). January 22 ruling, pp. 10-14. But the ALJ also found this point to be moot, since he concluded that Consumers appropriately redacted all of the Protected Customer Information and complied with the company's approved Customer Data Privacy Tariff (Section C17) and Commission rules. January 22 ruling, pp. 14–15. The ALJ found that:

> having marked the redacted versions as "confidential" and subject to the Protective Order, Consumers asserts that it complied with the Customer Data Privacy tariff and the Commission's Practice Rules. This Ruling agrees.
>
> As such, and together with Customer A's non-objection to the production of Attachment 2, this Ruling finds both the Request and Consumers' Responses are appropriate.

January 22 ruling, p. 15 (citation omitted).

Despite this finding, the ALJ found that "a possible future FOIA request for the Contracts supports granting Customer A relief under the Motion." January 22 ruling, p. 16. The ALJ also rejected the Attorney General's argument that Customer A's requested relief might violate the record retention statutes of the State of Michigan, and he found that the Contracts do not constitute a record for these purposes. January 22 ruling, pp. 16–20. The ALJ stated that:

> Customer A argues that the Protective Order is unlikely to prevent public employees who received copies of the Contracts from having to disclose the Contracts in response to a FOIA request. This Ruling agrees, as case law has found that a protective order issued by an ALJ in a federal agency's administrative proceeding does not prohibit the agency from disclosing records under FOIA. *See, e.g., General Electric v NRC*, 750 F.2d 1394, 1400 (7th Cir 1984) (finding an administrative protective order "irrelevant" under FOIA) [*General Electric*]. . . . However, the "claw back" of the Contracts does not appear to be contrary to the applicable record retention statutes, as the Contracts do not appear to fall within the various definitions and descriptions of the records to which the record retention statutes and corresponding promulgated rules and policies apply.

January 22 ruling, p. 16. The ALJ found the Attorney General's arguments relying on MCL 750.491(1) (the Penal Code), MCL 18.1285(1) (the Management and Budget Act), MCL 399.811 (the Michigan History Center Act), and MCL 15.232(i) and 15.241(1)(a) (FOIA) to be unavailing because the Contracts do not fit within the various statutory definitions of "records" that must be retained. January 22 ruling, pp. 16-20. The ALJ concluded that "good cause exists and has been shown for the Contracts to be returned or destroyed, that such return or destruction will not unduly prejudice the parties in this case, and that such return or destruction is supported by the applicable court and administrative rules, and the Protective Order." *Id*., p. 20 (citing MCR 2.316). Thus, the ALJ denied the motion to quash but ordered the destruction of the documents in any case due to his concerns regarding FOIA.

c. Applications for Leave to Appeal and Responses

In its brief in support, the Staff argues that its application for leave to appeal should be granted pursuant to Rule 433(2)(b) (quoted above) because the Staff, Staff's counsel, and the public will face substantial harm if the order to delete and destroy materials subject to the State's record retention laws is not overturned. Staff's brief, p. 3. The Staff adds that:

> FOIA, which is inherently dependent on appropriate record retention, exists to protect the public's access to "full and complete information regarding the affairs of government and the official acts of those who represent them as public officials and public employees." MCL 15.231(2); see also *Kestenbaum v Michigan State University*, 414 Mich 510 (1982). Improper destruction of public records would, therefore, undermine this public interest. For these reasons, immediate appeal is appropriate under Mich Admin Code, R 792.10433(2)(b).

Staff's brief, p. 3.

The Staff argues that the ALJ failed to justify his finding of good cause to destroy the documents. The Staff notes the ALJ's explicit reference to finding a compromise result during the hearing on the motion. *See*, 1B Tr 24. The Staff contends that the determination:

> is puzzling given the Ruling's explicit determination that the Company did not violate the Customer Data Privacy Tariff or Commission rules. Without such violation, Staff asserts that its previously articulated opposition to the motion is all the more persuasive. Namely, that "[p]rotective orders and non-disclosure agreements provide the appropriate framework for disclosing such material in discovery." (Staff's Response to Motion to Quash, p 6.)

Staff's brief, pp. 7-8 (footnote omitted). The Staff contends that the apprehension of a potential FOIA request alone "is not a valid basis upon which to order the destruction of discovery materials" because it undermines the FOIA regime and the ability to conduct discovery. *Id*., p. 8. The Staff notes that the Staff and the Attorney General indicated that they would provide the same notice to Customer A that is owed to Consumers if they receive a FOIA request pertaining to the Contracts, and the Staff argues that "this has been the appropriate safeguard for confidential information in countless Commission cases" and was adopted for the Non-Modifiable Protective

Order in the April 25 and July 9, 2024 orders in Case No. U-18238. *Id*., p. 9. The Staff concludes that the Protective Order is the proper mechanism for Customer A and that the more aggressive relief approved by the ALJ is not warranted.

Next, the Staff turns to the issue of whether the Contracts are records that are covered by the State's record retention statutes, and concludes that they are. Staff's brief, pp. 9-19. The Staff argues that Customer A's requested relief is not only inappropriate but may also cause some parties to this case to violate the State's record retention laws, if carried out. The Staff "acknowledges there is limited authority on the parameters of what constitutes a public record" but "submits that materials received as discovery responses in a contested MPSC case very likely constitute public records that must be kept pursuant to applicable State retention schedules." *Id*., p. 10.

The Staff notes that under MCL 750.491 it is a misdemeanor to dispose of public property, including papers or records, belonging to the people of Michigan in violation of Michigan law, citing a limited number of statutes. The Staff opines that the Contracts fall under the definition of "record" that is supplied in the Michigan History Center Act (MCL 399.802(i)); fall under the definition of "public record" and a "writing" as supplied in FOIA (MCL 15.232(i) and (l)); and are "prepared, owned, used, in the possession of, or retained by a public body in the performance of an official function" under FOIA (MCL 15.232(i)). Regarding Michigan administrative law, the Staff states that:

> the Department of Technology, Management, and Budget is required to solicit and approve Retention and Disposal Schedules. MCL 18.1287(2)(h), (3)(c). The Administrative Guide to State Government Procedure 0910.028 states that "Retention and Disposal Schedules provide the only legal authorization to destroy Michigan government records." The Department of Licensing and Regulatory Affairs and the Department of Attorney General have adopted Retention and Disposal Schedules applicable to Staff and Staff Counsel. Particularly relevant in this instance are the Retention and Disposal Schedules for the Regulated Energy

> Division of Staff (Attachment A) and the Public Service Division of the Department of Attorney General (Attachment B).
>
> The Regulated Energy Division Retention and Disposal Schedule specifies that rate case materials (described as records that "document rate cases heard by the MPSC," which may include "testimony exhibits, briefs, reviews, orders, etc.") must be retained until an order is issued plus 10 additional years. (Attachment A, p 3.) While this schedule does not explicitly address discovery materials, it appears likely that such materials "document rate cases heard by the MPSC." The Public Service Division Retention and Disposal Schedule is even clearer. It explicitly mentions the retention of "discovery documents," including discovery documents in administrative action cases involving Staff, which must be retained until the case is closed plus 10 additional years. (Attachment B, p 1.) Both of these schedules, and the Public Service Division schedule in particular, appear to cover the Contracts at issue in the Motion to Quash. These schedules indicate that such Contracts, when received by Staff and Staff Counsel through discovery, constitute a record subject to the applicable retention periods.
>
> Not only are these retention schedules adopted pursuant to Michigan law, but they are anticipated and incorporated in the original protective order for this case. The protective order explicitly notes that retention of Protected Materials under the order is subordinate to Michigan law and retention schedules. (MPSC Case No. U-21870, 6/5/2025 Protective Order, p 8.) The Commission should find that the Ruling should have incorporated this same deference.

Staff's brief, pp. 12-14. The Staff states that:

> [e]ither: 1) the Contracts are public records subject to the retention requirements and FOIA; or 2) the Contracts are not public records and there is no legitimate apprehension of a future FOIA request. Both cannot be true. Staff submits that the Contracts are likely public records that must be kept pursuant to applicable State retention laws and schedules.

Staff's brief, pp. 14-15.

Turning to the ALJ's analysis, the Staff again acknowledges that there is a lack of direct guidance on this question with respect to this fact pattern, but avers that the ALJ erred in his analysis of the record retention laws when he concluded that the Contracts were not "used" by a public body simply because they were not admitted into evidence. The Staff notes that the scope of discovery is broader than the scope of admissibility under MCR 2.302(B)(1) (which provides that information need not be admissible in order to be discoverable), and "use" is only one of five

ways that a writing may constitute a "public record" under MCL 15.232(i). Staff's brief, pp. 16-17. The Staff adds that:

> discovery materials such as the Contract are obtained and possessed as a result of Staff's participation in a contested case and fall within the retention schedules applicable to Staff and Staff Counsel. Therefore, at a minimum, they appear to be "in the possession of and retained . . . in the performance of an official function" by Staff and Staff Counsel.

Id., p. 17. The Staff distinguishes the case law cited by the ALJ. *Id*., pp. 17-18. Finally, the Staff argues that MCL 18.1284(b) (the Management and Budget Act) provides a definition of "record" that is broader than the FOIA definition and that applies to the retention policies of State agencies. The Staff contends that MCL 18.1285 also supports the determination that the Contracts are a record. Staff's brief, p. 19.

In her brief in support, the Attorney General also points to the ALJ's statements regarding exploring a compromise result and argues that the January 22 ruling is constructed to reach such a result by denying the motion to quash but granting the requested relief anyway. Attorney General's brief, pp. 3-4. She argues that the January 22 ruling is contrary to fact and law and disproportionate to Customer A's interest in this case. Like the Staff, the Attorney General argues that her application for leave to appeal should be granted under Rule 433(2)(b) to prevent substantial harm to the appellant and the public. *Id*., p. 5.

The Attorney General points to MCR 2.302(B)(1) and the provision that the scope of discovery is greater than the scope of admissibility. She contends that the ALJ correctly found that the discovery was relevant and that aggregate information would not address the request. She does not appeal this part of the January 22 ruling, but appeals the requirement to destroy the evidence and argues that the correct approach to this issue is to issue a Protective Order rather than to deprive the parties of adequate discovery.

The Attorney General argues that the ALJ took a narrow view of what constitutes a "use" of the material and states that:

> the Attorney General obtained, reviewed, analyzed, and relied in part on the contracts in making some recommendations in testimony and her brief. She has an interest in retaining the documents. The Commission approved protective order in the Rate Case Filing Requirements acknowledges that the Attorney General and the Public Service Commission are subject to document retention requirements as governmental offices, and therefore, the protective order entered on June 5, 2025 is rightfully subject to those terms.

Attorney General's brief, pp. 11-12 (citing 3 Tr 2470-2473 and Paragraph V of the Protective Order). The Attorney General disagrees with the ALJ's findings on whether the Contracts can be considered records for the purposes of the many state statutes governing record retention. Attorney General's brief, pp. 12-15. Notably, the Attorney General explains how she used the discovery response as follows:

> [T]he Attorney General did use information gleaned from or better yet lacking in the [] contracts in her testimony and brief. Her expert provided comments in his testimony recommending requirements for better financial assurance for large customer contract [sic] based on the lack of information from the heavily redacted documents. Likewise, the Attorney General's brief echoed those recommendations. The claim that the Attorney General did not use the contracts because the[y] were not filed as exhibits is based on an unjustifiably narrow definition of use and should be rejected.

Id., p. 14 (citing 3 Tr 2470-2473, and Attorney General's initial brief, pp. 29-31).

Finally, the Attorney General argues that FOIA does not justify the relief allowed in the January 22 ruling. Noting the definitions of "public record" and "public body" in FOIA (MCL 15.232(i) and (h)), she contends that the Department of Attorney General and its divisions are public bodies for purposes of FOIA, and the Contracts were used in formulating testimony on behalf of and positions taken by the Attorney General in this case, which constitutes a use of the records. Attorney General's brief, p. 17. She asserts that there is no good cause for the destruction of the Contracts, the issue is hypothetical, and "the likelihood of real harm has not been

demonstrated to support the relief ordered." *Id*., p. 20. The Attorney General maintains that the Contracts were already heavily redacted such that there is no identifiable information. She notes that the January 22 ruling "went to great lengths to assert that the Contracts were not records or public records under FOIA which if true does not support their destruction since that was the basis for the relief sought in the Motion." *Id*. Finally, the Attorney General asks that, if the Commission affirms the January 22 ruling, "it be limited to the destruction of Customer A's contract only. No other customer sought relief, Customer A did not establish standing to speak on their behalf, and the ruling did not establish a basis for granting such sweeping relief." *Id*., p. 21.

In its application for leave, Customer A also argues that the application merits immediate review under Rule 433(2)(b) as the January 22 ruling results in substantial and irreparable harm to Customer A. Customer A's brief, p. 2.

Customer A notes that Consumers' response to question 159.c. went to 15 individuals who are subject to FOIA under the Protective Order, and the Protective Order provides that confidential information may be subject to disclosure under FOIA and documents must be retained according to the State's record retention schedules. *Id*. Customer A further notes that Consumers objected to, and declined to provide, the type of business and business location in response to question 159.b., and redacted the name and address. However, Customer A argues that the ALJ erred in finding that the unredacted portions did not contain confidential or proprietary information and that Rule 53 was not violated. Noting the requirements of Rule 53 and the definition of "primary purpose" in Mich Admin Code, R 460.102a(t) (Rule 2a(t)), as well as the requirements of Consumers' tariff Section C17.1.D and E (the Customer Account Information and Consumption Data definitions), Customer A contends that the Contracts contain unredacted, customer-specific

information that is protected by all of these requirements and is not subject to any exceptions. Customer A's brief, p. 7.

Customer A explains that:

> the unredacted portions of the Contracts expressly provides [sic]: (i) a maximum amount of power; (ii) the date on which that power was expected to be available; (iii) the percentage of that power that was expected to be used during on-peak hours; (iv) and letter of credit installment amounts to be provided by year. This information is highly commercially valuable and often protected from public disclosure. Having a competitor know the precise date on which a single expanded facility is planning to take power of a known maximum amount is vital competitive information. A competitor could gain commercially-valuable insight regarding what timing would need to be included in its terms to lure away a customer, or whether a particular customer is likely to have the new facility as an option for service given their electrical demand and timing. Similarly, knowing the precise amount of the letter of credit required in each year is business sensitive information that relates directly to the price the facility must charge to recover its costs – a rival facility could gain a strong signal as to what price it could quote and still hope to win the business that might otherwise go to a new facility if it knew that key input and could compare it to their own financing requirements.

Id., pp. 8-9.

Customer A argues that Rule 53 balances the need for data in rate cases against the need for anonymity by allowing the aggregation of data. The customer maintains that it likely does not take extraordinary effort to discern a particular customer's identity among the nine contracts that were produced, thus allowing a competitor to know things like the amount of money required in a letter of credit and the amount of energy that is expected to be used. *Id*., p. 9. Customer A asserts that Rule 53 is intended to protect this type of information and "the protective order would likely be ineffective at preventing a disclosure via a FOIA request." *Id*., p. 10. Customer A observes that Consumers was not operating pursuant to a warrant or court order or as part of collection activities, and the disclosure was not necessary for primary purposes, thus no exception from the need for confidentiality was applicable under Rule 53.

Customer A contends that its rights under the Uniform Trade Secrets Act, MCL 445.1901 *et seq.*, have been violated as well, as its trade secrets were misappropriated without Customer A's consent. *Id*., pp. 12-14 (citing MCL 445.1908, and MCL 445.1902(d)). In response to the Staff, Customer A asserts that its highly sensitive data deserves a higher level of protection than the utility's own confidential data, arguing that:

> [a]bsent the proper application of the Customer Data Privacy Rule, a non-intervening customer, as a non-party to the case and having no rights under the June 5 Protective Order, receives no meaningful notice [of] its utility's decision to disclose its trade secret. It thus has no opportunity to seek protections preventing disclosure before it is in the hands of governmental employees who are subject to FOIA and document retention laws. Once disclosed, the customer is told that that document containing its trade secrets is now a matter of public record and will remain so for 10 years. Thus, absent appropriate application of the Customer Data Privacy Rule, the customer must choose to either forgo electric service, or accept that at any time the utility, in an effort to secure greater revenues for itself, may unilaterally and without notice disclose information in a way that may destroy the customer's trade secrets and cause it serious competitive harm.

Id., pp. 14-15. Customer A argues that public entities have multiple ways to obtain the information that they desire without violating Rule 53 such as through the power to audit, and adds that, had any entity chosen to file a motion to waive the customer privacy rules, Customer A would have had notice and an opportunity to be heard. *Id*., pp. 15-17. Finally, Customer A states that it "should be afforded the same notice and an opportunity to protect its data prior to disclosure as entities that are signatories to the Protective Order, and the Commission should immediately issue such an order." *Id*., p. 17.

In its response to Customer A, the Staff contends that Customer A mischaracterizes a footnote in Staff's brief, and adds that:

> Staff counsel agreed to the interim relief that Customer A now seeks the Commission to confirm–to provide notice to Customer A's attorney if a request for the contracts at issue are requested. (1 TR 48–49.) Yet, as explained more thoroughly in its appeal, Staff requests that the Commission not adopt any argument that would undermine Staff and other State parties' ability to fully

> participate in the discovery process or to order the destruction of any materials that likely constitute public records merely based on the apprehension of a future FOIA request. (Staff's Br in Support of Appeal, pp 8– 20.)

Staff's second response, p. 3 (note omitted).

In her response to Customer A, the Attorney General reiterates the arguments made in her brief, and contends that Customer A has not demonstrated a specific harm because Customer A's claims regarding the ability of competitors to gain a competitive advantage are speculative. Attorney General's response, p. 7 (applying natural pagination). The Attorney General contends that Customer A's information simply shows that Customer A utilizes the utility's power supply. She adds that:

> given Customer A's anonymous appearance, it is not possible to truly test the veracity of its claims or what it may or may not be communicating publicly. Further, the fact that Customer A has secured its power supply can also be positive as it demonstrates from an energy perspective, that the Company will have an important element for operating or expanding its business.

Id., p. 8. The Attorney General maintains that Customer A has not demonstrated a likelihood of any of these scenarios actually happening, including the allegation of a violation of the Uniform Trade Secrets Act. *Id*., pp. 8-11. Finally, the Attorney General rejects Customer A's claims regarding the possible waiver of the data privacy rules and a voluntary production of the documents sought. *Id*., pp. 11-14. She notes that any exemption process would be burdensome during a rate case and, with a protective order in place, unnecessary. The Attorney General argues that she sought discoverable information in good faith and utilized the appropriate process. *Id*., p. 13. Again, she argues that Customer A has not demonstrated any actual harm. Finally, the Attorney General explains why aggregated data would not suffice.

In its response to Customer A, Consumers provides the following description of the materials that were produced in response the Attorney General's discovery requests:

> Attachment 1, which was public, provided forecasted data regarding Consumers Energy's capital costs for its HVD Lines Strategic Customers New Business capital investments. Attachment 2, which was also public, provided a project description, contract status, current phase of the project, certain cost information, the amount of Contributions in Aid of Construction [(CIAC)] for the project, and the facilities being installed for the HVD Strategic Customers New Business projects identified for the bridge period and test year of this case. Confidential Attachments 3a, 3b, 4, 5, 6, 7, 8, 9, and 10 provided contracts supporting the projects identified for the HVD Strategic Customers New Business sub-program during the bridge period and test year under the protective order with certain sensitive information redacted. The Commission has previously held that it generally will not approve projected capital investments for the HVD Strategic Customers New Business sub-program where the projects are unidentified and lacking a signed contract. See MPSC Case No. U-21389, March 1, 2024 Order, page 18 [March 1 order].

Consumers' response, pp. 3-4. (Customer A did not object to Attachment 2.)

Consumers notes that Rule 53 requires the filing of a data privacy tariff and specifies certain required features. Though Rule 53(2)(e) states that a utility may disclose confidential information without customer consent '"in response to a warrant or court order[,]"' Consumers argues that the Commission "is free to expand on the requirements of Rule 53." Consumers' response, p. 5 (quoting Rule 53(2)(e)). Consumers states that Section C17 was approved in the October 24, 2018 order in Case No. U-18485, and "protects three specific types of Protected Customer Information: (i) Customer Account Information, (ii) Consumption Data, and (iii) Personal Data." Consumers' response, p. 5 (citing Section C17.1.D, C17.1.E, and C17.1.G for the definitions). Consumers notes that the data privacy tariff provides that Consumers is permitted to disclose what Consumers calls Protected Customer Information without informed customer consent '"when required by law or Commission rules."' Consumers' response, p. 5 (quoting Section C17.3.A). Consumers goes on to note that Rule 423 requires that '"[e]very party shall respond promptly and fully to requests for discovery."' Consumers' response, p. 6 (quoting Rule 423). Thus, Consumers contends that it was permitted to disclose Protected Customer Information in response to the Attorney General's discovery request without informed customer consent under Section C17.3.A because such

disclosure is required by Rule 423. The company notes that the ALJ disagreed, but states that it does not challenge that holding since the ALJ reached the correct ruling by finding that the tariff was not violated. Consumers' response, p. 6, note 2.

Despite this argument, Consumers contends that it did not disclose any Protected Customer Information in the discovery response. Consumers asserts that the March 21 order indicated that forecasts of bridge and test period costs for new business need to be supported by signed contracts. On the other hand, the company decided that the Attorney General's request was overbroad and information such as the name and location of the customer was not necessary to the disclosure. Thus, in its response Consumers:

> redacted Customer A's name, address, service location, maximum projected demand, capacity available, off-peak energy forecast, power factor, total estimated cost and payback schedule, and certain information about third-party business activity that might have identified Customer A. In other words, Consumers Energy redacted all information that might have constituted Protected Customer Information under its Customer Data Privacy tariff. There was no disclosure of this Protected Customer Information to any party in this case.

Id., p. 7. Consumers notes that MCR 2.302(C) allows for the use of a protective order, and the company argues that it both redacted the protected information and took the added precaution of releasing the response as "confidential" and only to parties who had signed the NDA under the Protective Order.

Consumers contends that the ALJ correctly found that the company's release of unredacted portions of contracts did not violate the data privacy tariff or rule and did not contain confidential or proprietary information. *Id*., p. 8. The company argues that since it did not provide information about Customer A's type of business or business location, there was nothing to quash, because the company provided only information about its own facilities and costs. Consumers adds that the documents were copies of standard contracts with a few customers wherein all identifying

information had been redacted and the remaining information showed the typical terms of such agreements. Consumers notes that the contracts do not belong exclusively to the customer but also belong to the company. Noting Customer A's speculation as to how a competitor could potentially be able to figure out the identity of the customer if the competitor was independently aware of certain contextual clues, Consumers asserts that Section C17 "does not broadly bar disclosure of any conceivable information that could be used as a contextual clue that might allow someone with special knowledge beyond Consumers Energy's control to divine who the customer *might* be." *Id*., p. 11 (emphasis in original). Consumers maintains that the company appropriately balanced the need for customer confidentiality with the need for transparency in rate proceedings. *Id*.

d. Discussion

The PFD was submitted to the Commission on January 29, 2026, and the applications for leave to appeal were filed on February 2 and 5, 2026. Thus, there is no issue regarding immediate review under Rule 433 (*see*, pp. 5-6, *supra*). However, the Commission grants the three applications for leave to appeal under Rule 433(2)(b) based on the allegations of potential harm put forward by the three appellants.

The Commission agrees with the Staff, Consumers, and the Attorney General that the ALJ reached the correct decision in denying the motion to quash. No party argued that the information sought was not relevant to the question of HVD capital expenditures for the Strategic Customers New Business cost category and Rule 423 provides that "[e]very party shall respond promptly and fully to requests for discovery." The Commission also agrees with the ALJ's finding that aggregate data would not suffice, particularly with respect to the request for information showing the potential for stranded costs arising from these negotiated agreements. However, while the

Commission agrees with Consumers that Section C17.3.A allows for disclosure of Protected Customer Information without informed customer consent "when required by law or Commission rules[,]" the Commission does not agree that Rule 423 thus preempts the duties required under Rule 53 (to protect customer information or data), Section C17 (to protect Customer Account Information, Consumption Data, and Personal Data as defined in Section C17.1.D, E, and G), and the Protective Order (to protect Protected Materials as defined in the Protective Order). These obligations remain, and, in agreement with the ALJ, the Commission finds that Consumers abided by them. Based on its analysis, the company "redacted Customer A's name, address, service location, maximum projected demand, capacity available, off-peak energy forecast, power factor, total estimated cost and payback schedule, and certain information about third-party business activity that might have identified Customer A." Consumers' response, p. 7. Review of the documents produced in the discovery response reveals this to be accurate. *See*, Consumers' response, Confidential Version, Attachment A. The Commission finds that Consumers did not produce information in violation of Rule 53, Section C17, or the Protective Order. Customer A argues that the unredacted portions of the Contracts included "(i) a maximum amount of power; (ii) the date on which that power was expected to be available; (iii) the percentage of that power that was expected to be used during on-peak hours; (iv) and letter of credit installment amounts to be provided by year." Customer A's brief, p. 8. In the Protective Order, "Protected Material" is defined as:

> trade secrets or confidential, proprietary, or commercially sensitive information provided in Disclosing Party's application, exhibits, discovery or audit responses, any witness' related exhibits and testimony, motions, objections, briefing, responses to an order issued by the presiding hearing officer or the Michigan Public Service Commission ("MPSC" or the "Commission["]), and any arguments of counsel describing or relying upon the Protected Material.

Protective Order, p. 1. The Commission agrees with Consumers that the described unredacted information may fall under the definition of Protected Material and the company was correct to treat it confidentially under the Protective Order and make the release only to parties that had signed the NDA. In light of the measures taken by Consumers, the Commission is not persuaded that the utility mishandled the information. Consumers objected to providing personally identifiable customer account information and made appropriate redactions to the nine Contracts. The Commission finds that Customer A's assertions that it might be possible for someone to discover its identity are speculative and unsupported. Despite being a non-signatory to the Protective Order, Customer A's interests were appropriately protected.

Turning to the FOIA issue, the Commission disagrees with the ALJ's analysis and finds that a different result is more appropriate. The Commission is not persuaded that the possibility of a future FOIA request necessitates destruction of the documents produced by Consumers. *See*, January 22 ruling, p. 16.

With respect to FOIA, the Protective Order provides as follows:

> The Protected Material subject to this Order shall be shielded from disclosure to the extent permitted by law. If any person files a request under the Freedom of Information Act ("FOIA") with the MPSC or the Michigan Attorney General seeking access to documents subject to this Protective Order, the MPSC's Executive Secretary, Staff, or the Attorney General shall promptly notify the Disclosing Party, and the Disclosing Party may take whatever legal actions it deems appropriate to protect the Protected Material from disclosure. In light of Section 5 of the Freedom of Information Act, MCL 15.235, the notice must be given at least five (5) business days before the MPSC, Staff, and/or the Michigan Attorney General grant the request in full or in part.

Protective Order, p. 7. FOIA is a separate statutory scheme that applies to governmental agencies including the Commission, the Staff, and the Attorney General, and with which those agencies must comply in order to provide the public with the transparency that is required of government action. MCL 15.231.

In *General Electric*, on which the ALJ relies in support of his decision, the 7th Circuit found as follows:

> Although the Act does not define the term "agency record," there is no doubt that it covers not only documents created by the agency but also documents submitted to the agency for use in carrying out its duties. See, e.g., *Weisberg v. U.S. Dept. of Justice*, 631 F.2d 824, 827–28 (D.C.Cir.1980). The purpose of the Act—to give the public access to information on which the government bases action, see, e.g., *NLRB v. Robbins Tire & Rubber Co.*, 437 U.S. 214, 242, 98 S.Ct. 2311, 2326, 57 L.Ed.2d 159 (1978)—would be impeded if "agency record" excluded documents that had moved the government to act. See *Weisberg v. U.S. Dept. of Justice, supra*, 631 F.2d at 828. So the record compiled in a nuclear licensing proceeding must be an "agency record," and the [General Electric] Report was a part of the record compiled in the [nuclear licensing] proceeding.
>
> It is irrelevant to this conclusion that the report was the subject of a protective order and was received in camera. See, e.g., *Petkas v. Staats*, 501 F.2d 887, 889–90 (D.C.Cir.1974). The Freedom of Information Act would have little bite if government agencies could escape its provisions just by stamping documents "classified."

750 F2d at 1400. In response to the argument that FOIA bars the use of a protective order, the Commission found that:

> [t]he Commission disagrees with the argument, offered by the Staff and the Attorney General and adopted by the ALJ, that the FOIA bars issuance of the protective orders requested in these consolidated cases. As stated in orders concerning Case No. U-10335, the fact that a document may be "subject to disclosure under the FOIA does not lead to the conclusion that the document cannot be protected in some fashion." (November 29, 1993 order, p. 11; May 10, 1994 order, pp. 226-227.) Instead, steps can be taken to protect sensitive information, when necessary, regardless of whether a subsequent FOIA request for the same information might ultimately prove successful. For example, in Case No. U-10335 and consolidated Cases Nos. U-9322 and U-9611, protective orders were issued that (1) limited the parties' ability to disseminate confidential information obtained in the course of those proceedings, (2) obligated the Commission, upon receipt of a FOIA request for that information, to immediately notify the party seeking protection, and (3) provided an opportunity for that party to take whatever action it deemed appropriate to oppose the FOIA request.

July 19, 1994 order in Case No. U-10492 (July 19 order), pp. 5-6. Customer A appears to argue that Rule 53 preempts FOIA, but the Commission disagrees. As the Protective Order notes,

Protected Materials are "shielded from disclosure to the extent permitted by law." Protective Order, p. 7. The Commission agrees with Customer A that Consumers did not disclose the discovery response as a "primary purpose" under Rule 2a(t), but this does not mean that the company has violated Rule 53. Rule 53 requires the adoption of a data privacy tariff that includes certain specifications. A compliant data privacy tariff, Section C17, was duly approved for Consumers in the October 24, 2018 order in Case No. U-18485, and protects Customer Account Information, Consumption Data, and Personal Data from unauthorized disclosure. *See*, Section C17.1.D, C17.1.E, and C17.1.G. The unredacted information that Customer A is concerned with does not constitute Customer Account Information, Consumption Data, or Personal Data under Section C17. *See*, Customer A's brief, p. 8. Customer A has not shown that Consumers violated Rule 53 or Section C17. Consumers treated the Contracts as Protected Materials and thus, additionally, did not violate the Protective Order.

The regulatory and administrative protections presented by Rule 53, Section C17, and the Protective Order operate within the context of the statutory scheme of FOIA. As the 7th Circuit observes, there would not be much point to FOIA if any document deemed confidential fell outside of its purview. And as the Commission has observed, the fact that a document may be subject to disclosure under FOIA does not mean that the document cannot be protected in some fashion. July 19 order, pp. 5-6. "Instead, steps can be taken to protect sensitive information, when necessary, regardless of whether a subsequent FOIA request for the same information might ultimately prove successful." *Id*. The available steps have been taken in this proceeding to protect Customer A's information. That does not mean that the sharing of the redacted protected information may not eventually occur under FOIA. The Commission agrees with the Staff that the Contracts are likely "records" under at least one (or possibly all) of the statutory and

administrative schemes described by the Staff which govern the State's duty to retain certain records. *See*, Staff's brief, pp. 9-19. Such a determination would have to be made in the context of a FOIA request, and would depend on the wording of the request. But the Commission finds that the 'threat' presented by FOIA does not require the destruction of the Contracts as a preemptive measure to prevent their disclosure. Such a finding would undermine the purpose of FOIA. MCL 15.231. In this case, where the parties accorded the documents the appropriate treatment under the data privacy tariff and the Protective Order, such a finding would be doubly troublesome.

However, Customer A has illustrated a potential gap in the Protective Order. Two corporations can differ in their interpretations of "trade secrets or confidential, proprietary, or commercially sensitive information." *See*, Protective Order, p. 1. Customer A is not the Disclosing Party under the Protective Order. At the time that Consumers was required to respond to the Attorney General's sixth discovery request, Customer A was not a party to this case. Customer A filed a petition for late intervention and was granted intervention on October 3, 2025, at which point the Protective Order had been in place for several months. Customer A does not appear to explain why it has chosen not to sign the Protective Order, but that is presumably because Customer A had no interest in participating in the case. *See*, Customer A's brief, p. 17. In any case, recognizing that the Protective Order is based on the standard protective order approved by the Commission, the Commission finds that the Commission, the Staff, and the Attorney General should attempt to provide the same amount of notice with regard to the disclosure of Protected Materials under FOIA to non-signatory intervenors (assuming that one is the Disclosing Party) as they provide to signatory intervenors, that is, the five business days listed above, should the necessity ever arise. *See*, April 25, 2024 order in Case No. U-18238. The Commission notes

that the Staff and the Attorney General have already agreed to do so for Customer A (a non-signatory intervenor), but that is made possible by the fact that Customer A has intervened and thus has an identity within the context of the instant case. To provide customers in the same situation but who are not intervenors with notice of an imminent disclosure (such as Customer A prior to intervention), the Commission finds that Consumers[8] should provide notice to an affected customer at least three business days prior to the planned grant of any part of a FOIA request (as indicated by the Commission, Commission Staff, or Attorney General to Consumers) that might involve the release of Protected Materials that include information about an anonymous customer. Like the Disclosing Party, with this notice the affected customer can take whatever steps it believes are necessary to prevent the potential disclosure. The three-day notice requirement is consistent with Customer A's request in its motion to quash.

The Commission finds that a different result is more appropriate and reverses the January 22 ruling on the issue of FOIA and the order to destroy copies of the discovery response.

II. LEGAL STANDARDS

Before addressing disputed issues in the case, the ALJ provided the following review of the legal standards applicable to this matter:

> The Commission is required to set rates that are just and reasonable. The ratemaking process necessarily "involves a balancing of the investor and the consumer interests." As such, the rates established should not be "so low as to be confiscatory or so high as to be oppressive." Thus, the customer "should not be required to pay rates that will yield an extraordinary profit to the utility" and the stockholders of the utility "are at all times entitled to a fair return on their investment."
>
> The Commission applies the preponderance of the evidence standard when making findings of fact or weighing conflicting evidence.

[8] Such notice has to be provided by the utility because the relevant State agencies do not know the identity of the affected customer.

> In considering whether rates are just and reasonable, it is the result reached, and not the methods employed, that is controlling. As such, the Commission is not bound by any particular method or formula in determining what is fair and reasonable. The Commission has broad discretion in the rate-making process, except regarding constitutional issues.

PFD, pp. 9-10 (footnotes omitted).

In exceptions, the Attorney General notes that the ALJ's findings are recommendations that are not binding on the Commission, and the Commission '"shall have all of the powers which it would have if it had presided at the hearing."' Attorney General's exceptions, p. 2 (quoting MCL 24.281(3)). The Attorney General further states that:

> [a] party seeking relief has the burden of proving his, her, or its claim by a preponderance of evidence in administrative cases. Likewise, in cases before the Commission, the utility bears the burden of proof by a preponderance of evidence to demonstrate that its proposals are just and reasonable. The obligation of proving any fact lies upon the party who substantially asserts the affirmative of the issue. A plaintiff always has the burden of proving its cause of action. Given the nature of the burden of proof, the Commission may reject even uncontradicted evidence. When the burden of proving a fact falls on one party, then the other party does not have the burden of proving the opposite fact.

Attorney General's exceptions, pp. 3-4 (footnotes omitted).

The Commission agrees with the ALJ and the Attorney General on the legal standards applicable to this case and applies them in this order. *See*, PFD, pp. 9-10; Attorney General's exceptions, pp. 2-4.

III. TEST YEAR

In developing its rates for this proceeding, Consumers relied on a projected test year from May 1, 2026 to April 30, 2027 (projected test year or test year); a 16-month bridge period from January 1, 2025 through April 30, 2026 (bridge period); and a 2024 historical year (historical year). As in many prior cases, ABATE objected to the use of the projected test year. 6 Tr 3639-3644; ABATE's initial brief, pp. 4-5.

The ALJ noted the Commission's previous rulings on this issue—in particular the Commission's finding that it shall continue to '"consider the evidence on an issue-by-issue basis"' to determine whether historical or projected amounts present the most competent, material, and substantial evidence supporting a particular amount, and noting that '"the Commission may choose an alternative method for determining the projection"'—and the ALJ recommended that the Commission adopt Consumers' proposed test year. PFD, pp. 16-17 (quoting the July 10, 2025 order in Case No. U-21637, p. 38, and the January 11, 2010 order in Case No. U-15768, pp. 9-10, respectively).

No exceptions were filed.

As the Commission has previously stated:

> MCL 460.6a(1) provides that "[a] utility may use projected costs and revenues for a future consecutive 12-month period in developing its requested rates and charges." The statutory language plainly provides the utility with the opportunity to develop requested rates based on projected costs and revenues. It does not require the Commission to approve such requested rates. Thus, the Commission has rejected ABATE's arguments several times. *See*, *e.g.*, November 18, 2022 order in Case No. U-20836, p. 8 (November 18 order); and [the December 1, 2023 order in Case No. U-21297], p. 9. The Michigan Court of Appeals has twice affirmed the Commission on this issue. *In re Application of DTE Electric Co*, unpublished per curiam opinion of the Court of Appeals, issued December 21, 2021 (Docket No. U-353767); and *In re Application of DTE Electric Co to Increase Rates*, unpublished per curiam opinion of the Court of Appeals, issued February 25, 2021 (Docket Nos. 349924 and 350008). Nothing in the instant record persuades the Commission to deviate from those (and many other) prior rulings. The Commission will continue to evaluate every projection presented by the applicant utility for evidence of reasonableness and prudence and to rely on alternatives to the projected test year where appropriate.

January 23, 2025 order in Case No. U-21534, pp. 25-26. The Commission agrees with the ALJ and approves Consumers' use of a projected test year in offering its projections in the instant case.

IV. RATE BASE

A utility's rate base is the value of the utility's property on which it is permitted to earn a specified rate of return. Rate base consists of the capital invested in used and useful plant, less

accumulated depreciation, plus the utility's working capital requirements. Consumers projected a total electric rate base of $15.33 billion in its initial brief. Consumers' initial brief, p. 191. The Staff projected a total electric rate base of $15.21 billion. Staff's initial brief, p. 3.

A. Net Utility Plant

Net utility plant consists of plant in service (PIS), plant held for future use, and construction work in progress (CWIP) less the depreciation reserve, which includes accumulated depreciation, amortization, and depletion. The ALJ noted that, in addition to establishing the credibility of a projected amount, the utility must also "show by a preponderance of the evidence that the cost will actually be incurred before the end of the test period." PFD, p. 18 (citing the January 13, 2017 order in Case No. U-18014, pp. 8-9). The ALJ noted that the Commission has consistently rejected the use of placeholder amounts and contingency amounts, and that adjustments are not necessarily permanent disallowances. PFD, pp. 18-19.

1. Distribution Background and Overview

Consumers' distribution system consists of HVD, LVD, and the metro system. On pages 19-39 of the PFD, the ALJ provided a detailed description of the positions of the parties on Consumers' Reliability Roadmap, which is not repeated here. With reference to the third-party audit performed by Liberty Consulting Group as directed in Case No. U-21305 (Liberty Audit), the ALJ noted that, since Consumers' last rate case, the Commission "has reviewed and adopted, in large part, the findings of the Liberty Audit." PFD, p. 38. The ALJ adds that "[c]onsistent with the Commission's directives, this PFD recognizes and endeavors to address the interplay between the Reliability Roadmap and the Liberty Audit throughout the distribution section of this PFD." PFD, p. 39. Consumers projected distribution system capital expenditures of $1.53 billion in the

test year and $1.59 billion in the bridge period, along with $301 million in O&M expenses in the test year. 3 Tr 1382.

a. High Voltage and Metro Distribution

Consumers' HVD system includes lines and substations, and is considered the backbone of the company's electric infrastructure because it connects transmission to the LVD system. The HVD system consists almost entirely of 46 kilovolt (kV) lines, with approximately 180 substations, 4,600 miles of HVD lines, and 1,100 LVD substations. 3 Tr 1382-1385. The metro system provides underground distribution service to six large cities within Consumers' service territory. 3 Tr 1384-1385. Specific cost adjustment proposals are discussed below.

i. HVD Lines Reliability[9]

This program is intended to address deteriorating HVD line assets in order to improve resilience and the system average interruption duration index (SAIDI), and has seven separate spending categories. 3 Tr 1188-1191. Consumers projects capital expenditures of $133.67 million for the bridge period and $107.67 million for the test year. Exhibit A-113.

ABATE first proposed that total spending for this cost category be limited to 2024 levels based on the results of the Liberty Audit and the fact that most outage minutes are related to the LVD system rather than the HVD system. 6 Tr 3733-3735. Secondly, ABATE proposed a total disallowance of all bridge period ($12.67 million) and test year ($11 million) costs for right-of-way (ROW) acquisition based on the fact that Consumers failed to provide actual historical costs for ROW acquisition or sufficient support for the basis for the projections. 6 Tr 3702-3703.

[9] Some headings in the PFD address multiple issues. This heading, for example, encompasses six separate disallowance proposals. For purposes of continuity, this order follows the structure of the PFD.

In response to ABATE on the issue of total spending, Consumers argued that in the March 21 order the Commission supported increased investment in HVD reliability despite the Liberty Audit recommendations. 3 Tr 1368. Regarding ROW procurement, Consumers countered that from 2020-2024 its ROW reliability costs ranged from $896,000 in 2024 to $2.1 million in 2020 and that it has 41 HVD lines projects planned for the bridge and test periods. 3 Tr 1367; Exhibits A-130, A-218.

In the PFD, the ALJ observed that the Commission did not reject the findings of the Liberty Audit in the March 21 order. PFD, p. 47. The ALJ found that "limiting HVD spending in certain subprograms to historical amounts, as recommended by ABATE, should be rejected, noting that a similar proposal for a blanket reduction to HVD investments was also rejected in Consumers' previous rate case." PFD, p. 48 (citing March 21 order, p. 23). The ALJ also recommended rejection of ABATE's proposed ROW disallowance, finding that:

> historical costs for the program were set forth in Exhibit A-130, with projected and historical costs provided in Exhibit A-218. Although an assessment of past deviations in projected ROW investment versus actual may have been helpful, especially given the significant increase in ROW expenditures projected here, such analysis was not undertaken by ABATE.

PFD, p. 48. Thus, the ALJ recommended rejection of both of ABATE's proposed disallowances.

In exceptions, ABATE recognizes that in the March 21 order, p. 23, the Commission indicated that it would review HVD spending on a program-by-program basis, but ABATE goes on to argue that it is not simply recommending a blanket disallowance but rather is showing that spending should be limited to 2024 levels based on the Liberty Audit, which noted that most SAIDI minutes are related to the LVD system. ABATE's exceptions, p. 2. ABATE contends that Consumers simply did not meet its burden of proof. With respect to ROW acquisitions, ABATE argues that

these costs are speculative and may not be incurred; and that the proposed amounts are excessive given that this cost category has decreased over the last five years. *Id*., p. 3.

In its reply, Consumers argues that the "Company's workplan for the bridge period is expected to prevent over 6,690,716 customer outage minutes, and the workplan for the test year is expected to prevent over 7,566,847 customer outage minutes. 3 TR 1208." Consumers' replies to exceptions, p. 2. The company contends that the Commission authorized a significant increase to this cost category in the March 21 order. With respect to ROW acquisitions, Consumers argues that it has incurred "millions of dollars in ROW costs in historical years." *Id*., p. 3.

The Commission agrees with the ALJ with respect to ABATE's proposal to limit HVD Lines Reliability to 2024 costs, in light of the Commission's expressed preference to review costs program-by-program or project-by-project, and recognizing that this cost category is likely to increase even though the majority of SAIDI minutes may be attributed to the LVD system. PFD, pp. 47-48. However, the Commission respectfully disagrees with the ALJ with respect to the ROW acquisition capital expenditures, where the Commission finds that ABATE provided persuasive evidence that the amounts requested represent an extraordinary increase over the 2020-2024 amounts, which ranged from less than $1 million to $2.1 million. 6 Tr 3702-3703; 3 Tr 1367; Exhibits A-130, A-218. The Commission finds that Consumers failed to adequately support the jump to $12.67 million for the bridge period and $11 million for the test year and failed to provide convincing evidence that the company will be able to carry out the planned work in this timeframe. Recognizing that some amount of ROW acquisition work will take place in the bridge and test periods, the Commission declines to adopt ABATE's total disallowance, and instead adopts a bridge period disallowance of $11.44 million and a test year disallowance of

$10.06 million based on the company's actual 2024 costs of $896,000 adjusted for inflation for the bridge period and the test year.

The Attorney General also proposed disallowances in four separate areas of HVD Lines Reliability. First, regarding line rebuilds, the Attorney General argued that Consumers, on average, rebuilds 20 miles of line per year, but has proposed to rebuild 65 miles in the test year. Using Consumers' projected cost per mile multiplied by 40 miles, the Attorney General proposed a disallowance of $14.01 million in the test year. 3 Tr 2460-2461.

Second, for pole top rehabilitations, the Attorney General argued that Consumers, on average, covers 50.5 miles per year, but has proposed to rehabilitate 116.1 miles in the test year. Using the company's projected cost per mile, the Attorney General proposed a disallowance of $6.83 million for the test year. 3 Tr 2462.

Third, for pole replacements, the Attorney General argued that Consumers, on average, replaces 442 HVD poles per year, but has proposed to replace 2,010 poles in the bridge period and 1,161 poles in the test year. The Attorney General argued that the testimony shows that the backlog of HVD poles predates 2016 and is entirely of Consumers' making. 3 Tr 2463-2464 (citing 3 Tr 1202-1204); Exhibit AG-12. The Attorney General contends that Consumers' acceleration of the pace in 2025-2027 is unnecessarily burdensome to ratepayers, and, if this project is instead spread over five years, this would result in a disallowance of $6.3 million in the bridge period and $5.0 million in the test year for pole replacements.

Fourth, the Attorney General argued that the Alden, Leslie, and Morrice line rebuild projects should be disallowed based on the fact that they are premature, resulting in a total disallowance of $15.22 million. Exhibit AG-14.

In response to the Attorney General, regarding line rebuilds, Consumers countered that the miles are counted in the year that the project is completed, and thus the miles for a project that is begun in the bridge period may carry over into the test year because that is when the project is completed. 3 Tr 1356. Regarding pole top rehabilitations, Consumers makes the same point regarding the carryover of the miles. 3 Tr 1357. Regarding pole replacements, Consumers argued that poles have been red-tagged due to significant deterioration and they need to be replaced. 3 Tr 1358. Regarding the three specific line rebuild projects, Consumers stated that engineering design is underway and construction is on schedule for 2026 or early 2027. 3 Tr 1363-1364.

In the PFD, beginning with HVD line rebuilds, the ALJ found the company's rebuttal to be persuasive as Consumers showed that "the difference in spending amounts between the bridge and test period is small, even if the number of miles of lines rebuilt appears significantly inflated." PFD, p. 48 (citing 3 Tr 1208). The ALJ found the same to be true for pole top rehabilitations, stating that the company showed that, while the number of miles appears to double in the test year, this is due to "ongoing projects that are carried over from the bridge period, with all mileage recorded in the test year." PFD, p. 49. Thus, the ALJ recommended that the Commission reject these proposed disallowances. The ALJ also recommended rejection of the Attorney General's proposal to disallow the three specific named projects, finding that "there is no evidence in this record to indicate that the project construction schedule may slip, or that the projects may be canceled." PFD, p. 49.

With respect to pole replacements, the ALJ agreed with the Attorney General that Consumers has allowed this backlog to grow over eight or nine years with no justification, and recommended that the Commission adopt the Attorney General's proposed disallowance of $6.3 million in the bridge period and $5.0 million in the test year. PFD, p. 49.

In exceptions, Consumers argues that the Attorney General's disallowance for pole replacements should be rejected. Consumers' exceptions, pp. 3-4. Consumers contends that the March 21 order approved increased spending for this cost category, that the company's position is consistent with the findings of the Liberty Audit, and that the poles are deteriorated and have already been red-tagged. *Id*., p. 4 (citing 3 Tr 1358).

In exceptions regarding HVD Line Rebuilds, the Attorney General argues that the test year projection is excessive and represents a 50% increase over the company's highest rebuild year in the last three years and a three-fold increase in the number of miles. Attorney General's exceptions, p. 5. She argues that her disallowance is reasonable because it is based on the highest level of rebuild activity in the past three years. The Attorney General states that "[w]hile certain projects may have costs that span over more than one year, it is not clear what the impact is on the average cost per mile when dozens or hundreds of projects are being forecasted." *Id*., p. 7.

In exceptions regarding HVD Pole Top Rehabilitation, the Attorney General argues that the test year represents a 130% increase over the average number of miles rehabbed in recent years and her disallowance is reasonable because it is based on the average. *Id*., p. 8. She argues that even if there is carryover from year to year, the company has not explained how that translates to double the miles proposed, stating that "the use of miles as a basis for calculating cost may be deceptive. As the PFD implies, the number of miles covered is not indicative of the work being done and that providing information regarding pole top assemblies could assist the parties in evaluating spending." *Id*.

In reply, Consumers argues that "the Attorney General's methodology does not recognize how rebuild miles are recorded" and that there are significant variations from year to year. Consumers' replies to exceptions, p. 4. Consumers again notes that miles are recorded in the year when the

project is completed and thus projects carry over from year to year, and states that the test year spending is a continuation of work approved in the March 21 order. Consumers makes the same argument with respect to pole top rehabilitations. *Id*., pp. 4-5.

In reply on the issue of pole replacements, the Attorney General argues that the backlog should be addressed over five years. Attorney General's replies to exceptions, pp. 9-10. She notes that the Liberty Audit did not recommend specific numbers of poles, and contends that her proposal increases pole replacements but eases the cost increase by spreading it out. *Id*., pp. 11-12.

The Commission agrees with the ALJ on the issues of pole replacements, line rebuilds, and pole top rehabilitation. PFD, pp. 48-49. After review of the record and arguments of the parties, the Commission finds the ALJ's recommendations on these issues well-reasoned and supported by the record. Accordingly, the Commission adopts the ALJ's findings and conclusions with respect to these three issues, including the Attorney General's disallowance for pole replacements. PFD, pp. 48-49. Finally, the Commission notes that the Attorney General filed no exceptions with respect to the ALJ's recommendations regarding the Alden, Leslie, and Morrice line rebuild projects, and the Commission agrees with the ALJ's rejection of the Attorney General's proposed disallowances. PFD, p. 49.

ii. HVD Substations Reliability

This program is intended to address the reliable operation of HVD substations, and work is prioritized based on asset health information and inspections results. 3 Tr 1214-1216. There are four investment categories within this program. The company originally projected HVD Substations Reliability capital expenditures of $47.32 million in the bridge period and $39.68 million in the test year, but later revised its position to project capital expenditures of

$22.23 million in the bridge period. 3 Tr 1223; Exhibits A-115, A-219. Consumers provided information on the number of customer outage minutes that could be avoided and how the investments intersect with the Reliability Roadmap. 3 Tr 1217-1224.

Based on the fact that Consumers has spent only $7.32 million as of June 2025 on this program, the Staff proposed a disallowance based on projecting continued actual spending going forward, which results in a reduction of $18.58 million for 2025, $9.1 million for the first four months of 2026 (inflation adjusted), and $24.56 million for the test year (inflation adjusted). 6 Tr 4418; Exhibit S-16.4.

As discussed above, ABATE argued that Consumers should be limited to 2024 levels for all of the HVD reliability programs and thus proposed, for this category, a disallowance of $39.71 million for the bridge period and $33.96 million for the test year. 6 Tr 3734-3735; ABATE's initial brief, pp. 15-17.

The Attorney General observed that the projected number of circuit breaker replacements increased from an average of 17 to 67 in the bridge period and 74 in the test year with little explanation of the increase, and that the unit cost more than doubled during that time as well compared to the historical cost. 3 Tr 2465-2466. On this basis, the Attorney General proposed a disallowance of $14.54 million from the bridge period and $18.13 million from the test year requests, using a projection of 40 circuit breakers and the inflation adjusted historical unit cost. 3 Tr 2466-2467.

The Attorney General also proposed a disallowance to the other targeted replacements cost category. She noted that Consumers projects 169 units in the bridge period at a total cost of $22.27 million and 83 units in the test year at a total cost of $12.76 million, but in the most recent historical period total expenditures for this cost category ranged from only $332,000 to

$1.1 million. 3 Tr 2467. The Attorney General proposed a disallowance based on doubling the historical maximum for both the bridge and test periods, which resulted in a reduction of $20.27million for the bridge period and $10.58 million for the test year. 3 Tr 2467-2468.

Consumers countered that HVD projects do not have consistent month-to-month spending due to the need to deenergize certain portions of the system to perform this work. However, based on the Staff's evidence, Consumers changed its projected bridge period spend to $22.23 million, a reduction of $10.99 million, based on warmer weather. 3 Tr 1344-1345. Consumers argued that past circuit breaker investments predated the development of the Reliability Roadmap. 3 Tr 1344-1359.

The ALJ recommended that the Commission adopt the Attorney General's proposed adjustments because Consumers "failed to provide sufficient support for the significant spending increases for circuit breakers and switches and other replacements." PFD, pp. 55-56. The ALJ recommended rejection of the Staff's proposal as it was less specific than the Attorney General's, but overlapped. PFD, p. 55, n. 185. The ALJ further found that:

> this PFD generally agrees with ABATE that although some reliability investments are needed for the HVD system (noting in particular Consumers' concern that 10% of its HVD substations are high priority for repair or replacement) overall, capital and O&M investments should be focused on the LVD system. Accordingly, this PFD recommends disallowances of $34,820,000 in the bridge period and $28,718,000 in the test year for the HVD Substations Reliability subprogram as recommended by the Attorney General.

PFD, p. 56.

In exceptions, Consumers argues that these expenditures are necessary to address asset health issues in HVD substations. Consumers' exceptions, pp. 4-6. Consumers notes that it changed its bridge period request but the ALJ did not acknowledge that, and thus the ALJ recommended a disallowance for the bridge period ($34.82 million) that is greater than the company's projection

($22.23 million). *Id*., p. 5. Consumers notes that the ALJ generally found that investments should be focused on the LVD system, but also observes that the Commission authorized an increase in HVD Reliability spending in the March 21 order. *Id*. Consumers contends that the ALJ ignored the Reliability Roadmap, which concluded that there is a need to increase investment in replacing substation components, and states that "the Company explained the issues it has had with circuit breakers, noting that many of them are now severely obsolete, are in poor asset health, and replacement parts are scarce." *Id*., p. 6 (citing 3 Tr 1221-1222).

In reply, Consumers contends that there are benefits to this program in terms of outage minutes avoided, and argues that the Commission authorized a significant increase to the cost category in the March 21 order and the proposed test year spending is a continuation of this work. Consumers' replies to exceptions, pp. 5-6.

In reply regarding circuit breakers and other replacements, the Attorney General argues that the company provided no specific explanation or justification for the massive unit increase or change to unit cost. Attorney General's replies to exceptions, pp. 13-14, 16-17. She notes that her proposal still doubles the level of historical replacements. The Attorney General adds that the Reliability Roadmap is a general plan but does not provide specific support for spending levels, which must be demonstrated by the utility in each rate case. She argues that brief testimony and a list do not constitute adequate support. *Id*., p. 15.

The Commission agrees with the ALJ that a disallowance is warranted but respectfully disagrees as to the amount. It appears that the ALJ adopted the disallowance amounts proposed by the Attorney General for both reliability circuit breakers and reliability/other, but, particularly for the bridge period, the Commission is unsure about the source of the ALJ's recommended total disallowance amount since the correct number appears to be $35.2 million. In any case, the

Commission finds that the Staff's proposed disallowances are reasonable and prudent. The Staff showed that Consumers had spent only $7.32 million as of June 2025 on this program and proposed disallowances based on projecting continued actual spending going forward. Consumers' concession appears to have come in response to the Staff's evidence, and the company does not appear to have updated its 2025 actual spending on rebuttal in a way that demonstrates that the spending is on track to match the request. The Commission adopts the Staff's proposed inflation-adjusted disallowances of $18.58 million for 2025, $9.1 million for the first four months of 2026, and $24.56 million for the test year. 6 Tr 4418; Exhibit S-16.4. Based on the pace of spending, the Commission finds that the Staff's proposed disallowance to the full cost category is preferable to the Attorney General's category-specific proposals and to ABATE's proposal to limit spending to the 2024 levels.

iii. Transformer Bank Replacements and Substation Rebuilds

This program addresses the repair and replacement of substation equipment and substation rebuilds, with projects that span multiple years and occur in stages. 3 Tr 1226-1227. The company projects work involving 14 transformers in the bridge period and 3 transformers in the test year, as well as 2 to 4 HVD substation rebuilds per year. 3 Tr 1228-1231. Consumers projected Transformer Bank Replacements and Substation Rebuilds capital expenditures of $46.66 million in the bridge period, and $37.66 million in the test year. 3 Tr 1234; Exhibits A-109, A-110.

The Staff noted that Consumers spent only $7.5 million in the first six months of 2025 on this program, and thus, based on actuals (and applying an inflation factor for 2026 and 2027), the Staff proposed a disallowance of $26.6 million for the bridge period and $22.25 million for the test year. 6 Tr 4419. The company countered that it had faced issues with planned outages in the summer

and fall of 2025 and with permitting requirements that caused delays, but asserted that it would be able to catch up. 3 Tr 1346.

The Attorney General proposed a disallowance of $13.97 million from the test year for expenditures associated with two specific substation rebuild projects, Alma and Blackstone, because they are premature. 3 Tr 2468. Consumers countered that these are multi-year projects and that property acquisition is ongoing, and that 95% of the company's request was approved for this category in the March 21 order. 3 Tr 1361-1362.

The ALJ recommended adoption of the Staff's proposed adjustments, finding that the company failed to demonstrate that it "will catch up from its slow start in 2025, nor did it demonstrate that additional issues, like the permitting or planned outages problems that Consumers claims limited project execution earlier, will not occur going forward." PFD, p. 63. The ALJ also found that the Staff's calculation of the proposed reduction is reasonable "in instances where the investment is discretionary, projected costs are already included in rates, and the actual year-to-date spend deviates significantly from the projection[.]" *Id*. Finally, the ALJ recommended rejection of the Attorney General's proposed disallowances, finding the costs for the Alma and Blackstone projects were included in Case No. U-21585 and the projects are ongoing.

In exceptions, Consumers argues that these are large projects that take place over multiple years and are consistent with the Reliability Roadmap. Consumers' exceptions, p. 7. Consumers contends that a disallowance based on linear spending is not appropriate because this program does not have consistent spending levels on a month-by-month basis. Consumers states that the ALJ misunderstands the company's testimony showing that it faced permitting delays, and the

company "continues to forecast that it will catch up and achieve the full projected bridge period amount." *Id*., p. 9.

In exceptions, the Attorney General argues that designs will not be completed for Alma and Blackstone until 2027 and construction not until 2028-2029. Attorney General's exceptions, p. 9. She argues that the ALJ's decision is erroneous and confusing, in that the ALJ appears to have failed to recognize that the Attorney General recommended a disallowance for the bridge period. *Id*., p. 10. The Attorney General contends that these projects are premature, and adds that:

> [r]egarding claims that the costs were included in the last rate case, Staff's arguments regarding increasing unit costs, indicate that the Company is treating its proposed expenditures as fluid (i.e. subject to change), which means that any determination of cost in prior cases should still be subject to review going forward. In fact, the Company's performance up till now shows that the Attorney General's concerns about prematurely approving the expenditures for the projects is justified and her recommended disallowance should be adopted.

Id., p. 11.

In reply, Consumers argues that the Attorney General fails to recognize that these are multiyear rebuild projects, and that Exhibit AG-13 shows that property acquisition is already ongoing. Consumers' replies to exceptions, p. 7.

The Commission agrees with the ALJ and adopts the Staff's proposed disallowance, which overlaps with the Attorney General's in the sense that it applies to the entire cost category, but is larger than the Attorney General's proposed disallowance. Between the two disallowances, the Commission finds it to be the more appropriate option because of the company's challenges in executing on its planned investment timeline. While Consumers states that it hopes to catch up, the company does not provide convincing evidence that it will do so. After review of the record and arguments of the parties, the Commission finds the ALJ's recommendation on this issue to be well-reasoned and supported by the record. Accordingly, the Commission adopts the ALJ's

findings and conclusions with respect to Transformer Bank Replacements and Substation Rebuilds. PFD, p. 63.

iv. Metro Rehabilitation

The metro system provides underground distribution service to the downtown areas of six cities in the company's service territory, in areas where numerous utilities share limited space and ROWs. 3 Tr 1181-1182. Consumers projects capital expenditures of $7.98 million in the bridge period and $5.99 million in the test year. 3 Tr 1267; Exhibits A-109, A-110, A-219, and A-113.

The Staff noted that Consumers spent only $1.43 million in the first six months of 2025, and thus, based on actual spending (and applying an inflation adjustment for 2026-2027), the Staff proposed a disallowance of $4.15 million for the bridge period and $3.04 million for the test year. 6 Tr 4420-4421.

The Attorney General proposed a test year disallowance of $3.6 million for the Washington Avenue project on grounds that it is premature for inclusion in rate base. Exhibit AG-14.

Consumers countered that, again, these are projects that can only be undertaken at certain times of the year, such as when frost has receded, causing investments to skew towards the end of the year; and that the Washington Avenue project is well underway. 3 Tr 1347-1348, 1364.

The ALJ recommended adoption of the Staff's adjustment, finding that Consumers:

> does not explain why spending in the Metro Rehabilitation subprogram was higher, at $286,330 in February and $550,101 in March, than it was in any of the months from May through August of 2025, as shown in Exhibit A-219, line 7. And while the Company forecasts substantial increased spending from October through December, it would seem that frost would also be an impediment to project execution in November and December.

PFD, p. 66 (citation omitted). The ALJ found the Staff's calculation to be reasonable, again, where the investment is discretionary, included in rates, and shows a significant deviation from actuals; and thus adopted the proposed disallowances of $4.15 million for the bridge period and

$3.04 million for the test year. The ALJ noted that the disallowances overlapped and thus he recommended rejection of the Attorney General's proposal. PFD, p. 67, n. 230.

In exceptions, Consumers argues that these proposed expenditures align with the Reliability Roadmap. Consumers contends that the ALJ's analysis is incorrect, in that "it takes quite a while for the ground to freeze/frost" and adds that the high costs in the winter months were "simply due to carryover costs from projects that occurred the previous fall." Consumers' exceptions, p. 10. The company argues that spending in this program is not linear.

In exceptions, the Attorney General argues that the ALJ failed to specifically reject her proposed disallowance which appeared in Exhibit AG-14, though it was "not specifically called out" in her brief. Attorney General's exceptions, p. 12.

In reply, Consumers also notes that the ALJ seemed to have rejected the Attorney General's proposed disallowance, and argues that this project is well into its engineering design phase concurrent with the procurement of easements. Consumers' replies to exceptions, p. 8.

The Commission agrees with the ALJ and adopts the Staff's proposed disallowance (and agrees with the associated rejection of the Attorney General's proposed disallowance which overlaps with (but is smaller than) the Staff's). PFD, pp. 66-67. Consumers provided evidence showing that its actual expenditures in May and August of 2025, for example, ranged from $1,500 to $3,500. Exhibit A-219. The Commission is not convinced that the company will spend the requested amounts in the timeframe requested in the record. After review of the record and arguments of the parties, the Commission finds the ALJ's recommendation to be well-reasoned and supported by the record and adopts the ALJ's findings and conclusions with respect to the Metro Rehabilitation cost category.

v. System Control Projects

This program is intended to improve management of the distribution system through improving control centers and remote control capabilities and streamlining operations. 3 Tr 1294-1295. Consumers' projected expenditures of $279,000 in the 2025 bridge period; $93,000 for the four months ending April 30, 2026; and $219,000 for the test year. 3 Tr 1294-1296.

The Staff noted that the company spent only $70,000 in the first six months of 2025 and recommended disallowances accordingly. Including inflation factors for 2026-2027, the Staff proposed a disallowance of $184,000 for the bridge period and $74,000 for the test year. 6 Tr 4422. Consumers countered that spending in this program is variable.

The ALJ recommended adoption of the Staff's adjustments as, again, the project is discretionary and spending is not on track with the company's projection. PFD, pp. 70-71.

In exceptions, Consumers argues that spending on this program "has been somewhat variable from year to year" and that actual spending in 2024 was $896,000. Consumers' exceptions, p. 11. Consumers notes that the Staff stated that the program benefits customers. *Id*., p. 12 (citing 6 Tr 4421).

After review of the record and arguments of the parties, the Commission finds the ALJ's recommendation to be well-reasoned and supported by the record and adopts the ALJ's findings and conclusions with respect to the System Control Projects cost category. PFD, pp. 70-71.

vi. LVD Substations Demand Failures

This program involves repair and replacement of failed LVD substation equipment, which includes regulators, reclosers, transformers, and other equipment. 3 Tr 1318. Consumers projected bridge period expenditures of $11.92 million and test year expenditures of $8.96 million, based on a five year average of component failures. 3 Tr 1320; Exhibit A-113.

The Staff disagreed with the unit price that Consumers used in its projections, arguing that historical data shows that the unit cost of transformers decreased from 2021 to 2022 and from 2023 to 2024. 6 Tr 4423. The Staff proposed disallowances based on using the five-year average unit cost of $700,000 per transformer, which results in a reduction of $580,000 for the bridge period and $580,000 for the test year. 6 Tr 4423.

Consumers countered that the correct five-year average cost is $742,000. 3 Tr 1349.

The ALJ recommended adoption of the Staff's adjustment based on the fact that the transformer cost appears to vary considerably and does not show a consistent upward trend as the company alleged. PFD, p. 72. Noting that both the Staff and Consumers relied on Exhibit A-130 and came up with different averages, the ALJ stated that he could see how the Staff's calculation was made, but found that:

> [g]iven the time constraints under MCL 460.6a, this PFD is unable to verify the Company's calculations, and Consumers does not explain the significant discrepancy in the exhibit. Accordingly, this PFD adopts Staff's recommended disallowances of $580,000 for the test period, $435,000 for 2025, and $145,000 for the four months ending April 30, 2026.

PFD, p. 73.

In exceptions, Consumers argues that the Staff's proposed unit cost is incorrect because the Staff calculated a five-year average unit cost of $700,000 based on Exhibit A-130 but the correct cost is actually $845,000 because these costs continue to increase. Consumers' exceptions, p. 13.

After review of the record and arguments of the parties, the Commission agrees with the ALJ's recommendation to adopt the Staff's proposed disallowance. Consumers appears to base its calculation on the total amount spent on all transformers for the last five years while the Staff relies on the average unit cost for each year to produce a five-year average. Exhibit A-130, p. 2.

The Commission finds the Staff's method to be reasonable and thus approves the Staff's proposed disallowances with respect to the LVD Substation Demand Failures cost category.

vii. Metro Demand Failures

This program involves the replacement of failed cables, transformers, and infrastructure within the metro system, and costs are dependent on the type of asset that fails. Consumers' projections are based on historical averages and trends. 3 Tr 1321-1322. The company projects capital expenditures of $664,000 in the bridge period, and $350,000 in the test year. 3 Tr 1324; Exhibit A-113. Consumers indicated that average unit cost does not provide a good basis for projections because of the variety of work in this program, which ranges from $4,500 to $60,000 per project, and the number of units per year is small. 3 Tr 1325.

The Staff noted that Consumers spent only $9,000 in the first six months of 2025 and recommended disallowances accordingly. Based on actuals, the Staff recommended a disallowance of $529,000 for 2025, a disallowance of $111,000 for the first four months of 2026, and a disallowance of $331,000 for the test year. 6 Tr 4424.

The ALJ recommended rejection of the Staff's proposed disallowances, finding that these projects are not discretionary and are thus different from other spending categories previously discussed. PFD, p. 77. The ALJ found that these projects address emergent needs and unexpected failures, and thus a calculation based on an assumption of linear spending is not appropriate. The ALJ noted that demand failures capital programs are included in the distribution deferral mechanism, and he recommended adoption of the company's projections for this cost category. *Id*.

No exceptions were filed.

After review of the record and arguments of the parties, and in light of the fact that no exceptions were filed, the Commission finds the ALJ's recommendation to be well-reasoned and supported by the record and adopts the ALJ's findings and conclusions with respect to the Metro Demand Failures cost category. PFD, p. 77.

viii. LVD Substations Rehabilitation

This program involves repair and replacement of substation equipment that is determined to be at imminent risk of failure and obsolete equipment. 3 Tr 1247-1249. This program involves two investment categories: Allis Chalmers transformers (37 planned replacements), and equipment replacement and regulatory-related projects to bring substations into regulatory compliance. Consumers projected LVD Substations Rehabilitation capital expenditures of $40.89 million in the bridge period and $31.14 million in the test year. 3 Tr 1247-1252; Exhibit A-113.

The Attorney General argued that Consumers averages four transformer replacements per year and objected to the significant acceleration of the pace of replacement in light of the fact that Consumers has been successfully addressing this issue for many years. 3 Tr 2454-2455. She recommended spacing the replacements over four years and proposed an associated disallowance of $14.68 million in the bridge period (allowing the replacement of nine units) and $8.08 million in the test year (allowing the replacement of eight units). 3 Tr 2455.

For the equipment replacement and regulatory category, the Attorney General also objected to the significant increase in the number of units, arguing that the company averages about 10 projects per year, but plans for 26 projects in the bridge period and 13 projects in the test year, and offers no explanation of the significantly increased unit cost. 3 Tr 2456. Using a three-year historical average adjusted for inflation, the Attorney General proposes disallowances of

$11.59 million in the bridge period (allowing 13 projects) and $11.2 million in the test year (allowing 10 projects). 3 Tr 2456-2457.

Consumers countered that the Allis Chalmers transformers have a history of problems, and the company's request was approved in the March 21 order and the investments reflect what was approved for the current bridge period. Further, Consumers argued that a unit cost approach is not appropriate for the equipment replacement and regulatory compliance category because the projects are too diverse and span multiple years, noting that proposed project costs range from $149,000 to $3.38 million. 3 Tr 1351-1352.

The ALJ recommended that the Attorney General's proposed adjustments for the Allis Chalmers transformers be adopted, finding that:

> Consumers has managed the issues with these transformers adequately, as demonstrated by the fact that none of the transformers has failed since 2018 due to increased monitoring. While this PFD recognizes that these faulty units will all need to be replaced eventually, in light of the very large rate increase Consumers is requesting in the instant case, a more measured approach to transformer replacement is reasonable. Therefore, this PFD adopts the Attorney General's recommended disallowances of $14,689,000 in the bridge period and $8,082,000 in the test year for transformer replacements.

PFD, p. 82.

In exceptions, Consumers argues that the ALJ seems to be relying on the size of the company's case for his rationale, but this "is unrelated to the reasonableness of the costs associated with replacing known faulty transformers." Consumers' exceptions, p. 14. The company states that the Allis Chalmers transformers have known issues and that the company based its bridge period projection on the spending level approved in the March 21 order. *Id*., p. 15.

In reply, the Attorney General argues that the planned replacement pace for the Allis Chalmers transformers is excessive and should be stretched out. Attorney General's replies to exceptions, p. 19. With respect to the ALJ's language, she argues that affordability is a major concern for

ratepayers and thus the size of the company's case is relevant to the question of reasonableness. *Id*., p. 21. The Attorney General recommends an increased rate of replacements but at a slower pace, and argues that no specific spending level was approved in the March 21 order. She adds that the timing problem arises solely from Consumers' chosen timing for filing its next rate case, which causes capital expenditures to be forecast "for the same project over two rate cases before they have been completed with capital spending overlapping from case to case." *Id*., p. 22.

With respect, the Commission agrees with the ALJ regarding the recommended test year disallowance but disagrees with respect to the bridge period disallowance for these Allis Chalmers transformers. The Commission finds the bridge period expenditure to be reasonable and prudent in light of the known issues with these transformers and thus rejects the Attorney General's proposed disallowance for that period. 3 Tr 1247-1252, 1351-1352.

Regarding the equipment replacement and regulatory category, the ALJ agreed with Consumers that the variability in the cost of these projects means that a unit cost type of analysis does not work well, and he recommended rejection of the Attorney General's proposed disallowance, further finding that "the record as a whole does not support a disallowance." PFD, p. 83.

In exceptions, the Attorney General argues that with respect to equipment replacement, even if there is a range of costs, it is reasonable to use a three-year average because the average will capture that variability. Attorney General's exceptions, p. 14.

In reply, Consumers argues that this spending category involves a diverse range of project types and unit costs and the use of a three-year average will not reflect the differences in the equipment costs, and the projects also span multiple years. Consumers' replies to exceptions, p. 9.

After review of the record and arguments of the parties, the Commission finds the ALJ's recommendation on the equipment replacement and regulatory category to be well-reasoned and supported by the record. Accordingly, the Commission adopts the ALJ's findings and conclusions on the equipment replacement and regulatory cost category. PFD, p. 83; *see*, Exhibits A-19, A-110.

ix. LVD Substations Capacity

This program involves the installation or upgrade of new substations and substation equipment and contains two cost categories: new substations and existing substation capacity increases. Consumers explains that HVD line work and ROW procurement were transferred to this program in 2024. 3 Tr 1288. Substations with higher overload are prioritized. Consumers projected capital expenditures of $29.65 million in the bridge period (4 new substations and 19 projects at existing substations), and $22.25 million in the test year (11 new substations and 4 projects at existing substations). 3 Tr 1292; Exhibits A-113, A-109, and A-110.

The Attorney General noted that the figure of 11 new substations in the test year is significantly greater than the historical average of 5 and, based on allowing for 5 at the company's projected unit cost, she proposed a disallowance of $11.07 million for the test year. 3 Tr 2457-2458. The Attorney General made the same argument with respect to the planned projects for existing substations in the bridge period, which average 9 annually but are projected at 19 and, based on allowing for 12 at the company's projected unit cost, she proposed a disallowance of $16.42 million for the bridge period. 3 Tr 2459.

Consumers countered that its projections are reasonably based on identified capacity needs that stem from pockets of local load growth. 3 Tr 1353.

The ALJ found Consumers' evidence to be "sorely lacking[,]" adding that Consumers' witness' direct testimony:

> is general, at best, and Exhibits A-109 and A-110 only provide: 1) a list of the projects; 2) the investment category (new substation or increased capacity); and 3) the location of the project; and the number of customers served by each project. Nowhere in these exhibits is there any information about whether the substations at issue are currently overloaded, and if not, when they are projected to be overloaded. Nor did the Company provide any reasons for why load growth in parts of Consumers' service territory is so extensive that the number of new substations and capacity expansion projects more than doubles in the bridge or test year. Therefore, this PFD recommends a disallowance of $16,420,000 for the bridge period and $11,074,000 for the projected test year from the Company's forecasted capital expenditures for the LVD Substations Capacity subprogram.

PFD, p. 86.

In exceptions, Consumers argues that the ALJ's analysis "is belied by the record evidence." Consumers' exceptions, p. 16. Consumers contends that the number of projects is dependent on pockets of local load growth, and that while the ALJ sought additional information on load growth, that information was never requested by anyone in the case. Consumers states that it has been making investments "for several months in line with what the Commission found reasonable" in the March 21 order. *Id*.

In reply, the Attorney General argues that the company failed to provide sufficient evidence showing why the historical average needs to be doubled for the test year and supports her proposed three-year average. Attorney General's replies to exceptions, pp. 23-24. Noting that it is Consumers' burden to support its proposed expenditures, she argues that her projections are more reasonable. *Id*., pp. 26-27.

After review of the record and arguments of the parties, the Commission finds the ALJ's recommendations to be well-reasoned and supported by the record, and adopts the ALJ's findings and conclusions. PFD, p. 86. As he stated, Consumers' evidence is largely just a list and it is not

clear why the number of projects and the costs have increased so significantly. If Consumers continues to seek to accelerate the pace of this program in the future, it will need to provide more justification on the record than it has provided in this case.

x. HVD Strategic Customers New Business

This program involves the connection of new C&I customers whose energy needs are too intensive to be served by the LVD system, and may involve the interconnection of a dedicated substation. 3 Tr 1296. The expenditures proposed by the company are net of any contributions made by the customer. These projects are initiated by the customer and range from six months to two years. 3 Tr 1297. Consumers projects $90.04 million in the bridge period for six projects, and $43.86 million in the test year for four projects. 3 Tr 1297-1298; Exhibits A-109, A-110. Consumers explained that Exhibit A-109 contains one project that was canceled in April of 2025, but that expenditures were already made during the bridge period "in good faith," and that, if and when the customer reimburses Consumers per the contractual requirements, that money will be credited back to the program and "netted back out of rate base." 3 Tr 1299; Exhibit A-109. Thus, Consumers seeks inclusion in rate base, in the instant proceeding, of the amounts associated with the canceled contract. Consumers further explained that certain other listed projects are considered "high probability" and the company is in active negotiations for the project, and Consumers assumes that investments will need to be made in the bridge and test periods. 3 Tr 1299-1300; Exhibit A-109.

The Attorney General identified two bridge period projects that have been canceled (totaling $27.3 million) and $7.35 million in high-probability projects; and she identified one test year project that was canceled (totaling $20.62 million) and $6.47 million in high-probability projects, and she recommended that all of these amounts be disallowed from rate base. 3 Tr 2471-2472;

Exhibit AG-14. The Attorney General objected to Consumers' accounting treatment of these amounts as well, arguing that:

> regarding the accounting of costs incurred on cancelled projects, the response to DR AG-CE-0479 stated that the Company billed the former customer for a portion of the costs incurred for the cancelled project and retained the remainder in work in process pending resolution of salvage activities. This accounting treatment is not appropriate. Once a project has been cancelled, the costs should be removed from rate base and accounted separately below the line. If some of the facilities, equipment, or materials [are] later reused on utility projects [then] those amounts should be charged to future projects costs and rate base at that time.

3 Tr 2472.

ABATE also argued that $4.34 million should be removed from rate base associated with the canceled bridge period contract, rather than being credited back to customers at some later date. 6 Tr 3702.

Consumers countered that, regarding canceled contracts, the company's investments were reasonable and prudent at the time that they were made. Consumers agreed that $20.62 million should be removed from the request for the test year, but argued that, with respect to the bridge period, $16.65 million had already been reasonably spent and thus no more than $10.65 million should be disallowed. 3 Tr 1362. With respect to high-probability projects, Consumers asserted that in the March 21 order, pp. 41-42, the Commission supported the need to obtain certain critical inventory in anticipation of projects, and that two contracts have been signed since this case was filed, as shown in discovery, and their costs remain in the high-probability spending. 3 Tr 1361-1363. Regarding its accounting, the company notes its obligation to serve and the fact that the Commission has regularly approved investments associated with signed contracts. Consumers' reply brief, p. 2.

The ALJ agreed with ABATE and the Attorney General that costs for both canceled and unspecific high-probability projects should be disallowed for the bridge and test periods. PFD, pp. 92-93. The ALJ found that:

> [w]hile the Commission apparently did approve costs associated with one canceled project in Consumers' last rate case, the Commission was persuaded by the Company's recitation of the number of inquiries and RFPs that it had received from large customers, and it found that the substation would be built. . . . This PFD agrees with the Attorney General and ABATE that the most reasonable approach is to remove the costs of canceled projects from rate base, under the assumption that the Company will recoup some of the investment from the customer and repurpose the remaining investment in equipment for other projects, the costs of which can later be included in rate base.
>
> Lastly, for "high probability" projects, this PFD agrees with the Attorney General that despite the Company's claim that it has now signed two contracts, Consumers did not provide sufficient information on what specific expenditures the Company expects to make in the bridge or test periods for these contracts. Moreover, if these projects are completed, the Company can recover reasonable and prudent costs in its next rate case.
>
> Consistent with the foregoing discussion, this PFD finds that $4.340 million and $22.965 million for two canceled projects, as well as $7.349 million for unspecified projects should be removed from the bridge period. For the test year, this PFD finds that $20,619,000 for the project that was listed as canceled, and the additional $6.470 million in high probability projects, should also be disallowed.

PFD, pp. 93-94.

In exceptions, Consumers argues that it agrees with the removal of $20.62 million in the test year for a cancelled contract, but disagrees with the remainder of the ALJ's decision because the company entered into contracts with these customers and executed work based on those contracts. Consumers' exceptions, pp. 17-19. Consumers alleges that "[t]he Commission has routinely determined that having a signed contract with the customer results in the associated investments being reasonable and prudent to be included in rates. 3 TR 1366." Consumers' exceptions, p. 18. Consumers adds that it is "actively seeking recovery from the customer related to expenses incurred and will refund any amounts received back to customers." *Id*. Consumers also states that

the Commission does not typically review and approve customer contracts and thus the ALJ is setting a new approval standard without support. Consumers maintains that the high-probability contracts have long lead times and logistical problems to consider and that the Commission took these factors into account in the March 21 order, pp. 41-42.

In reply, the Attorney General argues that both the bridge and test periods reflect projects that have been cancelled, are not yet in the design phase, are in an early phase, or have a placeholder amount. Attorney General's replies to exceptions, pp. 28-31. She contends that the company "should bear the risk and therefore the cost of any costs incurred, if the contracts it enters are not sufficiently protective. Other ratepayers should not bear the cost for the contractual failures of other Company customers." *Id*., p. 31. With regard to the high probability projects, the Attorney General contends that the March 21 order explicitly stated that the Commission's decision should not be taken as '"a green light for the blanket stockpiling of equipment and associated expenditures in future rate cases."' *Id*., p. 34 (quoting March 21 order, p. 43).

The Commission agrees with the findings and conclusions of the ALJ with respect to these canceled and "high-probability" projects, with the exception of the canceled project for which ABATE proposes a $4.34 million disallowance in the bridge period, for the reason that this particular project was approved in the March 21 order for approximately $19 million in the Case No. U-21585 bridge period (which has a two month overlap with the bridge period in the instant case) and approximately $5 million in the Case No. U-21585 test year (which has a two month overlap with the bridge period in the instant case). *See*, Case No. U-21585, Exhibits A-249, A-125, and A-126. Consistent with those prior determinations, the Commission finds that ABATE's proposal of a disallowance of $4.34 million for the bridge period in the instant case should be rejected. The Commission expects Consumers to credit rate base with recovered amounts

associated with pursuing any of the customers involved in canceled contracts under the terms of the contract, as described in the company's direct case. 3 Tr 1299. However, the Commission has a heightened awareness of the issue of canceled contracts with customers and cautions Consumers that, in the future, the company should expect the individual large customer to be responsible for the costs associated with proactively building to serve them without first putting those costs onto ratepayers for some undetermined time frame. The Commission also agrees with the ALJ and clarifies that, while a signed contract may be a requirement in order to authorize the inclusion of a project in rate base, that does not constitute a review of the contract by the Commission and does not pre-judge any future cost recovery where the utility seeks to show that costs were reasonable and prudent.

xi. HVD Lines and Substations Capacity

This program is intended to ensure that Consumers can serve peak demand load. Consumers projected bridge period capital expenditures of $40.91 million and test year capital expenditures of $29.44 million. 3 Tr 1277; Exhibit A-116.

The Attorney General proposed disallowance of the test year investments for the Linden and Wealthy Street substation projects, totaling $8.17 million, on grounds that they are premature. 3 Tr 2469; Exhibit AG-14. Consumers countered that the designs for these projects will be completed in 2026 and 2027, respectively. 3 Tr 1264.

The ALJ recommended that the Attorney General's proposal be rejected, agreeing with Consumers that the "proposed test year spending is likely to occur for the acquisition of equipment for the Wealthy Street project and that the Linden 46 kV line rebuild will be completed before the end of the test year." PFD, p. 95.

In exceptions, the Attorney General argues that the Linden and Wealthy Street projects are premature and there "are no guarantees that the work will be completed as proposed." Attorney General's exceptions, p. 16. She contends that the ALJ is speculating. *Id*., p. 17.

In reply, Consumers argues that the Linden project design will be completed in the first quarter of 2026, and the Wealthy Street design will be completed in the first quarter of 2027. Consumers' replies to exceptions, p. 10.

After review of the record and the arguments of the parties, the Commission finds the ALJ's recommendations on the issue of the Attorney General's proposed disallowances to be well-reasoned and supported by the record. PFD, p. 95. Accordingly, the Commission adopts the ALJ's findings and conclusions with respect to the company's requested spend.

xii. Metro Asset Relocation

This program addresses internal and external requests to relocate or modify structures due to changes in the roadway, and are unrelated to new business. Consumers stated that it seeks reimbursement on a case-by-case basis. 3 Tr 1330-1332. Consumers projected capital expenditures of $16.09 million in the bridge period and $20.4 million in the test year for Metro Asset Relocation. Exhibit A-113.

The Attorney General argued that two projects (Kalamazoo Ave Civil and Kalamazoo Ave Electric) are premature for inclusion in base rates and proposed a $10 million disallowance for the test year. 3 Tr 2469-2470; Exhibit AG-14. Consumers countered that engineering and design work are well underway for its well-publicized "two-way street conversion project." 3 Tr 1365.

The ALJ recommended that the proposed disallowance be rejected, finding that the evidence (including a city webpage titled "Streets for All: Kalamazoo Avenue 2026-2027") showed that the

project was expected to begin in 2025 but was delayed until 2026 to procure grants, and Exhibit AG-14 showed that design work began in the third quarter of 2025. PFD, p. 97.

In exceptions, the Attorney General argues that these Kalamazoo Ave projects are premature for inclusion in rate base because the timing is uncertain and she notes that the ALJ relied upon a webpage that was cited in rebuttal testimony but not entered as an exhibit, and, as a webpage, may have been modified after the rebuttal testimony was filed. Attorney General's exceptions, p. 18.

In reply, Consumers argues that this is a well-publicized street conversion wherein the utility is working with the City of Kalamazoo, and even Exhibit AG-14 shows that engineering and design are underway as well as easement procurement. Consumers' replies to exceptions, p. 11.

With respect, the Commission disagrees with the ALJ and finds that the Attorney General provided convincing evidence that the Kalamazoo Ave projects are not ripe for inclusion in rate base. Even the ALJ noted that the project has been delayed while the relevant entities procure grants in 2026 that were meant to have been procured earlier. PFD, p. 97; 3 Tr 2469-2470. The Commission finds that Consumers failed to demonstrate that this project will be completed in the time period named. Thus, the Commission adopts the Attorney General's proposed $10 million disallowance.

b. Low Voltage Distribution

Consumers' LVD system is comprised of more than 111,304 total miles of lines, made up of approximately 51,736 miles of primary overhead, 9,885 miles of primary underground, 31,209 miles of secondary overhead, and 18,474 miles of secondary underground. 3 Tr 1890. The voltages are stepped down at the distribution pole-top or padmount transformer to a secondary voltage. More than 2,000 LVD circuits serve 1.9 million customers, and the greatest threat to the

system comes from trees, lightning, unexpected load increases, and third-party damage. The system contains many subprograms which are addressed separately below. 3 Tr 1893-1894.

i. LVD Lines New Business

The program involves the connection of new customers to the grid and includes overhead and underground extension for residential and C&I customers, which are customer-initiated. Consumers projected capital expenditures of $168.04 million in the 16-month bridge period and $130.2 million in the test year for the LVD Lines New Business sub-program. 3 Tr 1896. The projections are based on historical growth and other projections, including those from the Home Builders Association of Michigan. 3 Tr 1897-1898. The company requests continued deferred accounting for this cost category consistent with the March 21 order.

The Attorney General found the forecasted number of units to be reasonable but objected to the unit cost as excessive relative to the average cost in 2024. 3 Tr 2423. The Attorney General argued that the unit cost reductions achieved in 2024 could be carried on to the bridge period and test year and proposed disallowances (using the forecasted number of units and an inflation adjustment) of $5.06 million for the bridge period and $3.75 million for the test year. 3 Tr 2424. The Attorney General also proposed that the company be directed to include a plan for further cost reductions, such as through bringing this work in-house, in its next rate case. 3 Tr 2425-2426. Consumers countered that a single year should not be the sole source for a disallowance, particularly a year that deviated from the three-year historical average which reflects a higher cost. 3 Tr 2046-2047. While stating that it did not object to further studying the issue of the difference in costs between in-house and contracted work, Consumers added that its internal workforce is only so large, and that some work is unplanned and customer-driven. 3 Tr 2047.

The Staff opined that Consumers had complied with the Commission's directive in the March 21 order to provide an analysis of line extension costs comparing the use of external contractors versus internal workforce. 6 Tr 4365 (citing 3 Tr 1902).

The ALJ noted that the Attorney General did not refute the fact that the three-year historical average was higher than the 2024 costs, and that the three-year average unit cost is very close to the costs proposed by Consumers in the instant case. PFD, p. 103. The ALJ found that the record shows that the Attorney General's proposed disallowance should be rejected. He further found that the Staff showed that the company already complied with the requirement to provide information on the difference between in-house and contractor costs. *Id*. Thus, the ALJ recommended rejection of the Attorney General's call for another study. *Id*., p. 104. Finally, the ALJ noted that New Business, Demand Failures, and Asset Relocations are programs that are authorized for deferred accounting per the March 21 order, and the deferrals are reconciled in the next rate case. *Id*. (citing 3 Tr 1470). The ALJ recommended approval of the company's requested amounts for the bridge and test periods.

In exceptions, the Attorney General argues that the company's projected unit costs are not reasonable, and that the ALJ ignored the evidence and argument put forward by the Attorney General. Attorney General's exceptions, pp. 18-21. She contends that the Commission should adopt her proposed 2024 unit cost plus inflation for both the bridge and test periods. The Attorney General adds that the ALJ greatly limited the parties' ability to address issues in their reply briefs by limiting them to 30 pages "for a complicated electric rate case with many issues as evidenced by the Company's 461 page initial brief." *Id*., p. 21.

In reply, Consumers argues that the Attorney General's methodology is overly simplistic and that the company has experienced unit cost increases due to increases in the average service length. Consumers' replies to exceptions, p. 12.

After review of the record and the arguments of the parties, the Commission finds the ALJ's recommendations on the issue of the Attorney General's proposed disallowance to be well-reasoned and supported by the record. PFD, pp. 103-104. Accordingly, the Commission adopts the ALJ's findings and conclusions with respect to the company's requested spending and rejects the Attorney General's proposed disallowance. However, the Commission notes that Consumers, on rebuttal, stated that the Attorney General seeks further information on "how this gap [between in-house and] contractor costs can be reduced, or else the Company should bring more work in-house" and the company responded that it "is not opposed to further study of this issue." 3 Tr 2047. The Commission thus expects Consumers, in its next rate case, to provide an analysis of the gap and to describe what, if anything, the company has done in response to either bring more work in-house or vice versa and the cost-effectiveness associated with any changes.

ii. LVD Lines Demand Failures

This program addresses day-to-day equipment failures and storm restoration work that is unplanned and needs to be done quickly. Consumers projected capital expenditures of $186.06 million in the bridge period and $128.35 million in the test year and requests continued deferred accounting consistent with the March 21 order. 3 Tr 1904-1911, 1470.

The Staff did not propose a disallowance but took issue with the fact that the subprogram of Security Assessment Inspection Orders is capitalized rather than included in O&M because, under the USoA, inspection activity is classified as O&M. 6 Tr 4289-4290. The Staff called for a thorough breakdown of certain inspection costs (Security Assessment Inspection Orders costs) and

support for why these costs are classified as capital, and amendment of the classification. 6 Tr 4290-4291.

The ALJ found the requested amounts to be uncontested and recommended their approval. PFD, p. 107. Regarding the classification, the ALJ noted that the Commission recently addressed this issue in the January 23, 2025 order in Case No. U-21534, p. 368, wherein the Commission stated that capitalization policies will be addressed in a separate proceeding. The ALJ recommended that the Staff's request be addressed in the future separate proceeding. PFD, p. 108.

In exceptions, the Staff argues that, while a separate proceeding may be the most appropriate place to evaluate all inspection cost capitalization policies, this specific cost classification error should be addressed in the next rate case. Staff's exceptions, pp. 12-13 (citing 6 Tr 4289-4291). The Staff contends that it remains concerned about the categorization of Security Assessment Inspection Orders costs as capital instead of O&M within LVD lines demand failures, and points to the following testimony to argue that the Commission should:

> 1) provide a thorough breakdown of inspection costs applied across all capital programs/subprograms, 2) support why these costs are appropriately classified as capital instead of O&M with reference(s) to accounting guidance, and 3) amend the classification of these expenditures in the Company's next rate case, where necessary, based on the analysis. The Company should explain why section 2 under the Operating Expense Instructions of USOA is not appropriate and why section 3 under the Electric Plant Instructions of USOA is appropriate 3 [sic] under recommendation #2 above.

Staff's exceptions, p. 13 (citing 6 Tr 4290-4291). The Staff notes that in rebuttal Consumers agreed to review "its capitalization policies 'around line inspections and security assessment work on the distribution system' and to propose any necessary changes to the Commission. (3 TR 2044-2045.)" Staff's exceptions, p. 13. The Staff objects to the ALJ's recommendation to delay and notes that the ALJ failed to address the remainder of the Staff's proposals. The Staff recommends that the Commission require Consumers to "review its capitalization policies around line

inspections and security assessment work in the LVD Lines Demand Failures subprogram on the distribution system in its next rate case" in light of the company's apparent agreement to do so. *Id*.

In reply, Consumers states as follows:

> While the Company does not agree that its current categorization policies are improper, Staff is correct that the Company agreed that in its next rate case it would review its capitalization policies around line inspections and security assessment work on the distribution system and propose any necessary changes. 3 TR 2044-2045. The Company also agrees with the PFD that a broader review of capitalization policies should be conducted in a separate proceeding as envisioned by the Commission. The Company does not oppose the more limited review in the Company's next rate case if the Commission determines it is appropriate.

Consumers' replies to exceptions, pp. 13-14.

After review of the record and the arguments of the parties, the Commission finds the ALJ's recommendations to be well-reasoned and supported by the record with regard to the requested amounts and the Commission's intention to address the broader capitalization question in a separate proceeding. PFD, pp. 107-108. The Commission also directs Consumers, in its next rate case, to provide a review of its capitalization policies and practices with respect to line inspections and security assessment work, as recommended by the Staff and agreed to by the company. *See*, Consumers' replies to exceptions, pp. 13-14.

iii. LVD Lines Asset Relocation

This program involves the relocation of LVD lines due to road, building, or other construction projects for government agencies, private owners, or the company itself, and include make-ready work for third-party pole attachments. 3 Tr 1914-1918. Consumers projected capital expenditures of $97.91 million in the bridge period and $79.09 million in the test year based on recent trends including the increase in federal grants to expand broadband. 3 Tr 1919-1922; Exhibits A-85, A-166, and A-167.

The Staff noted an almost 60% increase in unit costs for make-ready work over the amount approved in the March 21 order and argued that Consumers failed to demonstrate why the significant increase has occurred or what are the ways in which the nature of this work has changed since that recent order. 6 Tr 4365-4377. Adjusted for inflation and using the number of units proposed by the company, the Staff proposed a disallowance of $16.5 million for the bridge period and $13.49 million for the test year, using the unit cost approved in the March 21 order. Exhibit S-13.11; 6 Tr 4377. In its initial brief, pp. 23-25, the Staff withdrew its proposed disallowances based on finding that, with the customer contributions, "it is evident that unit costs have not increased significantly since 2022." Staff's initial brief, p. 24.

ABATE also noted a dramatic increase over the five-year average annual spend and also argued that several projects are considered highly uncertain by the company, and proposed a disallowance of $46.41 million for the bridge period and $27.58 million for the test year based on 2024 actual numbers. 6 Tr 3701.

The Attorney General also proposed disallowances to the make-ready category based on incorrect data that was later revised by the company, and the Attorney General revised her proposal in her initial brief and withdrew her test year recommendation for make-ready work. 3 Tr 1922; Attorney General's initial brief, pp. 46-47. In her brief, the Attorney General proposed a disallowance of $5.67 million for the bridge period for make-ready work using the company revised work units. *Id*.

Consumers countered that it recovers a percentage of these costs from the attaching customer and the 2023 costs appear artificially low due to large customer contributions. 3 Tr 2042. Consumers noted that the Attorney General was using the wrong data for her disallowances and argued that she miscalculated the unit cost as well. 3 Tr 2049-2050. Consumers further argued

that its spending is not entirely uncertain because some of it is company-planned. 3 Tr 2064. Still, Consumers argued that the costs in this program are mostly non-discretionary and externally driven. 3 Tr 1470.

The ALJ recommended approval of the Staff's proposed disallowances, finding that the company's testimony and Exhibit A-85 show:

> projected total asset relocation costs of $52.5 million in Case No. U-21585, and actual costs were $53.3 million, indicating an accurate projection, despite [Consumers' witness'] apparent concerns regarding the use of unit costs net of customer contributions in that case and in the instant case. Because this PFD does not find the use of a historical net unit cost methodology unreasonable, particularly in light of the distribution deferral mechanism, this PFD recommends approval of Staff's adjustment to the Company's proposed investment in LVD Lines Asset Relocation. This results in disallowances of $12.435 million and $4.086 million in the bridge period, and $13.459 million in the test year.

PFD, p. 115.

In exceptions, the Staff notes that it withdrew its proposed disallowances and argues that the ALJ erred in this decision. Staff's exceptions, pp. 8-9 (citing Staff's initial brief, p. 24). The Staff asks the Commission to decline to adopt the ALJ's recommendation.

In exceptions, Consumers argues that the Commission should reject the Staff's proposed disallowances because the Staff did not use a reasonable projection of the anticipated unit cost. Consumers' exceptions, p. 20.

In exceptions, ABATE argues that this program should be limited to actuals for 2024, noting that the ALJ acknowledged that this program is externally driven and thus cannot be forecasted. ABATE's exceptions, pp. 3-4. ABATE argues that the company bears the burden to substantiate its projections, and that the Commission has the discretion to rely on an alternative method for determining an appropriate projection. ABATE contends that the company's projections are not reasonable and prudent and that known costs should be used instead.

In reply, Consumers argues that ABATE's proposed reduction fails to account for expected increases in costs and work orders. Consumers' replies to exceptions, p. 14. The company argues that its expectations are reasonable based on the expansion of broadband and other projects.

With respect, the Commission disagrees with the ALJ on this issue. The ALJ was apparently unaware that the Staff had withdrawn its position in its initial brief, pp. 23-25. Thus, the arguments relied upon by the ALJ for his recommendation are no longer sponsored by any party. The Attorney General also found it necessary to adjust her position with respect to the make-ready disallowance proposal. 3 Tr 1922; Attorney General's initial brief, pp. 46-47. Though ABATE did not change its position, the Commission also finds that ABATE did not provide convincing evidence that 2024 actual costs will address the work that Consumers has forecasted based on recent trends and the increase in federal grants to expand broadband (which no party rebutted). 3 Tr 1919-1922; Exhibits A-85, A-166, and A-167. After review of the record and arguments of the parties, the Commission finds that Consumers' proposed capital expenditures for LVD lines asset relocation should be approved.

iv. LVD Reliability

This program involves line hardening and, in order to improve SAIDI, Consumers indicated that it is increasing investment in these subprograms relative to the historical levels that predated the Reliability Roadmap. 3 Tr 1924-1926. Several proposed adjustments are discussed below using (for continuity) the headings included in the PFD.

LVD Lines Reliability[10]

The program ensures the long-term safe and reliability operation of the distribution system and supports the company's SAIDI glidepath, and spending is based on increasingly severe weather. 3 Tr 1924-1925. This program has five spending categories that are addressed below. Consumers projected capital expenditures of $180.76 million in the bridge period and $312.88 million in the test year for LVD Lines Reliability. 3 Tr 1958; Exhibits A-166, and A-167.[11]

Turning to the zonal health investment subprogram, the company projected capital expenditures of $61.32 million for the bridge period and $34.92 million for the test year. 3 Tr 1934-1938; Exhibits A-166 and A-167. This subprogram is intended to target particular zones (zones with a score of 10 or higher) that are responsible for the majority of interruptions and can include protective devices. 3 Tr 1936; Exhibits A-166 and A-167.

The Staff objected to the lack of analysis of the most cost-effective approaches with respect to zonal health and questioned the method that Consumers uses to identify these projects, known as the reliability analytics engine (RAE). 6 Tr 4372-4373. The Staff supported the test year proposal but recommended a bridge period disallowance of $14.76 million to better align the spending between the bridge period and the test year and to support the pace of work that the company successfully carried out in 2024. 6 Tr 4373. Consumers countered that RAE is just one tool that

[10] The issue of the inclusion of any amounts approved in this capital expenditure category in the IRM is discussed below. These include Zonal Health Improvements, Secondary, Voltage Conversions, and Underground Cable Rejuvenation.

[11] Finding no dispute among the parties, the ALJ recommended adoption of the company's requested capital expenditure amounts for the voltage conversion subprogram. PFD, p. 118. However, the Attorney General proposed a disallowance for the voltage conversion category, which is discussed below.

the company uses to identify where SAIDI reduction work is needed and argued that it presented better historical program evidence in this case than it did in the prior case. 3 Tr 2039-2040.

The Attorney General objected to the forecasted unit costs for the bridge period and test year which are, respectively, approximately double and triple what the unit cost was for 2024. 3 Tr 2430-2432. She recommended the use of the 2024 unit cost adjusted for inflation to propose a disallowance of $22.65 million for the bridge period and $27.3 million for the test year. 3 Tr 2431-2432. Consumers countered that the program includes a very diverse portfolio of projects and it is not appropriate to try to use a single unit cost, because some projects might be based on number of miles, or number of fuses, or number of poles. 3 Tr 2050-2051.

The ALJ found the company's presentation to be weak, but also recommended rejection of the Attorney General's proposed unit cost approach in light of the "wide range of cost elements involved in the Zonal Health subprogram." PFD, p. 124. The ALJ observed that:

> the Company states that it expects to make Zonal Health Improvements over a period of 20 years, with a ramp-up in investment to address approximately 280 zones per year. The Company's Exhibits A-166 and A-167 make it difficult to assess the number of "zones" that are included in the bridge period and projected test year, to assess what types of work units are included in a work zone, as both exhibits are presented by itemizing the "unit type" without a clear idea of the number of work units and types of work units in each zone. This is likely the reason that Staff and the Attorney General approached the significantly higher costs of the bridge period differently. . . . As the evidence in this matter demonstrates, the Company spent $34.243 million in this investment category in 2024, which is consistent with the proposed spending in the projected test year of $34.917 million. This PFD finds the Company's presentation of the zones that were covered with the 2024 investments and the types of work units that were included in those zones to be lacking and unclear. This lack of clarity makes it difficult to determine why certain zones were chosen, whether there is consistency in zones and types of work units to either support the elevated spending suggested for the bridge period or the proposed investment for the projected test year. That being said, this PFD finds Staff's proposed approval of the projected test year to be reasonable as it is consistent with 2024 spending and recommends that the Commission approve the Company's proposed investment in Zonal Health for the projected test year. This PFD also agrees that Staff's rationale for a proposed disallowance for the bridge period is the most reasonable approach as it attempts to balance historical actual

> investment with that proposed by the Company and recommends that the Commission approve the Company's proposed bridge period investment (and proposed disallowances) in Zonal Health with the adjustments proposed by Staff and Staff's recommendation for additional detail in the future regarding impacts of Zonal Health Improvements.

PFD, pp. 124-125. Thus, the ALJ recommended rejection of the Attorney General's proposed disallowance, approval of the company's test year request, and approval of the Staff's proposed bridge period disallowance due to the weaknesses of Consumers' case, with the recommendation that additional detail be provided in the next rate case.

In exceptions, Consumers argues that it does consider different approaches prior to proceeding with a zonal health improvement project and that the company provided an example of this process in Exhibit A-226. Consumers' exceptions, pp. 21-22. Consumers contends that the recommendation for providing additional detail is not necessary because the company has been performing this type of work since 2013 and it has shown clear benefits, producing an average of a 53% reduction in outages. *Id*., p. 22 (citing 3 Tr 1938).

In exceptions, the Attorney General argues that her calculations are more reasonable than the company's, and notes that the ALJ was also critical of Consumers' evidence. Attorney General's exceptions, p. 23. She argues that her unit cost approach bridges the gap between the 2024 historical costs and the bridge and test periods.

In reply, the Staff notes that it had concerns about whether different approaches had been considered, but also had concerns about the lack of available historical project and spending data due to the renaming of this cost category. Staff's replies to exceptions, pp. 1-2. The Staff notes that the Commission adopted a disallowance for this expenditure in the March 21 order.

In its reply, Consumers argues that the ALJ properly rejected the Attorney General's approach because using an average unit cost from 2024 does not result in a reasonable projection.

Consumers' replies to exceptions, p. 16. Consumers adds that this includes a diverse portfolio of projects which are based on differing units, such as miles, fuses, or poles, making it unreasonable to apply an average historical unit cost. *Id*., p. 17.

The Commission finds that Consumers demonstrated that this subprogram produces benefits and agrees with the ALJ that the Attorney General's unit cost approach does not fit well with this cost category. 3 Tr 2050-2051. But the Commission also agrees with the ALJ and the Staff that the Staff's proposed disallowance is appropriate in order to maintain a pace of work that appears to be within Consumers' ability, and finds that the company should also be directed to provide the additional detail in its reporting on Zonal Health in the next rate case. 6 Tr 4372-4373. After review of the record and arguments of the parties, the Commission finds the ALJ's recommendations on this issue to be well-reasoned and supported by the record. Accordingly, the Commission adopts the ALJ's findings and recommendations for the zonal health cost item. PFD, pp. 124-125.

For voltage conversions, Consumers requested $8.42 million for 44 units for the bridge period and $33.11 million for 283 units for the test year. 3 Tr 1955-1956; Exhibits A-166, A-167. Consumers stated that the request in this case aligns with what was approved in the March 21 order. 3 Tr 1943-1944.

The Attorney General argued that this reflects a significant increase in units and project costs and completion rates have varied for the subprogram over time, and proposed a disallowance of $2.26 million for the bridge period and $9.46 million for the test year based on using 2024 actuals and reducing test year units to 165. 3 Tr 2433-2434. Consumers countered that the Attorney General did not use the correct number of units for her calculations, because the company provided calendar year voltage conversions projections in response to discovery, which caused a

misalignment. 3 Tr 1956, 2051; Consumers' initial brief, p. 49. The company noted that the discovery request asked for calendar year spending even though the direct evidence was not based on a calendar year. 3 Tr 1956.

The ALJ did not address this subprogram, thinking that it had not been disputed. PFD, p. 118. However, the ALJ addressed an issue he labeled as Converting Open-Wire Secondary to Multiplex[12] wherein he described the Attorney General's argument as stated above, and recommended rejection of the Attorney General's proposed disallowance based on the company's evidence showing a misalignment between the discovery request and the direct evidence which does not reflect an error in the projection but rather reflects an error in the Attorney General's calculations. The ALJ recommended that the Commission approve the company's request and reject the Attorney General's proposed disallowance. PFD, p. 128.

In exceptions, the Attorney General argues that the projected test year units are actually 165 rather than 283, and that the company's forecasted costs do not show any economies of scale. Attorney General's exceptions, p. 25. She asserts that her unit cost based calculations are more reasonable than Consumers', and that the ALJ provided no analysis of the bridge period disallowance. *Id*., p. 27.

In reply, Consumers argues that the unit cost can vary significantly and the company's projections are based on the individual planned projects. Consumers' replies to exceptions, p. 17.

After review of the record and the arguments of the parties, the Commission agrees with Consumers that the Attorney General's calculations are based on incorrect information due to the difference between the direct case and the discovery response, and approves the company's

[12] Converting Open-Wire Secondary to Multiplex is a subprogram of Secondary. For Secondary, Consumers requested capital expenditures of $19.68 million in the bridge period and $14.67 million in the test year and the request was uncontested. Exhibits A-166, A-167.

requested capital expenditure amounts for the voltage conversion subprogram. However, the Commission encourages Consumers to, in the future, provide the supporting data for its capital expenditures in these cost categories in units rather than in miles (as was also noted by the parties with respect to pole top rehabilitations), or to otherwise take steps to minimize the chance that the parties' arguments will be misaligned due to focusing on different data points, where the company supplies information differently in its direct case and in response to discovery.

Next, the ALJ addressed the subprogram of Rejuvenating Vintage Underground Cable, which addresses the 2,500 miles of the total 9,500 miles of underground primary cable that predates the 1980s and is unjacketed, and is concentrated in four metro areas. 3 Tr 1944-1946. The company plans to rejuvenate this cable over nine years beginning in 2025, ramping up, eventually, to $165 million each year. 3 Tr 1946. Consumers projected capital expenditures of $27.91 million in the bridge period and $65.99 million in the test year. 3 Tr 1947; Exhibits A-166, A-167.

The Attorney General again used an average unit cost approach (from 2021-2024) to propose a disallowance of $16.62 million in the bridge period and $39.12 million in the test year. 3 Tr 2434.

ABATE argued that Consumers failed to quantify any benefits from the rejuvenation and recommended a test year disallowance of $45.06 million to bring the test year amount in line with the bridge period request. 6 Tr 3724-3725.

Consumers countered that the Attorney General's unit cost analysis is again flawed based on comparing the units provided in a discovery response to the units in the company's direct case which were depicted by mile. 3 Tr 2052-2053. Addressing ABATE, Consumers stated that this cable is deteriorating and these investments are intended to prevent future outages, and the assets

should not be run to failure in order to have this work funded. 3 Tr 2067. Consumers argued that the Liberty Audit supported this work.

The ALJ again found that there was a misalignment between the discovery request and the direct evidence that undermined the Attorney General's proposed disallowance and recommended its rejection. PFD, p. 132. The ALJ further found that this program pre-emptively improves reliability for customers and has value, and recommended rejection of ABATE's proposed disallowance as well. *Id*.

In exceptions, the Attorney General notes that on rebuttal Consumers admitted that the information provided in response to the Attorney General's discovery used projects as the relevant units rather than miles, and this was not what the request sought and resulted in confusion. Attorney General's exceptions, pp. 29-30. She argues that the late disclosure of this information in rebuttal did not allow the Attorney General to adequately address the issue.

In exceptions, ABATE argues that Consumers failed to show any customer benefits from this program or why the company requires $38 million more in the test year over the bridge period. ABATE's exceptions, p. 6. ABATE supports its proposed test year disallowance which is based on average monthly capital expenditures. *Id*., pp. 6-7.

In reply, Consumers states as follows:

> While Consumers Energy does not agree with the Attorney General's reasoning for this proposed reduction, the Company is no longer contesting the Attorney General's recommended capital expenditure reduction of $16.616 million in the bridge period and $39.120 million in the test year for Underground Cable Rejuvenation work. ABATE also recommends reduction of Underground Cable Rejuvenation expenditures in the amount of $20.9 million in the test year. ABATE's Exceptions, pages 6-7. The Commission should not adopt ABATE's recommendation because the Company is no longer contesting the Attorney General's proposed test year reduction.

Consumers' replies to exceptions, p. 18.

Based on Consumers' concession as stated in its replies to exceptions, p. 18, the Commission adopts the Attorney General's proposed disallowances for the bridge period and test year for Underground Cable Rejuvenation. Thus, the Commission agrees with the result reached by the ALJ, and agrees with the ALJ's findings and conclusions with regard to ABATE's slightly larger proposed test year disallowance. PFD, p. 132. Additionally, the Commission notes that, based on the company's concession, Underground Cable Rejuvenation will not be considered for inclusion in the IRM but will remain in rate base.

Next, the ALJ addressed the subprogram of Pole Replacements which is intended to replace poles prior to their failure because falling poles create major public safety hazards and are associated with service interruptions. This program includes two components: poles replaced pursuant to a prior inspection, and poles replaced pursuant to a new Reliability Roadmap program of groundline inspections. 3 Tr 1947-1949. Consumers explained that moderate-risk poles have a rejection rate of 10-15% and high-risk poles have a rejection rate of 15% and the projections are based thereon. Consumers projected capital expenditures of $29.71 million in the bridge period and $127.5 million in the test year. 3 Tr 1956; Exhibits A-166, A-167.

ABATE objected to the sole use of age as a determining factor for rejection and recommended that the Commission adopt a rejection rate of 5% for all poles, reducing proposed test year spending by $63.75 million. 6 Tr 3721-3723. Consumers countered that it does not solely rely on age but rather poles will only be replaced if they are rejected according to National Electric Safety Code (NESC) criteria following inspection. 3 Tr 2065. Consumers stated that it also relied on research from the Electric Power Research Institute (EPRI) in arriving at its rejection percentages. 3 Tr 2066.

The ALJ recommended rejection of ABATE's proposed disallowance, finding ABATE's arguments unpersuasive. PFD, p. 135.

In exceptions, ABATE argues that the Commission should adopt its 5% rejection rate which, it argues, is at the higher end of rejection rates in comparison to other utilities that use groundline inspections. ABATE's exceptions, p. 6. ABATE also states that a "more reasonable approach would be to utilize a sample of pole inspections to make a more accurate determination of an appropriate rejection rate. *Id*.

In reply, Consumers argues that it fully supported its proposed rejection rate based on NESC and EPRI data. Consumers' replies to exceptions, p. 19.

The Commission agrees with the ALJ and rejects ABATE's proposed disallowance, which is based on an assumption of the 5% rejection rate of other utilities. PFD, p. 135. However, the Commission encourages Consumers, in its next electric rate case, to provide the rejection rate of the poles sampled that ABATE recommends, or, in other words, to provide the actual rejection rate for the Commission's edification. The Commission finds age to be an appropriate consideration, but also finds that actual data is likely to be helpful in its analysis of this cost category.

Next, the ALJ addressed the Automation Transfer Recloser (ATR) Loop program, which involves reclosers installed between adjacent circuits that can automatically restore power when a loss is detected. 3 Tr 1951-1952. Noting that this program was not contested, the ALJ recommended approval of this investment and the Commission agrees. PFD, p. 136. After review of the record and arguments of the parties, the Commission finds the ALJ's recommendation to be well-reasoned and supported by the record and adopts the ALJ's findings and conclusions on the ATR Loop cost category.

Next, the ALJ addressed the ROW Projects program, which involves the procurement of land or land rights necessary for LVD projects for lines and substations. 3 Tr 1953-1954. Consumers projected capital expenditures of $6.19 million in the bridge period and $17.66 million in the test year. 3 Tr 1953-1956; Exhibits A-166, A-167.

While supporting the bridge period investment, the Staff and the Attorney General both objected to the test year amount on grounds of a lack of sufficient detail and no information about individual projects. The Staff proposed a test year disallowance of $12.77 million based on using the amount approved in the March 21 order with an inflation adjustment; and the Attorney General proposed a test year disallowance of $11.46 million based on using the highest level of ROW costs in the past four years. 6 Tr 4379; 3 Tr 2436.

Consumers countered that it has always projected ROW costs as a percentage of the Targeted Circuit Improvement spend and, for the test year, is only projecting it at 12% of that amount. 3 Tr 2043-2044.

The ALJ found the Staff's and the Attorney General's criticisms to be valid. He noted that the Commission criticized the lack of support in the March 21 order (p. 64), and found insufficient support for the test year projection in the instant case as well. PFD, p. 138. The ALJ found the Attorney General's historical approach to be the most reasonable and noted that the Staff also supported this approach in its initial brief, p. 13. Thus, the ALJ recommended approval of the company's bridge period request of $6.18 million, and approval of $6.2 million in capital expenditures for the test year, which results in an $11.46 million disallowance. PFD, p. 139.

In exceptions, Consumers argues that ROW spending will increase as a result of the overall increase to LVD Lines Reliability work. Consumers' exceptions, p. 23. Consumers adds that the cost of particular projects is generally not known until the project is closer to completion. *Id*.

In reply, the Attorney General argues that her proposed disallowance is based on the highest level of ROW costs incurred in the past four years. Attorney General's replies to exceptions, p. 35. She notes that Consumers admits that it does not know the extent of the costs for a particular project until the project is close to completion, and argues that the company failed to provide the most basic information on costs, lines, or miles. The Attorney General contends that the company may need to adjust its forecasting process to provide better justification or adjust the timing. *Id*., p. 37.

In its reply, the Staff argues that the ALJ was correct to adopt the Attorney General's proposed disallowance and that the Commission cited a similar lack of detail in the company's case in the March 21 order. Staff's replies to exceptions, p. 3.

Regarding this issue of ROW acquisitions, the Commission finds that Consumers failed to sufficiently support its approach. After review of the record and arguments of the parties, the Commission finds the ALJ's recommendations on this issue well-reasoned and supported by the record and adopts the ALJ's findings and conclusions on the issue of LVD ROW acquisitions. PFD, pp. 138-139.

Next, because it was uncontested, the ALJ recommended approval of the company's requested capital expenditures for the Circuit Exit Enhancement project and the Commission agrees. PFD, p. 139. After review of the record and arguments of the parties, the Commission finds the ALJ's recommendation on this issue to be well-reasoned and supported by the record and adopts the ALJ's findings and conclusions for the Circuit Exit Enhancement project.

LVD Lines Repetitive Outages

This program involves work on areas of the LVD system that consistently experience recurring customer interruptions, measured by the metric known as customers experiencing

multiple interruptions (CEMI) inclusive of major event days. 3 Tr 1960-1961. Consumers noted that the Commission's rules deem utility performance unacceptable if customers have four or more outages in a calendar year, known as CEMI-4+, and the rules provide for bill credits for such customers. 3 Tr 1961; *see*, Mich Admin Code, R 460.702(e), R 460.722(e), R 460.746. Consumers projected capital expenditures of $21.09 million in the bridge period and $30.34 million in the test year, for completing 246 repetitive outage projects in the bridge period and 337 projects in the test year. 3 Tr 1965; Exhibit A-113.

The Staff argued that Consumers has exhibited consistent underspending on repetitive outages. The Staff showed that for 2023 Consumers projected spending of $9.5 million but actually spent $4 million, and for 2024 Consumers projected spending of $9.8 million but actually spent $4.49 million, underspending by more than 50% in both years. 6 Tr 4374-4375; Exhibits S-13.1, S-13.2. Thus, the Staff recommended a conservative 20% disallowance (based on the Commission's previous finding that the program has value) for both the bridge and test periods, which equates to a $4.2 million reduction for the bridge period and a $6.06 million reduction for the test year. 6 Tr 4374. Consumers countered that it is on track to invest over $11 million in 2025. 3 Tr 2041.

The Attorney General argued that spending in this cost category is erratic and that forecasted unit costs are extremely inflated. 3 Tr 2451-2452; Exhibit AG-1. Using a three-year historical average unit cost (2022-2024) and adjusted for inflation, and multiplying this by the forecasted number of units, the Attorney General recommended a disallowance of $14.24 million for the bridge period and $20.75 million for the test year. 3 Tr 2452-2453. The Attorney General also argued that information provided by Consumers shows that almost half of the total projects undertaken in 2023-2024 had not experienced any interruption minutes. 3 Tr 2453. Thus, the

Attorney General recommended the Commission direct Consumers to provide information demonstrating that the worst circuits with repetitive outages are being targeted by this program, and that the avoided customer interruption minutes reflect actual minute reductions from historical outage minutes experienced by customers on that circuit. 3 Tr 2453-2454. Consumers countered that unit costs from 2023-2024 are not representative of costs going forward because the company is shifting investment to more costly hardening projects such as line relocation, undergrounding, and installing tree resistant wire. 3 Tr 2058.

METC supported Consumers' proposal. 4 Tr 3191.

The ALJ recommended rejection of the Attorney General's proposed disallowances for this cost category. PFD, p. 148. The ALJ found that:

> 1) despite uneven spending in the last four years the Company appears poised to exceed her recommended expenditure; and 2) the Company provided some explanation regarding the increased unit cost by noting that it was shifting investment to more robust, and more costly, hardening projects such as line relocation, undergrounding, and replacing bare wire with tree resistant wire, all of which are inconsistent with the Attorney General's use of historical averages to project future costs.

Id. Turning to the Attorney General's reporting recommendation, the ALJ recommended that "the Commission again direct the Company to robustly document and account for its expenditures in this subprogram in its next rate case – to include a correlation of the avoided customer interruption minutes with actual reductions from historical outage minutes." *Id*., p. 149.

The ALJ found that the Staff's recommended reduction represents a reasonable compromise between the recent pattern of underspending and the Commission's recognition of the value of this program to customers experiencing CEMI issues in the March 21 order, and, referring to that part of the order, recommended that the Commission reiterate the need for a robust case in its next electric rate case demonstrating that the amount approved in this case was spent on repetitive

outages. PFD, pp. 149-150. The ALJ recommended adoption of the Staff's proposed disallowances of $4.21 million for the bridge period and $6.06 million for the test year.

In exceptions, Consumers argues that it is ramping up spending in this area and thus a reduction based on prior spending patterns is inappropriate. Consumers' exceptions, pp. 23-24. Consumers also argues that the Commission should reject the recommendation for a correlation of avoided interruption minutes with actual reductions because the company provided Exhibit A-169 which "identifies the repetitive outages that had substantive investment in 2023 and 2024, and states how many outages occurred both before and after the work was completed." *Id*., p. 24. Consumers asserts that the ALJ's recommendation is unclear and ignores the purpose of Repetitive Outage expenditures.

In exceptions, the Attorney General argues that her three-year historical average unit cost for 2022-2024 is reasonable and should be adopted. Attorney General's exceptions, pp. 31-32. She also notes that, with respect to almost half of the total projects in 2023-2024, customers did not experience any interruption minutes. *Id*., p. 32. The Attorney General reiterates her concerns about the accuracy of the company's evidence and Consumers' ability to target the appropriate circuits and again asks the Commission to direct the company to provide information reflecting actual reductions from historical outage minutes. *Id*., p. 33. She adds that the ALJ "ignores that fact that the Company relies on work accomplished under other programs with the same goal as the repetitive outage program to offset the work it needs to perform." *Id*., p. 34.

In reply, the Staff contends that the ALJ correctly found that the Staff's position is a reasonable compromise between the Commission's expectations for the program and the recent trend of underspending. Staff's replies to exceptions, pp. 2-3.

In reply, Consumers argues that it provided evidence showing why unit costs are increasing for the subprogram, which relates to the shifting of investments to more costly projects in order to reduce the number of repeat outages. Consumers' replies to exceptions, pp. 22-23. The company contends that basing projections on historical averages will not provide the funding needed to achieve the Commission's CEMI-4 targets.

After review of the record and arguments of the parties, the Commission finds the ALJ's recommendations on this issue to be well-reasoned and supported by the record. Accordingly, the Commission adopts the ALJ's findings and recommendations regarding repetitive outages. PFD, pp. 148-150. As it did in the March 21 order, p. 73, the Commission emphasizes the need for a robust presentation on this cost category in the company's next rate case clearly demonstrating that the amounts approved were actually spent on improving the problem of repetitive outages and evidence showing the correlation (as suggested by the Attorney General) between avoided customer interruption minutes and actual minute reductions from historical outage minutes experienced by customers on that circuit. 3 Tr 2453-2454. The Commission supports prudent spending that increases reliability, but needs to be confident that the costs allowed will actually be spent on the needed programs.

LVD Lines Rehabilitation

This program involves repair or replacement of LVD lines equipment that has not failed but has been assessed as being at risk of failure in the near term and includes four investment categories. 3 Tr 1968-1969. Consumers projected capital expenditures of $25.03 million in the bridge period and $27.13 million in the test year. 3 Tr 1973; Exhibit A-113.

ABATE argued that two of the subprogram spending categories, Modem Replacement and Meter Voltage Anomalies, had no specifically identified projects, and on that basis recommended

a disallowance of $2.97 million for the bridge period and $5.08 million for the test year. 6 Tr 3698. Consumers countered that it does not typically provide a list of all modem replacements since they are individually so small and there are 800 each year, and that such a list was not provided in Case No. U-21585 where the proposed spending was approved. 3 Tr 2059. Consumers indicated that meter voltage anomalies is a new investment category in this case and also involves several hundred individual work locations. 3 Tr 2059-2060.

The ALJ recommended rejection of ABATE's proposed disallowance. PFD, p. 156. He found that Consumers' testimony "clearly indicated why the projects were being undertaken in this subprogram, how many projects the Company plans to undertake in the bridge period and projected test year, and the expected total expenditure." *Id*. Thus, he found the company's request to be reasonable and prudent.

In exceptions, ABATE argues that there are no specific projects identified for these two cost categories within LVD Lines Rehabilitation, and thus the company has failed to document the basis for its projection and should be limited to historical averages, based on a five-year average. ABATE's exceptions, pp. 7-9; Exhibit A-113.

In reply, Consumers argues that ABATE's five-year average is not appropriate and that the company has not historically provided a list of all of the modem replacements or meter voltage anomalies. Consumers' replies to exceptions, p. 25.

After review of the record and arguments of the parties, the Commission finds the ALJ's recommendation on this issue to be well-reasoned and supported by the record. Accordingly, the Commission adopts the ALJ's findings and conclusions for LVD lines rehabilitation. PFD, p. 156.

v. Resiliency

This program involves activities to improve reliability and limit customer interruptions following major weather events, focusing on prevention, recovery, and survivability. 3 Tr 1978-1981. Consumers projected capital expenditures of $21.19 million in the bridge period and $35.76 million in the test year. 3 Tr 1987; Exhibit A-113. Looking at the component cost categories, these amounts break down to $15.82 million in the bridge period and $11.64 million in the test year for fractionalization; $1.25 million in the bridge period and $20 million in the test year for undergrounding; and $4.11 million in both the bridge period and the test year for EGLE-MIEJ Undergrounding Secondary and Services. 3 Tr 1988.

The Attorney General objected to aspects of the company's undergrounding proposal, arguing that the threshold criteria for undergrounding are too low and do not include a BCA, and the pilot showed that the average cost per mile of undergrounding is $443,079, which indicates that this is not a sound economic option. 3 Tr 2439-2441. Turning to the EGLE-MIEJ undergrounding project, the Attorney General argued that capital expenditures for both the bridge and test periods should be removed for the Grand Rapids, Flint, and Kalamazoo projects ($4.12 million total per period) because they are only in the scoping phase and no design work has been performed. 3 Tr 2443. On this basis, the Attorney General recommended disallowances of $1.25 million for the bridge period and $20 million for the test year for undergrounding; and of $4.11 million from both the bridge period and test year for the EGLE-MIEJ Undergrounding Secondary and Services project. 3 Tr 2442-2444.

Consumers countered that it has revised its selection criteria based on lessons learned from the undergrounding pilot, and that undergrounding is only 2% more expensive, on average, than the alternatives at scale. The company stated that undergrounding provided a 90% reliability

improvement which results, among other things, from the fact that the threat of trees is almost eliminated. 3 Tr 2054. Consumers argued that undergrounding represents good value for the money and the company defended the societal cost test (SCT). 3 Tr 1587-1588. In response to the Attorney General's proposal regarding the EGLE-MIEJ undergrounding project, the company indicated that it would not contest this removal, but noted that this decision would necessitate removal of the corresponding grant amounts, which would reduce the size of the reductions by $1.35 million for the bridge period and $2.7 million for the test year. 3 Tr 1588-1589.

CUB objected to the scope of the undergrounding proposal because the analysis does not evaluate the costs and benefits of individual proposed undergrounding projects and asserted that individual BCAs are needed. 6 Tr 4061-4062. CUB argued that the eight-year present value of avoided outages for residential customers was only about $689,000, and the benefits are spread very unevenly across the miles of undergrounding that are proposed, such that most outage minutes are saved within a fraction of the miles proposed for the program (11 miles of the 50 miles). 6 Tr 4062-4064. CUB recommended that the scope of the program be reduced to only specific high-impact projects, resulting in a disallowance of $15.48 million in the test year. 6 Tr 4065.

Consumers countered that CUB's model for determining the present value was incomplete because it focused on avoided interruption costs and ignored costs such as ROE, interest, depreciation, taxes, and O&M, and also ignored the costs of the alternatives to undergrounding. 3 Tr 1615. Consumers also argued that CUB misused the interruption cost estimate (ICE) calculator. 3 Tr 1615-1616. Consumers argued that the Commission seeks only one BCA for the total project. 3 Tr 1357.

ABATE argued that the Liberty Audit recommended delaying undergrounding activities due to the expense of this option, and ABATE also expressed concern about how Consumers deployed the utility cost test (UCT) and SCT in analyzing undergrounding, contending that Consumers failed to show that undergrounding was consistently the favored solution under both cost tests. 6 Tr 3727. ABATE also noted that Consumers struggled to complete certain circuits and argued that the program size should not be increased. ABATE asserted that the results of the SCT were speculative and that Consumers failed to demonstrate that it can efficiently execute the large-scale program or that the costs and benefits are certain. ABATE recommended a reduction of $20 million to test year capital expenditures for the undergrounding subprogram. 6 Tr 3728-3729.

Again, Consumers countered that undergrounding is only 2% more expensive than the alternatives and is expected to yield a 90% reliability improvement, and argued that ABATE failed to show what made the SCT inappropriate or unreliable. 3 Tr 1600, 3 Tr 1434.

The ALJ shared the concerns voiced by the Attorney General, ABATE, and MNSC regarding undergrounding, and recommended that the Commission adopt MNSC's proposed disallowance of $15.48 million for the test year for underground conversions. PFD, p. 182. The ALJ found that:

> the concerns raised by MNSC, especially regarding the need for individual BCA's for each undergrounding project, and the fact that most outage minutes avoided are confined to only a fraction of the miles proposed for the program, are persuasive.
>
> The Company agreed not to contest the Attorney General's recommendation to remove the funding for the EGLE-MIEJ Undergrounding projects. Therefore, this PFD recommends the Commission remove the associated funding and grant amounts from the bridge period and the projected test year.

PFD, p. 182.

In exceptions, Consumers argues that "[m]uch of the reason for the actual average cost of $422,000 was from a single outlier 0.6-mile project that cost $902,000 per line mile. 3 TR 1433. Without this project, the average cost for the pilot was approximately $398,000 per line mile

installed." Consumers' exceptions, p. 25. Consumers contends that the present value of the revenue requirement (PVRR) for undergrounding at scale using the UCT "is $5.1 million compared with a $5.0 million PVRR for both alternatives of Aerial Spacer Cable or Tree Wire. 3 TR 1437. And when using the [SCT], which is a methodology that evaluates utility programs and their impact on society as a whole, undergrounding is a better value to customers than the alternatives. 3 TR 1438." Consumers' exceptions, pp. 25-26. Consumers contends that under the ALJ's recommendation, it will be able to complete only 11.3 miles in the test year even though its BCA shows a reliability improvement. *Id*., p. 26.

In exceptions, the Attorney General argues that Consumers is simply searching for a justification for doing underground conversions. Attorney General's exceptions, p. 36. She notes the obvious expense and the need for a BCA for each project. She also argues that the SCT should be disregarded "because the ICE calculator tends to overestimate the cost of short outages outside of major storms[.]" *Id*., p. 37. The Attorney General also notes the Commission's skepticism respecting undergrounding and requests for additional evidence as part of its response to the Liberty Audit. She contends that the ALJ relied on generalized claims and that Consumers' proposal is not well defined. However, she states that she is not excepting to the ALJ's failure to specifically address her recommendation to disallow $1.25 million for the bridge period. *Id*., p. 40, note 127.

In exceptions, ABATE argues that the test year amount significantly exceeds the bridge period amount and that the Liberty Audit recommended delaying this program. ABATE's exceptions, p. 9. ABATE adds that the company's evidence shows that undergrounding is an expensive option.

In reply, Consumers again argues that undergrounding costs are comparable to the alternatives (and bring greater reliability improvements) and that additional BCAs are not needed. Consumers' replies to exceptions, pp. 26-27.

In its reply, MNSC contends that the ALJ already considered all of the company's arguments and that simply showing that some amount of customer outage minutes will be avoided for each project is not enough to justify the project. MNSC's replies to exceptions, p. 2. MNSC contends that the Commission should require prioritization of the projects, noting that the cost per mile is uniformly expensive while the benefits per project range wildly and there are diminishing returns to scaling up. And again, because the benefits vary, MNSC supports the need for a BCA for each project. *Id*., p. 3.

The Commission agrees with the ALJ, MNSC, and the Attorney General on the issue of BCAs. Clearly the Commission needs the detail provided by a BCA for each individual project. As the parties note, the benefits associated with different projects vary widely and a single BCA for the totality of projects is not useful. The Commission continues to support undergrounding projects that demonstrate a higher benefit-to-cost ratio than other options to improve reliability, but such an analysis must be done on a project basis, not a portfolio basis. In its evidentiary presentation, the company included a number of projects that clearly meet this standard, but also included others that, when assessed on their own merits as opposed to being part of a portfolio, clearly do not. Thus, the Commission also agrees with MNSC's analysis of how to reasonably limit the scope of the program and thus agrees with the ALJ that the test year amount should be reduced by $15.48 million, and rejects ABATE's proposal for a total disallowance. PFD, pp. 182-183. The Commission notes that the company also conceded to removing the amounts associated

with the EGLE-MIEJ Undergrounding Secondary and Services project and the Commission adopts the ALJ's recommendation. 3 Tr 1588-1589; PFD, pp. 182-183.

In addition to the undergrounding proposals in the Resilience cost category, Consumers also introduced the Vulnerable Communities Resiliency Plan (VCRP). Under the VCRP, Consumers seeks $30 million in test year funding to make strategic investments on circuits in environmental justice (EJ) communities, with a goal of ensuring that every EJ circuit has SAIDI (including MEDs) that is in the second Institute of Electrical and Electronics Engineers (IEEE) quartile or better. 3 Tr 1444.

The CEOs provided comments on the VCRP that were supportive of the program but recommended several program enhancements, as described by the ALJ at pages 169-171 of the PFD, including additional detail on the spending plan and the regression analysis. 4 Tr 3248-3264. Consumers responded that its plan for the VCRP is based on investing $20 million in 2026, $40 million in 2027, and $67.5 million each year after that through 2035, for a total of about $600 million over ten years, which includes six new substations. 3 Tr 1606-1607. Consumers indicated that the regression analysis supports the VCRP and quantifies the differences in the experiences of customers in different EJ census tracts. 3 Tr 1607-1608. The company also agreed with the CEOs' suggestions for tracking the impact of the VCRP. 3 Tr 1608; Consumers' initial brief, p. 63.

The Staff supported approval of the VCRP but did not support its inclusion in the IRM. 6 Tr 4450. METC supported approval of the VCRP. 4 Tr 3191. UCC also supported approval of the VCRP but sought more detail on the 10-year plan, and argued that the $30 million in year one does not align with the $600 million and 10-year time frame and that the Commission should direct Consumers to produce a like-versus-like regression analysis. 3 Tr 2323-2330, 1444-1445;

UCC's initial brief, pp. 75-77. Consumers responded that the initial investment ensures that there is regulatory support for the program. Consumers' initial brief, pp. 427-431.

The ALJ found as follows:

> This PFD also concurs with the CEO recommendations to provide more detail about how the funding for the VCRP will be allocated over the 10-year horizon, including annual budgets and project priorities, the need for a clear approach for tracking and reporting the plan's impacts, including how EJ circuits will be reassessed over time and how progress will be measured. This PFD also concurs with CEO's recommendation that the Company describe its approach to tracking the impact of this program using a mix of both qualitative and quantitative measures. Therefore, this PFD recommends the Commission direct the Company to begin providing this information in its next rate case or DSP filing, whichever happens first.

PFD, pp. 182-183 (footnotes omitted).

In exceptions, UCC states that it supports the VCRP but believes that more information is required and thus agrees with the ALJ's recommendations, but also requests that the Commission direct an accelerated VCRP investment schedule. UCC's exceptions, pp. 32-33.

In exceptions, Consumers states that while it "did not disagree with CEO witness Lee Shaver's proposals for assessing the impacts of the VCRP, it is important to note that the first year of VCRP investments will not be complete until the spring of 2027, and there will likely be some lag after that time until the Company has sufficient data to begin to draw conclusions." Consumers' exceptions, p. 27 (citing 3 Tr 1608).

UCC replies to Consumers' assertions regarding a lag in reporting, stating that the Commission should, at a minimum, require the company to provide detailed information in the next rate case regarding the $20 million that is to be invested in 2026 pursuant to the VCRP. UCC's replies to exceptions, p. 9.

Respecting the VCRP proposal, the Commission notes that no party opposed the proposal and the Commission finds that, in agreement with the ALJ and the parties, it should be approved.

However, the Commission adopts all of the ALJ's recommendations with respect to future reporting based on the arguments of the CEOs (and supported by UCC). 4 Tr 3248-3264; PFD, pp. 182-183. The Commission observes that Consumers commissioned the regression analysis which provided significant and useful qualitative and quantitative information, but the company did not tie its spending plan to the results of that analysis. The Commission finds this to be problematic because it is important to ensure that the approved amount is actually spent on improving service in EJ communities. This does not necessarily (though it may) require treating the LVD system within EJ communities as separate from the system as a whole, since the LVD system does not work for anyone unless it works for everyone. The Commission has concerns about Consumers' 10-year plan which needs substantial fleshing out, but does not find that these concerns should delay the company's planned initial investment of $30 million. The Commission expects the approved amount to be spent on the stated purpose in a way that is incremental (and can be shown to be so) to the company's other long-term investments and strategies for improvements to the distribution system. Thus, in the next rate case, the Commission expects to see how the initial $30 million was used to improve the reliability of LVD service in the targeted communities and the element of additionality that will demonstrate this, along with how the VCRP fits into the company's broader approach to distribution improvements.

Turning to the fractionalization cost category, noting that it was uncontested, the ALJ recommended that the Commission approve the requested capital expenditures and the Commission agrees. PFD, p. 182.

c. LVD Capacity

i. LVD Lines Capacity

This program is intended to reduce overload risk on the LVD lines system. 3 Tr 1995. Consumers projected capital expenditures of $28.58 million in the bridge period and $54.91 million in the test year. 3 Tr 2002; Exhibit A-113. Consumers reports that the expenditures are tied to the LVD Overload Risk Reduction Plan within the Reliability Roadmap and are intended to address all components overloaded beyond 100% of their rating. 3 Tr 1997.

Focusing on the Overloaded Equipment investment category in which Consumers expects to spend $21.36 million in the bridge period to complete 125 units of work, and $53.1 million in the test year to complete 278 units of work, the Staff argued that Consumers will not be able to scale up spending to the projected level. 6 Tr 4370-4371. The Staff noted that for the first six months of 2025 the company spent $3.59 million for LVD lines capacity. Based on anticipated spending, the Staff recommended a disallowance of $18.72 million from the test year, which includes a reduction to the project count to 180 projects. 6 Tr 4371. Consumers did not oppose the Staff's recommendation. 3 Tr 2039.

The Attorney General also noted the spending increase and the increase to the number of units and recommended a disallowance of $5.37 million for the bridge period and $40.91 million for the test year to eliminate circuits from the program that have an overload risk of less than 140%. 3 Tr 2444-2446. Consumers countered that 140% was too high and represented an unacceptable tolerance for allowing assets to operate beyond their specifications. 3 Tr 2065.

The ALJ found that the Attorney General:

> does not provide a sufficient basis for treating risk level classifications differently as she has provided no evidence that removing attention to lower risk overloads will be sufficient to protect safety or assure reliability. This PFD is persuaded by the Company's position that focusing only on overloads at the highest risk level

> presents too great a risk to reliability and is not the most prudent way to approach either the risk or efforts to improve reliability and safety.

PFD, p. 187. Thus, the ALJ recommended rejection of the Attorney General's proposed disallowances. Finding Consumers' test year projection to be "overly ambitious," the ALJ recommended approval of the bridge period projection and adoption of the Staff's proposed $18.72 million disallowance for the test year, noting the company's agreement thereto. *Id*.

In exceptions, the Attorney General argues that Consumers should be focusing on higher risk circuits and that less risky circuits should not be addressed prior to the higher risk circuits. Attorney General's exceptions, pp. 42-43.

In reply, Consumers argues that its proposed bridge period expenditures are in line with what was approved by the Commission in the March 21 order, and that system overloads should not be ignored until they reach the highest level. Consumers' replies to exceptions, p. 29. The company contends that prolonged operation beyond the manufacturer's rating increases the risk of failure.

With respect, the Commission disagrees with the ALJ on this issue, though it agrees with his assessment of the plan to address only lines that are overloaded beyond 140% of their rating. The Commission agrees with the ALJ and Consumers that the company should be looking at the lines that bear moderate and even low risk as well, but finds that it is manifestly apparent that Consumers will not reach the proposed level of spending, just as in the last rate case. *See*, March 21 order, p. 88. It is not surprising that the company conceded to the Staff's test year disallowance proposal. Consumers spent $3.59 million in the first six months of 2025 and thus is on track to spend about $7.2 million on this program in 2025, which leaves another $14.1 million to spend in the first four months of 2026. The Commission finds that Consumers failed to show that it is capable of spending that amount in that time, or capable of spending anywhere near $53.1 million in the test year. Thus, the Commission adopts the Attorney General's proposed

disallowances of $5.37 million for the bridge period and $40.91 million for the test year. This is an important program that addresses overloaded equipment and the Commission encourages the company to provide accurate projections that reflect a pace of work that Consumers is capable of accomplishing. In the next rate case, the Commission expects to see Consumers show that it actually spent the approved amounts on this worthwhile program.

ii. LVD New Business Capacity

This program involves the provision of new or upgraded equipment or lines for new customers or existing customers and is driven by customer requests, and costs per project range widely. 3 Tr 2004-2005. Consumers projected capital expenditures of $38.18 million in the bridge period and $30.13 million in the test year for this program. 3 Tr 2006.

ABATE recommended limiting this program to the five-year average actual spend for both the bridge and test periods, which results in a disallowance of $11.95 million for the bridge period and $3.91 million in the test year. 6 Tr 3699. Consumers countered that it provided the same amount of detail in this case as in past cases, and that through September of 2025 it had spent $18.88 million, which, if continued at the same rate, would result in more spending than the amount that ABATE proposes. 3 Tr 2061-2062.

The ALJ recommended rejection of ABATE's proposed disallowance, finding that Consumers showed that it is on track to exceed the spending in ABATE's proposal. PFD, pp. 189-190. The ALJ observed that the record "reflects steady escalation of spending in this subprogram consistent with the Company's projected expenditures." PFD, p. 190 (citing Exhibit A-113).

In exceptions, ABATE argues that this cost category is also externally driven and therefore uncertain, and also lacks specific projects for the test year. ABATE's exceptions, p. 10. ABATE contends that the company has failed to meet its evidentiary burden and this program should be

limited to the five-year actual spend shown on Exhibit A-113 for both the bridge and test periods. *Id*., p. 11.

In reply, Consumers argues that spending in this subprogram has steadily increased and has exceeded the five-year average in 2022, 2023, and 2024, and that, if the company continues to spend at its current rate, spending will exceed ABATE's proposal for the bridge period. Consumers' replies to exceptions, p. 30.

After review of the record and arguments of the parties, the Commission finds the ALJ's recommendations on these issues well-reasoned and supported by the record. Accordingly, the Commission adopts the ALJ's findings and conclusions on LVD new business capacity. PFD, p. 190.

iii. Conservation Voltage Reduction

Consumers explained that conservation voltage reduction (CVR) is the capability to optimize service-point (customer meter) voltages in order to reduce energy demand without requiring active participation investment by customers through continuous monitoring and automatic adjustment of meter settings. 3 Tr 2010-2012. Consumers projected CVR capital expenditures of $5.58 million for the bridge period and $4.07 million for the test year. 3 Tr 2013.

The Staff argued that the company has not projected the costs and benefits of this subprogram properly, noting that Consumers underspent its 2023 projection by 57% and its 2024 projection by 42%. 6 Tr 4368-4369. The Staff recommended that the funding be set at the most recent five-year historic average plus inflation. This results in approved capital expenditures of $4.33 million for the bridge period and $3.33 million for the test year. 6 Tr 4369; Exhibit S-13.10. The company agreed to the Staff's proposal. 3 Tr 2038.

The ALJ recommended that the Staff's proposal, agreed to by the company, be approved. PFD, p. 192.

No exceptions were filed.

After review of the record and arguments of the parties, the Commission finds the ALJ's recommendation on this issue to be well-reasoned and supported by the record. Accordingly, the Commission adopts the ALJ's findings and conclusions on CVR. PFD, p. 192.

iv. LVD Metering and Transformers

The metering aspect of this program involves the supply of meters and associated metering equipment. For the Metering subprogram, Consumers projected capital expenditures of $45.12 million for the bridge period and $37.77 million for the test year. 3 Tr 2015-2016; Exhibit A-113. Finding this request to be uncontested, the ALJ recommended approval and the Commission agrees. PFD, p. 193.

The Transformers subprogram involves the supply of distribution transformers, which is, according to Consumers, mostly driven by LVD lines new business. Consumers projected LVD Transformers capital expenditures of $227.96 million in the bridge period and $207.78 million in the test year. 3 Tr 2023. Consumers explained that it relied on historical actual data in making its projections, but the company is also planning for an increase in purchases of pad mounted transformers as a result of increasing undergrounding work related to new connections and the need to support EV adoption, and the company argued that unit costs have increased due to inflation. 3 Tr 2024-2026.

The Attorney General argued that the company's projected increase in the need for pad mounted transformers for 2025-2027 is excessive, as it amounts to an increase of 63% in 2025 (over 2024) and 34% in 2026 (over 2025), and the evidence lacks detail. 3 Tr 2447. Based on

calculating what she argues are appropriate unit numbers, the Attorney General recommended a disallowance of $15.3 million for the bridge period and $14.78 million for the test year from the forecasted capital expenditures for LVD Transformers, and recommended that the undergrounding projects be rejected. 3 Tr 2448-2450; Exhibit AG-9. Consumers countered that if the company's overhead undergrounding plan is approved, then the forecasted number of transformers will be necessary, and that growth in transformer need is also tied to other factors such as new business. 3 Tr 2057.

ABATE also noted the increase in the number of transformers relative to the five-year historical average, and also argued that there is uncertainty associated with new business and EV adoption. ABATE recommended the use of 2024 actual spending for the projection, which results in a disallowance of $105.07 million for the bridge period and $84.89 million for the test year. 6 Tr 3700. Consumers countered, again, that growth is driven by other factors (such as new business and EVs) and that the undergrounding work is not uncertain. 3 Tr 2062. Consumers also noted the supply chain disruptions that have occurred, which resulted in changes to the company's procurement strategy and the need to place full orders sooner as a hedge against supply risk. 3 Tr 2063. Consumers also noted that based on year-to-date, it is on pace to exceed its 2025 bridge period projection. 3 Tr 2063; Exhibit A-219.

The ALJ recommended rejection of ABATE's proposed reduction based on the historical data, but recommended adoption of the Attorney General's proposed disallowance, which amounts to an approximate 7% decrease to the company's request, based on the fact that there is some degree of speculation to the projections. PFD, p. 199. Thus, the ALJ recommended adoption of the $15.3 million reduction to the bridge period and $14.78 million reduction to the test year.

In exceptions, Consumers argues that there is an increase in purchases of padmount transformers needed for undergrounding, new business, and EV growth and thus applying the 2023-2024 growth rate is not appropriate. Consumers' exceptions, p. 28.

In exceptions, ABATE argues that these projected increases are uncertain and the company should be limited to 2024 actual spending for both the bridge and test periods. ABATE's exceptions, p. 11.

In reply, Consumers argues that the growth in undergrounding work is not uncertain and that the company is on pace to exceed its bridge projection for 2025. Consumers' replies to exceptions, p. 31.

In reply, the Attorney General argues that the increases for 2025 through 2027 are excessive and unsupported by little other than generalities. Attorney General's replies to exceptions, p. 39. She notes that new service connections are expected to increase at an annual rate of about 1% from 2024 to the test year, yet undergrounding for the test year is projected at 50 miles. *Id*., p. 43 (citing 3 Tr 2447).

With respect, the Commission partially disagrees with the ALJ on this issue. The Commission finds that there has been clear growth in this area and agrees with the ALJ that ABATE's proposed disallowances based on using 2024 actuals should be rejected. PFD, p. 199. In addition to the evidence of growth, the company showed that it has already overspent for the bridge period and thus is on track to exceed the 2025 bridge period projection, which also undermines the Attorney General's reliance on the growth from 2023 to 2024. 3 Tr 2063; Exhibit A-219. For these reasons, the Commission finds that the Attorney General's bridge period disallowance proposal should be rejected. However, the test year is a different story. The Attorney General's proposed disallowance is based in part on arguing that the Commission should reject the proposed

undergrounding projects. 3 Tr 2448-2450; Exhibit AG-9. As discussed above, the Commission agreed with the ALJ and MNSC that the scope of the undergrounding program should be reduced to specific high-impact projects, resulting in a disallowance of $15.48 million in the test year from the $20 million capital expenditure request, a 77% reduction to the request. 6 Tr 4065; PFD, p. 182-183. In light of the fact that a large part of the requested capital expenditures for the test year for undergrounding were in fact rejected, the Commission agrees with the ALJ and the Attorney General that the Attorney General's full disallowance for the test year should be approved. Thus, the Commission adopts the $14.78 million reduction to the test year for this subprogram. PFD, p. 199.

d. Grid Modernization

Consumers provided an overview of its Grid Automation plan (previously known as Grid Modernization), along with associated proposed capital expenditures of $25.691 million in the bridge period and $17.837 million in the test year, at 3 Tr 1657-1665 and Exhibit A-113, p. 1, line 14, columns (*i*) through (*l*). Per the company, this plan is a fundamental part of the company's electric distribution business and a foundational piece to its Reliability Roadmap. Consumers further described the reliability, resiliency, and efficiency benefits of its Grid Automation plan investments, which fall under six categories: (1) Distribution Circuit Modernization (DCM), (2) Substation Modernization, (3) Distribution Asset Management (DistAM), (4) Planning Systems Modernization, (5) Operational Systems Modernization, and (6) Weather Stations.

Disputed issues within Grid Modernization are addressed below.[13]

i. Voltage Regulator Controllers

Consumers described its Voltage Regulator Controllers project (under DCM) (to remotely adjust voltage on the distribution system based on changing load conditions) at 3 Tr 1674-1681, with the company requesting capital expenditures of $10.526 million in the bridge period and $5.12 million in the test year. *See also*, Exhibit A-130, p. 1, line 45; Exhibit A-142, p. 2; Exhibit A-143; and Exhibit A-146. The Attorney General noted the company's plans to install 294 units during the bridge period and 143 units in the test year, along with the company's three-year historical average of associated expenditures, and in using 2024 actual unit costs plus inflation recommended a disallowance of $3.737 million in the bridge period and $1.738 million in the test year. 3 Tr 2474-2475; Attorney General's initial brief, pp. 74-75. ABATE took issue with the company's BCA, notably: (1) its failure to include several key costs borne by ratepayers (taxes, ROE, interest, and stranded costs), thus underestimating the true financial burden on customers and producing a flawed and misleading BCA, and (2) the monetized benefits within the BCA to support this project wherein Consumers unreasonably assumed without support that current line regulators installed prior to 2000 will all fail over the next 10 years and the lack of cost-effectiveness if excluding these forecasted benefits or even a portion (if, for example, only

[13] Based upon a review of her initial brief, it appears that the Attorney General withdrew her initially proposed $2.345 million disallowance for Line Sensors under DCM. *See*, 3 Tr 2474; Attorney General's initial brief, Appendix A. The issue was not indicated as a disputed issue in the PFD, and exceptions were not filed on the issue. Finding the expenditures to be reasonable and prudent, the Commission thus finds no further discussion is needed. *See*, 3 Tr 1666-1674, 1736-1737; Consumers' initial brief, p. 72. The Commission also notes that disputed Peer-to-Peer Automation expenditures under DCM were voluntarily withdrawn by the company in this case. *See*, 3 Tr 1745; Consumers' initial brief, p. 75; PFD, p. 212, n. 826; *see also*, Attorney General's replies to exceptions, p. 44. Thus, acknowledging the voluntary removal of projected Peer-to-Peer Automation expenditures in this case ($895,000 for the bridge period and $270,000 for the projected test year), no further discussion is needed on this issue either.

273 line regulators installed prior to 2000 fail). ABATE thus recommended that Consumers reduce the proposed pace of this project to 25% of the proposed installation rate, thereby reducing the company's plans to upgrade only 55 regulator locations in 2025 and 54 locations in 2026 and resulting in a proposed disallowance of $7.895 million for the bridge period and $3.84 million for the test year. 6 Tr 3730-3733; ABATE's initial brief, pp. 35-37. Consumers disputed the Attorney General's unit-cost approach as not appropriate for this project but agreed in part with ABATE that there are other costs beyond the initial purchase and installation price (such as taxes and ROE). Consumers, however, stated that there is no established standard on what should be included in a BCA when evaluating electric distribution investments and added that these investment decisions are not solely based on a cost-effectiveness test, recalling other benefits from the project that the company argued should be holistically considered. Consumers further explained data to support the typical operational lifespan of a control (20-25 years) and when the company reasonably assumes failure will occur (within 10 years thereafter) and questioned and disputed ABATE's recommendation as arbitrary and risky to slow the program to 25% of its current deployment rate. Finally, Consumers argued that the project has been underway since 2020, has been approved in all prior rate cases, and is expected to be completed within the test year of this case. 3 Tr 1676, 1738-1741; Consumers' initial brief, pp. 72-75. ABATE disagreed, maintaining its proposed 25% project reduction. ABATE's reply brief, pp. 6-7.

The ALJ recommended that the Attorney General's proposed disallowance be rejected, finding that Consumers had demonstrated why the Attorney General's average unit-cost approach was not appropriate for this project. PFD, pp. 209-210. While the ALJ agreed with ABATE that the company's BCA is flawed, as it does not accurately portray the project's full costs, the ALJ

nevertheless disagreed with ABATE's proposed pace reduction and resulting disallowance. The ALJ found that:

> Consumers has presented adequate evidence showing that the benefits of this program extend beyond the economic benefits addressed in a BCA. In addition, the Company has installed more than 1,000 controllers since 2020, and the expenditures proposed in this case would enable the Company to complete its mass deployment with the installation of 437 units. This PFD agrees with the Company that Mr. Fitzhenry's proposal to slow the implementation rate to 25% of the current proposed rate is arbitrary and could prove counterproductive by jeopardizing the financial benefits of a competitive labor contract.

Id., p. 210 (footnote omitted; citing 3 Tr 1675-1677, 1740, and March 1 order, p. 41 ("the Commission agrees with the company that BCA results are not the sole determinant of whether costs are reasonable and prudent")).

ABATE objects and argues that, because Consumers' proposal was inadequately supported, the Commission should hold cost approvals for this project to historical actuals. ABATE's exceptions, p. 12. In further support, ABATE argues:

> First, the Company's assertions regarding "a holistic evaluation of all the benefits" outside the BCA rests on opaque and vague benefit claims that cannot be substantiated or reasonably support cost recovery. The Company's BCA is meant to capture whether its investments are cost effective; a proposal to effectively ignore its shortcomings in favor of a "holistic evaluation of all benefits" invites even more speculation than is already inherent in this process. The PFD's claims regarding the "counterprodictiv[ity]["] of potentially "jeopardizing the financial benefits of a competitive labor contract" should also be rejected. If the Company has not adequately supported its proposal, which the PFD found its BCA had not, cost recovery should not be approved based on the possibility of not securing a favorable labor contract. (See ABATE Initial Br at 35-37.) This argument effectively puts the cart before the horse and chases beneficial labor contract terms for significant expenditures which have not been sufficiently supported in the first place. The potential to realize "mass deployment" and contract terms cannot take precedence over whether the projected expenditures have been adequately substantiated in the first place. In this case they have not.

ABATE's exceptions, p. 12 (first alteration in exceptions). Given these flaws, ABATE asserts that the Commission should reduce the proposed pace of this project to 25% of the proposed

installation rate, which will allow Consumers "to utilize actual historical data to validate and improve the input assumptions used in the line regulator controller BCA model." *Id*., p. 13.

The Attorney General also disagrees with the ALJ's recommendation and, in recapping evidence and arguments in testimony and briefing, maintains that the Commission should disallow $3.737 million in the bridge period and $1.738 million in the test year. Attorney General's exceptions, pp. 43-45 (citing 3 Tr 2474-2475). The Attorney General further argues:

> The PFD noted that in rebuttal, Mr. McPhail disputed Mr. Coppola's unit approach, recalling his direct testimony that such an approach is not appropriate because of instances where materials to be used for such a deployment year were purchased in the year prior to deployment, or delayed into another year, thus giving an inaccurate view of unit costs when just comparing annual costs to the number of units." Figure 7 from Mr. McPhail's direct testimony is labeled *Voltage Regulator Controller 5-year Historical Spending & Installation Completed*. It is supposed to represent actual spending in the Voltage Regulator Controller investment category during those years. Based on the figure, the Company did spend less in 2023 and 2024, it also installed few controllers in those years. The previous three years had much higher spending levels and higher numbers of controllers installed. It is claimed that most of the carryover for 2024 came from 2022. In 2022 the Company spent $5.7 million on controllers and installed 367, which is the highest number of controllers installed during the five-year period and more than double the number installed in 2024. It is not clear how many units from 2022 were left or used in 2024, so the impact of any pull ahead purchases has not been fully demonstrated.

Attorney General's exceptions, pp. 45-46 (footnotes omitted; citing PFD, p. 206, and 3 Tr 1679, 1738). The Attorney General thus asserts that her projections are reasonable based on the information available and should be adopted.

Consumers responds and first asserts that the Commission should reject the Attorney General's proposed reduction, maintaining that an average annual unit cost is not appropriate for projecting costs in this area. Consumers' replies to exceptions, p. 32 (citing 3 Tr 1738). Consumers recaps evidence addressing the wide variance in costs and reiterates that it has now deployed the additional controllers from 2020 through 2022 and thus needs to purchase materials

in the bridge period and test year as projected to complete the project. Consumers' replies to exceptions, p. 32 (citing 3 Tr 1738).

Consumers also asserts that the Commission should reject ABATE's proposed dramatic reduction for this project, consistent with the ALJ's recommendation. Consumers recaps the benefits of the controllers, field data regarding their typical operational lifespan, and the risks of failure. Consumers' replies to exceptions, p. 34 (citing 3 Tr 1676, 1740). The company further reiterates that this project has been underway since 2020, that the project has been approved in all prior rate cases, that the project is expected to be completed within the test year of this case, and that materials for work in the bridge period have already been purchased in 2025. Consumers' replies to exceptions, p. 34 (citing 3 Tr 1741). Consumers thus contends that the Commission should approve these projected expenditures to support customers receiving energy within the Commission-required voltage limits and the project's many other benefits.

The Commission finds the ALJ's recommendations well-reasoned and supported by the record. The Commission too is not persuaded that a unit-cost approach is appropriate here, and BCA aside, the company has reasonably and prudently shown, with field data, the need for these expenditures to address control failures. That said, however, the Commission finds it appropriate for Consumers to also start tracking its inventory of voltage regulator controllers in comparison to number of controllers installed and to include this information beginning with its next electric rate case. The Commission also finds it appropriate to direct Consumers to update its BCAs, beginning with its next electric rate case, to include the full revenue requirement (i.e., full customer costs) in support of the company's proposed capital investments. *See*, the February 19, 2026 order in Case No. U-21860 (February 19 order), pp. 126, 480.

ii. Metro Modernization

Consumers described its Metro Modernization project under DCM at 3 Tr 1692-1694, with the company requesting $305,000 in associated projected capital expenditures in the bridge period and $650,000 in the test year. *See also*, Exhibit A-151. The Attorney General objected, arguing that there is no evidence that the technology for this project has worked effectively for other utilities or has provided proven benefits, and, thus, absent a BCA to demonstrate some economic value to this new technology, recommended a full disallowance of the company's forecasted expenditures. 3 Tr 2476; Exhibits AG-16, AG-75; Attorney General's initial brief, pp. 75-77. ABATE briefly noted its concern that this project appears to be for research purposes with no estimate of system-wide deployment costs or a BCA. 6 Tr 3736-3737, n. 44. Consumers rebutted, reiterating the reliability and safety benefits of the project; noting that this technology is not new or experimental in the industry, just new to the company; adding that the direction of this project is to engineer how these proven technologies can be used on the system to benefit customers; and describing the sites to be chosen and the specific use cases that will drive the benefits mentioned. 3 Tr 1746-1747, Consumers' initial brief, pp. 75-76.

The ALJ agreed with the Attorney General, found that Consumers failed to adequately support its costs for this project, and recommended that the Commission thus disallow $305,000 in the bridge period and $650,000 in the test year. The ALJ further recommended that, "[i]f the Company seeks recovery of related expenditures in a future rate case, it should provide a complete picture of the total costs involved for full system-wide deployment as well as a BCA." PFD, p. 213.

Consumers objects and asserts that the Commission should reject the recommended disallowance because the company has demonstrated that this project "will improve reliability

through remote operations and will improve safety for the public and the Company's electric line workers." Consumers' exceptions, p. 28 (citing 3 Tr 1746). In further detail, per Consumers:

> [s]afety incidents in underground Metro electrical systems can be extremely dangerous when they occur. 3 TR 1746. The project includes the use of specialized sensors designed to detect water or gas hazards within the Metro system, assessment of switching equipment enhancements to improve reliability and efficiency, development and integration of a communications package to facilitate exchange of data, and investigation of remote-controlled capabilities to streamline Metro operations. 3 TR 1692. These monitoring and switching capabilities that are being introduced into Metro vaults will reduce operational costs through remote operations and easier maintenance of switching equipment. *Id*. They will allow the Company to address issues before they lead to catastrophic failures, avoiding equipment failure outages. 3 TR 1694. The project also speeds up operations and outage restoration, providing for shorter customer outages. 3 TR 1692-1693. Many of the Metro systems serve Environmental Justice ("EJ") communities, and as such the project will reduce the length of outages to those vulnerable communities, as well as to other priority and commercial customers. 3 TR 1693.
>
> The Company included an analysis indicating the avoided customer minutes interrupted expected from the project. 3 TR 1693; Exhibit A-151 (SAM-10). The project also meaningfully avoids 185 work hours of exposure for electric line workers in dangerous confined spaces. 3 TR 1693. This sensing and switching technology that the Company will deploy as part of the Metro Modernization project is not new to the utility industry – the technology is only new to the Company. 3 TR 1746. Like many of the projects within Grid Automation, the Metro Modernization project will allow the Company to engineer this proven technology for use on the Company's system to benefit the safety and reliability of customers. *Id*.

Consumers' exceptions, pp. 28-29. Accordingly, to benefit reliability and improve safety, Consumers asserts that the Commission should approve the company's requested funding to implement this sensing and switching technology on the Metro system.

The Attorney General responds and, following a recap of her evidence and arguments, asserts that the Commission should reject Consumers' arguments for the reasons provided in her replies to exceptions and her initial brief and thus adopt the ALJ's recommendations. Attorney General's replies to exceptions, pp. 44-45 (citing Attorney General's initial brief, pp. 75-77).

The Commission respectfully disagrees with the ALJ and finds that Consumers supported the reasonableness and prudence of this project and the associated expenditures. *See*, 3 Tr 1692-1694, 1746-1747; Exhibit A-151. The Commission does, however, share the ALJ's concerns about the need for the company to provide a complete picture of the total costs involved for full system-wide deployment and thus finds this additional evidence necessary should Consumers seek additional expenditures for this project in a future electric rate case.

iii. Distribution Asset Management

Consumers described its DistAM program at 3 Tr 1701-1712, with the company requesting $1.74 million in capital expenditures for the program in the bridge period ($970,000 for Asset Repository (AR) and $770,000 for Asset Performance Management (APM)) and $4.05 million in the test year ($1.41 million for AR and $2.64 million for APM). *See also*, Exhibit A-152. The Attorney General objected, noting significant cost overruns associated with the program, which she asserted were due to a lack of upfront research and analysis by the company resulting in additional costs customers should not pay for, and also asserting that APM project costs should not be included in this case since APM is still in the planning phase and thus premature for inclusion. The Attorney General therefore recommended a full disallowance of $5.79 million in forecasted capital expenditures associated with DistAM in this case. 3 Tr 2476-2479; Attorney General's initial brief, pp. 77-81. The Staff also took issue with the company's projected APM expenditures, noting the disallowance for the program in the March 21 order and the fact that no expenditures have been allocated or spent on the APM component of the company's DistAM program as of March 31, 2025, despite approval in the program since 2021 (by way of Case No. U-20697 and then Case No. U-20963), thereby calling into question whether additional APM expenditures in this case are reasonable and prudent. The Staff therefore recommended, absent reasonable

justification and demonstration on tangible APM progress, that the Commission disallow the full amount of forecasted APM expenditures in this case ($770,000 in the bridge period and $2.64 million in the test year). 6 Tr 4488-4491; Staff's initial brief, pp. 19-23. Consumers rebutted, stating that, in response to the March 21 order, it provided additional justification along with a BCA in this case to show future-year costs, which only shows $1.6 million more than the previously approved amount of $12 million for this program. Consumers further asserted that the projected expenditures are necessary to continue the development and deployment of this initiative and that all three components of the program (AR, APM, and Asset Investment Planning) build on each other to improve capital efficiency, with the company also noting $3.3 million in avoided capital and $1 million in avoided O&M expense by building an internal APM solution. Consumers also explained how the APM component does not need to be complete to extract value from it and why funds have not yet been spent on this portion and asserted that the APM and overall DistAM program is supported by the Liberty Audit and aimed to deliver a data-based review on the general health and condition on the company's distribution system assets, as required by Exhibit A, Section III, Part A, of the July 10, 2025 order in Case No. U-20147. 3 Tr 1742-1745; Consumers' initial brief, pp. 77-80.

The ALJ expressed shared concerns with the Staff and the Attorney General about the spending and overall management of the program. The ALJ recalled the Commission's decision on this issue from the March 1 order and the March 21 order and found that the company:

> supports its DistAM spending with a flawed BCA that is based on outdated costs and includes anticipated cost savings that are vague and unrealistic. The BCA's deficiencies are especially problematic given the Company's history of overspending on this project and the Commission's requirement that additional costs be supported with updated data. In addition, the Company's explanations for its cost overruns and lack of APM investment essentially boil down to inadequate initial research along with poor planning and execution. In the end, Consumers has

> not shown that its projected expenditures are reasonable and will provide adequate value to ratepayers.

PFD, pp. 221-222; *see also*, March 1 order, p. 41, and March 21 order, p. 110. The ALJ thus recommended a full disallowance of forecasted expenditures for the program ($1.74 million in the bridge period and $4.05 million in the test year).

Consumers objects and asserts that the Commission should reject the recommended disallowance of all DistAM funding in the bridge period and test year. In further support, Consumers states that:

> [c]ontinued funding of the DistAM program is important because the three primary components of the DistAM – the AR, APM, and AIP – all build on each other to improve efficiency. 3 TR 1743. While the project costs are expected to increase since the initial concept approval, the Company continues to refine these costs, including avoiding $3.3 million in capital and $1 million in O&M expense based on building an internal APM solution instead of a vendor provided solution. This avoided $1 million per year in O&M expense was not included in the BCA at Exhibit A-152 (SAM-11), further supporting the economics of the project. 3 TR 1743.
>
> DistAM will optimize how the electric distribution system is proactively maintained and managed, enabling the Company to develop and manage asset health on the system to optimize asset performance, control costs, and allow the Company to provide a more comprehensive overview of its system in future distribution plans. 3 TR 1711. The Liberty [A]udit of the Company's distribution system supports the completion of the DistAM project, stating that the Company's "proposal for creation of DistAM comports with our recommendations about enhancing asset management" and that the "system appears designed to support a programmatic, analytically founded, and data driven asset management strategy, all of which are in keeping with our recommendation." 3 TR 1711-1712. And as ordered in the Commission's July 10, 2025 Order in Case No. U-20147, the Company will be required to provide a data-based review on the general health and condition of its distribution system assets in the DSP. 3 TR 1745. This is the type of data that the APM and the overall DistAM project will enable the Company to deliver.

Consumers' exceptions, p. 32. Considering the above, Consumers thus asserts that the Commission should approve the company's requested costs associated with this program.

The Attorney General responds and, following a recap of her evidence and arguments, argues that Consumers' objections do not address or even rebut the deficiencies described by her and the ALJ. The Attorney General maintains that:

> this is a classic case of not doing enough upfront research and analysis, before making a decision to proceed with a project and finding out later that the cost ballooned to five times more than originally estimated. Customers should not pay for projects that are incurring significant cost overruns and are not economically justified.

Attorney General's replies to exceptions, p. 50 (footnote omitted; citing 3 Tr 2477). The Attorney General thus asserts that the Commission should adopt the ALJ's recommendation for the reasons provided in her replies to exceptions, the PFD, and her initial brief. Attorney General's replies to exceptions, pp. 45-50 (citing PFD, pp. 213-222; Attorney General's initial brief, pp. 77-81).

The Commission agrees with the ALJ in part. The Commission sees value in the program, as acknowledged by the Liberty Audit and in terms of meeting the requirements of the July 10, 2025 order in Case No. U-20147 and therefore respectfully disagrees with the ALJ's recommended disallowance of costs associated with the AR program. However, the Commission shares the Staff's concerns over whether additional APM expenditures in this case are indeed reasonable and prudent considering the lack of past spending and the lack of tangible progress on this portion of the program despite prior approvals. The Commission therefore finds it appropriate to disallow the full amount of forecasted APM expenditures in this case ($770,000 in the bridge period and $2.64 million in the test year) and cautions the company to provide more justification, including tangible progress, if it seeks cost recovery for APM expenditures in its next electric rate case.

2. Streetlighting Capital Expenditures

Consumers described its Streetlighting program at 3 Tr 2072-2118, with the company requesting $26.432 million in forecasted capital expenditures for the bridge period and

$16.545 million for the test year. Broken down, these overall totals include: (1) $4.869 million for 294 units in the bridge period and $3.727 million for 220 units in the test year under New Business, (2) $1.334 million in the bridge period and $1.018 million in the test year for Planned Conversions, and (3) $20.229 million in the bridge period and $11.8 million in the test year for Demand Failures. *See*, Exhibit A-12, Schedule B-5.9. The Staff noted Consumers' discovery response on page 2 of Exhibit S-18, wherein the Staff asked the company where $1.056 million in underspend for streetlighting had gone in 2024. Because the company's response did not provide any information as to the reason for this underspend or where this underspend was allocated to, despite the Commission's direction for the company to do so in Case No. U-21585, the Staff urged the company to be transparent in this regard and recommended that the company keep track of underspend in programs related to distribution expenditures for rate case purposes. The Staff, in this regard, also cautioned that if the company cannot provide this information in future rate cases, it may recommend disallowances. 6 Tr 4396-4397; Staff's initial brief, pp. 193-194. Consumers rebutted, disagreeing that it was insufficiently descriptive or detailed in its discovery responses to the Staff, including the specific discovery response identified here. The company further explained its process for unused funds and asserted, as a result of this process, that no further details could have been provided in response to the Staff's discovery question. Consumers further argued that it did comply with the March 21 order, as it again provided as much detail as possible during discovery and cannot provide detail that does not exist. 3 Tr 2117-2118; Consumers' initial brief, pp. 82-85.

The ALJ agreed with the Staff in part, specifically that the company should be able to explain why it underspent in streetlighting, but also agreed that it may be difficult, if not impossible, to precisely detail where funds are ultimately reallocated when underspend occurs. The ALJ thus

recommended that the Commission "direct the Company to ensure it can adequately justify any underspend and trace those dollars when they are spent, to the degree that it can, to ensure the Company spend[s] approved dollars reasonably and prudently." PFD, p. 226.

No exceptions were filed on this issue.

The Commission finds the ALJ's recommendations well-reasoned and supported by the record. Accordingly, the Commission adopts the ALJ's findings and conclusions on this issue. *See*, PFD, p. 226.

3. Generation Capital Expenditures

a. Overview

Consumers provided an overview of its generation capital expenditures at 6 Tr 3495-3552, with requested capital spend of $145.252 million for the historical test year ended December 31, 2024; $275.408 million in the projected bridge period ending April 30, 2026; and $188.638 million in the projected test year ending April 30, 2027. *See also*, Exhibit A-12, Schedule B-5.2, p. 1, line 17.

As discussed in greater detail below, several parties recommended adjustments to these expenditures.

b. Fossil Generation and Ludington Pumped Storage

i. Updated Cost Projections

Consumers presented its forecasted expenditures for the Covert Generation Facility (Covert), the D.E. Karn Generating Plant (Karn) Units 3 and 4, Zeeland Generating Station (Zeeland), Jackson Generating Station (Jackson), and the Ludington Pumped Storage Plant (Ludington) at 6 Tr 3513-3517, 3527-3528, 3531-3549. *See also*, Exhibit A-12, Schedule B-5.2.

The ALJ recommended approval of the uncontested capital investments and then went on to discuss those that were contested. PFD, p. 231.

Noting no exceptions to the uncontested capital investments referenced here, the Commission finds the same to be reasonable and prudent and should be approved.

ii. The Commission Staff's Adjustments

The Staff recommended that the Commission reduce the company's generation capital expenditures by $12.908 million, broken down into the following adjustments: (1) a $6.641 million reduction for steam generation capital expenditures considering updated forecasts provided by the company during discovery, (2) a $6.536 million reduction for steam generation capital expenditures considering class cost estimates, (3) a $1.78 million increase for hydro generation capital expenditures considering updated forecasts provided by the company during discovery, (4) a $918,000 reduction for hydro generation capital expenditures considering class cost estimates, and (5) a $592,000 reduction for other generation capital expenditures considering updated forecasts provided by the company during discovery. 6 Tr 4466-4469; Exhibit A-12, Schedule B-5.2, p. 8; Exhibits S-8.0 through S-8.4; Staff's initial brief, pp. 28-37. Consumers agreed to some of the Staff's adjustments due to changing circumstances after the filing of this case—notably updated cost projections for certain projects at fossil fuel plants and Ludington (resulting in a $5.453 million reduction in the bridge period)—but stated that the Staff's updated cost adjustment failed to reflect all of the updates shown in Exhibit S-8.0—specifically, $6.92 million in emergent capital spending in the bridge period for the Karn Unit 4 Transformer Fire Capital, the Covert Main Steam Tee Header Replacements, and the Covert Unit 3 Main Steam Tee Header Replacements—and thus asserted that the Commission should include this amount in the total capital approved in this case, therefore resulting in a $1.467 million increase for

generation capital expenditures in the bridge period. 6 Tr 3607; Consumers' initial brief, p. 89; *see also*, Exhibit S-8.1. Consumers also rebutted the Staff's class cost estimate adjustments, arguing that the Commission should reject the adjustments based on the unsupported and unrealistic theory, and statistical unlikelihood, that all projects over $1 million will result in actual costs at the low end of the estimate accuracy range and that the Commission should reconsider its conclusion on this same type of proposed reduction from Case No. U-21585 considering the outcome of actual 2024 costs in that case, the virtual certainty of under-recovery that will result using the Staff's unsound theory, and the company's lost incremental recovery of depreciation and return during the time an investment was reasonable and prudent and provided actual service to customers. The company further mentioned the need to delay or forego work when a rate case fails to support sufficient funds to perform all planned work; highlighted that the Staff did not offer any substantive criticism on the projects, apparently agreeing that the projects all need to be done and thus making no sense to intentionally supply insufficient funding to do them; noted error in the Staff's proposal that includes reducing the company's revenue requirement for certain projects that are not included in the revenue requirement in this case (but rather offset by AFUDC); and noted that the company's projected capital expenditure amounts already reflect a 5% reduction to the project cost based upon the removal of contingency, consistent with prior Commission orders. 6 Tr 3610-3614; Consumers' initial brief, pp. 90-94; *see also*, March 1 order, p. 129. In briefing, the Staff maintained its recommended disallowances, as set forth above, and also expressed its non-support for the company's request related to the addition of new emergent projects after the case was filed, arguing that "new requests in discovery or rebuttal are inappropriate as they do not provide interested parties with proper justification and notice," consistent with Case No. U-21461. Staff's initial brief, p. 30; *see also*, *id*., pp. 28-37, and July 2,

2024 order in Case No. U-21461 (July 2 order), p. 22. The Staff also addressed the company's lost incremental recovery claim, disagreeing with Consumers' logic in relation to the company's reference to Case No. U-21585 and arguing that "the other side of the coin is true for ratepayers as well: ratepayers will fail to see any reimbursement if they essentially prepay for a project when the actual cost turns out to be less than the approved projected amount." Staff's reply brief, pp. 2-3.

The ALJ agreed with the Staff about the introduction of new projects in discovery or rebuttal, stating that it is "generally inappropriate" for the company to attempt this and further noting that "[t]he impropriety of attempting to expand the record in an advanced stage of the case has already been examined at length, and rejected, in relation to improper rebuttal testimony." PFD, p. 233 (citing Staff's initial brief, p. 30; July 2 order, p. 22; and November 7, 2025 Ruling on Motion to Strike in Case No. U-21870). Nonetheless, even when considering the additional projects introduced by the company on rebuttal, the ALJ found insufficient evidence to approve the requested spending. The ALJ also recommended that the Staff's proposed $5.453 million reduction, based on the agreed recalculation of the existing projects set forth in Exhibit S-8.1, be adopted. PFD, p. 234. In further agreeing with the Staff, the ALJ found:

> "As the Commission has repeatedly found, while allowing for contingency may be appropriate in project planning, the inclusion of these uncertain costs in customer rates is unjust and unreasonable." For this reason, this PFD recommends against reintroducing a 5% contingency to offset Staff's proposed reduction. In relation to the two projects offset by AFUDC, this PFD finds persuasive Staff's position that any allowed spending is based on reasonableness, not solely rate base, and the reasons for disallowing spending for the other projects is applicable to these two.
>
> As for the reasons for disallowing the projected test year spending based on class cost estimates as recommended by Staff, the recommended disallowances are by no means geared towards every project. They are geared towards projects where the engineering costs are still unknown, and the projects are still in relatively early stages of planning with uncertain costs. Consumers can seek recovery of future amounts in future rate cases once projections are better documented, or costs are actually incurred, should the allowed amounts result in insufficient funding. Contrary to the Company's claims, the Company will not remain uncompensated

> for expenditures. However, over recovery is unlikely to ever make its way back into ratepayers' pockets. Indeed, the Commission specifically made note that Consumers could "request any reasonable and prudent spending above the approved project amounts in a future electric rate case" when finding Staff's proposed adjustments based on the same methodology to be reasonable and prudent in Case No. U-21585.

PFD, pp. 240-241 (footnotes omitted; citing December 9, 2021 order in Case No. U-20940, pp. 9-10; and quoting March 1 order, p. 129). The ALJ thus recommended that the Staff's proposed disallowance be adopted in this case, amounting to a $7.454 million disallowance for class cost estimates, in addition to the agreed $5.453 million disallowance for updated expenditures. PFD, p. 241; *see also*, Case No. U-21870, filing #U-21870-0475, Appendix E, lines 26-31.

In exceptions, Consumers first addresses updated capital projections for generation capital projects and maintains that the Commission should include the $6.92 million amount in the total capital approved in the case as well, which would adjust the Staff's adjustment to an increase of $1.467 million for the bridge period in this case rather than a $5.453 million reduction. While Consumers does not dispute that the Commission has taken the position that it is generally inappropriate for the company to introduce new projects in discovery or rebuttal as it would deprive parties of proper notice and opportunity to permit satisfactory review of projects, and, while the company generally accepts this logic, Consumers argues that "there is a distinguishing feature to these particular proposals that makes the issue different in this case." Consumers' exceptions, p. 34. Consumers states:

> Over the last few electric rate cases, Staff has adopted a routine practice of asking for these kinds of post-filing updates for all generation capital projects over $1 million through discovery and then proposing an adjustment to reflect the Company's updates. See [Commission] Case Nos. U-21389 and U-21585. In Case Nos. U-21389 and U-21585, Staff recommended adjustments that reflected the net amount of both the increases and the decreases in the Company's updated estimates since the filing of direct testimony. In Case No. U-21389, the net effect was a

> decrease of about $10.3 million for the bridge period and test year. In Case No. U-21585, the net effect was an increase of about $3.2 million for the bridge period and test year. [Case No.] U-21585 Order, pages 125-126, 128. Consumers Energy accepted Staff's proposed adjustment in both cases because it fairly and even-handedly reflected the changes in the Company's capital plan regardless of the direction of the adjustment.
>
> However, in this case for the first time, Staff recommended an adjustment that reflected all of the cost reductions from the Company's updated estimates but selectively disregarded the three projects discussed above that involved cost increases in the Company's updated estimates. Compare Exhibits S-8.0 (listing the Company's updates) and S-8.1 (listing Staff's adjustments based on the Company's updates). This situation is different than previous cases in which the Commission rejected late-added projects for consideration in rebuttal testimony because, in this case, (i) Staff solicited the update through discovery early in the case, (ii) Staff reviewed the updates sufficiently to determine that nearly all of them warranted inclusion in rates, (iii) Staff offered no explanation or reason of any kind why only these three projects were excluded or indicating that there was any basis to find the projects unreasonable or imprudent, and (iv) the Company has significant actual costs incurred for the projects.

Consumers' exceptions, pp. 34-35 (footnotes omitted). With this, Consumers does, however, acknowledge that the Staff "*did* include the cost increases for most of the projects based on the Company's updated forecasts in Exhibit S-8.1, which the Company appreciates – just not the increases associated with these specific projects." *Id*., p. 34, n. 3 (emphasis in original). Consumers points to case law, in this regard, to assert that this type of approach in determining rates has been found to be arbitrary, unreasonable, and grossly unfair. *Id*., p. 35 (citing *Michigan Consol Gas Co v Michigan Pub Serv Comm*, 389 Mich 624, 633, 640; 209 NW2d 210 (1973)). Continuing, Consumers states:

> Unlike previous cases where the utility, of its own initiative, sought to add new projects for consideration in rebuttal, Staff actively sought out updated information early in the case so that it would have sufficient time to review the material. Therefore, the Commission's concern expressed in previous cases about such late additions depriving interested parties of the proper notice and opportunity to permit satisfactory review of the projects is inapplicable to this situation. It would be manifestly unjust and inconsistent with the Michigan Supreme Court's precedent to allow Staff to selectively incorporate all updates reducing costs while ignoring some of the updates gathered at the same time showing increasing costs unless Staff

> or another party could articulate some reason why those increases are not reasonable or prudent. That did not occur in this case. If the Commission will not accept all of the reasonable cost increases included in the update, then it should not accept any of the cost decreases included in that same update. Either way, Staff's proposed disallowance of more than $5 million and the ALJ's recommendation to accept that adjustment is unwarranted and should be rejected.

Consumers' exceptions, pp. 35-36.

Consumers then addresses class cost estimates for generation capital projects, and, while continuing to urge the Commission to reconsider its stance on this issue (since Consumers claims it is almost certain to statistically lead to under-recoveries with estimates at the lowest accuracy level versus converging to the center), the company focuses its exceptions on the ALJ's rejection of its 5% alternative proposal. Consumers, in this regard, states:

> In this case, Mr. Blumenstock explained that the Company accounts for the uncertainty of less mature estimates by including contingency in its cost estimates. 6 TR 3613. Based upon prior Commission orders which have consistently disallowed the recovery of contingency in projected capital expenditures, the Company has not included them in its request for investment recovery. 6 TR 3613. As such, Mr. Blumenstock explained that the Company's projected capital expenditure amounts already reflect a 5% reduction to the project cost based upon the removal of contingency. 6 TR 3613. That means that the 5% contingency amount is being removed twice with the use of the low end of the accuracy range. 6 TR 3613. At the very least, the recommended disallowance levels should be reduced by the 5% contingency amount that has already been removed from the projected capital expenditures. 6 TR 3613.

Consumers' exceptions, pp. 36-37. The company then recalls the ALJ's recommendation against reintroducing a 5% contingency to offset the Staff's proposed reduction, highlighting that the company "does not dispute that the Commission has determined that contingency should not be included in rating rates, and the Company is not even asking the Commission to reconsider that issue in this case." *Id*., p. 37. However, according to Consumers:

> contingency is that portion of the estimate that was meant to account for the uncertainty of estimates at earlier stages of engineering development. If the Commission removes the contingency from the Company's estimate first, and then treats the remaining estimate value as if it still contains all of the uncertainty from

> the class's "expected accuracy range" and reduces it all the way to the low end of the range again, it is necessarily double-counting the contingency. That is unfair. The original estimate included a 5% contingency that was removed. Any reduction based on the "expected accuracy range" of the class cost estimate should be applied only to the original estimate for each project, which would have the effect of removing all contingency plus any additional amount of uncertainty indicated by the accuracy range above the level of the contingency. Even if the Commission is unwilling to reconsider the class cost estimate adjustment as a whole, it should, at the very least, avoid the double-counting that is currently occurring.

Id., p. 37. Consumers thus asserts that the Commission "should reverse the ALJ and require the class cost estimate adjustment to be reduced to account for the 5% contingency already removed from the total project estimates before inclusion in this rate case." *Id*., pp. 37-38.

The Staff responds and first asserts that the ALJ correctly adopted the Staff's $5.453 million reduction in the bridge period based on the company's updated forecast. The Staff reiterates that it does not support the company's request to add expenditures for the three new projects as the request for expenditures related to these projects was made after the original case had been filed. The Staff thus disagrees that it selectively overlooked these projects because they caused increases to the company's updated cost estimates, emphasizing that it recommended both positive and negative adjustments based on the company's actual and updated projections. The Staff further highlights a similar scenario in Case No. U-21389 where it likewise only adjusted the projects initially filed despite additional projects included by Consumers in the company's update. Staff's replies to exceptions, p. 8 (citing March 1 order, pp. 52-54). The Staff, on this issue, maintains that new requests in discovery or rebuttal are improper and asserts that the ALJ properly recognized this in terms of timing and insufficient evidence and as thus preventing the company from recovering these new project costs in this case.

The Staff also asserts that the ALJ correctly adopted the Staff's $7.455 million reduction based on updated class cost estimates, a reduction which, the Staff notes in replies to exceptions:

> quantifies the uncertainty associated with the cost estimate of each of the 17 total projects, as well as with Staff's proposal of protecting ratepayers from the uncertainty associated with the cost estimate of a test year project while at the same time granting the Company the opportunity to request recovery in its next rate case if actual costs for each project are higher.

Staff's replies to exceptions, p. 10. On this issue, the Staff states that it also agrees with the ALJ against reintroducing a 5% contingency to offset this adjustment since the Staff's adjustment for the class cost estimate is not associated or linked to any project's contingency. The Staff reiterates:

> As explained in Staff's Initial Brief, the lower end of the accuracy range of the estimate, used to calculate this adjustment based on the class cost estimate, is a reasonable mechanism to evaluate and quantify the uncertainty associated with each project cost estimate. (Staff['s] Initial Brief, p. 33.) Therefore, this mechanism adjusts the projects fairly for their inherent uncertainty that is built into the test year projections. As stated previously, Staff's position is that the further into the future a projected amount is estimated for a project, the more uncertainty in the cost estimate. (Staff's Initial Brief, p 33.) For this reason, Staff only adjusted 17 out of 22 projects over $1 million in the test year for which the engineering costs are still unknown and uncertain. Furthermore, Staff did not adjust any projects under $1 million in the test year as well as any projects over or under $1 million in the bridge year. Staff gave the Company the benefit of the doubt for most of its generation capital expenditures and ultimately accepted the projections. Staff and the ALJ accepted the Company's projections as reasonable for most generation capital projects, except for those with more uncertainty built into the projections derived from unknown and uncertain engineering costs and relatively early stages of planning. Staff maintains that with large projects (>$1.0 million) where the cost estimates are less clearly defined and the magnitude is greater, it is fair to adjust the projections for this uncertainty in setting reasonable and prudent rates.

Staff's replies to exceptions, p. 12.

The Commission finds the ALJ's recommendations well-reasoned and supported by the record. While Consumers argues that its updated capital projections for generation capital projects should include the $6.92 million amount for three projects introduced via Exhibit S-8.0 and contends that failure to do so would be arbitrary, unreasonable, and grossly unfair, the Commission disagrees. As reflected in Exhibit S-8.1, the Staff accepted updated projected

amounts for projected amounts *originally filed in the case when the company filed its application*, updated amounts that include *both* increases and decreases to original projections, and, as properly acknowledged by the Staff and the ALJ, introducing new requests in discovery or rebuttal are indeed inappropriate as they do not provide interested parties with proper justification and notice, particularly in a time-constrained 10-month rate case. While the Staff did ask for updates in projections during discovery, the request specifically asked for updates to projects included in Exhibit A-12, Schedule B-5.2, pages 7-9, filed on June 2, 2025, and was not an open door for the company to add in new expenditure requests at that time. Rather, these new expenditure requests are more appropriate to include in the company's next electric rate case filing, which could occur as soon as June 2026, in accordance with explicit legislative permission under MCL 460.6a(6). The Commission further agrees with the Staff and the ALJ's class cost estimate recommendations as an appropriate balance when reviewing certain projected expenditures for reasonableness and prudence—as a way to prevent over-recovery that harms ratepayers while still providing an opportunity for the company to request any reasonable and prudent spending above the approved project amounts in a future electric rate case. Accordingly, the Commission finds the following adjustments to be reasonable and prudent on this issue—a $7.454 million disallowance for class cost estimates, in addition to the agreed cumulative $5.453 million disallowance for updates (that indeed even-handedly reflect the changes in Consumers' capital plan regardless of the direction of the adjustment) to the company's *originally* requested expenditures in the case.

iii. The Michigan Department of Attorney General's Adjustments

(i) Covert Plant

The Attorney General asserted that Consumers failed to perform appropriate due diligence when purchasing the Covert plant in June 2023, such that the deteriorated condition of equipment

and systems of the plant were not uncovered in time to address those issues during negotiations in order to possibly obtain a lower purchase price to compensate for future work. Instead, per the Attorney General, the company entered into a bad deal for customers who are now essentially being asked to pay twice—for capital upgrades and replacements after the company paid a higher price for the plant than now appears justified and also on the company's returns on these investments. The Attorney General thus proposed that two specific capital expenditures be excluded from rate base to address the company's shortcomings in the due diligence process: (1) $1.305 million in the bridge period and $2.61 million in the projected test year to replace the Load Commutated Inverter Static Frequency Converters, and (2) $2.922 million in the bridge period and $8.844 million in the projected test year for extensive upgrades to the Netmation Operating System (a project which the Attorney General asserted is also in the early stage of design and engineering development (scheduled to be completed in February 2026)). 3 Tr 2480-2483; Attorney General's initial brief, pp. 81-85. Consumers disagreed, arguing that the Attorney General's argument is incorrect and meritless as the company performed a thorough evaluation of the purchase of the plant and demonstrated that the acquisition was both reasonable and prudent in Case No. U-21090 (Consumers' 2021 Integrated Resource Plan (IRP) case), which no party contested in that case. The company further noted that the Commission was fully aware that the plant would require additional investments at the time it approved the purchase of the plant in Case No. U-21090. Additionally, with the company likening the purchase of the plant to the purchase of a used car, with an expectation of incremental maintenance to maintain it, Consumers asserted that the plant not being new was a factor in the favorable price that the company paid for it and argued that the Attorney General offered no substantive critique of the need for and value of the two projects. Consumers thus argued that the Commission should approve its proposed capital

investments as reasonable and necessary. 6 Tr 3517-3518, 3598-3599; Exhibits A-46, A-48; Consumers' initial brief, pp. 95-97.

The ALJ found that Consumers provided testimony that both projects are necessary to the functioning of the plant and that both equipment and systems are in critical need of upgrades and/or replacement. PFD, p. 246 (citing 3 Tr 3517-3518). The ALJ further found that:

> although the lack of progress beyond the engineering phase [of the Netmation upgrade] is concerning, most of the computer components and software are not described as those needing unique design; as a result, failure to timely complete the project is not inevitable. It is also not inevitable that, even had the need for these capital expenditures been known at the time Consumers purchased the plant, this would have had an impact on the plant's purchase price.

PFD, p. 246. For these reasons, the ALJ thus recommended that the Attorney General's proposed disallowances for the Covert plant not be adopted.

In exceptions, the Attorney General disagrees and asserts that the Commission should adopt her recommendations. The Attorney General argues that approval of the purchase of the Covert plant in the company's 2021 IRP does not justify inclusion of the cost of these two major systems in this rate case, as approval of the purchase was based on information known at the time, the parties to that case only knew what was provided to them, and the long-term service agreement (LTSA) known at the time addressed covered work but provided no indication of what work ratepayers may be asked to cover. The Attorney General further argues that the company's cost comparison to a new plant is inapt and asserts that "[t]he issue is what the Company knew or should have known with reasonable due diligence before acquiring the Covert plant." Attorney General's exceptions, p. 50. The Attorney General further contends that her assertions that the due diligence performed by Consumers did not allow the company to discover that the systems were in need of significant attention were not hyperbole but rather the truth; that it is the company's burden to demonstrate the reasonableness of project costs as well as timing; that, based on the

record, these expenditures are too premature for cost recovery in this case, considering the lack of progress beyond the engineering phase for the Netmation upgrade; and that while it appears that the company was able to negotiate some accommodations at the time of purchase, the failure to discover the need for these upgrades during due diligence prevented Consumers from addressing them as well during negotiations. In sum, per the Attorney General:

> Ratepayers should not be burdened with the cost of new equipment, system upgrades and replacements for a recently purchased power plant when the deteriorated condition of the equipment should have been discovered as part of due diligence conducted before the purchase of the plant and deducted from the purchase price. The PFD's recommendation against adopting the Attorney General's recommended disallowance is not reasonable. The Commission should adopt the Attorney General's recommendations.

Attorney General's exceptions, pp. 51-52.

Consumers responds and asserts that the ALJ's conclusion, "[a]lthough worded somewhat awkwardly," is correct. Consumers' replies to exceptions, p. 36. Consumers states that, as set forth in testimony, "the used condition of the plant was a factor in the favorable price that the Company paid for it and, had the Covert Plant been a new plant, 'the acquisition cost would have been significantly higher.'" *Id*. (quoting 6 Tr 3598). Consumers further argues, despite the Attorney General's claims otherwise, that the ALJ never said that IRP approval justified the costs of the projects in this case, instead citing the company's detailed explanation regarding their need as justification for the costs. Consumers' replies to exceptions, p. 36 (citing PFD, p. 246). Continuing, Consumers states:

> However, the IRP approval undermines the Attorney General's unsupported theory that there was some defect in the due diligence review because there was ample opportunity (which the parties used) in that case to delve into the details of the Covert Plant's condition and sale price and, after all of that review, no party concluded that the Company had failed to achieve an appropriate price for the plant given its condition. Prior to ownership, the Company could not be reasonably expected to know in specific detail every system of the plant that might require near-term maintenance, but the Company, the Commission, and the other parties

> reasonably would have understood that a used plant with many original systems would require some investment even within the first few years of ownership.

Consumers' replies to exceptions, p. 37. Consumers further states:

> The PFD did express some concern about the "lack of progress beyond the engineering phase for the Netmation upgrade," and the Attorney General argues that this necessarily means that there was a failure of the Company's evidence in this case. PFD, page 246; Attorney General's Exceptions, page 51. However, the ALJ also correctly recognized that "most of the computer components and software are not described as those needing unique design." PFD, page 246. In other words, there is no reason to believe that the final installation of the Netmation system will be delayed merely because the project was – at that time – still in the engineering phase. Exhibit AG-21, page 2, shows that the engineering phase of the project was scheduled to be completed in February 2026 with the installation phase to begin in March 2026 and be done by November 2026. There is no evidence in this case to support the conclusion that the Company's schedule for the engineering and installation is not appropriate. Any claim to the contrary by the Attorney General is just unwarranted speculation.

Consumers' replies to exceptions, p. 37.

In sum, Consumers argues that the core point of the Attorney General's argument is unrealistic and invalid as the company paid an appropriate price for a used plant, significantly less than what a new plant would have been, and the two projects they are seeking recovery for are reasonable, prudent, and necessary investments. Consumers thus asserts that the Commission should reject the Attorney General's proposed disallowances and approve the capital investments as proposed by the company and as recommended by the ALJ. *Id*., p. 38.

The Commission finds the ALJ's recommendation well-reasoned and supported by the record. Accordingly, the Commission adopts the ALJ's findings and conclusions on this issue. *See*, PFD, p. 246. Consumers provided sufficient evidence to show that these projects are reasonable and prudent investments.

(ii) Ludington Plant

The Attorney General took issue with Consumers' large capital spend proposed for Ludington in this case considering the extensive equipment and system overhauls for each of the plant's six units between 2015 and 2022 and thus, absent sufficient evidence as to why these investments were not made at that time, the Attorney General recommended a disallowance of $15.225 million of associated capital expenditures in the bridge period and $13.282 million of associated capital expenditures in the test year. 3 Tr 2483-2484; Attorney General's initial brief, pp. 85-87. Consumers argued that the Attorney General's claims have no merit, pointing to the company's response provided under oath during discovery as evidence admitted in this case stating that these projects were not part of the scope of work performed during the overhaul, along with testimony for why: (1) that the proposed projects were not necessarily required at the time the scope of the overhaul and upgrade project was developed more than 15 years ago, and (2) that the integration of these projects at that time would have affected the project's schedule, likely requiring longer outage times and higher costs during an already complex project. Consumers stated that costs requested in this case are for new and different work that is needed now and asserted that the overhaul and upgrade project did not obviate the need for maintenance and other work moving forward. The company further cautioned the effect a disallowance in this case could have on its ability to maintain its Federal Energy Regulatory Commission (FERC) operating license. Arguing that its projects are both well supported and necessary for the continued safe, reliable, and compliant operation of the Ludington plant, Consumers asserted that the Commission should approve the company's full requested costs in this case. 6 Tr 3600-3602; Exhibit AG-19; Consumers' initial brief, pp. 97-99; *see also*, 6 Tr 3542-3549; Exhibits A-192 through A-197.

The ALJ found that Consumers provided reasonable testimony in support of its requested expenditures and that the Attorney General did not support her recommended disallowance "beyond conjecture that the major projects should have been part of the overhaul project." PFD, p. 250. The ALJ thus recommended that company's requested capital expenditures for Ludington be allowed.

No exceptions were filed on this issue.

The Commission finds the ALJ's recommendation well-reasoned and supported by the record. Accordingly, the Commission adopts the ALJ's findings and conclusions on this issue. *See*, PFD, p. 250.

(iii) Campbell Power Plant

The Attorney General proposed that the level of expenditures related to Consumers' proposed wastewater treatment system for Campbell and the relocation of the machine shop at the plant in anticipation of plant closure be adjusted as premature for two reasons: (1) the wastewater treatment system is still in the planning phase of development, and (2) the uncertainty surrounding the length and manner of the company's operation of the plant under FERC jurisdiction makes the timing of the proposed work for when the plant closes questionable. The Attorney General thus recommended a disallowance of $17.782 million in associated capital expenditures in the bridge period and $9.6 million in associated capital expenditures in the test year. 3 Tr 2486-2487; Exhibits AG-21; Attorney General's initial brief, pp. 89-90.[14] Consumers clarified that the bridge

[14] Considering the U.S. Department of Energy's (DOE's) orders to continue operating the Campbell plant past May 2025—when the plant was originally set to retire pursuant to Case No. U-21090—and the company's plan to now refund any amounts collected through the FERC process as a result of FERC's August order in Docket No. EL2-90-000, the Attorney General also recommended that the Commission open a new docket for a contested proceeding to review all aspects, impacts, cost and revenue reconciliations, and refunding of net amounts to customers. 3 Tr 2484-2486; Exhibit AG-20; Attorney General's initial brief, pp. 87-89. Similar to how it was

period amount for the wastewater treatment system has been updated to $12.4 million and, while agreeing that the continued operation of the Campbell plant would impact the wastewater treatment system plant, the company argued that it does not require the company to stop work on the project as speculated by the Attorney General. Rather, the company plans to continue making progress toward completing the project in the bridge period and test year of this case, as continued operation of the plant merely delays completion and project closure. Nevertheless, because the project is now expected to close after the end of the test year in this case, Consumers asserts that the correct ratemaking treatment for the project is to offset the capital expenditures amounts incurred with AFUDC such that there is no revenue requirement impact in this case, which the Commission should adopt instead of the Attorney General's proposed disallowance. 6 Tr 3603-3604, 3551; Exhibit S-8.0; Consumers' initial brief, pp. 99-101.

The ALJ recommended that Consumers' capital proposal, as modified during the case, be approved. Specifically, the ALJ stated:

> At this time, what future action the DOE will take in relation to Campbell is unclear. While the Attorney General's disallowances may make more sense in a future rate case, depending on the DOE's actions, what the Company is proposing appears to do a better job of maintaining the status quo in the face of uncertainty while still planning for ultimate closure of the plant. This PFD recommends adoption of the reduced $12.42 million bridge period capital spending advanced by Consumers, and the $9.6 million proposed for the test year, with capital expenditure amounts offset by AFUDC to remove the spending from the revenue requirement.

PFD, p. 253.

The Attorney General objects and asserts that, despite information that supports disallowing approval of the projects at this time, the ALJ erroneously agreed with the company's position. Standing by her evidence and arguments, the Attorney General maintains her recommendation that

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addressed in the PFD, this issue is discussed elsewhere in this order. *See*, below; *see also*, PFD, p. 251, n. 1023.

forecasted expenditures for these projects be removed in this case. Attorney General's exceptions, p. 54.

The Staff responds to the Attorney General's exceptions to provide clarification. Specifically, the Staff states that it is:

> compelled to reply to this exception because the [Attorney General] continues to carry forward through its analysis an inference that the Company updated the AFUDC offset for this project. That inference seems to stem from Company witness Blumenstock's rebuttal testimony where it appears to reference and imply that the AFUDC offset was updated. (6 TR 3603-04.) However, Staff maintains this is incorrect based on a review of Company Appendix C1, Line 14 from the Company's Initial Brief, in which the AFUDC amount was not changed from the Company's initial filing amount. (Company Initial Br, Appendix C1, line 14.) Based on that clear indication that the discussed adjustment never took place, Staff recommends the Commission, if it approves this project, update the AFUDC offset.

Staff's replies to exceptions, p. 18.

Consumers also responds and asserts that the Attorney General's position "is plainly unreasonable." Consumers' replies to exceptions, p. 46. Consumers states:

> The project is still needed for the reasons expressed in the Company's testimony. The Attorney General has offered no evidence to even suggest that the project is not needed or to explain how the Company is supposed to handle the leachate water at the site post-retirement if it does not complete the project. Given the uncertainty surrounding the plant, the Company needs to continue to be prepared for plant retirement as soon as the DOE finally decides to discontinue its emergency order (or in the event that any of the legal challenges to the DOE's order succeed). Disallowance does not make sense when there is no impact to the rates customers will pay in this case.

Id. Consumers thus asserts that the Commission should adopt the ALJ's recommendation.

The Commission finds the ALJ's recommendation well-reasoned and supported by the record. While the DOE issued a fourth emergency order on February 18, 2026, further extending the operation of Campbell for another 90 days, the Commission agrees with the approval of these expenditures with an offset by AFUDC at this time given the uncertainty still faced with the future of this plant, costs that will be further examined through the FERC process mentioned in the

footnote above. Accordingly, the Commission adopts the ALJ's findings and conclusions on this issue and additionally finds, as pointed out by the Staff in replies to exceptions, that the AFUDC offset should be updated to match the decision in this order. *See*, PFD, p. 253; Staff's replies to exceptions, p. 18.

(iv) Premature Generation Projects

Through discovery, the Attorney General discovered five projects of $3 million or greater that are in the planning phase or recently entered the design/engineering phase. Two of the projects, the Covert Netmation program and the Campbell wastewater treatment system, have already been addressed. The remaining three, however, according to the Attorney General (the Covert Spare generator step up (GSU) for $5.91 million, the Zeeland Phase II gas turbine (GT) advanced gas path replacement and axial fuel staging for $8.331 million, and the Zeeland site spare GSU for $4.481 million) are still in the early stage of development and are thus uncertain if they will proceed as forecasted. The Attorney General therefore asserted that their associated capital expenditures (of $18.722 million) should be removed. 3 Tr 2487-2488; Exhibit A-12, Schedule B-5.2, p. 9; Exhibit AG-21; Attorney General's initial brief, pp. 90-91. Consumers argued that the Attorney General's recommended disallowances are not warranted and should be rejected. Describing the importance, value, and certainty of these projects, the company stated: (1) for the Zeeland spare GSU project, supported with a business case, the next phase is manufacturing and scheduled to end in April 2026, and the spare GSU is not a piece of equipment to be installed so manufacturing, shipment, and then storage of the spare GSU at the site are the final steps for project completion; (2) for the Covert spare GSU project, supported with a business case, the company explained the components of the Covert plant, asserted that if a GSU were to fail the associated turbines within the plant would not be able to transmit power and generate

market value for the company and its customers, and discussed the three-to-four year lead time for a GSU with spare units typically non-existent at other facilities for this more unique design application; and (3) for the Zeeland Phase II advanced gas path project, the company explained the important benefits of the project to the company and its customers and stated that this improvement is in addition to the same project for Zeeland Phase I successfully implemented in spring 2025 with positive performance results after completion. The company did, however, acknowledge that neither the Covert spare GSU project or the Zeeland Phase II project are projected to close prior to the end of the test year in this case and that both projects have accordingly been offset with AFUDC such that the projected capital expenditures for the projects have no impact on the company's revenue requirement in this case. 6 Tr 3518, 3604-3607; Exhibits A-47, A-198, A-199, A-200; Consumers' initial brief, pp. 101-104.

The ALJ recommended that the company's proposed funding for the three projects be allowed in this case. The ALJ stated:

> This PFD credits Mr. Blumenstock's testimony regarding the certainty and reasonableness of the Zeeland spare GSU and recommends allowance of the capital expenditures for that project. The Covert Spare GSU and the Zeeland Phase II projects present closer questions, as they are not anticipated to close by the end of the test year. However, they are not included in rate base, which is appropriate for projects that will not be completed within the test year. Review of Exhibit A-198 regarding the options considered in relation to the Covert spare GSU, and the losses that are likely to occur if the project is not pursued, and Mr. Blumenstock's testimony regarding the benefits that are being realized by Zeeland Phase I, and that are likely to be realized by Zeeland Phase II, bolster the Company's representations that the projects are reasonable and prudent, and that they provide enough benefit to the Company that they will be completed.

PFD, pp. 255-256.

In exceptions, the Attorney General objects and highlights that Consumers admits that neither the Covert Spare GSU nor Zeeland Phase II project is set to close before the end of the test year, which supports her position that they are too premature for approval in this case. The Attorney

General further argues, with regard to the Zeeland Phase I project, that the ALJ bases his recommendation to approve spending "on the Company's claim that manufacture of the spare GSU will be completed in April 2025, which is the final phase of the project," but this is based on the company's presumption that there will not be delays in the manufacturing schedule. Attorney General's exceptions, p. 56. The Attorney General thus maintains that $18.722 million in forecasted capital expenditures should be removed in this case.

Consumers responds and asserts that the Attorney General merely maintains her recommended disallowance but "offers no response to the ALJ's reasoning for rejecting the proposed disallowance or any reasoning of her own about why her disallowance would result in a constructive outcome," which "[i]t would not." Consumers' replies to exceptions, p. 47. Consumers asserts that, "[w]ithout offering any response to the ALJ's reasoning, the Attorney General has effectively abandoned the issue" and contends that the Commission should disregard the Attorney General's objections and adopt the ALJ's recommendation. *Id*.

The Commission finds the ALJ's recommendation well-reasoned and supported by the record. Accordingly, the Commission adopts the ALJ's findings and conclusions on this issue. *See*, PFD, pp. 255-256.

iv. The Association of Businesses Advocating Tariff Equity's Adjustments

ABATE recommended three generation capital expenditure disallowances for lack of justification to support reasonableness and prudence, as discussed in further detail below. ABATE's initial brief, pp. 38-43.

(i) Covert Long-Term Service Agreement Extra Work

ABATE took issue with work not covered under normal planned maintenance in the Covert plant LTSA (bridge period expenditures of $21.163 million for Covert Units 2 and 3 LTSA Extras

work and test year expenditures of $13.618 million for Covert Units 1 and 3 LTSA Extras work), asserting that such amounts are speculative and may not be incurred, are dramatically out of line with actual historical costs, and are thus not justified as reasonable or prudent. Citing Case Nos. U-21389 and U-21585, ABATE noted past evidentiary deficiencies that it asserted the company did not rectify in this case and, in also likening these costs to contingency costs, argued that the Commission should disallow the company's expenditures for extra work not covered by the LTSA from recovery through customer rates at this time, consistent with the Commission's findings in Consumers' prior electric rate cases. 6 Tr 3692-3693; Exhibit AB-3, pp. 22-59; ABATE's initial brief, pp. 39-41; March 1 order, pp. 55-56; March 21 order, p. 149. Consumers rebutted, stating that it is conducting major inspections at Covert Units 1, 2, and 3 during the bridge period and test year of this case; noting that the major inspection on Covert Unit 2 was completed on May 25, 2025, with actual capital expenditures of $12.7 million now known and notably above ABATE's recommended disallowance of $12.153 million for the same; and noting similar work for Covert Units 1 and 3 as was done for Covert Unit 2, all being units that are identical, have similar operating history, have identical pre-defined scopes of work, and have work that is required pursuant to the company's LTSA with Mitsubishi, failure of which would negate any warranty provisions. Consumers further distinguished the Commission's findings in Case Nos. U-21389 and U-21585 from the present case, arguing that the company has now owned the plant for more than two years and has significant recent actual historical experience from operating the plant on which to base its cost projections. Consumers also noted ABATE's own testimony acknowledging that the company provided more detail on this issue in this case compared to past cases. 6 Tr 3514-3515, 3519-3520, 3592-3594, 3693; Exhibit A-191; Consumers' initial brief,

pp. 104-107. In response, ABATE pointed to actual historical experience to counter Consumers' claims that the company's projections are not unduly speculative. ABATE's reply brief, pp. 7-8.

The ALJ found that Consumers' actual spend for Covert Unit 2 exceeded the projected bridge period amount requested by the company in this case. However, finding the company's originally requested and projected bridge period amounts to be documented, not speculative, and already incurred, the ALJ thus recommended that $12.153 million in actual capital spend be approved. PFD, p. 260. From there, the ALJ focused on past Commission disallowances on LTSA Extras in relation to Covert Units 1 and 3 for lack of historical data used in cost estimations and found historical data still lacking, particularly with regard to Unit 3 where projected spending exceeds costs actually incurred for Covert Unit 2. However, the latter is now described in evidence as similar to Units 1 and 3, including in terms of how operated and maintained. Against this background, the ALJ found the Covert Unit 1 LTSA Extras work reasonable in comparison to actual expenditures for Covert Unit 2 and thus recommended that the company's projection of $9.525 million for the projected test year be allowed as notably under the cost actually incurred for the same work at a similar unit in the same plant. PFD, pp. 260-261. The ALJ, however, found no reasonable basis presented by the company to justify that spending on Covert Unit 3 will exceed that already spent for Covert Unit 2, calling the projected spend "inexplicable" and "wholly speculative." *Id*., p. 261. Nevertheless, finding that the company presented reasonable evidence that at least some of the projected expenditures will be incurred for Unit 3 (as a similarly situated unit in all respects to Unit 2), the ALJ recommended that allowed spending for Covert Unit 3 be capped at $12.7 million for the same work (resulting in a proposed disallowance of $403,000 in relation to Unit 3). *Id*., p. 261.

In exceptions, ABATE notes the ALJ's focus on the lack of historical data and maintains that Consumers' projected spending for these projects is unsupported and should not be approved. In further support, ABATE also notes the ALJ's acknowledgement that the company's projected spend for Covert Unit 3 is "'inexplicable, as it appears wholly speculative in comparison to'" historical data and "'the Company's testimony regarding actual spending in relation to Unit 2.'" ABATE's exceptions, p. 13 (quoting PFD, p. 261). With this, ABATE disagrees with the ALJ and argues that the actual spend for Unit 2 "does not provide a reasonable basis for authorizing millions of dollars of cost recovery" and that "[a]s the Company's evidentiary presentation for Covert Unit 3 continues to be inadequate here the Commission should not approve cost recovery based on assumptive forecasts relating to a separate unit." ABATE's exceptions, pp. 13-14. Moreover, per ABATE:

> The Company has not rectified the evidentiary deficiencies the Commission previously found to warrant rejecting cost recovery. Again, as the Commission noted in the Company's prior rate case, the Company "may recover reasonable and prudent costs in a future rate case" after the amount actually incurred is known. *In the Matter of the Application of Consumers Energy Co*, order of the Public Service Commission, entered March 1, 2024 (Case No. U-21389), p 56. Considering this context, and the fact that historical annual amounts vary significantly from year-to-year with no clear trend, it is neither reasonable nor prudent to approve the Company's significant proposed cost increase projections.

ABATE's exceptions, p. 14.

Consumers also filed exceptions to clear up the ALJ's confusion leading to his $400,000 disallowance recommendation with regard to Covert Unit 3 that the company asserts the Commission should decline to adopt. Consumers, in this regard, states that:

> [t]he ALJ correctly recognized that the inspections for Unit 2 identified specific LTSA Extras work that needed to be completed and that the actual cost to complete that work in 2025 was approximately $12.7 million. However, the Company did not complete all of the work identified by the Unit 2 inspection during 2025. In addition to the $12.7 million of work completed in 2025, there was about $400,000 worth of work that the Company was not able to complete in 2025, but is

> completing early in 2026. Therefore, the forecasted LTSA Extras cost for Unit 3 is not $400,000 higher than the cost for Unit 2 – it's the same amount because it includes the additional work that is still underway for Unit 2. The Company forecasts that there will be less work needed for Unit 1, which is why that cost forecast is lower. But, Units 2 and 3 need the same scope of work and are expected to cost the same. Therefore, the Commission should decline the $400,000 disallowance recommended by the ALJ because there is not a cost discrepancy between the Unit 2 actual costs and the Unit 3 projected costs.

Consumers' exceptions, pp. 38-39.

ABATE responds and asserts that, because the $400,000 worth of work referred to in Consumers' exceptions is speculative and because the company can later seek recovery once actual costs are incurred, the Commission should reject the company's request for cost recovery here for all extra work not covered under normal planned maintenance in the LTSA. Continuing, ABATE notes:

> In comparing Covert Unit cost projections, the PFD found that there was "no evidence to support Mr. Blumenstock's assertion that inspections of Covert Unit 1 and Covert Unit 3 will reveal the same issues that were found at Covert Unit 2" and such "project spending is speculative and indeterminate." (PFD at 233-34.) Indeed, "past Commission disallowance of the LTSA extras spending keyed on the lack of historical data used in cost estimation" and "[s]uch historical data is still lacking, particularly in relation to Unit 3." (PFD at 260.) The variance in historical costs demonstrate that it is unreasonable to approve the Company's projections here. (See ABATE Initial Br at 39-41.) There is simply not a consistent level of expenditures for these costs, which are based on work that may or may not be necessary. The Commission should therefore disallow cost recovery of Consumers' requested projected bridge period and test year capital expenditures for extra work not covered by the LTSA.

ABATE's replies to exceptions, pp. 6-7.

Consumers also responds and states, contrary to ABATE's exceptions and as explained in the company's own exceptions, there is no difference between the company's actual LTSA Extra costs for Covert Unit 2 and its costs for the same work needed on Covert Unit 3. Consumers asserts that "[t]he ALJ did not realize that $400,000 of the Covert Unit 2 costs were yet to be completed in 2026," and "[w]hen added to the actual costs in 2025, the Covert Unit 2 costs match the projected

costs for Covert Unit 3." Consumers' replies to exceptions, p. 35. Thus, per Consumers, "there is good historical evidence in this case to support approval of the full amount of the Company's expected capital expenditures for Covert Unit 3," "there is no merit to ABATE's even more onerous proposal to disallow all of those costs," and "[t]he Commission should reject ABATE's proposed disallowance." *Id*.

The Commission agrees with the ALJ in part. The Commission agrees with the ALJ in this part of the PFD that Covert Units 1, 2, and 3 are "similar unit[s]" and "similarly operated and maintained." PFD, p. 260. While ABATE points out inconsistencies in the ALJ's findings regarding the similarity of the projected work for Units 1, 2, and 3, testimony on behalf of the company explicitly states that "[t]he units are identical, have similar operating history, and the pre-defined work scope is identical," that "[i]t is also reasonable to expect that the same repair items and EWAs [Extra Work Assignments] will be discovered during the major inspections on Covert Units 1 and 3," and that "[t]here is no uncertainty as to whether the capital expenditures will be incurred, [as] actual costs support Covert Unit 2 and the performance of identical major inspections on Covert Units 1 and 3 will yield the same results." 6 Tr 3593-3594; *see also*, 6 Tr 3609; Exhibit A-191. That said and acknowledged, however, the Commission notes discrepancies by the company as to the costs it actually incurred for Covert Unit 2. While Consumers, in rebuttal evidence prepared in October 2025, states that "the major inspection on Covert Unit 2 was completed on May 25, 2025," and that "the actual LTSA extra work performed at Covert Unit 2 totaled $12.7 million," the actual incurred expenditures provided to the Staff during discovery in July 2025 do not match this amount. 6 Tr 3592; *see also*, Exhibit S-8.0, p. 2. And with regard to Covert Unit 3, although Consumers asserts, in exceptions, that a $400,000 disallowance for the unit is not warranted based on additional work still needed for

Unit 2 that the company is going to complete in early 2026, the company does not cite to the record where the support or request for this additional work for Unit 2 is specifically discussed or justified in this case. Nevertheless, finding the LTSA Extra work for the Covert units to be reasonable and prudent (*see*, Exhibit A-191), and consistent with the decisions above, the Commission finds it reasonable and prudent to allow cost recovery of $8.573 million in the test year for LTSA Extras work for Covert Unit 1 (factoring in the 10% Class Cost Estimate reduction decided above for certain projects over $1 million in the test year ($9.525 million minus 10%) (*see*, Exhibit S-8.4)), $194,000 for LTSA Extras work for Covert Unit 2 in the bridge period (as agreed to by Consumers in Exhibit S-8.0 (*see also*, 6 Tr 3607 and Exhibit S-8.1)), $9.057 million for LTSA Extras work for Covert Unit 3 in the bridge period (as agreed to by Consumers in Exhibit S-8.0 (*see also*, 6 Tr 3607 and Exhibit S-8.1)), and $3.684 million ($4.093 million minus 10% (factoring in the 10% Class Cost Estimate reduction decided above) (*see*, Exhibit S-8.4)) for LTSA Extras work for Covert Unit 3 in the test year.

(ii) Zeeland Long-Term Service Agreement Supplements

Similar to Covert, ABATE also took issue with work not covered under normal planned maintenance for Zeeland and thus asserted that such amounts ($4.703 million of capital expenditures for the bridge period and $810,000 for the test year) be disallowed as speculative, inadequately supported, significantly out of line with historical actuals, without a clear historical trend, and, therefore, neither reasonable nor prudent to include in rates at this time. 6 Tr 3694-3695; Exhibit AB-3, pp. 2-59; ABATE's initial brief, pp. 41-42. Consumers disagreed and asserted that ABATE's proposed disallowances should be rejected as unsupported. The company explained that it is now only seeking $2.795 million for the bridge period for this work (of which $2.12 million reflects actuals through June 2025), consistent with the Staff's proposed adjustment

in Exhibit S-8.1 based on actuals; stated that ABATE has repeatedly requested a disallowance of capital investments for Zeeland based on similar grounds, which the Commission has consistently rejected; reiterated that this work includes items typically discovered on this style of gas turbine, based on the company's historical outage experience and work that is projected; cautioned that if it does not perform this work it would void equipment warranties; stated that because the work is emergent based on results of regular inspections, costs are not expected to be consistent year to year (but average about $4 million annually); and explained that the lack of spending in 2024 results from the bulk of the work for the Zeeland Phase I gas turbine advanced gas path replacement and axial fuel staging project being completed in 2023 but formally incorporated in the LTSA for 2024. 6 Tr 3595-3596; Consumers' initial brief, pp. 107-108.

The ALJ recommended that Consumers' proposal, as modified during the case to reflect actuals, be approved. Specifically, the ALJ stated:

> The Commission has previously allowed LTSA extras spending at Zeeland because the cost projections were revised based on actual spending and were based on historical data supporting the requested expenditures. Furthermore, $2.12 million of the $2.795 million sought in the bridge period has been incurred and presented in testimony. The $0.81 million for the projected test year is not out of keeping with historical spending amounts reflected for 2021 and 2022, reflecting only a modest increase to meet increasing costs. Because the bulk of the bridge period spending has already been incurred, and the projected test year spending is in line with historical spending amounts, this PFD recommends allowance of $2.795 million in capital expense [sic: expenditures] for Zeeland LTSA extras for the bridge period, and $0.81 million for the test year.

PFD, p. 263 (footnote omitted; citing March 21 order, p. 149).

In exceptions, ABATE argues that Consumers' historical spending for this cost category demonstrates that the company's projections are not reliable and should be rejected. Despite the ALJ's findings otherwise, ABATE asserts that actual spend for this cost category varies widely—with actual costs at approximately $0.5 million in 2021 and 2022, $15.2 million in 2023, and

negative $191,534 for 2024 and with the company also acknowledging the inconsistency at first glance. ABATE's exceptions, pp. 14-15 (citing 6 Tr 3596; Exhibit AB-3, pp. 2-59). Moreover, per ABATE:

> The Company's assertion that this [2024] amount is incorrect because of "a credit to the 2018 LTSA extra work capital expenditure amount" further demonstrates the volatility of these costs, as does its assertions that "LTSA extra work capital expenditure amounts for 2023 and 2024 were $0.497 million and $0.330 million, respectively." (Blumenstock 6 Tr 3592-96.) In other words, there is no clear historic[al] trend in the capital expenditures associated with this category. The amounts proposed by Consumers are therefore highly speculative and may or may not be incurred at all.

ABATE's exceptions, p. 14. ABATE thus argues that the company has not met its burden to demonstrate that these projections are reasonable or prudent to include in rates at this time.

Consumers responds and, while not disputing that these costs vary from one year to the next, reiterates that these investments from 2021 to 2024 averaged approximately $4.04 million per year and actual costs as of October 21, 2025, at the time of rebuttal testimony, were $2.12 million.

Consumers' replies to exceptions, p. 38 (citing 6 Tr 3595-3596).[15] Based on this, Consumers asserts that its forecasted test year cost is "conservative and reasonable" and highlights that the Commission "has consistently approved the Company's conservative forecasts of Zeeland LTSA

[15] At the beginning of its response on this issue, Consumers notes that ABATE only specifically discusses the company's test year amount for this issue in exceptions, noting the company's claim that ABATE does not appear to be challenging the bridge period amount. Consumers' replies to exceptions, p. 38, n. 1. The Commission finds that, while ABATE only specifically mentions the $0.81 million for the projected test year and not also the $4.703 million of capital expenditures for the bridge period, ABATE's exceptions refer to amounts, projections, and expenditures in the plural. ABATE's exceptions, pp. 14-15. The Commission therefore treats ABATE's exceptions as objections relative to the entirety of the company's projected expenditures for this cost category—for both the bridge period and the projected test year—consistent with ABATE's original position in the case. Even if incorrect though, the Commission, in its review of the PFD, has "all the powers which it would have if it had presided at the hearing," meaning that it has the power to review an issue even without exceptions filed. MCL 24.281(3).

Extra investments in recent cases based on a comparison to the historical experience and has not held that the variability of this cost category is a reason to disallow any recovery for investments that history shows are routinely required." Consumers' replies to exceptions, p. 39 (citing March 1 order, p. 64, and March 21 order, pp. 148-149). Consumers thus argues that the Commission should once again reject ABATE's arguments against this work.

The Commission overall finds the ALJ's recommendation on this issue to be well-reasoned and supported by the record. Notably, the Commission is persuaded that Zeeland LTSA Extras work includes typical discovery items found on this style of gas turbine, based on the company's historical outage experience and work projected by the company, and that, because the work is emergent based on the results of regular inspections, the costs are not expected to be consistent year to year. 6 Tr 3535, 3595; Consumers' initial brief, pp. 107-108. Consistent also with decisions above on updated projections for capital projects over $1 million in the bridge period, the Commission therefore finds $2.795 million in capital expenditures for Zeeland LTSA Extras work for the bridge period, as agreed by the company and the Staff,[16] along with $0.81 million for the test year, reasonable and prudent for cost recovery in this case.

(iii) Jackson Long-Term Service Agreement Extra Work

Similar to Covert and Zeeland, ABATE again took issue with work not covered under normal planned maintenance for Jackson and thus asserted that such amounts ($2.115 million of capital expenditures in the bridge period and $0.315 million in the test year) be disallowed as speculative, inadequately supported, significantly out of line with historical actuals, and, therefore, neither reasonable nor prudent to include in rates at this time. 6 Tr 3695-3696; Exhibit AB-3, pp. 2-59;

[16] The Commission notes, solely for awareness purposes when reviewing this order, that it appears that the company inadvertently forgot to update its revenue deficiency numbers in rebuttal and in briefing to reflect this agreed-upon updated amount during the pendency of this case.

ABATE's initial brief, pp. 42-43. Consumers disagreed and asserted that ABATE's proposed disallowances should be rejected as unsupported. The company reiterated that this work includes items typically discovered on this style of gas turbine, based on the company's historical outage experience and work that is projected; cautioned that, if it does not perform this work, it would void equipment warranties; stated that average spending for Jackson LTSA extras from 2021-2024 has been about $2.235 million annually (clarifying spend of $3.92 million in 2022); and noted the company's increased forecast for the bridge period of $3.472 million (with actual spend of $3.426 million as of September 2025), as reflected in Exhibit S-8.1. 6 Tr 3596-3597; Consumers' initial brief, pp. 109-110.

The ALJ recommended that Consumers' original proposal be approved. Specifically, the ALJ stated:

> The Commission has previously allowed LTSA extra work spending at Jackson because the cost projections were revised based on actual spending and were based on historical data supporting the requested expenditures. The originally projected test year and bridge period spending is within historical norms, and actual bridge period spending has already surpassed the projected spending in that year. Nevertheless, because the increase in the bridge period projection amount is coming at a late stage of the case, potentially depriving intervenors of an opportunity to reasonably object to the increased amount, and because documentation of increased spending is thin, this PFD recommends that only the $2.115 million originally filed for the bridge period, and the $0.315 million for the test year, be approved.

PFD, pp. 264-265 (footnote omitted; citing March 21 order, p. 149).

In exceptions, ABATE argues that, because Consumers' expenditures in this cost category vary widely, the Commission should not approve the company's projections presented here. In further support, ABATE notes the ALJ's finding of Consumers' evidence to increase its bridge period projections as "'thin'" and asserts that "[t]he fact that the Company's bridge period costs increased but were not adequately supported further evidences the reality that the Company's cost projections here are not sufficient to support recovery based on projections." ABATE's

exceptions, p. 15 (quoting PFD, p. 265). Similar to Zeeland, ABATE further reiterates that Consumers' projected costs are significantly out of line with historical actuals—with actual costs of $4.2 million in 2021, negative $0.181 million in 2022, and less than $0.5 million in 2023 and 2024. ABATE's exceptions, p. 15 (citing Exhibit AB-3, pp. 2-59; ABATE's initial brief, pp. 41-42). In short, per ABATE:

> the Company failed to adequately support its projections and there is no clear historical trend justifying Consumers' proposal. The Company therefore failed to meet its evidentiary burden and the amounts proposed by Consumers are speculative and may or may not be incurred. The Commission should therefore disallow cost recovery of Consumers' total proposed capital expenditures for this extra work not included in the LTSA. Once these costs (if any) are incurred the Company can seek cost recovery in a future rate case.

ABATE's exceptions, p. 16.

Consumers also filed exceptions and objects to the ALJ's recommendation for the Commission to approve $2.115 million in the bridge period rather than the $3.472 million updated forecast that the Staff proposed and the company agreed to. Consumers, in this regard, argues that:

> this recommendation should be rejected for the same reasons discussed above regarding all of the post-filing capital spending updates requested by Staff for generation projects over $1 million. There is even more reason to reject this disallowance because, in this instance, Staff recommended *including* the cost increase in final rates. Not only did Staff obviously have the *opportunity* to review this cost increase, the Commission can infer that Staff *acted on that opportunity* because Staff affirmatively recommended approval. Again, consistent with the Michigan Supreme Court's holding in *Michigan Consol Gas*, it would be arbitrary, unreasonable, and unfair – to the detriment of the Company's due process rights – to include all future cost reductions in rates while selectively excluding expected cost increases.

Consumers' exceptions, pp. 39-40 (emphasis in original).

ABATE responds and asserts that, because these amounts are speculative, the Commission should reject Consumers' objection and projections. ABATE argues that the company "is required

to support its requested revenue increase in its direct case; revised increases proposed later in a rate case should not be approved" and contends that:

> [i]f the requisite information cannot be provided "in the direct evidence supporting the initial filing, but could potentially be provided later in rebuttal evidence, then the project is one that should be included in the utility's next rate case, as soon as 12 months later, where the utility can supply the requisite information."

ABATE's replies to exceptions, p. 7 (quoting December 17, 2020 order in Case No. U-20697, p. 11). ABATE asserts that the ALJ's concern is well-founded and maintains that the company's cost projections for this cost category are inherently unstable and cannot be reasonably used to establish cost recovery for the same in this case. Thus, per ABATE, the Commission should disallow cost recovery for the company's total proposed capital expenditures for extra work here not included in the LTSA.

Consumers also responds and, while not disputing the variability of these costs from one year to the next, highlights that its investment from 2021 to 2024 have averaged approximately $2.24 million per year and its actual costs for this work up to June 2025 were $2.758 million. Consumers' replies to exceptions, p. 39 (citing Exhibit AB-3, p. 4, line 1 (for the 2021 value) and 6 Tr 3596-3597 (for the remaining values)). Based on this experience, Consumers asserts that its test year projection is conservative and reasonable, as is its bridge period investments. Consumers further notes testimony on its behalf that its projected bridge period amount is "'relatively certain'" to be incurred based on work performed through June 2025 and that the Staff reviewed the increased bridge period forecast and also found it reasonable to include in rates. Consumers' replies to exceptions, p. 40 (quoting/citing 6 Tr 3597 and Exhibit S-8.1, p. 11). Lastly, Consumers states that the Commission "has consistently approved the Company's conservative forecasts of Jackson LTSA Extra investments in recent cases based on a comparison to the historical experience and has not held that the variability of this cost category is a reason to disallow any

recovery for investments that history shows are routinely required." Consumers' replies to exceptions, p. 40 (citing March 1 order, p. 64, and March 21 order, pp. 148-149). Thus, per Consumers, the Commission should once again reject ABATE's arguments against this work.

The Commission partially agrees with the ALJ's recommendation on this issue. Notably, and similar to above, the Commission is persuaded that Jackson LTSA Extras work includes typical discovery items found on this style of gas turbine, based on the company's historical outage experience and work projected by the company. 6 Tr 3540; Consumers' initial brief, p. 109. Consistent also with decisions above on updated projections for capital projects over $1 million in the bridge period, however, the Commission finds $3.472 million in capital expenditures for Jackson LTSA Extras work for the bridge period, as agreed by the company and the Staff, along with $0.315 million for the test year, reasonable and prudent for cost recovery in this case. Although the ALJ recommended that the bridge period approval be capped at $2.115 million based on the company's original projection, the ALJ inadvertently failed to realize that this amount was already accepted and updated above. *See*, PFD, p. 234, and Exhibit S-8.1, line 11. *See also*, above. The Commission also notes that this line item was also included in the company's original rate case application filing and was not introduced as a new project during the pendency of the case—a distinguishing factor from expenditures for the three new 2025 projects on Exhibit S-8.0 which have already been discussed and disallowed above.

v. Michigan Environmental Council; Natural Resources Defense Council, Inc; Sierra Club; and Citizen Utility Board of Michigan's Adjustments and Other Recommendations

(i) Recommended Adjustments

MNSC asserted that the Commission should disallow $5.28 million in incremental capital expenditures for two projects at the Jackson gas plant (the Jackson spare GSU project and the

Jackson LM1-6 variable inlet guide vane (VIGV) project) based on insufficient support that the projects show positive economic benefits in this case. For each project, MNSC argued that Consumers used inaccurate assumptions in the company's BCA to support the economic benefit of the project, to which Consumers conceded and then failed to revive via new analysis on rebuttal that was later stricken. Per MNSC, Jackson is the most economically vulnerable of the company's three natural gas combined cycle plants, and, thus, further investments in the plant should be carefully considered. 6 Tr 3883-3901; November 7, 2025 Ruling on Motion to Strike; MNSC's initial brief, pp. 13-19. Consumers rebutted and asserted that MNSC's recommended disallowances should be rejected and the company's incremental spending for the projects should be approved. Consumers argued that generation portfolio concerns are more appropriately addressed in IRP proceedings and stated that the Commission considered the appropriate role of the Jackson plant in Case No. U-21090. The company reiterated the need for the projects; highlighted that the Commission approved both projects in Case No. U-21585, finding the projects to be beneficial and well justified; argued that MNSC failed to provide any new evidence pursuant to *Pennwalt Corp v Pub Serv Comm*, 166 Mich App 1; 420 NW2d 156 (1988) (*Pennwalt*) to demonstrate that the projects on the whole are unreasonable; and asserted that it would be unreasonable and financially risky to customers to defund projects underway before they are completed based on speculative and improbable concerns about the full degree of benefits relative to the low cost of the projects. 6 Tr 3539-3540, 3616-3620; Exhibits A-45, MEC-12; Consumers' initial brief, pp. 110-117. MSNC replied and stated that the reasonableness of these two projects were neither litigated nor adjudicated in Case No. U-21585, and thus *Pennwalt* does not apply, and that it is Consumers who bears the burden of proof by a preponderance of the evidence, not MNSC to prove the opposite fact. MNSC's reply brief, pp. 3-4.

The ALJ indicated that MNSC stated the proper burden of proof in a rate case and that this is not the contested case scenario contemplated by *Pennwalt* but recommended that the company's requested expenditures in this case nevertheless be allowed. In his reasoning, the ALJ found it:

> troubling, particularly in relation to the VIGV project that is well under way at a relatively low cost, to question project reasonableness in so short a time after approval of the projects in a prior rate case. Because the VIGV project is already being installed, and Consumers has provided evidence that the project is expected to provide substantial fuel efficiency improvements, albeit based on economic analyses that were somewhat flawed, this PFD is reluctant to pull the plug at this time and recommends funding for this project be approved. Similarly, Consumers has provided credible testimony that, while the capacity factor used in the calculation was wrong, its derate for the spare GSU was more accurate. The plant is currently set to run until 2041, with the likelihood of a GSU failing growing year-over-year, even if it has a relatively low likelihood of failure at present. The Company's testimony regarding the potential derate in the event of a failure is also compelling. In light of up to a 3 year delay to order a new GSU, and the losses at Jackson that would result without a spare GSU on hand if an existing unit fails, this PFD recommends full allowance of the amounts requested in this case.

PFD, pp. 274-275 (footnote omitted; citing 6 Tr 3540).

In exceptions, MNSC argues that the reasoning to support the ALJ's recommendation, which MNSC states "has been used in other recent orders[,] . . . is troubling and should be rejected." MNSC's exceptions, p. 2 (citing PFD in Case No. U-21860, p. 188). MNSC, in this regard, asserts that:

> [a]t its core, the PFD's recommendation is based on a sunk-cost fallacy – i.e., that project spending must continue to be authorized simply because a project has started and some spending was previously approved. The logic appears to be that it would be wasteful to withhold additional funding for an incomplete project, even if a party presents evidence that the project is based on defective analyses. Such logic is backwards and mistakes the Company's burden of proof.
>
> In rate cases, the Commission has the responsibility to ensure that all spending is reasonable and prudent and supported by the appropriate analysis. It is the Company's burden to provide such analysis and to "place in evidence facts . . . to support the utility's petition" – and the evidence must be sufficiently "thorough, detailed, and meaningful" to "support a finding that the costs are just and reasonable." Where the Company fails to do so, "the Commission's hands are tied" – the costs must be rejected.

MNSC's exceptions, p. 2 (footnotes omitted; citing MCL 460.6a and quoting June 7, 2012 order in Case No. U-16794, p. 13).

In this case, MNSC argues that Consumers failed to provide thorough, detailed, and meaningful economic analysis of the costs for these two projects, which is factually documented in the record and in the PFD. MNSC's exceptions, pp. 2-3 (citing 6 Tr 3892-3901; PFD, pp. 274-275). MNSC further argues that the Commission previously rejected costs for River Rouge for substantially similar reasons (i.e., inadequate economic analysis) in Case No. U-16794 and, "while the PFD repeats some of the project benefits alleged by Consumers, that is not a proper basis for allowing project costs in this case, especially considering that the Company can always reapply in the future." MNSC's exceptions, p. 3.

Moreover, and critically, per MNSC:

> neither the record in this case nor the record in Case No. U-21585 support the PFD's finding that the GSU and VIGV projects were approved as reasonable and prudent in [Case No.] U-21585 – or, if they were approved, that they were approved at the amounts claimed. The PFD appears to have accepted Consumers' bare contentions to this effect, but those contentions are not supported by any evidence.

MNSC's exceptions, p. 3. More specifically, MNSC states that there is no evidence in the record in this case to support the ALJ's conclusion that both projects were found to have value and be approved in Case No. U-21585, noting that cited testimony on behalf of Consumers contains nothing more than bare assertions on this point, with no citation to Case No. U-21585 because there is none. *Id*. (citing PFD, p. 272; 6 Tr 3617; Consumers' initial brief, p. 117). Continuing, MNSC states:

> The Order in [Case No.] U-21585 never mentions the GSU project or the VIGV project. Neither project appears anywhere in Consumers' generation capital exhibit in Case No. U-21585. Consumers witness Blumenstock did not testify *at all* regarding the GSU project in Case No. U-21585. In this case, the filing

> attachments do not identify any expenditures for the GSU in 2024 and only $500,000 of expenditures for it in 2025.
>
> Mr. Blumenstock mentioned the VIGV project only in passing in Case No. U-21585. He stated it was one of 12 small projects each representing less than $262,500 in expenditures. Consumers identifies only $7,885 in expenditures for the historical period of January to December 2024. That amount is far lower than the $1,036,667 that Consumers says the Commission approved in [Case No.] U-21585.
>
> Furthermore, the Company never presented any evidence in [Case No.] U-21585 establishing the reasonableness and prudence of the GSU project or the VIGV project. The record in this case shows that Consumers' original concept approval for the GSU is dated November 14, 2024. The Company's original concept approval for the VIGV project is dated October 17, 2024. Consumers filed its application in [Case No.] U-21585 on May 31, 2024, more than five months before these concept approvals.
>
> Finally, even if Consumers' unsupported contentions are taken at face value, most of the spending on both projects is at issue in this case – not [Case No.] U-21585. The Company claims to have received approval of $916,667 for the GSU project in [Case No.] U-21585 but seeks $3.66 million in this case. Similarly, Consumers claims to have received approval of $1,036,667 for the VIGV project in [Case No.] U-21585 but seeks $1,614,898 in this case.
>
> The Commission should not adopt the PFD's recommendation on these two projects because it is not based on substantial evidence. Even if it was based on substantial evidence, the PFD's recommendation implies that Consumers can start spending on a project before concept approval; never mention[s] (or barely mention[s]) the project in the prior rate case; fail[s] to support the project as reasonable and prudent due to deficiencies in the concept approval; and yet still have future spending on the project locked in for subsequent rate cases so long as no party challenges the initial spending in the first case where it possibly can be challenged. And of course, no party would challenge the project in the prior rate case because Consumers never mentioned it in testimony or supported it in exhibits – or, like the VIGV project, mentioned it only as an under $262,500 expenditure. That is not a workable outcome for the parties or for Consumers' customers, who are stuck with the bill for projects snuck in under the radar in this fashion.

MNSC's exceptions, pp. 4-6 (footnotes omitted; emphasis in original; citing March 21 order, pp. 125-129; Exhibit A-12, Schedule B-5.2 in Case No. U-21585; 5 Tr 1387-1521 in Case No. U-21585; Consumers' Part III Filing Requirements, Attachment 131, line 22; 6 Tr 3895; Exhibits A-45, MEC-12, and MEC-50; and application in Case No. U-21585).

Consumers responds and, following a recap of evidence on the issue, disputes ABATE's assertion that the ALJ's recommendation was "'not based on substantial evidence'" as "plainly not accurate." Consumers' replies to exceptions, p. 42 (quoting MNSC's exceptions, p. 5); *see also*, Consumers' replies to exceptions, pp. 40-41. Per Consumers:

> The ALJ relied on all of the evidence discussed above [in replies to exceptions], which includes the fact that the cost-benefit analysis presented in this case showed that the project passed the cost-benefit test by a very large margin, even if one assumption used in the analysis was too high, and the fact that there is no cost-benefit analysis showing that changing that one assumption would change the result of the cost-benefit test.

Id., p. 42.

Consumers further disputes MNSC's sunk-cost fallacy claim, arguing that the ALJ did not state that a utility's projects should never be disallowed once costs are incurred. Rather, according to Consumers:

> [the ALJ] reasoned that, after a very recent determination that a project is reasonable, very minor and inconclusive flaws in the cost-benefit analysis are not sufficient to justify discontinuation of funding for the project. Those are very different propositions. Once the Commission has determined that a project has been sufficiently well supported as reasonable to include in rates, and customers have begun to bear the cost of that project, there should be some tangible and affirmative evidence that the project is <u>not</u> still reasonable before withdrawing the funding needed to complete the investments already begun. There is no such tangible or affirmative evidence in this case. The ALJ's reasoning on this issue was pragmatic and appropriate.

Id., pp. 42-43 (emphasis in original).[17]

Consumers next disputes MNSC's claim that there is no evidence in the record to support that the projects were approved and were found to have value in Case No. U-21585 as "demonstrably false." *Id*., p. 43. Consumers states:

> Mr. Blumenstock offered testimony in the record of this case to support that conclusion. Specifically, he testified: "the Company received approval of these projects in its 2024 electric rate case, Case No. U-21585, and has continued to move forward with their implementation in good faith." 6 TR 3616. MNSC cannot cleanse evidence that undermines their claims from the record merely by ignoring the fact that it is there. Nevertheless, MNSC carries its untruthful claim even further by going beyond the record in this case to claim that "Consumers witness Blumenstock did not testify at all regarding the GSU project in Case No. U-21585." MNSC's Exceptions, page 4. In addition to the fact that it is inappropriate for MNSC to argue from evidence that it is not a part of the record in this case (MCL 24.276; MCL 24.285), its claim is once again demonstrably false. Mr. Blumenstock's testimony regarding the Jackson GSU project can be found on page 1476 of volume 5 of the public transcript in Case No. U-21585. Likewise, MNSC claims that Mr. Blumenstock mentioned the VIGV project in Case No. U-21585 "only in passing" and that he only supported some amount less than $262,500 in spending for that project in that case. MNSC's Exceptions, page 4. Once again, ignoring the fact that the claim is inappropriately based on non-record evidence, the claim is again demonstrably false. MNSC only cited Mr. Blumenstock's testimony regarding the *bridge period* forecast for the VIGV project in Case No. U-21585 (which is discussed at the top of page 1475 of volume 5 of the public transcript in that case), but ignores Mr. Blumenstock's more detailed testimony about the *test year* forecast of $900,000 for the VIGV project in that same case found, once again, on page 1476 of volume 5 of the public transcript in

[17] Although not contesting the ALJ's decision to the contrary, Consumers nonetheless noted its disagreement with the ALJ on the applicability of the *Pennwalt* doctrine here, asserting that "this is really just the lesson that *Pennwalt* teaches." Consumers' replies to exceptions, p. 43, n. 3. By applying *Pennwalt*, Consumers argues, the burden would have appropriately shifted to MNSC on this issue. Nevertheless, per Consumers:

> Even where the burden of proof remains on Consumers Energy, the ALJ correctly recognized it is simply not reasonable to disrupt recently approved projects where there is a lack of conclusive evidence showing that the projects are no longer economic for customers. The fact that the ALJ's reasoning is consistent with the court's reasoning addressing a similar problem strongly supports the conclusion that the ALJ's reasoning is sound.

Id.

> Case No. U-21585. Contrary to MNSC's claims, the Company presented ample evidence supporting the reasonableness and prudence of the proposed investments in the Jackson spare GSU and VIGV projects in Case No. U-21585 and in this case.

Consumers' replies to exceptions, pp. 43-44 (emphasis in original).

Finally, Consumers clarifies that MNSC is not only seeking to disallow incremental spending for these two projects in this case but also amounts approved in Case No. U-21585. *Id*., p. 44 (citing 6 Tr 3617, 3896). Thus, Consumers asserts that, even if the Commission finds a disallowance warranted, which it should not, "the maximum appropriate disallowance would be $578,031 for the VIGV project and $2.75 million for the Jackson spare GSU project." Consumers' replies to exceptions, pp. 44-45 (citing 6 Tr 3619-3620).

In short, per Consumers:

> The ALJ's recommendation to fully fund the Jackson spare GSU project and the VIGV project was reasonable and appropriate given the evidence in this case and the recency of the Commission's approval of the first increment for these projects. The Commission should adopt the ALJ's recommendation and approve the full amount of the Company's forecast for those projects in rates.

Consumers' replies to exceptions, p. 45.

The Commission finds the ALJ's recommendations well-reasoned and supported by the record. While neither of these projects nor their associated expenditures were litigated (i.e., disputed) in Case No. U-21585, none of the associated expenditures were found unreasonable in that case, and, as set forth in the instant case, the company has demonstrated that the requested expenditures for the bridge period and test year for these projects in this case are reasonable and prudent. 6 Tr 3539-3540, 3616-3620. Accordingly, the Commission adopts the ALJ's findings and conclusions on this issue. *See*, PFD, pp. 274-275. The Commission, however, acknowledges MNSC's concern about the possibility of projects/programs sneaking into rate cases under the radar (i.e., with low initial requested expenditure amounts, potentially not drawing the attention of

parties in the case), with those projects/programs being noncontroversial and their associated expenditures approved as a result, and with utilities potentially seeking substantially more in associated expenditures in a subsequent rate case and then arguing that expenditures for the project/program were already reviewed and approved and the project/program has already begun. To the extent that this is possibly occurring outside the present issue, the Commission provides general caution here against such practice.

(ii) Transparency Issues

MNSC also recommended that Consumers provide the underlying calculations with the final estimate if the company calculates energy value for a project. MNSC stated that, even where Consumers provided a separate workbook showing calculations, those calculations contained hard-coded model outputs. MNSC thus recommended that Consumers should provide maximum transparency, including access to any model used. 6 Tr 3900. Consumers responded and explained that hard-coded calculations means that the calculations are embedded in third-party modeling software and cannot be downloaded via report or spreadsheet but noted that the company provided a procedure in response to discovery to explain the assumptions made in modeling, along with examples of how the calculations are made for the company's two most used models, and also provided attachments in discovery that included PSCR case values used as direct inputs for the models. Consumers also noted that MNSC never asked for access to the models used by the company in this case, access that Consumers could have provided upon request, and argued that, short of that, there is nothing more the company could have done to be more transparent. 6 Tr 3621; Exhibit A-205; Consumers' initial brief, pp. 118-119.

The ALJ recommended that Consumers be as transparent as possible moving forward but found that the company cannot be required to provide calculations that do not exist. The ALJ, however, expressed that:

> to the extent that calculations exist, these should be provided for review, along with the procedure explaining the underlying assumptions used in the Company's modeling. Additionally, having now heard the Company's claims that MNSC did not ask for access to the model, which is why it was not provided, it seems likely that MNSC will be asking for access to the model from now on.

PFD, p. 277.

No exceptions were filed on this issue.

The Commission finds the ALJ's recommendation well-reasoned and supported by the record. Accordingly, the Commission adopts the ALJ's findings and conclusions on this issue. *See*, PFD, p. 277.

(iii) Preservation of Evidentiary Issue

As summarized by the ALJ:

> On October 23, 2025, Michigan Environmental Council filed a Motion to Strike portions of Mr. Blumenstock's rebuttal testimony directed at rebutting Mr. Comings, and also seeking to strike Exhibits A-202 and A-203. The motion was granted November 7, 2025 following a November 4, 2025 hearing and a request for supplemental briefing. In its case brief, Consumers discusses the motion to strike and its being granted on November 7, 2025. Consumers maintains that the decision to strike the testimony and exhibits as requested was erroneous, that the opinions cited in support were inapposite or inappropriately applied, and that the contested material should have been admitted into evidence. "Consumers Energy preserves its right to argue so before the Commission in later briefing in this case."

PFD, pp. 277-278 (footnotes omitted; citing/quoting Consumers' initial brief, pp. 119-120).

Against this background, the ALJ stated that a review of the docket does not show an appeal of the motion to strike; that the subject matter addressed in the motion to strike is outside the scope of the company's January 6, 2026 application for leave to appeal regarding the denial of the

company's motion to exceed the page limit set for reply briefs in this case; that this topic does not appear to have been included in the company's stricken brief filed on December 23, 2025; and that the contents of the motion to strike also appear to be outside the scope of the January 25, 2026 order granting the petitions for rehearing filed by the Attorney General and MSNC relating to the amended ROE provision in the amended scheduling memo issued on September 5, 2025. The ALJ thus found it to be "unclear why Consumers wishes to preserve the stricken testimony for 'later briefing'" and, although acknowledging the company's reservation, found that "[i]nsofar as this reservation is not accompanied by further legal argument or action, no further action is required in this PFD." PFD, p. 278 (quoting Consumers' initial brief, p. 120).

In exceptions, Consumers addresses the ALJ findings and conclusions on this issue as follows:

> Rule 433 of the Rules of Practice and Procedure Before the Michigan Public Service Commission provides procedures for appealing an ALJ's ruling made during the course of a proceeding to the Commission. Mich Admin Code, R 792.10433. Rule 433 generally permits a party wishing to appeal an ALJ's ruling to file an application for leave to appeal within 14 days of the ruling, but Rule 433(5) also states, in relevant part, that "[a] party's failure to file an application for leave to appeal does not constitute a waiver of the right to challenge any ruling of the presiding officer either in a brief or in exceptions to a proposal for decision." Consumers Energy's statement preserving its right to appeal the ALJ's evidentiary ruling was included in its Initial Brief to communicate the Company's intent to appeal the issue as part of these Exceptions as permitted by Rule 433(5) and to avoid any later claims that the Company waived its right to appeal. Consumers Energy does not believe it was necessary for the ALJ to respond to the statement in the PFD. Nevertheless, after reviewing the ALJ's determination of certain issues in the PFD, the Company has now elected not to appeal the ALJ's evidentiary ruling.

Consumers' exceptions, p. 40.

No replies to exceptions were filed on this issue.

The Commission acknowledges the above and finds no further discussion needed.

c. Hydroelectric Generation

Consumers indicated that it did not include River Hydro capital expenditures in this case as it continues to seek approval to finalize the sale of the plants and instead requested continuation of the Commission's approval of the deferred accounting approval in Case No. U-21585 order through the end of the test year in this case. 3 Tr 1819-1820, 1832; 6 Tr 3542; Exhibit A-12, Schedule B-5.2, p. 3, line 50; *see also*, March 21 order, pp. 157-158. Consumers indicated that no party opposed this request and thus asserted that it should be approved. Consumers' initial brief, pp. 120-121.

Noting no apparent opposition, the ALJ recommended continuation of the deferred regulatory accounting approved by the Commission in Case No. U-21585 in relation to Consumers' river hydroelectric generation capital expenditures. PFD, p. 279.

No exceptions were filed on this issue.

The Commission finds the ALJ's recommendation well-reasoned and supported by the record. Accordingly, the Commission adopts the ALJ's findings and conclusions on this issue. *See*, PFD, p. 279.

d. Battery Storage

Consumers discussed its two battery energy storage system (BESS) projects (the Iosco BESS Project and the Weadock BESS Project) and their accompanying contracts at 3 Tr 972-980, with requested total projected capital expenditures of $26.39 million in the bridge period and $117.34 million in the test year for the two projects. *See also*, Exhibits A-54 and A-60. The Staff indicated that the projects align with Consumers' most recently approved IRP in Case No. U-21090 and recommended that the Commission approve their associated contracts as consistent with the approved IRP settlement agreement in that case and within the expected cost

range. 6 Tr 4263-4264; Staff's initial brief, pp. 199-200. Consumers recapped this issue in briefing and noted that no party opposed the company's project investments in this case. Consumers' initial brief, pp. 121-123.

Noting no contrary evidence presented in the case, the ALJ thus recommended that the Commission approve these projects as presented. PFD, p. 284.

No exceptions were filed on this issue.

The Commission finds the ALJ's recommendation well-reasoned and supported by the record. Accordingly, the Commission adopts the ALJ's findings and conclusions on this issue. *See*, PFD, p. 284.

e. Decommissioning and Coal Ash Disposal

Consumers presented its decommissioning and coal ash disposal capital expenditures related to D.E. Karn Units 1 and 2; J.H. Campbell Units 1, 2, and 3; and Classic 7 units[18] at 3 Tr 1628-1650. *See also*, Exhibits A-139 through A-141. In briefing, the company noted that no party challenged these costs. Consumers' initial brief, p. 127.

The ALJ noted this issue on pages 284-285 of the PFD. Appendix E to the PFD also reflected no disallowances on this issue. *See*, Case No. U-21870, filing #U-21870-0475.

Noting no exceptions were filed on this issue, the Commission finds these expenditures reasonable and prudent and should be approved. *See*, 3 Tr 1628-1650.

[18] The Classic 7 units include the "three units at the J.R. Whiting ('Whiting') Generating Complex near Luna Pier; two units at the B.C. Cobb ('Cobb') Generating Plant in Muskegon; and two units at the Karn/J.C. Weadock ('Weadock') Generating Complex near Bay City." 3 Tr 1629.

4. Facilities Capital Expenditures

a. Control/Dispatch Center(s)

Consumers presented its Control/Dispatch Center Consolidation project (consolidating three dispatch control centers into two) at 3 Tr 568, 572-573, 2157-2166, with the company requesting total capital expenditures of $10.746 million in the bridge period and $15.497 million in the test year for the project. *See also*, Exhibits A-102 and A-106. The Attorney General took issue with the company's decision to change course on this project and fully staff both of its consolidated locations (Grand Rapids and Parnall) and noted the costs and savings of the original proposal ($17.2 million in capital spend with annual cost savings of $8.6 million) compared to the company's new proposal in this case ($30.2 million in capital spend with $10.2 million in annual cost savings (only $1.6 million more than originally proposed)). The Attorney General questioned why two fully staffed centers instead of one will create savings and thus, asserting that the company has not made a compelling and convincing case that two fully staffed control/dispatch centers are advantageous and in the best interests of customers, recommended that the Commission reject Consumers' proposal and fully remove the company's forecasted capital expenditures in this case—or alternatively, if the Commission decides to approve the proposal and the related capital expenditures, for $7.8 million in forecasted cost savings to be included as a reduction to the company's forecasted O&M expense for the projected test year. 3 Tr 2489-2491; Exhibit AG-22; Attorney General's initial brief, pp. 92-95. The Staff also recommended a disallowance for the projects based on a comparison of projected versus actual 2024 spend on the project. Since the company underspent by nearly half from Case No. U-21585, the Staff accordingly recommended that the Commission disallow half of what the company is requesting for the bridge period and test year in this case. 6 Tr 4399-4401; Staff's initial brief, pp. 64-65.

Consumers rebutted, asserting that staffing both locations is essential for operational resilience and risk mitigation, stating that the company's decision to transition from a Unified Control Center to a dual-location model was made during execution to enhance resiliency and retain talent, stating that the lower-than-projected 2024 spend reflects the company's decision to prolong the design phase to incorporate the expanded scope, arguing that capital projects do not follow linear spending patterns, and noting that the Commission did not allow prior projected spend in Case No. U-21585, thus Case No. U-21585 is neither relevant to this issue nor was the company required to execute its projected spend in that case. 3 Tr 624-625, 628, 2175-2181; Consumers' initial brief, pp. 128-134; Consumers' reply brief, p. 3.

The ALJ recalled Case No. U-21585, noting the progress of the project in that case and the Commission's decision as a result. The ALJ then discussed the progress of the project in the instant case and found that, while "[a]t least some progress appears to have been made to justify at least some spending in relation to the Control/Dispatch Center Consolidation Project[,] . . . the Company appears to be underspending its capital expense [sic: expenditure] projections, as presented by Staff." PFD, p. 293. The ALJ thus recommended that the Staff's disallowance of $2,435,500 for the bridge period and $7,748,500 for the test year be adopted "to bring projected spending more in line with likely actual spending." *Id*. The ALJ further found that "[i]t appears that Consumers anticipates O&M savings to be realized by 2028, and not necessarily by the end of the test year, rendering Mr. Coppola's requested O&M reduction inappropriate for the test year's timeframe." *Id*.

In exceptions, the Attorney General objects, maintaining that Consumers has not shown the reasonableness or prudence of having two fully staffed control/dispatch centers or how this is advantageous or in the best interest of customers. While the company claims that this approach is

needed for operational resilience and risk mitigation, the original plan also provided for the same with an unstaffed center in Grand Rapids available for back-up use, which the Attorney General claims has indeed worked well without the additional costs of modifying and staffing it. Per the Attorney General, "[t]he Company is increasing capital expenditures by building two redundant centers and not achieving actual cost savings," a proposal that the Commission should reject along with the related expenditures. Attorney General's exceptions, p. 59. The Attorney General further contends that "the Company claims that it will realize $7.8 million in O&M savings annually and if the Commission approves this project any savings realized should be used to offset O&M expense." *Id*.

Consumers also filed exceptions and objects to the ALJ's recommendation for the Commission to adopt the Staff's proposal, arguing that the ALJ "did not evaluate why actual spending in 2024 diverged from past projections or explain why he believed the Company was 'likely' to spend half of what it forecasted for the project except to rely on Staff's retrospective evaluation of past spending in a single year." Consumers' exceptions, p. 44. Consumers, in this regard, argues that:

> [t]he Commission disallows projected costs for past underspending only when there is a pattern of underspending. See, e.g., [Commission] Case No. U-18322, March 29, 2018 Order, page 60 ("Consumers has failed to spend the approved amount in this category *for several years*") (emphasis added). A single year of underspending does not justify a disallowance. See Case No. U-20836, November 18, 2022 Order, pages 211-212 (agreeing with the ALJ who, when discussing Staff's proposed disallowances for certain Plant and Field projects, found that "historical underspending in one year, 2020, is not a sound basis to adjust [a utility's] 2021 projection in the absence of any other evidence that its 2021 estimate of actual 2021 spending is inaccurate.").
>
> Like Case No. U-20836, in the instant case, Staff's proposed disallowance was based on a single year of spending. See 6 TR 4400-4401. Unlike Case No. U-20836, however, the ALJ adopted the proposed disallowance. He should not have. There is no other evidence that forecasted spending will be less than projected. Ultimately, the funding requested for the bridge period and the test year

> is prudent, necessary, and aligned with strategic operational goals. These investments support reliability, resiliency, and best practices, providing geographic redundancy and business continuity.
>
> Besides the Commission precedent, it is simply not reasonable to disallow funding for the Control/Dispatch Center Consolidation Project predicated solely on a single year of historical spending that overlooks the strategic evolution of the project. Mr. Snider explained that the Company decided to transition from a single Unified Control Center to a dual-location model while it was executing its plan. This change did not cause any rework. All previously completed engineering, design, and other work remained valid. The transition was managed without duplicative effort or additional cost. 3 TR 2179.
>
> To the extent that the Company's 2024 spending is relevant at all, what should stand out about the Company's 2024 spending is that it had a good reason to spend less than projected. The Company spent less than expected in 2024 because it prolonged the design phase to incorporate the expanded scope. The projected capital expenditures naturally ramped up in the bridge period in this case after the design phase was completed and the Company moved on to more capital-intensive work.
>
> The Company cannot complete the project at half the estimated cost, so it urges the Commission to approve the full projected amount and recognize the long-term value of the Control/Dispatch Center transformation for the Company's customers. 3 TR 2181.

Consumers' exceptions, pp. 45-46 (footnote omitted; emphasis and alteration in exceptions).

Consumers responds to the Attorney General's exceptions, which the company asserts largely repeat arguments on her behalf from the case, and first addresses the Attorney General's arguments concerning avoided costs. Consumers, on this point, recalls a prior case (Case No. U-14561) wherein the Commission rejected similar arguments from the Attorney General in other contexts and found that avoided costs that would otherwise be incurred are real savings nonetheless. Thus, per Consumers, "while $10.2 million in estimated savings represents avoided costs, this does not make the savings any less real" or beneficial to customers. Consumers' replies to exceptions, p. 48 (citing 3 Tr 2159, 2177, and Consumers' exceptions, p. 42).

Consumers next addresses the Attorney General's claim that the company's revised proposal represents "a '180-degree turn' from its earlier plan" and states:

> The Company is going above and beyond the logistical consolidation it initially proposed to strategically transform Control/Dispatch Center operations. Namely, the Company is integrating system control, distribution control, and dispatch functions; it is creating new job classifications across the grid to fill gaps; and it is training its workforce to support a modernized, resilient operating model. 3 TR 2176. The Attorney General claims the Company has not shown how its updated plans will "create incremental savings," Attorney General's Exceptions, pages 57-58, but it is the exciting initiatives just named that are leading to incremental avoided costs.

Consumers' replies to exceptions, p. 49.

Consumers then addresses the Attorney General's incremental savings versus costs claims. Per Consumers:

> $1.6 million in incremental, annual cost savings obviously benefits customers. More importantly, however, the Attorney General's analysis is incomplete.
>
> The Attorney General's arguments concerning incremental savings and costs ignore the incremental improvement to restoration times. Whereas the Company earlier estimated a two-hour improvement to restoration times in gray-sky and catastrophic conditions, the Company now projects a two-hour improvement in gray sky conditions and a *24-hour improvement* in catastrophic conditions. 3 TR 2163. Mr. Snider said that the Company would realize these benefits by March 2028, one year after the project is completed. As for overall savings, or avoided costs, the Control/Dispatch Consolidation Project will avoid a total of $24.4 million in costs from 2024 to 2027. See Exhibit AG-22, page 4 [ ].

Consumers' replies to exceptions, pp. 49-50 (emphasis in original).

Lastly, Consumers asserts that, whatever the ultimate avoided costs end up being (projected by Consumers to be $10.2 million annually when the project is complete), those avoided costs will offset recovery amounts the company would otherwise seek, so "there is no reason to offset O&M expenses by these avoided costs, as this will occur organically." *Id*., p. 50. Consistent with its exceptions, Consumers thus again requests that the Commission approve the company's full projected amount for this project and recognize the long-term value that it offers customers.

The Commission finds the ALJ's recommendation well-reasoned and supported by the record. Consumers relies on the decision in the order in Case No. U-20836, which did not use a single historical year (2020) to base future projections. The year 2020, however, was an anomalous year with the effects of the COVID-19 pandemic, leading to doubt that historical spend in 2020 alone would be indicative of future spend. Any evidence of past spend for a program/project could, based on spending evidence, persuasively cast doubt on the reasonableness and prudence of projected expenditures. Therefore, the Commission must evaluate the reasonableness and prudence of this spend for this project in this case. Given the unspent funds allocated for this project in the last rate case, and the uncertainty around the change of scope that occurred after approval, the Commission accordingly adopts the ALJ's findings and conclusions on this issue, resulting in a disallowance of $2,435,500 for the bridge period and $7,748,500 for the test year, and notes that Consumers can seek additional reasonable and prudent expenditures beyond those approved in this case in its next electric rate case. *See*, PFD, pp. 292-293.

b. Other Equipment and Emergent Repairs

Consumers described its Other Equipment and Emergent Repairs capital spend for facilities at 3 Tr 551-553, with the company requesting $838,000 in the bridge period and $670,000 in the test year for Other Equipment and $1.344 million in the bridge period and $2.706 million in the test year for Emergent Repairs. Exhibit A-12, Schedule B-5.6; Exhibit A-102. The Staff recommended projected test year disallowances of $98,200 for Other Equipment and $948,800 for Emergent Repairs, arguing that such expenditures are more than what the company has spent on average in the last five years and represent placeholder or blanket work orders or are set aside for contingency, risk, unforeseen events, or emergent work. 6 Tr 4314-4316; Exhibits S-12.0, S-12.1; Staff's initial brief, pp. 67-68. The Attorney General argued that the company's projected test year

amount for Emergent Repairs is merely a placeholder, as Consumers stated that there are no known projects for the projected test year, and thus, consistent with past Commission practice, recommended that $2.706 million be removed from the company's forecasted expenditures for Emergent Repairs. 3 Tr 2491-2492. Consumers agreed to the Staff's adjustment on account of company error but disagreed with the Attorney General, asserting that the category of Emergent Repairs includes unplanned corrective maintenance and asset repairs, with specific projects thus unknown in advance and with expenditures based on a five-year average, which the Commission has accepted and granted recovery for in multiple prior rate cases. 3 Tr 626, 629; Consumers' initial brief, pp. 134-135; *see also*, Staff's initial brief, pp. 67-68. The Attorney General replied that the category of Emergent Repairs was not challenged in the prior Commission cases referenced by Consumers and further asserted that the Commission's orders are not purely precedential. Attorney General's initial brief, pp. 94-95.

The ALJ noted Consumers' concession and apparent agreement with regard to Other Equipment expenditures and recommended approval of $838,000 for the same in the bridge period and $2,607,800 for the test year. PFD, p. 294. The ALJ then rejected the Attorney General's proposed disallowance for Emergent Repairs, reasoning that, "[a]lthough the Attorney General is correct in asserting that placeholder amounts are generally disallowed, it is not reasonable to anticipate that nothing will break in the projected test year." PFD, pp. 295-296. Similar to above, the ALJ instead found the Staff's recommended adjustment for Emergent Repairs to be reasonable and without apparent opposition by the company and thus recommended that $1.344 million in capital expenditures for Emergent Repairs for the bridge period and $1.757 million for the test year be allowed.

The Attorney General objects and argues, in response to the ALJ's finding that it is not reasonable to anticipate that nothing will break in the projected test year, that "[w]hat is not reasonable is to include an amount in rate base that may not be needed for emergent repairs, but for which the Company earns a return at the expense of ratepayers." Attorney General's exceptions, p. 60. Rather than include these costs in rate base at this time, the Attorney General states that Consumers can always seek recovery of the same if it indeed incurs qualifying repair costs. The Attorney General further argues that just because the Commission granted recovery for emergent repairs in prior rate cases does not make the decisions purely precedential. The Attorney General therefore maintains that the Commission should remove these capital expenditures in this case.

Consumers responds and argues that the Attorney General's claim about placeholder dollars "fails to recognize that because these expenditures are for unplanned repairs, which by definition are unknowable in advance, the Company uses a five-year average to determine the projected spending amount." Consumers' replies to exceptions, p. 51 (citing 3 Tr 626). Moreover, per Consumers, the Attorney General's objections ignore the Commission's consistent approval of these expenditures. Consumers' replies to exceptions, p. 51 (citing March 1 order, p. 75; March 21 order, p. 182, and September 30 order). Lastly, Consumers argues that:

> [w]hile the Attorney General contends that Commission orders are not purely precedential (Attorney General's Exceptions, page 60), she failed to establish by new evidence or provide evidence of a change in circumstances demonstrating that costs were unreasonable. Nor did the Attorney General provide any discussion on why these costs are distinguishable for previously approved emergent repairs costs.

Consumers' replies to exceptions, p. 51. For these reasons, Consumers asserts that the Commission should approve the company's projected spending amount.

The Commission finds the ALJ's recommendation well-reasoned and supported by the record. Unpersuaded to deviate from past precedent, the Commission accordingly adopts the ALJ's findings and conclusions on this issue. *See*, PFD, pp. 295-296.

5. Fleet Services

Consumers described its Fleet Services capital spending projections of $21.581 million for the 12 months ending December 31, 2025; $4.368 million for the 4 months ending April 30, 2026; $25.948 million for the 16 months ending April 30, 2026; and $67.947 million for the projected test year ending April 30, 2027, at 3 Tr 613. *See also*, Exhibit A-12, Schedule B-5.6, page 4, line 6, columns (b) through (f). The company explained that its Fleet Services capital spending is broken down into the following five capital spending categories and does not contain any contingency costs: (1) Fleet Vehicle Capital Replacement, (2) Fleet Vehicle Electrification, (3) Fleet Expansion, (4) Fleet Business Partner Funded, and (5) Fleet Tools – Garage.

Contested issues are addressed below and those uncontested (i.e., expenditures for Fleet Business Partner Funded and Fleet Tools – Garage) the ALJ recommended should be approved. PFD, p. 297. Noting no exceptions, the Commission agrees.

a. Vehicle Replacement Plan

Consumers described its Fleet Vehicle Capital Replacement Plan at 3 Tr 615-617, with the company proposing to spend $19.882 million in the 12 months ending 2025; $4.282 million for the 4 months ending April 30, 2026; $24.164 million for the 16 months ending April 30, 2026; and $20.778 million in the 12 months ending April 30, 2027 test year. *See also*, Exhibit A-12, Schedule B-5.6, p. 4, line 1; Exhibit A-104. The Attorney General recommended a $4.371 million disallowance to the company's projected test year capital expenditures based on averaged vehicle purchase costs from 2022 through 2024 plus inflation. 3 Tr 2492-2494; Exhibit AG-25. With

concerns over fleet utilization by the company, the Attorney General also recommended that the Commission direct Consumers to "present a thorough plan in the next rate case that addresses the utilization rate of vehicles and field equipment and the impact on reduced vehicle purchases in future years." 3 Tr 2496; *see also*, Attorney General's initial brief, pp. 95-99. Consumers rebutted in part, stating that, instead of using the Attorney General's insufficient three-year average, the company took its authorized test year amount from Case No. U-20963 and then applied inflation per year, consistent with the approved method in that case and every rate case since. Consumers did, however, agree to the Attorney General's recommendation to present a thorough plan in the company's next electric rate case that addresses the utilization of vehicles and field equipment and the impact of reduced vehicle purchases in future years. 3 Tr 627; Consumers' initial brief, pp. 136-137.

The ALJ declined to recommend the Attorney General's proposed reduction, finding the company's projected expenditures to be more aligned with actual vehicle prices than the Attorney General's recalculation in Exhibit AG-25. The ALJ further found that "requiring Consumers to demonstrate more efficient vehicle usage, and requiring this to demonstrate the elimination of replacement vehicle purchasing, is unsupported," noting that "[m]any of Consumers' fleet vehicles are necessary but highly specialized" and that "Consumers has already presented testimony regarding elimination of 450 fleet vehicles since mid-2022." PFD, p. 302. The ALJ did, however, find the Attorney General's point about utilization to be well-taken and thus recommended that:

> Consumers be directed to include more detail regarding existing vehicle usage by spec in its next electric rate case filing. It appears that Consumers is open to providing a plan addressing vehicle and field equipment use in its next rate case, and this would reduce discovery and provide useful information regarding the reasonableness of vehicle purchasing going forward. The same is true of the additional information regarding actual units to be purchased, and purchase prices, and this PFD encourages Consumers to provide greater detail in future filings, to the extent possible. However, this PFD recognizes that what automakers choose to

> produce can change and that this is outside of the Company's control. Thus, while this PFD encourages Consumers to provide greater detail regarding actual vehicles to be purchased in the next rate case filing, it does not make a recommendation for a specific Commission directive on this issue.

Id., pp. 302-303 (footnote omitted; citing 3 Tr 627).

In exceptions, the Attorney General maintains that it is not clear where Consumers sourced the pricing information or its validity in determining the company's projected vehicle plan replacement expenditures and thus reasserts that using actual historical average prices adjusted for inflation is a reasonable substitute. The Attorney General further asserts, given the company's poor vehicle utilization, that it is only reasonable to require Consumers to address the seemly excess vehicles for which ratepayers are required to pay a return on and argues that the fact that the company has eliminated some fleet vehicles in recent years should not foreclose the company from eliminating more. The Attorney General also disagrees with the ALJ's encouragement, but not directive, for Consumers to provide greater detail on actual vehicles to be purchased in the company's next electric rate case filing, arguing that "[w]hile it is true that automakers choose what to produce, it has not been demonstrated that model changes are abrupt or that the Company will not know what vehicle it will be purchasing within reason." Attorney General's exceptions, p. 64.

Consumers responds and argues that the Attorney General's contentions are unsupported. Quoting pages 297-299 of the PFD and pointing to 3 Tr 583-617, Consumers states that it provided an in-depth discussion on its vehicle replacement process. The company further states that, since Case No. U-20963, it has followed the Commission's approach to calculate replacement vehicle costs (previous year's historical costs plus inflation) and also notes that, while it disagrees that it has excess vehicles, the company agreed to "'present a thorough plan in the next electric rate case that addresses the utilization of vehicles and field equipment and the impact of reduced

vehicle purchases in future years.'" Consumers' exceptions, p. 53 (quoting 3 Tr 628). Thus, per Consumers, "[a]s the Company agreed to provide a utilization study and uses historical costs for replacement vehicle purchases, the Attorney General has not established a reasonable basis for the Company to provide the additional information price sourcing information" and, therefore, the Attorney General's objections should be rejected. Consumers' replies to exceptions, p. 53.

The Commission finds the ALJ's recommendation well-reasoned and supported by the record. Accordingly, the Commission adopts the ALJ's findings and conclusions on this issue. *See*, PFD, pp. 302-303.

b. Vehicle Expansion Plan

Consumers described its Fleet Vehicle Expansion Plan at 3 Tr 619, with the company proposing to spend $648,000 in the 12 months ending December 31, 2025; $15.17 million for the 12 months ending December 31, 2026; and $46.07 million in the test year. *See also*, Exhibit A-12, Schedule B-5.6, p. 4, line 3; Exhibit A-104. The Attorney General recommended a $27.931 million disallowance to the company's forecasted test year capital expenditures based on reductions to LVD program purchases and then applying the average vehicle purchase cost from 2022 through 2024 plus inflation to those lower figures (79 vehicles in the test year versus 229 vehicles). 3 Tr 2494-2495; Exhibit AG-25; Attorney General's initial brief, pp. 96-98. Consumers rebutted, recalling testimony in support of the need for this expansion and associated costs and asserting an acute risk for some of the company's frontline workforce being without vehicles and equipment necessary to perform reliability work. 3 Tr 627; Consumers' initial brief, p. 137.

The ALJ recommended that the Attorney General's disallowance be adopted. In his reasoning, the ALJ first noted that the Staff did not comment on this issue but did recommend

some of the company's spend for undergrounding be disallowed based on underspending in 2025. PFD, p. 305 (citing Staff's initial brief, pp. 26, 110). The ALJ then stated:

> Although it seems unlikely that the Commission will reject the entirety of the undergrounding and LVD work to which the Attorney General objects, and on which the Attorney General's proposed fleet expansion reduction largely rests, Staff's underspending concerns call into question whether the Company will be able to scale up the work as proposed and actually need an additional 229 vehicles. This seems unlikely. The remaining recommended allowed $39,757,00 in spending seems more likely to be realized in the test year.

PFD, p. 305 (footnote omitted; citing Exhibit A-104).

Consumers objects and argues that the ALJ's recommendation is unsupported and should be rejected. In support, the company: (1) maintains that, if the ALJ's recommendation is adopted, it "risks stranding labor as some members of the Company workforce could be without equipment and vehicles necessary to perform the work if the workforce expansion efforts in Electric Operations are approved" and (2) highlights that the Staff did not oppose these costs. Consumers' exceptions, p. 46. If, however, the Commission approves a disallowance, Consumers states that the revenue requirement impact would need to be corrected to reflect a portion of depreciation expense related to fleet that is capitalized. *Id*., p. 47, n. 5.

The Attorney General responds and asserts that, if the Commission adopts her recommendation regarding the Overhead to Underground conversion program, her recommended disallowance here "would only make sense" and that, even if the Commission only adopts a portion of her disallowance, Consumers has not demonstrated that her recommended disallowance for this spending category is unreasonable. Attorney General's replies to exceptions, p. 52. As discussed in her initial brief and exceptions, the Attorney General states that "the Company is underutilizing its vehicle fleet," noting that "perhaps some vehicles could be repurposed for this program." *Id*. (citing Attorney General's initial brief, pp. 97-99, and Attorney General's

exceptions, pp. 61-64.) Per the Attorney General, "[i]nterestingly, the Company's exceptions provided less than a complete claim that the lack of funding would necessarily result in workers not having vehicles and equipment." Attorney General's replies to exceptions, p. 52. For these reasons, the Attorney General contends that the Commission should adopt the ALJ's recommendations.

The Commission finds the ALJ's recommendation well-reasoned and supported by the record. Accordingly, the Commission adopts the ALJ's findings and conclusions on this issue. *See*, PFD, p. 302. The Commission does, however, acknowledge the company's point about the need to correct a portion of depreciation expense related to fleet and therefore corrects that error via this order.

c. Fleet Electrification

Consumers described its Fleet Vehicle Electrification plan at 3 Tr 601-612, 617-618, with the company proposing to spend $840,000 in incremental expenditures during the 12 months ending April 30, 2027. *See also*, Exhibit A-12, Schedule B-5.6, p. 4; Exhibit A-104. MNSC questioned Consumers' 30% fleet electrification target as the company's starting point, arguing that it should be pursuing a more ambitious goal. MNSC thus recommended for the Commission to direct Consumers to revise the company's target so that all light-duty vehicle replacements are EVs no later than 2030, for the company to lead by example, deliver cost savings to customers, and capture significant emissions and public health benefits associated with rapid fleet electrification. 6 Tr 3997-3999; MNSC's initial brief, pp. 19-22. Consumers rebutted, asserting that this recommendation would require the company to depart from the Commission-approved Fleet Capital Replacement Plan Filter and Blended Factor methods used to prioritize fleet replacement purchases, would require capital considerations and whether this would be based on historical

spending amounts, and may require the company to prioritize the replacement of light duty vehicles with EVs to the detriment of other vehicles and equipment needed for reliability work. Consumers did, however, agree to provide an assessment of fulfilling just the light-duty vehicles that are due for replacement with EVs between now and 2030. 3 Tr 628-629, 633; Consumers' initial brief, p. 138.

The ALJ recommended that Consumers' spending proposal be approved and that the company, as agreed, be directed to provide an assessment of the viability of using EVs for all already-scheduled light-duty vehicle replacements between now and 2030. Considering general media about recent changes in the EV market and the evidence provided in this case, the ALJ found these recommendations to be reasonable and prudent. PFD, pp. 311-312.

No exceptions were filed on this issue.

The Commission finds the ALJ's recommendation well-reasoned and supported by the record. Accordingly, and noting agreement between the parties, the Commission adopts the ALJ's findings and conclusions on this issue. *See*, PFD, pp. 311-312.

6. Information Technology Security Capital Expenditures

a. Asset Refresh Program-Field Device Asset Management

Consumers explained that the Asset Refresh Program (ARP) replaces technology assets according to industry and company life-cycle expectations and the field device asset management (FDAM) project replaces field devices on a four-year cycle. The company projected $3,985,410 for the bridge period and $4,850,461 in the test year. 3 Tr 702; Exhibit A-22.

The Staff recommended a full disallowance of $228,567 in the bridge period and $658,700 in the test year for all new field device purchases for 2026 and 2027, citing uncertainty in the company's information as to the exact number of new devices needed in each year. 6 Tr 4346-

4347; Exhibit S-14.1, pp. 5-6, 15. The Attorney General proposed a disallowance of $1.039 million in the bridge period and $2.513 million in the test year, citing the company's lack of justification for the expenditures in this category nearly doubling in the test year from 2024 and 2025. 3 Tr 2503-2504. Consumers disagreed with the Attorney General's disallowance and argued that the Attorney General's calculation was flawed and that the Attorney General failed to consider new field devices that were purchased in prior years for other programs. 3 Tr 800-803; Exhibit A-185. The company also disagreed with the Staff's disallowance and presented Exhibit A-183, which contained historical data for 2021-2024 of total company new purchases and electric allocation four-year historical calculations for the costs associated with new purchases of field devices. The company then proposed that its projected costs should instead be reduced by $24,696 for the bridge period and $74,089 for the test year. 3 Tr 765-766.

The ALJ declined to adopt the Staff's disallowance, finding that the company clarified its proposed forecast of new devices based on the four-year historical average. PFD, p. 318. The ALJ also rejected the Attorney General's proposed disallowance, explaining that the Attorney General's comparison of historical spending to the spending in this case omitted the field devices that were previously purchased as part of other projects but will be refreshed through the ARP-FDAM project in 2026. *Id*., p. 321. The ALJ found the company's evidence to be sufficient to support its projected costs and recommended that the Commission adopt Consumers' concession of $24,696 in the bridge period and $74,089 in the test year, resulting in an approved projected expenditure of $3.961 million in the bridge period and $4.776 million in the test year. *Id*., p. 318; *see also*, Consumers' initial brief, p. 145; *id*., Appendix B3. The ALJ added that this recommendation is consistent with the Commission's decision in Case No. U-21806 where the Commission approved the company's projected capital expenditures for new device purchases in

the ARP-FDAM program based on historical spending. PFD, p. 318 (citing September 30, 2025 order in Case No. U-21806 (September 30 order), pp. 119-122).

The Staff takes exception to the ALJ's recommendation regarding the ARP-FDAM and ARP-Workstation Asset Management (WAM) together. The Staff recalls that its initial proposed disallowance was based on the lack of support for the ARP-FDAM and ARP-WAM and, after the company explained in rebuttal its reasoning for using the four-year historical average in its projection, the Staff challenged the validity of Consumers' projection. The Staff states that Consumers did not provide support as to why the company's projection was valid and that the Staff attempted to gain more information through an audit to better understand if the company's projection method was the best choice. The Staff argues that the lack of support necessitates a disallowance. Staff's exceptions, pp. 2-3. The Staff disagrees with the ALJ that approval of the four-year historical actual projection method is supported by the Commission's decision in Case No. U-21806. Per the Staff:

> The Commission approved the ARP-FDAM and ARP-WAM projected costs for new device purchases for 2025 and 2026 in the previous gas case (Case No. U-21806) because the projection used by the Company, an annual amount informed by the four-year historical average, was sufficient in supporting these projected costs. The Company projected an annual amount and used the four-year average to validate this cost; it did not use the four-year historical average to calculate the annual cost. ([Commission] Case No. U-21806, [September 30] Order, pp[.] 122, 124.) Furthermore, it noted a lack of specificity in cost projections for these two projects. Nowhere in the record for Case No. U-21806 was the use of a four-year historical average to project the new device purchases annual cost discussed.

Staff's exceptions, p. 3.

The Staff insists that it was not until this case, after the Staff recommended a disallowance based on the company's original projection method, that the company committed to using the four-year average of historical costs projection method. Thus, the Staff contends that this method is not consistent with Case No. U-21806—it is a different method, and, therefore, the Staff's reasoning

for its proposed disallowance is also different. The Staff repeats that the company did not explain how an average of the past four-years of new purchases informs the amount of new purchases or why this method is superior to previous methods. *Id*., pp. 3-4.

The Attorney General also addresses the ARP-FDAM and ARP-WAM together in exceptions. The Attorney General takes exception to the PFD, arguing that Consumers' projected expenditures are not supported by the company's information and stating that the Attorney General's forecast using a three-year historical average from 2022 to 2024 (and applying a 2.9% inflation factor) was more reasonable. Attorney General's exceptions, p. 65. The Attorney General contends that the ALJ was erroneously influenced by the company's rebuttal exhibit, Exhibit A-185. Per the Attorney General:

> The Company uses a four-year historical average of years 2021 to 2024 to project its costs not the individual costs and allocations listed on Exhibit A-185. While the Company claims that ARP-FDAM includes recovery of costs previously recovered under ARP-WAM, ARP-WAM remains a category of expenditures in this case. Inclusion of ARP-WAM as an adjustment to historical costs smack[s] of revisionist. At best, the Company's practice of shifting costs among different cost categories confuses the presentation of its case.

Attorney General's exceptions, pp. 66-67 (footnote omitted) (citing Exhibit AG-64, p. 3). The Attorney General asks that, if the Commission includes the ARP-WAM expenditures in determining the historical average, it should not use the company average because the year 2021 is outside the four-year refresh cycle and nearly three times more than the next highest year, which skews the average. The Attorney General restates that her three-year average of 2022 through 2024 has a better measurement of future costs because those years coincide with the refresh cycle for the equipment being replaced in 2026 and 2027. The Attorney General asks the Commission to adopt her proposed disallowance of $953,000 for the bridge period and $2.513 million for the test year. *See*, Attorney General's exceptions, p. 67.

Consumers addresses the ARP-FDAM and ARP-WAM issues together in its replies to exceptions. Responding to the Staff, Consumers contends that the Staff omits a key fact in its exceptions—that in Case No. U-21806, the Commission approved the ARP-FDAM expenditures and said that it would have liked to see more specific projections. Consumers' replies to exceptions, pp. 54-55 (citing September 30 order, p. 122). In this case, Consumers states that it improved its projection method and, therefore, the argument in favor of approval is even stronger here than in Case No. U-21806. As to the ARP-WAM expenditures, Consumers' response is the same for ARP-FDAM with the caveat that its revised ARP-WAM calculation, unlike its revised ARP-FDAM calculation, supported the original capital expenditures. Consumers' replies to exceptions, p. 55 (citing 3 Tr 766-769; Consumers' initial brief, p. 147).

Responding to the Attorney General's argument in exceptions that the ALJ was erroneously influenced by Exhibit A-185, Consumers argues that:

> [a]ssets purchased in 2021 are the oldest of all the assets in the Company's four-year historical average, so all other things being equal, these assets need to be replaced more than any of the other assets being refreshed. It would not make sense to exclude them for being more outdated than other assets being refreshed when a core function of the asset refresh program is to replace outdated assets. Finally, the Attorney General argues that field assets previously classified as ARP-WAM assets, which are now being refreshed as part of the ARP-FDAM program, "smack of revisionist." Attorney General's Exceptions, page 66.

Consumers' replies to exceptions, p. 56. Consumers maintains that there is no evidence that it was inappropriate to reclassify these assets or that there was any double recovery. The company states that it properly accounted for assets that were previously slated to be replaced through the ARP-WAM program but will now be replaced through ARP-FDAM. *Id*., pp. 56-57 (citing 3 Tr 710; Exhibit S-14.1, p. 6). Thus, Consumers asks the Commission to approve its proposed ARP-FDAM and ARP-WAM expenditures.

Finding the ALJ's recommendation to be well-reasoned and supported by the record, the

Commission adopts the PFD on this issue. The Commission agrees that Consumers sufficiently supported the need for these expenditures as well as explained and revised its projections, resulting in a lower capital expenditure request. *See*, 3 Tr 701-705, 763-766, 800; Exhibits A-22 and A-183.

b. Asset Refresh Program-Workstation Asset Management

Consumers explained that the expenditures in the ARP-WAM are used to replace and install desktops, laptops, and tablets on a four-year refresh cycle and to replace monitors every eight years. The company projected $7.359 million of capital expenditures in the bridge period and $4.396 million in the test year. 3 Tr 707; *see also*, Consumers' initial brief, p. 147.

The Staff recommended a disallowance of $228,567 in the bridge period, and $658,700 in the test year for the same reasons that Staff cited for the ARP-FDAM program. The Staff stated that it did not dispute that the company would spend the money but contends that Consumers did not provide the supporting information to show how the company came up with its projections. 6 Tr 4348-4349. In rebuttal, Consumers explained that its 2021 new workstation purchases were much higher than the amount projected in Case No. U-20963 due to the number of workstations and monitors that had to be purchased because of the COVID-19 pandemic. Adjusting for the 2021 outlier, the company revised its four-year historical average but did not make any adjustments to its projected 2026 and 2027 ARP-WAM expenditures. 3 Tr 766-769; Exhibit A-183.

Noting the similarity between the disputes in the ARP-FDAM and the ARP-WAM programs, the ALJ rejected the Staff's proposed disallowance in the ARP-WAM category. The ALJ found that the company's projected costs based on a four-year historical average, with an appropriate adjustment for 2021 spending were reasonable and prudent. The ALJ stated that the Commission

arrived at this same result in Case No. U-21806. PFD, p. 323 (citing September 30 order, pp. 122-124).

The Staff and the Attorney General, respectively, take exception to the ARP-WAM together with the ARP-FDAM issue, as noted and described above. *See*, Staff's exceptions, pp. 1-4; Attorney General's exceptions, pp. 64-67.

Consumers similarly addresses the ARP-FDAM and ARP-WAM issues together in its replies to exceptions, as noted and described above. *See*, Consumers' replies to exceptions, pp. 53-57.

Finding the ALJ's recommendations to be well-reasoned and supported by the record in this case, the Commission adopts the PFD on this issue. The Commission agrees that the company explained its projections for the ARP-FDAM and ARP-WAM expenditures adequately in rebuttal in response to the Staff's concerns. *See*, 3 Tr 766-769; Exhibit A-183; Exhibit S-14.1, p. 6.

c. Digital Infrastructure Automation

Consumers explained that the digital infrastructure automation (DIA) project automates the deployment, maintenance, and decommissioning of cloud and data center services and projected $382,043 of capital expenditures in the test year. The company also projected an accompanying O&M expense of $159,902 in the test year. 3 Tr 736. The Staff argued that the company had not quantified the amount that would be saved by the reduction in operational costs associated with this automation project and, as such, proposed a full disallowance of the capital expenditures and O&M costs. 6 Tr 4350-4351; Exhibit S-14.1, pp. 10-12. The company disagreed with the Staff's disallowance and argued that this project would avoid operational costs as opposed to reducing operation costs; result in operational efficiencies; reduce the risk of major application failure; optimize the deployment of infrastructure; and reduce misconfigurations, rework, and time to deliver deployment of infrastructure from two to four weeks to one to three days. 3 Tr 770-771.

The ALJ declined to adopt the Staff's disallowance. Despite not having a quantified avoided cost for this project, the ALJ found that the company had sufficiently justified the need for and the benefits of this project. Per the ALJ:

> [a]s set forth in the project synopsis and [Consumers witness] Ms. Baker's rebuttal testimony, in addition to avoiding operational costs, this project is expected to avoid incorrect deployment of infrastructure, reduce the risk of major application failure due to security issues, and bolster the resiliency of infrastructure. Given the benefits of this project beyond cost savings, this PFD does not find that Consumers' failure to calculate the avoided costs merits a disallowance.

PFD, p. 325 (citing 3 Tr 736-738, 770-771) (footnote omitted).

In exceptions, the Staff repeats that the company had partially justified the DIA project with claims that there would be avoided operational costs, among other benefits. The Staff surmises, based on the company's claims, that there would be quantifiable cost savings, but argues that Consumers failed to provide evidence of such. The Staff states that the ALJ addressed the Staff's concerns about the lack of information but otherwise found that the company's purported benefits supported the program. Staff's exceptions, pp. 5-6 (citing PFD, p. 325). The Staff acknowledges that cost reduction is only part of the project and that the other aspects discussed by Consumers in its rebuttal testimony could be enough to support the program, but the Staff maintains that the company failed to provide that information. According to the Staff:

> [i]f the Company was worried about a major application failure due to security issues in the infrastructure, it should have provided more supporting details in testimony or rebuttal regarding this concern. Simply stating a risk will be reduced, without quantifying how large the risk is now and how it will change as a result of the project, leaves this argument meaningless. There is no way to know how likely it is that these risks come to fruition or if a reduction is necessary, because the Company did not share any additional information regarding this aspect of the project. Staff would hope that, if the Company is facing an imminent risk in this area, then it would be addressed immediately and detailed in their filing.

Staff's exceptions, p. 6.

The Staff repeats its concern with the lack of support and contends the company should have

produced evidence of the cost savings that it claimed multiple times in its testimony and rebuttal. Thus, the Staff asks the Commission to fully disallow the DIA project. *Id*.

Consumers responds, pointing out the Staff's concession in its exceptions that the evidence of the project's other benefits can justify the expenditures. The company argues that the ALJ properly relied on the company's evidence that the project protects against major application failure, improves delivery time, and reduces manual effort. Consumers states that the Staff questions only the risk of a major application failure, to which Consumers responds that it explored this risk in detail. Per Consumers:

> [s]ecurity is compromised when the Company is expected to manually secure IT infrastructure. See Exhibit A-20 (SHB-5), page 37 ("As the company uses cloud services to provide infrastructure for applications, *the difficulty of* manually deploying, . . . *maintaining security posture*, and extending new capabilities *increases significantly*.") (emphasis added). The Company considered continuing the security status quo as an alternative, but decided against it because, among other reasons, the Company "does not have the necessary people to manually do this work at the scale necessary to support the Company's portfolio of applications." Id. The project improves security by automating this work, which reduces the risk of an application failure.

Consumers' replies to exceptions, p. 59. Thus, the company asks the Commission to adopt the PFD.

Finding the ALJ's recommendation to be well-reasoned and supported by the record, the Commission adopts the PFD on this issue. The Commission agrees that the company has justified the expenditures. *See*, 3 Tr 770-771; Confidential Exhibits A-20 and A-21. However, in future electric rate cases, the company shall provide clear evidence in its direct case of any avoided costs claimed by the company to justify this project and shall also quantify those costs.

d. ISIS Papyrus 2026 Upgrade

Consumers explained that the ISIS Papyrus application is used for electronic and paper correspondence with customers and that this project will upgrade the Papyrus Objects suite of

applications to the most recent version available pursuant to its vendor recommendations. Consumers projected $328,999 ($263,199 rough order of magnitude (ROM)[19] adjusted capital expenditures) for the test year, as well as an accompanying $144,044 in O&M expenses in the test year. 3 Tr 722; Confidential Exhibit A-20.

The Staff recommended a full disallowance on the basis that the ISIS Papyrus vendor would still continue to support the application with cybersecurity patches without upgrading, and therefore the upgrade is not necessary at this time. 6 Tr 4352 (citing Exhibit S-14.1, pp. 9, 16). The company disagreed with the Staff's disallowance and argued that upgrading the application in 2026 mitigates the risk of technology obsolescence, and, while the vendor will continue to supply cybersecurity patches, patches cannot always be applied to older versions of software. Given that the ISIS Papyrus has not been updated in over two years, the company contended that further delay increases exposure to security vulnerabilities. 3 Tr 772-773.

The ALJ appreciated the Staff's concern over cost savings but disagreed that the expenditures should be disallowed because the upgrade is not immediately necessary. The ALJ reasoned that the ISIS Papyrus application serves an important role in Consumers' correspondence with

[19] In testimony, Consumers explained the term "ROM" and its application to information technology (IT) investment forecasts:

> IT's investment forecasts begin with a ROM estimate. The Company uses the term "ROM" to characterize an initial estimate that includes research, analysis, and a business case. ROM estimates are typically determined by technology and subject matter experts inside and outside the Company in comparison to historical actual costs for similar projects. The purpose of the ROM estimate is to determine whether the estimated costs justify the value provided by the new capabilities without spending an inordinate amount of investment planning O&M developing the bottom-up estimate. From that point, investment forecasting depends on the method used to deliver the intended solution.

3 Tr 686.

customers and the company established that failing to upgrade the application will increase the risk of technological obsolescence and exposure to security vulnerabilities. PFD, p. 328.

In exceptions, the Staff repeats its argument that the ISIS Papyrus project expenditures should be fully disallowed because they were not sufficiently supported. The Staff contends that the program's vendor has not given a definitive end date for when it will stop support and cyber security patches for users that have not upgraded to the newest version and the company's testimony failed to demonstrate that this project was immediately necessary. Staff's exceptions, p. 7. While the ALJ found the functions of the ISIS Papyrus project to be necessary and that an update at this time would negate the risk of security vulnerabilities and technological obsolescence, the Staff maintains that this project may be necessary in the future and with better support from the company. The Staff states that, in the past, the company has provided information such as end dates for vendor support on other programs and that if there is no definitive timeframe for the ISIS Papyrus project at this time, the expenditures should be fully disallowed. *Id*., p. 8.

In reply, Consumers states that the Staff is correct that the ISIS Papyrus application is important but wrong that the upgrade can wait. Consumers recalls its testimony that there is a risk that the company will not be able to apply security patches to software that has not been upgraded, thus leaving the software vulnerable to security threats. Contending again that the upgrade will avert this risk, Consumers asks the Commission to approve the capital expenditures for this project. Consumers' replies to exceptions, p. 60 (citing 3 Tr 772).

Finding the ALJ's recommendation to be well-reasoned and supported by the record, the Commission adopts the PFD on this issue. Consumers sufficiently supported these expenditures such that the Commission finds them to be reasonable and prudent. *See*, 3 Tr 771-773;

Confidential Exhibit A-20. While the Staff pointed out that the company did not provide an end date for vendor support for the software, the company demonstrated that delaying the ISIS Papyrus 2026 upgrade would create security risks since the cybersecurity patches provided by the vendor are not always applicable to older versions of software. *See*, 3 Tr 772.

e. Systems, Applications, and Products Simplified, Fourth Generation High Performance Analytic Appliance

Consumers explained that the Systems, Applications, and Products (SAP) Simplified, Fourth Generation (S/4) High-Performance Analytic Appliance (HANA) project will modernize the company's current SAP enterprise resource planning (ERP) system and is needed because the current SAP version ends in December 2027. 3 Tr 740-744. The company projected capital expenditures of $20.392 million in the bridge period and $34.793 million in the test year, with an accompanying $15.178 million O&M expense in the test year (which the company is requesting to defer). 3 Tr 740, 748-749, 1069-1070, 1080; *see also*, Consumers' initial brief, p. 152. Consumers also requested special accounting treatment to amortize the cloud implementation costs for the Software as a Service (SaaS) solutions that will be part of the SAP S/4 HANA implementation project over a 15-year asset life to minimize impact on customer rates. 3 Tr 747-748, 1070, 1080; Exhibit A-12, Schedule B-4; Confidential Exhibit A-26.

The Staff did not object to the company's proposed expenditures but asked the Commission to direct Consumers to meet with the Staff on a quarterly basis to provide updates on the progress on the SAP S/4HANA implementation including: (1) advancements or setback; (2) budget adherence; (3) changes in project scope, timeline, or expenses; and (4) any problems with operations or customer interactions. The Staff also asked for the company to record any over- or under-recovery for each projected expense compared to the 80% base (ROM projected investment) and include such in future rate cases until implementation is complete. 6 Tr 4355-4356.

The Attorney General recommended a full disallowance of the bridge period and test year capital expenditures for the SAP S/4HANA project, arguing that the new system will essentially replace the same functions of the current system and the migration to the new system constitutes forced obsolescence by the vendor. The Attorney General contended that extended support for the program is available until 2030, but the company had not requested extended support. The Attorney General argued that any fees for extended support are likely similar to what the company currently pays for system support and that operating the system past 2030 is reasonable given that the system is meeting Consumers' needs. The Attorney General added that Consumers did not identify any cost savings or financial benefits from implementation. 3 Tr 2500-2503. The company agreed with the Staff's recommendations but disagreed with the Attorney General's proposed disallowance. 3 Tr 797-799.

The ALJ recommended approval of the SAP S/4HANA implementation project, the associated deferral of O&M expenses, and the amortization of cloud implementation costs. The ALJ noted Consumers' agreement with the Staff's proposed quarterly meeting and reporting requirements and thus recommended adopting the Staff's proposal. As to the Attorney General's disallowance, the ALJ reasoned that rejection of the disallowance is consistent with the Commission's decision in Case No. U-21806 and appropriate given that the company established that delaying implementation and operating the program past 2030 would be imprudent. Recalling the company's explanation, the ALJ reasoned as follows:

> [a]s [Consumers' witness] Ms. Baker explained, advanced planning is required because migration to the new system will take three years to complete, and extended support for the Company's current SAP version is only available until 2030. Further, [Attorney General witness] Mr. Coppola's suggestion that the Company should simply continue purchasing extended support for several additional years is a temporary solution that would only delay the inevitable need to transition to the new system once support is no longer offered. This PFD also finds it is not premature to include the costs of this project in rate base. Consumers

> explained the importance of this project and described the project planning that has occurred, the alternatives that were considered, and the development of its cost projections.

PFD, p. 333.

Further, the ALJ stated that the Commission approved spending for this project in the September 30 order on the basis that the company had adequately supported its projected expenditures. In this case, the ALJ saw no reason to reach a different conclusion. *Id*., pp. 333-334 (citing September 30 order, pp. 103-107).

The Attorney General takes exception to the PFD, summarizing it as follows: "[t]he gist of the [ALJ]'s rationale is that it will take three years for the Company to migrate to a new system and extending the support for the current system is only a temporary solution that will delay the inevitable need to replace the system when support is no longer offered." Attorney General's exceptions, p. 68 (citing PFD, p. 333). The Attorney General disagreed with this rationale as well as the ALJ's assessment that it is not premature to include the SAP S/4 HANA expenditures in rate base. The Attorney General repeats that the current system is still functioning, that the company has not identified any cost savings or financial benefits, that the project has a negative 1.0 cost/benefit ratio (BCR), and that Consumers did not complete evaluation of an alternative. Attorney General's exceptions, p. 69. The Attorney General also restates that the company could continue to operate the system past 2030 with system support. *Id*.

As to the September 30 order, the Attorney General notes that the Commission disagreed with the Attorney General's recommendation in that case but that the Commission should adopt the Attorney General's position in this case as it is supported by the record in this case. *See*, *id*., pp. 69-70.

In its replies to exceptions, Consumers characterizes the Attorney General's exceptions as repetitions of her arguments that were rejected by the ALJ and states that the company addressed these arguments in its rebuttal testimony. In response to the Attorney General's claim that the current system can operate until 2030 or beyond, Consumers repeats that the system migration will take three years and must be planned for in advance prior to the end of vendor support to avoid the risks of cyber-attacks. Consumers' replies to exceptions, p. 61. Next, in response to the Attorney General's contention that the project does not provide financial benefits, Consumers states that the "SAP is a critical Company IT system with modules that support the Customer Group, the Finance Group, Human Resources, Supply Chain, and Work Management – basically every aspect of the business." *Id*., p. 62 (citing 3 Tr 742). The company then recalls the Commission's previous acknowledgment of the importance of the SAP to the overall system and repeats its arguments regarding the cost effectiveness and necessity of this project. Consumers' replies to exceptions, p. 62 (citing September 30 order, p. 106).

Finding the ALJ's recommendation to be well-reasoned and supported by the record, the Commission adopts the PFD on this issue. *See*, PFD, pp. 333-334. The Commission finds that Consumers sufficiently supported this expenditure and demonstrated on the record that the SAP will no longer be supported beginning in 2027 and that it is reasonable to move to the SAP S/4 HANA solution to ensure the continued function and security of the software. The Commission also finds that Consumers has shown these costs are appropriate for inclusion in rate base for the test year and not premature given the company's completed business case and planned implementation of the upgrade. *See*, 3 Tr 740-744, 798-799; Confidential Exhibit A-20. Further, approval in this case is consistent with the Commission's approval in the September 30 order, and

the Attorney General has not presented any new information or arguments in this case that persuade the Commission that approval is not appropriate here. *See*, September 30 order, p. 106.

Lastly, Consumers agreed to the Staff's recommendations regarding progress updates and future rate case filings including over- or under-recoveries for this project. *See*, 3 Tr 776. As such, the Commission directs Consumers to meet with the Staff quarterly to provide progress of the SAP S/4 HANA Implementation project, including any advancements and/or setbacks in project implementation; budget adherence; changes to project scope, timeline, and/or expenses; and any problems the company has experienced or anticipates experiencing with any operations or customer interactions. The Commission also directs Consumers to include in future rate case filings until implementation of the SAP S/4 HANA project is complete any over- and under-recovery of each projected expense for the project compared to the 80% base (ROM Adjusted Amount).

f. Product Family Enhancements-Customer Projects

The company explained that the Customer Experience and Operations (CX&O) Customer Product Family Enhancements are technology improvements responsive to the launch of a channel, a customer tool, project completion, or customer feedback. The programs within this larger category at issue in this case are: (1) Mobile Application (App), (2) Low Moderate Income (LMI) Customer Support Enhancement project, (3) Web Chat Artificial Intelligence (AI), (4) Web Dashboard Redesign, and (5) Web Rebate Personalization.

i. Mobile Application

The Staff recommended a disallowance of $1.056 million for 2024, and $1.306 million for 2025, arguing that the Mobile App duplicates the functionality of Consumers' website, is not necessary, and is not adequately supported by customer interest. The Staff also noted the

Commission's disallowance of the mobile app expenditures in Case No. U-20697. 6 Tr 4324-4327; Exhibit S-10.2. Consumers disagreed with the Staff's proposed disallowance and defended the Mobile App and its expenditures. The company argued that duplicate channels of communication allow customers to interact with the company according to their preferences and stated that the Commission approved Mobile App expenditures in Case No. U-21389. The company also testified that the Mobile App constitutes 29.8% of Consumers' digital traffic and is the second most used communication channel. 3 Tr 778; Consumers' initial brief, pp. 154-155.

The ALJ recited the Commission's decision in the March 1 order, in which the Commission rejected the Staff's proposed disallowance of the Mobile App expenditures in that case. The Commission disagreed with the Staff in Case No. U-21389 that the redundancy of the Mobile App warranted a disallowance, but, in Case No. U-21806, the Commission did agree that the emergent costs that the Mobile App spending represented were akin to contingency expenses that could not be evaluated and therefore, disallowed the Mobile App expenditures. PFD, p. 338 (citing September 30 order, pp. 139-140). In the instant case, the ALJ found that Consumers did not establish what the Mobile App expenditures will be spent on and therefore, found the projected spending to be too speculative to be considered reasonable and prudent. Thus, the ALJ recommended that the Commission adopt the Staff's proposed disallowance of $1.056 million for 2024 and $1.306 million for 2025. PFD, p. 338.

Consumers takes exception to the PFD, calling the ALJ's reasoning inappropriate since he recommended disallowing "actual costs" on the basis that they were too speculative to determine whether the spending would be reasonable and prudent. Consumers' exceptions, p. 49 (emphasis in original). Consumers contends that the costs recommended for disallowance are not emergent or projected costs—they were incurred for necessary updates to maintain the Mobile App to ensure

that it continues to work as expected. The company points to the information and details regarding the work undertaken on this project and asks the Commission to reject the ALJ's recommended disallowance. *Id*. (citing 3 Tr 967.22-967.23; Exhibit S-10.2).

Responding to the company's exceptions, the Staff disagrees with the company's assertion that it provided a detailed list of the enhancements made to the Mobile App. According to the Staff:

> [t]his is not accurate. The Company indicates that this information was provided in Staff Exhibit S-10.2, but the information relating to the Mobile App in that exhibit was generic and did not include detailed information as to why the requested expenditures were necessary to maintain the App. (Exhibit S-10.2.) Indeed, the Company stated in Exhibit S-10.2 that the "enhancement backlog is dynamic and driven by customer feedback, planned features, and emergent needs." (Id.) Using the Company's own words, the costs requested for the [Mobile] include those set aside for emergent work, which is the opposite of planned work. Additionally, by their nature, expenditures for enhancements are intended for quick fixes as issues arise and thus cannot always be planned. (Company Exceptions, p 48.)

Staff's replies to exceptions, p. 4. The Staff repeats that because the company did not provide examples of the work performed on the Mobile App, its expenditure requests are akin to contingency expenses that cannot be evaluated for reasonableness and prudence. The Staff maintains that the ALJ's was correct in recommending a disallowance. *Id*., pp. 4-5.

The Commission respectfully declines to adopt the ALJ's recommended disallowance and opts to allow Consumers' capital expenditures of $1.056 million in 2024 and $1.306 million in 2025. The Commission finds that that Consumers duly supported and explained how it spent 2024 and 2025 dollars on the Mobile App in Exhibit S-10.2. Further, the company has shown that the Mobile App is being used by approximately 30% of its customers and projects its usage to increase in 2026. *See*, 3 Tr 967.57. The Commission has found that some redundancy in communication and information channels between Consumers and its customers is acceptable and given the demonstration of usage presented in this case, inclusion of these expenditures for 2024 and 2025 is

reasonable and prudent. *See*, March 1 order, p. 83.

ii. Low-, Moderate-Income Customer Support Enhancement Project

Consumers explained that the LMI Customer Support Enhancement project increases awareness and enrollment in available services for customers, thereby reducing utility bill expenses and the risks of disconnection. Per the company, the core functions of the program are: (1) simplified program enrollment by centralizing enrollment for multiple programs into one process; (2) proactive communication and program awareness, reaching out to customers showing early signs of crisis with assistance options; (3) new and improved LMI offerings, integrating existing programs to provide a more comprehensive support system; and (4) continuous improvement by refining strategies based on customer feedback. Consumers proposed $1.87 million in capital expenditures in the test year broken out as follows: (1) $600,000 for the simplified program enrollment; (2) $370,000 for proactive communication and program awareness; (3) $700,000 for new and improved LMI offerings; and (4) $200,000 for continuous improvement. 3 Tr 967.26, 967.35.[20] Consumers contended that the program is necessary because one in every three of Consumers' customers is classified as LMI and this program makes interactions more accessible and aims to increase company-customer engagement. 3 Tr 967.27-967.28. Consumers also testified to the various successes of the program since its launch in December 2024. 3 Tr 967.30-967.32.

UCC, while contending that Consumers should do more to address assistance gaps in its LMI programs, argued that the company did not provide concrete details as to how or when the project

[20] A corrected version of Volume 3 of the transcript (filing #U-21870-0419) was filed to add in the testimony of Consumers witness Jessica R. Byrom that was inadvertently omitted from the originally filed Volume 3 of transcript (filing #U-21870-0409). All references to Volume 3 in this order refer to the corrected Volume 3. The Commission also notes that company witness Byrom's testimony appears on pages 967.1 through 967.79 in corrected Volume 3.

will benefit customers and that the program excludes many people that struggle with energy affordability. UCC recommended that LMI program information be made available in different forms, such as hard copies, as well as online and via real-time phone assistance. 3 Tr 2310-2313.

The Staff argued that, despite its multiple requests for information, Consumers did not show how the project will function or demonstrated clear, tangible results from the LMI Customer Support Enhancement project. Per the Staff, Consumers has not justified the dollar amounts that it proposed, particularly when these expenditures are not creating a new program and information regarding program options is already available on Consumers' website and through other mailings. The Staff therefore recommended disallowances of $525,246 for the 2025 bridge period and $1.87 million in capital expenditures for the test year. 6 Tr 4328-4333. The Staff also expressed concerns with Consumers' LMI project survey method. 6 Tr 4333-4334. Consumers disagreed with the Staff's disallowance and defended its proposed capital expenditures as well as the necessity and benefits of the LMI Customer Enhancement project. 3 Tr 967.62-967.66.

The ALJ stated that the Staff had raised similar issues in Case No. U-21806, but noted that the Commission, in that case, while stating its expectation for real progress in the company's website redesign project, agreed with the company that there were benefits to a streamline and simplified process. As such, the Commission approved the company's proposed LMI customer support expenditures in the September 30 order. PFD, p. 351 (citing September 30 order, pp. 140-143). In this case, the ALJ found no reason to deviate from the Commission's previous approval and recommended approval of Consumers' proposed LMI customer Support Enhancement project capital expenditures. PFD, p. 351.

The Staff takes exception to the ALJ's recommendation and repeats that the LMI Customer Support Enhancements project expenditures should be fully disallowed because the company has

not demonstrated that the project is reasonable and prudent. The Staff recalls that Consumers first presented the project in Case No. U-21806 and that it is proposing expenditures for the same program elements in the instant case, namely: (1) simplified program enrollment, (2) proactive communication and program awareness, (3) new and improved LMI offerings, and (4) continuous improvement and feedback. Staff's exceptions, pp. 9-10 (citing 3 Tr 967.35). According to the Staff, these same elements were supported by the expenditures approved in Case No. U-21806, and the Staff continues to have concerns that the project does not actually assist LMI customers. The Staff repeats its arguments that the program's benefits claimed by Consumers are broad and vague and that the high cost is not justified. The Staff insists that the company has not shown how the program to date has actually enhanced customers' experiences and financial stability. The Staff repeats that the proposed program elements in this case are not new and simply condense information already available on Consumers' website. Staff's exceptions, p. 10.

The Staff also repeats its concerns with Consumers' customer surveys, contending that they were limited in the number of participants surveyed, did not actually include Consumers' own customers, and included a large number of participants that were not Michigan residents. The Staff adds that Consumers failed to explain why just 25,000 of the 78,000 customers who interacted with the LMI tool since its launch in December 2024, completed the enrollment flow and also did not seek feedback from the 53,000 customers that did not seek enrollment as to why they did not complete their enrollment. *Id*., p. 11. As to the ALJ's rationale, the Staff disagrees that raising the same arguments in this case as it did in Case No. U-21806 shows that the expenditures for the LMI Customer Support Enhancement project are reasonable and prudent. The Staff points to Consumers' own testimony showing low usage for the LMI tool. The Staff argues that besides reliance on the decision in Case No. U-21806, the ALJ provided no further reason for

finding the company's proposed expenditures to be reasonable and prudent. Thus, in light of the Staff's arguments and support, the Staff maintains that the LMI Customer Support Enhancement project has not been proven to be useful and should be fully disallowed. *Id*., pp. 11-12.

UCC takes exception to the ALJ's failure to recommend that the company be required to report publicly on a quarterly basis on the costs and benefits delivered to all customers, particularly LMI customers. UCC recalls that it presented evidence regarding Consumers' failure to provide information about and justification for its $4 million in proposed investments in Analytics Outreach and Digital Customer Operations in the test year but states that the ALJ omitted UCC's arguments. UCC asks the Commission to consider the whole record as required under the Michigan Constitution, inclusive of UCC's position. UCC asks the Commission to reject Consumers' proposal as insufficiently supported and direct the company to provide adequate justification for its planned expenditures. UCC's exceptions, pp. 43-44.

In its replies to exceptions, Consumers states that the Staff repeated its arguments despite the Commission recognizing the Staff's concerns regarding the demonstration of definitive customer benefits in the September 30 order. In response to the Staff's claims that most customers who used the tool did not enroll in any program, Consumers points out that the tool is open to all customers so it should not be surprising that a significant number of customers did not enroll in a program. The company then repeats its testimony regarding the purpose of the LMI customer support tool, the benefits, and the resulting usage and enrollment statistics in support of its request that the Commission approve the LMI Customer Support Enhancement project. Consumers' replies to exceptions, pp. 62-64 (citing 3 Tr 967.63-967.65).

In response to UCC, Consumers states that its recommendation for reporting on the benefits and costs of the LMI Customer Support Enhancement Project was not supported by evidence and

was not defined. Thus, Consumers contends that UCC's recommendation should be rejected. Consumers' replies to exceptions, p. 64.

Having reviewed this issue, the Commission finds that the ALJ's recommendation to allow these expenditures should be adopted. The Commission notes that Consumers proposed this project in Case No. U-21806 for the same purposes it has explained in this case and that the Commission approved the expenditures in the September 30 order. However, the Commission also stated that it would continue to assess the project in future cases and expected to see progress regarding the company's website redesign project. September 30 order, p. 144. Consumers has shown in this case that the LMI Customer Support project has created a simplified and streamlined platform that allows customers to view and determine their eligibility for an array of LMI program offerings and that the program has resulted in approximately 52,000 LMI customers using the tool and of the 25,000 users completing the flow, nearly 20% enrolling in more than one LMI offering. *See*, 3 Tr 967.26-967.35; 967.61-967.65. The Commission finds that the company has shown that there is value to customers in this project and therefore, the Commission does not agree with the Staff that a full disallowance is appropriate. However, the Commission will continue to evaluate this project, and any future cost recovery requests must be accompanied by quantifiable improvements for LMI program accessibility, improvements in customers' financial stability, and a detailed explanation of benefits to customers that justify continued expenditures. Further, while Consumers has indicated that its website redesign project has been postponed to allow for the completion of the SAP S/4 HANA implementation, the Commission will continue to monitor the company's progress and expects that the eventual website redesign will incorporate the IT enhancements approved in this case in an economical way. *See*, 3 Tr 782-783.

iii. Web Chat Artificial Intelligence

Consumers explained that the Web Chat AI tool is an alternative to calling a service center and allows customers to chat with an AI tool to address questions or concerns and that its proposed expenditures in this case are for required updates and maintenance. 3 Tr 967.22-967.23. The Staff recommended a disallowance of $157,574 in expenditures for the partial bridge year ending April 30, 2026, and $315,148 in expenditures in the partial test year ending December 31, 2026, arguing that the AI chat tool spending is not reasonable when it produces only costs, not savings, and provides information already available on Consumers' website. The Staff also recommended a $19,896 disallowance for the associated O&M expenses. 6 Tr 4334-4336.

The ALJ observed that the parties' positions on this issue remain largely unchanged from those presented in Case No. U-21806 where the Commission disallowed the Web Chat AI on the basis that the company had provided only industry research, but no Consumers-specific or Consumers' customer-specific data in support of the tool and that the chat function provided nothing new or innovative. The Commission had stated in that case that it expected to see real progress on the company's website redesign before being asked to revisit the Web Chat AI tool in a future rate case. PFD, p. 354 (citing September 30 order, pp. 135-137). In this case, the ALJ found that no such progress had been established, the Staff showed that Consumers' references to peer organizations are overblown, and the company did not present any Consumers-specific data to support the tool. Per the ALJ, "[i]t is not clear who, if anyone, is actually being helped with this spending." PFD, p. 354. As such, the ALJ recommended a disallowance of $157,574 in capital expenditures for the partial bridge year ending April 30, 2026, and $315,148 in capital expenditures for the partial test year ending December 31, 2026. The ALJ also noted that, in the

O&M section of the PFD, he would recommend a disallowance of the $19,896 in O&M spending for the partial test year ending December 31, 2026. *Id*.

Consumers takes exception to the PFD, arguing that the AI Chat tool is not the same as a frequently asked questions page but is similar to speaking to a Consumers employee that can quickly retrieve information tied to a specific customer inquiry. Consumers contends that the tool allows customers to resolve specific inquiries without searching through common inquiries and that the tool is not intended to match the company's website in terms of functionality or to replace the company's website. Consumers maintains that investments in Web Chat AI are important front-end investments to provide better customer service, increase access to assistance and programs, and improve customer self-service. Therefore, Consumers asks the Commission to approve the expenditures. Consumers' exceptions, pp. 49-50 (citing 3 Tr 967.53).

The Staff responds to Consumers' claimed benefits of the Web Chat AI project, arguing again that the project will simply aggregate general information that is already available on the company's website and will essentially function as a Frequently Asked Questions page. The Staff repeats that the company has not shown any cost savings resulting from the Web Chat AI project and that it remains unclear which customers will be helped by the project. Referring to the Commission's stated expectation in Case No. U-21806 to see progress on Consumers' website redesign before revisiting the Web Chat AI project, the Staff contends that the company has not demonstrated any progress or altered the scope of the Web Chat AI project. Thus, the Staff maintains that the ALJ correctly recommended a disallowance for this expenditure. Staff's replies to exceptions, pp. 5-6.

Finding the ALJ's recommendation to be well-reasoned and supported by the record, the Commission adopts the PFD on this issue. *See*, PFD, p. 354. Consumers conceded it did not have

quantified benefits for the Web Chat AI project and failed to demonstrate how the use of the Web Chat AI tool has reduced costs or interactions with customer service or any other associated savings related to O&M expense. *See*, 6 Tr 4334-4336. The Commission finds that the company's presentation of evidence in this case is similar to that in Case No. U-21806 and as such, the Commission does not find that a departure from its previous decision to disallow these expenditures is warranted.

iv. Web Dashboard Redesign

The Staff recommended a disallowance of $500,000 for the Web Dashboard Redesign project, arguing that the project is redundant, unnecessary, and not justified. The Staff contended that even if the LMI project is approved, the Web Dashboard Redesign should still be disallowed. 6 Tr 4337. Consumers conceded to remove the $525,246 in capital expenditures for 2025, explaining that other higher priority work led to the Web Dashboard Redesign not being completed as planned. 3 Tr 780-781; Consumers' initial brief, pp. 161-162; *see also*, Staff's initial brief, p. 63.

The ALJ noted the company's concession and recommended the removal of the $525,246 in capital expenditures. PFD, pp. 356-357.

No exceptions were filed on this issue.

Noting Consumers' concession and that no party filed exceptions on this issue, the Commission adopts the PFD. *See*, PFD, pp. 356-357.

v. Web Rebate Personalization

The Staff recommended a full disallowance of the Web Rebate Personalization project, including associated O&M expenses, to which the company agreed to the removal of $175,082 in capital expenditures for the partial test year ending December 31, 2026, capital expenditures of $87,541 for the partial bridge period ending April 30, 2026, and $11,053 in IT investments O&M

expense for the partial test year ending December 31, 2026. 3 Tr 782; 6 Tr 4339; Consumers' initial brief, pp. 162-163.

The ALJ noted the company's concession and recommended removal of this project's capital expenditures and associated O&M expenses. PFD, p. 358.

No exceptions were filed on this issue.

Noting Consumers' concession and that no party filed exceptions on this issue, the Commission adopts the PFD. *See*, PFD, p. 358.

g. Projects in the Investment Planning Phase

The Attorney General identified two groups of projects within the company's proposed IT capital expenditures that she argued are in the initial phases of development, are uncertain and premature, and should be adjusted. The Attorney General proposed a disallowance of $1.448 million in capital expenditures for the bridge period and $3.067 million for the test year for the Group 1, which includes: (1) the Electric Geographic Information System (GIS) Design Platform Modernization project, (2) the Electric GIS Utility Network Transformation project, (3) the Integrated Energy Management Platform Optimization project, and (4) the Service Restoration AI project. The Attorney General also recommended a disallowance of $6.283 million in capital expenditures for the bridge period and $11.428 million for the projected test year for projects in Group 2, which includes: (1) the Critical Substation Upgrade project, (2) the Data & Analytics Platform Rationalization project, (3) the Operational Technology (OT) Datacenter Migration project, (4) the Forward Web Proxy Services project, and (5) the Physical Access Management and Alarm Response. 3 Tr 2497-2498. However, in briefing, the Attorney General withdrew her proposed disallowance for the Data & Analytics Platform project in the second group. Thus, for both groups, the Attorney General's total proposed a total disallowance of

$4.904 million in capital expenditures for the bridge period and $11.983 million in capital expenditures for the projected test year, as well as $3.136 million in O&M expense.

Consumers disagreed with the Attorney General's proposed disallowances and argued that the projects' status in the investment planning phase does not warrant a disallowance because the projects have completed and approved business cases and are only awaiting funding through the approval of these expenditures. The company also argued that these projects deliver value to customers in terms of avoided costs, better quality, and safer environments, even if the projects have negative BCRs. 3 Tr 674-675, 787-794.

The ALJ declined to adopt the Attorney General's recommendation to disallow these IT projects. The ALJ agreed that ratepayers should not pay for projects that are uncertain or premature but found that projects in the investment planning phase are not per se premature. Looking to the September 30 order, the ALJ stated that the Commission has not found that a project's status as being in the investment planning phase is dispositive for its exclusion from rate base. PFD, p. 365 (citing September 30 order, p. 130) (noting that the IT expenditures in the investment planning phase were disallowed but for other reasons). Per the ALJ:

> [a] review of Exhibits AG-27 through AG-29, provided by the Attorney General to support the recommended disallowances, shows that many of the projects have Board approval and completed BCAs, and all but two of the projects have planned 2026 expenditures. Further, the Attorney General stated that Consumers did not provide detailed cost information for the projects in discovery, but it does not appear that she requested this information for all the projects. Other than the projects being premature and uncertain, the Attorney General does not offer any other reason to deny these projects.

PFD, p. 365. The ALJ found that Consumers sufficiently supported the projects in Group 1 and Group 2. The ALJ also noted that for the OT Datacenter Migration project, Consumers had responded to the Commission's directive in the September 30 order to provide the costs of remaining in the basement of the Parnall building and explained why a railway line near the

building was problematic for the datacenter. *Id*., p. 366.

However, the ALJ did find that the Electric GIS Utility Network Transformation project and the Integrated Energy Management Platform Optimization project should be disallowed as premature because Consumers indicated that it does not plan to expend funds on these projects until the last four months of the test year. Therefore, the ALJ recommended approval of the company's capital expenditures in Group 1 and Group 2 with the exception of the Electric GIS Utility Network Transformation ($1.050 million in capital expenditures and $520,000 in O&M) and Integrated Energy Management Platform Optimization ($1.075 million in capital expenditures and $508,000 O&M). The ALJ's ultimate disallowance came to $2.125 million in capital expenditures and $1.028 million in O&M expenses for the projected test year. PFD, p. 366.

Consumers takes exceptions to the ALJ's recommended disallowance of $1.050 million in capital expenditures and $520,00 in O&M for the Electric GIS Utility Network Transformation, and $1.075 million in capital expenditures and $508,000 in O&M for the Integrated Energy Management Platform Optimization. Consumers contends that significant work on these projects has been completed and planned for in the projected test year and points out that in its testimony it described the project timelines, spending plans, project benefits, BCRs, project alternatives, and other aspects of its evaluation in the necessity of these projects. Consumers' exceptions, pp. 51-52 (citing 3 Tr 674-675, 787, 790). Citing its testimony and exhibits, Consumers insists that the projects are well supported and the ALJ's finding that the project work will occur in the latter half of the test year does not warrant a disallowance. Consumers' exceptions, p. 52 (citing 3 Tr 1490-1492, 1795-1797; Exhibits A-12, A-19, and A-21.)

Consumers states that the Attorney General opposed the expenditures because they are in the investment planning phase and that detailed requirements were not yet completed. Consumers

observes that the ALJ rejected this same argument by the Attorney General for other projects. According to the company, "[t]he only difference between the two projects at issue and the other projects the ALJ recommended approving is that the two projects do not have planned 2026 expenditures." Consumers' exceptions, p. 52. Consumers argues that the absence of 2026 expenditures does not mean that the 2027 planned expenditures should be disallowed. Further, Consumers attests that it is not seeking recovery for post-test year expenditures, which "is evident when comparing the total 2027 expenditures for these projects shown in Exhibit AG-28 with the projected test year expenditures shown in the same exhibit." Consumers' exceptions, p. 53. Thus, Consumers asks the Commission to approve its requested expenditures for the Electric GIS Utility Network Transformation project and the Integrated Energy Management Platform Optimization project. *Id*.

In its exceptions, the Attorney General recites her position and proposed disallowances to Groups 1 and 2 of the IT projects she identified as being too premature for inclusion in rate base in this case. Attorney General's exceptions, pp. 70-72. Following a recitation of the ALJ's decision and reasoning, the Attorney General insists that board approval, the completion of a BCA, and company claims of how it intends to spend 2026 dollars does not mean the projects are not premature. The Attorney General restates that it is too soon to include these expenditures in rate base when the projects are not sufficiently developed or supported. Further, the Attorney General contends that whether she requested information from the company regarding the projects in discovery or not, the company has the burden to prove the reasonableness and prudence of its requests. As such, the Attorney General asks the Commission to adopt her proposed disallowance. Attorney General's exceptions, pp. 72-73.

In replies, the Attorney General repeats her argument in favor of a disallowance for the

Electric GIS Utility Network Transformation and the Integrated Energy Management Platform Optimization project, contending that the projects are still in the investment planning phase and uncertain and are not economic because their BCR is a negative 1.0. The Attorney General asks the Commission to reject the company's arguments in exceptions and repeats that the lack of requirements for these projects demonstrates uncertainty as to whether the expenditures will occur before the end of the test year and are therefore premature. Attorney General's replies to exceptions, pp. 53-54.

Consumers, in its replies to exceptions, repeats the parties' respective positions and responds to the Attorney General's argument in exceptions. Consumers attests that it is not premature to rely on the company's projections when, in addition to board approval and the BCA, the company described the value of each project and met its burden of proof in this case. Thus, the company asks the Commission to reject the Attorney General's disallowances. Consumers' replies to exceptions, pp. 65-68.

Having reviewed the record and the parties' positions on this matter, the Commission adopts the PFD in part. The Commission finds that the ALJ's recommendation to reject the majority of the Attorney General's disallowance to be well-reasoned and supported by the record. As pointed out by the ALJ and Consumers, the projects opposed by the Attorney General have completed business cases and internal company approval, and therefore, the Commission does not find that they are made premature by their status of awaiting the funding that is being approved in this rate case. *See*, 3 Tr 674-675, 787, 790, 1490-1492, 1795-1797; Exhibits A-12, A-19, and A-21; *see also*, PFD, pp. 365-366.

However, the Commission respectfully declines to adopt the ALJ's recommendation to disallow the expenditures and accompanying O&M expenses for the Electric GIS Utility Network

Transformation ($1.05 million in capital expenditures and $520,000 in O&M) and Integrated Energy Management Platform Optimization ($1.075 million in capital expenditures and $508,000 in O&M) projects. The ALJ found these projects to be duly supported but declined to recommend their approval on the basis that the company did not plan to expend these funds until the last four months of the test year. *See*, PFD, p. 366. Albeit in the last four months of the test year, the expenditures will still be made within the test year and, therefore, the Commission finds that approval is appropriate given the finding that the projects are otherwise supported.

7. Demand Response Capital Expenditures

Consumers projected $1.375 million in DR capital expenditures for the test year, primarily for device cycling switches installed for the company's residential DR program and customer communication equipment. The company's testimony explained several aspects of its DR programs including its surcharge and reconciliation process, its DR portfolio, the purposes and benefits of the programs, the types of residential and C&I programs available, and the amount of capacity enrolled in its programs. *See*, 3 Tr 1092-1111, 1793-1794; Consumers' initial brief, pp. 173-175; Exhibit A-12, Schedule B-5.5.

a. Demand Response Residential

As noted above, Consumers proposed $1.375 million in DR residential (DRR) capital expenditures for the test year. The ALJ noted that no party opposed the company's proposed expenditures and therefore, the ALJ recommended their approval. PFD, p. 378. Noting that no exceptions were filed on this issue, the Commission agrees and adopts the ALJ's recommendation to approve the $1.375 million in DRR capital expenditures for the test year.

b. Virtual Power Plants

The CEOs did not object to the company's DR programs but argued for the inclusion of virtual power plants (VPPs) in Consumers' DR programs, namely its Smart Thermostat Program. 4 Tr 3203-3212. GLREA made similar arguments. 4 Tr 3323, 3327-3328. MEIU contended that any new VPP program should leverage and scale existing DR programs. 6 Tr 4238-4240, 4242. Consumers opposed the CEOs' and GLREA's recommendations regarding VPPs. 3 Tr 1608-1612; 1748-1752.

Citing the reasons provided by the company, the ALJ declined to adopt the intervenors' VPP recommendations for Consumers' DR program. PFD, p. 369.

The CEOs take exception to the ALJ's recommendation regarding the VPP issue as it pertains to other sections of the PFD, and as such those exceptions are addressed elsewhere in this order. *See*, CEOs' exceptions, pp. 1-3.

The Commission notes that VPPs are addressed in the Other Issues section of this order, and specifically below in the section pertaining to the Whole Home Optimization DR pilot (Whole Home pilot). However, the Commission takes this opportunity to note that the Smart Thermostat program and other DR programs are essentially one form of VPP, and the Commission states its expectation that Consumers will continue to evaluate the benefits of these programs and other VPP programs and how their implementation can be improved and incorporated into the company's DSPs and IRPs.

c. Critical Peak Pricing and Peak Time Rewards

Consumers explained that its Dynamic Peak Pricing (DPP) program has two pricing options, Critical Peak Pricing (CPP) and Peak Time Rewards (PTR), both of which encourage customers to shift their energy consumption during a DR event. In this case, Consumers proposed to eliminate

the enrollment incentive for the PTR program, reduce customer demand savings for PTR from 0.21 kilowatt (kW) per customer to 0.13 kW per customer,[21] and to reduce the PTR credit from $1.00 per kilowatt-hour (kWh) of energy reduced during event hours to $0.50 per kWh. Consumers also proposed reducing the customer demand savings for CPP from 0.25 kW per customer to 0.18 kW per customer. Consumers attributed the reductions in the demand values to the company's (together with its third-party evaluator, Cadmus's) prediction that demand savings values are lower now than the 2022 planning value that had been previously used. The company explained that it views PTR as a gateway program used to upsell customers into more cost-effective DR programs and that, as an entry level program, Consumers has tried to improve its cost effectiveness by proposing to discontinue the enrollment incentives and to focus on low- to no-cost marketing. 3 Tr 1105-1106.

MEIU testified regarding the DR programs, the 2022 Cadmus study that formed the basis for the company's proposed cuts to the PTR and CPP credits, Consumers' BCAs for its DR programs, and the proposed cuts. MEIU contended that the company's net benefits calculations were inaccurate and not representative of the CPP and PTR programs because the 2022 Cadmus study tested values in outdated scenarios with participation rates that were lower in both programs. MEIU recommended that the Commission: (1) reject Consumers' proposal to reduce the per customer demand savings values for the PTR and CPP programs until the company completed an updated analysis of the programs' performance under current planning conditions, (2) reject the

[21] As noted by the ALJ, MEIU explained that the 0.13 per kW value for the PTR program and the similarly expressed value in the CPP program, represent the capability values at 90 degrees Fahrenheit for the customer demand savings predicted to be achieved. PFD, p. 370, n. 1641 (citing 6 Tr 4209).

PTR bill credit reduction as unjustified, and (3) reject Consumers' proposal to discontinue PTR program customer enrollment incentives. 6 Tr 4197-4219; Exhibit MEIU-2.11.

The company defended its proposal and the basis for its proposed changes in its rebuttal testimony and in briefing. *See*, 3 Tr 1114-1115; Consumers' initial brief, pp. 173-175.

The ALJ agreed with Consumers' proposal to discontinue the enrollment incentives for the PTR program, reasoning that although the burden is on the company to show whether its actions are reasonable and prudent, both the company and MEIU provided reasonable options on this issue. Further, the ALJ agreed with the company that a new incentive can be offered if enrollment needs to be increased in the future. PFD, p. 377. However, the ALJ recommended that the Commission reject Consumers' proposal to reduce the demand values of the PTR and CPP programs until the company provides current information in a future rate case regarding the actual impacts of the change based on reasonably current enrollment numbers, as well as reasonably current cost/benefit projections. The ALJ reasoned as follows:

> The Company glosses over that the CPP program is currently cost-effective enough to carry any possible shortfall from the PTR program. There is no data on the impact that the proposed reduction might have on customer behavior; there is no projection of cost-effectiveness based on current program enrollment; but there is data that the CPP program is currently cost effective.

Id., pp. 377-378 (footnote omitted) (citing Consumers' initial brief, p. 174).

Turning to the proposed reduction of the PTR credit, the ALJ found that the company had not provided adequate information regarding the reduction in demand values based on the current information. However, the ALJ added that "it will be the Company that will lose flexibility and the positive effects of the PTR program with MISO during a DR event if it has underestimated the impact of the reduced credit on customer behavior." PFD, p. 378. Thus, the ALJ recommended

that the Commission approve Consumers' proposed reduction of the PTR bill credit to $0.50 per kWh. *Id*.

MEIU takes exception to the PFD, stating that that the ALJ agreed with MEIU's concerns regarding the company's proposed reductions in the demand value and PTR bill credit but nonetheless recommended a reduction in the PTR bill credit. MEIU contends that the ALJ's conclusion is inconsistent with his findings and the evidence on the record. MEIU argues that:

> Consumers relied on the reduced capability value when it determined to reduce the bill credit: "Consumers states that 'with this lower [customer demand savings capability] value being nearly half the previous value for PTR, the Company determined that the credit offered to these customers should also be halved.'" 6 Tr 4216 (quoting 3 Tr 1105). Given the PFD's rejection of the Company's basis for the bill credit reduction (the reduced capability value), and given the PFD's apparent recognition that the reduction's effect on customer behavior was not adequately considered, there is no longer any evidentiary justification for adopting the PTR bill credit reduction.

MEIU's exceptions, p. 3. Thus, MEIU asks the Commission to reject the ALJ's recommendation to reduce the PTR bill credit. *Id*.

In its replies to exceptions, Consumers restates its and MEIU's positions before arguing that MEIU's exceptions should be rejected. Consumers claims that MEIU's argument relies on the ALJ's statement that the 2022 Cadmus study informed the 2025 Cadmus presentation and was outdated. However, the company contends that both the ALJ and MEIU err in their interpretation of Consumers' planning values. Consumers repeats its argument that, "[i]f the 2022 Cadmus study is outdated then updating the planning values and reducing the bill credits generated from that study would be reasonable for the Company to not rely on outdated credits and planning values." Consumers' replies to exceptions, p. 106. Consumers then repeats that the company must make these changes to align expected demand reduction with actual demand savings to achieve cost effectiveness and says MEIU's argument that the DPP program is cost effective is flawed. *Id*. Per

Consumers, the PTR program is only cost effective in relation to the CPP program and, in light of its experience with PTR, the company is confident that reducing the bill credit will increase cost effectiveness.

Consumers adds that:

> [b]oth MEIU and the PFD err by assuming a large impact to customer behavior when the risk is unknown, whereas the Company asserts PTR's value is not primarily from demand savings but in introducing customers to the concept of DR. Thus, MEIU is incorrect in arguing for preservation of outdated Credits and Planning Values on the basis that DPP is currently cost-effective where the Company believes reducing the planning values and bill credits will further improve DPPs cost-effectiveness. MEIU has presented no evidence that the unknown impact to customer savings will "sabotage an existing cost-effective DR program." MEUI's Exceptions, page 2. MEIU's arguments do not rely on a factual basis and misunderstand the value derived from PTR.

Consumers' replies to exceptions, p. 107. Thus, Consumers asks the Commission to reject MEIU's arguments.

Having reviewed the record and the parties' arguments on this issue, the Commission adopts the PFD, in part. The Commission agrees with MEIU that the 2022 Cadmus study is out of date and should not be relied upon now as a basis for making changes to the PTR and CPP values and credits. Consumers concedes this point that using 2022 data is flawed but argues that its 2025 Cadmus analysis is sufficient to support its proposed changes. *See*, Consumers' initial brief, p. 173. The Commission disagrees. As explained by MEIU in testimony and its exhibits:

> [t]o calculate the customer demand savings capability values being proposed by Consumers, Cadmus utilized data from five DR events in 2022 with an average enrollment level of 14,117 participants for the CPP program and 77,019 participants for the PTR program (Exhibit MEIU-2.3). Relying on 2022 data to inform the DPP program in 2025 is inherently flawed. DPP program levels have nearly doubled since 2022, as there are now 24,860 participants enrolled in the CPP program and 173,559 participants enrolled in the PTR program (Exhibit MEIU-2.2). Company witness Gast even acknowledges this enrollment growth in the DPP program within his direct testimony by stating that "the Company has seen a higher enrollment rate for PTR compared to other DR offerings with 153,147 cumulative enrollments in 2024." Due to these vastly different enrollment levels between 2022

> and 2025, it is reasonable to assume that the per customer demand savings values will likely differ between 2022 and 2025. Furthermore, Cadmus specifically recommended that the Company review expected performance under planning conditions annually to ensure long-term trends are accounted for appropriately if and when they occur (Exhibit MEIU-2.3). However, in a discovery response (Exhibit MEIU-2.5), the Company stated that it "has not undertaken this review since 2022" and that "no events have been called since 2022. Therefore, performance reviews have not been an opportunity."

6 Tr 4214-4215 (footnote omitted); *see also*, Exhibits MEIU-2.2, MEIU-2.3, and MEIU-2.5. Consumers did not show that its 2025 Cadmus presentation represented a thorough, updated analysis of reasonably current PTR and CPP program data. Without an updated analysis, the Commission does not find the company's proposed changes based on the 2025 Cadmus presentation to be appropriate. Should the company choose to pursue changes in the value of the PTR and CPP credits or demand values in a future electric rate case, it should first perform an updated analysis with the level of thoroughness and detail included in the 2022 Cadmus study, including examining how changes to the credits would impact customer participation in the programs.

The Commission also finds concerning Consumers' failure to address the question (or even to see the question as necessary) of the impact of changes to the credit on customer participation or behavior. *See*, Consumers' initial brief, pp. 173-174. This is particularly confounding when the 2025 Cadmus presentation stated that "[r]educing incentives could improve the cost-effectiveness potentially at [the] expense of diminished response by participants[,]" and that lowering the incentive could achieve up to 50% in cost savings, "*assuming customer behavior stays the same*[.]" Exhibit MEIU-2.9, pp. 3, 10 (emphasis added). It is apparent to the Commission that customer behavior is relevant to the cost-effectiveness resulting from the credit amount and should be analyzed if the company seeks to make changes to these programs. Therefore, the Commission respectfully declines to adopt the ALJ's recommendation to approve Consumers' proposed

changes to the PTR and CPP credits and to discontinue the enrollment incentives for PTR but otherwise adopts the ALJ's rejection of the company's proposed changes in the value. *See*, PFD, p. 378.

d. Whole Home Optimization Demand Response Pilot

Consumers explained that the Whole Home Pilot allows the company to test customer response and interaction with energy usage and demand analytics, customer-controlled responses and behavior, and aggregation of resources within a home using whole home optimization. The company stated that it is testing technology with time-of-use (TOU) rates to quantify energy savings impacts and to understand the barriers customers face in adopting distributed energy resources (DERs) in the home (i.e., battery storage and EVs). Consumers proposed $750,000 within the total DR expenditure category. 3 Tr 1109-110; Exhibit A-12, Schedule B5.5; Exhibit A-182.

The CEOs were generally supportive of the Whole Home Pilot but stated that it should be a steppingstone to integrating the technologies being tested into a broader portfolio and to be used in VPP implementation. 4 Tr 3216-3217. The Staff did not oppose the pilot but noted Consumers' indication that the company will provide updates on the Whole Home Pilot in future rate and DR reconciliation cases and that it would notify the Staff and intervenors of significant changes in the approved plan. The Staff also requested that in its next electric rate case or DR filing Consumers: (1) include more information about the specific technologies being tested and how these technologies would be evaluated and (2) discuss its intentions for any necessary transition or integration of the pilot participants once the pilot ends in 2028. 6 Tr 4494-4497. Consumers agreed with the Staff's requests. 3 Tr 1113.

The ALJ recommended that the Whole Home Pilot and its expenditures be approved and, noting Consumers' agreement thereto, recommended that the Staff's requests be adopted as well. However, the ALJ found that there is currently no basis to compel Consumers to use the program to develop or implement a VPP, particularly before the pilot has collected any data. Therefore, the ALJ declined to recommend the CEOs' suggestion. PFD, p. 381.

The CEOs take exception to the ALJ's finding that there is no basis to compel Consumers to use the Whole Home Pilot to institute a VPP. The CEOs include their recommendations regarding VPPs addressed elsewhere in the PFD in asking the Commission to reverse the ALJ's conclusions regarding VPPs. Per the CEOs:

> [w]hile no statute mandates Consumers to implement a VPP program, the Commission has significant discretion to guide Consumers' investments and strategy. See *In re Consumers Energy Co*., 913 N.W.2d 406, 413 (Mich. Ct. App., Dec. 28, 2017). Further, the Commission already required the Company to investigate virtual power plants when it develops a business case for future DERMS [distributed energy resource management system] spending. Case No. U-21585, Final Order at 118 (Mar. 21, 2025); see also CEO Reply Br. at 2.
>
> The record in this case clearly demonstrates that VPPs add value, a point the PFD agreed with, recognizing the "multitude of grid benefits" VPPs provide. The Commission could reasonably conclude that implementing this important tool would be just and reasonable. Further, the CEO did not recommend or request that Consumers deploy a VPP, rather the recommendation is to "order Consumers to create a VPP plan which builds on its Demand Response program and the Whole Home Optimization Pilot…not to deploy a virtual power plant immediately." CEO Reply Br. at 2. As the CEO pointed out in our reply brief, "the Company's upcoming distribution system plan and integrated resource plan both present excellent opportunities for the Company to model and analyze VPPs."

CEOs' exceptions, p. 2. Thus, the CEOs ask the Commission to direct Consumers to create a VPP plan in its next DSP and IRP. *See*, *id*.

Finding the ALJ's recommendation to be well-reasoned and supported by the record the Commission adopts the PFD. However, the Commission notes, as discussed further in the Other Issues section of this order, that VPPs represent potential means of flexible capacity and are

appropriate for consideration in both the company's DSP and IRP. Noting Consumers' agreement with the Staff's recommendations, the Commission directs the company to provide the Staff with updates on the Whole Home Pilot in future DR reconciliation cases[22] and to notify the Staff and intervenors of significant changes in the approved plan. Also, in its next electric rate case the Commission directs Consumers to: (1) include more information about the specific technologies being tested and how these technologies would be evaluated, and (2) discuss its intentions for any necessary transition or integration of the pilot participants once the pilot ends in 2028.

e. Demand Response Surcharge and Reconciliation Process

Consumers explained its DR surcharge and reconciliation process and stated that it had calculated a separate revenue requirement for the DR program including all DR capital, O&M costs, and DR related credits in the company's rate design. The company explained that the surcharge (which was also proposed in the company DR reconciliation proceeding, Case No. U-21906) would take effect with the 2026 filing of the 2025 DR reconciliation that proposes new spending in 2027. Per Consumers, the proposed surcharge accounts for changing costs, over/under-recoveries, and recovery of the performance incentive, and would use the DR surcharge methodology approved by the Commission in Case No. U-21585. Consumers added that it used the calculation methodology in its ongoing DR reconciliation proceeding, Case No. U-21906, to request surcharges. Consumers requested that the DR capital expenditures and O&M expenses be included in the annual DR plan and reconciliation instead of the general rate case,

[22] While the Staff requested that Consumers file this information in its next rate case or DR filing, the Commission notes that in the December 18, 2025 order in Case No. U-21637 (December 18 order), the Commission found that DR should no longer be addressed in a separate DR-only proceeding but should be considered entirely within a rate case. *See*, December 18 order, pp. 8-10. Consistent with the December 18 order, the Commission directs Consumers to file the information requested by the Staff in its next electric rate case proceeding.

with the annual DR reconciliation filing operating as both a DR plan and a DR reconciliation in order to mitigate regulatory lag and reduce the complexity of addressing DR in multiple cases. 3 Tr 1099-1101. The company noted that it included DR capital expenditures with O&M expenses in this case in the event that the DR regulatory construct was not approved.

Thus, Consumers further stated that Exhibit A-16, Schedule F-2.1 reflects the removal of the $43.572 million DR revenue requirement, as calculated in Exhibit A-83 and allocated to each rate class in Exhibit A-89. Exhibit A-83 calculates the projected test year revenue requirement for DR programs with those programs included in this case, summarizing the total projected test year revenue requirement for DR programs, and then breaking this down into the projected test year revenue requirement for the commercial and industrial DR program. The company noted that adjustments to either capital or O&M spending for DR would require an update to Exhibit A-83. Further, the revenue requirement for DR is removed from the base rates calculation, with recovery of the DR revenue requirements being recovered through the surcharge (as approved in Case No. U-21585). 3 Tr 154, 162, 1075-1076.

The Staff suggested some changes to the existing DR process but contended that any changes should be considered in Case No. U-21637, which has been designated to exploring opportunities to improve the rate case process. The Staff noted that in the July 10, 2025 order in Case No. U-21637 the Commission had directed the participants (including Consumers) to file any comments regarding a new DR process by September 10, 2025. *See*, July 10 order in Case No. U-21637, p. 41. Therefore, according to the Staff, Case No. U-21637 is the more appropriate venue for considering Consumers' proposals. 6 Tr 4497-4498. Citing insufficient information on this record regarding the impact of Consumers' proposal, MEIU did not take a specific position at this time

but recommended that any decision on the DR surcharge methodology and process be consistent with decisions in Case No. U-21637.

In rebuttal, Consumers contended that it would need to make any DR changes by its May 2026 DR filing, noting, "[i]f the Commission were not to decide on this issue in the instant case or the pending 2024 DR Reconciliation case (Case No. U-21906), the Company would likely not be able to file planned DR costs for 2027 and would have to include planned DR spend in its subsequent electric rate case filing." 3 Tr 4114. Consumers adds that no party opposed its surcharge. Consumers' initial brief, pp. 171-173.

The ALJ began by reciting the parties' positions and the Commission's resulting decision in the December 18 order:

> The Commission addressed this issue in its [December 18 order]. In that case, while Consumers expressed support for moving DR to a separate proceeding, noting its proposal in this case, the City of Ann Arbor, the Attorney General, DTE, and Staff all expressed reservations with this approach. Staff proposed either that DR could be moved into a separate proceeding with either a surcharge or deferred accounting mechanism, or "that DR could be moved entirely into the rate case" with each utility filing "a final DR reconciliation wherein a final balance would be determined and recovered in a subsequent rate case," allowing "the reconciliation process to end and all DR costs to be included in subsequent rate cases."
>
> The Commission adopted Staff's latter proposal, finding "that the rate case option recognizes that DR is more akin to generation investments and should be part of the holistic view that occurs in rate cases … [t]he Commission directs the Staff and the utilities to hereafter include DR in rate cases after a final reconciliation has taken place under the existing construct." Although noting that this would likely take two years to implement, the Commission found "that the advantages associated with moving the entire DR rate approval process to rate cases outweigh any inconvenience associated with the delay."

PFD, pp. 385 (footnotes omitted) (quoting December 18 order, pp. 8-10).

Therefore, in light of the December 18 order, the ALJ recommended that Consumers' proposed surcharge and reconciliation process be denied. The ALJ added that he is aware that the company might see "whiplash" from its interpretation of the order in Case No. U-21585, but that

the company should be directed to bring DR entirely within its rate case filing as soon as possible to effectuate the Commission's December 18 order. PFD, p. 386.

No party filed exceptions on this issue.

Finding the ALJ's recommendation to be well-reasoned and supported by the record, and noting that no party filed exceptions on this issue, the Commission adopts the PFD. Further, the Commission notes that this decision is consistent with the Commission's decision in the December 18 order as well as the recent February 19 order, DTE Electric's most recently approved rate case. *See*, February 19 order, pp. 215-216.

8. Customer Experience and Operations Capital Expenditures

Consumers explained that its CX&O expenditures are divided into: (1) Customer Interactions; and (2) Billing and Payment. For CX&O, Consumers projected capital expenditures for direct work of $1.25 million in the historical year, $693,000 for the bridge period, and $1.87 million for the test year (with test year expenditures dedicated solely to customer interactions). 3 Tr 3, 5, 967.8; Exhibit A-12, Schedule B-5.3.

The ALJ noted that no party opposed the company's proposed expenditures and recommended that they be approved. PFD, p. 387.

No exceptions were filed on this issue.

Noting that the CX&O expenditures are not in dispute in this case and finding the company's proposed expenditures to be supported by the record, the Commission approves the company's proposed expenditures in this category. *See*, 3 Tr 3, 5, 967.8; Exhibit A-12, Schedule B-5.3.

9. Corporate Services Capital Expenditures

Consumers explained that the Corporate Services capital expenditures include costs to equip and support learning and development and the corporate services areas primarily at the company's

headquarters. Consumers projected Corporate Services Capital Expenditures of $1.378 million in the bridge period and $1.064 million in the test year. 6 Tr 3353, 3361-3362; Exhibit A-12, Schedule B5.4.

The ALJ noted that the company's proposed expenditures were not disputed and therefore recommended that they be approved. PFD, p. 387.

No exceptions were filed on this issue.

Noting that these expenditures are not in dispute in this case and finding the company's proposed expenditures to be supported by the record, the Commission approves the company's proposed expenditures in this category. *See*, 6 Tr 3353, 3361-3362; Exhibit A-12, Schedule B-5.4.

10. Transportation Electrification Plan

Consumers proposed a number of enhancements to its TEP that do not include additional expenditure requests beyond previous Commission approvals but do include revised timelines due to federal National Electric Vehicle Infrastructure (NEVI) Formula Program contracting delays and the suspension of infrastructure funding from the Federal Highway Administration. 3 Tr 1860-1861. The company provided extensive testimony regarding its TEP, which included its assertion that its TEP produced a positive net present value (NPV) meaning that the additional load growth from EVs creates a margin that exceeds the company's revenue requirement and other costs. The company asserted that it is continuing to implement a TEP that benefits all customers and to increase transportation electrification in its three key program areas: Residential, Public, and Fleet. 3 Tr 1860-1870; Exhibit A-165.

Consumers then proposed and explained the following enhancements to its TEP:

> (1) The allowance of the weatherized and EV-rated National Electric Manufacturers Association ("NEMA") 14-50 outlets across all L2 [Level 2] rebate categories and NEMA 5-207 outlets across all long-duration L1 [Level 1] rebate categories. Given that many new EVs come with, and existing EV drivers utilize, a portable charger,

focusing a project on the outlet can simplify installations and reduce costs for host sites. In particular, multifamily locations have expressed interest in bring-your-own-cord ("BYOC") solutions given desires to reduce costs and maintenance. Presently only community charging host sites can utilize outlets as a BYOC option, and the Company believes that it is a useful option across the board to reduce infrastructure costs.

(2) The continuation of Direct Current Fast Charging ("DCFC") rebates on a time-limited and selective basis. The Company continues to believe that DCFC infrastructure incentives are needed to better enable EV travel and to encourage EV adoption. The Company also recognizes feedback from the [Commission] Staff that such incentives should work to create a skeleton network, not be a permanent program, and recognize the [federal] 30C tax credit impacts. Thus [Consumers is] modifying [its] fast-charging rebate proposal as follows:

a. The Company proposes a fast-charging rebate of up to $50,000 per 150 kW DCFC port. The median and average costs of a 150 kW DCFC construction project range between approximately $200,000 and $237,000. The 30C tax credit is available for some, but not all, locations in the Company's electric service territory and may provide a 30% tax credit for the project costs. Thus, it is possible that the cost of a 150 kW DCFC project could be reduced to near $140,000 to $166,000 via the 30C tax credit, and a rebate of up to $50,000 is approximately 1/3rd of the remaining cost, consistent with the original PowerMIDrive pilot approval that collaborated with Charge Up Michigan funds (Charge Up Michigan funds are no longer available, but the 30D tax credit may be available for some locations).

b. The DCFC rebates will only be available for communities that do not have at least four 150 kW DCFC ports across two or more different host sites. The four 150 kW ports per community is proposed as a cutoff because that mirrors the Federal minimum (i.e., skeleton) infrastructure per NEVI Standards and Requirements. See 23 CFR § 680.106(b). However, if those four ports are not spread over two or more different host sites in a community, then competition is limited, and thus an additional site will help keep pricing reasonable. Anecdotally, the Company has noticed that DCFC charging prices come down when a second host-site opens in an area. Thus, these criteria will steer rebate eligibility into communities that do not have fast-charging infrastructure and avoid subsidizing additional builds in urban areas that already have infrastructure.

c. The DCFC rebate application will only be available for two-years after approval by the Commission. Thus, the fast-charging rebate program proposed is not a permanent offering. However, please note that host sites will be awarded their rebate after construction is complete, which will take longer than the two-year window for rebate applications. Nonetheless, if approved by the Commission, the limited DCFC rebate offering will be contained within the TEP budget already projected and approved, and the Company may close applications if the TEP budget is at risk of being exceeded.

d. The Company will review rebates as they are received, thereby encouraging expedited development of the skeleton network, but retains the right to reject applications that do not offer quality customer experience. Given the competitive nature instilled by the limited TEP budget, and the proposed time and location restrictions for applications, the Company proposes the following criteria to guide DCFC rebate host site selection and aid EV adoption by improving the customer experience:

1. The host site should offer 24-7 charging and amenities, such as restrooms, snacks, and meal opportunities for an average dwell time of approximately 30 minutes. If such amenities are not 24-7, then preference will be given to sites with longer operating hours and a greater number of such amenities at or adjacent to the site. In no case shall sites be allowed that do not offer 24-7 charging or that have no public amenities. Furthermore, chargers and companies that cannot maintain the existing DCFC performance requirement of 97% uptime may also be excluded from future rebates if good faith efforts to restore uptime cannot be demonstrated.

2. The host site should install the fast chargers within view of the road and with pricing signage. Drivers need to see and be able to find fast charging infrastructure. Preference will be given to such sites over those that are at the far edge of a parking lot or hidden to the side or behind a building or other visual obstacle.

3. The host site should utilize fast charging dispensers that can be activated with a credit card or phone tap to pay instead of a specific app. The use of multiple apps can be confusing, is a barrier to adoption, and also slows down throughput at a site if a customer does not already have the app installed and activated. Preference will be given to host sites that replicate the experience of "pay at the pump" that many consumers are used to.

4. The host site must have adequate security lighting and preferably a canopy to protect from the weather. Drivers need to feel safe while charging at night, and fast charging equipment is less likely to be damaged by vandalism or exposure to the elements at such sites. Thus, preference will be given to host sites that offer good lighting and a canopy.

5. The host site should use traffic flow designs to accommodate the multiple charge port locations of various EV models, larger EVs, and EVs pulling trailers. Preference will be given to sites that utilize pull-through or other layouts that maximize access for different EV types and sizes.

6. More traffic lanes, more ports. While more remote communities on two-lane highways still greatly benefit from the addition of two 150 kW fast charging ports at a host-site, locations near four-lane highways or that experience high seasonal tourist inflows would benefit from more ports. Thus, all host sites must offer at

> least two 150 kW DCFC ports, and preference will be given to sites with more fast-charging infrastructure, to increase charging confidence by EV drivers. However, no more than four rebates will be offered per host-site in any case.

3 Tr 1870-1873. Citing its projections that new service requests for DCFCs for public and fleet programs would grow in large population cents, the company stated its preference to take steps now to prepare for this anticipated growth. 3 Tr 1873-1874. Consumers also noted that it filed its 2025 TEP Annual Progress report in Case No. U-21538 on June 27, 2025. 3 Tr 1875; Exhibit A-230.

MNSC supported Consumers' proposal to expand outlet eligibility for rebates but objected to the details of the company's proposal to continue the DCFC rebates. MNSC reasoned that with the elimination of the federal 30C tax credit, there needs to be a higher incentive for potential applicants to invest in the DCFC infrastructure. Therefore, MNSC suggested that Consumers allow applicants to request a specific rebate amount that is based on the applicant's project. MNSC also recommended that Consumers extend the DCFC rebate program for seven years instead of its proposed two years. MNSC was also concerned with the low number of rebates issued to multifamily units and suggested that Consumers dedicate resources to targeted outreach and education for multifamily dwellings. Lastly, citing the company's forecasts showing overall EV growth outpacing the growth of TEP-managed EV load between now and 2030, MNSC recommended that active managed charging and vehicle-to-everything (V2X) capabilities be integrated into the TEP now, rather than waiting until 2028, so that unmanaged load growth does not overwhelm the company's current approach. 6 Tr 4001-4004; Exhibits CUB-13 and CUB-16.

MEIU took issue with the company's proposals concerning the L1 and L2 rebate programs, arguing that, while Consumers' proposal would bring flexibility in the program to meet customers' specific needs and reduce customers' make-ready costs, it is unclear how Consumers plans to

ensure that a customer with a NEMA 14-50 or 5-20 outlet would purchase the charger and participate in the TOU rate (or any future managed charging program). Thus, MEIU recommended that the Commission require Consumers to ensure that if a customer chooses to install a NEMA 14-50 outlet, that they also purchase or obtain an EV charger or charging cord and provide proof of EV purchase or lease. Next, MEIU asserted that Consumers should not consider the federal 30C Vehicle Refueling Property Tax Credit in its evaluation of the impacts of the DCFC rebated on DCFC installation because the tax credit expires on June 30, 2026. MEIU added that Consumers also failed to explain how it would determine the rebate amount an applicant is eligible for based on whether the site design meets other optional criteria. Further, while agreeing with some of Consumers' proposed changes to its DCFC rebate program (i.e., giving preference to sites with security lighting and a minimum number of ports), MEIU took issue with the rebate amount and the two-year continuation timeline. MEIU asked the Commission to require the company to increase the DCFC rebate amount up to $70,000 per port and to reject the two-year continuation in favor of continuing the rebate program until the depletion of program funding or six years, whichever is first. 6 Tr 4167-4171. MEIU also recommended that the company clearly define what it means by "community" or "traditional government boundary" when considering DCFC site eligibility and to clarify how it would weigh its proposed optional criteria in the DCFC project evaluation process. 6 Tr 4171-4172; Exhibit MEIU-1.4.

The Staff recommended that: (1) Consumers comply with the updated filing requirements in Case No. U-21492; and (2) in its next TEP filing (scheduled for July 2026), Consumers should discuss the impact of the recent elimination of the federal energy tax credits, ended September 30, 2025, on EV adoption and load. The Staff supported Consumers' proposed enhancements to its

TEP and was open to MNSC's suggestion for flexibility in the DCFC rebate amounts but advocated for the overall DCFC rebate budget to remain the same. 6 Tr 4250-4255.

The ALJ recommended that the Commission approve Consumers' proposed TEP enhancements. The ALJ noted the company's agreement to re-evaluate its forecasts with consideration given to the impacts of the elimination of federal tax credits, that fleet charging required proof of EV adoption, and to focus on targeted outreach and rebates to address multifamily charging. However, the ALJ noted that the company disagreed that proof was needed for multifamily and workplace charging sites given their characteristics. The ALJ recommended that the Commission note the company's points of agreement. PFD, pp. 404-405.

As to MEIU's recommendation for a clear definition of "community" for rebate eligibility, the ALJ agreed with MEIU's argument regarding the need for such a definition. Therefore, the ALJ recommended that the Commission require Consumers to explicitly state what it means by the terms "traditional government boundary" and "community" for the purposes of rebate eligibility. The ALJ also found that it was reasonable for applicants to know how their rebate application would be evaluated and thus, recommended that the Commission direct the company to publish a clear rubric and methodology for its application evaluation. However, the ALJ declined to recommend adoption of MEIU's proposal to increase the rebate amounts and lengthen the two-year rebate application timeframe. PFD, p. 405.

Consumers takes exception to the ALJ's finding that the definition of "community" and the criteria Consumers uses to evaluate rebate applications could be improved. The company states that it defined "community" and provided its rebate application criteria in Exhibits A-223 and A-224, and argues that its broad definition allows flexibility when evaluating rebate applications. Consumers defends its rebate application criteria, stating that they are already robust and, thus, the

company asks the Commission to reject the ALJ's findings on this topic. Consumers' exceptions, pp. 53-54.

MEIU takes exception to the ALJ's rejection of its proposals to increase the DCFC rebate and to extend the rebate application window. MEIU argues that it provided thorough support for its proposals and repeats its arguments provided in briefing. MEIU's exceptions, pp. 3-4 (citing MEIU's initial brief, pp. 9-11). MEIU repeats that the loss of the federal 30C tax credit justifies the increase in the rebate and that the company agreed to MEIU's proposal in principle, although it proposed it be considered in a future case. Per MEIU:

> [e]specially when coupled with MEIU's proposal to permit the Company to provide greater or lesser rebates depending on the application of a clear rubric (which the PFD here has recommended be adopted, see PFD at 405), it is hard for MEIU to see why the Company should not be given the flexibility to support DCFC that are located in particularly costly locations or locations with longer timelines for a return on investment, like rural and seasonal chargers "that may be on routes less traveled (where utilization is lower and thus charging revenue is less)."

MEIU's exceptions, pp. 3-4 (quoting MEIU's initial brief, p. 10). As to the rebate window, MEIU argues that the company's two-year window truncates the program when funds remain unspent and that Consumers failed to provide a compelling reason for opposing extension of the two-year window. MEIU's exceptions, p. 4. MEIU contends that the ALJ rejected MEIU's proposals "out of hand without any discussion" and asks the Commission to reject the PFD given that deference is not owed to the ALJ's recommendation and the lack of reasoning in the PFD. *Id*. (citing August 31, 2000 order in Case No. U-12321, p. 13 (stating that the ALJ's decision is a recommendation and the Commission is not subject to the constraints imposed by a legal standard of appellate review in deciding whether to accept, reject, or modify the ALJ's recommendation).

In its replies to exceptions, MEIU argues that Consumers' preference for flexibility in evaluating DCFC rebate applications does not justify the rejection of MEIU's recommendation for

the company to provide a clear definition of "community" and to improve its criteria for evaluating DCFC rebate applications. As to Consumers' argument that the Commission should respect the company's managerial prerogative, MEIU contends that the company's veiled reference to *Union Carbide v Pub Serv Comm*, 431 Mich 135; 428 NW2d 322 (1988) is incorrect in this context. MEIU recalls that the Court in *Union Carbide* held that the Commission does not have managerial authority but that it does possess the authority to allow or deny the utility's cost recovery from ratepayers. MEIU's replies to exceptions, pp. 2-3 (citing *Union Carbide*, 431 Mich at 148).

Turning to the instant case, MEIU states that the DCFC rebate programs essentially consist of pre-approved funds dedicated to rebates that are distributed to customers under terms approved by the Commission. Per MEIU, the decision of who receives those rebates consisting of ratepayer funds falls squarely under the Commission's jurisdiction. According to MEIU:

> [b]ecause the purpose of the DCFC rebate program—to spur on the development of DCFC chargers where they are most needed—is best served when prospective rebate applicants are able to predict reasonably accurately whether they will be able to obtain a rebate to support their proposed chargers, the Commission should follow the recommendation of the PFD and direct Consumers to "clearly state which 'traditional government boundary' it considers a 'community' for the purpose of rebate eligibility" and to "publish a clear rubric and methodology that will govern its application evaluation." PFD at 405. Consumers' mere desire for "flexibility" is not a valid contravening factor.

MEIU's replies to exceptions, pp. 3-4.

MEIU also responds to the Staff's exceptions, opposing the recommendation for a workgroup, stating that the Staff appears to be the only party with unyielding positions and that MEIU is interested in further investigations into rate design options for DCFC tariffs. *Id*., p. 4 (citing 6 Tr 4189). MEIU adds that the likelihood of a workgroup resulting in a consensus is a not a

proper basis for rejecting the workgroup recommendation when a workgroup allows for the exchange of ideas that may inform a path forward. MEIU's replies to exceptions, p. 5.

Consumers responds to MEIU's assertion that the ALJ dismissed its proposals without any reasoning, contending that "[i]n reality, the ALJ did summarize the parties' testimony on the issue and then rejected MEIU's proposal '*in this rate case*,' signaling that he agreed with the Company [that] more time is needed to see if the current rebate and rebate window are sufficient to meet the final fast-charging infrastructure needs to build a skeleton network." Consumers' replies to exceptions, p. 69 (emphasis in original). Consumers maintains that the record in this case supports the ALJ's recommendation. *Id*.

As an initial matter, the Commission first addresses the points of agreement between the parties regarding Consumers' TEP. As the ALJ pointed out, Consumers agreed to: (1) consider in its annual TEP reports and filings the impact that the elimination of the federal EV tax credit will have on forecasted EV growth, (2) require proof of EV purchase for fleet charging, and (3) to continue targeted outreach regarding charging rebates to multifamily dwellings in its 2026 TEP. The ALJ recommended that these points of agreement be adopted. *See*, PFD, pp. 404-405. The Commission agrees, adopts the ALJ's recommendation on these three issues, and directs Consumers to fulfill its agreement in the appropriate TEP filings. Additionally, with respect to the MEIU's recommendation regarding the NEMA 14-50 outlets and requiring proof of EV purchase, which Consumers partially agreed to for fleet charging, the Commission finds that Consumers' agreement is sufficient, and proof of EV purchase should not be required for community, multifamily, or workplace charging locations for the reasons explained by the company. *See*, 3 Tr 1880-1881.

Turning to the contested issues regarding the TEP, the Commission has reviewed the record in this case as well as the parties' arguments and finds that adoption of the PFD, in part, is appropriate. Beginning with MEIU's request for Consumers to better define "community" and "traditional government boundary," the Commission agrees with the ALJ that the company's current definition of "community" is indeed vague and could be defined with further specificity such that applicants have a clear understanding of the type of "traditional government boundary" the company intends in its review of rebate applications. Next, the Commission agrees with the ALJ that Consumers should publish a clear rubric and methodology explaining the weight the company assigns to each of the factors in its evaluation of rebate applications. Applicants should have a clear understanding of which, if any of the criterion, Consumers values more heavily.

As to the proposal to increase the DCFC rebate amount to $70,000, the Commission agrees with the ALJ that this proposal should not be adopted. The record in this case does not support increasing the rebate at this time; however, as noted by Consumers, it may be appropriate to alter the rebate amount in the future when the company has had sufficient opportunity to determine if its proposal is sufficient to achieve a skeleton network. Such evaluation of rebate levels is also more appropriately addressed in the company's TEP proceeding, which is entirely dedicated to the holistic, detailed evaluations of the company's TEP and is not subject to the severe time constraints of a general rate case. In that same vein, the Commission also finds that telematics and actively managed charging, the V2G School Bus Pilot, the battery integrated DCFC pilot, and V2X capabilities are best suited for examination in the company's next TEP proceeding as well. The record in this case does not support changes to these programs and pilots at this time, but the Commission believes they would benefit from further analysis in the Consumers' next TEP filing. The Commission also clarifies, as a recommendation on this issue was omitted by the ALJ, that

V2X capabilities and system benefits should be evaluated in Consumers' 2026 TEP, instead of waiting for the TEP to be filed in 2028.

As to the DCFC rebate window, the Commission respectfully declines to adopt the ALJ's recommendation on this issue. The Commission finds persuasive the CEOs' recommendation that the rebate window should be extended to seven years to match the original expiration timeline of the federal 30C tax credit and to provide a longer opportunity for applicants to receive the rebate incentive given the elimination of the tax credit. *See*, 6 Tr 4002-4003.

Lastly, because it relates to the TEP, the Commission notes that the issue of a demand charge holiday was also raised in this case and is addressed in the Cost of Service, Rate Design, and Tariff Issues section of this order.

11. Accumulated Provision for Depreciation

Consumers initially proposed an accumulated provision for depreciation for the projected test year was $6,650,643,000, which the company adjusted in its initial brief to $6,649,488,000. Exhibit A-12, Schedule B-3; Consumers' initial brief, pp. 182-183; *see also*, *id*., Appendix B1. The Staff proposed an accumulated provision for depreciation of $6,644,587,000. 6 Tr 4604; Exhibit S-2, Schedule B-1.

The ALJ noted that the accumulated provision for depreciation should be adjusted based on the decisions in the Commission's final order. PFD, p. 406.

Consistent with the Commission's decisions in this order, the Commission finds an accumulated provision for depreciation of $6,641,205,000.

B. Working Capital

Consumers projected a test year working capital requirement of $2,125,887,000 and stated that it arrived at this figure by using the balance sheet approach as required by the Commission in Case Nos. U-7350 and U-15895. 3 Tr 1054; Exhibit A-12, Schedule B-4.

As discussed below, the Attorney General took issue with the following aspects of the company's working capital proposal: (1) the cash balance, (2) accrued tax, and (3) cloud computing deferred costs. 3 Tr 2506-2507; Exhibit AG-33. The Attorney General proposed a working capital amount of $2.052 billion. 3 Tr 2506.

1. Cash Balance

The company contended that its historical cash balance of $36.4 million is lower than its projected test year amount and that its cash balance amount should equate to approximately 1% of test year electric revenues, which results in a cash balance of $50.4 million. 3 Tr 843. The company cited several factors in support of its projection: (1) factors such as weather, storm costs, and gas prices impact cash balances; (2) its proposed method and cash balance amount minimizes liquidity risks and avoids short-term borrowing, which can be volatile or unavailable; (3) from 2016 through 2024 the company's cash balance revenue approximated 1%, with the exception of 2020 (during the pandemic), 2022 (when gas prices spiked), and 2023 (citing weather and storm restoration activity); and (4) the company's cash balance impacts its credit rating. 3 Tr 843-847.

The Attorney General recommended that the company's cash balance be reduced by $41.4 million, to $9 million, contending that the $9 million cash balance more accurately reflects the company's operational needs and that the company's 1% method is problematic and unsupported. 3 Tr 2507-2512. The Attorney General, while asserting that $9 million is a reasonable cash balance, stated that a cash balance of $25.1 million based on no more than a three-

year average of actual cash balances was a reasonable alternative. Attorney General's reply brief, pp. 13-14. Consumers disagreed with the Attorney General's proposed cash balance and argued that it had duly supported the company's proposed cash balance amount with detailed testimony as directed by the Commission in Case No. U-21585. 3 Tr 916-918, 1087-1088 (citing March 21 order, p. 213).

Consumers disagreed with the Attorney General's proposed cash balance but, if the Commission rejects the company's proposed $50.4 million cash balance, the company asserted that the historical 13-month average of $36.4 million would be an appropriate alternative. 3 Tr 1088 (citing Exhibit A-12).

The ALJ recounted that in Case No. U-21585, Consumers used the 1% of revenue method to project its proposed cash balance and the Attorney General raised similar arguments in objection in that case, specifically concerning Consumers' historical cash balances weighed against the method used the argument that the company can use short-term borrowing facilities to meet any unexpected needs. Consumers countered in that case that its projected cash balance was reflective of normal and necessary levels of cash. The ALJ noted that both Consumers and the Attorney General cited Commission cases in support of their arguments. The ALJ explained that the Commission was not persuaded by the Attorney General's position in Case No. U-21585, reasoning that short-term borrowing is not guaranteed to be available. In the March 21 order, the Commission emphasized that it determines the cash balance each year on a case-by-case basis, but it found that based on Consumers' recent actual cash balances, it needed a more specific explanation of why the 1% revenue method remains appropriate and should continue to be approved. PFD, p. 416 (citing March 21 order, p. 213).

In this case, the ALJ found that Consumers and the Attorney General provided more detailed arguments in support of their respective positions. The ALJ found Consumers' presentation of the historical ratio of cash balances to revenues from 2016 to 2024 to be compelling and persuasive, stating that the company showed that excluding 2020 (when the ratio was over 6%) and 2022 and 2023 (when the ratio was less than 0.5%), the ratio in all other years was near 1%. The ALJ stated that the Attorney General's assertion that Consumers' actual cash balances were lower than 1% is based on balances from 2022 to 2024. Consumers rebutted this contention by explaining that 2022 and 2023 were unusual due to gas price spikes and weather incidents. PFD, pp. 416-417.

The ALJ added that the Attorney General had also focused on 2022 and 2023 cash balances in Case No. U-21585, and the Commission had not been persuaded, based on cash balance fluctuations presented in that record, that Consumers' 1% approach was wrong. In this case, the ALJ agreed with Consumers that relying on short-term debt as opposed to a cash balance is imprudent since it is considered in the company's credit rating and there is no guarantee that short-term borrowing will be available when needed. *Id*., p. 417. The ALJ found that Consumers had supported its 1% method and thus recommended approval of Consumers' proposed $50.4 million cash balance.

The ALJ rejected the Attorney General's proposed $9 million cash balance because it was derived in part using historical balances from unusual years, 2022 and 2023. As to the Attorney General's recommended removal of $16.1 million on the basis of it being the average level of cash invested in interest bearing securities, the ALJ found this to be unreasonable. The ALJ reasoned that Consumers' assertions that the cash accounts are not restricted and are properly included in working capital, and that any interest is deducted from Consumers' revenue request rebutted the Attorney General's argument. PFD, p. 417.

The Attorney General takes exception to the PFD, first reciting her position before asking the Commission to reject the PFD because the ALJ erroneously relied on the company's position. The Attorney General contends that the ALJ's acceptance of the company's presentation of the historical ratio of cash balances from 2016 to 2024, excluding 2020, 2022, and 2023 and finding that the company's historical cash balances approximated 1% was in error. Attorney General's exceptions, pp. 74-75. The Attorney General argues that this analysis does not address the lack of cause and effect between the company's proposed cash balance and revenue. The Attorney General repeats that cash balance funds are not used to pay for revenues. As to the ALJ's claim that Consumers rebutted the use of 2022 and 2023 and, therefore, the Attorney General's three-year approach including those years was not appropriate, the Attorney General disagrees. She states that the three-year approach provides a normalized average of the cash needed over the last three years and is specific to Consumers' cash balance needs. *Id*., pp. 75-76.

As to the ALJ's acceptance of Consumers' claims regarding the impacts on the company's credit rating and the availability of short-term debt, the Attorney General repeats her arguments from testimony and briefing that the company already has sufficient liquidity in existing short-term debt, and that credit rating agencies have rated Consumers favorably. *Id*., pp. 77-78 (citing Exhibits AG-36 and AG-37; Confidential Exhibits AG-47 and AG-49). The Attorney General adds that cash on hand does not solve any of the liquidity problems arising from unplanned events such as COVID-19 and gas price spikes and that the company conceded that it was unaware of an instance in which it was refused short-term credit. Attorney General's exceptions, p. 79. Turning to the ALJ's rejection of the removal of $16.1 million, the Attorney General argues that because the company is earning interest on those dollars and the money is available at any time, the

disallowance is still warranted. She adds that the cash balance added to rate base will earn a return (which is currently set at 9.9%) that could exceed any reduction. *Id*.

Noting the Commission's desire to evaluate the use of the 1% methodology going forward, the Attorney General asks the Commission to reject the 1% application in this case and adopt her proposed cash balance of $9 million for the projected test year. *Id*., p. 80.

In response, Consumers contends that the Attorney General's arguments in exceptions that the company did not demonstrate a relationship between the company's cash needs and revenue should be rejected. Consumers states that it explained the 1% of test year revenues methodology in its testimony and the Attorney General's proposed amount is much lower than the company's requirements. Consumers' replies to exceptions, pp. 70-71 (citing 3 Tr 915, 918). Consumers agrees with the ALJ's reasoning in support of his recommendation and further repeats its testimony regarding the actual cash balances from 2016 through 2024 approximating 1%, with the exception of 2020, 2022, and 2023. Consumers' replies to exceptions, p. 71 (citing PFD, pp. 416-417; 3 Tr 846-847).

While the Attorney General defends its methodology as a normalized average of cash needs, Consumers dismisses this as inaccurate. Per Consumers:

> There is nothing "normalized" about the Attorney General's analysis when it fails to account for the anomalous conditions in two of the three years included in her average. "Normalized" suggests that the analysis makes some effort to determine what data would have been "normal" but for the abnormal conditions impacting the data and then includes only the "normal" data in the analysis. The Attorney General made no effort to "normalize" her analysis. That was the defect that the Company pointed out with her analysis and the ALJ correctly agreed.

Consumers' replies to exceptions, p. 72. In response to the Attorney General's disagreement with the ALJ that an insufficient cash balance impacts the company's credit quality, Consumers states that the Attorney General contradicts her own position by acknowledging that S&P assessed the

company's liquidity as adequate. *Id*. (citing Attorney General's exceptions, p. 77; Exhibit A-36, p. 11). Per Consumers, adequate falls far short of the Attorney General's assessment that Consumers' cash balance is more than enough. Consumers repeats that credit agencies consider cash balance and if the current 1% amount is considered adequate, reducing that would deteriorate the company's adequate rating. Consumers' replies to exceptions, pp. 72-73. Consumers adds that its decision to maintain a 1% cash balance enables the company to access low-cost liquidity options when challenges arise. *Id*., p. 73.

As to the cash invested in interest bearing securities, Consumers states that the ALJ was correct to reject the Attorney General's arguments and repeats its reasoning from testimony. *Id*. (citing 3 Tr 919-920). The company then argues that the Attorney General does not explain her conclusion that "since the money is available to the Company 'at any time,' the reduction is still reasonable." Consumers' replies to exceptions, p. 73 (quoting Attorney General's exceptions, p. 79). Consumers adds that the ALJ did not treat the interest-bearing account issue as being dispositive of the larger cash balance issue, but it was one of the three reasons provided by the ALJ. Consumers argues that the ALJ provided valid reasons for his recommendation and because the Attorney General failed to provide valid reasons supporting her proposed $9 million cash balance, the Commission should approve Consumers' $50.4 million cash balance. Consumers recalls that the Commission approved the 1% methodology previously and that in this case, the company provided more specific explanation supporting its cash balance proposal as the Commission requested in Case No. U-21585. Consumers' replies to exceptions, p. 74.

Having reviewed the record and the parties' arguments, the Commission respectfully declines to adopt the ALJ's recommendation. The Commission finds that the most appropriate cash balance amount presented in this case is Consumers' alternative of $36.4 million. The Attorney

General's proposed cash balance of $9 million using a three-year average and excluding $16.1 million in funds held in interest-bearing accounts is unreasonable. *See*, 3 Tr 2510. The company sufficiently rebutted the Attorney General's methodology as the years relied upon by the Attorney General included 2022 and 2023, which were unusual due to gas price spikes and weather incidents. The Commission does not find that the use of these years accurately represents a normal cash balance need due to abnormal events occurring in 2022 and 2023. *See*, 3 Tr 917-918.

The Commission is also not convinced that the 1% is appropriate in this case since it is based on revenues and the company did not show the necessity of its $50.4 million cash balance request tied to how it anticipates its cash balance being used. Without a demonstration of how its specific proposed cash balance is needed to prevent a negative impact on its credit rating or a showing that the company would be unable to access short-term borrowing, the Commission finds that a 1% cash balance based on revenue, which does not connect to the company's cash needs, is unsupported. *See*, 3 Tr 2507-2512. While the Commission previously approved the company's use of 1% method in Case Nos. U-21585 and U-21389, it notably did not approve this methodology as a standard to be applied in every future case but stated that the company should explain in greater detail the appropriateness of the continued use using the 1% methodology going forward. *See*, March 21 order, p. 213. The Commission finds that the 1% methodology is not supported by the record in this case and that it is reasonable and prudent to adopt the cash balance based on the 13-month average method that the Commission has historically approved.

2. Accrued Taxes

Consumers projected a $30 million reduction to its accrued taxes, resulting in accrued taxes of $256.080 million in the test year and an increase to working capital of $30 million. Exhibit A-12,

Schedule B-4. The Attorney General opposed the company's $30 million reduction to accrued taxes because she contended that Consumers' reduction is based on its unreasonable assumption that it would not receive additional income from rate relief. The Attorney General argued that in its last rate case, Consumers received 51% of its rate increase request or approximately $154 million annually in additional approved revenue. The Attorney General stated that the company could use this percentage to calculate its accrued tax, but a more conservative approach would be to use the actual accrued taxes from the historical year, 2024. Thus, the Attorney General recommended that the Commission use the historical balance of accrued taxes of $286.1 million for the projected test year and reduce working capital by $30 million. 3 Tr 2512-2513.

The company defended its method of calculating its accrued tax and its ultimate figures of $256.08 million and the $30 million increase in working capital and disagreed with the Attorney General's recommendations. The company explained its test year calculations as follows:

> [t]he Company utilized the 13-month average from December 2024, which was $286.120 million as shown on Exhibit A-12 (PDD-34), Schedule B-4, line 15, column (d), and made a downward accrued tax adjustment of $30.040 million, as shown on Exhibit A-12 (PDD-34), Schedule B-4, line 15, column h. . . . The $286.120 million, 13-month average as of December 2024, includes Federal, State, and Local income taxes accrued for the 2023 and 2024 tax years. This balance is not reflective of accrued taxes related to the projected test period May 1, 2026 through April 30, 2027. Since accrued income taxes included in the December 2024, 13-month average will be settled prior to the projected test year, it is appropriate to remove the settled amount from the December 2024, 13-month average and replace that amount with a projection of Federal, State, and Local income taxes related to the projected test period.
>
> Accrued taxes, which are included as a component of working capital in rate base, are calculated on taxable income derived from both pre-tax book income and timing differences that generate deferred income taxes. Deferred income taxes are a zero-cost component of the capital structure.
>
> Sound ratemaking requires that there is synchronization between the capital structure and rate base. Since additional deferred income taxes, including those

> created by timing differences for projected book and tax depreciation, are included in the capital structure, and accrued taxes are included in rate base, the Company's adjustment to accrued taxes ensures that these two components are adjusted in unison. To the extent that the Company projects additional deferred taxes included in the capital structure for this case but fails to recognize the corresponding change in accrued taxes or rate base, this disconnection has the effect of immediately reducing rates and providing a tax benefit to customers. The failure to recognize this disconnection and providing such an unintended tax benefit to customers has the effect of causing a normalization violation under the Internal Revenue Code. The consistency rules required by the Internal Revenue Code require four components to remain in synchronization: (1) depreciation expense; (2) tax expense; (3) reserve for deferred taxes; and (4) rate base. As outlined above, the Company's adjustment to accrued taxes as a component of working capital in rate base would ensure compliance with Section 168(i)(9)(B) of the Internal Revenue Code.

3 Tr 2268-2270.

The ALJ declined to adopt the Attorney General's proposed adjustment to accrued taxes and the resulting $30 million reduction to working capital. The ALJ reasoned that the Attorney General's proposal is based on her perceived inconsistent treatment of taxes related to any additional income for the rate relief requested in this case, but the ALJ found that Consumers adequately explained why the company's $30 million adjustment was necessary and consistent with ratemaking principles and Internal Revenue Service (IRS) rules. PFD, p. 421.

The Attorney General takes exception to the PFD, largely restating her arguments made in testimony and briefing as follows:

> the primary reason for the Attorney General's adjustment is the Company's assumption of no new rate relief in determining the amount of accrued taxes is unrealistic. In response to the Company's assertions about the appropriate treatments of accrued taxes and ratemaking principles and IRS requirements in rebuttal, the Attorney General also noted the inconsistency with how the Company treated its income tax liability to rebut the argument. As discussed in the Attorney General's brief, there is no mention or prohibition in the IRS rules for the calculation of accrued taxes through the end of the projected test year that would take into account the additional income taxes that the company will need to pay from the additional income generated from the rate increase. There is a disconnect in the Company's practice because it has calculated income tax expense for the proposed rate increase but has not recognized that the additional tax expense will

> result in Accrued Taxes to be paid to the U.S. Treasury during the projected test year.

Attorney General's exceptions, pp. 81-82 (footnote omitted). Thus, the Attorney General requests that the Commission use the historical balance of accrued taxes of $286.1 million for the projected test year, thereby reducing working capital by $30 million. *Id*., p. 82.

In response, Consumers addresses the Attorney General's claim that the company's proposed accrued taxes for the test year does not include additional income for the rate relief requested in this case. The company states that the Attorney General still fails to consider taxable income projections or timing differences related to the test year that must be considered when adjusting accrued income taxes from Consumers explained in testimony and briefing. Consumers' replies to exceptions, pp. 74-75 (citing 3 Tr 2270-2271; Consumers' initial brief, pp. 189-190). Consumers repeats that the Attorney General's position is contrary to IRS rules and long-standing, previously approved methodology. Consumers also addresses the Attorney General's reliance on Exhibit AG-78, explaining as follows:

> [t]he Attorney General additionally relies on Exhibit AG-78 to show the Company treated its deferred income taxes differently than its accrued income tax liability, but this is not evident from Exhibit AG-78 which only illustrates that both expenses were calculated through the test year. Exhibit AG-78 does not serve to prove the [Attorney General]'s argument that "[t]here is a disconnect in the Company's practice because it has calculated income tax expense for the proposed rate increase but has not recognized that the additional tax expense will result in Accrued Taxes to be paid to the U.S. Treasury during the projected test year[.]" The Attorney General's Exceptions, page 82. Exhibit AG-78 only illustrates that both expenses are calculated through the test year but does not address any other facet of how the Company is treating the expenses which the Company has detailed in its Initial Brief. The Company's Initial Brief, pages 188-190.

Consumers' replies to exceptions, p. 75. The company maintains that the ALJ correctly decided this issue and asks the Commission to adopt the PFD. *Id*.

Finding the ALJ's recommendation to be well-reasoned and supported by the record, the Commission adopts the PFD on this issue. The Commission agrees that Consumers adequately explained and supported its accrued tax calculation and finds that the company's accrued tax methodology is consistent with previously approved practice. *See*, 3 Tr 2268-2270; *see also*, Consumers' initial brief, pp. 188-190.

3. Cloud Computing Deferred Costs

The Attorney General recommended a disallowance of $2.576 million from working capital with the deferral of the cloud computing costs for the SAP S/4 HANA project. 3 Tr 2513. Consumers disagreed that the SAP S/4 HAHA project was premature and thus, argued against the disallowance of the $2.576 million from working capital. Consumers' initial brief, p. 190.

For the reasons explained in the IT Capital Expenditures Section of the PFD, the ALJ rejected the Attorney General's proposed disallowance from working capital. PFD, p. 421 (citing PFD, pp. 333-334).

The Attorney General takes exception to the PFD, arguing that because the SAP S/4 HANA project expenditures should be disallowed, the cloud computing costs should be similarly disallowed for being premature and because a contract is not yet in place. As to the ALJ's approval of the deferral of O&M expenses, the Attorney General contends that this is an implicit admission that the project will not deliver benefits in the projected test year and is therefore premature. The Attorney General asks the Commission to reject the PFD on this issue as well and adopt the Attorney General's disallowance. Attorney General's exceptions, pp. 82-83.

In replies to exceptions, Consumers asks the Commission to reject the Attorney General's arguments in exception, citing the company's previous discussion of the SAP S/4 HANA project and adding that approving the deferral of O&M expenses and amortizing cloud implementation

costs over 15 years will align the cost recovery with the period over which the project delivers benefits. The company repeats that doing so will mitigate customer rate impacts and that the Commission previously approved this method in Case No. U-21806. Consumers' replies to exceptions, p. 76 (citing 3 Tr 1080).

Consistent with the decision described above approving the capital expenditures for SAP S/4 HANA decision, the Commission agrees with the ALJ's recommendation on this issue and adopts the PFD. *See*, PFD, pp. 333-334, 421.

C. Total Rate Base

Consumers calculated a total rate base for the projected test year of $15,330,175,000. Consumers' initial brief, p. 191; *see also*, *id*., Appendix B-1; Exhibit A-209. The Staff recommended a total rate base of $15,208,982,000 (a reduction of $121,283,000), in alignment with its proposed reductions to Consumers' capital expenditures. Staff's initial brief, Appendix E. Corresponding to her proposed reductions, the Attorney General recommended a reduction of $642.5 million from Consumers' projected test year rate base. Attorney General's initial brief, p. 118.

Appendix A to the PFD, filed in this docket on February 2, 2026, showed the ALJ's recommended $15,024,271,000 for rate base in the test year, reflective of the ALJ's recommendations in the PFD.

The decisions in the instant order result in a projected total rate base of $15,023,435,00.

V. COST OF CAPITAL

The criteria for establishing a fair rate of return for public utilities is rooted in the language of the landmark United States Supreme Court cases *Bluefield Waterworks & Improvement Co v Pub Serv Comm of West Virginia*, 262 US 679; 43 S Ct 675; 67 L Ed 1176 (1923) and *Fed Power*

Comm v Hope Natural Gas Co, 320 US 591; 64 S Ct 281; 88 L Ed 333 (1944). The Court in *Bluefield* held that:

> [a] public utility is entitled to such rates as will permit it to earn a return on the value of the property which it employs for the convenience of the public equal to that being made at the same time and in the same general part of the country on investments in other business undertakings which are attended by corresponding risks and uncertainties; but it has no constitutional right to profits such as are realized or anticipated in highly profitable enterprises or speculative ventures. The return should be reasonably sufficient to assure confidence in the financial soundness of the utility and should be adequate, under efficient and economical management, to maintain and support its credit and enable it to raise the money necessary for the proper discharge of its public duties. A rate of return may be reasonable at one time and become too high or too low by changes affecting opportunities for investment, the money market and business conditions generally.

Bluefield, 262 US at 692-693. In *Hope*, the Court held that:

> [b]y that standard the return to the equity owner should be commensurate with returns on investments in other enterprises having corresponding risks. That return, moreover, should be sufficient to assure confidence in the financial integrity of the enterprise, so as to maintain its credit and to attract capital.

Hope, 320 US at 603.

The Commission also notes that the Michigan Supreme Court has held that the determination of what is a fair or reasonable rate of return "is not subject to mathematical computation with scientific exactitude but depends upon a comprehensive examination of all factors involved, having in mind the objective sought to be attained in its use." *Meridian Twp v City of East Lansing,* 342 Mich 734, 749; 71 NW2d 234 (1955).

These rulings demonstrate that, in establishing a fair return, consideration should be given to both a utility's investors and its customers. As the Commission stated in the December 23, 2008 order in U-15244 (December 23 order), "the rate of return should not be so high as to place an unnecessary burden on ratepayers, yet should be high enough to ensure investor confidence in the financial soundness of the enterprise." December 23 order, p. 12.

A. Capital Structure

1. Debt to Equity Ratio

Consumers proposed a capital structure with an equity layer of 50.75%. 3 Tr 811; Exhibit A-14, Schedule D-1a. The Staff, Attorney General, ABATE, and MNSC each recommended maintaining the company's current balanced capital structure with 50% equity to 50% debt. 6 Tr 4530-4531; 3 Tr 2514; 6 Tr 3767; 6 Tr 3978.

The ALJ thoroughly reviewed the positions of the parties, including testimony and briefing, regarding capital structure and analyzed the arguments at pages 424 through 449 of the PFD, which will not be extensively repeated here. The ALJ disagreed with the company's assertion that its previous credit downgrade is downplayed by the Staff. The ALJ stated that "Consumers does not provide any evidence that the downgrade has affected Consumers' ability to maintain its credit or attract capital" and that the Commission has also agreed that Consumers' emphasis on the downgrade was overstated. PFD, p. 444 (quoting December 22, 2021 order in Case No. U-20963, p. 220). The ALJ noted credit reports that reflect a "stable outlook" for the company and that, contrary to company claims, a heavier than usual investment period supports a balanced capital structure. PFD, p. 445.

The ALJ also addressed the company's claims relating to the funds from operations (FFO) to debt ratio, concluding that Consumers' "assertions are problematic and unsupported." *Id*. Specifically, the ALJ stated that:

> [t]he various factors that the Commission considers in assessing what may be a reasonable equity ratio and the various factors that the Commission considers in assessing what may be a reasonable ROE are not the same. In addition, the Commission has not recognized the asserted linkage between equity balance and ROE that Consumers proposes. Indeed, the only apparent linkage between equity balance and ROE seems to be that these are both inputs, included among other inputs, in determining a company's FFO/debt ratio by the credit rating agencies.

PFD, p. 445 (citing 4 Tr 435).

The ALJ concluded that the company's proposed equity ratio of 50.75% was not reasonable or consistent with prior Commission guidance. Specifically, the ALJ found that the company did not establish circumstances that were sufficient to justify a modification in the previously approved balanced capital structure. On the other hand, the ALJ noted that "having reviewed the evidence and arguments presented by Staff, the Attorney General, ABATE, and CUB, this PFD finds that the evidence presented supports maintaining a balanced capital structure." PFD, p. 448. Therefore, the ALJ recommended maintaining a balanced debt to equity ratio of 50/50, and "adopting the Attorney General's methodology" in "increasing debt and decreasing equity." PFD, p. 448.

Consumers takes exception to the ALJ's recommendation, arguing that the ALJ did not explain the rationale behind the recommendation and "[s]ince the ALJ offered no specific reasons why the Company's presentation was insufficient, the Commission should give no weight to his recommendation." Consumers exceptions, p. 54. The company continues, reiterating its testimony, arguing that the capital structure cannot be considered in isolation from the ROE because both in conjunction with each other impact their credit ratings overall. *See*, *id*., pp. 54-56. Further, the company reiterates its position that, when looking to peer utilities, "peer utilities currently have meaningfully higher equity ratios than Consumers Energy has proposed in this case and that they are trending upward." *Id*., p. 57 (citing 3 Tr 815-818). Consumers points out that improved credit metrics are also beneficial for utility customers. Consumers' exceptions, pp. 57-58.

The company also disputes the ALJ's finding that its proposed equity ratio is inconsistent with prior Commission decisions. Citing prior Commission orders, Consumers states that the

Commission has emphasized some flexibility and acknowledgement of the potential burdens of an inappropriately low equity layer. Specifically, the company quoted the February 28, 2017 order in Case No. U-17990, emphasizing the Commission's note that during times of heavy infrastructure investment cycles an "unduly low" equity layer could have detrimental effects on the company. Continuing, Consumers states that it "is currently in a 'heavy infrastructure investment cycle'" where:

> [e]ven if the Commission were to adopt all of Staff's adjustments to the Company's rate request, the net utility plant would amount to $13.1 billion. By any measure, the Company's infrastructure investments have increased net utility plant by approximately 40% since Case No. U-17990, even after accounting for eight years of depreciation.

Consumers' exceptions, p. 59 (citing Exhibit S-2, Schedule B-1). The company reiterates its testimony that additional factors also support its proposed capital structure such as dips in the stock market, a federal government shutdown, and global conflicts. *See*, Consumers' exceptions, p. 59. As such, the Company avers that its proposed modest increase in its equity layer is supported by the record.

The Attorney General replies that, contrary to the company's exceptions, the ALJ thoroughly reviewed the record and that "[t]here is no merit to the Company's argument unless you chose to ignore about twenty-six pages of the PFD." Attorney General's replies to exceptions, p. 55. The Attorney General indicates that the ALJ reviewed recent Commission orders regarding balancing the capital structure, made a comprehensive review of the record, and provided analysis. Specifically, the Attorney General points to the ALJ's discussion of recent credit reports and how maintaining a balanced capital structure was unlikely to trigger negative credit action and disagreed with the company's claim that the Staff has downplayed its 2021 credit downgrade. *Id*., p. 56 (citing PFD, p. 444). The Attorney General continued, pointing to the ALJ's discussion of

credit ratings and the FFO/debt ratio. Overall, the Attorney General notes that the ALJ's "analysis addresses all the relevant issues in rendering its decision." Attorney General's replies to exceptions, p. 57. In specifically reviewing the company's exceptions, the Attorney General reiterates that the ALJ addressed the company's FFO/debt claims, indicating that Consumers elevates the importance of the capital structure and ROE over other inputs. *Id*., p. 59. The Attorney General again responds to the company's reliance upon reports that provide general industry information, which is not within the Commission's jurisdiction. The Attorney General states that the Commission "can only consider the cases and record before it for Michigan's regulated utilities." *Id*., p. 60. Reviewing her briefing, the Attorney General reiterates arguments and indicates that the company has simply not presented evidence to demonstrate negative consequences that have resulted from a balanced capital structure or likelihood of a possible downgrade from maintaining a 50% equity ratio. *Id*., pp. 60-61. Regarding claims of volatility and economic uncertainty, the Attorney General again reiterates her responses from briefing, and states that the majority of the issues raised by the company existed at the time of the company's most recent rate case "with no indication that they have negatively impacted the Company." *Id*., p. 64.

In replies, ABATE states that the company's claims are meritless and the ALJ spent over 20 pages discussing the appropriate capital structure in the PFD. ABATE further contends that the Commission's prior orders are clear that, other than in exceptional circumstances, utilities should strive for a 50/50 balanced structure. ABATE's replies to exceptions, p. 8. ABATE further acknowledges that the Commission has noted some flexibility in making determinations; however, there was no significant change in circumstances, and the Commission should adopt the ALJ's recommendation. *Id*., p. 9.

The Commission finds that the ALJ's determination is well-reasoned and fully supported on the record. The Commission emphasizes that it is required to *balance* investor and customer interests. As summarized above, the ALJ thoroughly reviewed the parties' positions and arguments pertaining to capital structure. The ALJ appropriately found that the company's 2021 credit downgrade was not improperly downplayed, that credit reports reflect a "stable outlook" for Consumers, and that the company's claims relating to the FFO/debt ratio were problematic. *See*, PFD, pp. 444-445. In addition, the ALJ reasonably reviewed prior Commission orders, including the company's most recent rate cases, and found that the Commission has clearly established that a balanced capital structure typically most reasonably balances the utility's and the customer's interests. *Id*., pp. 442-443.

Given the above, the Commission finds that Consumers' arguments and exceptions are not persuasive. The Commission agrees with the ALJ's determination and finds that the company has not demonstrated a deviation from the current capital structure is warranted in this case. Therefore, the Commission adopts the ALJ's findings and recommendations with respect to the proposed capital structure, including adopting the Attorney General's rebalancing. PFD, p. 448.

B. Cost Rates

1. Return on Common Equity

Consumers, the Staff, the Attorney General, ABATE, and MNSC offered analyses and recommendations for the appropriate ROE in this proceeding. Consumers requested an ROE of 10.25%, the Staff recommended an ROE of 9.75%, the Attorney General set forth an ROE recommendation of 9.80%, ABATE suggests an ROE of 9.50%, and MNSC recommended an ROE of 9.22%.

In support of its request to increase the authorized ROE to 10.25%, Consumers proffered the following: (1) a constant growth form of the discounted cash flow (DCF) model, (2) the capital asset pricing model (CAPM), (3) an empirical CAPM (ECAPM), and (4) a bond yield risk premium analysis. 4 Tr 2717. From these quantitative models and other considerations, the company determined its recommended range of 10.25% to 11.25% from this analysis. 4 Tr 2720.

The Staff described its approach including the selection of a proxy group which it utilized in its DCF and CAPM models along with a bond yield and risk premium method. 6 Tr 4539. The Staff further indicated that it reviewed recent electric utility ROE determinations from other state jurisdictions to compare with its analyses. 6 Tr 4539. The Staff concluded that a reasonable ROE range was from 9.25% to 10.25%. 6 Tr 4549; *see also*, Exhibit S-4 Schedule D-5. As a result, the Staff recommended an ROE of 9.75% as the midpoint of that range, which it avers is very fair and reasonable. 6 Tr 4549.

The Attorney General indicated reliance upon the: (1) DCF model, (2) CAPM, and (3) the utility risk premium approach. 3 Tr 2537. Further, the Attorney General noted that, in Exhibit AG-36, the average of these analyses reflects an average ROE of 9.73% but that she recommended an ROE of 9.80%. 3 Tr 2537.

ABATE utilized: (1) a constant growth DCF model "using consensus analysts' growth rate projections," (2) a constant growth DCF model "using sustainable growth rate estimates," (3) a multi-stage growth DCF model, (4) a risk premium method, and (5) a CAPM. 6 Tr 3769. Based on these methods, ABATE estimated a reasonable ROE range of 9.00% to 10.00% and recommended an ROE of 9.50%. 6 Tr 3805.

MNSC utilized the CAPM and the DCF methods for its analysis. MNSC, based on those two methods, recommended an ROE of 9.22% which "represents the midpoint between the 8.53%

average result reached by [its] application of the DCF and CAPM models and the 9.9% ROE currently authorized for the Company." 6 Tr 3955.

The ALJ thoroughly reviewed the evidence and positions of the parties with respect to ROE at pages 455 to 506 of the PFD, which will not be exhaustively repeated here. The ALJ indicated that "[i]n reviewing the different analyses and evidence presented by the witnesses, this PFD finds that Consumers' recommended return of 10.25% is excessive, is contrary to the Supreme Court standards, is unsupported by record evidence, and thus should be rejected." PFD, p. 506. The ALJ noted the parties utilized proxy groups applied to the various models before turning to review the methodologies.

The ALJ next examined the CAPM method including the analyses and critiques of each. *Id*., pp. 507-511. In that regard, the ALJ noted that the Staff, the Attorney General, and MNSC all contend that Consumers' CAPM results are inflated, and the company's response pointing to the Federal Reserve Bank's analysis reviewing 20 methodologies. The ALJ found that Consumers':

> reliance on this Report is misplaced. The Report includes the following statements material to [the company's] assertions: a) the authors estimated the equity risk premium by combining information from twenty models, and concluded that the one-year-ahead equity risk premium in June 2012 was 12.2%, b) the equity risk premium was high because Treasury yields were "unusually low", while the expected stock returns were close to their long-run average, and c) there remains "considerable uncertainty around these estimates" and that the issue of whether stock returns are predictable "is still an active area of research." Most significantly, regarding the -1.00% to 14.50% range [Consumers] asserts supports [its] calculated market risk range of 8.55% to 8.94%, the Report states that the average equity risk premium of all of the models as well as the historical average equity risk premium for the five years prior to the study period were both 5.7%. Thus, the Report's compilation shows that Consumers' market risk premium is excessive, which inflates its CAPM results.

PFD, pp. 510-511. Therefore, the ALJ concluded that the company's CAPM results were not reliable and were disregarded by the ALJ. Turning to the ECAPM, the ALJ reviewed the parties' position before noting that "Consumers has not identified an order whereby the Commission has

previously recognized the use of the ECAPM model" and further indicated that FERC does not recognize its use. *Id*., p. 512. Given this, the ALJ found that Consumers' ECAPM approach should not be considered. *Id*.

Next, the ALJ reviewed the DCF model analyses of each party at pages 512 to 516 of the PFD. In his review, the ALJ individually addressed critiques of the methods including claims of outliers and anomalies whereby he specifically excluded a proxy company from Consumers' DCF model and the Staff's DCF estimate and recalculated the estimate excluding those companies. PFD, p. 513. The ALJ asserted that both Consumers' and the Staff's growth rates were misleading and, therefore, "should be considered 'high-end return estimates' and thus weighted accordingly." PFD, p. 515. Continuing, the ALJ reviewed additional critiques and criticisms, again asserting that most lacked merit and, as such, concluded that "the parties' DCF results as adjusted and weighted aforesaid, shall be considered." PFD, p. 516.

With regard to the risk premium analysis, the ALJ found persuasive the Staff's, the Attorney General's, and MNSC's reasoning in rejecting the risk premium analyses based on authorized ROEs. *See*, PFD, pp. 516-518. Specifically, the ALJ looked to FERC Opinion 569 in concluding that risk premium models relying on prior ROE determinations are circular. Therefore, the ALJ found "that Consumers' and ABATE's risk premium results which are based on authorized ROEs should be given little weight." PFD, p. 518. The ALJ further found that additional critiques of the risk premium analyses on record were not afforded weight as they did not appear to change the results or demonstrate that one approach is more meaningful or accurate, and as such, did not need to be resolved in the instant case. *Id*.

In sum, the ALJ noted the following ROE estimates were accepted:

Party	Average	Range
Consumers	10.83%	10.40% – 11.26%
Staff	9.80%	8.98% – 10.34%
Attorney General	9.80%	9.57% – 9.98%
ABATE	9.34%	9.11% – 9.57%
MNSC	8.53%	8.11% – 8.96%

PFD, p. 518. The ALJ indicated that "[t]he combined average of these averages is 9.66%, with a range of 8.53% -- 10.83%." *Id*., p. 519.

The ALJ indicated that Consumers, the Staff, the Attorney General, ABATE, and Walmart each provided evidence regarding authorized ROEs of utilities across the country. The ALJ reviewed each analysis, at pages 519 to 522 of the PFD. The ALJ specifically noted the company's testimony that previously authorized ROEs can indicate a range of reasonableness and that over the prior five years, the average authorized ROE has increased. PFD, p. 520 (citing 4 Tr 2802-2804). Acknowledging the company's criticism of including transmission and distribution-only utilities, the ALJ notes that, while this may be a fair critique, Consumers failed to indicate which values should be excluded. Further, the ALJ argued that the company's assertion that the Staff's analysis failed to consider lower interest rates in 2021 and 2022, was contradicted by the company's own analysis utilizing those same years. PFD, p. 521. Moreover, the ALJ found the company's presentation lacking appropriate support, similar to that of other parties, and its "evaluation approach of past-authorized ROEs offered in [its] rebuttal testimony is inconsistent with the evaluation approach [it] followed in [its] direct testimony" without additional explanation. *Id*., p. 521.

Overall, the ALJ found that evaluation of recently authorized ROEs is a reasonable and appropriate consideration, consistent with the Supreme Court's standards. Given the above considerations, the ALJ concluded that the record reflects "that the average of recently authorized ROEs from other states is between 9.50% -- 9.60% and are trending lower." *Id*., p. 523.

Notwithstanding the analyses and ROE ranges, the ALJ found that:

> [w]hile the results of the models used to estimate a reasonable ROE are in the range of the recently authorized ROEs throughout the country, these ROE estimates are contrary to the Supreme Court standards which provide that the setting of a fair and reasonable return for regulated utilities is determined by the business risk applicable to the regulated utility industry.

Id., p. 523. The ALJ specifically quotes *Willcox v Consol Gas Co of New York*, 212 US 19; 29 S Ct 192; 53 L Ed 382 (1909), wherein the court stated that "the amount of risk in the business is a most important factor." The ALJ further cited to the principles from *Bluefield* and *Hope*, as referenced above. After additional review of the standards, the ALJ stated that:

> while under the Supreme Court standards regulated utilities are entitled to a return that is commensurate with returns on investments in other enterprises having corresponding risks – such as other regulated utilities -- regulated utilities are not entitled to returns commensurate with or more than returns on investments in other enterprises having greater risks – such as the riskier businesses in the general market. As such, the Supreme Court standards require that authorized ROEs be set at a level of returns which are less than the returns for the general market.

PFD, p. 525 (footnote omitted).

The ALJ next evaluated MNSC's claim that there was a contradiction between recently approved ROEs and the Supreme Court standards regarding fair and reasonable ROE, including evaluation of risks at pages 525 through 540 of the PFD. The ALJ again concluded, in part, that:

> As indicated, the Supreme Court standards provide that regulated utilities are entitled to a return that is commensurate with the returns earned by other businesses with corresponding risks (i.e., other regulated utilities) but are not entitled to returns commensurate with or higher than businesses having greater risks (i.e., publicly traded businesses in the general market). Thus, the Supreme Court standards require that authorized ROEs be set at a level of returns which are less than the expected returns for the general market.
>
> * * *
>
> The second Supreme Court standard for establishing a reasonable return on equity is that the return should be "sufficient to assure confidence in the financial integrity of the enterprise, so as to maintain its credit and to attract capital." This PFD finds that the record evidence in this case supports a finding that the ROEs proposed by

> Staff, the Attorney General, ABATE, and CUB, and the ROE recommended in this PFD are each more than sufficient for Consumers to maintain its credit and attract capital. The financial integrity of Consumers' business and its ability to maintain its credit and attract capital are directly a function of Consumers' lack of risk as an operating regulated utility.

PFD, pp. 529-532 (footnotes omitted).

The ALJ reviewed the various contentions relating to risk, credit ratings, economic uncertainty, and the FFO/debt ratio before indicating agreement that "change to the authorized ROE likely will alter Consumers' credit metrics. However, that a change in the authorized ROE will change Consumers' credit metrics does not mean that any such change to the ROE should not occur." PFD, p. 539. Additionally, the ALJ addressed the company's concerns regarding a credit rating downgrade, opining that even if it is downgraded it will still have the ability to attract capital. Given this analysis, the ALJ concluded:

> that the ROEs recommended by Staff, the Attorney General, ABATE and CUB are each reasonable and commensurate with returns for recently authorized regulated utilities, on investments having corresponding risks, while the ROE recommended by Consumers is not. However, this PFD finds that the ROEs recommended by the parties are not commensurate with or are less than the returns projected for riskier investments in companies in the general market. This PFD further finds that the ROEs recommended by Staff, the Attorney General, and ABATE, as well as the ROE recommended in this PFD are more than sufficient for Consumers to maintain its credit and attract capital, and that Consumers' recommended ROE is unnecessary to do so.
>
> Given the recent level of authorized ROEs garnered in the regulated utilities industry, the Supreme Court standards require divergent and conflicting returns. On the one hand, this PFD finds that the results of the estimating models suggest that a reasonable ROE commensurate with the returns earned by other regulated utilities is about 9.7%. On the other hand, this PFD finds that a reasonable ROE less than the expected return earned by the riskier general market is about 6.7%. Thus, the optimal ROE which best aligns with the conflicting Supreme Court standards is an ROE of 8.2%, which is equally removed from fully complying with the standards.
>
> Accordingly, this PFD recommends that the Commission adopt an ROE of 8.2%.

PFD, p. 542.

In exceptions, Consumers avers that the most concerning error in the ALJ's recommendation is to adopt an 8.2% ROE. The company argues that:

> it would have a catastrophic impact on the Company's credit rating and its ability to attract capital on favorable terms to finance the Company's significant investment needs. It would also result in an immediate reevaluation of the regulatory environment in Michigan by credit rating agencies and equity analysts, and would likely have detrimental impacts on all utilities in Michigan.

Consumers' exceptions, p. 61 (footnote omitted). Consumers points to the fact that the ALJ's recommendation is significantly lower than the lowest proffered ROE recommendation on the record and should be rejected by the Commission. The company claims that the ALJ's determination is based "heavily on an incorrect interpretation of the U.S. Supreme Court's holding in an obscure 1909 case: *Willcox v Consol Gas Co of New York*, 212 US 19; 29 S Ct 192; 53 L Ed 382 (1909)." Consumers' exceptions, p. 61. According to Consumers, the ALJ's misapplication of the case led to the assertion of a legal standard that does not exist and, as applied, the company claims that this led to erroneous and unsupported conclusions. The company contends that the *Willcox* case is not typically cited in these cases and that the appropriate standards are found in *Bluefield* and *Hope*. Further, Consumers argues that, though the ALJ "does cite and discuss the standards identified in *Bluefield* and *Hope* to some extent, the ALJ places disproportionate emphasis on *Willcox* in his analysis because it is through a misreading of *Willcox* that the ALJ derives his understanding of a supposed constitutional standard not found in *Bluefield* or *Hope*." Consumers' exceptions, p. 63. Next, Consumers reviews the *Willcox* decision to explain the ALJ's purported misunderstanding. *Id*., pp. 64-66. The company claims that the ALJ read the decision "much too broadly" and that his misreading of the case led to the erroneous conclusion that "the risk of all public utilities, as a matter of law, must be regarded as "reduced almost to a minimum" because all utilities sell a necessary product and enjoy regulated protection for their service

territory that limits competition." *Id*., p. 67. Consumers emphasizes that courts do not frequently cite *Willcox* but do rely upon *Bluefield*, which the company avers demonstrates the ALJ's misunderstanding. *Id*., pp. 68-70. Consumers refutes that the principles from the Supreme Court support the ALJ's conclusion that a regulated utility should have an ROE lower than the general market and claims that this will lead to confiscatory rates. *Id*., pp. 70-71. The company claims that the ALJ's error is not hypothetical as it resulted in an unreasonable ROE recommendation and the Commission should reject the ALJ's entire analysis regarding *Willcox*. *Id*., pp. 71-73.

The company next turns to the ALJ's "Official Notice of Facts" issued in the case on October 3, 2025. Consumers claims that:

> [t]he ALJ offered no explanation in the Official Notice of Facts to support a finding that the 6.7% figure taken from such a source and lacking sufficient detail to confirm all the underlying data constitutes "judicially cognizable facts" or "general, technical, or scientific facts within the commission's specialized knowledge" as required by Rule 428 of the Rules of Practice and Procedure Before the Michigan Public Service Commission, Mich Admin Code R 792.10428.

Consumers' exceptions, p. 75. Consumers further contends that even if it were appropriate to consider information regarding the general market in this case, the ALJ did not provide an explanation for the reliance upon the American Economic Liberties Project's 6.7% as the correct data point. *Id*., p. 77.

Consumers additionally argues that the ALJ's rationale for excluding some model results was not valid and that the Commission should consider all of its modeling results which would indicate an ROE higher than the 9.7% indicated by the ALJ. *Id*., p. 78. Specifically, regarding the CAPM modeling results, the company contends that the ALJ's rationale for affording no weight to Consumers' CAPM analysis is invalid. *See*, *id*., pp. 78-83. Specifically, Consumers indicates that the ALJ misunderstood the nature of the analysis which was meant to drive a projected risk premium for the market as a whole and made incorrect assumptions regarding the company's

exhibits. *Id*., pp. 78-79. Further, the company contends that the ALJ also misunderstood the purpose of the calculation in the 2015 Fed Report and that the report further provides support for the reasonableness of Consumers' CAPM analysis. *Id*., pp. 80-83. Turning to the ECAPM methodology, the company states that merely because it has not been relied upon by the Commission previously is not a valid reason to disregard the analysis. *Id*., p. 83. Consumers also notes that the Commission "is not bound to follow FERC's decisions, which are persuasive at most." *Id*., p. 84.

Consumers addresses the DCF model at pages 85 through 89 of its exceptions. Specifically, the company disputes the ALJ's determination that Dominion Resources Company was an outlier, arguing that its response to the Staff's claims were not addressed and that the ALJ should not arbitrarily exclude one proxy company. *Id*., pp. 85-87. Similarly, Consumers disputes the ALJ's finding that the "short-term three-year growth rates under a single-stage DCF were misleading because 'a short-term growth rate cannot exceed the anticipated growth rate for the economy as a whole.'" *Id*., p. 87 (quoting PFD, p. 514). The company also claims that the ALJ improperly dismissed its criticism of ABATE's multi-stage DCF and MNSC's two-step DCF based on reference to evidence in prior Commission cases. Specifically, Consumers contends that the ALJ's reliance on non-record evidence was improper and that the information relied upon does not rebut the company's critiques. Consumers' exceptions, p. 88.

With regard to the national ROE trend, Consumers highlights its position that overreliance on such data is concerning and further indicates that it provided critiques of the other parties' analyses on trends. *Id*., p. 89. The company specifically addresses the ALJ's findings and notes that in each instance, the ALJ misunderstands or does not fully consider the company's position. *Id*., pp. 89-91. With regard to the trend of national ROEs, the company claims that the ALJ's

determination that the average actually demonstrates a decline in ROEs is "demonstrably incorrect." *Id*., p. 91. Focusing on the investor's perspective, the company indicates that investors are uncertain when ROEs are downward trending because "it can be difficult for them to tell where the bottom of the downward trend is going to be" while if there is an upward trend, investors do not worry. *Id*., p. 93. Specifically, the company states that:

> even if the Commission is not persuaded to increase the Company's ROE at this time, it should certainly not decrease it with so many important capital needs coming up over the next several years to improve distribution reliability and meet the ambitious requirements of the new renewable energy and clean energy standards. An 8.2% ROE result in this case, like the one the ALJ recommended, would be catastrophic for investor perceptions of the long-term investment in Michigan. The Commission should instead adopt the Company's proposed 10.25% ROE or any reasonably appropriate ROE at 9.90% or higher to send a clear signal to investors that there is no need to take their investment dollars elsewhere.

Id.

The Staff also excepts to the ALJ's recommendation, stating that it was "tempted to remain silent" but that it does not support the "recommended 8.20% ROE as it falls below the Staff's range of reasonableness. In fact, the ALJ's recommended 8.20% ROE falls outside the ROE ranges of reasonableness of all the intervenors in this case." Staff's exceptions, p. 14 (citing 3 Tr 811). The Staff indicates that it maintains support for its 9.75% ROE recommendation but that a more reasonable floor would be 9.25% based on the record evidence. *Id*. The Staff points out that, even though the ALJ found the ROEs recommended by the Staff, the Attorney General, ABATE, and MNSC were reasonable, he nevertheless recommended an ROE of 8.20% which is lower than the recommended range of 9.22% to 9.80%. The Staff contends that "[t]he Commission should reject the ALJ's 8.20% ROE recommendation and adopt the Staff ROE recommendation of 9.75%. In the alternative, the Commission should consider the low end of the

Staff range of reasonableness of 9.25% ROE as a more reasonable ROE floor." Staff's exceptions, p. 15.

In replies, the Attorney General states that the ALJ properly rejected Consumers' request for an excessive 10.25% ROE. The Attorney General disputes the company's submission of Attachments A and B to its exceptions because, even though Consumers claims they are not offered as evidence, they were submitted to influence the Commission's determination. As such, the Attorney General argues that this evidence offered after the close of the record should not be given any weight or consideration. Attorney General's replies to exceptions, pp. 66-67. With respect to the ALJ's recommended 8.20% ROE, the Attorney General states that it speaks for itself and that it evidences, at minimum, that the company's requested 10.25% ROE is excessive.

With regard to the legal standard relied upon by the ALJ, the Attorney General avers that the company overstates the impact of the *Willcox* discussion by the ALJ. Specifically, the Attorney General indicates that, even though the ALJ discussed risk further through the *Willcox* decision, it was not the sole basis for the ALJ's recommended ROE. Walking through the ALJ's recommendation, the Attorney General lists that the ALJ first discussed *Bluefield* and *Hope*, before turning to the parties' positions, analyzing the application of the models, and then discussed the lower risk regulated utilities have. *See*, Attorney General's replies to exceptions, pp. 68-70. According to the Attorney General, based upon the standards set forth in *Bluefield* and *Hope*, the ALJ found that the recommendations made by the Staff, the Attorney General, ABATE, and MNSC were sufficient to meet the standard, maintain its credit, and attract capital. In response to Consumers' specific claims about the *Willcox* case, the Attorney General contends that:

> *Willcox* does provide some parallels to utility cases in Michigan where the Commission regulated utilities enjoy nearly exclusive or monopolistic service territories, which reduces the risk of competition. It appears that the PFD is using *Willcox* to show why utilities, that operate in a regulated field that usually insulate

> them from competition compared to other purely market driven enterprises, are usually less risky. In other words, the regulatory construct lends itself to certain protections that affect the relative riskiness of utilities. It does not exclude the possibility that other enterprises may be similarly risky, however the reality is that in utility cases, comparisons are usually made to other utilities. This is evident in the fact that traditional ROE analysis begins with the establishment of a peer group of similarly situated utilities for purposes of determining the ROE.

Id., pp. 72-73. Overall, the Attorney General contends that the analysis does support the conclusion that the company's requested ROE is excessive.

Turning to the quantitative models, the Attorney General notes reliance upon briefing but reiterates that Consumers uses "novel and unorthodox methodology" to arrive at its 10.25% ROE. Specifically, the Attorney General states that the company "relies on a 'forecasted risk premium' which was developed based on flawed premises in determining his CAPM ROE and Utility Risk Premium ROE. It also uses the ECAPM method to determine ROE, which is also flawed and inappropriate." *Id*., p. 74. The Attorney General further contends that the Commission should reject the company's claims that it was inappropriate to reject models and emphasizes that the ALJ appropriately rejected Consumers' CAPM analysis finding it unreliable due to the inclusion of companies that are not paying dividends in the market risk premium (MRP) calculation. *Id*., pp. 74-75. The Attorney General then reviews record testimony to point out concerns with respect to the company's MRP and analysis. *Id*., pp. 75-77. The Attorney General further notes that the ALJ properly rejected the company's ECAPM, which has not been recognized by the Commission or FERC. The Attorney General then restated her briefed argument, that the ECAPM should be given no weight because "the underlying premise for using the ECAPM method is flawed." *Id*., p. 78. Given all of the above, the Attorney General concludes that the Commission should adopt an ROE "no higher than 9.80%." *Id*.

ABATE replies that the ALJ has the authority to make findings of fact and conclusions of law departing from the positions set forth by the parties so long as the rationale is explained. ABATE's replies to exceptions, p. 9 (citing Mich Admin Code, R 792.10131(3)). ABATE further states that the ALJ's "recommended ROE and range accurately reflect the lack of investment risk in the utility industry and a need to fundamentally correct the excessive revenues the Company has experienced in only the last five years." ABATE's replies to exceptions, p. 10 (citing PFD, p. 483). ABATE indicates that the reliance upon *Willcox* brings to light the important issue of risk being minimal as the company can operate essentially as a monopoly not subject to normal market challenges. ABATE emphasizes that there is no evidence to demonstrate the company will face challenges in generating sufficient capital with its current credit ratings and "[r]eflecting this strong credit profile, the Company has consistently over-earned and generated revenue sufficiencies, rather than struggle to generate capital." ABATE's replies to exceptions, p. 11 (citing 6 Tr 3772). Reiterating record arguments in briefing, ABATE disputes the company's claims that "Michigan does not provide a supportive environment for utilities to thrive financially even with new clean or renewable energy requirements" and that reliance upon *Willcox* is supported by record arguments demonstrating that it is "a safe investment, insulated from risk as a regulated utility, and all but guaranteed recovery of many of its infrastructure expenditures." ABATE's replies to exceptions, pp. 11-12. In sum, ABATE states that the company's revenue sufficiencies clearly demonstrate the 10.25% ROE is unjustified because Consumers "has been producing ***excessive rates and overearning***." *Id*., p. 12 (emphasis in original). Thus, ABATE contends that the Commission should adopt an ROE no greater than 9.50%.

MNSC also replies claiming that Consumers manufactured its claim that the ALJ relied upon a "'fictitious legal standard'" and "devotes much ink to arguing against that" when the ALJ

"correctly articulated and applied the relevant legal standards for determining a regulated utility's ROE, resulting in a just and reasonable recommendation that balances customer and investor interests as well as competing ROE-setting principles." MNSC's replies to exceptions, p. 12 (quoting Consumers' exceptions, p. 62). MNSC further states that the ALJ did not apply incorrect standards as it is clear that the ALJ indicated *Bluefield* and *Hope* are controlling and then also cited *Willcox*, which did not mean the controlling *Bluefield* and *Hope* standards were not applied. *See*, MNSC's replies to exceptions, pp. 13-14. MNSC contends that Consumers' analysis of *Willcox* ignores appropriate factors in an attempt to distinguish the facts from this case and, more importantly, that "[b]eyond *Willcox*, there is ample evidence in the record supporting the conclusion that investing in regulated utilities is less risky than investing in the market as a whole." *Id*., p. 16 (citing 6 Tr 3950-3951; Attorney General's initial brief, p. 139). MNSC also notes that the ALJ in Case No. U-21806, similarly cited *Willcox* along with *Bluefield* and *Hope* for the principle that ROEs should be more commensurate with the risk a regulated utility faces. *See*, MNSC's replies to exceptions, pp. 16-18.

MNSC also responds to Consumers' assertion that the ALJ's recommended ROE would have "catastrophic" effects, noting that the ALJ acknowledged there would be negative impacts but also that was not a good reason to apply an appropriate reduction to the company's authorized ROE. In response to the argument of maintaining the current ROE, MNSC responds that maintaining a stable regulatory environment is outside of the Commission's role in the instant case, adding that:

> The Commission must set a just and reasonable rate that appropriately balances customer and investor interests and, as MNSC explained in its initial brief, Consumers' lackluster reliability and increasing unaffordability coupled with witness Bandyk's testimony demonstrating that a true market-based ROE would be in the range of 8.11% to 8.96% provides compelling support for the Commission to exert more substantial downward pressure on Consumers' ROE.

MNSC's replies to exceptions, p. 18 (footnotes omitted). Thus, MNSC contends that the ALJ's recommended ROE is reasonable and consistent with the standards set in *Bluefield* and *Hope*.

MNSC also contends that the ALJ properly took judicial notice regarding the expected return of the general market and that the information contained in that was weighed along with additional evidence on the record. In sum, MNSC contends that the ALJ "conservatively assumed a general market return even *higher* than the highest figure available in the record" and the ALJ's "finding was reasonable and supported by substantial evidence." *Id*., pp. 20-21 (emphasis in original) (footnotes omitted). Finally, MNSC argues that the ALJ properly considered the company's ROE modeling and that the ALJ's rejection was "appropriate, well-reasoned, and supported by substantial evidence." *Id*., p. 21. MNSC notes that the Commission has considered similar arguments previously and that the Commission again should reject the company's exceptions on this issue. *Id*., pp. 21-22. In conclusion, MNSC argues that if the Commission concludes that a more gradual approach to lowering the ROE is appropriate, it reiterates its record position and that the Commission should adopt an ROE of 9.22%. *Id*., p. 22.

The Commission has reviewed the extensive record on this issue including exceptions and replies. The Commission finds that the ALJ's review of precedent, including the Supreme Court's decision in *Willcox*, was reasonable. As noted by the Attorney General and MNSC, the ALJ's discussion of *Willcox* was not the only factor in the ALJ's determination. The ALJ also discussed *Willcox* in the context of the *Bluefield* and *Hope* decisions, and the general analysis surrounding risk in the PFD is not contrary to the standards set forth in those cases. Further, as acknowledged by the company, "[t]he ALJ correctly observed that the U.S. Supreme Court recognized that ratemaking involves a "'balancing of the investor and the consumer interests.'" Consumers' exceptions, p. 71 (quoting *Hope*, 320 US at 603). However, the ALJ's conclusion that "the

Supreme Court standards *require* that authorized ROEs be set at a level of returns which are less than the returns for the general market" exceeds the scope of the decisions cited. PFD, p. 525 (emphasis added). As discussed more fully below, the Commission finds that the ALJ's recommended ROE of 8.20% is not supported on this record.

The company also objects to the ALJ's official notice of facts which was relied upon to state that the average long term aggregate return was 6.7% for the United States. *See*, Consumers' exceptions, pp. 74-78. The Commission finds that the company's analysis disregards additional record evidence also relied upon by the ALJ, which includes a range of long-term market expectations submitted in ABATE's testimony. PFD, p. 529 (citing 6 Tr 3801). Moreover, the Commission finds that, because it does not place reliance on the 6.7% figure in its determination, the dispute over the ALJ's official notice is moot.

In addition to the above, the ALJ exhaustively reviewed each parties' evidence and thoroughly explained the weight assigned to the various models and conclusions. *See*, PFD, pp. 452-546. As briefly summarized above, the ALJ's exhaustive review of the evidentiary presentation explains the rationale for the weight that was afforded to each methodology. The Commission finds that the ALJ's weighing of the various methods and results is supported by testimony and evidence on the record. Similarly, the ALJ's review of national trends is supported on this record.

The Commission finds that an appropriate ROE in this case is 9.90%. As described above, the ALJ's review of the methodologies set forth on the record was thorough; however, as also noted above, the Commission does not agree with the ALJ's conclusion regarding the Supreme Court standards. Further, the Commission does not find merit in the weight the ALJ afforded to the purported "expected return earned by the riskier general market" to support a substantially lower ROE than presented on the record. PFD, p. 542.

Rather, the Commission notes that in weighing the various methods the ALJ reasonably found that the parties' accepted evidence demonstrated average ROEs ranging from 8.53% to 10.83%. *See*, *id*., p. 518. The company's currently approved ROE of 9.90% falls within this reasonable range of evidence. Overall, the Commission finds that the record supports the continued approval of the company's currently authorized ROE. Therefore, the Commission adopts an authorized ROE of 9.90%.

2. Long-Term Debt Cost Rate

Consumers initially proposed a long-term debt rate of 4.54%. 3 Tr 836. The Staff recommended a rate of 4.37%. 6 Tr 4535. In rebuttal, the company noted agreement with the Staff to update its proposal to reflect actual debt issuance costs for May 2025 and August 2025 issuances. 3 Tr 887. However, the company maintained that the Staff's forecasts for the interest rates were understated and the addition of a bond spread of 100 basis points was unreasonably low. 3 Tr 887. Utilizing the higher interest rate forecast and a 138-basis point spread, Consumers calculated a revised long-term debt rate of 4.43%. 3 Tr 889. The Attorney General recommended a long-term debt rate of 4.39%. 3 Tr 2534.

The ALJ described the positions of the parties at pages 542 through 543 of the PFD. The ALJ found that the company's more current forecast should be utilized and, therefore, recommended "that the Commission adopt Consumers' adjusted debt rate of 4.43%, which reflects the most current information available for all of the completed and planned long-term debt issuances through the test year." PFD, pp. 543-544.

In exceptions, the Staff notes it recommended a long-term debt rate of 4.37%, which is very similar to the Attorney General's rate of 4.39%. The Staff indicates that "the Company had ample time to update its case that included the actual May 2025 cost rates, it chose not to, and Staff

provided the updated cost rates in its analysis of the Company's long-term debt schedule." Staff's exceptions, p. 15. Therefore, the Staff requests the Commission reject the company's unwarranted cost rate of 4.43% and adopt the Staff's recommended 4.37% rate. *Id*.

In replies, the company indicates that the ALJ adopted the long-term debt rate it proposed in rebuttal, which was a reduction from its originally proposed rate. Consumers indicates that the Staff's exceptions do not indicate what error the ALJ made and contends that it agreed to the "Staff's update to the long-term debt cost calculation by including the actual May 2025 cost rates" and that "there is no difference between Staff's proposed long-term debt cost rate and the Company's deriving from that issue." Consumers' replies to exceptions, p. 77. The company continues, arguing that the Staff's projections for the 30-year U.S. Treasury Rate are understated given the use of "a 30-year bond yield of 4.58%, but Bloomberg's current projection for 2026 is 4.88%" and the addition of "a bond spread of 100 basis points to that, which is also unreasonably low." *Id*. (citing 3 Tr 887). Consumers contends that "[t]he Commission should use the current 30-year bond yields on U.S. Treasuries and the 138-basis-point spread calculated by Mr. Bleckman to determine the appropriate long-term debt rate of 4.43%." Consumers' replies to exceptions, pp. 77-78 (citing 3 Tr 889). Therefore, the company requests the Commission reject the Staff's exceptions and adopt the ALJ's recommendation on this issue.

The Commission finds that the ALJ's recommendation is well-reasoned and supported on this record. Therefore, the Commission adopts Consumers' updated long-term debt rate of 4.43%. *See*, PFD, pp. 543-544.

3. Short-Term Debt Cost Rate

Consumers proposed a short-term debt cost rate of 4.92%. 3 Tr 839. The Staff and the Attorney General utilized the company's short-term debt rate in their proposed capital structure calculations. *See*, Exhibit S-4, Schedule D-1; Exhibit AG-35.

The ALJ noted the parties' utilization of the company's 4.92% short-term debt cost rate. Given there was no dispute on the rate, the ALJ recommended "that the Commission adopt Consumers' short-term debt cost rate." PFD, p. 544.

No exceptions were filed with regard to the short-term debt cost rate, and as such, the Commission adopts the ALJ's recommendation of the company's 4.92% short-term debt cost rate.

Notwithstanding the above, the Staff noted concerns with the company's short term debt facilities claiming they are "inefficiently used and costly to ratepayers." 6 Tr 4536. The Staff further indicated that it is not suggesting that the company be disallowed from maintaining the Scotiabank Revolver, but is "just requesting that the Commission disallow the $1 million in annual costs to be included in the Company's short-term debt cost rate in future rate cases." 6 Tr 4537. Consumers responds that "it is inappropriate for the Commission to consider or pre-decide issues of disallowances in future rate cases that are not currently before the Commission. The Commission must decide each case on the record before it." Consumers' initial brief, p. 296 (citing MCL 24.276).

On this point, the ALJ described the positions of the parties at pages 544 through 545 of the PFD. The ALJ found that the company complied with the Commission's directive from the March 21 order to "'explain and justify the size and expense associated with its short-term borrowing facilities if only a very small portion is being or has been utilized.'" PFD, p. 545 (quoting March 21 order, p. 236). The ALJ further concluded that the Scotiabank Revolver is

being utilized to fulfill the company's short-term liquidity needs. With regard to the Staff's request to disallow costs in a future rate case, the ALJ noted agreement "with Consumers that it isn't appropriate for the Commission to adopt such a disallowance in future cases based on the record in this case. Accordingly, this PFD recommends that the Commission reject Staff's recommendation to disallow the cost of the Scotiabank Revolver in future rate cases." PFD, p. 545.

The Staff excepted, arguing that the Commission should "disallow the costs associated with the Scotiabank Revolver because that particular revolver was excessive, unused, and costly to ratepayers" and the disallowance "would save ratepayers approximately $1 million per year." Staff's exceptions, pp. 15-16 (citing Staff's initial brief, pp. 85-87). Therefore, the Staff maintains that the Scotiabank Revolver should be disallowed in the company's future rate cases.

In reply, Consumers reiterates its record position that it is not appropriate for the Commission to preemptively disallow costs in a future rate case. The company further indicates that:

> [e]ven if the Commission were inclined to predetermine that outcome of the Company's next electric rate case (which would violate the Administrative Procedures Act), Staff's claim that the Scotiabank revolver is "excessive, unused, and costly to ratepayers" is not correct.

Consumers' replies to exceptions, p. 78. Consumers reiterates its testimony and again indicates that the Staff's recommendation is inconsistent with the law and should be rejected by the Commission. *Id*., pp. 78-81.

The Commission finds that the ALJ's determination is supported. The Commission cannot predetermine the reasonableness and prudence of costs in the company's next rate case. Therefore, the ALJ's recommendation is adopted on this issue. The Commission will continue to review the evidence provided on the record in future cases in order to determine the reasonableness of proposed costs, including the company's use of short-term debt facilities.

4. Other Cost Rates

Consumers proposed a cost rate of 4.50% for preferred stock and indicated that the cost rates for the long-term debt, preferred stock, and common equity components of the Job Development Investment Tax Credit (JDITC) should correspond to the cost rates established for long-term debt, preferred stock, and common equity, and the cost rates for other components should be zero. Consumers' initial brief, p. 299 (citing Exhibit A-14, Schedule D-1; Exhibit A-187). The Staff noted its agreement with Consumers' preferred stock cost rate of 4.50%, the zero percent cost rate for deferred income taxes and the blended cost rate of the permanent capital structure with respect to JDITC. *See*, 6 Tr 4534.

The ALJ noted no dispute with regard to the other cost rates and, therefore, adopted the company's proposal. PFD, p. 546.

No exceptions were filed on this issue, and the Commission adopts the ALJ's recommendation.

C. Overall Rate of Return

The ALJ summarized the parties' positions as follows:

> In this case, Consumers seeks an overall return of 6.30% on an after-tax basis to set rates. Staff and the Attorney General recommend an overall rate of return of 6.06%, and CUB recommends an overall rate of return of 5.89%. The differences are attributable to a disagreement concerning Consumers' common equity balance, long-term debt, and proposed ROE.

PFD, p. 423. The ALJ also addressed the long-term debt balance, short-term debt balance, deferred federal income tax balance, and the JDITC balance at pages 450-451 of the PFD.

No exceptions were specifically filed on these portions of the ALJ's decision. Therefore, the Commission incorporates the ALJ's findings and recommendations, unless otherwise modified by the Commission in this order.

Based upon the foregoing analysis, the Commission adopts a 50.00% equity layer, a long-term debt cost rate of 4.43%, a short-term debt cost rate of 4.92%, an ROE of 9.90%, and an overall weighted cost of capital of 6.12%, as shown on the table below:

Description	Amount (000,000)	Ratio	Cost Rate	Weighted Cost
Long-Term Debt	$13,672	42.19%	4.43%	1.87%
Preferred Stock	$37	0.12%	4.50%	0.01%
Common Equity	$13,709	42.30%	9.90%	4.19%
Short-Term Debt	$148	0.46%	4.92%	0.02%
Deferred FIT	$4,692	14.48%	0.00%	0.00%
JDITC Debt	$74	0.23%	4.43%	0.01%
JDITC Preferred Stock	$0	0.00%	4.50%	0.00%
JDITC Equity	$74	0.23%	9.90%	0.02%
Total	$26,454	100%		6.12 %

VI. ADJUSTED NET OPERATING INCOME

Consumers projected an adjusted net operating income (ANOI) of $707.685 million in the 2026 projected test year. *See*, Consumers' initial brief, p. 395; Appendix C1, line 15. Upon briefing, the Staff recommended an ANOI of $737.124 million, which it stated was $29.479 million more than the company's total ANOI after rebuttal testimony. *See*, Staff's initial brief, p. 93; Appendix C, Line 35.

Several issues that were previously contested by parties and/or addressed by the ALJ were not raised in exceptions. After reviewing the record and arguments by the parties, the Commission finds the ALJ's recommendations on these issues not raised in exceptions to be well-reasoned and supported by the record. Accordingly, the Commission adopts the ALJ's findings and conclusions on the following issues: (1) Fuel, Purchased, and Interchange Power Expense (pp. 567-569), (2) HVD Lines Reliability (pp. 576-578), (3) LVD and HVD Substations Demand (pp. 593-595),

(4) Corrective Maintenance O&M (p. 595), (5) Meter Services and Credits (pp. 609-610). The remaining contested issues are addressed ad seriatim.

A. Jurisdictional Revenues and Sales Forecast

1. Sales Forecast

Consumers projected a total sales revenue of $4.758 billion in the projected test year, while the Staff projected sales revenue of $4.784 billion. *See*, Consumers' initial brief, Appendix C1, Line 1; Staff's initial brief, Appendix C, column b.

The ALJ reviewed the positions of the parties including testimony and briefing at pages 547 through 566 of the PFD, which will not be extensively repeated here. After this review, the ALJ adopted the "Staff's proposed increase to Consumers' commercial deliveries forecast by 204,656 MWh [megawatt-hour] for customers receiving bundled service and 16,308 MWh for choice customers." PFD, p. 566. The ALJ noted that Consumers' explanation of recent historical commercial trends was noteworthy but concluded that model accuracy was more important than those historical trends in review of this record. The ALJ found that the Staff's modeling had more "predictive accuracy than Consumers' model based on a higher R^2 and a lower MAPE [mean absolute percentage error] and based on out-of-sample testing." *Id*. The ALJ concluded that the company did not demonstrate that its use of manual adjustments to align its model output with recent historical trends "produced more accurate or robust forecast" and did not find that the "Staff's use of a constant, or intercept, affected the accuracy of Staff's model." *Id*. In addition, the ALJ found the Staff's additional recommendations to be reasonable and, therefore, recommended that "in future rate cases, Consumers provide more detail for the calibration variables in its residential, commercial, and industrial deliveries models and explain why the MetrixND model outputs are adjusted before they appear in the Company's rate case application." *Id*.

Consumers takes exception to the ALJ's adoption of the Staff's adjustments to the sales forecast. The company explains that it was unable to fully respond to the Staff's position given the ALJ's page limitation. Consumers states:

> [t]he ALJ, after noting that the Company "provide[d] no further argument on these issues [i.e., the Company's regression model, Staff's model, and their experts' opinions] in its reply brief," decided the issue on the very grounds the Company originally disputed. Compare December 23, 2025 Reply Brief, pages 35-36, with PFD, pages 565-566.
>
> If the ALJ had considered the information in the Company's original Reply Brief about the sales forecast, he would have been forced to grapple with arguments that directly contradicted his findings. Fortunately, the Commission can now rectify this error and consider all the evidence and arguments that show the Company's sales forecast is sound and requires no adjustments.

Consumers' exceptions, p. 95. Summarizing testimony regarding the sales forecast, the company indicates:

> [t]wo primary factors drove Staff's higher commercial load forecast: (1) Staff omitted what it described as "unnecessary binary variables" and substituted "non-manufacturing employment from the Company's list of economic indicators as an explanatory economic variable, instead of the Company's service employment variable;" and (2) Staff included an intercept term, or constant variable, within the regression equation.

Id., pp. 95-96 (citing 6 Tr 4278-4279). The company restates its disagreement with the Staff's proposed commercial load forecast citing testimony that indicates the Staff's forecast "underrepresented historical trends, over relied on the regression model, and incorporated a statistically weak constant variable in its regression model." Consumers' exceptions, p. 96 (citing 3 Tr 957).

Next, the company further addresses the concerns with the Staff's commercial load forecast. First, Consumers indicates that the Staff's forecast is out of sync with recent historical trends. Restating its testimony, the company emphasizes that the commercial bundled class has been recovering from the impacts of the COVID pandemic in 2020 and included a figure to illustrate the

trends. Consumers' exceptions, pp. 96-97 (citing 3 Tr 958-959). Consumers states that EV growth was already incorporated into the company's forecast and "[t]o account for the difference between the Company and Staff's commercial load forecast, EV growth in the Company's model would need to be understated by as much as 24%, or 152,000 vehicles, which is highly improbable." Consumers' exceptions, p. 96 (citing 3 Tr 959). The company further reiterates its testimony that the Staff's forecast relies too heavily upon regression modeling. Consumers' exceptions, pp. 97-98 (citing 3 Tr 960-962). Continuing to review record positions, the company indicates that it applied a manual adjustment along with the regression model results but notes that the Staff used the same adjustment, which it claims "was not appropriate for its modeling framework or consistent with projected test-year deliveries." Consumers' exceptions, p. 98. Consumers states that its final concern with the Staff's forecast involves a variable added to the model:

> Staff substituted a non-manufacturing employment variable for the Company's service employment variable and Staff included an intercept term, or constant variable, within the regression equation. Staff's first change was not concerning and did not materially affect Staff's final delivery forecast, but Staff's second change was quite concerning. Variables used in a regression model can be statistically tested for accuracy using a "t-statistic," or "t-stat," and "p-value," and Staff's constant variable did not test well. [Consumers' witness, Mr. Breuring explained that "A t-stat greater than 2 and a p-value below 5% generally indicate that a variable contributes meaningfully to explaining the dependent variable." Variables that fall outside these tolerance ranges should be excluded.
>
> Staff's newly introduced constant variable tested far outside these ranges. According to Mr. Breuring, Staff's constant variable had "a t-stat of 1.43 and a p-value of 15.54%, suggesting it is statistically weak and unlikely to enhance the model's predictive accuracy." Although including a statistically weak variable does not always degrade a model's predictive accuracy, it does not contribute meaningful explanatory power and should be carefully considered. Such a variable may simply add noise rather than insight. In this case, to the extent that Staff's constant variable skewed Staff's projected annual commercial growth rate, which is clearly skewed as Figure 2 showed, it was harmful.

Id., pp. 98-99 (internal citations omitted).

Moving to positions on briefing, the company disputes the Staff's criticism for its use of two separate models and quotes its testimony to contend that using both models provides a "'more balanced analytical perspective.'" Consumers' exceptions, p. 99 (quoting 3 Tr 964-965). Consumers further argues that it confirmed the accuracy of its modeling in showing consistency with historical trends. Consumers' exceptions, p. 99 (citing Staff's initial brief, pp. 102-104; Consumers' initial brief, pp. 302-303; 3 Tr 964).

In reply to the PFD, the company notes agreement with the ALJ's statement that historical trends are not more important than model accuracy, claiming Consumers' "forecast is the only one that is consistent with historical trends and produces accurate results – not to mention the only one that makes sense of the economic landscape." Consumers' exceptions, p. 101. The company further argues that the Commission should reject the ALJ's conclusion as it appears to be based on a misunderstanding of the company's position which, it claims, could have been clarified if the ALJ would have considered the originally filed reply brief. *Id*. Consumers contends that its forecast is both consistent with historical trends and accurate. The company continues, stating:

> As for accuracy, Mr. Breuring explained how he tested for accuracy using $RRaa$ 2 and MAPE values. "The $RRaa$ 2," he said, "measures the ability of the models to explain variations in the historical data." 3 TR 939. If a regression model has an $RRaa$ 2 value of 0.9 or more, it explains at least 90% of the data variation. 3 TR 939-940. MAPE, on the other hand, is "used to measure the model errors in which smaller values suggest better model performance." 3 TR 940. MAPE values below 3% are generally considered ideal.
>
> The Company's regression models have strong $RRaa$ 2 values between 0.90 and 0.97 and equally strong MAPE values between 0.2% and 2.1%. 3 TR 940. Staff's model also had strong $R\ Raa$ 2 and MAPE values, but Staff adjusted its model results after testing for these values, see Staff's Initial Brief, pages 100, 102, which calls the values into question. As already noted, Staff used the Company's adjustment – as an absolute value without refining it – that the Company had tailored for its regression models to align with observed growth rates over the past 12-24 months. 3 TR 962. The differences between Staff's and the Company's models required different adjustments. Id. By applying the Company's adjustment

> without refinement, Staff skewed its model results and undermined otherwise solid $RRaa$ 2 and MAPE values.

Consumers' exceptions, pp. 101-102.

Consumers argues that if the Commission rejects the company's model results, the Staff's unadjusted model results should be utilized. The company contends that the ALJ's rationale for adopting the Staff's modeling was because its regression model performed better statistically, which Consumers states was measured before the results were adjusted. Consumers further states that it "modified its regression output to align its forecast with expected outcomes" and if the "adjustments are viewed as a weakness in the Company's forecast . . . consistency would require using the Staff's regression results without adjustment." *Id*., p. 102-103. In addition, Consumers states that, without the adjustment increasing sales, the Staff's model results would be closer to the company's forecast.

Consumers contends that the ALJ's finding that the company failed to demonstrate that it was more accurate to use manual adjustments "ignores the Company's testimony about growth factors that explain why a manual adjustment was necessary." *Id*., p. 103. Specifically, the company summarizes its testimony regarding key growth factors and restates its position that "EWR savings are reducing projected growth by 1.8% each year, and although growth has partially offset these savings, there is not enough growth in the commercial sector in the Company's service territory to fully offset these savings or to allow for a 1.0% growth rate as Staff forecasts." *Id*. (citing 3 Tr 962).

In sum, Consumers states that without a manual adjustment, as made by the company, the forecast would not adequately reflect the growth factors. The company also contends that the ALJ did not provide rationale for finding "that Staff's constant, or intercept term, did not affect the accuracy of Staff's model." Consumers' exceptions, p. 103. Quoting the Staff's initial brief,

Consumers notes that the Staff conceded that an ideal model would have additional explanation and argues that "even if Staff's intercept term did not skew the accuracy of Staff's model, it was not, by Staff's own reasoning, ideal." *Id*., p. 104.

In reply, the Staff indicates its continued support for the adoption of the Staff's sales forecast in its entirety. Specifically, the Staff contends that the adjustment Consumers objects to "was addressed by Staff in direct testimony and Initial Brief, and Staff continues to rely on those arguments that support adjustment to the model outputs." Staff's replies to exceptions, pp. 13-14 (citing 6 Tr 4280; Exhibit S-15.12; and Staff's initial brief, p 100). The Staff highlights the company's position that manual adjustments are appropriate "when expertise and experience necessitate them." Staff's replies to exceptions, p. 14 (citing 3 Tr 960-962, Consumers' initial brief, p. 303). Further, the Staff indicates that it "requested but was given no explanation or directive as to how the external model adjustments should be derived" and "[b]ecause the adjustments were not immaterial, and to avoid appearing arbitrary in modifying the regression model outputs, Staff elected to follow the Company's procedure and added the same amount of incremental load to its own model output." Staff's replies to exceptions, p. 14. The Staff contends that, in future cases, the company should provide more detailed information regarding its adjustments. Overall, the Staff avers that the Commission should adopt its recommended sales forecast including its adjustments. *Id*.

Continuing, the Staff argues that the company reiterates its arguments from rebuttal testimony, which the Staff indicates it addressed in briefing. The Staff notes that it relies upon its brief and that Consumers' claims are not persuasive simply because the Staff's sales model "does not match the Company's expected outcomes." *Id*. (citing Staff's initial brief, pp. 100-104.; Staff's reply brief, pp. 15-18). The Staff explains that the main difference between the forecasts is that the

"Staff places complete emphasis on a use per customer model whereas the Company combines the weighted outputs of a use per customer and aggregate load model in a seemingly arbitrary way." Staff's replies to exceptions, p. 15 (citing 6 Tr 4275-4276; Exhibit S-156; Staff's initial brief, p. 97). Further, the Staff indicates that it:

> recommends a commercial forecast adjustment because it was found that Staff's model is more accurate, demonstrated by lower mean absolute percentage error values on a test set of data spanning the period July 2024 to March 2025, (Exhibit S-15.11, p 2-3,) which in Staff's opinion, is the most important benchmark for reasonableness. The Commission should take heed of the ALJ's recommendation and set rates using the adjusted forecast recommended by Staff.

Staff's replies to exceptions, p. 15.

The Commission appreciates the company's thorough review of the record on this issue in exceptions. In the History of Proceedings section, the Commission fully addressed the issue of limiting reply briefing on this record, and as such, will not further address specific claims regarding the same here. Nevertheless, the Commission has fully reviewed Consumers' position and finds that the ALJ's determination is supported by the record. Specifically, the Commission finds that the Staff demonstrated the accuracy of its modeling approach. *See*, 6 Tr 4275-4276; Exhibit S-15.7. The Commission finds that the Staff rebutted the company's criticisms of its modeling and the ALJ appropriately considered the parties' presentations in the PFD. *See*, Staff's initial brief, pp. 100-104; PFD, pp. 547-566. Further, the Commission is not persuaded by the company's exceptions that the ALJ misunderstood the company's position. Rather, the Commission has reviewed the substantial record, weighed the evidence, and found the Staff's presentation to be more reliable and accurate. Given this, the Commission adopts the findings and recommendations of the ALJ and adopts the Staff's increase of 204,656 MWh for commercial customers receiving bundled service, and 16,308 MWh for commercial customers receiving choice service. *See*, PFD, p. 566.

In addition, the Commission finds no exceptions were filed on the ALJ's recommendation relating to providing additional detail in the company's next rate case. The Commission finds this recommendation to be reasonable, and as such, the company should provide additional detail pertaining to the calibration variables in its residential, commercial, and industrial deliveries models and explain why the MetrixND model outputs are adjusted, consistent with the Staff's proposal and the ALJ's recommendation. *See*, PFD, p. 566.

2. Total Electric Operating Revenues

Consumers projected total operating revenues of $5.02 billion in the test year while the Staff recommends total operating revenues of $5.05 billion, based on its increase to Consumers' sales forecast, which increases sales revenue and PSCR expenses. *See*, Exhibit A-15, Scheule E-2, line 22; *see also*, Staff's initial brief, p. 94, Appendix C, line 35.

The ALJ noted that, based upon the adoption of the "Staff's recommended increases to the sales forecast and PSCR expenses, this PFD also adopts Staff's recommended total operating revenues." PFD, p. 567.

In exceptions, Consumers notes that if the Commission rejects adjustments to the company's "commercial load forecast, it should likewise reject the adjustment to total operating revenues." Consumers' exceptions, p. 104.

Given the above discussion, the Commission finds that the ALJ's recommendation is reasonable and consistent with the Commission's determinations above. As such, the Commission adopts the ALJ's recommendation to adopt the Staff's recommended total operating revenues. *See*, PFD, p. 567.

B. Other Operations and Maintenance Expense

1. Distribution Operation and Maintenance Expense

a. Electric Operations

i. Non-Forestry Reliability

(a) Low Voltage Distribution Lines Reliability

Consumers requested LVD Lines Reliability expense, including $3.5 million to maintain disconnect switches, $2.2 million for groundline pole inspections, $500,000 for padmount inspections, and $1.8 million for other LVD inspections. 3 Tr 1502. The Staff recommended reducing the projected expenses by $7.22 million based upon its linear monthly spend calculation. 6 Tr 4427. The Attorney General also recommended a downward adjustment of $7.06 million. 3 Tr 2578-2579.

The ALJ summarized the record arguments on this issue at pages 570 through 575 of the PFD, which will not be extensively repeated here. The ALJ concluded that it was "unlikely that the Company will spend an additional $7,000,000 on the Lines Reliability LVD sub-program in 2025." PFD, p. 575. Noting that the five-year average expense for the LVD Lines Reliability O&M was only $574,000 or "just seven percent of the projected test year expense of $8,000,000, this PFD finds that it is not reasonable that the Company would spend an additional $7 million dollars in the remainder of 2025." *Id*., p. 576. As such, the ALJ recommended that the Commission approve expenses, inclusive of inflation, of $2.26 million for 2025, and $2.32 million for 2026 and 2027, or a disallowance of $5.68 million. *Id*.

In exceptions, Consumers requests that the Commission reject the ALJ's disallowance "because it would not be reasonable to approve projected test year O&M, which begins in May 2026, based solely on the actual spending in the first six months of 2025." Consumers' exceptions, p. 105. The company continues, restating its testimony that spending in early 2025

was constrained after the catastrophic ice storm and extreme weather in March and April of 2025. *Id*. (citing 3 Tr 1580). Consumers also reiterates that "many programs do not follow a linear monthly spend, and thus it is not reasonable to base future projections on the first six months of spending in a year." Consumers' exceptions, p. 105 (citing 3 Tr 1580-1581).

The Attorney General also takes exception with this issue. The Attorney General again opines that the "dramatic increase proposed by the Company in this case is excessive and unreasonable." Attorney General's exceptions, p. 84. The Attorney General then notes general agreement with the ALJ in "that it is unlikely that the Company will spend $7,000,000 for the remainder of 2025, based on its historical spending and spending in this case, it is also unlikely to spend over $2 million as proposed in the PFD." *Id*., p. 85. She reiterates that the company has, at most, spent $1.1 million in the prior five years. Further, the Attorney General contends that it is not clear how the ALJ determined the amounts to be approved. Therefore, the Attorney General reiterates that, "[a]s discussed above and in the Attorney General's Brief and testimony, the amount disallowed should be at least $7.06 million." *Id*. (citing Attorney General's initial brief, pp. 171-172).

In its replies to exceptions, the company first reiterates its exceptions on this issue. Consumers' replies to exceptions, p. 82 (citing Consumers' exceptions, pp. 104-105). Specifically, Consumers states that the Commission should reject reductions in this reliability funding:

> given (1) the constraint on O&M spending in the first part of 2025 as a result of the severe weather experienced, (2) that many programs do not follow a linear monthly spend, and (3) that LVD Lines Reliability spending has increased in the second half of 2025 as shown in Exhibit A-219 (MPK-29)[.]

Consumers' replies to exceptions, p. 82.

The Attorney General replies that Consumers exceptions should be rejected. The Attorney General contends that while she "estimated the likely amount that the Company would spend

based on its partial year work, she also has concerns about the level of expenditures proposed by the Company." Attorney General's replies to exceptions, p. 80. Specifically, the Attorney General reiterates that the company's largest spend in the last five years for LVD lines reliability was $1.1 million and the proposed significant increase is clearly an attempt to catch up. The Attorney General further states that it is not reasonable for the company to make such a drastic escalation in spending to remedy its prior poor practices. Therefore, the Attorney General requests that the Commission adopt her proposed disallowance of $7.06 million. *See*, *id*., pp. 79-81.

In reply, ABATE states that because the company's "cost projections were inadequately supported and drastically above historic actual amounts the Commission should reject the Company's objection and set revenue amounts consistent with historic spending." ABATE's replies to exceptions, p. 12. ABATE restates its record position, arguing that Consumers did not specifically describe or show the basis for its projections and that, without additional detail, the Commission should reject Consumers' requests, which reflect significant increases in historical spending. ABATE further restates its request to reduce the O&M expense by $10.003 million (which is addressed more fully by the Commission below).

After review of the record, the Commission agrees with the ALJ that the company's proposal is excessive and unsupported. The Commission is not convinced, however, that the linear spend calculation is the most appropriate in this instance. The company indicates that spending on LVD Lines Reliability O&M was constrained due to spending needed to recover from the catastrophic storms. *See*, 3 Tr 1580. In the June 12, 2025 order in Case No. U-21914 (June 12 order), the Commission approved Consumers' request for accounting authority to utilize a regulatory asset to defer O&M expenses relating to the March/April 2025 storm event. Therefore, it can be inferred that the storm-related constraints no longer existed in the same way following the June 12 order.

In that regard, the Commission finds that a reasonable indication of monthly spending is the average of the company's actual spending during the three-month period following the issuance of the June 12 order. The Commission finds that, considering the average spending amount of $122,645 for the months of July through September 2025, a reasonable test year O&M amount is $1,471,740. Therefore, the Commission adopts a disallowance of $6,528,260.

(b) Low Voltage Distribution Substations Reliability and High Voltage Distribution Substations Reliability

Consumers projected LVD Substation Reliability O&M expense of $5.48 million in the test year and projected HVD Substation Reliability O&M expense of $2.35 million for the test year. 3 Tr 1507-1508. The Staff recommended a disallowance of $1.54 million based upon its linear monthly spend calculation. 6 Tr 4427-4428.

The ALJ reviewed the positions of the parties on this issue at pages 585 through 587 of the PFD, which will not be extensively repeated here. After review, the ALJ recognized the company's position that not all spending is linear but also acknowledged the company's briefing, which reflected that Consumers was "on track to spend $4.65 million in 2025." Consumers' initial brief, p. 310. As such, the ALJ found that the Staff's proposed disallowance of $1.54 million from the Substations Reliability LVD sub-program was further supported. PFD, p. 587.

Consumers takes exception to the ALJ's recommendation on this issue. Specifically, Consumers states that spending on the LVD Substations Reliability O&M sub-program is typically lower in the winter and spring typically ramping up in the fall, and thus as supported by Exhibit A-129, the company avers that it is on track to spend $4.65 million in 2025. The company further contends that approval of its "proposal to increase funding in this sub-program is important because historical funding has not been sufficient to complete inspections on the schedule giving in the ESR-1 guidelines, and the increased O&M funding is to clear maintenance backlogs and get

the Company on the appropriate inspection schedules." Consumers' exceptions, p. 106 (citing 3 Tr 1507-1508).

The Commission respectfully disagrees with the ALJ's recommendation on this issue. The Commission finds that, with regard to this category, the record supports the company's contentions that spending is not linear and ramps up in the summer and fall. More specifically, Exhibit A-219 reflects increased spending in the third quarter of 2025, nearly matching the first half of the year, which further supports the contention that Consumers "is on track to spend significantly closer to its projected amount." 3 Tr 1582. In that regard, the Commission finds that the company's test year projection is reasonable and supported on the record and is, therefore, adopted.

(c) Non-forestry Reliability – "Other Adjustments"

ABATE further recommended expense reductions to the LVD Lines Reliability, HVD Lines Reliability, and LVD Substations Reliability expenses in the amount of $10.003 million, pertaining to the "Other Adjustments" column of Exhibit A-128. 6 Tr 3681. ABATE argued that the company failed to specifically describe or show the basis for this amount, which it therefore argued the Commission should disallow. Consumers disputed the proposed disallowance, arguing that ABATE misunderstood the purpose of the "Other Adjustments" column. The company noted that the adjustment "merely illustrates the amount of the test year projection that is higher or lower than inflation rates applied to the historical year amount" and referenced its direct testimony explaining Exhibit A-128. Consumers' initial brief, p. 311 (citing 3 Tr 1496).

The ALJ recognized ABATE's position at pages 584 and 586-587 of the PFD. As discussed above, the ALJ addressed each of the three expenses individually and, in effect, rejected ABATE's proposal.

ABATE excepts to the PFD on this issue, again arguing that the $10.003 million in "Other Adjustments" are not supported on the record. ABATE states that:

> [t]he PFD noted the Company's assertions that it "did not develop projected distribution O&M spending by starting with the most recent historical year, adding inflation, and then making adjustments from that level; rather, projected distribution O&M spending was usually based on a projected level of work, and the specific approach for each O&M sub-program." (PFD at 583-84.) More specifically, the "purpose of presenting the Company's distribution O&M was to illustrate what amount of the Company's projected O&M spending was tied to inflation, particularly so that interested intervenors could see the impact of different inflation rates." (*Id*.) This assertion is effectively an acknowledgement that there is no basis for approving cost recovery of this amount.

ABATE's exceptions, p. 16. ABATE indicates that the company admitted that this column simply reflected the difference in historical actual spend and the projected test year spend, without additional support. Therefore, ABATE claims that Consumers' "request lacks the granular, project-level, or workforce-specific evidence required to demonstrate prudency and necessity, particularly where these adjustments are significantly above historical budgets." *Id*., p. 17 (citing ABATE's initial brief, pp. 60-63). As such, ABATE concludes that the company failed to demonstrate recovery for the $10.003 million is reasonable and prudent.

In reply, Consumers notes ABATE's position and indicates that it was appropriately rejected by the ALJ. Consumers' replies to exceptions, pp. 82-83 (citing PFD, pp. 579-587). Consumers disagrees with ABATE's claim that there was not adequate support for the "Other Adjustments" amounts because, as the company claims, ABATE "continues to misunderstand the purpose of the 'Other Adjustments' column in Exhibit A-128 (MPK-18)." Consumers' replies to exceptions, p. 83. Consumers indicates that:

> [t]he purpose of Exhibit A-128 (MPK-18) is to illustrate the effect of inflation rates on spending levels between the 2024 historical year and the test year in this case. 3 TR 1496. The "Other Adjustments" column in Exhibit A-128 (MPK-18) merely illustrates the amount of the test year projection that is higher or lower than inflation rates applied to the historical year amount. Importantly, as explained by

> Company witness Michael P. Kelly, "the Company's Electric Distribution O&M has generally not been developed by simply taking 2024 actuals and then applying inflation rates to them," but rather "[e]ach O&M sub-program's projected expenses are developed using methodologies specific to the sub-program." 3 TR 1496. Company witness Kelly explained and supported these projection methodologies throughout his direct and rebuttal testimony.

Id.

Further, Consumers argues that Exhibit A-128 does not indicate that it "projected distribution O&M spending by starting with the most recent historical year, adding inflation, and then making adjustments from that level" but that "projected distribution O&M is typically based on a projected level of work, with the specific approach for each O&M sub-program discussed throughout Mr. Kelly's testimony." *Id*. (citing 3 Tr 1602). Consumers states that it "did not attempt to support the precise dollars in the 'Other Adjustments' column, but rather supported the total projected spending amount needed to accomplish the projected work in the test year." Consumers' replies to exceptions, p. 83. The company further claims that ABATE's proposal would limit test year expenses to the historical year spending plus inflation and ignores the record support for how the expenses were projected. Overall, Consumers indicates that its testimony and briefing support its projected expenses for LVD Lines Reliability, HVD Lines Reliability, and LVD Substations Reliability, and that the Commission should find them reasonable and approve the full amount requested "to allow for the completion of this additional and necessary work." *Id*., p. 84.

ABATE also replies that Consumers has failed to specifically describe or show the basis for its projected test year amounts and only made claims that spending is not linear and vague statements about how it determined the test year amounts. ABATE reiterates its position that "[w]ithout this level of detail the Company's request is inadequately supported; it cannot simply claim that spending is non-linear and thus projections should not be compared with actual

spend. Given the significant increase above actual historical spend this evidentiary deficiency does not support cost recovery." ABATE's replies to exceptions, p. 13.

The Commission has reviewed ABATE's position and the company's response and finds reasonable the company's explanation of the "Other Adjustments" column of Exhibit A-128. More importantly, the Commission finds that the "Other Adjustments" column of Exhibit A-128 was considered by the parties in making their recommendations for disallowances as discussed previously in this order. In that regard, the Commission relies upon its individual discussions of LVD lines reliability, HVD lines reliability, and LVD substations reliability above. Therefore, the Commission declines to adopt the disallowance as proposed by ABATE with respect to the "Other Adjustments" column of Exhibit A-128.

(d) High Voltage Distribution Lines Demand

Consumers projected HVD Lines Demand expense of $2.98 million in the test year. 3 Tr 1512; Exhibit A-124. The Staff proposed a disallowance of $2.45 million based upon its linear monthly spend calculation. 6 Tr 4429-4430. The Attorney General similarly recommended a reduced expense of $1.09 million, "which is the highest expense incurred in the past five years." 3 Tr 2576.

The ALJ reviewed the parties' positions at pages 588 through 592 of the PFD, which will not be extensively reviewed here. The ALJ found that the Staff demonstrated that "actual spending in the Lines Demand HVD sub-program [was] on track to spend less than $784,000" and that the Attorney General demonstrated this expense has not exceeded $1.1 million annually in the last five years. PFD, p. 593. Therefore, the ALJ found that, "absent robust justification from the Company for the projected spending, this PFD concurs with the rationale of Staff and the Attorney General and recommends that the Commission disallow $2,451,000 from the HVD Lines Demand sub-program." *Id*.

In exceptions, Consumers argues that the Commission should reject the ALJ's recommendation because a disallowance based upon the company's actual spending in the first half of 2025 "does not reflect the work that the Company will perform in the projected test year." Consumers' exceptions, p. 107.

The Attorney General replies that the Commission should reject the company's exceptions and find that Consumers has not demonstrated "that the pace of work will support the projected expense level" and "[t]o the extent that the level of work for this spending category is tied to HVD Lines Reliability, disallowances have also been recommended for [those] spending categories under that expense, which if adopted would make the spending level for the HVD lines demand program less likely." Attorney General's replies to exceptions, p. 83. The Attorney General notes that she is not challenging the PFD on this issue; however, if the Commission disagrees with the ALJ's recommendation, it should "adopt her proposed disallowance of $1,893,000 since the Company failed to support its test year projection." *Id*. (citing 3 Tr 2576).

In replies to exceptions, ABATE states that "[g]iven the drastic unsupported difference between the Company's actual historic and projected costs the Commission should reject the Company's requested cost recovery." ABATE's replies to exceptions, p. 13.

The Commission finds that the ALJ's recommendation on this issue is well-reasoned and supported by the record. While all spending may not be linear, the Staff's proposed disallowance is reasonable and in line with prior company spending, and Consumers did not provide any additional evidence that it was on track to spend the requested amount on the record. Therefore, the Commission adopts the Staff's proposed disallowance of $2.45 million. *See*, PFD, p. 591.

ii. Staking and Locating

Consumers projected an expense of $13.95 million for the test year, listing the primary drivers of the increase over the 2024 expense being:

(a) increase in the cost per ticket under the contracts with staking contractors ($6,760,338 total increase) includes dedicated model expansion;
(b) anticipated contractor volume increases ($725,589 total increase);
(c) Company labor and volume increase ($9,534 total increase); and
(d) increases in MISS DIG 811 membership fees ($304,696 total increase).

3 Tr 1521. The Staff noted that the company's 7% growth rate was inappropriate and recalculated the projected staking volumes based upon the actual growth rate of 2.28%, recommending a disallowance of $1.517 million. 6 Tr 4430-4431. Similarly, the Attorney General argued that the company's 7% annual growth rate was excessive and that utilizing a more reasonable 2% growth rate would result in a reduction of $866,000 from the company's forecast. 3 Tr 2574. Additionally, the Attorney General stated that moving to a dedicated contractor approach was unjustified and resulted in imprudent increase in this expense; therefore, the Attorney General requested an additional $5.872 million disallowance. 3 Tr 2574-2575. ABATE further disputed the company's projections arguing that the "rates should be set using a transparent, multi-year and substantiated approach for staking growth projections, rather than relying solely on projections based on temporary or speculative growth factors." ABATE's initial brief, pp. 65-66.

The ALJ reviewed the positions of the parties on the Staking and Locating expense at pages 596 through 608 of the PFD, which will not be extensively repeated here. As noted by the ALJ the Staff, the Attorney General, and ABATE all disputed the company's projections relating to the company's Staking and Locating program. The ALJ first noted that:

> [i]n Case No. U-21806, the Commission approved Consumers' request for a deferred accounting mechanism based on the argument that Michigan's broadband expansion efforts, including the ROBIN [Realizing Opportunities with Broadband Infrastructure Networks] and BEAD [Broadband Equity, Access, and Deployment

> Program] programs, may cause unanticipated fluctuation in staking volumes. The Commission adopted the ALJ's recommendation to allow the company to use a deferred accounting mechanism but agreed with Staff and found that the mechanism was only needed for fluctuations tied to ticket volume variability and is therefore subject to the conditions outlined by the Staff. Therefore, this PFD recommends the Commission approve the use of a deferred accounting mechanism, but only for fluctuations tied to ticket volume variability and subject to the conditions outlined above by Staff.

PFD, p. 608. In addition, the ALJ recommended adopting the Staff's proposed disallowance of $1.52 million, and authorizing the company to move to the dedicated contractor model.

Consumers takes exception, noting that it "requested approval to defer for refund or recovery of any O&M expenses in the Staking and Locating Program amounts below or above the amounts included in rates for the test year," which it contends was consistent with its request as approved by the Commission in its most recent natural gas rate case, Case No. U-21806. Consumers' exceptions, p. 107 (citing 3 Tr 1524). The company notes its disagreement with the ALJ's determination, arguing that there should not be "a cap on the recovery or refund amounts based on historical volume fluctuations when the purpose of the deferral mechanism is to address future uncertainty about staking volumes that is largely due to new rural broadband programs." Consumers' exceptions, p. 108. Nevertheless, Consumers indicates that if the Commission determines that a cap should be imposed, it contends that the symmetrical cap of 10% is most appropriate for increases and decreases to the staking volume. *Id*.

In addition, Consumers takes exception to the ALJ's recommendation to approve the Staff's proposed $1.52 million reduction in the Staking and Locating expense. The company contends that "[t]he Commission should reject Staff's recommended reduction, adopted by the PFD, because the expected Staking growth rate is higher than the historical growth rate due to expansion of rural broadband infrastructure." *Id*. (citing 3 Tr 1583). Consumers contends that the staking volume was substantially above what the Staff utilized to calculate the projected test year expense

and should, therefore, be approved as it more properly reflects the expansion of rural broadband infrastructure. *Id*.

The Attorney General filed exceptions, arguing that the ALJ did not specifically address her proposed disallowance relating to the company's use of the 7% growth rate factor. In addition, she notes that the ALJ rejected the Attorney General's $5.87 million disallowance pertaining to the company's decision to move to a dedicated contractor approach for staking and locating. Attorney General's exceptions, p. 86. The Attorney General then reviewed her record position in support of the proposed disallowance. *Id*., pp. 86-88. In sum, the Attorney General contends that the ALJ erred in rejecting her overall total disallowance of $6.18 million. Attorney General's exceptions, p. 89.

ABATE excepts, noting that the ALJ rejected its proposed disallowance while recommending adoption of "a more limited disallowance along with a deferred accounting mechanism for fluctuations tied to ticket volume variability." ABATE's exceptions, p. 18 (citing PFD, p. 608). ABATE contends that the company merely provided a high-level description of its approach, which is not sufficient to meet its burden to provide detailed explanations. ABATE's exceptions, p. 18 (citing May 8, 2020 order in Case No. U-20561). In sum, ABATE states that:

> [w]ithout supporting details the Company's blanket assertions that projections are simply based on increased spending, without supporting details explaining or demonstrating how these figures actually relate to the specific work being forecast, do not satisfy the Company's burden. Given its failure to adequately demonstrate its projections are reasonable or prudent, the Commission should not grant cost recovery for the same. As such the Commission should reduce the Company's projected O&M expense for these subprograms by $18.118 million.

ABATE's exceptions, p. 19.

Consumers, referencing its exceptions, reiterates its position that the Commission should reject the ALJ's recommendation to adopt the Staff's proposed reduction of $1.517 million.

Consumers' replies to exceptions, p. 84. In response to the Attorney General's exceptions, the company states that the Attorney General continues to object to the dedicated contractor model, which the Commission approved in Case No. U-21806. *Id*., p. 85. In that regard, Consumers reiterates its record testimony relating to the dedicated contractor approach before noting that "the dedicated contractor model is also the lower cost option." *Id*., pp. 85-86.

In response to ABATE's exceptions, the company contends that "ABATE's proposal in effect limits the test year expense to historical year spending plus inflation, which ignores the Company's extensive support for how expenses were projected and the specific work that the increased expense levels will support." *Id*., p. 87 (citing 3 Tr 1510-1529; Consumers' initial brief, pp. 312-317; Exhibit A-222). In conclusion, Consumers requests that the Commission approve its full request for funding "to allow for the completion of the necessary work that forms the basis of the test year projections." Consumers' replies to exceptions, p. 87.

Referencing its initial brief, ABATE replies that the company's projections are not supported on the record regardless of its actual 2025 staking volume. Specifically, ABATE states that "Consumers' projected O&M expense for these subprograms drastically exceeds the historical 5-year average and historical actuals for 2024 based only on a high-level description of Consumers' approach to developing its projections." ABATE's replies to exceptions, p. 14 (citing ABATE's initial brief, pp. 65-69). Thus, ABATE avers that Consumers' revenue should be based on historical growth rather than projections of growth relying on speculative factors. ABATE concludes that the Commission should reduce the projected expense to bring it more in line with the five-year average. *Id*.

The Commission has reviewed the record, including the filed exceptions and replies, and finds that the ALJ properly weighed the parties' positions on this issue. The Commission finds the

Staff's proposed disallowance of $1.52 million is well-supported and therefore is adopted. The Commission further adopts the deferred accounting for staking as described by the Staff. *See*, 6 Tr 4479-4480. As noted by the company, it "does not oppose the principle that the deferral mechanism should be limited to fluctuations based on staking volume, and agrees that [the Staff's] 'Equation 1' is a reasonable means of calculating this fluctuation in a future period." Consumers' initial brief, p. 312 (citing 3 Tr 1577). However, as noted in briefing and again in exceptions, the company disputes the proposed cap on recovery, or alternatively suggests the modification of a symmetrical 10% cap for both increases and decreases.

As quoted by the ALJ, in the September 30, 2025 order in Case No. U-21806 (September 30 order), the Commission approved deferred accounting and noted that:

> the anticipated 7% change in staking volume does not demonstrate the level of uncertainty or volatility outside the company's control that would normally warrant the use of a deferred accounting mechanism, the Commission finds persuasive the company's and the Staff's explanations that Michigan's broadband expansion efforts, including the ROBIN and BEAD programs, may cause unanticipated fluctuation in staking volumes. Accordingly, the Commission adopts the ALJ's recommendation to allow the company to use a deferred accounting mechanism. *See*, *id.*, p. 350. The Commission, however, agrees with the Staff and notes that the permitted mechanism is not open-ended. Rather, the Commission finds that the mechanism is only needed for fluctuations tied to ticket volume variability and is therefore subject to the conditions outlined by the Staff. *See*, 4 Tr 2702; *see also*, Exhibit S-17.3.

September 30 order, pp. 211-212. The Commission similarly finds that approval of a deferred accounting mechanism in this case should be limited, relating to the fluctuations tied to ticket volume, similar to the Commission approved methodology in Case No. U-21806.

(a) Alma Equipment Repair

The company projected a test year expense of $571,000 for the Alma Equipment Repair. 3 Tr 1533. The Staff proposed a disallowance of $201,000 based upon its linear monthly spend calculation. 6 Tr 4431-4432.

The ALJ recommended that "the Commission disallow $201,000 for Alma Equipment Repair O&M, as recommended by Staff." PFD, p. 613.

Consumers takes exception to the ALJ's recommendation on this issue. Specifically, the company contends that the spending in the first six months of 2025 is not reflective of what the company will spend in the test year. The company states that "the work in this sub-program has been relatively consistent in recent years, and the projected test year expense is only slightly higher than the five-year average of $530,000 to account for increased maintenance needed for additional mobile substations." Consumers' exceptions, p. 109 (citing 3 Tr 1533-1534, 1584).

The Commission finds that the ALJ's recommendation on this issue is well-reasoned and supported by the record. Therefore, the Commission adopts the Staff's proposed disallowance of $201,000. *See*, PFD, p. 613.

iii. Field Operations

(a) Training

Consumers projected a test year expense of $15.83 million in Training O&M. 3 Tr 1540. The company indicated that the increase in spending was "being driven by the Company's projected increased headcount in its field operations workforce, which in turn increases the training expenses that must be incurred." 3 Tr 1541. ABATE objected to the expense and proposed reducing the expense by $4.79 million, as shown on line 21 of Exhibit A-128, which it claims is more in line with the five-year average. 6 Tr 3686.

The ALJ reviewed the positions of the parties at pages 613 through 616, which will not be extensively repeated here. The ALJ noted its agreement with Consumers that an adjustment to the company's projection "based on 'Other Adjustments' would not be appropriate absent additional justification and recommends the Commission not disallow expenses on that basis alone." PFD, p. 616. Further, the ALJ states that "ABATE raises a legitimate concern regarding the significant

increase in projected spending for the bridge period and projected test year; however, there was insufficient evidence to discredit the Company's projected spend." *Id*.

In exceptions, ABATE argues that the company holds the burden to justify the reasonableness of its projections and that the ALJ improperly rejected its proposed disallowance. ABATE states that "while the PFD properly found that 'ABATE raises a legitimate concern regarding the significant increase in projected spending for the bridge period and projected test year,' its conclusion that 'there was insufficient evidence to discredit the Company's projected spend' does not reflect the record here." ABATE's exceptions, p. 19 (quoting PFD, p. 616). ABATE continues, reiterating its arguments provided in briefing and emphasizing that the company has not presented "specific and transparent data." ABATE's exceptions, p. 20. In conclusion, ABATE requests that the Commission "reduce the Company's projected test year O&M expense by $4.793 million, as shown on Exhibit A-128 (MPK-18), line 21, which adjustment would bring this projected test year spend closer in line with the five-year average." *Id*., pp. 20-21.

With respect to training, the company replies first reviewing its record testimony. Consumers' replies to exceptions, pp. 88-89. Noting ABATE's exceptions, Consumers claims that "[t]he Commission should reject ABATE's recommended reduction because the Company will need to increase training in the test year for the increased field operations workforce. And the Training expense is not just for new employees – continuing education and required annual training is also conducted for existing employees." *Id*., p. 89 (citing 3 Tr 1604-1605). Consumers contends that the Commission should approve its requested funding given the company's workforce is growing and the funding will allow Consumers to sufficiently train its employees.

The Commission agrees with the ALJ that there is insufficient support for ABATE's proposed disallowance. While removing the $4.793 million adjustment may bring the company's projection

closer to the five-year average, there is insufficient justification for such an adjustment. As noted by Consumers, training is for continuing education for existing employees, and also considering the plans to increase its workforce, the company has demonstrated the reasonable increase over the five-year average for training. *See*, 3 Tr 1604-1605. Therefore, the Commission adopts the ALJ's recommendation on this issue. *See*, PFD, p. 616.

(b) Tools

Consumers projected a test year expense of $1.982 million for the Tools O&M subprogram. 3 Tr 1541. The Staff recommended a disallowance of $1.06 million based upon its linear monthly spend calculation. 6 Tr 4432-4433.

The ALJ reviewed the positions of the parties at pages 616 through 618 of the PFD, which will not be extensively repeated here. The ALJ found that historically, the company has not spent less than $1.26 million on Tools O&M. Thus, the ALJ recommended that "the Commission disallow $726,000 ($1.982 [million]-$1.256 [million]) from the Tools O&M sub-program. However, this PFD notes with caution that the linear arguments of both Staff and the Company are generally insufficient to support a favorable recommendation." PFD, p. 618.

In exceptions, Consumers argues that, while it appreciates the reduction of the proposed disallowance as adopted by the ALJ, the Commission should approve the company's full test year projection. Consumers' exceptions, p. 110. Consumers notes that its projection is higher to support the increase in workforce and the full request should be approved to "support the Company's ability to safely and efficiently restore outages, complete reliability projects, and install new services." *Id*.

The Commission finds that the ALJ's recommendation on this issue is well-reasoned and supported by the record. Therefore, the Commission adopts the ALJ's recommendation on this issue, and adopts the disallowance of $726,000. *See*, PFD, p. 618.

(c) Underground Workforce

Consumers projected test year spending of $2.24 million related to the Underground Workforce Program. 3 Tr 1546. The Staff proposed a disallowance of $1.63 million based upon its linear monthly spend calculation. 6 Tr 4433-4434.

The ALJ thoroughly reviewed the positions of the parties at pages 618 through 631 of the PFD, which will not be extensively repeated here. After this review, the ALJ noted that Consumers "spent $713,000 in 2024, projected $1,113,000 for 2025, and requested $2,236,000 for the projected test period; however, Staff notes the year-to-date spend is a fraction of the amount projected." PFD, p. 631. The ALJ stated that Consumers again raises the argument that spending is not linear, and suggested that the company "do a better job of showing how and in which quarter the actual and projected spending did and will occur to support its projected expenses." *Id*. Thus, the ALJ recommended adoption of the Staff's proposed $1.633 million disallowance.

The ALJ further concluded that the company presented sufficient rebuttal to the Attorney General's recommendation on overhead to underground and recommended rejection of the $20 million proposed disallowance. *Id*., p. 632. Finally, the ALJ indicated that:

> [t]he Company agreed not to contest the Attorney General's recommendation to remove the funding for the EGLE-MIEJ Undergrounding projects. Therefore, this PFD recommends the Commission remove the associated funding and grant amounts from the bridge period and the test year.

Id.

In exceptions, Consumers argues that the Commission should reject the disallowance because the Staff's disallowance is based upon the spending first six months of 2025 when the company was not performing significant undergrounding. However, the company argues that it is planning to complete significant underground work and its full request should be funded. *See*, Consumers' exceptions, pp. 110-111.

The Commission finds that the ALJ's recommendation on this issue is well-reasoned and supported by the record. The Commission also notes its prior discussion in the Rate Base section, regarding Consumers' proposed expenditures relating to undergrounding. Therefore, the Commission adopts the ALJ's recommendation on this issue, including adoption of the Staff's proposed disallowance of $1.633 million. *See*, PFD, p. 632.

b. Electric Engineering & Support

i. Electric Distribution – Low Voltage Distribution

Consumers projected $11.77 million in expense in this category that covers "salaries and expenses for the Company's LVD Engineering organization, which includes the Company's LVD Planning, LVD Design, Joint Pole Rental, and Grid Automation teams." 3 Tr 1551. The Attorney General recommended that the Commission "set the expense at the 2024 level of $7,254,000 and reduce O&M expense for the projected test year by $4,519,000[.]" 3 Tr 2581.

The ALJ reviewed the positions of the parties on Electric Distribution – LVD at pages 632 through 635 of the PFD, which will not be extensively repeated here. In review, the ALJ acknowledged the significant increase in expense in this category. However, the ALJ reasoned that:

> [t]he company forecasted that the Electric Distribution – LVD O&M expense would increase from $7.3 million in 2024 to $11.0 million in 2025 and $11.8 million in the projected test year. The Company attributed the increased expense to the increased amount of LVD planning and LVD design work necessary to support the increased number of LVD projects being identified as part of the Reliability Roadmap. It is also attributable to increased Grid Automation work to support the programs and projects described in the testimony of Mr. McPhail.

PFD, p. 635. Given this, the ALJ recommended no disallowance for this expense but recommended that "the Commission direct the Company to show how this money was spent in its next rate case." *Id*.

The Attorney General takes exception to the ALJ's recommendation, arguing that none of the reasons cited by the ALJ support the company's dramatic increase justify the level of increase as proposed. The Attorney General indicates that the Reliability Roadmap is not evidence to support cost recovery and additionally that the company has not justified the new spending level with regard to grid automation. As such, the Attorney General requests that the Commission reject the ALJ's recommendation and adopt its proposed disallowance. In addition, the Attorney General notes the ALJ's:

> recommendation to reject the disallowance, but to recommend that the Company be directed to show how the money was spent is putting the proverbial cart before the horse and should be rejected. If there is any concern regarding how the funds are being spent, that indicates a lack of support for the expenditures from the Company. The Company has not demonstrated that this spending level is justified.

Attorney General's exceptions, p. 91.

Consumers replies that the Commission should reject the Attorney General's exceptions because, as the company previously explained:

> the increased funding is not related to ongoing work as [Attorney General witness] Mr. Coppola claimed. 3 TR 1594. Rather, the increased funding is necessary to support the increase in LVD planning and LVD design work that is needed because of the increased number of LVD projects consistent with the Reliability Roadmap at Exhibit A-129 (MPK-19), and to support the increased Grid Automation work as detailed by Company witness Scott A. McPhail. 3 TR 1553.

Consumers' replies to exceptions, p. 88. The company further claims that it "provided adequate justification for the increased expense, and the Commission should approve the Company's projection based on the actual projected increase in work needed in this subprogram." *Id*.

The Commission finds that the ALJ reviewed the evidence on the record and explained the rationale for the recommendation to approve the company's projected expense. However, the Commission finds merit in the Attorney General's concerns, including with regard to the ALJ's directive to "show how this money was spent in its next rate case." PFD, p. 635. As discussed by

the Attorney General in exceptions, an additional requirement to demonstrate how the money was spent demonstrates a lack of clarity on this record and further raises questions to the reasonableness and prudence of the proposed expense. The company's proposed expense vastly exceeds historical spending in this area. Further, as indicated by the Attorney General, the company's claim regarding increased spending due to projects identified in the Reliability Roadmap is not supported given that the tasks being performed have been ongoing for some time. *See*, 3 Tr 2580-2581. In that regard, the Commission finds that the proposed expense is not supported and the Attorney General's recommended disallowance of $4.52 million is reasonable and supported, and is, therefore, adopted.

2. Line Clearing Operations and Maintenance Expense

Consumers explained that its Line Clearing Program is divided into two parts: HVD Line Clearing and LVD Line Clearing. 3 Tr 2186. The company projected test year O&M expense for the Line Clearing Program totaling $186.68 million, which included $10.76 million for HVD Line Clearing and $164.86 million for LVD Line Clearing. 3 Tr 2220, Figure 14; *see also*, Exhibit A-170.

Consumers stated that it has continued to maintain a four-year clearing cycle for its HVD system and that it has worked toward an effective seven-year clearing cycle for its LVD system, but that it has only attained an effective clearing cycle of 10.2 years for the LVD system. 3 Tr 2195-2196; *see also*, Exhibits A-172 and A-173. In this case, Consumers proposed ramping up line clearing for the LVD system to obtain a five-year clearing cycle by the end of the 2030-2031 cycle period. 3 Tr 2198-2199. To comply with the March 1 order, Consumers stated that it completed a formal optimization analysis of line clearing cycles that showed that an optimal cycle length is between six and seven years when prioritizing residential customers. 3 Tr 2203;

see also, Exhibit A-176. However, the company explained that it was seeking to obtain a five-year clearing cycle to address recommendations from the Liberty Audit and concerns from the Staff in a manner that was operationally feasible. 3 Tr 2201-2202.

In addition to achieving a shorter clearing cycle for the LVD system, Consumers also proposed performing more aggressive line clearing on targeted portions of the LVD system. Specifically, Consumers proposed canopy removal on 10% or roughly 5,500 miles of overhead primary on the LVD system, targeting the three phase portions of circuits with the highest consequence of failure. 3 Tr 2206; *see also*, Consumers' initial brief, p. 327. The company acknowledged that this approach differed from what was presented in Case No. U-21585, where zones and phase counts distinguished more aggressive clearing options. However, it explained that targeting circuits with the highest consequence of failure was preferred and would include all first zones and some second zones and potentially extend beyond them based on zone characteristics.

To maintain the five-year clearing cycle on the LVD system after it is achieved in the 2030-2031 test period, Consumers projected an annual expense of $180.56 million, which it referred to as the baseline expense needed for the Line Clearing Program. For the test year, Consumers projected a baseline expense requirement of $164.45 million, which it calculated "utilizing the Company's current projection for the annual expense to maintain the five-year cycle after it is achieved in the 2030-2031 test period, adjusted to test period dollars." 3 Tr 2218; *see also*, 3 Tr 2219, Figure 13. In turn, the company proposed regulatory asset treatment for the projected test year expense for the Line Clearing Program that was above baseline expenditures, totaling $22.24 million, with this deferred amount receiving a ROR at the company's prevailing

weighted average cost of capital (WACC). 3 Tr 1071, 2231; *see also*, Consumers' initial brief, p. 332.

The Staff supported Consumers' request for $186.7 million in O&M expense for the Line Clearing Program, stating that it is crucial to allow the company to spend this full amount to increase the resiliency of Consumers' distribution system. 6 Tr 4388; *see also*, Staff's initial brief, p. 135. It further supported Consumers' request for regulatory asset treatment for funding above baseline expenses; however, the Staff contended that the appropriate ROR should be at the Staff's short-term debt rate of 4.92%. 6 Tr 4389; *see also*, Staff's initial brief, pp. 135-136, 139. According to the Staff, this ROR was warranted due to Consumers' failure to adequately invest in line clearing historically, as well as the company's continued operation on longer cycle lengths than other peer utilities. 6 Tr 4389-4390.

Additionally, the Staff noted that Consumers canopy removal in the first zone was based on an individual tree basis. The Staff contended, however, that Consumers should instead be required to clear all canopy in the first zone, arguing that such removal would result in a decrease in tree caused outages. 6 Tr 4391-4392; *see also*, Staff's initial brief, pp. 139-140. Further, the Staff stated that it supported Consumers' proposal for overhang removal in everything past the first zone, namely, the company's proposal to remove 10% or roughly 5,500 miles of three phase overhead primary tree overhang in everything outside the first zone. 6 Tr 4392.

The Staff further proposed that the Commission require Consumers to spend the entire amount of line clearing expenses approved in each rate case and complete all miles that it proposes to clear each year. 6 Tr 4393-4394; *see also*, Staff's initial brief, p. 142. Based on its review of past rate cases, the Staff asserted that the company underspent in line clearing and cleared fewer miles than anticipated. The Staff, in turn, argued that "[i]t is extremely important that the Company explain

where underspend amounts in certain programs are being reallocated to when asked. If the Company cannot provide Staff with detailed information regarding where unspent funds are being reallocated to then Staff may recommend disallowances in future rate cases." 6 Tr 4394. Finally, the Staff advocated for the Commission to require Consumers to conduct a new analysis of the costs and benefits of moving to a four-year clearing cycle, alleging that Consumers failed to perform such an analysis as directed in Case No. U-21585. 6 Tr 4395-4396; *see also*, Staff's initial brief, pp. 144-145.

ABATE expressed concern with Consumers' projected test year expense for the HVD Line Clearing Program. According to ABATE, the company consistently underspent its planned HVD Line Clearing O&M expense by approximately 10% from 2020 through 2024. Moreover, ABATE noted that on an annual basis through 2030, Consumers expected to continue clearing similar number of miles per year using the same number of crews as used in the past. 6 Tr 3687. As a result, ABATE proposed a disallowance of 10%, or $1.18 million, of test year expense for the HVD Line Clearing Program. 6 Tr 3688; *see also*, ABATE's initial brief, p. 72.

The Attorney General agreed in principle with Consumers' proposed deferral of a portion of its test year expense for the Line Clearing Program for regulatory asset treatment but argued that the company's proposed baseline upon which the deferred amount was based was too high. 3 Tr 2581. She noted that, although Consumers planned to begin its ramp up to a five-year cycle following this rate case, the company had already begun accelerating spending and the number of circuit miles cleared in 2025, as compared to 2024. As a result, the Attorney General asserted that the company's 2024 O&M expense for the program ($110.23 million) was a better baseline and she advocated for the Commission to approve the remaining $76.60 million for regulatory asset treatment. 3 Tr 2582; *see also*, Attorney General's initial brief, p. 178.

MNSC supported Consumers' proposed plans and test year expense for the Line Clearing Program, as well as the company's proposal to defer a portion of the expense as a regulatory asset. However, like the Attorney General, MNSC contended that the company's proposed baseline amount was inappropriate because it was too high. MNSC argued that the company's baseline was speculative because it was based on hypothetical future costs and that the Commission should instead establish an appropriate baseline by comparing inflation-adjusted historical costs to the proposed test year expense. According to MNSC, doing so resulted in a baseline amount of $113.98 million, with $72.7 million proposed for regulatory asset treatment. 6 Tr 3991, 4053; *see also*, MNSC's initial brief, p. 53.

In rebuttal, Consumers objected to the Staff's proposal for removal of 100% of canopy in the first zone due to funding constraints and insisted that the company would need to perform an updated CBA before considering full removal in the future. 3 Tr 2240-2241. Consumers also contended that it complied with Commission directives and argued that shifting to a four-year cycle would increase costs by 15% for only a 3% increase in benefits; the company, however, stated that it would be amenable to performing an analysis of the merits of moving to a four-year cycle after it had reached a five-year cycle. 3 Tr 2241-2242. The company also maintained its baseline and ROR for the regulatory asset treatment were reasonable. 3 Tr 2243-2244. Finally, Consumers disagreed with ABATE's proposed disallowance for the HVD Line Clearing Program, arguing that the company's projected spending levels were not overstated because the company anticipated clearing more miles of circuit at higher contractor base costs than it had done in the past. The company further explained that, in the event it did not spend the full expense on the HVD system, it would reallocate funds to the LVD system work. 3 Tr 2236-2237.

The ALJ recommended approving Consumers' projected test year O&M expense of $186.68 million, noting that the spending level was supported by the Staff, the Attorney General, and MNSC, as well as the undisputed aspects of the company's Line Clearing Program, which included the proposed Tree-Caused Outage Review Program. PFD, p. 660. He further recommended approving Consumers' request to defer $22.24 million of LVD Line Clearing expense as a regulatory asset using the short-term debt rate based on the company's proposed baseline of $164.45 million. *Id*.

The ALJ rejected ABATE's proposed disallowance to HVD Line Clearing expense on the basis that Consumers stated it anticipated that it would spend the full amount and allocate any unspent funding to the LVD Line Clearing Program but agreed with the Staff that the company should explain how any unspent line clearing amounts were reallocated. *Id*. He further recommended approving the Consumers' proposal to clear 10% or 5,500 miles of three phase overhead tree overhang on the LVD system but declined to adopt the Staff's proposal for the company to remove 100% of tree canopy in the first zone; however, the ALJ agreed with the Staff and recommended that the Commission require Consumers "to collect available data on the costs and benefits of 100% first zone canopy removal from its benchmarking partner utilities and estimate the costs and benefits of such a plan and present its findings in its next rate case." *Id*., p. 661.

Additionally, the ALJ found that Consumers complied with the Commission's directive in Case No. U-21585 and determined that a four-year cycle would raise costs by 15% while only increasing reliability by 3%. Accordingly, the ALJ rejected the Staff's proposal to require a new analysis in the company's next rate case but recommended that after implementing a five-year

clearing cycle, the company study and report on the costs, contractor impacts, and potential savings of moving to a four-year cycle. *Id*., p. 661-662.

Lastly, the ALJ agreed with the Staff's concern that contractor costs could delay the line clearing ramp-up timeline; the ALJ, therefore, recommended that the Commission direct Consumers to mitigate its contractor costs by negotiating lower costs or by having company crews perform more line clearing work. *Id*.

The Staff excepts to the ALJ's rejection of its proposal to require Consumers to clear 100% of tree canopy in the first zone "because Staff believes that removing 100% of canopy in the first zone will help significantly decrease tree-caused outages for Consumers Energy's system," and suggests that the company could survey other utilities that remove 100% in the first zone, like DTE Electric Company, to obtain information regarding the costs and benefits of such clearing. Staff's exceptions, p. 20. The Staff further excepts to the ALJ's denial of its proposal to require Consumers to conduct a new analysis of a four-year cycle in its next rate case. According to the Staff, it would be beneficial for the company to complete such an analysis and waiting until after Consumers reaches a five-year cycle will delay the potential benefit, such as increased reliability, associated with moving to a four-year cycle. *Id*., pp. 20-21. Additionally, the Staff objects to the ALJ's contention that contractor costs could delay Consumers' ramp-up and clarifies that it did not express concern with the contractor costs, but rather the lack of the number of contracts in place to secure sufficient contractors to timely complete the proposed work. *Id*., p. 21. Finally, the Staff excepts to the ALJ's recommendation that the Commission use the short-term debt rate that it considers most reasonable for the deferral of the company's ramp up costs and instead maintains its call to use a short-term debt rate of 4.92%. *Id*., p. 22.

The Attorney General maintains her position that the baseline for the deferral of ramp up costs as a regulatory asset is too high and should instead be $110.23 million. She repeats her assertion that the company has already accelerated spending on tree trimming and increased the number of miles cleared in 2025. As such, the Attorney General again contends that historical 2024 expense provides a more reasonable baseline and would further mitigate the impact of surge spending for customers. Attorney General's exceptions, pp. 91, 107-109.

ABATE excepts to the ALJ's rejection of its proposal to disallow $1.18 million of HVD Line Clearing expense, arguing that the ALJ's allowance of this expense "conflicts with Consumers' failure to substantiate its cost projections and would unreasonably prioritize utility revenues over reasonable customer rates." ABATE's exceptions, p. 21. Specifically, ABATE contends that

> Consumers' projected O&M for this subprogram represents an increase of about 12% relative to the historical average despite the Company consistently underspending its planned HVD Line Clearing O&M amounts from 2020 through 2024 by about 10%. The Company's testimony does not provide any basis for assuming this trend won't continue, as it demonstrates that on an annual basis through 2030 Consumers expects to continue clearing a similar number of miles of HVD lines each year, using the same number of crews that have been used for several years. In other words, nothing about the Company's past expenses or efforts, or its projected efforts, demonstrates a revenue increase is justified or reasonable for this program.

Id. (internal citations omitted). Accordingly, ABATE urges for the Commission to reduce the company's HVD Line Clearing expense to historical levels. *Id*., p. 22.

In its exceptions, Consumers states that it is not opposed to a requirement to spend all its approved Line Clearing Program expense during the projected test year but asserts that the company should be permitted to maintain operational flexibility to accelerate or postpone its plans to clear some line miles. Consumers' exceptions, p. 113. The company further states that it generally supports the ALJ's recommendation to require it to collect data on the costs and benefits of removing 100% of tree canopy in the first zone but insists that its ability to benchmark its peer

utilities is dependent on data that is not in the company's possession. Additionally, Consumers argues that it will need time to collect sufficient data, which it expects will take two years and will be obtained in time for the filing of its 2028 Annual Line Clearing Report. *Id*., pp. 113-114. Finally, Consumers pushes back on the ALJ's recommendation to require it to mitigate contractor costs, arguing that it is already "mitigating contractor costs by relying on less expensive in-state crews whenever possible, managing the work efficiency of the crews, among other tactics." *Id*., p. 114. As such, Consumers argues the Commission should reject or modify this recommendation.

In its replies to exceptions, Consumers maintains its objection to the Staff's proposal to remove 100% of tree canopy in the first zone and argues that there is no record evidence to calculate the costs and benefits of such clearing; however, the company states that it would be willing to analyze the projected costs and benefits of such removal in a future rate case. Consumers' replies to exceptions, pp. 90-91. Consumers further asserts that the ALJ correctly found that it had already completed an analysis of switching to a four-year clearing cycle and reiterates that it must first achieve a five-year clearing cycle before it can focus its efforts on a shorter cycle. *Id*., pp. 91-92. As a result, the company advocates for the Commission to reject the Staff's proposal to require further analysis and to instead permit the company to revisit the issue at a later time. *Id*., p. 92.

The Commission agrees with the ALJ and finds that Consumers' projected O&M test year expense of $186.68 million for its Line Clearing Program is reasonable and prudent and will increase the reliability and resilience of the company's electric distribution system. The Commission further agrees with the ALJ and approves the company's proposal to clear 10% or 5,500 miles of three phase overhead primary tree overhang outside of the first zone, as well as the uncontested aspects of Consumers' Line Clearing Program, which include the proposed Tree-

Caused Outage Review Program. *See*, PFD, pp. 661. With respect to Consumers' proposal to defer ramp up expense for regulatory asset treatment, the Commission adopts the ALJ's recommendation to approve the deferral of $22.24 million of expense based on the company's proposed baseline and using the short-term debt rate for the reasons discussed *infra* in this order. *See*, *id*.

Concerning the Staff's proposal to require 100% canopy removal in the first zone, the Commission finds persuasive Consumers' contention that the funding level needed to execute both the company's scope of removal and the Staff's proposed scope of removal is not reflected in the revenue requirement in this case. *See*, 3 Tr 2240-2241. The Commission, however, finds that it would be prudent for Consumers to collect and analyze available data on the costs and benefits of clearing 100% of tree canopy in the first zone and that this analysis should be presented prior to the company's 2028 Annual Line Clearing Report. Improving the reliability of the distribution grid remains a primary area of focus for the Commission, and waiting two additional years to compile this data does not reflect the appropriate level of urgency in this regard. Accordingly, the Commission directs the company, in its next rate case, to present an analysis on the costs and benefits of removing 100% of tree canopy in the first zone.

With respect to the Staff's proposal to require Consumers to conduct a new analysis of the costs and benefits of transitioning its LVD system to a four-year cycle, the Commission respectfully declines to adopt the ALJ's recommendation that such an analysis be undertaken only after the company has achieved a five-year cycle. The Commission agrees with Staff that there is value in more closely evaluating the costs and benefits of a four-year cycle while the company continues its efforts to reach a five-year cycle, so as to avoid delaying the realization of any potential benefits associated with a shorter cycle. Accordingly, the Commission directs

Consumers, in its next rate case, to study the costs and benefits of moving its LVD system to a four-year cycle, which shall include: (1) an O&M exhibit detailing the costs of implementing a four-year cycle; (2) an assessment of contractor costs associated with transitioning toward a four-year effective cycle; (3) detailed information regarding the availability of securing line-clearing contractor contracts under a four-year cycle; (4) an analysis of any cost savings associated with moving to a four-year effective line-clearing cycle, and (5) the expected reliability improvements gained by moving to a four-year effective line-clearing cycle. The Commission further agrees with the ALJ that the company must mitigate contractor costs where possible. *See*, PFD, p. 662.

Finally, the Commission finds Consumers' commitment to reallocate any unspent HVD system funding to the LVD system compelling and therefore declines to adopt ABATE's proposed disallowance for the HVD Line Clearing Program.

3. Service Restoration

a. Service Restoration Expense

Consumers projected Service Restoration O&M expense of $214.34 million and $165.22 million for the bridge period and the test year, respectively. 3 Tr 2139; *see also*, Exhibit A-124, line 24. The company noted that the Liberty Audit recommended that it end its reliance on using a five-year historical average to project future costs and to instead base projected expense on 2024 historical costs adjusted for inflation. 3 Tr 2139. Accordingly, Consumers explained that it calculated projected Service Restoration O&M expense by inflating 2024 historical expense for the years 2025, 2026, and 2027. 3 Tr 2140. The company contended that prior year spending was the most accurate benchmark of trending weather and system capabilities and therefore was a reasonable basis to project future expenses. 3 Tr 2141-2142. Moreover, Consumers stated that Service Restoration has been underfunded in each of the previous five

years, for a total funding gap of $351 million, and that using a five-year average methodology would have yielded projected test year expense of only $148 million, which Consumers averred would be insufficient to deliver improved service restoration to customers. 3 Tr 2141.

The Staff supported Consumers' projected Service Restoration O&M expense for the test year. 6 Tr 4398; *see also*, Staff's initial brief, p. 195.

The Attorney General, however, objected to Consumers' new approach for calculating projected Service Restoration O&M expense. According to the Attorney General, the long-standing five-year average methodology used to project expenses "normalized and evened out peaks and valleys in the annual expense to avoid large fluctuations in the projected test year expense instead of relying solely on the expense incurred in the most recent year." 3 Tr 2572. Because the company's new approach is based only on 2024 historical expense, she argued that the methodology was flawed and should therefore be rejected. Using the five-year average Service Restoration expense from 2020 to 2024, adjusted for inflation, the Attorney General calculated a test year expense of $144.57 million, which was less than the company's projected expense. 3 Tr 2572; *see also*, Exhibit AG-55. As such, she proposed that the Commission disallow $20.64 million from the proposed test year O&M expense. 3 Tr 2572; *see also*, Attorney General's initial brief, p. 180.

In rebuttal, Consumers reiterated that it used a new methodology to calculate projected expense because the historical process was insufficient and resulted in funding gaps. Consumers again noted that the Liberty Audit recommended that the company abandon the five-year average methodology and argued that using 2024 historical expense provides the most accurate benchmark for forecasted costs. 3 Tr 2169-2170.

The ALJ was not persuaded by the Attorney General's argument and found that the historical five-year average methodology chronically underfunded Service Restoration. He noted that the Liberty Audit specifically recommended moving away from that methodology and that the Staff supported Consumers' projected test year expense. The ALJ, therefore, recommended that the Commission reject the Attorney General's proposed disallowance. PFD, p. 674.

The Attorney General excepts to the ALJ's recommendation and again argues that Consumers' methodology for calculating forecasted expense is flawed. She explains that the company substituted a single year of actual expense in lieu of the longstanding practice of using a five-year average of historical expenses, which she argues is inappropriate given the volatility of Service Restoration expense from year to year. Attorney General's exceptions, pp. 93-94. According to the Attorney General, the five-year average methodology provides "a smoother forecast that avoids the peaks and valleys from using a single year as the base to forecast future Storm Restoration expense," and she therefore recommends that the Commission adopt her proposed disallowance. *Id*., p. 94.

In its replies to exceptions, Consumers again states that it is basing its projected restoration budget on historical 2024 expenses as recommended by the Liberty Audit, which the company again contends is the most accurate benchmark. Consumers' replies to exceptions, p. 93. The company reiterates that the five-year average has been a poor predictor of storm restoration costs and has resulted in a $351 million gap in funding over the past five years. As such, Consumers urges the Commission to reject the Attorney General's proposed disallowance. *Id*., p. 95.

The Commission agrees with the ALJ's recommendation and declines to adopt the Attorney General's proposed disallowance. *See*, PFD, p. 674. The Commission finds compelling Consumers' argument that the historical method of calculating Service Restoration expense left the

program chronically underfunded. *See*, 3 Tr 2141, 2169. The Commission further finds that the company's methodology used in this case is more aligned with the findings and recommendations from the Liberty Audit than the Attorney General's proposed methodology. *See*, 3 Tr 2140.

b. Service Restoration Resiliency Fund and Extraordinary Storm Accounting

Consumers proposed adoption of a Service Restoration Resiliency Fund (SRRF), which would permit the company to record a regulatory liability when actual projected test year O&M expense for Service Restoration is lower than authorized levels. Consumers explained that the SRRF would be capped at $31.7 million and would serve as a reserve to support Service Restoration expenses needed to respond to future catastrophic events. 3 Tr 2143; 5 Tr 3366. In the event it underspent Service Restoration O&M expense that exceeded this cap, Consumers stated that it would propose a refund for customers in its next electric rate case. 5 Tr 3367. Consumers argued that the SRRF was beneficial to customers because it would come with no cost and would serve as a rainy-day savings plan, ensuring that all savings from prior years would be available for unexpected restoration expenses in future years. 3 Tr 2146-2147.

The company also requested Extraordinary Storm Accounting (ESA), which would allow for deferred accounting treatment for Service Restoration expense for severe storms once actual costs exceeded amounts included in rates and the SRRF had been depleted. Under Consumers' proposal, storms that caused at least 300,000 customer outages or that resulted in a State of Emergency would qualify for this accounting treatment. 3 Tr 2148; 5 Tr 3367. Consumers claimed that ESA was necessary due to the unpredictable nature of such storms and because requiring the company to withstand "the full brunt of their impact in a single year without allowing for deferred storm accounting, which recognizes the heavy costs the Company incurs to safely and

quickly restore power after extraordinary storms like these, is not only unreasonable but also counterproductive to ensuring a reliable and resilient grid." 3 Tr 2149.

The Staff opposed the SRRF and argued that the Commission should not approve Consumers' proposal because: (1) the Staff is supporting the full projected Service Restoration O&M expense for the test year; (2) the Commission has rejected similar proposals in past cases; (3) customers will not see benefits from the proposal due to the increase in storm restoration expenses over the past five years; (4) the company should instead reallocate expenses to other programs to improve reliability; and (5) Consumers can request deferred accounting for any catastrophic storm, as it did recently in Case No. U-21914. 6 Tr 4399; *see also*, Staff's initial brief, p. 198. The Staff also opposed Consumers' proposed ESA, arguing that the company can already request accounting authority to defer extraordinary storm O&M expense as a regulatory asset and receive approval from the Commission in a timely manner. 6 Tr 4516-4517. Moreover, the Staff contended that Consumers did not specify a dollar amount for its request for the deferred accounting and that approval of an open-ended request would not reflect best practice. 6 Tr 4517; *see also*, Staff's initial brief, p. 184.

The Attorney General contended that both the SRRF and ESA were complex proposals that required more research and study before the Commission could approve them. She further argued that both proposals are designed to reduce the financial risk for Consumers, which has considerable implications on the ROE rate. Accordingly, the Attorney General urged the Commission to reject the company's proposals as premature. 3 Tr 2572-2573; *see also*, Attorney General's initial brief, pp. 180-181.

MNSC also opposed the company's proposals and stated that the Commission had addressed and rejected similar proposals in previous rate cases. 6 Tr 4067. It argued that Consumers' poor

restoration performance in previous years did not justify the proposals, asserting that "[n]othing indicates that these mechanisms will improve the Company's efficiency in service restoration operations and overall cost control." 6 Tr 4070. MNSC also expressed its concern over the lack of any prudence or oversight associated with the proposed SRRF. As a result, MNSC advocated for the Commission to reject both the SRRF and ESA. 6 Tr 4071; *see also*, MNSC's initial brief, pp. 56-57.

In rebuttal, Consumers disagreed with the intervenors' contentions that the SRRF would not benefit customers, arguing that there is no additional cost to customers to implement the fund. The company further argued that the SRRF helped alleviate concerns from the Attorney General regarding the volatility of service restoration costs in years when actual costs were lower than projected expense. 3 Tr 2171. For ESA, Consumers stated that it considered a cost threshold when developing the proposal but found it to be impractical. It further asserted that the recovery of deferred amounts would be subject to a prudency review in future rate cases. 3 Tr 2172-2173. Finally, Consumers disagreed with the notion that ESA would increase customers' exposure to restoration costs for extreme weather, contending that "[w]hether the Company is granted deferred accounting for extraordinary storm restoration costs through ESA or whether it obtains deferred accounting through an *ex parte* proceeding, both approaches allow the Company to recover its reasonable restoration costs for extraordinary storms after a prudency review." 3 Tr 2174.

The ALJ agreed with the Staff, the Attorney General, and MNSC and recommended that the Commission decline to adopt Consumers' proposals for the SRRF and ESA. The ALJ found that adoption of these measures was unnecessary given the availability of *ex parte* requests and further that the measures would shift the risks associated with restoration costs to ratepayers, reducing accountability for cost control and providing no benefit to customers. The ALJ further

recommended that the Commission decline to adopt the Attorney General's recommendation to open a separate docket to study Consumers' proposal for the SRRF. PFD, pp. 691-692.

Consumers excepts to the ALJ's recommendations and argues that because the SRRF will either supplement existing service restoration funding or be refunded to customers, there is only customer benefit and upside to the proposal. Consumers' exceptions, p. 117. With respect to ESA, Consumers contends that the ALJ failed to acknowledge that the *ex parte* option is an inferior option compared to ESA due to the reality that it has fewer guardrails and could be filed at any time. The company further denies that ESA reduces its accountability for cost control, stating that:

> [n]either the opposing parties nor the ALJ were able to link the Company's accounting proposal to reduced accountability. They instead sought to compare the Company's proposal to past proposed service restoration mechanisms that were rejected for, among other things, undermining incentives to control costs. PFD, pages 684- 685. But unlike past proposals, [ESA] would require a prudency review in a future case. 3 TR 2147. Commission review is a clear incentive to control costs.

Id., p. 122. In turn, Consumers urges the Commission to approve the SRRF and ESA.

In her exceptions, the Attorney General explains that she is not excepting to the ALJ's recommendations; however, in the event the Commission is considering adopting either of Consumers' proposals, she advocates for the Commission to first open "a docket so that more research and study can be done to assess how they will work in practice and the implications for cost recovery for these complex proposals." Attorney General's exceptions, p. 95.

In replies to exceptions, MNSC relies on the arguments it made in its initial brief and argues that the ALJ's recommendation to decline adoption of the SRRF and ESA were well supported and should thus be adopted. MNSC's replies to exceptions, p. 22.

The Attorney General replies and asserts that both the SRRF and ESA are unnecessary. She again contends that both proposals are complex and need to be studied prior to implementation, including potential reductions to a ROE rate. Attorney General's replies to exceptions, p. 85. She further states that none of the company's examples on how other jurisdictions use such mechanisms are compelling and that

> [n]o evidence has been presented of how well or poorly those mechanisms have worked for customers and the companies [Consumers] referenced. The examples are primarily utilities that are smaller than the Company and that have less financial flexibility to handle peaks and valleys in annual restoration costs. So, the Company has not demonstrated that these mechanisms should be adopted.

Id. Accordingly, she urges the Commission to reject the proposals in this case and instead open a new docket to "seek and review various proposals that could be applied not only to the Company but to other electric utilities in Michigan, since they all face the issue of volatility in service restoration costs." *Id*., p. 86.

Consumers replies and disagrees with the Attorney General's proposal to study the mechanisms in a new docket. It argues that the SRRF and ESA deserve to be reviewed and debated in this rate case. Consumers' replies to exceptions, p. 95.

The Commission finds the ALJ's findings and recommendations on this issue to be well-reasoned and supported by the record. The Commission agrees with the ALJ and is also unpersuaded by Consumers' arguments that the SRRF and ESA are necessary, especially in light of the reality that there are existing processes in place that enable the company to handle unexpected service restoration expenses. The Commission agrees with MNSC that these mechanisms do nothing to improve the company's efficiency in service restoration operations and overall cost control. Further, the Commission is not persuaded that these proposals warrant further

consideration in a separate docket at this time. Accordingly, the Commission adopts the PFD on this issue. *See*, PFD, pp. 691-692.

4. Generation Operations and Maintenance Expense

Consumers projected Generation O&M expense of $150.45 million for the bridge period and $103.73 million for the test year. 6 Tr 3553-3554; *see also*, Exhibit A-43, p. 1. To develop the projected test year expense, Consumers stated that it relied on historical maintenance requirements to estimate the future maintenance needs of each generating site or specific unit necessary to maintain and/or improve the condition of each plant. 6 Tr 3554. The company calculated its projected test year expense by applying either an inflation factor or contract rate to historical expenses, along with adjustments reflecting the forecasted future maintenance needs for each unit. 6 Tr 3556-3557; *see also*, Exhibit A-43, p. 2. Consumers then broke the projected test year expense into four categories, including Base O&M, which was comprised of more predictable labor and item costs required to operate the company's plants. 6 Tr 3554-3555.

The company noted that the projected test year O&M expense of $103.73 million was less than the 2024 historical Generation O&M expense of $128.44 million, which Consumers attributed to its changing mix of generation assets, including the movement of renewable energy resources to the company's renewable energy plans. 6 Tr 3555. Consumers stated that it took the company's actual expenses from its internal accounting records to develop the 2024 historical Generation O&M expense. 6 Tr 3555.

In response to the Staff's discovery requests, Consumers provided detail of its Base O&M expense for the projected test year, which included the addition of $2.85 million in expense for Emergent Reliability Funding. 6 Tr 4470; *see also*, Exhibit S-8.5, pp. 4, 6. Consumers explained that Emergent Reliability Funding represented "an allocation of O&M funding designated for

electric generation sites to address unforeseen reliability issues that arise during the test year," and that there were no historical costs for this expense category in 2024 because, when spent, those funds were allocated to specific generation plants and units. 6 Tr 4470 (quoting Exhibit S-8.6, p. 1). Consumers stated that it utilized $8.35 million of Emergent Reliability Funding in 2024 and clarified that this amount was included in the 2024 historical expense presented in this case. 6 Tr 4470; *see also*, Exhibit S-8.7.

Based on the company's representations, the Staff proposed disallowing $2.85 million in test year O&M expense associated with Emergent Reliability Funding. 6 Tr 4471; *see also*, Staff's initial brief, p. 116. The Staff asserted that the historical 2024 Emergent Reliability Funding expense was already included in the historical 2024 Generation O&M expense, which had been escalated to calculate the projected Generation O&M expense for the test year. Therefore, the Staff argued that Consumers' request for recovery of Emergent Reliability Funding expense as part of the Base O&M expense in this proceeding constituted an incremental increase beyond the amount already incorporated in the projected test year Generation O&M expense. Further, the Staff contended that the historical 2024 Emergent Reliability Funding expense of $8.35 million was the highest Emergent Reliability Funding expense for the previous three years and that there was no assurance that Consumers would spend the additional $2.85 million in Emergent Reliability Funding expense in the test year. 6 Tr 4471; *see also*, Staff's initial brief, pp. 116-117.

In rebuttal, Consumers opposed the Staff's proposed disallowance of Emergent Reliability Funding, stating that while emergent reliability costs were included in plants' 2024 historical expenses, those amounts were not built into the projected test year O&M expense. Instead, Consumers stated that test year O&M expense was based on specific maintenance needs, not escalated historical spending. 6 Tr 3614-3615. The company further noted that emergent

reliability expenses have generally increased in recent years and used the Jackson plant to show that the projected test year O&M expense is lower than the plant's 2024 historical expense, thereby demonstrating that it did not simply inflate prior-year expense. 6 Tr 3615-3616.

The ALJ found that while the Staff's concern about the possible double counting of Emergent Reliability Funding expense was reasonable, the Staff's reasoning was flawed. The ALJ stated that higher projected Generation O&M expense compared to historical amounts for a subset of plants does not, by itself, prove that Emergent Reliability Funding expense was double counted. PFD, p. 701. Because the ALJ found Consumers' projected Emergent Reliability Funding expense to be reasonable and not double counted, the ALJ rejected the Staff's proposed disallowance of $2.85 million. PFD, p. 701. However, the ALJ recommended that the Commission require the company to provide a detailed explanation of how the funding allocated to Emergent Reliability Funding was spent in each historical year. *Id*., pp. 701-702.

In exceptions, the Staff maintains its position that Consumers' projected Emergent Reliability Funding expense is unreasonable and is double counted in the test year. It again notes Consumers' statements regarding the allocation and inclusion of historical expense for this category in the historical 2024 generation O&M expense that formed the basis of the company's projected test year expense. Staff's exceptions, pp. 17-18. According to the Staff,

> the emergent reliability expense of each plant is already part of the total maintenance and operation expense for each plant; therefore, the historical "emergent reliability expense" is actually considered, although no longer labeled as such, when the Company projects the future maintenance and operation expense for each plant. (Staff Initial Brief, pp 118-119.) Thus, since the projected test year is developed based on the historic[al] maintenance and operational needs for each plant, and the historical emergent reliability expense for each plant was confirmed by the Company to be included in the 2024 historical O&M expense for the plants, it follows that these O&M costs are also included in the projection of the O&M expense for each plant in the test year, and do not require an additional incremental amount to be included under the generically labeled category of emergent reliability. (*Id*.)

Id., pp. 18-19. The Staff further avers that Consumers has provided no assurance that the incremental expense for emergent reliability funding beyond historically inflated amounts is needed or will be spent in the test year. *Id*., p. 18. Accordingly, the Staff advocates for the Commission to reduce the company's generation O&M expense by $2.849 million. *Id*., p. 19.

In its replies to exceptions, Consumers continues to object to the Staff's contention that Emergent Reliability Funding is double-counted and states that the:

> Staff's concern would make sense if the Company forecasted its test year Emergent Reliability expense by starting from the historical amount and then inflating that amount or adding to that amount in some other way. But, the Company does not use the historical amount as the basis for its test year forecast. The forecast cannot double-count historical amounts of Emergent Reliability expense if the forecast does not even include historical amounts at all. Staff's argument is illogical because Staff steadfastly refuses to accept this fact despite that it has no evidence to the contrary. The PFD correctly understood the Company's forecasting methodology and, therefore, agreed with the Company's reasoning. PFD, pages 701-702.

Consumers' replies to exceptions, p. 96 (emphasis in original). Consumers maintains that its projected test year O&M expenses are developed based on the maintenance needs of each site or on specific units and is not a simple escalation of historical expense. *Id*. The company avers that its projected test year expense is illustrative of this point, noting that the projected expense is a $24.71 million decrease from the historical year. Accordingly, Consumers argues that the ALJ correctly and reasonably recommended that the Commission should approve the company's Emergent Reliability Funding expense for the test year. *Id*., pp. 97-98.

The Commission finds persuasive Consumers' explanation that, although actual emergent reliability expense was included in historical expense for each of its plants, it is not accurate that the historical amount of Emergent Reliability Funding expense was included in its forecasted O&M expense for any of its plants in the projected test year. *See*, 6 Tr 3614. The Commission

finds that Consumers based its projected Generation O&M expense on the maintenance needs of each site or unit and that the company did not simply escalate historical expenses based on inflation or other factors. *See*, 6 Tr 3554. Accordingly, the Commission declines to adopt the Staff's proposed disallowance associated with Emergent Reliability Funding. The Commission, however, agrees with the ALJ and adopts his recommendation to require Consumers, in future rate cases, to provide a detailed explanation of how expenses associated with Emergent Reliability Funding is spent in each historical year. *See*, PFD, pp. 701-702.

5. Customer Experience Operations and Maintenance Expense

Consumers projected test year O&M expense of $34.96 million for its CX&O organization, which included $23.45 million of expense for customer interactions and $11.51 million for billing and payment. 3 Tr 967.6; *see also*, Exhibit A-53, p. 4; Consumers' initial brief, p. 354. The company also projected test year O&M expense totaling $0.53 million to support CX&O organization infrastructure. 3 Tr 967.6.

The ALJ found that Consumers' projected expense for these benefits was uncontested and therefore recommended that the Commission approve the costs. PFD, p. 722.

No party filed exceptions on this issue.

The Commission finds that no party contested the company's projected O&M expense for its CX&O organization and that these costs are reasonable and prudent. Accordingly, the Commission adopts the PFD and approves Consumers' projected O&M expense for this category. *See*, PFD, p. 702.

6. Corporate Services Operations and Maintenance Expense

Consumers projected adjusted electric test year O&M expense of $36.97 million for Corporate Services. 5 Tr 3354; *see also*, Exhibit A-90, Exhibit A-91. The company stated that Corporate

Services includes several different areas, including the Sustainability & External Affairs and Administration and Other areas. 5 Tr 3354-3356. According to Consumers, the Sustainability & External Affairs area, among other things, is responsible for managing the company's trade association dues and memberships. 5 Tr 3354-3355. The Administration and Other area's expense is primarily for Edison Electric Institute (EEI) dues, environmental minimum liability accruals, and intervenor funding. 5 Tr 3356.

UCC contended that Consumers failed to provide sufficient transparency and justification for the recovery of its corporate membership dues from ratepayers. Specifically, it argued that the company provided only limited information regarding its corporate memberships and, aside from identifying its membership in EEI, did not describe any other specific memberships or associated costs. 3 Tr 2354-2355. In response to its discovery requests, UCC claimed that Consumers paid discretionary dues to six organizations totaling $830,705, of which $770,775 was attributable to EEI. 3 Tr 2356. However, UCC stated that Consumers provided only generic descriptions of the benefits associated with these memberships. 3 Tr 2356-2357.

Accordingly, UCC argued that the company's lack of transparency and insufficient explanation of customer benefits rendered the projected expense for its corporate membership dues unreasonable. 3 Tr 2357; *see also*, UCC's initial brief, p. 122. It further contended that EEI engaged in political activity that was contrary to the principles of affordability, sustainability, and environmental justice, as well as to ratepayers' interests. 3 Tr 2359-2365. As such, UCC recommended that the Commission disallow recovery of Consumers' corporate membership dues and require the company to provide detailed descriptions of each membership in future rate cases and explain the tangible benefits customers gain through each organization, including how

membership fees are allocated towards programs that support ratepayer interests. 3 Tr 2369-2730; *see also*, UCC's initial brief, p. 132.

In rebuttal, Consumers disagreed that there was a lack of transparency concerning its corporate memberships, described the benefits customers broadly received from the memberships, and agreed to provide descriptions, along with the associated benefits, of the memberships in future rate cases. 5 Tr 3370-3372. The company further asserted that its workpaper disclosed membership dues, donations, and lobbying costs disallowed for recovery to offset any political advocacy performed by EEI. 5 Tr 3372. As a result, Consumers maintained its contention that recovery was appropriate. 5 Tr 3374.

The ALJ found that while Consumers had provided some evidence regarding customer benefits for its corporate memberships, the company "could do more to correlate membership fees directly with benefits to ratepayers and justify the expense." PFD, p. 716. The ALJ, therefore, recommended that, consistent with other similarly situated utilities, the Commission require Consumers in future rate cases to turn its working paper into an exhibit. Additionally, the ALJ recommended in future rate cases that the Commission require the company "to provide a detailed and itemized list of expenditures, with names and vendors and a detailed description of the nature of the expenses, of Consumers['] spending on electoral campaigns, advertising, marketing, lobbying, trade associations and 501(c)(3) and 501(c)(4) non-profits." *Id.*

Consumers agrees with the ALJ's recommendation that it be required to provide future filings related to corporate dues and memberships consistent with the standards established for DTE Electric but partially excepts to the ALJ's recommendation to require it to provide a detailed and itemized list of spending on electoral campaigns, advertising, marketing, lobbying, trade associations, and non-profits. Consumers asserts that it is unclear if the ALJ's recommendation to

provide this information is related specifically to corporate membership expense, which was the focus of UCC's concerns. Consumers' exceptions, pp. 123-124. Accordingly, the company urges the Commission to accept the ALJ's recommendation to require a detailed and itemized list of the company's spending only to the extent that it aligns with filing standards for corporate membership expense. *Id*., p. 124.

UCC excepts to the ALJ's recommendation and argues that he failed to properly consider its proposed disallowance. It reiterates its contention that Consumers failed to meet its evidentiary burden to justify the expense by failing to outline the specific, tangible benefits the memberships provide to customers. UCC's exceptions, pp. 19-20. It further contends that the Commission is prohibited from permitting recovery for corporate membership dues that fund political advocacy that is contrary to customers' interests. Specifically, UCC argues that the Commission has an independent obligation to comply with the U.S. Constitution when setting rates and that allowing recovery for these corporate membership dues forces ratepayers to subsidize political advocacy that is against their interests, which UCC asserts violates the First Amendment's prohibition on compelled speech. *Id*., pp. 23-24.

In replies to exceptions, Consumers disagrees with UCC's contention that the projected expense for corporate membership dues should be disallowed because the company failed to adequately justify the expense, arguing that UCC's argument is both factually incorrect and that Commission precedent does not support such a disallowance. Consumers' replies to exceptions, p. 100. Specifically, Consumers asserts that

> [t]he Commission introduced a new standard for DTE and allowed DTE several filing cycles to meet the new standard as the standard was refined. An order that was issued specifically to DTE cannot be treated as a requirement for the Company. The Company agrees that the filing standards the Commission arrived at in Case No. U-21297 applied to DTE are reasonable and agrees with the PFD that the

> Company should be held to the same standard as DTE going forward "ensuring equal treatment of similarly-situated utilities." PFD, page 716.

Id., pp. 100-101. Additionally, Consumers argues that the Commission lacks authority to disallow the proposed expense based on an interpretation of the U.S. Constitution, as the Commission has not been granted the power to make such constitutional determinations. *Id*., pp. 101-102.

UCC replies and repeats its argument that Consumers has failed to adequately justify the projected corporate membership dues expense. It disagrees with the company's partial exception regarding the scope of the list of expenses required in future rate cases and contends that, to the extent the ALJ's recommendation provides greater transparency for expenses beyond corporate membership dues, it supports such a recommendation. UCC's replies to exceptions, p. 6. UCC avers that the ALJ's proposed reporting requirements "would increase the transparency that UCC has shown is necessary to assess whether the Company can legally justify recovery for these kinds of expenditures, which include corporate membership dues," and that such reporting requirements need not be limited to those that have been previously ordered for DTE Electric. *Id*., p. 7.

The Commission finds that Consumers provided sufficient evidence of the customer benefits associated with its corporate memberships, which include benchmarking, facilitating collaboration, research, and networking, to demonstrate that the expense is reasonable and prudent. *See*, 5 Tr 3371-3372. Specific to the EEI dues, the Commission finds that Consumers presented evidence that its participation includes mutual assistance coordination, cybersecurity and technology best practices, customer support, regulatory preparedness, transportation electrification, and industry expertise and innovation, which the Commission finds to be of benefit to customers. *See*, 5 Tr 3373-3374. The Commission, however, agrees with the ALJ that Consumers should do more to correlate its corporate membership dues directly to customer benefits to further justify the expense and that the company should be held to the same standards

as other utilities. *See*, PFD, p. 716. As such, the Commission adopts the ALJ's recommendation and directs Consumers, in future rate cases, to file evidentiary support, consistent with the reporting requirements imposed on similarly situated utilities, that includes, at a minimum, an itemized list of projected costs associated with corporate membership fees and detailed justification for why these costs are in customers' interests. Finally, the Commission disagrees with UCC that it cannot permit recovery of Consumers' corporate membership dues expense without violating the First Amendment of the U.S. Constitution. The Commission finds compelling the evidence in the record stating that Consumers offset the portion of its membership dues expense associated with political advocacy conducted by EEI. *See*, 5 Tr 3372; *see also*, Exhibit UCC-73, p. 3. Consequently, the Commission declines to adopt UCC's proposed disallowance.

7. Information Technology Operations and Maintenance Expense

Consumers projected test year O&M expense totaling $26.3 million for IT Operations. 3 Tr 672-673; *see also*, Exhibit A-19, p. 1. Pertinent to this issue, Consumers' projected IT Operations expense included O&M expense totaling $50,579 for the Business Continuity–Program Management Tool. 3 Tr 751; *see also*, Exhibit A-20, p. 39. Consumers explained that the Business Continuity–Program Management Tool is a software tool that is critical for business continuity, disaster recovery, and emergency management programs. According to the company, the current business continuity/disaster recovery tool, Riskonnect, lacks certain capabilities, including Incident Command System (ICS) documentation automation. 3 Tr 751-752.

The Staff proposed a full disallowance for the projected O&M expense for the Business Continuity–Program Management Tool. The Staff explained that through discovery it learned that Consumers has been using Riskonnect since 2023 and that the program does not meet Federal

Emergency Management Administration (FEMA) and ICS standards adopted by the company. 6 Tr 4353; *see also*, Exhibit S-14.1, pp. 13-14. However, the Staff also learned that Consumers adopted these standards in 2013. 3 Tr 4353-4354; *see also*, Exhibit S-14.1, p. 17. The Staff thus argued that this new information did not support Consumers' reasoning for implementing the project and further opined that if "the standard[s] were adopted in 2013, the current system put in place in 2023 would have adhered to these standards, were it deemed prudent by the Company. The Company failed to address this inconsistency and provide supporting information as to the prudency of adopting these standards now." 6 Tr 4354. Additionally, the Staff noted that the project had been shifted to different years across the company's cases, that the total O&M expense had continuously decreased across cases, and that Consumers had not selected a new vendor or software for the proposed new management tool. 6 Tr 4354-4355.

In rebuttal, Consumers disagreed with the Staff's claim that the 2023 Riskonnect system should have included ICS capabilities simply because the company adopted those standards in 2013, explaining that the current tool supports business continuity and disaster recovery but not ICS principles. The company also averred that the business continuity/disaster recovery tools focus on distinct functions. Consumers further asserted that at the time the company adopted Riskonnect, there was not a single, cost-effective solution available that satisfied business continuity, disaster recovery, and ICE requirements. 3 Tr 775.

The ALJ noted that the Staff and the Attorney General proposed disallowances to the company's IT O&M expense for various projects. Consistent with his treatment of the capital expenditures for these projects, the ALJ rejected the Attorney General's proposed O&M disallowance for the SAP S/4HANA Implementation project. The ALJ, however, recommended a total O&M disallowance of $1.03 million for two projects in the investment planning phase. PFD,

pp. 717-718. The ALJ further rejected the Staff's proposed disallowances to the Digital Infrastructure Automation project and the ISIS Papyrus 2026 Upgrade project, consistent with his recommendations for the capital expenditures for these projects. *Id*., p. 718. Concerning the Staff's proposed disallowance of $50,579 in O&M expense for the Business Continuity–Program Management Tool project, the ALJ agreed with the Staff and found that Consumers had not shown the projected expense to be necessary or prudent given its failure to prioritize the project in 2013 when it adopted ICS standards. The ALJ also questioned whether the costs for the project would be incurred in the test year given the company's changing implementation target date. Accordingly, the ALJ recommended that the Commission adopt the Staff's proposed disallowance. *Id*., p. 721.

Consumers excepts to the ALJ's recommendation to disallow costs for the Business Continuity–Program Management Tool project. The company repeats its argument that the tool provides benefits and allows it continued access to critical IT systems during business interruption. Further, Consumers again explains that at the time the business continuity/disaster recovery tool was approaching the end of its useful life, there was not a single, comprehensive solution that also included ICS functions. Consumers' exceptions, pp. 124-125. Thus, for the same reasoning contained in its response to the Staff, Consumers contends that the ALJ's findings are erroneous. *Id*., p. 126.

In her exceptions, the Attorney General objects to the ALJ's recommendation to reject her proposed disallowances for the same reasons as put forth in her exceptions for the capital expenditures for these projects. Attorney General's exceptions, p. 96. Consumers likewise relies on its arguments made in response to the Attorney General's proposed disallowance. Consumers' replies to exceptions, p. 102.

In its replies to exceptions, the Staff maintains its proposal to disallow the expense associated with the Business Continuity–Program Management Tool, arguing that the "Staff does not believe this tool *should have* been introduced sooner, it believes that if meeting standards adopted by the Company in 2013 are so important to the Company, then it *would have* implemented an ICS tool, to meet this standard back in 2013." Staff's replies to exceptions, p. 16 (emphasis in original). The Staff asserts that any purported benefits of the tool do not negate the Staff's reasoning for the proposed disallowance. Additionally, the Staff contends that Consumers' assertion that the implementation date of the project is unlikely to change given the benefits of the tool is unsupported. Staff's replies to exceptions, p. 17. Accordingly, the Staff maintains its proposed disallowance. *Id*., p. 18.

As previously noted *supra* in this order, the Commission respectfully declines to adopt the ALJ's recommended disallowance of O&M expense totaling $1.03 million for the Electric GIS Utility Network Transformation and Integrated Energy Management Platform Optimization projects. Similarly, as described in the section of this order addressing capital expenditures, the Commission agrees with the ALJ and rejects the Attorney General's proposed disallowance for the SAP S/4HANA Implementation project, as well as the Staff's proposed disallowances for the Digital Infrastructure Automation and the ISIS Papyrus 2026 Upgrade projects.

Concerning the Business Continuity–Program Management Tool project, the Commission agrees with the ALJ and finds that Consumers has not demonstrated the projected expense to be reasonable or prudent given the company's adoption of ICS standards in 2013, and failure to prioritize the implementation of a program that complies with these standards in 2023. Additionally, the Commission is not persuaded that the company will spend authorized expenses

for the project given its changing implementation target date. *See*, 6 Tr 4354-4355. Accordingly, the Commission adopts the ALJ's findings and recommendations on this issue. *See*, PFD, p. 721.

8. Employee Benefits Expenses

Consumers projected test year O&M expense for employee retirement benefits of -$28.72 million, which included test year expense of -$45.12 million for Pension Plans; $16.51 million for Defined Company Contribution Plan; $12.73 million for Employees Savings Plan; $33.39 million for active employee healthcare, life insurance, and long-term disability insurance; -$48.87 million for retiree healthcare and life insurance; and $2.78 million for other benefits. 3 Tr 1130; *see also*, Exhibit A-97; Consumers' initial brief, pp. 364-365.

The ALJ found that Consumers' projected expense for these benefits was uncontested and therefore recommended that the Commission approve the costs. PFD, p. 722.

No party filed exceptions on this issue.

The Commission finds that no party contested the company's projected O&M expense for employee benefits and that these costs are reasonable and prudent. Accordingly, the Commission adopts the PFD and approves Consumers' projected O&M expense for this category. *See*, PFD, p. 722.

9. Incentive Compensation Expense

Consumers projected test year expense of $2.21 million for its Employee Incentive Compensation Plan (EICP), which included $1.74 million in expense for non-officer incentives and $0.47 million in expense for officer incentives. *See*, Exhibit A-73. Consumers explained that the EICP is structured by non-officer and officer, with non-officer incentive compensation weighted 50% on achievement of operational performance measures and 50% weighted on achievement of financial measures. For officers, Consumers stated that incentive compensation is

weighted 30% on achievement of operational measures and 70% on achievement of financial measures. 3 Tr 992. Consumers explained that its projected incentive costs in this case include officer incentive costs associated with operational performance. 3 Tr 990. The company also noted that its officer compensation is comprised of a base salary, annual incentives, and long-term incentives (excluded from this case), and that Consumers targets a total compensation at the 50th percentile of the market, which is based on information from a third-party consultant. 3 Tr 1004.

Regarding the company's operational performance measures, Consumers stated that the company uses six specific operational measures and that these measures provide benefits to customers, including safety, reliability, cost, delivery, and customer care. 3 Tr 1010. The company further explained that it is seeking recovery of EICP O&M expense at target (100%) levels for these measures. 3 Tr 1009,1014; *see also*, Exhibits A-71 and A-73.

The Staff supported Consumers' request for operational measures EICP expense for non-union employees but opposed recovery of EICP expense for the company's top five officers, which totaled $192,600. 6 Tr 4513; *see also*, Exhibit S-9.1. According to the Staff, Consumers aimed to set officer compensation at the market median; however, when the Staff requested the compensation level of these top five officers, Consumers declined to provide the information. 6 Tr 4514; *see also*, Exhibit S-9.2, p. 1. Instead, the Staff averred that the company merely offered for it to examine, with conditions, report extracts from a third-party report. However, the Staff noted that when it previously viewed this information prior to Consumers' recent gas rate case, the report extracts were anonymous and only presented how the third-party calculated market data, not the financial data that the Staff needed to make a valid comparison. 6 Tr 4515. As such, the Staff concluded that the report was not useful and argued that the expense associated with the EICP for the top five officers should be disallowed. 6 Tr 4515; *see also*, Staff's initial brief, p. 129.

The Attorney General argued that Consumers' EICP was weighted too heavily on financial measures and not operating measures, thereby benefitting shareholders and not ratepayers. 3 Tr 2585. She further contended that the company altered the EICP to make payouts easier and that the purported benefits and associated cost savings used by the company to justify the projected test year expense were inconsistent with recent trends and not based on the actual achievements by the company. 3 Tr 2586-2589. Further, based on her review, the Attorney General asserted that Consumers failed to meet its operating measures in each of the past five years, averaging an achievement rate of only 66% during that timeframe. 3 Tr 2590; *see also*, Exhibit AG-60. Accordingly, the Attorney General contended that Consumers had failed to justify any of its projected EICP expense due to the lack of benefits for ratepayers. However, acknowledging the Commission's recent decisions, she proposed that recovery be restricted to $1.46 million for the test year, which reflected a 66% recovery rate consistent with the company's five-year achievement rate average. 3 Tr 2591; *see also*, Attorney General's initial brief, pp. 193-194.

Consumers objected to the Staff's proposed disallowance and stated that it was contractually prohibited from sharing the data requested by the Staff. Instead, the company explained that it provided publicly available data as a proxy for the information the Staff was seeking. Consumers argued that this data was sufficient to support the level of compensation for its top five officers and therefore that the Staff's proposed disallowance should be rejected. 3 Tr 1031-1032 (referencing Exhibit A-74).

Concerning the Attorney General's testimony, Consumers rebutted her assertion that the company's EICP was too heavily weighted towards financial metrics. The company further alleged that banding performance metrics aligned pay with performance and ensured that

employees stayed motivated to reach targets. 3 Tr 1025-1026. Consumers also pushed back on the Attorney General's contention that the company only achieved an average target rate of 66%, presenting data to demonstrate that its five-year average operational goal payout rate was actually 105%. 3 Tr 1028-1029.

The ALJ recommended that the Commission disallow $192,600 in EICP expense for Consumers' top five officers, consistent with the Staff's recommendation. He found that, as in prior cases, the Commission has rejected similar requests due to the company relying on confidential third-party data and refusing to provide the underlying support needed for review. The ALJ further found that offering substitute public data did not satisfy Consumers' burden of proof. PFD, pp. 737-739.

Additionally, the ALJ was unpersuaded by the Attorney General's argument to disallow the entire projected EICP expense, or alternatively, a portion of the EICP expense, noting that she has made similar arguments in prior cases that have been rejected. *Id*., pp. 739-740. Lastly, the ALJ found that the reduction of methane emissions was not a proper operational metric for electric employees; she therefore recommended that the Commission reaffirm its finding that this metric is not an appropriate operational goal for the company's electric employees and should be excluded from EICP calculations. *Id*., p. 740.

Consumers excepts to the ALJ's recommendation to disallow projected O&M expense for its top five officers. The company claims that the ALJ inaccurately found that it failed to supply the Staff with the information it relied on to inform compensation for its top five officers. Consumers contends that it:

> sought and obtained permission from the third-party owner of the proprietary market data, which allowed Staff to view the materials that helped to inform the Company's top-five officer EICP compensation decision at the Company's offices. The ALJ largely ignored the Company's standing offer to provide the data to Staff,

> the PFD discussed the publicly available data the Company shared, but did not acknowledge that the Company "has gone to Extraordinary lengths to ensure that Staff is able to review the same information that Consumers Energy's Compensation Committee reviews in order to make its compensation decision for the top five officers." Company's Initial Brief, page 376. The PFD appears to conflate the public data the Company provides in its exhibits with the proprietary data the Company actually uses and has made available to Staff with some restrictions. PFD, pages 732-734.

Consumers' exceptions, p. 127. In turn, the company argues that it has been responsive to the Commission's previous reasoning for disallowing these costs and that the data shows that the expense is reasonable and should therefore be approved. *Id*., pp. 127-128.

In her exceptions, the Attorney General asserts that the Commission required utilities to prove that incentive compensation provides ratepayers benefits at least equal to its cost and to show exactly how those benefits accrue to customers. Attorney General's exceptions, p. 99. She argues that Consumers fails this standard because its EICP heavily rewards financial performance that primarily benefits shareholders, with 70% of officer incentives tied to financial metrics and no clear proof of direct ratepayer benefit. *Id*., pp. 99-100. Additionally, she contends that the company's claimed benefits are speculative, fail to account for other performance drivers, rely on questionable metrics such as worsening turnover trends, and permit payouts for mediocre performance with low achievement thresholds. *Id*., pp. 101-102. According to the Attorney General, historical results show operating targets were achieved at an average rate of only 66% over the past five years, undermining Consumers' request to recover incentive pay at 100% of target. *Id*., pp. 103-104. As a result, because the company has not demonstrated commensurate ratepayer benefits, the Attorney General recommends disallowing the full EICP expense, or in the alternative, to cap recovery at $1.46 million based on the company's average performance level. *Id*., p. 105.

In replies to exceptions, Consumers argues that it has met the standard established in Case No. U-14347 to demonstrate the benefits of its incentive plans to ratepayers and states that the company quantified annual savings to customers of $30.7 million. Consumers' replies to exceptions, pp. 103-104. The company also maintains that the record shows that incentive plans motivate employees. *Id*., p. 104. Additionally, Consumers disregards the Attorney General's critique of the weighting of the company's incentive plans, asserting that "[i]f the Company recovers none of the costs associated with the financial metrics through customers, then the weighting is irrelevant because the Company is only seeking recovery for the cost related to the operational goals and not the financial metrics." *Id*., p. 103.

Finding the ALJ's findings and determinations on this issue to be well-reasoned and supported by the record, the Commission adopts the PFD. *See*, PFD, pp. 737-740. The Commission agrees with the Staff and finds that Consumers failed to meet its burden to demonstrate that the EICP expense for its top five officers is reasonable and prudent. As in previous cases, the Commission notes that Consumers has elected to rely on confidential data, which is substantively inaccessible for review, to support its projected officer EICP expense. The Commission finds that the presentation of publicly available data used as a proxy to support the projected expense insufficient to meet the company's burden. Additionally, the Commission is unpersuaded by the Attorney General's argument to disallow the entire projected EICP expense, or alternatively, a portion of the EICP expense, and notes that she has made similar arguments in prior cases that the Commission has rejected. Finally, the Commission reaffirms that the reduction of methane emissions is not a proper operational metric for Consumers' electric employees EICP expense and should be excluded from EICP calculations. *Id*., p. 740.

10. Inflation Rates

a. Rates

Consumers stated that it "is using inflation factors of 2.10% for 2025, 2.40% for 2026, and 2.40% for 2027, as forecasted by S&P Global Market Intelligence and reported in the November 2024 edition of its publication U.S Economic Outlook. S&P Global Market Intelligence is a leader in economic and financial analysis, forecasting, and market intelligence," noting "0.8% for 4-month proration." 3 Tr 1050-1051. The company noted that when calculating projected labor costs, the same inflation factor was used to adjust both labor and non-labor expenses. 3 Tr 999.

The Attorney General applied Consumers' inflation rates to project future capital expenditures. *See*, 3 Tr 2420. She asserted that for O&M expenses, the company "proposed to use a rate of increase equal to the CPI [Consumer Price Index] forecasted inflation rate," which the Attorney General agreed with. 3 Tr 2569; *see also*, Attorney General's initial brief, pp. 194-195.

The ALJ stated that "[a]s there is no apparent opposition to Consumers' proposal to apply inflation factors of 2.10% for 2025, 2.40% for 2026, and 2.40% for 2027, these rates are adopted, subject to relevant productivity offsets as appropriate . . . ." PFD, p. 741.

No exceptions were filed on this issue.

The Commission finds the ALJ's recommendation to be reasonable and prudent and that it should be adopted.

b. Productivity Offsets to Inflation

Consumers noted that in the March 21 order, the Commission directed the company to provide, in its next electric rate case, detailed evidence that Consumers is offsetting inflation by productivity gains. Consumers stated that:

> [w]hile the Company is committed to transparency and rigor in its economic analyses, it faces significant challenges in isolating and quantifying the precise

> impact of productivity gains as an offset to inflationary pressures, especially for productivity gains that have not been realized at the time of filing the rate case. Productivity improvements often manifest in indirect or diffuse ways—such as through process efficiencies, technological integration, or workforce optimization—that are not easily captured in traditional financial metrics or short-term reporting frameworks.

3 Tr 1833.

The company also asserted that productivity does not always appear as dollar reductions. Rather, Consumers contended that it often manifests through the creation of more efficient outputs or an ability to provide more service at the same cost. Consumers stated that:

> [a]s a result, while the Company can point to broader trends and strategic initiatives aimed at enhancing efficiency, the nature of these improvements does not lend itself to the kind of detailed, itemized documentation required to show productivity gains by line item in witness exhibits. The absence of such detail should not be interpreted as a lack of effort or effectiveness in managing inflationary impacts through productivity.

3 Tr 1833. Finally, the company argued that the calculation of projected costs is more complex than simply applying an inflation factor to historical costs. *See*, 3 Tr 1833-1835.

MNSC asserted that Consumers failed to provide evidence that the company is offsetting inflation by productivity gains as required by the March 21 order. MNSC averred that "[t]he Company has essentially resuscitated the same arguments it presented in [Case No.] U-21585, which the Commission found lacking then." 6 Tr 4039; *see also*, 6 Tr 4036; MNSC's initial brief, p. 65. Instead, MNSC recommended that the Commission approve a productivity offset for labor and non-labor O&M expenses. Specifically, MNSC requested that the Commission limit the company's O&M labor expenses to 2024 historical levels plus compounded labor productivity-adjusted inflation (PAI). MNSC explained that:

> [t]o calculate Labor PAI, [MNSC] recommend[s] utilizing the Bureau of Labor Statistics labor productivity figures for Michigan's private, non-farm sector, the most narrowly tailored productivity factor reasonably descriptive of the Company's labor market. The compounded annual change in labor productivity in Michigan

> from 2014-2024 was 1.34%. This results in a Labor PAI rate of 0.76%, 1.06%, and 1.06% in 2025, 2026, and 2027, respectively.

6 Tr 4045 (citing Table 2); *see also*, MNSC's initial brief, p. 66.

For non-labor O&M expenses, MNSC recommended that:

> the Commission limit projected costs to 2024 historical levels plus non-labor Total Factor-PAI. To calculate the non-labor Total Factor-PAI, [MNSC] recommend[ed] utilizing the Bureau of Labor Statistics Total Factor Productivity (TFP) factor for the US private, non-farm business sector. TFP is a measure of economic performance that compares the amount of goods and services produced (output) to the amount of combined inputs used to produce those goods and services. The compounded annual change in TFP from 2014-2024 was 0.81%. Applying this average factor to the Company's projected inflation factors derives a non-labor Total Factor-PAI rate of 1.29%, 1.59%, and 1.59% in 2025, 2026, and 2027, respectively.

6 Tr 4046 (citing Table 3); *see also*, MNSC's initial brief, p. 66.

MNSC stated that if these labor and non-labor adjustments are applied to projected test year O&M expenses, and if forestry O&M is removed to reflect the ramp-up in line clearing work the company is planning for in the test and future years, it results in a total disallowance of $59.5 million in proposed O&M expenses. *See*, 6 Tr 4047; MNSC's initial brief, p. 66. Furthermore, MNSC requested that the Commission direct Consumers, in future rate cases, "to present both O&M and capital test-year cost baseline projections calculated as historical cost adjusted for PAI." 6 Tr 4048. MNSC asserted that, in addition to these baseline amounts, the company could provide "other adjustments," but that Consumers should be required to "demonstrate why they are necessary owing to changes in sales, new statutory requirements, or new performance requirements; however, 'Other adjustments' should not (implicitly or explicitly) embed inflation." 6 Tr 4048; *see also*, MNSC's initial brief, pp. 66-67.

In response, Consumers acknowledged that each company witness may have presented inflation differently in their exhibits. However, the company stated that "the projected costs are

fully supported by Company witnesses regardless of whether they applied inflation rates to historical costs to develop projected test year costs." 3 Tr 1850; *see also*, Consumers' initial brief, p. 388. Regarding MNSC's claim that Consumers' projected costs are increasing more quickly than inflation and that most of these costs are improperly set forth in the "other adjustments" column of Consumers' exhibits, the company asserted that this is the appropriate location for these costs. Consumers also stated that "[t]here are many reasons why costs increase other than inflation and the Company's witnesses fully support their projected costs." 3 Tr 1850.

Additionally, Consumers objected to MNSC's proposed PAI methodology. The company explained that capital investment in the distribution system provides productivity gains and improved reliability for customers. Consumers contended that "[a]ging infrastructure, increasing customer expectations, and evolving reliability standards demand proactive upgrades. These investments are designed to reduce outage frequency and duration, modernize grid operations, and ultimately lower operating expenses over time." 3 Tr 1852. According to the company, "automation and grid modernization initiatives reduce manual labor and emergency response costs, directly impacting O&M. These are not short-term gains, but strategic investments that yield long-term value for customers and the system." 3 Tr 1852. Consumers argued that these expenditures and costs are necessary for providing continued improvements in reliability, safety, and operational efficiency.

In response to MNSC's request that the PAI factor be applied to all O&M expenses, Consumers stated that:

> [t]he Company strives to implement and incorporate productivity gains into its costs in order to keep customer rates affordable. The Company also continues to work to improve its processes for identifying and highlighting these productivity gains in its rate cases. However, the standard for cost recovery has been and should be whether the costs are reasonable and prudent, not solely dependent on whether

> productivity gains have been incorporated into costs or whether costs increase by more than inflation.

3 Tr 1853.

Consumers objected to MNSC's request to reduce O&M expense—with the exception of forestry—to historical expenses. The company noted that "the increase in O&M for this category of expense is directly tied to the Company's Reliability Roadmap," which supports capital investments through maintenance of grid infrastructure, engineering and design work to execute projects, and the restoration of service. 3 Tr 1854; *see also*, Consumers' initial brief, p. 390. In addition, Consumers contended that the O&M increases in the Non-forestry Reliability O&M program are caused "by expanded inspection and monitoring of system equipment;" the program includes the four sub-programs of LVD lines reliability, HVD lines reliability, LVD substations reliability, and HVD substations reliability. 3 Tr 1854. The company stated that increased spending in these categories is necessary to better align with the Electric Substation Reliability Guidelines, and the company noted that historical levels of funding have been inadequate to address maintenance backlogs. In Consumers' opinion, if the Commission adopts MNSC's proposed disallowance, the company would have to reduce the amount of important distribution reliability work that is conducted.

In briefing, MNSC asserted that Consumers misunderstands MNSC's point about including additional adjustments as "Other Adjustments." MNSC explained that "[t]he meta-point here is that, while inflation increases are high (and reflect no productivity gains), the Company's overall cost increases are even higher than these high inflation rates." MNSC's initial brief, p. 68. MNSC also objected to Consumers' claim that the company may respond differently to inflationary pressures compared to an unregulated entity because Consumers has the unique obligation to provide safe, quality, and reliable utility service for customers. MNSC contended that "[t]hese are

obviously not mutually exclusive opportunities – a utility may respond to inflationary pressures by, for example, extending the service life of equipment while also serving customers." *Id*., p. 69. MNSC argued that regulated utilities should not be exempt from demonstrating efficiency and productivity offsets; otherwise, it could lead to "ever-increasing costs without correlative improvements in performance, higher sales, or other efficiencies." *Id*., p. 70.

In response to Consumers' assertion that the Commission should not restrict spending and, instead, should evaluate whether individual program expenditures are reasonable and prudent, MNSC argued that the Commission should reject this approach because: (1) as a result "of information asymmetry, utilities naturally have the most complete understanding of their cost structures, which makes them best positioned to rebalance spending across programs to achieve the best overall outcome;" (2) "without a portfolio-level benchmark, such as PAI that [MNSC Witness] Bunch supports, the individual program review relieves Consumers of its managerial responsibility to balance costs prudently [and leaves it] to the Commission and intervenors to parse each individual expenditure;" and (3) the Commission has been unable to obtain information about program-level productivity gains from the company. MNSC's initial brief, p. 71.

MNSC also disputed Consumers' claim that 93% of MNSC's recommended disallowance is attributable to electric distribution. Rather, MNSC asserted that the recommended $59.5 million disallowance is an across-the-board reduction to reflect productivity gains in 16 programs, excluding forestry. In addition, MNSC stated that it is:

> anticipated the Commission may authorize higher-than-production-adjusted-inflation spending levels to achieve new performance standards, but the Company has not attempted to demonstrate that it is stiving [sic] to achieve new performance standards except by improving reliability with increased forestry expenditures, which [MNSC witness] Bunch proposes to exempt from the calculated disallowance. Furthermore, the Company's plans to invest increasing levels of O&M on the distribution system is a reason to find operational and cost efficiencies

> (productivity benefits) in other program areas to ensure the overall cost of delivering safe, reliable service remains reasonable and prudent for customers.

MNSC's initial brief, p. 72. Furthermore, MNSC contended that Consumers has not demonstrated how MNSC's proposed disallowance would further accelerate deterioration on the system. MNSC asserted that the recommended disallowance is not a cap on expense levels but, instead, reduces expenses because the company "fail[ed] to effectively estimate and incorporate productivity gains in their costs development process. The recommendation specifically anticipates opportunities for increases above productivity-adjusted inflation." *Id*., p. 73.

The ALJ agreed with MNSC that Consumers failed to "provide more detailed evidence demonstrating that it is offsetting inflation by productivity as directed to by the Commission in [Case No.] U-21585. Consumers' claims that it is too difficult a task are unavailing and tend to prove MNSC's point that without regulatory pressure Consumers and other regulated utilities do not have incentive to manage inflation." PFD, p. 753. However, he declined to adopt MNSC's recommended $59.5 million disallowance. The ALJ found persuasive Consumers' claim "that spending should be considered in the context of the supporting evidence provided by Company witnesses for individual programs and sub-programs. This is also consistent with Commission precedent which disfavors blanket reductions and prefers to evaluate spending on a more detailed, program-by-program or project-by-project basis." *Id*. He did recommend that the Commission adopt MNSC's recommended PAI rates to adjust future costs because the method is supported by evidence and mitigates the impact of inflation on future costs. The ALJ noted that Consumers did not propose alternative productivity offsets and, therefore, in the programs where the company has proposed to increase expenses with inflation factors, the Commission should adopt MNSC's "proposed non-labor Total Factor-PAI of 1.29% for 2025 and 1.59% for 2026 and 2027 and a Labor PAI rate of 0.76% for 2025 and 1.06% for 2026 and 2027 . . . ." PFD, p. 754.

Regarding MNSC's request that the Commission direct Consumers to present both O&M and capital test year cost baseline projections calculated as historical costs adjusted for PAI, the ALJ agreed that productivity offsets should be incorporated into rate cases but declined to recommend that the Commission adopt MNSC's proposal that Consumers provide historical costs adjusted for PAI. He stated that "[n]onetheless, consistent with the above discussion, for future rate cases, this [ALJ] recommends that Consumers propose productivity adjustment factors, in addition to inflation rates, and that in those specific programs, with both O&M expenses and capital expenditures, where inflation is applied to future costs, that the PAI be applied." *Id*.

Consumers excepts, asserting that the ALJ erred in finding that the company failed to provide detailed evidence demonstrating that Consumers is offsetting inflation by productivity as required by the March 21 order. According to the company, it:

> explained that productivity improvements, such as through process efficiencies, technological integration, or workforce optimization, are not easily shown in traditional financial metrics or reporting frameworks. And productivity does not always mean spending reductions, but instead results in the ability to provide improved service to customers within the same costs. But the nature of these types of improvements means that the Company does not have detailed, itemized documentation to show a line item productivity gain in witness exhibits.

Consumers' exceptions, p. 128 (citing 3 Tr 1833). In addition, Consumers argues that developing projected costs for programs is more complicated that simply applying an inflation factor to historical costs. Consumers contends that "[e]ach individual Company witness supports the costs they are sponsoring and the methodology used to develop those costs. The Company does not have a single formulaic methodology for projecting O&M. Rather, the projected costs are supported by the reasonable and prudent methodology that best applies to reach the individual projections." Consumers' exceptions, pp. 128-129 (citing 3 Tr 1833-1834, 1850).

In response to the ALJ's recommendation that the Commission adopt MNSC's proposed PAI and labor rates for projected test year costs, the company disagrees, asserting that the "recommendation [should be rejected] because it is a broad, overly simplistic expense reduction that does not consider the individual support for Consumers Energy's projections. The testimony and exhibits presented by the Company must be considered to determine whether the projections are reasonable – the PFD's recommendation fails to conduct this review." Consumers' exceptions, p. 129. As an example, the company provides an explanation of the Corporate Services O&M expense to demonstrate that MNSC's recommendation would further reduce the expense when Consumers is already projecting a test year expense that is lower than the normalized 2024 expense.

Furthermore, Consumers objects to the ALJ's recommendation that the Commission direct the company, in future rate cases, to propose productivity adjustment factors and apply those factors to future costs that include inflation. In Consumers' opinion, it:

> must have the ability to present evidence to the Commission in rate cases supporting the revenue requirement that Consumers Energy believes is necessary to operate the business and make capital investments. The Commission should not force the Company to present productivity adjusted factors to inflation percentages to calculate future cost projections, particularly where the Company does not agree that such a methodology results in a reasonable projection of future costs. Consumers Energy must have the ability to present and support the cost projections that Consumers Energy contends are reasonable and prudent.

Id., p. 131. Accordingly, the company requests that the Commission reject the ALJ's recommendation.

MNSC replies that the Commission should reject Consumers' exceptions and adopt the ALJ's recommendations. In response to the company's claims that it presented detailed evidence related to productivity as required by the March 21 order, MNSC asserts that Consumers failed to adequately comply with the order. MNSC notes that "the [March 21 order] did not direct

Consumers to provide more detailed evidence 'related to productivity'; it directed Consumers to provide more detailed evidence 'to demonstrate that it is in fact offsetting inflation by productivity.'" MNSC's replies to exceptions, pp. 5-6 (quoting Consumers' exceptions, p. 129 and March 21 order, p. 356). According to MNSC, the ALJ correctly determined that the company failed to provide detailed evidence, as directed by the Commission, that Consumers is offsetting inflation with productivity.

MNSC also objects to Consumers' claim that the ALJ's recommendation to apply PAI and labor rates is too broad and simplistic and fails to recognize the support for individual projections provided by company witnesses. In MNSC's opinion, the ALJ's recommendation is "narrow, tailored, and consistent with the record: it reduces the inflation rate wherever the Company applies the inflation rate. It does not affect the Company's other program-level adjustments, only its inflation adjustment, and only where inflation is applied." MNSC's replies to exceptions, p. 6.

Regarding Consumers' description of how Corporate Services O&M expense is calculated, MNSC states that "[t]his example proves nothing relevant about the recommendation to reduce inflation by productivity factors." *Id*., p. 7. Rather, MNSC contends that adjusting the Corporate Services O&M expense for a one-time consultancy and modified insurance distributions in 2024 and 2027 is not the same as applying a productivity factor that results in a lower inflation rate. In addition, MNSC does not find persuasive Consumers' claim that because the company's proposed Corporate Services O&M expense is lower than its actual 2024 expense, Consumers is in fact incorporating productivity gains. MNSC argues that "[t]his point does not bear on productivity at all. It reflects the significant one-time $3.812 million consultancy expenses in 2024 that was not incorporated in 2025, 2026, and 2027 costs." *Id*., p. 8.

Finally, MNSC disagrees with Consumers' argument that it must have the ability to present and support cost projections and that the Commission should not force a projection methodology for inflation that the company does not agree with. MNSC states that:

> [t]his argument miscomprehends both the recommendation and the regulatory system. The recommendation does not prevent the Company from identifying and presenting projections based on inflation rates, it requires the Company also to present productivity factors and apply them, which will facilitate regulatory review. Presenting productivity factors and applying them does not prevent the Company from collecting its expenses as recognized by the U.S. Supreme Court, it instead would place the Company and its ratepayers on more equal footing with other business enterprises, which are required by the competitive market to seek productivity benefits.

Id., p. 9. Accordingly, MNSC requests that the Commission adopt the ALJ's recommendation that the Commission direct Consumers to identify and apply productivity offsets to inflation rates.

In the March 21 order, the Commission directed Consumers, in its next electric rate case, to provide "more detailed evidence to demonstrate that it is in fact offsetting inflation by productivity." March 21 order, pp. 355-356. The Commission notes that, in the instant case, Consumers states that Exhibit A-13 provides inflation impacts on projected O&M expenses and "is compiled from the detailed exhibits of each witness who sponsors O&M costs." 3 Tr 1850. The company acknowledges that the inflation data is not presented in the same way by each witness, but that "testimony explains how the costs were developed and proves the point that the costs are fully supported in testimony . . . ." 3 Tr 1850.

Consumers provided testimony regarding several expense areas in which the company is implementing efficiencies to offset inflationary costs. The company states that, for Line Clearing expenses:

> clearing more frequently reduces unit cost (cost per mile) to maintain the LVD system and that Forestry contains costs through contractually limited inflation increases. [Consumers' witness] Ms. Stewart states that all contractor rates are contractually limited through mid-2029 to an annual adjustment of a minimum of

> 0.0% per year up to a maximum of 2.5% per year based on the Producers Price Indices WPUFD4 and WPU443.

3 Tr 1834. Accordingly, the company contends that the development of the projected costs for many programs, including line clearing, are more complex than simply applying an inflation factor to historical costs.

Consumers also contends that CX&O "budgets are prepared using a zero-based accounting method, meaning that they are prepared with no reference to any prior year's budget. To accomplish this, CX&O starts from zero and adds the expenses associated with the projects and department operation planned to complete in the test year to arrive at the final projected test year spend." 3 Tr 967.5. Furthermore, the company explained that it is implementing more efficient storm restoration preparation methods to reduce expenses. *See*, 3 Tr 2132-2164.

The Commission finds sufficient evidence on the record demonstrating that these efficiencies and productivity improvements are reasonable. Therefore, the Commission declines to adopt MNSC's proposed disallowance of $59.5 million. In addition, the Commission declines to adopt MNSC's proposal to limit O&M labor costs to 2024 historical levels plus compounded PAI and to limit O&M non-labor costs to 2024 historical levels plus non-labor Total Factor PAI. The Commission finds that there is insufficient evidence on the record demonstrating that MNSC's methodology results in a reasonable projection of future costs.

However, the Commission finds that based on the company's testimony and exhibits presented in this case, Consumers could go further to demonstrate, in detail, that the company is fully incorporating productivity gains into its cost projections, and that expenses have been adjusted accordingly to drive further efficiencies. Therefore, the Commission directs Consumers, in its next electric rate case, to provide details on its productivity offset that demonstrate measurable improvements and benefits for customers.

C. Depreciation and Amortization Expense

Consumers stated that it "used the Commission-approved book depreciation rates, projected capital expenditures, and assumed plant retirements to determine the depreciation expense adjustment necessary to arrive at an appropriate level of book depreciation expense for the projected test year." 3 Tr 1057.

In briefing, Consumers requested that the Commission approve the depreciation and amortization expense of $811,743,000 as set forth in Appendix C1 of the company's initial brief.

Based on the decisions above, the Commission finds the appropriate depreciation and amortization expense is $803,115,000.

D. Taxes

Consumers noted that it supports "the amount of test year excess deferred federal income taxes [(FIT)] being returned to electric customers as a result of the Tax Cuts and Jobs Act of 2017 ("TCJA") and the Commission's September 26, 2019 Order in the Company's Calculation C proceeding, Case No. U-20309 [(September 26 order)]." 3 Tr 2261. In addition, the company stated that the property tax rate for the test year is 0.013349387, which was calculated using Consumers' prorated electric property tax expense divided by the total of the 2026 estimated year-end plant-in-service (PIS), plus one-half of the 2026 estimated construction work in progress (CWIP). *See*, 3 Tr 2261-2262; Consumers' initial brief, p. 392. According to Consumers, the estimated property tax for the electric portion of the business to be paid is $280.5 million for the test period. *See*, 3 Tr 2264; Exhibit A-180; Consumers' initial brief, p. 392. Finally, pursuant to the September 26 order, "the Company reduced Federal Income Tax Expense for the test year by $40.434 million . . . ." 3 Tr 2266; *see also*, Exhibit A-13, Schedule C-8.

The Attorney General stated that she "identified the adjustments to be made to the Company's proposed capital expenditures in Exhibit AG-32. Those reductions lower the amount of property tax expense that the Company will incur during the projected test year." 3 Tr 2506; *see also*, Attorney General's initial brief, p. 196.

In briefing, the Staff noted that "Consumers projected a total property tax of $279,989,000, which is $1,684,000 more than Staff's $278,305,000 projection. Again, the difference stems from Staff's capital expenditure adjustments, which reduce real and personal property taxes." Staff's initial brief, p. 130 (citing Appendix C, column i).

In its initial brief, Consumers requested "that the Commission adopt a property tax amount of $279,986,000, as shown on Appendix C, line 7, column (d). The difference between Consumers Energy's filed position and its position in this Initial Brief is due to changes to the Company's projected capital expenditures, as shown in Appendix B." Consumers' initial brief, p. 392. Additionally, the company stated that it reduced FIT for the test year by $40.43 million and requested that the Commission approve a State Income Tax expense amount of $33.87 million, Other Taxes expense of $1.17 million, and General Taxes expense of $36.64 million. *See*, *id*., pp. 393-394.

The ALJ stated "that all tax expense should be recalculated consistent with the final Commission order." PFD, p. 760.

No exceptions were filed on this issue.

Thus, based on the decisions above, the Commission finds that property tax expense should be updated to a final amount of $275.97 million.

E. Allowance for Funds Used During Construction

Consumers stated that it "originally calculated a test year jurisdictional AFUDC [allowance for funds used during construction] level of $16.026 million. Staff did not recommend any adjustments to the Company's projected AFUDC, and the Company made no revisions to the AFUDC expense in rebuttal." Consumers' initial brief, p. 394 (citing Exhibit A-13, Schedule C-11).

The ALJ noted that no party recommended an adjustment to AFUDC and, therefore, he recommended that the Commission adopt the company's projected AFUDC for the test year of $16.07 million. *See*, PFD, p. 761.

No exceptions were filed on this issue.

In replies to exceptions, the Staff notes that the Attorney General discussed the Campbell plant in her exceptions. The Staff disagrees with the Attorney General that Consumers updated the AFUDC for this project, citing Consumers' initial brief, Appendix C1, line 14. The Staff states that "[b]ased on that clear indication that the discussed adjustment never took place, Staff recommends the Commission, if it approves this project, update the AFUDC offset." Staff's replies to exceptions, p. 18.

Based on the Staff's replies to exceptions, the Commission updates AFUDC by $1.23 million to arrive at a final AFUDC amount of $17.25 million.

VII. REVENUE DEFICIENCY

In accordance with the foregoing findings, Consumers' jurisdictional revenue deficiency for the test year is computed as follows:

Rate Base	$15,023,435,000
Required Rate of Return	6.12%
Income Required	$918,867,000
Adjusted Net Operating Income	$742,160,000
Income Deficiency	$176,707,000
Revenue Multiplier	1.3381
Revenue Deficiency	$236,448,000
Return on - Campbell Regulatory Asset	$76,455,000
Revenue Deficiency	$312,903,000
Forestry Ramp-up - Impact of O&M Deferral	($21,691,000)
SAP S/4HANA - Impact of O&M Deferral	($14,606,000)
Total Revenue Deficiency	$276,607,000[23]

VIII. COST OF SERVICE, RATE DESIGN, AND TARIFF ISSUES

A. Cost of Service

Consumers explained that the cost-of-service study (COSS):

> is a three-part analysis that quantifies the utility's embedded cost of serving various customer classes. The information provided by the COSS is used to guide the design and development of customer rates. . . . The first step is functionalization, followed by classification, and finally allocation. Cost functionalization involves

[23] The $276,607,000 revenue deficiency is inclusive of $13,927,000 for the IRM surcharge. Accordingly, $262,680,000 will be collected through base rates and $13,927,000 will be collected through the IRM surcharge.

> the identification and separation of plant and expenses into specific categories based on the activity or "function" that the cost is incurred to provide/support. Consumers Energy's electric functional cost categories are production and distribution. Cost classification involves categorizing costs as demand, customer, or energy related according to the primary cost drivers. The final step is cost allocation. Allocation assigns costs to each customer class using a variety of factors that correlate to the identified cost drivers. When possible, individual costs that can be traced to a class of customers may be directly assigned to that class. The fundamental principle guiding the assignment of costs in the COSS is cost causation; in other words, the costs assigned to a class or group of customers should reflect how those customers drive or influence the utility's costs.

4 Tr 2646. Consumers proposed two versions of the COSS: Version 1 is used for comparison purposes and Version 2 is used for rate design.

The company asserted that Version 1 of the COSS "employs the methodologies previously adopted by the Commission in Case No. U-21585 updated for the financial and other supporting data sponsored by various Company witnesses in this case." 4 Tr 2644. Consumers noted that Version 1 includes a correction to the allocation of the PowerMI-Drive (PMD) – PowerMI-Fleet (PMF) amortization expense to align with the Commission's treatment of PMD-PMF program costs in the March 1 order. In addition, the company stated that Version 1 contains "updated distribution cost categories for land, lines, and substation assets to align with the results of the Electric Asset Categorization ('EAC') report" and "a breakout and allocation of certain Digital Customer Operations ('DCO') project costs in compliance with the Final Order in Case No. U-20963." 4 Tr 2649-2650.

Consumers explained that:

> [t]he EAC report is a report provided by property accounting that breaks out plant and related depreciation accounts for distribution substations (Federal Energy Regulatory Commission ("FERC") 361 and 362), batteries (FERC 363), high voltage distribution ("HVD") overhead ("OH") and underground ("UG") lines (FERC 364-367) and land (FERC 360) into more detailed categories.

4 Tr 2650. According to Consumers, the COSS relies on the EAC report to break out distribution costs into more detail to enable the company to allocate costs to customers. Consumers amended the EAC report because it was developed decades ago and it relied on a set of Microsoft Access databases and mapping tables. The company asserted that "[a] combination of process complexity, outdated technology, and the loss of institutional knowledge made it difficult to continue to maintain and run the report." 4 Tr 2651. As a result, Consumers has worked with a third-party consultant, PowerPlan, to improve the report and increase transparency about how assets are assigned in the COSS.

The company explained that:

> [a]t a high level, the PowerPlan module first identifies assets that meet certain FERC account and location criteria. Next, property accounting sends a list of those assets to engineering who maps each asset to the appropriate COSS category. That mapping information is then imported back into the module which uses that data to breakout [sic] the asset balance and related depreciation for each COSS category. The COSS categories, which were developed in consultation with accounting and engineering, were chosen to capture both asset voltage and the downstream facilities connected to/relying on that asset.

4 Tr 2651. Consumers contended that the EAC report provides a breakout of Generation Step Up (GSU) facilities that include substations, lines, and other assets that support the transfer of power from generation facilities to the distribution system. The company stated that "[w]hile the assets are appropriately classified as distribution for FERC accounting purposes they are in service of/driven by investment in production facilities. For this reason, GSU-related distribution plant identified in the EAC report is included in the COSS balance of other production plant." 4 Tr 2651-2652. In addition, Consumers asserted that the EAC report and resulting COSS provide a more detailed breakout of substation assets than the previous COSS. *See*, 4 Tr 2652-2653. The company noted that it is not proposing to change Consumers' reliance on class-peak allocators to assign demand-related distribution plant, including the company's substation assets.

Regarding distribution battery (FERC 363) cost categories, Consumers contended that there are no proposed changes to the breakout of these categories in the COSS. The company noted that, in Case No. U-21585, distribution batteries were categorized as LVD Voltage 3, and Consumers asserted that it plans to continue categorizing distribution batteries as such. Consumers stated that "[t]he only change from [Case No. U-21585] is that before, batteries were mapped outside of the EAC report and today they are included in the EAC report." 4 Tr 2653.

For HVD OH and HVD UG, the company averred that the EAC report and resulting COSS provide a more detailed breakout than the previous COSS. According to Consumers, "[t]he new categories list the line voltage (Voltage 1: 138 kV and Voltage 2: 69 or 46 kV) in addition to the voltage of the downstream connected facilities that rely on that asset and should be assigned those costs. The lines category also includes Other Equipment and Facilities which were treated in the same manner as the substation Other Equipment and Facilities." 4 Tr 2654; *see also*, 4 Tr 2655. The company noted once again that it was not changing its reliance on class-peak allocators. However, Consumers asserted that "[o]ne new HVD OH lines category, Voltage 1 facilities serving HVD Voltage 1 and LVD (Voltage 3 and 4) customers, required the creation of a new Class Peak allocator (Class Peak @ Voltage 1 excluding Voltage 2) to allocate costs to those customers." 4 Tr 2654.

Consumers stated that the new COSS breaks out land by voltage and the new categories:

> differentiate land related to substations and other assets/equipment which aids in the calculation of the Substation Ownership Credit. The breakout of land into the COSS categories above was done in PowerPlan by first classifying land assets as either HVD or LVD and Substation or Other (Non-Substation) based on the accounting sub-account and location number. The allocated costs for the substation and line categories (FERC 361-367) were relied on to breakout [sic] the HVD land assets into voltage level detail.

4 Tr 2656.

The company noted that in the December 22, 2021 order in Case No. U-20963 (December 22 order), the Commission directed Consumers to break out and allocate the costs associated with DCO IT in the COSS. Consumers stated that these costs include Move In/Move Out (MIMO), C&I Online Account Management, and MIMO digital redesign. According to the company, if DCO project costs were not separately broken out in the COSS, the "[p]lant and related costs for these projects would be included in GC&I [General, Common, and Intangible] cost categories which are functionalized and allocated to all customer classes on the basis of labor." 4 Tr 2657. In addition, Consumers asserted that it allocated MIMO 3.0 project costs to the residential class because the project provides residential customers a tool for self-service MIMO transactions. Moreover, the company noted that, since the December 22 order, Consumers has renamed the C&I online account management project as the Multi-Account Online Account Management (MAOAM) project to give all customers the opportunity to manage multiple accounts through a single login. Thus, the company stated that the costs for the MAOAM project should be allocated in the same manner as other IT projects and should not be separately identified and broken out in the COSS.

Consumers explained that Version 2 "starts with the Version 1 COSS and incorporates Company proposals to revise the allocation of: (i) Customer Advances, and (ii) Overhead ("OH") line Operating & Maintenance ("O&M") Expenses." 4 Tr 2644-2645; *see also*, 4 Tr 2658. The company explained that "Customer Advances are potentially refundable customer contributions that are made to offset the cost of extending facilities to serve a customer. In the COSS, Customer Advances are treated as a reduction to Rate Base and are currently allocated to customers based on their share of total distribution plant in service (Allocator 309)." 4 Tr 2658. Because of the EAC report and breakout of distribution assets into more detailed categories, Consumers recommended

including a more detailed breakout of the Customer Advances that fund those assets. Accordingly, the company asserted that "[t]he Version 2 COSS breaks out Customer Advances by the customer's connected voltage level (e.g. Voltage 1, 2, or LVD) and allocates the credit to that same group of customers using Class Peak." 4 Tr 2659.

Next, Consumers stated that "[t]he majority of Distribution O&M expenses in the COSS are broken out by FERC account and in some cases voltage level." 4 Tr 2659. Consumers explained that in Version 2 of the COSS, the company proposed new allocators for FERC accounts 583 and 593 (OH line) O&M expenses to ensure consistency with the logic and allocation of costs for similar distribution O&M accounts. The company asserted that:

> [c]urrently Voltage 1 OH line O&M is allocated using a 4CP [coincident peak] allocator which is not used to allocate any other distribution related costs in the COSS. The Company is instead proposing to allocate these costs using Voltage 1 OH line PIS. Voltage 2 OH line O&M is currently being allocated using Class Peak @ Voltage 2 which would be reasonable if all Voltage 2 OH line PIS were assigned using that allocator but that is not the case. In Version 2, the Company is proposing to allocate these costs using Voltage 2 OH line PIS. Finally, LVD OH line O&M is currently being allocated using a PIS allocator that includes both LVD and HVD PIS which causes HVD customers to be assigned LVD related O&M. In Version 2 the Company is proposing to allocate these costs using LVD OH line and services PIS.

4 Tr 2661.

According to Consumers, its "proposed Version 2 COSS would increase Residential, Commercial Secondary, and Lighting costs by 0.9%, 0.2% and 0.4% respectively compared to Version 1 of the COSS. Primary costs would decrease 2.5%." 4 Tr 2662.

1. Distribution Cost Allocation and the Electric Asset Categorization Report

MNSC argued that pursuant to MCL 460.11(1), Consumers has not demonstrated that rates are equal to the cost of providing service and that each customer class will be assessed for its fair and equitable use of the grid. *See*, MNSC's initial brief, pp. 76-80; MNSC's reply brief, pp. 5-6.

First, MNSC disagreed with Consumers' proposed method for allocating reliability improvements and reliability spending among residential and C&I customers. Specifically, MNSC asserted that "the Company allocates distribution system investments for line clearing and the LVD and HVD systems using allocation that generally allocate most of the costs to residential customers. In particular, the residential class is allocated at least 50% and up to 67% of all non-HVD capital and operational expenditures, plus a portion of HVD spending." MNSC's initial brief, p. 82 (citing 6 Tr 4056). By contrast, MNSC argued, Consumers allocates the benefits of these investments disproportionately to the C&I class: "per the Company's model, about 2% of the benefits accrue to residential customers while over 90% of the benefits accrue to small C&I customers." MNSC's initial brief, p. 82 (citing 6 Tr 4057). Thus, MNSC averred that residential customers are paying substantially more than the benefits they receive. MNSC recommended that the Commission require Consumers to analyze its allocation method to address this misalignment.

MNSC also disputed Consumers' use of the EAC report to update the company's COSS distribution cost categories for land, lines, and substation assets. MNSC noted that, according to Consumers:

> these categories were "chosen to capture asset voltage and the downstream facilities connected to/relying on that asset." In other words, the Company developed such granular categories in order to allocate costs to downstream connected facilities that rely on a given asset and "should be assigned some of those costs." The update now allows Consumers to isolate lower-voltage infrastructure costs and assign them specifically to downstream customers.

6 Tr 3918 (quoting 4 Tr 2651, 2653). MNSC stated that, historically, Consumers had excluded customers who take service at high voltage levels from lower-voltage infrastructure costs because these customers do not benefit from the lower voltage distribution network because power only flowed in one direction. However, MNSC argued that "[o]ne-way power flow is no longer the reality. Today, the power system is changing such that DERs are making bidirectional power flow

more common on the distribution system, in turn providing generation and other services to higher voltage customers who previously only benefitted from centralized generation delivered at the transmission or primary level." 6 Tr 3919. As a result, MNSC recommended that the Commission reject the company's new distribution COSS allocations to downstream voltage customers; rather, Consumers should be reconsidering existing voltage differentiations that are already built into the COSS and provide related recommendations in its next electric rate case. Specifically, MNSC asserted that "[a]s the Company develops analysis of bidirectional flow on its power system, it should incorporate such empirical data into the EAC report or other power system mapping to identify the extent to which higher-voltage customers utilize and should pay for downstream assets." 6 Tr 3921.

Regarding Consumers' allocation of distribution battery costs, MNSC contended that the company failed to demonstrate that batteries only serve low-voltage customers. MNSC noted that, according to the company, it:

> is also "not aware of any engineering literature or manuals that specifically state" that batteries serve only voltage level 3 and 4 customers. In fact, rather than serving only low voltage customers, distribution-related battery plant provides services that benefit customers across all distribution voltage levels: Consumers notes that such investment is "deployed to support the electric distribution system (e.g., capacity deferral, voltage support, resiliency, etc.)." Thus, the allocation of battery costs should not be limited to lower-voltage customers.

6 Tr 3922 (quoting Exhibit MEC-18); *see also*, MNSC's initial brief, p. 84. Accordingly, MNSC recommended that distribution battery costs be allocated to all distribution customers.

Consumers disagreed with MNSC that the EAC report changes the categorization of LVD lines, equipment, or batteries, and asserted that the report did not fundamentally change how distribution costs are allocated. *See*, Consumers' December 23 reply brief, p. 50. Rather, the company asserted that the EAC report "simply serves to provide more robust detail on the

Company's substation, land and High Voltage Distribution ("HVD") line distribution assets." 4 Tr 2670; *see also*, Consumers' initial brief, p. 404; Consumers' December 23 reply brief, pp. 51-52. In addition, Consumers stated that it has not changed and does not plan to change the voltage level definitions that align with the company's tariff and internal asset classification and management. Furthermore, the company contended that its "use of Class Peak and the logic underpinning the allocation of distribution facilities in this case is consistent with what the Commission has approved in the past." 4 Tr 2670; *see*, Consumers' initial brief, p. 404. Consumers averred that MNSC failed to provide any specific alternative allocators or alternative voltage definitions for the Commission's consideration. *See*, Consumers' initial brief, p. 407.

Consumers objected to MNSC's recommendation that the company include empirical data regarding bidirectional power flow into the EAC report or other power system mapping to identify the extent to which higher-voltage customers utilize and should pay for downstream assets. The company argued that "the extent of bidirectional power flow between the LVD and HVD system is de minimis. The rare occasion when bi-directional power flow occurs does not fundamentally change what has caused/driven the Company to build out and maintain the infrastructure on its LVD system." 4 Tr 2671, *see also*, 3 Tr 1753; Consumers' initial brief, pp. 405-406. Consumers argued that the purpose of the EAC report is to provide more transparent information about the company's assets.

In response to MNSC's request that all distribution battery costs be allocated to all distribution customers, the company stated that:

> [t]he EAC report made no changes to the breakout or allocation of battery costs in the COSS which was proposed by the Company and approved by the Commission with no objections from Staff and intervenors in the Company's 2023 ERC (Case No. U-21389). Nothing has materially changed from 2023 to the present case.

> The COSS treats distribution-related battery plant the same way it treats other distribution plant assets because they are deployed to serve a similar purpose. Currently the only distribution batteries in service are connected to the LVD system which is why they are allocated to LVD customers.

4 Tr 2671-2672; *see also*, Consumers' initial brief, p. 406.

ABATE contended that MNSC "provides no engineering analysis, empirical data, or system studies to demonstrate that higher voltage customers actually use, depend upon, or benefit from the lower-voltage distribution network. The Company's allocation method is properly based on physical use of facilities and voltage level of service, which are the true cost drivers." 6 Tr 3829-3830. According to ABATE, high-voltage customers are served upstream of low-voltage customers, do not use the same facilities, and, therefore, are not responsible for the associated costs of the facilities. *See*, ABATE's reply brief, p. 26. ABATE argued that "[a]ssigning low-voltage system costs to high-voltage customers would distort cost responsibility and create cross-subsidies that violate the cost-causation principle." 6 Tr 3830; *see*, ABATE's reply brief, p. 28.

ABATE also disagreed with MNSC's claim that bidirectional power flow from distributed generation undermines traditional voltage-based cost allocation. In ABATE's opinion:

> [w]hile distributed generation can cause limited instances of reverse flow at the local level, neither [MNSC witness] Ms. Palmer nor Consumers have presented any evidence that such flows are significant or system-wide. The Company itself is still developing analytical tools to measure the extent of bidirectional flow. Until measurable data demonstrates that higher-voltage customers are materially served by lower-voltage assets, the long-established allocation method should remain unchanged.

6 Tr 3830 (citing Exhibit MEC-17).

Regarding MNSC's proposal to allocate distribution battery costs to all distribution customers, ABATE stated that "[t]he Company's treatment of these costs as LVD is correct because the batteries currently in service are physically connected to, and operate within, the low-voltage

portion of the distribution system. The customers who are served from these circuits are the ones who directly cause these costs and benefit from these assets." 6 Tr 3832. ABATE asserted that Consumers has provided sufficient evidence to demonstrate that these batteries are connected at voltages between 8.32 kV and 24.9 kV, which are classified as LVD, and that high-voltage customers are not benefiting from these distribution batteries.

Similarly, Kroger stated that the possibility of bidirectional flow of electricity does not demonstrate that the low-voltage system was developed to serve high-voltage customers. Kroger noted that the acknowledgment by Consumers of the possibility of bidirectional flow of electricity from low-voltage to high-voltage distribution equipment is not evidence that the bidirectional flow exists. In Kroger's opinion, "even if bi-directional power flows may occasionally flow from lower-voltage to higher-voltage distribution equipment, [MNSC] does not provide any evidence regarding the frequency or magnitude of such occurrences to demonstrate the degree to which higher voltage customers might allegedly benefit by receiving power from a DER." 5 Tr 3423. Accordingly, Kroger recommended that the Commission reject MNSC's recommendation to disregard the EAC report and the new COSS.

In briefing, the Staff stated that it:

> takes no issue with the Company's updated EAC report process and expanded COSS cost categories, as it provides more detail and accuracy in assigning costs throughout its distribution system. Concerning bidirectional power flows and purported benefits to higher voltage customers, Staff agrees that these supposed power flows have not been quantified and are very minimal and also that costs are not assigned based on benefit. Costs are assigned based upon cost causation, which for the distribution system is peak demand by voltage level. Bidirectional power flows have not been shown to affect these peak demands in any significant way and should not be considered when allocating distribution system costs.

Staff's initial brief, p. 157.

The ALJ recommended that the Commission decline to adopt MNSC's proposal to reject the EAC report. He found that "Consumers explained the need for updating the EAC report, provided an overview of the new report process, and reviewed changes to various cost categories that result from the report's more detailed breakout of assets. In addition, Consumers adequately rebutted MNSC's claim that the EAC report represents a new method of allocating distribution costs." PFD, p. 781. The ALJ stated that the company demonstrated that it will continue to break out costs by FERC account and voltage level and will use Class Peak for precisely allocating costs to customers who are attached to, and downstream of, that equipment in a manner that will ensure that customer groups are not paying for other customers' assets. Furthermore, he found that "there is not adequate evidence showing that the EAC report results in costs being unfairly shifted from low- to high-voltage customers." *Id*.

Next, the ALJ stated that MNSC failed to adequately demonstrate that Consumers' COSS should be rejected or that the company's allocation methods due to bidirectional power flows should be altered. He asserted that "[i]t would be premature and imprudent to modify cost allocations without adequate, quantitative data demonstrating that lower-voltage assets are being used to serve higher-voltage customers." *Id*., p. 782. Similarly, the ALJ found that MNSC did not provide adequate evidence demonstrating that the costs for distribution batteries should be allocated to all distribution customers. He stated that "[t]hese batteries are only connected to the LVD system and there is inadequate evidence that they serve high-voltage customers." *Id*. Accordingly, the ALJ recommended that the Commission reject MNSC's recommendations for the EAC report and the COSS.

MNSC excepts, asserting that the ALJ erred by accepting Consumers' inaccurate argument that the company is not changing the method of allocating the costs of distribution assets. MNSC

reiterates that Consumers' allocation method assigns costs based on the highest voltage level downstream of the asset, but it fails to allocate costs to upstream voltage customers who also benefit from the asset because of bidirectional power flows. *See*, MNSC's exceptions, pp. 9-11.

MNSC disputes the ALJ's finding that Consumers supported its use of the EAC report and the resulting new COSS. MNSC argues that:

> the findings misstate (or adopt Consumers' misstatement) of what is happening. Consumers is continuing to break out costs by FERC account and voltage level and use a Class Peak allocator – but it is not continuing to allocate costs only to voltage levels attached to and downstream of that equipment. Allocating costs only to customers on voltage levels downstream of distribution assets is new. It is undisputed that until now, Consumers allocated costs to all customers on the voltage level of the asset or below.

Id., p. 12.

In addition, MNSC disagrees with the ALJ's finding that "allocating the cost of distribution assets only to voltage levels downstream of an asset instead of all customers at or below the asset's voltage level is not a modification to the existing cost allocation method." *Id*. MNSC argues that Consumers' proposal modifies the current method because it proposes new and revised COSS categories and allocates these costs to downstream customers only.

Furthermore, MNSC asserts that the ALJ erred in placing the burden on MNSC to demonstrate that Consumers' proposal should be rejected. MNSC contends that the burden is on the company to prove that the allocation change is reasonable and prudent. Specifically, MNSC states that "[i]f Consumers currently lacks sufficient data on bidirectional power flows – putting aside its plans to increase such flows – then the lack of data undermines the Company's assumption that the costs of distribution assets are caused only by downstream customers and are in no way caused by those customers upstream." *Id*., pp. 13-14. Additionally, MNSC avers that Consumers has the burden, not MNSC, to demonstrate that costs are not being unfairly shifted from low-voltage customers to

high-voltage customers and the company failed to do so. Accordingly, MNSC requests that the Commission decline to adopt the ALJ's recommendation.

Consumers reiterates that it is not changing the allocation method for its distribution costs. The company states that "[t]he only difference between Case No. U-21585 and this case is the amount of detail in the cost data for each FERC account." Consumers' replies to exceptions, p. 108. Consumers restates the same arguments set forth in testimony and briefing and requests that the Commission reject MNSC's proposals. *See*, *id*., pp. 109-114.

The Commission notes that Consumers explains that it was necessary to develop a new report because the previous report was built decades ago. *See*, 4 Tr 2651. The company states that it worked with PowerPlan to create a module that:

> first identifies assets that meet certain FERC account and location criteria. Next, property accounting sends a list of those assets to engineering who maps each asset to the appropriate COSS category. That mapping information is then imported back into the module which uses that data to breakout [sic] the asset balance and related depreciation for each COSS category. The COSS categories, which were developed in consultation with accounting and engineering, were chosen to capture both asset voltage and the downstream facilities connected to/relying on that asset.

4 Tr 2651. Specifically, Consumers asserts that the EAC report "breaks out plant and related depreciation accounts for (i) distribution substations, (ii) batteries, (iii) HVD overhead and underground lines, and (iv) land, into more detailed categories" and it provides transparency about how assets are assigned in the COSS. Consumers' initial brief, p. 397 (citing 4 Tr 2650).

In response to MNSC's claim that the company is changing the method by which the COSS allocates the costs of distribution assets, Consumers states that it:

> is still breaking out costs by FERC account and voltage level and using a Class Peak allocator to allocate costs to customers attached to and downstream of that equipment. The methodology has not changed. The only difference is that the Company now has more granular detail about the costs in those FERC accounts, which allows the Company to apply the Class Peak allocators more precisely. For example, for Distribution Substations and Equipment (FERC accounts 361-362),

> the Company formerly only had enough detail to divide those costs into three voltage categories where it was assumed lower voltage customers used all of the upstream facilities. Now the Company has sufficient detail to divide those costs into six categories that differentiate between the voltage level(s) downstream relying on that equipment. That additional detail allowed the Company to identify some costs that were formerly allocated to Voltage 1, 2, 3, and 4 customers that are only actually caused by and attributable to Voltage 1 customers. Likewise, the additional detail allowed the Company to identify some costs that were formerly allocated to Voltage 2, 3, and 4 customers that are only actually caused by and attributable to Voltage 2 customers.

Consumers' December 23 reply brief, pp. 50-51 (citing 4 Tr 2652-2656). The company contends that the EAC report has "disentangled the assets" of Voltage 1 customers from Voltage 2, 3, and 4 customers to ensure that neither group is inappropriately paying for the other group's assets. Consumers' December 23 reply brief, p. 52.

Additionally, Consumers testified that according to the company's distribution substation load data, "only 0.39% of total MWh flowed in the reverse direction between LVD Primary (e.g. Voltage 3) and the HVD (46 kV and 138 kV) system." 3 Tr 1753. The company explains that it is tracking bidirectional flow at certain substations using distribution supervisory control and data acquisition, however Consumers states that it does not currently have the ability to acquire comprehensive data that would evaluate the full extent of bidirectional power flow across the entire distribution system. *See*, 3 Tr 1753. In any event, Consumers contends that there is no evidence "that upstream commercial and industrial customers are benefiting from bidirectional power flow, even if the concept of who "benefits" from a general class of investments were a proper basis for allocating costs (which it is not)." Consumers' initial brief, p. 405. Consumers asserts that "[i]f there comes a time that there is proper engineering support to reconsider how bidirectional power flow changes cost causation, the Company will consider it. There is no such support right now." Consumers' December 23 reply brief, p. 55.

The Staff agreed, stating that:

> these supposed power flows have not been quantified and are very minimal and also . . . costs are not assigned based on benefit. Costs are assigned based upon cost causation, which for the distribution system is peak demand by voltage level. Bidirectional power flows have not been shown to affect these peak demands in any significant way and should not be considered when allocating distribution system costs.

Staff's initial brief, p. 157.

While the Commission finds compelling MNSC's arguments regarding bidirectional power flow and the allocation of distribution battery costs to all distribution customers, there is insufficient record evidence to adopt MNSC's recommendations in this case. However, the Commission finds persuasive MNSC's argument that power flow is not the only measure of utilization and that Consumers failed to adequately demonstrate that batteries only serve and/or benefit low-voltage customers. In addition, the Commission is not persuaded by Consumers' argument that "[t]he COSS treats distribution-related battery plant the same way it treats other distribution plant assets because they are deployed to serve a similar purpose." 4 Tr 2672. Battery costs should be allocated based on the benefit provided by the asset to the system, not where it is connected to the system. Accordingly, in its next general electric rate case, Consumers shall provide empirical data in the EAC report or other power system mapping to identify the extent to which higher voltage customers utilize and should pay for downstream assets.

2. Advanced Metering Infrastructure Cost Allocation

Consumers stated that, in the COSS, it allocates meter PIS:

> using a weighted customer allocator (allocator 170) which takes into account the number of customers and the cost of the meter since primary rate customers' meter costs are higher than residential customers. Using an allocator based solely on customer count (allocator 160) would assign over 87% of meter plant to residential customers but the weighted customer (allocator 170) assigns 60%.

4 Tr 2672.

MNSC objected to the company's classification and use of allocator 170. In MNSC's opinion, "Consumers' approach does not reflect the realities of an evolving power system. Technology and cost responsibility are changing rapidly to meet evolving market demands and to support state policy goals." 6 Tr 3911. MNSC argued that, along with customer billing, advanced metering infrastructure (AMI) meters allow demand management, which provides system capacity benefits, and line loss reduction, which is a system energy benefit. MNSC asserted that the benefits of AMI meters extend beyond individual customers and, therefore, "Consumers should classify AMI meter costs across those categories proportionally according to the relative benefits that accrue to each of the three cost drivers, based on the Company's formal quantification of AMI benefits." 6 Tr 3913. Specifically, MNSC recommended that the Commission classify AMI meter costs as 36% energy related, 17% demand related, and 47% customer related. MNSC contended that its proposed cost classification method "reduces the costs treated as customer-related, instead treat[s] portions as energy- and demand-related," and will "allocate fewer costs to small customers and greater costs to larger customers than the 100% customer allocator does . . . ." 6 Tr 3914. MNSC acknowledged that it had not tested its allocator in Consumers' COSS and "the Company is best qualified to adapt its model to include this new classification and allocation approach if the Commission approves it." 6 Tr 3914. MNSC noted that the Maryland Public Service Commission and the Colorado Public Utilities Commission have approved similar approaches.

In response, Consumers asserted that although AMI meters provide several benefits, the purpose of the meter is to connect and serve a customer. The company stated that its "weighted customer allocator appropriately captures how customers drive the utilities [sic] investment in metering infrastructure." 4 Tr 2673. Additionally, Consumers disputed MNSC's proposed changes to meter cost allocation because MNSC failed to address non-AMI meters that are

included in the company's meter plant, FERC 370. Consumers noted that "[l]ess than 0.04% of AMI meters serve primary rate customers but [MNSC]'s proposed composite allocator for AMI costs would assign 22% of AMI meter costs to primary rate customers." 4 Tr 2673 (citing Exhibit AB-20, p. 2). Furthermore, the company argued that MNSC's categorization of the avoided costs from the AMI business case is oversimplified because it does not consider or compare energy use and the realization of different benefits. Moreover, Consumers noted that MNSC "proposes to divide the entire AMI meter cost between these benefits without considering/comparing the cost of a non-AMI meter to calculate the AMI 'premium' incurred to realize those benefits." 4 Tr 2674.

ABATE also objected to MNSC's proposal to reclassify AMI meter costs. According to ABATE:

> [e]very customer, regardless of their size or usage pattern, must have a meter to receive service and be billed accurately. The cost of metering is caused by the existence of the customer relationship, not by how much energy the customer consumes or demands at peak. AMI technology does not change this fundamental causation, it merely provides an updated means of measuring and communicating customer usage.

6 Tr 3827. ABATE stated that the Commission has repeatedly approved the classification of meters as customer related, including the company's AMI investments, and MNSC failed to provide evidence justifying a change from this classification.

In addition, ABATE disputed MNSC's claim that AMI meters provide system-level energy and demand benefits that justify shared cost allocation. ABATE asserted that:

> a fundamental principle of cost allocation is the concept of cost-causation, meaning customers should be allocated the costs they cause. Allocating costs based on alleged benefits to various customer classes conflicts with this principle. Second, while AMI systems provide some operational benefits, those benefits are incidental and system wide, not direct drivers of metering costs. The purpose and function of the meters remain customer specific, to measure consumption and support billing.

> Any secondary energy or demand benefits are properly captured in operational savings and not in the classification of the meter plant itself.

6 Tr 3827-3828. ABATE stated that MNSC's hybrid classification method would provide subjective weighting, would reduce transparency, and would unfairly shift costs from residential and commercial customers to primary customers without any evidence that those customers cause or avoid meter costs differently. *See*, ABATE's reply brief, p. 26.

Kroger also disagreed with MNSC's proposed allocation of AMI costs. Kroger asserted that MNSC's "proposed allocators are based on estimated and forecasted benefits from the Company's entire Smart Grid Program, as opposed to just the benefits that are projected to result from the Company's AMI infrastructure," and do not follow traditional cost causation principles. 5 Tr 3418. Kroger stated that rates should be equal to the cost of providing service, not allocated to customers based on the classification of the benefits for the entire Smart Grid Program. *See*, Kroger's initial brief, pp. 1-3.

Responding to ABATE's argument that rates must reflect the costs caused by the customer, MNSC stated that:

> [c]ost-causation is a well-established principle of federal and state ratemaking which requires customers to receive benefits "roughly commensurate" to their costs. Under the cost-causation principle, customers cannot be forced "to pay for a facility [or program] if they do not receive any benefits from it," but likewise, customers cannot be forced "to pay the entire cost of a facility [or program] that benefits many.

MNSC's initial brief, p. 90 (footnotes omitted). MNSC asserted that courts have recognized that cost causation is not an exact science and involves many facts and equitable considerations. In addition, MNSC contended that the Commission "adheres to these cost causation principles, requiring utility costs to be broadly allocated according to the benefits accrued to each customer

class." *Id*., p. 91 (citing the June 19, 1995 order in Case No. U-10554 and the July 2, 2024 order in Case No. U-21461).

Furthermore, MNSC disputed Consumers', ABATE's, and Kroger's claims that installation and investment in AMI is caused by the need to connect and serve a customer, not by the benefits of AMI. MNSC argued that customers were already connected to a meter and were simply transitioned to AMI, which caused the customers to incur incremental costs and gain new benefits. MNSC asserted that, pursuant to its proposed allocation of AMI costs, "customers receiving AMI will still bear more of the cost burden. After all, [MNSC]'s proposal still calls for nearly half of AMI costs to allocated based on customer-specific treatment." MNSC's initial brief, p. 94 (citing 6 Tr 3913).

MNSC also objected to the claim that the Commission has consistently applied allocator 170 in past cases. According to MNSC, "[d]uring the 15 years since AMI was introduced, no party has actually litigated AMI cost allocation, nor has the Commission specifically opined on the issue." MNSC's initial brief, pp. 94-95 (citing 4 Tr 2673). Finally, MNSC reiterated that the Commission should reevaluate how AMI costs are allocated and should direct Consumers to continue to produce its AMI-business-case benefit analysis, which will ensure transparency about the impacts of AMI for all customer classes. *See*, MNSC's reply brief, p. 9.

In response to MNSC's argument that federal and state law require AMI costs to be allocated pursuant to program benefits, Consumers stated that MNSC's "claim is principally based on a shallow reading of federal case law pertaining to FERC's application of the cost-causation principle under federal law." Consumers' December 23 reply brief, p. 55. Additionally, the company contended that the Commission is not required to conform Michigan ratemaking to FERC or federal court decisions on cost causation. Moreover, regarding the Commission cases

that MNSC cited in support of its claim that utility costs should be broadly allocated according to the benefits accrued to each customer class, Consumers asserted that only Case No. U-10554 is on point, but the case does actually not support MNSC's conclusion. ABATE agreed. *See*, ABATE's reply brief, p. 24.

Finally, in response to MNSC's request that the Commission require the company to produce a new AMI business case in each general electric rate case, Consumers stated that "MNSC fails to recognize that during the numerous years that the Commission required the Company to produce a new AMI business case in each rate case, there were times that the business case was negative (i.e. it suggested that customers did not receive benefits from the original AMI investment because the costs exceeded the benefits)." Consumers' December 23 reply brief, p. 61. Accordingly, because past AMI cases were sometimes positive and sometimes negative, the company argued that it could result in unstable rates for customers. Specifically, Consumers asserted that "the AMI business case was very sensitive to changes in underlying assumptions and market conditions and was not necessarily a good hind-sight tool for quantifying AMI benefits." *Id*., p. 62.

The ALJ found that, traditionally, the costs associated with meters have been classified as customer related and "the Commission has consistently applied Consumers' weighted customer allocator to apportion the costs of AMI meters." PFD, p. 792 (citing 4 Tr 2672-2673; 6 Tr 3827; MNSC's initial brief, pp. 94-95). He stated that because MNSC is proposing to change the established method, the burden is on MNSC to demonstrate that its proposed alternative method better ensures that rates reflect the cost of service (COS). The ALJ found that MNSC did not meet this burden.

First, the ALJ disagreed with MNSC that MCL 460.11(1) states that costs should be allocated according to program benefits. He found that:

> [t]here is no explicit requirement in this statute requiring costs to be allocated based on benefits. And while the statute provides default methods for allocating transmission and production-related costs, it establishes no preferred method for allocating other asset classes, including meters. A statute that is clear and unambiguous must be applied as written, and a requirement must not be read into an unambiguous statute where none appears in the plain language.

PFD, p. 793 (citing *Nickola v MIC Gen Ins Co*, 500 Mich 115, 123, 125; 894 NW2d 552 (2017)). In addition, regarding the cases cited by MNSC to demonstrate that utility costs should be allocated according to the benefits accrued to each class, the ALJ stated that "these cases do not establish that the Commission has adopted a benefits-centered approach to cost allocation." PFD, pp. 793-794 (citing MNSC's initial brief, p. 91). Rather, he found that the Commission has historically followed traditional cost-causation principles.

Second, the ALJ found Consumers', ABATE's, and Kroger's concerns about MNSC's proposed allocation method persuasive. He noted that "MNSC's method would assign 22% of AMI meter costs to primary rate customers even though just 0.04% of AMI meters serve that customer class." PFD, p. 794. Accordingly, the ALJ stated, MNSC's allocation method would allocate meter costs to a class that uses almost none of these meters—i.e., a class that does not cause the cost—which would be contrary to directives of MCL 460.11(1). In addition, regarding MNSC's proposed allocation method that equates the projected benefits of the entire Smart Grid program with avoided costs from investments in AMI meters, he agreed with Kroger that MNSC's cost allocation method may be inaccurate and could lead to inequitable results. Furthermore, the ALJ found Consumers' argument persuasive that "MNSC's method is oversimplified because it assumes that the benefits from AMI energy conservation accrue to all customers based on energy use and because it fails to consider the cost of non-AMI meters when calculating the benefits of AMI meters." PFD, pp. 794-795 (citing 4 Tr 2673-2674; Consumers' initial brief, pp. 408-409).

Therefore, the ALJ found that MNSC failed to demonstrate that the company's method for allocating AMI costs does not align with accepted COS principles or is unreasonable. In addition, he found that MNSC has not provided a better or more accurate allocation method. Finally, the ALJ recommended that the Commission reject MNSC's proposal that Consumers be directed to continue to file an updated AMI business case in each general electric rate case for the reasons stated by Consumers. PFD, p. 795.

In exceptions, MNSC notes that, according to the ALJ, Consumers has traditionally allocated meter costs using allocator 170, the weighted customer allocator. MNSC states that "[e]ven so, that does not imply that AMI's cost allocation cannot and should not be revisited." MNSC's exceptions, p. 6. MNSC reiterates that Consumers' AMI meter cost allocation method has not been contested and, therefore, past precedent on this issue has little persuasive value.

MNSC asserts that MCL 460.6(a) and 460.11(1) require that rates are just and reasonable and that rates reflect the customer's fair and equitable use of the grid. Thus, MNSC argues that "it is unreasonable for residential customers to subsidize the rates of industrial and commercial customers by paying for infrastructure that provides them energy-related and demand-related benefits." MNSC's exceptions, p. 7. MNSC notes that the Commission has acknowledged that as the use of the grid evolves and new technologies emerge, the Commission will need to adjust rate design because traditional COS principles do not account for these issues. In MNSC's opinion, its "recommendation accounts for the changed use; the Company's weighted customer allocator does not." *Id*. Furthermore, although the ALJ expressed concern that MNSC's proposed AMI meter allocation method may result in inaccuracies and inequity, MNSC asserts that the current method already results in inequities. MNSC contends that its proposed allocation method would change AMI meter cost allocation for the better.

Consumers disagrees with MNSC's claim that the weighted customer allocator results in residential customers subsidizing C&I customers; in fact, the company contends that if MNSC's proposal is adopted, C&I customers would subsidize residential customers. In addition, Consumers asserts that "there are significant problems with how MNSC conceives of the 'benefits' that industrial and commercial customers supposedly derive from AMI meters." Consumers' replies to exceptions, p. 115. The company also reiterates that MNSC's categorization of avoided costs from the AMI business case is oversimplified. *See*, *id*., p.115 (citing 4 Tr 2673-2674).

The Commission finds the ALJ's recommendation to be reasonable and prudent and that it should be approved. As noted by Consumers, there are three steps in performing a COSS: functionalization, classification, and allocation. *See*, 4 Tr 2646. First, for functionalization, the company identifies and separates plant and expenses into specific categories based on activity or function of the cost. Second, Consumers explains that "[c]ost classification involves categorizing costs as demand, customer, or energy related according to the primary cost drivers." 4 Tr 2646. Third, the company states that cost allocation:

> assigns costs to each customer class using a variety of factors that correlate to the identified cost drivers. When possible, individual costs that can be traced to a class of customers may be directly assigned to that class. The fundamental principle guiding the assignment of costs in the COSS is cost causation; in other words, the costs assigned to a class or group of customers should reflect how those customers drive or influence the utility's costs. This process is relatively standard across the utility industry and is supported by the National Association of Regulatory Utility Commissioners ("NARUC").

4 Tr 2646.

The Commission agrees with Consumers that allocator 170 "takes into account the number of customers and the cost of the meter since primary rate customers' meter costs are higher than residential customers. Using an allocator based solely on customer count (allocator 160) would

assign over 87% of meter plant to residential customers but the weighted customer (allocator 170) assigns 60%." 4 Tr 2672. However, the Commission agrees with MNSC that, while "the main purpose of meters was once customer billing . . . 'advanced meters serve a broader range of functions, including demand management, which in turn provides system capacity benefits, and line loss reduction, which provides a system energy benefit.'" 6 Tr 3912 (quoting Lazar, J. *et al*., *Electric Cost Allocation for a New Era: A Manual*. Montpelier, VT: Regulatory Assistance Project (2020), p. 18). Indeed, it was on the basis of these additional expected benefits, including "provid[ing] customers options to manage their energy usage and their energy costs," that Consumers initially supported its AMI investments. 6 Tr 3912 (citing Direct Testimony of David E. Schonhard in Case No. U-15645, filing #U-15645-0608, p. 12). As such, the Commission agrees with MNSC that the static approach to allocating the costs of meters, which has not been litigated over the last 15 years of AMI deployment, "does not reflect the realities of an evolving power system" and that these realities "require[] utilities to re-evaluate cost allocation issues that may previously have been considered settled." 6 Tr 3911.

However, the Commission also finds persuasive the company's argument that MNSC's proposed alternative allocation method is also faulty, notably that it would assign 22% of the AMI meter costs to primary rate customers when less than 0.04% of AMI meters serve primary rate customers, which seems disproportionate, regardless of whether viewed under a cost causation

or beneficiary pays cost allocation approach.[24] *See*, 4 Tr 2673. MNSC did not directly address this issue, and the Commission is not persuaded, based on the record in this proceeding, to adopt such a significant departure from the current cost allocation approach, which does include some weighting beyond an approach driven solely by customer counts. However, the Commission directs Consumers in its next electric rate case to propose changes to how it allocates the costs of AMI meters to customer classes to better reflect the system benefits these meters provide.

The Commission declines to adopt MNSC's recommendation that the Commission direct Consumers to continue its AMI business case in the company's general electric rate cases. In the March 1 order, the Commission found:

> merit in continuing to require Consumers to file information on its AMI investment. However, the Commission clarifies that the value of this reporting is less about supporting a BCA for meters that have long-since been installed and much more about how to fully unlock the customer value of this significant investment moving forward. Specifically, the Commission is interested in the provision of information regarding continuous opportunities that the investment in AMI brings to customers and the company, including opportunities for efficiencies and cost savings; more awareness of the system and its capabilities, including how such increased awareness can contribute to improved reliability; and how to leverage the AMI infrastructure to unlock opportunities for DER deployment. Using this framework, the Commission thus finds that, in lieu of the continued provision of future advanced metering infrastructure business case updates, the company and the Staff should meet following this order to coordinate on appropriate value-focused AMI metrics and elements for the company to include in its future rate case filings—

[24] There is significant discussion on the record over what MCL 460.11 requires in terms of cost allocation. The Commission notes an internal tension within the statutory language. Specifically, the first sentence of the section requires that "the commission shall ensure the establishment of electric rates equal to the cost of providing service to each customer class." MCL 460.11(1). However, the following sentence in that same subsection states that "[i]n establishing cost of service rates, the commission shall ensure that each class, or sub-class, is assessed for its fair and equitable use of the electric grid." *Id*. The inclusion of language requiring assessment of costs related to each class's (or sub-class's) "fair and equitable use of the electric grid" suggests that the Commission should seek to marry traditional cost causation principles with beneficiary pays principles to meet the dual statutory demands of "rates equal to the cost of providing service to each customer class" and that "each class (or sub-class) is assessed for its fair and equitable use of the electric grid." *Id*.

> which, to be clear, is to be a substitute for the updated AMI business case filing requirement moving forward, not in addition to.

March 1 order, p. 299. Indeed, the Commission's motivation for this change to reporting was to focus more on the benefits, including unrealized benefits, that AMI can provide. If the only value of AMI was connecting and serving a customer, then there would be no justification for the added cost of AMI over non-communicating meters. The value of AMI, as Consumers articulated when initially seeking approval for its AMI deployment strategy, comes from the customer-specific and system-wide benefits advanced meters can provide, including DR, DER integration, VPP capabilities, and more. As discussed above, the Commission expects to see VPPs and other demand-side resources proposed as a solution to any potential future energy or capacity needs. Going forward, the Commission expects Consumers to continue to unlock the full value of advanced meters. Accordingly, the Commission finds that Consumers should continue to provide AMI value-focused metrics consistent with the Commission's directive in the March 1 order.

3. Multi-Account Online Account Management Cost Allocation

MNSC objected to Consumers' proposal to allocate MAOAM project costs to all customers. In MNSC's opinion, "the Company has not demonstrated that all classes will use the software proportionally to the proposed cost allocator. For example, although all customers might have the ability to manage multiple accounts through a single login, it is unclear that the residential class requires such functionality." 6 Tr 3923. MNSC asserted that there are no customers with the MAOAM login because the tool is currently being developed and only C&I customers have access to and may use the tool. *See*, MNSC's initial brief, pp. 86-87. Therefore, MNSC recommended that "Consumers continue to break out this project cost in the COSS and allocate it to the customer classes who use the program, based on the proportion of customers that have multiple logins. Currently, that would only include C&I customers." 6 Tr 3924.

In response, Consumers asserted that "approximately 115,000 residential customers have multiple accounts and could use the MAOAM tool compared to approximately 40,000 C&I customers. Around 50,000 customers manage a combination of residential and C&I accounts." 4 Tr 2674. The company noted that there is a third-party tool, Bill Trust, that is only available to C&I customers, which does not affect the future utilization of MAOAM. Consumers stated that if it "were to develop an allocator based on the proportion of customers by class that could use the tool (e.g. multiple logins) that attributes 100% of the combination accounts to C&I, 56.2% of MAOAM costs would be allocated to the residential class compared to 62.7% using the existing COSS labor allocator cited by [MNSC]." 4 Tr 2674-2675. According to the company, if 62.7% of costs were allocated to residential customers, it would be $190,000; by comparison, if 56.2% of the costs were allocated to residential customers using MNSC's proposed method, it would be $170,000. Consumers contended that "[p]erforming and filing a study in every rate case for a project that has a 1/10,000 of a penny impact on residential rates does not warrant the internal and external resources to do that study and sets an unrealistic precedent for any and all future projects and customer offerings." 4 Tr 2675.

The ALJ found Consumers' proposed allocation method for the MAOAM to be reasonable and recommended Commission approval. He stated that:

> [w]hereas the Commission previously required costs to be broken out for the C&I Online Account Management project because that tool was only available to C&I customers, the MAOAM tool will be available to all customers. Consumers has shown that a significant number of residential customers have multiple accounts, and there is no reason to believe this customer class will not utilize the MAOAM tool once it is available.

PFD, p. 797. The ALJ also agreed with the company that it is not reasonable or prudent to expend more resources to more precisely allocate costs for the MAOAM.

No exceptions were filed on this issue.

The Commission finds the ALJ's recommendation to be reasonable and prudent and that it should be adopted.

B. Rate Design

Consumers explained that four objectives inform rate design in this case. First, the company "adhere[s] to the cost of service in accordance with the requirements set forth in MCL 460.11." 3 Tr 152. Second, Consumers stated rates are designed to encourage the efficient use of the company's electric system. Third, the company "design[ed] rates that promote a favorable business climate" and fourth, Consumers "design[ed] stable rates that provide the Company with a fair opportunity to collect its revenue requirement." 3 Tr 153. Consumers noted that MCL 460.11(1) requires the company to design rates that reflect the cost of providing service to each customer class. The company asserted that "[t]he intent of this being to prevent, or at the very least limit, interclass subsidies. However, this does not completely remove the utility's ability to maintain crossing-points between rates within a class and to make other adjustments to deviate from the COSS in some instances." 3 Tr 153.

Consumers stated that it identified six deviations from the COSS in this case: (1) an adjustment to reflect the difference between the market cost of production capacity collected from large standby customers who take service under Rate GSG-2 and the embedded cost of capacity allocated to these customers in the COSS, (2) an adjustment to production energy costs to reflect the difference between the market-based rate design structure and the embedded COS design, (3) an adjustment to transmission costs to reflect the difference between the market-based rate design structure and the embedded COS design, (4) an adjustment to correct for an overallocation of substation costs to voltage levels 1 and 2 rates, (5) an adjustment that reflects the life line credits that have traditionally been supported by all customer classes, and (6) an adjustment to

remove the DR revenue requirement allocated to each rate schedule from base rates pursuant to the directive in the March 21 order. *See*, 3 Tr 153-154.

To design rates that collect the company's production costs, Consumers explained that:

> [p]roduction is comprised of both fixed and variable costs, which are separated in the COSS between capacity and energy costs. Production capacity represents the cost of a generating plant and having it stand ready to serve customer demand over an extended period of time (annually) or at a certain hour (peak). Conversely, production energy represents the cost of running these plants and is usually attributed to fuel expenses. Traditionally, the Company has used a combination of historical prices based on the Midcontinent Independent System Operator, Inc. ("MISO") market to estimate the energy price spread of providing service during different time periods.

3 Tr 155. The company asserted that it is not proposing any changes to the methodology approved in the March 21 order for calculating production energy price spreads. Accordingly, Consumers stated that it used the weighted average hourly locational marginal pricing (LMP) to calculate the energy charge spreads for the various time-of-use (TOU) rates. The company averred that "[t]his weighting of hourly LMP values based on the corresponding hourly energy use better reflects the value of energy in each time period." 3 Tr 155.

Consumers contended that it designed rates to recover test year revenue requirements, and the Long-term Industrial Load Retention Rate (LTILRR) revenues. *See*, Consumers' initial brief, p. 413 (citing Exhibit A-16, Schedule F-2.0; Confidential Exhibit A-69). In addition, the company stated that "[t]he proposed electric rates were calculated to collect the jurisdictional revenue requirement contained in Exhibit A-16 (LMC-1), Schedule F-2.0. Further, the present and proposed electric charges were applied to the billing determinants to calculate the test year revenues shown in Exhibit A-16." Consumers' initial brief, p. 413.

The Staff identified an error in Consumers' voltage level calculation for class GSG-2 Standby-Service Production. *See*, 6 Tr 4595. The Staff also "reviewed the proposed rates upon completion

of Staff's rate design and evaluated their consistency with general principles of rate design such as stability, efficiency, and reasonability." 6 Tr 4595-4596.

Regarding the error in the company's rate design identified by the Staff, Consumers "request[ed] that the Commission approve the Company's as-filed rate design with the modification to correct the voltage level calculation for the class GSG-2 Standby-Service Production." Consumers' initial brief, p. 413.

Consumers stated that although "[t]he average monthly residential customer bill is projected to increase 11% from approximately $132 per month to $146 per month," according to the Energy Information Administration, "[t]he national average residential electric bill . . . is projected to be $154 per month in 2026, which is approximately $8 more than the $146 per month projected for the Company's customers." 3 Tr 157-158. In addition, the company proposed to continue the residential customer charge of $8.00 per month, which the ALJ found to be uncontested. *See*, PFD, p. 799. Consumers also noted that it was proposing no changes to its Secondary or Primary rate structures. *See*, 3 Tr 158-159.

1. Large Economic Development Rate

Consumers explained that its Large Economic Development (LED) rate was first established in Case No. U-21160. The company asserted that since the implementation of Rate LED, "potential customers have inquired about the availability of a facilities allowance such as that offered under DTE Electric Company's Rate D13." 3 Tr 159. In addition, Consumers noted that in the March 21 order, the Commission directed the company to propose a facilities allowance for Rate LED, if Consumers believed it to be beneficial, that includes only distribution and system contribution revenues, not power supply revenues, and that is based on a limited term. In this case, Consumers proposed three changes to Rate LED: (1) an update to the production capacity

charge that is based on the latest forecast of MISO cost of new entry (CONE), (2) the inclusion of a facilities allowance, and (3) the inclusion of a power factor adjustment. Consumers requested that the Commission approve the company's proposed language for Rate LED to clarify that a facilities allowance would be applicable to customers on Rate LED, which would better align with other cost-based large customer rate options in Michigan. Consumers' proposed power factor adjustment is discussed in the Tariff Issues section below.

Consumers asserted that five years is an appropriate length of time to use in the facilities allowance calculation for Rate LED because that corresponds with the standard CIAC allowance that is offered to standard primary customers. For the power factor, the company proposed "to mirror the design of the recently approved Power Factor adjustment for Rates GP [general service primary], GPD [general service primary demand], GPTU [general service primary time of use], and EIP [energy intensive program]. However, the Company is proposing to assess penalties for Power Factor between 0.700 and 0.909." 3 Tr 160. Consumers explained that the penalty band is higher for Rate LED because these customers will have larger loads than current customers and could have a greater impact on the company's total system power factor.

ABATE stated that it supports Consumers' proposal to add a facilities allowance to Rate LED so long as it is consistent with the March 21 order. *See*, 6 Tr 3652-3655. However, ABATE objected to the company's proposed "0.909 power factor threshold for determining whether per kVAR [kilovolt-amperes reactive] charges or credits apply, rather than the 0.875 power factor threshold approved by the Commission in Case No. U-21585 for Rates GP, GPD, GPTU, and EIP." 6 Tr 3655. ABATE contended that Consumers failed to provide any evidence that it has existing or potential Rate LED customers that either alone, or in the aggregate, would threaten the

company's ability to comply with the limit set forth in the FERC-jurisdictional Distribution-Transmission Interconnection Agreement (DTIA).

In addition, ABATE asserted that the company provided no evidence that:

> in combination, Consumers' Rate LED delivery service charges, and the application of the power factor provisions for Rates GP, GPD, GPTU, and EIP approved in Case No. U-21585 to Rate LED customers, would not provide sufficient contribution from Rate LED customers toward covering the cost of power factor correction on Consumers' system. Larger customers would have higher demand and a higher level of kVAR deviation for the same amount of power factor deviation. This means that for the same level of power factor deviation, these customers will pay higher delivery service charges and higher per kVAR charges than a smaller customer under Rates GP, GPD, GPTU, or EIP.

6 Tr 3656. Furthermore, ABATE argued that Consumers did not include a similar 0.909 power factor threshold for per kVAR charges and credits in its proposed GPD Data Center Load Amendments that were proposed in Case No. U-21859, despite reporting that the company has over 15 gigawatts of data center load in its economic pipeline. Therefore, ABATE contended that the Commission should "adopt for Rate LED the same power factor provisions approved for Rates GP, GPD, GPTU, or EIP in Case No. U-21585, including the use of a 0.875 power factor threshold for per kVAR charges and credits." 6 Tr 3657.

Solar Technology argued that Consumers should not implement a power factor penalty that is stricter for Rate LED customers compared to the power factor applied to customers on Rates GP, GPD, GPTU, and EIP. According to Solar Technology, the power factor provision should be the same across all rate schedules because this would "ensure that the primary rates are non-discriminatory and are equitably designed to recover Consumers' cost of providing service to all customers." 4 Tr 2926. Solar Technology explained that the company's proposed power factor would cause Rate LED customers to "pay a higher cost for the delivery of the same proportion of kWs and KVARs than would customers in the other rate classes. The KVAR penalty would be

greater for a Rate LED customer, even though Consumers is delivering the same KVARs for metered kWs for a Rate LED customer as it would to a Rate GP/GPD/GPTU/EIP customer that had the same Power Factor." 4 Tr 2928. Solar Technology argued that if Rate LED and Rates GP, GPD, GPTU, and EIP customers have the same power factor, the company must generate and deliver the same kVARs for each kW billing unit for the customers in each rate class. In Solar Technology's opinion, "[i]f the Power Factor penalties and credits are the same across rate classes, then each customer will pay the stated rate for the kWs delivered, which will align with Consumers' cost of servicing the customers' demands, and its cost of producing and delivering both the kW and KVARs needed to meet the customers' demand." 4 Tr 2929. Solar Technology asserted that this method ensures that customers in both classes are treated fairly and are charged according to COS principles.

Solar Technology also requested that Consumers estimate its system power factor under three scenarios: (1) no additional Rate LED customer, (2) a new 50 megawatt (MW) Rate LED customer who operates at 85% power factor, and (3) a new 50 MW Rate LED customer that operates at an 80% power factor. Solar Technology noted that "Consumers estimated that its system Power Factor with the Rate LED customer additions would be: 1) 0.9977, 2) 0.9974, and 3) 0.9973." 4 Tr 2929 (citing Exhibit SLT-3). Solar Technology asserted that the power factor in these three scenarios was within the DTIA requirements of 0.98 and that Consumers acknowledged that the addition of Rate LED customers would not result in a penalty to METC.

MNSC expressed concern that Consumers' proposed facilities allowance will increase costs for other customers. MNSC explained that the facilities allowance could increase costs:

> if the revenues paid by the [Rate LED] customer do not fully offset the incremental costs of serving that customer. The incremental distribution costs of serving [a Rate LED] customer consist of:

> 1) The customer's dedicated infrastructure (e.g., metering, service drop, transformer, etc); and
>
> 2) The marginal cost associated with higher demand on the rest of the shared distribution system (expressed as the marginal distribution cost in $/kW).
>
> The cost of (1) is typically recovered through the customer's "incremental" distribution charge. However, the facilities allowance would reduce that charge. Thus, to ensure that there is no cost shifting to other customers, Consumers must demonstrate that the customer revenues included in the facilities allowance, including standard distribution rates paid by [Rate LED] customers, cover not only their portion of the customer's facilities allowance, but also the marginal cost associated with accommodating the customer's load on the rest of the distribution system (2).

6 Tr 3931 (footnote omitted); *see also*, MNSC's initial brief, p. 105. MNSC contended that, currently, Consumers cannot ensure that Rate LED distribution rates will cover the full incremental cost of serving a Rate LED customer (including any facilities allowance) because the company has not calculated a marginal distribution cost. Accordingly, MNSC recommended that the Commission reject the company's proposed facilities allowance.

In the event the Commission approves a facilities allowance, MNSC requested that it not be applied retroactively to current Rate LED customers. MNSC stated that:

> [t]he Commission approved Rate LED to attract new load – and the associated investment and jobs – to the state. The existing [Rate LED] has already succeeded in attracting existing [Rate LED] customers to the state without a facilities allowance. The Company has not demonstrated that the facilities allowance is necessary to retain these existing customers. Instead, these customers would likely be free-riders—receiving a discount despite it playing no part in their decision to locate in Consumers' territory. This would serve to unreasonably increase costs for other customers.

6 Tr 3933; *see also*, MNSC's initial brief, pp. 113-116.

MNSC also expressed concern that Consumers has not proposed a true-up for the facilities allowance. MNSC explained that "if the Company initially overestimated [a Rate LED] customer's expected annual revenues when calculating the facilities allowance . . . the [Rate LED]

customer would receive a higher facilities allowance than provided for in Consumers' proposal, at a cost to other customers." 6 Tr 3934. Thus, MNSC recommended that after the company accrues five years of revenue, Consumers "reconcile any overestimated revenue upon which it originally based the facilities allowance, by recalculating the customer's incremental distribution charges based on the lower facilities allowance due to the lower revenue received." 6 Tr 3935; *see also*, MNSC's initial brief, pp. 116-117.

Furthermore, MNSC recommended that Consumers increase its Rate LED system contribution charge. MNSC noted that:

> [t]he system contribution charge, approved in Case No. U-21160 as part of Rate LED, was intended to "ensure the Company's existing customers also benefit during the term of the contract by having the Rate LED customer contribute to the utility's fixed power supply costs." It is designed to cover a portion of the embedded costs of capacity. Specifically, the charge was set based on 1% of the Rate GPD embedded capacity costs approved in 2020 in [Case No.] U-20697 and seemingly has not been updated since.

6 Tr 3935 (quoting Consumers' November 4, 2021 application in Case No. U-21160, p. 8; citing Exhibits MEC-20 and MEC-21); *see also*, MNSC's initial brief, pp. 117-119. MNSC requested that Consumers raise the charge to contribute more meaningfully to embedded system costs.

Finally, MNSC recommended that Consumers reduce the Rate LED discount period. MNSC noted that, currently the minimum Rate LED contract term is 15 years and the contract term shall not exceed 20 years. MNSC contended that many other jurisdictions offer discount rates for only five years, and some jurisdictions require that the customers remain on the system for 10 years. MNSC requested that the Commission direct the company to offer Rate LED "for a maximum of seven years. Consumers has not justified why it should provide substantial rate discounts for such a long time. Until Consumers provides such justification, Rate LED should only provide discounts for a shorter period of time." 6 Tr 3937; *see also*, MNSC's initial brief, pp. 120-122.

In response to ABATE's and Solar Technology's concerns, Consumers acknowledged that:

> an extremely large customer could influence the overall power factor. Power factor correction strategies must be tailored to the scale and configuration of the customer's electrical service. Large customers, due to their substantial power demands and direct interconnection to the transmission system, present unique challenges. However, the Company recognizes this discussion may be premature and will address those concerns in a future filing.

3 Tr 167.

The company disagreed with MNSC's claims that Rate LED customers are not paying their marginal distribution costs. Consumers asserted that Rate LED distribution charges are the same as the distribution charges set for Rate GPD customers. In addition, the company noted that Rate LED "customers pay for investments made by the Company for incremental distribution facilities required to serve them through a levelized incremental distribution charge. Therefore, [Rate LED] customers are paying the same distribution rates as other customers paying embedded cost rates, in addition to the incremental costs associated with their distribution facilities." 3 Tr 169; *see also*, Consumers' initial brief, pp. 417-418.

Consumers also objected to MNSC's request that a facilities allowance not be applied retroactively. The company stated that "[w]hile it is true that customers have already signed to take service under [Rate LED], part of the negotiation with these customers was around potential for a future facilities allowance. Their contracts contained language expressing the Company's intention to file a request to amend this rate to allow [Rate LED] customers to qualify for a CIAC credit." 3 Tr 170; *see also*, Consumers' initial brief, p. 418. Consumers asserted that these customers relied on this potential when deciding to locate to Consumers' service territory. Therefore, the company contended that it would be reasonable and prudent to apply the facilities allowance to existing customers that have express language in their contract for a potential facilities allowance.

In response to MNSC's claim that Consumers does not intend to true up the facilities allowance, the company asserted that:

> [t]he [Rate LED] tariff states that this charge may be adjusted to contribute to the recovery of the annual revenue requirement associated with investments made by the Company for incremental distribution facilities. As part of this adjustment, the Company intends to reconcile any differences in actual collections to proposed collections and would include the facilities allowance in those calculations.

3 Tr 170; *see also*, Consumers' initial brief, p. 418.

The company disputed MNSC's request to raise the system contribution charge and shorten the discount period for Rate LED. Consumers noted that the system contribution charge was set in Case No. U-21160 and if the Commission decides to change the system distribution charge, "it should be updated consistent with the methodology used to develop the charge in Case No. U-21160." 3 Tr 171; *see also*, Consumers' initial brief, p. 415. In addition, the company asserted that there is no discount associated with Rate LED because it is based on COS. Moreover, Consumers argued that the contract term for Rate LED should not be shortened because it "could result in potential stranded assets should a customer decide to cease taking service from the Company at the end of their contract term." 3 Tr 171; *see also*, Consumers' initial brief, pp. 415-416.

In response to MNSC's recommendation that the Commission reject the company's proposed facilities allowance, ABATE argued that MNSC:

> has provided no evidence to support [its] contention there would be a marginal distribution cost for Consumers to serve a Rate LED customer beyond the cost of dedicated facilities, never mind one beyond the cost of dedicated facilities which would not be fully covered by the remaining distribution facilities charge and standard distribution charge revenues collected from the customer after deducting the customer's facility allowance and the cost for the dedicated facilities necessary to serve the customer. Without such evidence, [MNSC's] argument for rejecting the proposed facilities allowance is purely theoretical and thus baseless. Furthermore, [MNSC] did not account for system contribution charge revenues,

> which is another source of sales margins from the customer that would not exist but for the customer taking service from Consumers.

6 Tr 3667; *see also*, ABATE's initial brief, pp. 73-74.

ABATE also disputed MNSC's recommendation to shorten the contract period for Rate LED. ABATE contended that the company "should be provided sufficient leeway to prudently negotiate a contract term with a prospective Rate LED customer in order to successfully bring that customer to the Consumers service territory." 6 Tr 3668; *see also*, ABATE's initial brief, p. 75. In addition, ABATE noted that only production cost charges under Rate LED are not at fully embedded costs and that Rate LED customers fully pay Consumers' embedded costs for distribution service. Accordingly, ABATE stated that "the transmission and distribution charges Rate LED customers pay are not being discounted versus what other customers pay. It is only Rate LED production charges that are not based on Consumers' fully embedded costs." 6 Tr 3669; *see also*, ABATE's initial brief, p. 76.

ABATE contended that even though the Rate LED production charges are not based on the company's fully embedded costs for production, the charges fully cover Consumers' incremental fixed production costs and incremental variable production costs to serve Rate LED customers. Therefore, ABATE argued, "other customers are not subsidizing the production costs Consumers needs to incur to serve Rate LED customers – customers that, in many cases, might not have come to the Consumers service territory, or expanded their operations in the Consumers service territory, but for the availability of Rate LED and its allowed term of up to 20 years." 6 Tr 3669.

Solar Technology disagreed with MNSC's claim that the facilities allowance for Rate LED could shift costs to other customers if the revenues paid by Rate LED do not fully offset the incremental cost of serving the Rate LED customer. Solar Technology asserted that if:

> Consumers' cost of interconnecting the new customer is more than the [facilities] allowance, then Consumers has a right to either increase its distribution charges to the [Rate LED] customer or require the customer to make a [CIAC] payment to Consumers for the difference between the [facilities] allowance and Consumers' actual incremental distribution cost of connecting the [Rate LED] customer.

4 Tr 3174. Solar Technology noted that if a Rate LED customer is connected to Consumers' common HVD system that also serves other customers, then the incremental distribution costs for Rate LED should be limited to the distribution capacity expansion of the distribution network used to serve that specific Rate LED customer. Additionally, Solar Technology asserted that if:

> Consumers is able to serve the [Rate LED] customer from existing common distribution facilities without any upgrades, then Consumers will not incur incremental distribution cost[s] to serve the [Rate LED] customer. Rather, the new [Rate LED] customer will simply expand the billing units over which Consumers will recover the existing distribution system cost[s] which will benefit other customers taking service from that common distribution system. In this instance, there will be no incremental costs, and no negative impact on existing customers if Consumers uses that common distribution system to serve the new [Rate LED] customer.

4 Tr 3177-3178; *see also*, Solar Technology's reply brief, p. 7.

Finally, Solar Technology objected to MNSC's request that the facilities allowance not be applied retroactively to existing Rate LED customers. Solar Technology asserted that Rate LED "customers must enter into a [Rate LED] contract for a period of 15-20 years. It is possible that during the term of the [Rate LED] contract the . . . customer could have opportunities for load growth that would necessitate further distribution investment. The existing [Rate LED] customer should be able to utilize the [facilities allowance] to help facilitate the incremental investment." 4 Tr 3179.

Solar Technology also stated that MNSC has not provided sufficient evidence demonstrating that Consumers' system contribution charge and the term of the Rate LED contract should be

changed. In the event the Commission decides to amend these items, Solar Technology requested that the Commission determine that the changes do not impair any existing Rate LED contract.

In its initial brief, MNSC asserted that Rate LED production charges are significantly lower than Rate GPD production charges, which is the closest counterpart to Rate LED. MNSC stated that:

> [t]o make matters worse, the LED production charge is fixed for the life of the rate contract, even as the MISO CONE increases over time. As CONE increases over the 15 or 20 years that an LED rate contract is in effect, the difference between the incremental cost of capacity and what the LED customer actually pays for capacity will grow. The difference between GPD production charges, which are based on embedded costs and change in each rate case, and LED production charges that are based on marginal capacity costs when the contract starts and are fixed for 15 to 20 years, will also grow.

MNSC's initial brief, p. 98 (citing 3 Tr 181-183, 186).

MNSC also argued that the transmission charge for Rate LED is much lower than the transmission charge for Rate GPD. MNSC contended that Consumers has failed to demonstrate why Rate LED should be so deeply discounted compared to Rate GPD. According to MNSC, "[b]ecause [Rate] GPD customers contribute to embedded capacity and transmission costs, a case can be made that other ratepayers get something in return for fronting the cost of new [Rate] GPD customers' dedicated infrastructure. No such case can be made for [Rate] LED customers." MNSC's initial brief, p. 107.

In addition, MNSC disputed Solar Technology's claim that Consumers may adjust the distribution charge in Rate LED if the Rate GPD distribution charge is insufficient for the company to recover its incremental distribution or connections costs to serve the Rate LED customer. MNSC contended that "the proposed tariff language for the facilities allowance contains no specifics that would require Consumers to adjust the facilities allowance or resulting distribution charges to cover marginal distribution costs," and "Consumers has not evaluated and

does not know what those marginal distribution costs are." *Id.*, pp. 108-109. Moreover, MNSC asserted that there is nothing in the Rate LED tariff that would allow Consumers to assess an extraordinary facilities charge to recover incremental costs of connecting the customers if the costs exceed the facilities allowance.

ABATE disagreed with MNSC's comparison of Rate LED to Rate GPD. According to ABATE:

> the Commission recognized in approving Rate LED that Consumers proposed "the ratemaking treatment for Rate LED be similar to that applied to the LTILRR" rate, not Rate GPD, that "the costs of serving participating customers will be directly assigned to those customers," and that approval of Rate LED "will not result in an increase in the cost of service for any customer" as the Company "will only offer Rate LED if it expects the marginal contract revenues will exceed the expected marginal costs of serving the incremental load."

ABATE's reply brief, p. 13 (quoting the December 2, 2021 order in Case No. U-21160 (December 2 order), pp. 3-4). ABATE contended that MNSC has failed to demonstrate that the economic discounts provided by Rate LED are not beneficial or that they would raise the rates of other customers.

The ALJ noted that Consumers proposed three changes to the Rate LED tariff. First, he stated that the company's proposal to update the production capacity charge to the latest forecast of MISO CONE was supported by ABATE and was not opposed by any other party. Accordingly, the ALJ recommended approval of this proposed change. He asserted that the second proposed change involved "an adjustment for power factor that is equivalent to the adjustment recently approved for Rates GP, GPD, GPTU, and EIP" that should be approved; however "the power factor provisions must be the same as those for other primary rates, that is, Consumers should not apply a more restrictive power threshold, as the Company agreed with ABATE and Solar Technology and withdrew this part of its proposal." PFD, pp. 814-815.

Regarding the facilities allowance, the ALJ asserted that the Commission rejected Consumers' proposals for a facilities allowance for Rate LED in the company's last two rate cases. He noted that:

> in Case No. U-21585, Consumers proposed a facilities allowance that included power supply costs and was based on the life of the [Rate LED] customer contract. In that case, Staff opposed the proposal as structured, because including power supply costs would mean that [Rate LED] customers do not contribute to embedded costs or make customers better off and using the entire term of the contract (up to 20 years) would erase any benefit of adding the new customer.

PFD, p. 815. The ALJ and the Commission agreed with the Staff in Case No. U-21585. He then noted that, in the March 21 order, the Commission stated that if the company believes a facilities allowance to be beneficial, in Consumers' next rate case, the company should propose a facilities allowance that includes only distribution and system contribution revenues, not power supply revenues, and that is based on a limited term.

The ALJ found "that Consumers' current facilities allowance proposal is consistent with the Commission's order in Case No. U-21585 as it only includes distribution and system contribution revenues and is based on a limited 5-year term." PFD, p. 815. He noted that, significantly, the Staff did not oppose the company's proposal, which suggests that the Staff's concerns with the facilities allowance proposed in Case No. U-21585 have been addressed. Therefore, the ALJ recommended that "the Commission approve a facilities allowance for [Rate LED] that only includes distribution and system contribution revenues and is based on a limited 5-year term." PFD, p. 816.

The ALJ agreed with MNSC that the burden is on Consumers to support the proposed facilities allowance. However, he asserted that "this does not mean that Consumers must prove the opposite of every argument or speculation presented against its proposal." *Id*., p. 816. The ALJ found that MNSC failed to provide sufficient evidence to show that the company's proposed

facilities allowance will increase costs for other customers or that a Rate LED customer will not cover its marginal distribution costs. In addition, he stated that "MNSC's argument that [Rate LED] customers already receive an excessively discounted rate is also insufficient as it does not provide evidence that the facilities allowance is unnecessary." PFD, p. 816. Furthermore, the ALJ was unpersuaded by MNSC's argument that Consumers' proposed facilities allowance was not sufficiently developed, stating that the analysis by the parties and the ALJ belie this. However, he asserted that MNSC's claim that the company failed to provide adequate evidence demonstrating economic benefits "is well-taken and was noted in the PFD in Case No. U-21585. However, the Commission did not find this issue dispositive when it rejected the facilities allowance in that case." PFD, p. 816.

Next, the ALJ found that Consumers' proposed facilities allowance should be offered to an existing Rate LED customer if the customer's contract provided for a future facilities allowance. However, he stated that:

> in recognition of MNSC's contention that Consumers only has two existing [Rate LED] customers and their contracts do not support retroactive application of the facilities allowance, this [ALJ] recommends that if the Company intends to offer the facilities allowance to an existing [Rate LED] customer that it first obtain approval from the Commission that the contract sufficiently contemplates the facilities allowance, and the Company may seek this approval ex parte.

PFD, p. 817.

Regarding MNSC's proposal that the company perform a true up, the ALJ noted that Consumers did not oppose the request. Therefore, he recommended that "the Commission require Consumers to reconcile any overestimated revenue upon which it originally based the facilities allowance every five years and charge the [Rate LED] customer to make up any shortfalls." *Id*. In addition, the ALJ found that Consumers should be directed to update its system contribution charge, noting that the company only asserted that any update should be consistent with the

December 2 order. Specifically, he "recommend[ed] that the system contribution charge for [Rate LED] customers should be updated in each rate case based on actual costs and using the methodology approved in Case No. U-21160." PFD, p. 817. Finally, the ALJ found MNSC's proposal to shorten the Rate LED contract unpersuasive, agreeing with Consumers that a shorter contract term will increase the likelihood of stranded assets.

In exceptions, MNSC reiterates its arguments about Rate LED and requests that the Commission reject Consumers' proposed facilities allowance. *See*, MNSC's exceptions, pp. 15-18. Regarding the ALJ's recommendation that the Commission approve the company's facilities allowance that includes only distribution and system contribution revenues and that is limited to a five-year term, MNSC asserts that he failed to consider other deficiencies in the facilities allowance. Specifically, MNSC argues that:

> [w]hile Consumers did propose using distribution and system contribution revenues and a 5-year term, there are many other reasons why the proposal does not "ensure the establishment of electric rates equal to the cost of providing service to each customer class" or meet the requirements 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."

MNSC's exceptions, pp. 20-21 (quoting MCL 460.11(1) and 460.557(4)). MNSC states that Consumers failed to meet its burden of proof supporting the facilities allowance. Moreover, MNSC contends that the ALJ did not address what was insufficient about MNSC's evidence demonstrating that the facilities allowance would increase costs for other customers or that the Rate LED customer would not cover its marginal distribution costs.

MNSC also objects to the ALJ's finding that MNSC failed to provide evidence that the facilities allowance is unnecessary. MNSC states that:

> [i]t is unclear what the PFD means by this. MNSC explained that the excessive discounts already included in the LED rate have three implications for the facilities

> allowance proposal: (1) there is no other marginal revenue coming from the LED customer to offset any shortfall in distribution revenues resulting from the facilities allowance; (2) the LED rate is already so discounted that it does not ensure the establishment of electric rates equal to the cost of providing service or rates that are just and reasonable and do not charge a customer less than other consumers are charged for like contemporaneous service rendered under similar circumstances and conditions; and (3) there is no evidence that the deep discounts already offered in the LED rate are insufficient to attract the target customers without needing to add a facilities allowance.

MNSC's exceptions, p. 25 (citing MCL 460.11(1) and 460.557(4)).

Next, MNSC disputes the ALJ's finding that the facilities allowance proposal is well-developed. MNSC argues that "[t]he fact that there has been lots of testimony about the facilities allowance does not mean that Consumers' proposal is well-developed. As noted above, one of the findings in Case No. U-21389 was that the details of the facilities allowance had not been delineated sufficiently to justify approval of the proposal. Yet Consumers has not delineated those details any further in this case." MNSC's exceptions, p. 26. MNSC reiterates that the company's proposed tariff change includes no specifics that govern the facilities allowance, and asserts that the facilities allowance contract for Rate LED is not in evidence.

Regarding the ALJ's statement "'that the Company has not provided evidence to support its claim of economic development benefits, is well-taken and was noted in the PFD in Case No. U-21585,'" MNSC contends that "[t]his finding is curious because . . . the Commission never stated in [Case No.] U-21585 that it would automatically approve a facilities allowance using distribution and system contribution revenue and a 5-year term, all other concerns aside. Nor did the Commission find that the lack of evidence of economic development benefit was unimportant or should be disregarded." MNSC's exceptions, p. 26 (quoting the PFD, p. 816). MNSC asserts that, in this case, Consumers provided very little evidence explaining how other customers would

benefit from a facilities allowance for Rate LED customers through economic development or otherwise.

In addition, MNSC objects to the ALJ's recommendation that Consumers be allowed to retroactively apply the facilities allowance to existing customers if the company obtains *ex parte* approval from the Commission that the Rate LED contract contemplated the facilities allowance. MNSC opines that adjudicating this issue in *ex parte* proceedings is not appropriate. First, MNSC contends that an *ex parte* proceeding "does not address the fundamental flaws with granting these customers a facilities allowance – that such a discount was not necessary to incent them to sign up for service and providing it to them now would just make them free riders, at a substantial cost to other customers." MNSC's exceptions, p. 29. Second, MNSC asserts that *ex parte* proceedings are unnecessary because all of the information needed for making a decision is on the immediate record. MNSC argues that "[p]ushing the issue to an ex parte proceeding would only have the effect of excluding MNSC – the party who brought this evidence forward – from the decision-making process." *Id*., pp. 29-30.

MNSC does not object to the ALJ's recommendation that Consumers' system contribution charge for Rate LED be updated in each rate case. However, MNSC states that "it misses the most critical component: revising the charge from 1% to at least 25% of embedded production costs. Without that change, the system contribution charge will continue to be wholly disconnected from cost of service, as well as unjust and unreasonable." *Id*., p. 32. Accordingly, MNSC requests that the Commission adopt the ALJ's recommendation but calculate the charge based on a higher percentage of embedded production costs.

Finally, MNSC disagrees with the ALJ's recommendation that the Commission decline to shorten the Rate LED contract length because he found persuasive the company's argument that it

could increase the risk of stranded assets. MNSC contends that Consumers' argument is not persuasive because (1) "it is unclear why the distribution charges could not be scaled to the contract length to prevent that from happening," (2) "the LED rate contracts already allow the LED customer to strand assets by reducing their payment obligation below the remaining balance of transmission and distribution investments made to connect them starting at the halfway mark of their contract term and stepping down from there," and (3) "the prevalence of shorter contract terms in the other jurisdictions listed above is substantial evidence that the stranded cost risk is not an impediment to implementing a reasonable contract term sufficient to incent economic development without providing deep discounts for a generation." MNSC's exceptions, pp. 33-34.

Accordingly, MNSC requests that the Commission reject the ALJ's recommendations on this issue and adopt MNSC's proposed changes.

In exceptions, Consumers disputes the ALJ's recommendation that the company first obtain *ex parte* approval from the Commission that the Rate LED customer contract sufficiently contemplated a facilities allowance. The company contends that an *ex parte* proceeding:

> is unnecessary. The Company does not file its [Rate LED] contracts with the Commission. The [ALJ] provides no justification for why the Commission needs to review the contract of a customer which is executed pursuant to an approved tariff rate, and affirm whether the Company is properly applying an allowance provided for under the tariff. While a separate filing is unreasonable, it should be noted that the application of the facilities allowance would be reviewable in a rate case.

Consumers' exceptions, p. 132.

Solar Technology also excepts to the ALJ's recommendation that Consumers be allowed to retroactively apply the facilities allowance to existing customers if the company obtains *ex parte* approval from the Commission that the Rate LED contract contemplated the facilities allowance. Solar Technology asserts that the ALJ's recommendation "is unnecessary, [because it] will result

in further uncertainty and delayed relief for existing Rate [LED] customers, and will exacerbate customer confidentiality concerns that are already the subject of ongoing litigation and appeals." Solar Technology's exceptions, p. 3. Solar Technology contends that Consumers has the legal staff and ability to make determinations regarding the application of a tariff to a contract and if the company misapplies the tariff, interested parties have remedies.

In addition, Solar Technology argues that "Consumers will have other future proceedings before the Commission where issues concerning Consumers' costs and revenues may be raised and addressed. Consumers has also agreed to a reconciliation process that provides a forum for concerns about Consumers' application of the facilities allowance." *Id*., p. 4. Furthermore, Solar Technology asserts that the Commission and the Staff have access to the company's books and records to review existing Rate LED contracts and to assess whether Consumers' actions should be the subject of complaint or investigation.

Finally, Solar Technology states that "requiring another proceeding also raises further customer confidentiality concerns" because it may result in the disclosure of trade secrets and confidential and sensitive business information. *Id*., p. 5. Accordingly, Solar Technology requests that the Commission approve the same power factor adjustment for Rate LED customers as is used for Rate GPD and the company's other primary rates and that the Commission approve a facilities allowance as recommended by Consumers.

Consumers disputes MNSC's claim that the company's facilities allowance does not comply with the Commission's directives in the March 21 order. According to the company, Commission "approval of this allowance would better align with other cost-based large customer rate options in Michigan, such as DTE Electric's Rate D13 XL High Load Factor, and would improve the competitiveness of the Company's rate." Consumers' replies to exceptions, p. 118. In addition,

Consumers disagrees with MNSC's assertion that approval of the company's proposed facilities allowance will increase costs for customers. Consumers contends that MNSC's "arguments are based on an inaccurate understanding of how the rate was developed," and reiterates the arguments set forth in testimony and briefing. *See*, *id*., pp. 118-120.

Regarding MNSC's claim that the system contribution charge should be updated for Rate LED based on a higher percentage of embedded production cost, the company reiterates that "the charge should be updated consistent with the methodology used to develop the charge in Case No. U-21160 that was approved by the Commission." Consumers' replies to exceptions, p. 121. Finally, in response to MNSC's argument that the Commission should shorten the Rate LED contract term to seven years to remove the discounts, Consumers restates that the rate is not discounted. In addition, the company asserts that "MNSC fails to explain why the Company needs to justify the reasonableness of [a Commission]-approved rate that has been in effect since 2021. The burden to justify its proposal is on MNSC." *Id*.

Solar Technology also responds to MNSC's comparison of Rate LED to Rate GPD. According to Solar Technology, "Consumers' Rate GPD is a fully-embedded cost to serve rate whereas Rate [LED] is an economic development rate. They are two different rates designed to provide cost-based service to two different types of customers imposing different costs on Consumers." Solar Technology's replies to exceptions, p. 2. Solar Technology asserts that Rate LED is not a discounted rate and is based on COS.

In addition, Solar Technology disputes MNSC's claims that in recommending approval of the facilities allowance, the ALJ failed to consider the Commission's concerns with the facilities allowance in previous cases. Solar Technology contends that "[t]he Commission's previous

statements regarding previous Rate [LED] facilities allowance proposals do not reflect how the Commission will evaluate Consumers' proposal in this case." *Id*., p. 3.

Solar Technology also disagrees with MNSC's claim that existing Rate LED contracts do not support the application of an approved facilities allowance. Solar Technology states that

> [p]aragraph 9(j) of the Rate [LED] contract [in Confidential Exhibit MEC-29C], expressly states that if the Commission approves a facilities allowance for Rate [LED] and the customer wishes to utilize it, then the customer may request a contract amendment and rate adjustment from Consumers. The Rate [LED] contract clearly anticipates the possibility of a future Rate [LED] facilities allowance.

Solar Technology's replies to exceptions, p. 5. Solar Technology further disputes MNSC's assertion that the two existing Rate LED customers developed their projects without the facilities allowance and, therefore, Consumers does not need the facilities allowance to attract load. Solar Technology asserts that contracts for these two customers considered the potential for an eventual allowance and, accordingly, the facilities allowance should be applied retroactively.

ABATE contends that MNSC's description of the facilities allowance "omits an important additional aspect of the facilities allowance, which is the reconciliation of 'any differences in actual collections to proposed collections' to ensure that Rate LED customers cover their costs." ABATE's replies to exceptions, p. 15 (quoting 3 Tr 170). ABATE reiterates the arguments set forth in testimony and briefing that Rate LED and the facilities allowance are designed to prevent increased costs for other customers. *See*, ABATE's replies to exceptions, pp. 16-23.

Regarding the facilities allowance, ABATE disagrees with MNSC and reiterates the arguments set forth in briefing that Consumers' proposed facilities allowance is well-supported and complies with the directives in the March 21 order. *See*, *id*., pp. 23-24. Finally, in response to MNSC's claim that the company provided no evidence that other customers would benefit from the facilities allowance, ABATE cites the arguments provided by Consumers and ABATE and

contends that the "facilities allowance is necessary to attract large load customers and would simply produce parity between Consumers' and DTE Electric Company's economic development rates." *Id*., p. 25.

MNSC notes that Consumers and Solar Technology objected to the ALJ's recommendation that Consumers seek *ex parte* approval to retroactively apply the facilities allowance to Rate LED customers. MNSC "maintains that the Commission should not authorize Consumers to provide a facilities allowance to [Rate] LED customers who have no contractual entitlement to one and who do not need to be incentivized to locate or expand in Consumers' service territory. Requiring *ex parte* approval does not cure the flaws in providing an incentive to free riders that other customers will have to pay for." MNSC's replies to exceptions, p. 23.

The Commission finds the ALJ's recommendation to be reasonable and prudent and that it should be adopted, with the exception of the recommendation to seek *ex parte* approval to apply the facilities allowance retroactively to an existing Rate LED customer. The Commission agrees with the ALJ that Consumers' proposed facilities allowance is consistent with the directives in the March 21 order. Accordingly, the Commission approves the company's proposed Rate LED facilities allowance that only includes distribution and system contribution revenues and is based on a limited five-year term. *See*, PFD, pp. 815-817. In addition, the Commission finds that Consumers shall reconcile any overestimated revenue upon which it originally based the facilities allowance every five years and charge the Rate LED customer to make up any shortfalls.

However, the Commission declines to apply the facilities allowance retroactively or to adopt the ALJ's recommendation to direct Consumers to obtain *ex parte* approval from the Commission to apply the facilities allowance to existing customers. The Commission finds persuasive MNSC's argument that, in the contract for one Rate LED customer:

> [n]othing . . . says that Consumers must provide a facilities allowance to the customer if the Commission did approve it. Nor does the contract say Consumers must continue seeking approval of a facilities allowance if the Commission does not approve it – as happened in [Case No.] U-21389 and the following rate case, [Case No.] U-21585. The same things are true of the contract for the other LED customer.

MNSC's initial brief, pp. 114-115. The Commission agrees. Additionally, in the company's next general electric rate case, Consumers shall provide a proposal for a shortened Rate LED discount term for new customers, similar to MNSC's proposal, as well as a proposal for the scenario in which the original basis for the rate approval is exhausted and there is a resulting capacity shortage.

Regarding Consumers' proposed adjustment to the power factor that was subsequently withdrawn, the Commission finds a stricter power factor for Rate LED customers reasonable because Rate LED customers have larger loads than current customers and could have a greater impact on the company's total system power factor. Accordingly, in its next general electric rate case, Consumers shall propose a power factor adjustment for Rate LED that is sufficient to cover the cost of power factor correction on the company's system.

2. Data Centers

MNSC asserted that because "the riskiness and magnitude of infrastructure investment associated with potential new data centers taking service in Consumers' territory [it] necessitates re-evaluating the ways that Consumers would track and allocate the costs of its investments for data centers." 6 Tr 3924 (citing 5 Tr 874-906 in Case No. U-21859). Rather than allocating data-center-related generation costs through existing COS methods, MNSC recommended that Consumers directly assign the costs to data centers. Specifically, MNSC averred that the company should "identify incremental generation costs by conducting integrated resource plan ("IRP") modeling with and without data center load. [MNSC] further recommended that Consumers

directly assign all dedicated distribution facility costs to data centers without CIAC offsets." 6 Tr 3925 (footnotes omitted). In addition, MNSC asserted that the Commission should require Consumers to demonstrate compliance with MCL 20554ee(10)(e)(x)(c) in its next rate case that customers will not subsidize data centers. *See*, MNSC's initial brief, p. 87.

In response, Consumers acknowledged that it has announced an agreement with a new data center but there is no rate contract for service to be provided in the test year. Therefore, the company asserted that "it would be premature to start making decisions about cost allocation in the instant case." 3 Tr 168; *see also*, Consumers' initial brief, p. 420. Additionally, Consumers objected to MNSC's request that the Commission direct the company to demonstrate in its next rate case that its proposed cost allocation methods will ensure that residential customers will not subsidize the costs incurred for providing electric service to data centers. Consumers stated that "[t]his is an unnecessary requirement as the Company must adhere to the approved cost allocation principles which requires that electric rates are equal to the cost of providing service to each customer class, as set forth in MCL 460.11." 3 Tr 168; *see also*, Consumers' initial brief, p. 420. Similarly, the company contended that it is unnecessary for the Commission to direct Consumers to conduct modeling specific to data centers in the company's next IRP because Consumers already conducts various sensitivities in its IRP that includes scenarios of new load coming into the system. *See*, Consumers' initial brief, pp. 420-421.

In response, MNSC noted that, in the November 6, 2025 order in Case No. U-21859 (November 6 order):

> [t]he Commission directed Consumers in its next rate case after this one to file at least six cost allocation and rate design proposals concerning data centers and directed modeling issues to the IRP planning parameters docket, Case No. U-21867. While MNSC are not entirely satisfied with these outcomes – particularly the second one – the Commission has spoken on these issues for now. MNSC anticipate further engagement in the proceedings identified by the

> Commission and reserve the right to take further positions on data center issues in the reply brief if any party takes a different position on these issues.

MNSC's initial brief, p. 88 (citing November 6 order, pp. 114-120).

The ALJ stated that because "the parties generally agree that the Commission has already addressed MNSC's recommendation that Consumers be required to demonstrate compliance with MCL 205.54ee(10)(e)(x)(c) and model data center load in its 2026 IRP, this [ALJ] finds the issue moot and makes no recommendations." PFD, p. 821.

No exceptions were filed on this issue.

The Commission finds the ALJ's recommendation to be reasonable and prudent and that it should be approved.

C. Electric Vehicle Rate

The Staff asserted that Rate GP should be closed to both new and existing fast-charging stations on June 1, 2028, because it does not reflect COS. The Staff explained that "[u]nder rate GP, charging stations are treated as if increasing charging speed has no incremental impact on cost causation, such as increased infrastructure. As charging stations increase in speed and demand, the GP rate becomes less and less appropriate. Stations on rate GP are clearly receiving a subsidy." 6 Tr 4505. The Staff requested that the Commission direct Consumers to present a new tariff for fast-charging stations in its next general electric rate case based on COS and available fast-charging data. According to the Staff, "[s]ince there would likely be a preference for an energy only rate, with no demand charges, Staff would like to see this incorporated into the proposal. Staff also recommends that the utility provide rate design options considering charging station uptime and charging reliability." 6 Tr 4505-4506.

Walmart asserted that Consumers:

> should offer a rate structure that encourages investment for business customers who are interested in owning and operating public EV [electric vehicle] DCFC equipment and stations. These rates should be volumetric in nature and created in such a way to collect cost without cross subsidization but while also providing the best use case for the DCFC owner operator.

3 Tr 2620. Walmart noted that it is committed to building its own EV fast-charging network, which supports the growth of EV infrastructure nationwide.

Walmart contended that there are geographical locations where EV chargers are not being used or are being under-utilized. According to Walmart:

> [f]or these under-utilized chargers that are being billed by the utility under a more traditional rate tariff with a demand charge, the charger operator may be assessed the maximum demand charge even after only a single use of that charging unit regardless of whether there is any additional charging during that month. This outcome negatively impacts the economics for that unit and may lead to little or no third-party investment in public EV chargers sited in areas of initial low usage.

3 Tr 2623. Therefore, Walmart recommended that the Commission direct Consumers to work with interested parties to develop a new EV tariff that encourages investment and that could be approved in the company's next general electric rate case.

In response, Consumers asserted that it has limited data on which to develop a COS for a fast-charging rate. Specifically, Consumers explained that:

> the Company is only able to identify fast charging customers which were rebated under the PowerMIDrive program. The annual data from the 2025 Transportation Electrification Program ("TEP") report indicated that this is 84 Direct Current Fast Charging ("DCFC") customers. Of those 84 customers, the Company has not analyzed how many have a full years' worth of data, much less the standard three years of data that is typically used to develop a cost-of-service study ("COSS"). In addition, this does not account for a potentially sizable number of DCFC customers which are not separately metered but rather aggregated in a customer's total load.

3 Tr 172. Consumers noted that the Commission addressed a similar issue in DTE Electric's rate case, Case No. U-21534, and found that there was not enough historical data to implement an alternative COSS and rate design at this time. The company contended that it does not have

sufficient data to develop a COSS and rate design for its next general electric rate case. Accordingly, Consumers requested that the Commission reject the Staff's and Walmart's proposals to develop new DCFC tariff for the company's next general electric rate case.

MEIU also objected to the Staff's proposal to close Rate GP to new and existing fast-charging stations on June 1, 2028. In MEIU's opinion, "DCFC are essential to enabling long-distance travel and are critical for reducing range anxiety for new customers, making them a key enabling technology for broad EV adoption." 6 Tr 4180; *see also*, MEIU's initial brief, p. 23. MEIU argued that if demand charges are applied to DCFC, third-party operators may hesitate to invest in public DCFC, which may contribute to infrastructure gaps, increase the risk of failing to establish a skeleton network of fast chargers, and slow the overall adoption of EVs. *See*, 6 Tr 4183-4186.

MEIU agreed with Consumers that there is not yet sufficient data for the company to develop, or the Commission to approve, an appropriate COSS or a DCFC tariff. *See*, 6 Tr 4187; MEIU's initial brief, p. 24. However, MEIU asserted that "these are important issues for the Company to evaluate and study. As such, [MEIU] recommend[ed] that the Commission require the Company to conduct a comprehensive evaluation of best practices as it relates to DCFC tariffs being implemented in other states and countries," which includes the convening of interested parties. 6 Tr 4189; *see also*, MEIU's initial brief, p. 26.

Finally, MEIU expressed concern with the Staff's recommendation that the Commission close Rate GP to new and existing customers on June 1, 2028. MEIU asserted that:

> [i]f the Commission adopted this recommendation, a DCFC station in the Company's service territory energized on June 1, 2027 would only be able to enroll in Rate GP for one year. However, this recommendation is inconsistent with the Commission's previous Order in the Company's 2023 general electric rate case ([Case No.] U-21389), which allowed for a two-year rolling provision wherein DCFC stations energized at least through inside two years from June 1, 2028 (i.e., between June 1, 2026 and May 31, 2028) would be eligible to remain on the "demand charge holiday" rate for two years.

6 Tr 4189-4190 (citing March 1 order, p. 113). Accordingly, if the Commission approves a firm sunset date, MEIU requested that the Commission maintain consistency with the March 1 order and permit DCFC stations that were energized between June 1, 2026, and May 31, 2028, to remain on Rate GP for two years. *See*, MEIU's initial brief, pp. 25-26.

In response to MEIU's claim that there is no subsidy "in the aggregate" for Rate GP, the Staff asserted that "[e]ach class should be evaluated on its own merit and in this case that means evaluating DC fast charging separately from at home charging." Staff's initial brief, p. 158. The Staff also disputed MEIU's claim that DCFCs are expensive to install and demand charges add to these costs, making installation more cost-prohibitive, which contributes to low-utilization of this equipment. The Staff argued that there are "rebates for fast charging, which are intended to address the capital expense and also help with return on investment." *Id*. In addition, the Staff contended that it is not the role of the Commission to establish a business case for DCFC. The Staff stated that "[w]hen rates are appropriately based on cost of service, there may or may not be a business case, or the business case may need to be modified. In the case of modification, it may be the case that the charging provider needs to raise their rates to collect more revenue." *Id*.

Regarding MEIU's request that the Commission direct the company to conduct a comprehensive evaluation of best practices for DCFC tariffs, the Staff asserted that other state's and other country's tariffs are not necessarily based on COS and, therefore, may not be appropriate for use in Michigan. The Staff did not disagree with MEIU's recommendation that the Commission wait to establish a firm sunset date until Consumers files an accurate DCFC COSS and interested parties have been able to review and comment on the study. However, the Staff contended that the filing and review should be in the company's next general electric rate case.

The Staff noted that, according to Consumers, Rate GP has been closed to all but new DCFC customers since January 1, 2021. The Staff stated that this:

> means any new customers on that rate are fast-charging customers and by now in late 2025, may have significant amounts of charging data. It is also likely that some charging customers on this rate joined before that date. Also, the Company recently implemented a tariff for large users based on potential data centers, despite not yet serving a data center customer. The idea that there should be more time to collect data before designing a tariff should be rejected.

Staff's initial brief, p. 160. The Staff asserted that this rate would not be "set in stone" because the rates would be subject to the usual cost allocation and rate design process and the terms and conditions of the rate could be altered in a typical *ex parte* tariff case. *Id*., pp. 160-161.

In its reply brief, the Staff noted that the arguments in MEIU's initial brief relied on the Staff's testimony from Case No. U-21389, which is not on the record in this case. The Staff stated that "[s]ince the demand charge holiday was intended to be temporary, it should be no surprise that Staff supported it in the past. It should also be of no surprise that Staff supported extending it in the past due to the circumstances surrounding the pandemic. The support from Staff in the past is in no way contradictory to Staff's position" to discontinue the demand charge holiday after June 1, 2028. Staff's reply brief, p. 12.

MEIU asserted that the Staff failed to demonstrate that EV charging customers are being subsidized through the availability of Rate GP for DCFC. Therefore, in the absence of a subsidy, MEIU argued that there is no urgency to develop an alternative DCFC-specific rate. MEIU reiterates that "the Commission should order the Company to engage in a thorough investigation of rates, engage in meaningful stakeholder outreach, and present its findings by a 'reasonable later date.'" MEIU's reply brief, pp. 5-6 (quoting 6 Tr 4189 and MEIU's initial brief, p. 26).

The ALJ found that "no party opposed Staff's recommendation that a DCFC cost-of-service rate be developed, that it incorporates an energy only rate, or that Consumers provide rate design

options that consider charging station uptime and charging reliability." PFD, p. 830. Rather, he found that the parties disagreed on a timeline for the tariff proposal. The ALJ found MEIU's and Consumers' arguments persuasive that there is insufficient data on which to develop a COSS and rate design for DCFC. Accordingly, he recommended that:

> the Commission direct Consumers to convene a work group, including Staff and interested parties, as soon as possible and develop a consensus-based EV fast charging rate proposal that is based on cost of service and which considers an energy-only rate, charging uptime, and charging reliability, and that encourages third-party investment if possible within the cost-of-service framework, and present it to the Commission no later than January 31, 2027.

Id.

Regarding the Staff's request to set a firm sunset date for the demand charge holiday of June 1, 2028, and close Rate GP to new and existing fast-charging stations, the ALJ agreed with the Staff that Rate GP may be providing a subsidy to EV charging stations. However, he "agree[d] with the Company and MNSC [sic] that it is premature to end the demand charge holiday, finding that it would be inconsistent with the Commission's order in Case No. U-21389, which indicated that there may be a continuing need for the holiday and that Consumers may request an extension to the sunset." *Id*. Given this, the ALJ found that it is not necessary to extend the demand charge holiday beyond June 1, 2028. Furthermore, he did "not recommend removing the ability of new EV charging customers to stay on Rate GP for 2 years even if it extends beyond the June 1, 2028 sunset date." *Id*., p. 831.

No exceptions were filed on this issue.

The Commission finds the ALJ's recommendation to be reasonable and prudent and that it should be adopted. Consumers shall convene a workgroup, including the Staff and interested persons, as soon as possible to develop a consensus-based EV fast charging rate proposal that is based on COS and that considers an energy-only rate, charging uptime, and charging reliability,

and that encourages third-party investment, if possible, within the COS framework, and shall present it to the Commission no later than January 31, 2027. The Commission also adopts the ALJ's recommendation to maintain the ability for new EV charging business to stay on Rate GP for two years even if it extends beyond the June 1, 2028 sunset date.

D. Heat Pump Rate

MNSC requested that Consumers develop an electric heat pump rate design—specifically an electric heating or heat pump (EP/HP) rate—in the company's next general electric rate case. MNSC explained that:

> [s]witching out fossil fuel-fired appliances for electric ones (known as "electrification") in homes and buildings is a key strategy for reducing greenhouse gas emissions to achieve state climate goals, yet current rate structures discourage electrification. . . . Rate designs that are more favorable to electrification can be put in place while benefiting not only customers who electrify but other customers as well.

6 Tr 3844. MNSC contended that under Consumers' current residential electric rates, a customer pays substantially more by electrifying their space heating. *See*, 6 Tr 3845-3846; MNSC's initial brief, pp. 124-125. According to MNSC, if the company adopted a specialized electric heat rate, it would encourage the installation of heat pumps that generate more revenue for the utility, promote decarbonization, and support the state's climate goals. *See*, 6 Tr 3860-3862, 3866-3871; MNSC's initial brief, pp. 124-126. MNSC noted that Upper Peninsula Power Company offers an electric heating rate, Rate AH-1, to residential customers. MNSC also stated that several other states also offer an electric heating rate: Massachusetts, Maine, Minnesota, and New York.

MNSC recommended that the Commission direct Consumers to work with the Staff and other interested persons to develop a rate to be presented in the company's next general electric rate case. Specifically, MNSC stated that Consumers, the Staff, and interested persons should consider the following:

a. Options for both seasonal and temporal differentiation.

b. EH/HP rates for non-residential customers. While this testimony is focused on residential customers, many of these principles are equally applicable to non-residential customers.

c. Tradeoffs between rate designs focused on electric heating in general and those focused on technologies such as prompting heat pumps.

d. Tradeoffs relating to eligibility requirements and verification (e.g., self-attestation, consumption analysis, submetering).

e. Delivery of the new rate, including strategies and tools for customer and contractor education. Such strategies and tools could include rate impact calculators to help customers understand the cost implications of installing heat pumps and/or fuel switching and opt-out design strategies that would automatically enroll customers that have received efficiency rebates to install heat pumps, both retrospectively and prospectively.

6 Tr 3848-3849; *see also*, MNSC's initial brief, p. 129.

Consumers responded that it does not object to exploring an EP/HP rate, but does not agree with the prescriptive approach recommended by MNSC. The company asserted that it:

> would prefer to address this issue in the context of a general rate case and as such imposing a 12-month timeline may not be practical in relation to future rate case filings. The Company can explore developing an electric heat pump rate in its next general electric rate case. The general rate case process would allow all interested intervenors to comment and critique the Company's proposal. The Company would endeavor to hold a stakeholder session in advance of that filing to solicit ideas of interested parties. As part of the contested case process, all parties would have the opportunity to opine on the proposed electric heat/heat pump rate.

3 Tr 174; *see also*, Consumers' initial brief, pp. 422-423.

In its reply brief, the Staff stated that it "agrees that at least one workgroup meeting should occur concerning the aforementioned tariff, which is also generally congruous with the Company's recommendations." Staff's reply brief, p. 12.

The ALJ found that both Consumers and MNSC agree that the company should develop an EP/HP rate for presentation in Consumers' next general electric rate case, along with at least one

collaborative session with the company, the Staff, and interested persons. Although Consumers disagreed with MNSC's recommended approach for the collaborative session, the ALJ found MNSC's items for consideration to be reasonable. Accordingly, he recommended that the Commission direct Consumers to:

> propose an EH/HP rate in its next rate case, hold a collaborative workgroup meeting to solicit input beforehand, and consider the following when developing the rate: 1) options for both seasonal and temporal differentiation; 2) EH/HP rates for residential and non-residential customers; 3) tradeoffs between rate designs focused on electric heating in general and those focused on technologies such as prompting heat pumps; 4) tradeoffs relating to eligibility requirements and verification (e.g., self-attestation, consumption analysis, submetering); and 5) delivery of the new rate, including strategies and tools for customer and contractor education, such as rate impact calculators and opt-out design strategies.

PFD, pp. 835-836.

No exceptions were filed on this issue.

The Commission finds the ALJ's recommendation to be reasonable and prudent and that it should be adopted. Consumers shall propose an EH/HP rate in its next rate case, hold a collaborative workgroup meeting to solicit input beforehand, and consider the following when developing the rate: (1) options for both seasonal and temporal differentiation; (2) EH/HP rates for residential and non-residential customers; (3) tradeoffs between rate designs focused on electric heating in general and those focused on technologies such as prompting heat pumps; (4) tradeoffs relating to eligibility requirements and verification (e.g., self-attestation, consumption analysis, submetering); and (5) delivery of the new rate, including strategies and tools for customer and contractor education, such as rate impact calculators and opt-out design strategies. The Commission also finds that consideration should be given to the additional system-wide benefit that heat pumps can provide, including the ability for DR or other broader system support.

E. Tariff Issues

1. Service Connection Fee

As an initial matter, Consumers noted that all proposed changes to the company's current electric tariffs are set forth in Exhibit A-16. *See also*, 3 Tr 1122-1123. The company explained that it is proposing an overhead service connection fee and to update the existing underground service connection fee for Residential and General Service customers. Specifically, Consumers stated that the overhead service connection fee "mirrors the proposed fee for underground connections. This change is intended to promote fairness by applying a uniform fee structure for new service installations, regardless of the connection type. Additionally, the proposal supports customer adoption of the more reliable underground option and aligns with the Company's Reliability Roadmap." 3 Tr 1120.

The company asserted that the underground service connection fee has not been updated since 1993 and should reflect recent inflationary cost increases. According to Consumers:

> [t]he proposed fees are based on a three-year average service connection length of 132 feet. To simplify the structure and better reflect current economic conditions, the Company proposes replacing the existing per-foot charge with a flat fee of $1,300 for Residential Customers and $2,200 for General Service Customers. These proposed amounts were derived by applying the cumulative inflation rate over the past 31 years to the current per-foot charges and multiplying by the average service length.

3 Tr 1120-1121.

The Staff agreed that the connections fees need to be updated but disagreed with Consumers' proposed flat fee structure. The Staff explained that:

> [t]he Company calculated the $1,300 and $2,200 amounts based on a three-year average service connection length of 132 feet multiplied by updated per-foot costs. Staff is concerned that customers with service connection lengths shorter than 132 feet would be subsidizing customers with much longer service connection lengths. Staff recommends the Company maintain the existing fee structure in which there is a per foot charge for each type of connection. For installations of overhead service

> connections for residential and general service customers, which currently do not have fees, the Company should propose fees or contributions that include per-foot charges in its next rate case.

6 Tr 4454.

In its brief, Consumers stated that although the Staff expressed concern with the company's proposed flat fee, Consumers already charges a flat fee of $350 for new residential underground services up to 150 feet. The company also asserted that:

> [c]harging a flat fee is reasonable because a significant portion of installing a new service involves fixed costs associated with the crew being onsite for the work, and those fixed costs are included in the Company's proposed fee structure. Flat fees also create billing efficiencies that allow the customer to complete payment earlier in the process rather than needing to wait for a full design to be developed. Flat fees also prevent the need for rebilling if the actual footage differs from the original quote, improving the customer experience.

Consumers' initial brief, p. 425 (citing 3 Tr 2045-2046). Moreover, Consumers contended that the proposed tariff contains protections to ensure there is no subsidization. *See*, Consumers' initial brief, p. 425 (citing 3 Tr 2046 and Exhibit A-16).

The Staff responded, asserting that Consumers has failed to adequately support a flat fee structure. Specifically, the Staff contended that Consumers' proposed flat fee structure places too much emphasis on efficiency for the company and not enough on fairness for the customer. Although the Staff acknowledged that "a significant portion of installing a new service involves fixed costs[,] not all costs are fixed, and the fee structure should reflect the variable costs to some degree." Staff's initial brief, p. 167. The Staff is willing to accept a fee structure that has a fixed fee component, such as the company's $350 for the first 150 feet, however the Staff argued that a per foot charge should apply after a fixed distance. The Staff also noted that it is "open to applying this structure to other types of services" if this "help[s] the Company capture at least some of the billing efficiencies it touts as a benefit . . . ." *Id*. Finally, the Staff disagreed that

Consumers' proposed flat-fee tariff protects against subsidization; rather, the Staff argued that "per-foot charges are necessary for sufficient protection." *Id*.

The ALJ found the Staff's argument persuasive. He "recommend[ed] the Commission direct the Company to create a fee structure that covers the fixed costs but also reflects the variable costs – protecting the rate payers from subsidization and ensuring fairness." PFD, p. 843.

In exceptions, Consumers reiterates that:

> [t]he Company's proposal to charge a flat fee is reasonable because a significant portion of installing a new service involves fixed costs associated with the crew being onsite for the work, and those fixed costs are included in the Company's proposed fee structure. Flat fees also create billing efficiencies that allow the customer to complete payment earlier in the process rather than needing to wait for a full design to be developed. Flat fees also prevent the need for rebilling if the actual footage differs from the original quote, improving the customer experience.

Consumers' exceptions, p. 133 (citing 3 Tr 2045).

In replies to exceptions, the Staff reiterates the arguments set forth in briefing. *See*, Staff's replies to exceptions, pp. 19-20.

The Commission finds persuasive Consumers' assertion that the underground service connection fee has not been updated since 1993 and that a uniform fee structure for new service connections, regardless of type, is necessary. The Commission also finds persuasive the Staff's argument that "the fee structure should reflect the variable costs to some degree" and that under the company's proposed flat-fee structure, customers with shorter service connection lengths could subsidize customers with longer service connection lengths. Accordingly, the Commission finds that Consumers' proposed changes to the overhead service connection fee and its request to update the existing underground service connection fee for Residential and General Service customers should be approved. While imperfect, Consumers' proposed changes better reflect cost of service principles than the underground service connection fees currently in place. However, in

Consumers' next general electric rate case, the Commission directs the company to create a fee structure that covers fixed costs and also reflects the variable costs, as recommended by the Staff.

2. Advanced Metering Infrastructure Opt-out

Consumers noted that in the March 21 order, the Commission directed the company to re-evaluate AMI opt-out charges to ensure that they reflect COS. Consumers explained that there is a one-time, upfront charge for customers who would like to opt-out of the AMI metering program and receive a legacy non-transmitting meter. The company asserted that, in addition to the upfront charge, there is also a "monthly charge for opting out of an AMI smart meter [that] includes the costs associated with manual inspections and readings of the meters as well as ongoing non-transmitting meter costs." 3 Tr 1561. In this case, Consumers proposed to increase the AMI opt-out charges to:

- Upfront Charge to replace an existing AMI meter with a Legacy Non-transmitting Meter: $216.22 one-time fee as shown on Line 7 of Exhibit A-136 (MPK-26)

- Monthly Charge: $3.09/month as shown on Line 7 of Exhibit A-136 (MPK-26)

3 Tr 1562; *see also*, Consumers' initial brief, p. 426.

The Staff reviewed Consumers' proposed cost breakdown for the charges. Referencing two of the company's cost components, the Staff stated that the components:

> are described as reflecting the costs associated with swapping out a standard AMI meter for a non-transmitting meter, but one of these components accounts for $45 of the upfront cost while the other accounts for $93. Believing that these costs may be duplicative of one another, Staff asked about these costs in audit. The Company explained that the incorrect basis was used for the $93 cost and that it should be equal to the $45 cost, since it is reflective of the potential to replace a non-transmitting meter back to a standard AMI meter in the future. This changes the proposed upfront charge from $216.22 to $168.07.

6 Tr 4317 (citing Exhibits S-12.0, p. 3, and S-12.2). Thus, the Staff recommended that the Commission adopt an AMI opt-out upfront charge of $168.07. *See*, 6 Tr 4317; Staff's initial brief, p. 168. Consumers did not object. *See*, 3 Tr 1578; Consumers' initial brief, p. 426.

The Staff also requested a cost breakdown for the company's proposed monthly charge. The Staff stated that after a review of the cost breakdown, it:

> ha[d] concerns with the basis for the costs. The first section, lines 1-6, shows the cost of all non-AMI reads, the number of manual gas reads, the number of manual electric reads, and the number of automated meter reading (AMR) gas reads. The cost is then divided by the total number of reads to arrive at the average read cost. The vast majority of the reads are AMR gas reads, 13.9 million out of 14.2 million, with only 133,000 manual electric reads. Therefore, Staff believes that this cost is far more reflective of the cost of AMR gas reads than it is of AMI opt-out reads.

6 Tr 4317-4318 (citing Exhibit S-12.3); *see also*, Staff's initial brief, p. 168. The Staff requested that Consumers provide the cost for reading non-transmitting meters, but the company stated that it does not track these costs separately from total meter reading costs. Accordingly, the Staff asserted that "the proposed monthly charge is not reflective of cost-of-service and should be rejected by the Commission." 6 Tr 4318. The Staff also recommended that the Commission direct Consumers to track the costs of reading non-transmitting meters so that the company can propose an updated, COS-based, monthly charge in a future proceeding.

Consumers objected to the Staff's recommendation, asserting that "it is not clear whether [the Staff] is arguing that there should be no monthly charge at all until the Company performs this new analysis, or if the existing monthly charge should remain in effect until that time. If [the Staff] intends the former, this is not reasonable." 3 Tr 1579; *see also*, Consumers' initial brief, pp. 426-427. Consumers stated that it provided an alternative analysis that aligned with the methodology that was used in prior cases, which supported a monthly charge of $12.61. *See*, 3 Tr 1579; Consumers' initial brief, p. 427. Regarding the Staff's proposal that the company

separately track costs of reading non-AMI meters, Consumers stated that it was willing to investigate this proposal. However, the company noted that "there are challenges attempting to separately track these costs because the Company does not have a dedicated electric meter reader team that only reads non-AMI meters." 3 Tr 1579; *see also*, Consumers' initial brief, p. 427.

In response, the Staff stated that "[n]owhere in testimony did Staff argue that there should be no monthly charge, the existing monthly charge should remain until a new charge is accepted by the Commission." Staff's initial brief, p. 169. Additionally, regarding the company's statement that it will look into the possibility of separately tracking meter reading costs, the Staff noted that in the March 21 order, the Commission directed Consumers to re-evaluate AMI opt-out charges to ensure alignment with COS. Thus, the Staff reiterated that "the Commission should require the Company to track the costs of reading non-AMI meters and to propose an updated monthly charge in a future rate case." Staff's initial brief, p. 169.

The ALJ found that Consumers complied with the March 21 order to re-evaluate AMI opt-out upfront and monthly charges. He agreed with Consumers and the Staff that the Commission should approve an AMI opt-out upfront charge of $168.07. Regarding the monthly charge, the ALJ acknowledged the Staff's claim that the proposed monthly charge was more reflective of the cost of AMR gas reads than non-transmitting legacy meter reads because it was an average of all non-AMI reads. However, he also found Consumers' argument persuasive that "establishing a separate process to track only 133,000 non-AMI meters would likely result in an even higher charge . . . ." PFD, p. 848. Accordingly, the ALJ reviewed the company's estimated monthly meter charge of $12.61, found that the proposed charge of $3.09 is reasonable and prudent, even if it is not aligned with COS, and recommended Commission approval. He stated that "if the Commission would like to study this cost further, it could also direct the Company to investigate

separately tracking the costs of reading non-AMI meters so it could propose an updated, cost-of-service based, monthly charge in a future proceeding." PFD, p. 849.

No exceptions were filed on this issue.

The Commission respectfully declines to adopt the ALJ's recommendation with respect to the monthly charge. The Commission finds that, as noted by the Staff, the proposed $3.09 monthly charge does not accurately reflect the company's monthly cost of reading non-AMI electric meters. *See*, 6 Tr 4317-4318. Rather, the Commission finds persuasive the company's proposed alternative analysis that is based on an allocation of labor and associated overhead for supervision, support, and vehicle costs for non-transmitting meters set forth in Case No. U-17990. *See*, Exhibit A-220. Accordingly, the Commission approves Consumers' alternative charge of $12.61 per meter per month. *See*, 3 Tr 1579. The Commission agrees with the ALJ's recommendation to adopt the AMI opt-out upfront charge of $168.07. PFD, p. 848.

IX. OTHER ISSUES

A. Distribution Investment Recovery Mechanism

In the March 21 order, the Commission approved an IRM covering the 12-month period ending February 28, 2026. March 21 order, pp. 364-365. In this case, Consumers proposed extending the IRM for an additional two-year period beginning with the start of the test year on May 1, 2026. 3 Tr 1828; Consumers' initial brief, p. 427. The company also proposed that the spending levels included in the IRM for the 12 months ending April 30, 2027, be set at test year levels approved for each program in this case with the second year of the IRM being equal to the first-year spending levels. 3 Tr 1828. The company explained that its IRM proposal includes the same IRM process and a continuation of the same investment categories that were approved in the

March 21 order plus the addition of two new sub-programs. 3 Tr 1828-1830. According to Consumers, the expenditure levels included in its proposed IRM are as follows:

Sub-Program/ Investment Category	Proposed IRM Expenditures
Lines Reliability – LVD (Targeted Circuit Improvements and Pole Replacements)	$276,191,000
Resiliency – Fractionalization	$11,647,000
System Protection	$4,098,000
Repetitive Outages – LVD	$30,344,000
Vulnerable Communities Resiliency Plan (VCRP)	$30,000,000
Total	**$352,280,000**

3 Tr 1474, 1829. Consumers explained that the "previously approved IRM programs of Lines Reliability – LVD, Resiliency [– Fractionalization], and System Protection target improvements critical to reducing major event days." 3 Tr 1829; *see*, March 21 order. For the two new sub-programs, Consumers explained that the Repetitive Outage – LVD program, which was added to improve its CEMI-4 performance, "is specifically designed to identify locations on the system where customers experience frequent outages and correct the underlying issues. The [VCRP] program[, which was added to address racial or socioeconomic disparities in service,] is crucial for ensuring disadvantaged communities receive better than average all-weather reliability."[25] 3 Tr 1473-1474, 1829.

While Consumers acknowledged its past IRM performance issues, the company claimed that the delayed fractionalization projects in the Resiliency sub-program were largely due to multiple permitting delays and that the projects will be completed in 2025, during the second year of the

[25] For further discussions on Consumers' LVD Repetitive Outages and VCRP sub-programs, see the rate base section of this order.

current IRM. 3 Tr 1477. Consumers also contended that the IRM has positively impacted reliability and resiliency, which has led to improved SAIDI excluding MEDs by three minutes and all-weather SAIDI by 12 minutes while experiencing one less MED than in 2024. 3 Tr 1478. Consumers also claimed that the IRM investments were deployed in an equitable manner, noting that the company "invested $6,315,000 of the total $66,132,000 spending, or 9.5%, in EJ communities." 3 Tr 1478. The company explained that the IRM "serves as a way [to] ensure proactive spending on projects that are beneficial to deliver a reliable and resilient system. By ring-fencing capital [as the IRM does], it will not be diverted to other purposes, and if not spent, customers receive the benefit of a refund." 3 Tr 1478.

Because the revenue requirement for the IRM impacts the calculation of base rates and the IRM surcharge, Consumers noted that, "[i]f the Commission adjusts the capital spending included in the IRM, base rates will need to be adjusted and designed to recover the revenue requirement of any capital spending not included in the IRM." 3 Tr 1831; *see also*, Exhibit A-163. Consumers explained that the proposed IRM "would authorize the Company to collect additional revenues associated with incremental distribution reliability spending beginning May 1, 2026 through April 30, 2028, with a distinct revenue amount to be collected in each 12-month period." 3 Tr 162. Consumers also provided an illustrative calculation of the proposed IRM surcharge to show how the company proposed to collect the revenue requirements from each customer class. 3 Tr 163; Exhibit A-68. According to Consumers:

> the revenue requirements for each class are based on the cost of allocation of the revenue requirements in Exhibit A-89 EAD-5) [sic]. . . . The [IRM] surcharge is based on test year sales and would apply to both Full Service and Retail Open Access customers. With approval of the Commission, these rates would be effective for service rendered on and after May 1, 2026 and service on and after May 1, 2027. The IRM surcharges would continue until rates were modified in the Company's next electric [rate] case.

3 Tr 163.

The Staff supported Consumers' proposed two-year extension for the IRM, covering May 1, 2026 through April 30, 2028, with the following three changes:

> 1) Due to a recommended adjustment from Staff witness Ryan Boutet to the Repetitive Outages sub-program, $6,068,800 should be removed from the IRM each year[, which is 20% of the test year projection for the Repetitive Outages sub-program];
>
> 2) the Vulnerable Communities sub-program should be removed from the IRM and the associated $30,000,000 of proposed IRM expenditures placed into rate base for the test year;
>
> 3) For May 1, 2027 – April 30, 2028, the rate of return associated with the IRM surcharge should be lower than the pretax rate of return (ROR) as ordered in this instant case, but no lower than the short-term debt rate [] ordered in the instant case. Once these investments are found to be prudent and reasonable for inclusion in base rates in a future rate case, Staff intends for the normal ROR to apply.

6 Tr 4449-4450. For further discussions on the Staff's arguments for the 20% disallowance of the test year projection for the Repetitive Outages sub-program and for the removal of the VCRP from the IRM, see the rate base section of this order. As for the Staff's recommendation for a lower ROR, the Staff explained that it recommended a lower ROR for the IRM year of May 1, 2027 through April 30, 2028, because of the company's past underinvestment in the distribution

system[26] and because the ROR associated with the IRM surcharge should be lower than the pretax ROR (but no lower than the short-term debt rate) as approved in this case.[27] 6 Tr 4449, 4451. The Staff noted, as an alternative, that the Commission could consider approving just one year (as opposed to the two-year period) and could "reduce a year's approved IRM amount in a subsequent rate case prior to that year occurring." 6 Tr 4453.

While UCC supported Consumers' investment in vulnerable communities in general, UCC asserted that it had concerns with approving another IRM before reconciliation for the current IRM was completed and approved. 3 Tr 2331. UCC argued that Consumers' application for Year 1 reconciliation showed that the company exceeded its approved spending by more than $16.8 million without completing all of its fractionalization projects. 3 Tr 2331-2332. UCC asserted that Consumers should have to "elaborate on why its Year 1 cost projections were so inaccurate[, and should] . . . show through reconciliation of its Year 2 funding that it is capable of completing projects on time and within budget." 3 Tr 2332.

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[26] In support, the Staff, in reviewing the past amounts that Consumers spent in its distribution system in the 2010s and comparing that to the company's current projections, argued that:

> [t]he fact that distribution capital projects for the late 2020s are 4-6 times larger than the spending that occurred in most of the 2010s points to the earlier spending being insufficient. And while Staff is not claiming the projections for 2026-2029 are the correct amounts, they are probably closer in magnitude to what the system requires than the amounts that were spent a decade before and earlier. This indicates past under-investment in the distribution system that the Company has only recently begun to turn around.

6 Tr 4452.

[27] The Staff provided that "[o]nce these investments are found to be prudent and reasonable for inclusion in base rates in a future rate case, Staff intends for the normal ROR to apply." 6 Tr 4449.

UCC also argued that Consumers should have included a more thorough equity analysis in its current reconciliation application. 3 Tr 2332. UCC explained that, "[i]n its current reconciliation application, the Company notes that it spent $6.3 million in EJ communities, or 9.5% of the $66.1 million spending[,]" but how the EJ communities' expenditures compared to the overall need in EJ communities is unknown. 3 Tr 2333. UCC averred that:

> it would be helpful if the Company could have tied the analysis of its Year 1 IRM in the reconciliation case and this case to the needs in EJ communities. Doing so would have spoken more directly to the Commission's mandate [in the March 1 order] that the Company present analysis on "whether the investments are, in fact, being deployed equitably, whether the investments exacerbate or perpetuate racial or socioeconomic disparities in service, whether there has been a positive impact on reliability and resilience, whether there is sufficient opportunity for scrutiny of the investments, and whether customers have benefitted from the IRM mechanism."

3 Tr 2333-2334 (quoting March 1 order, p. 273). UCC argued that Consumers needs to prove it can "deliver on its promise to establish a more reliable and resilient network for all its customers—especially for LMI [Low Moderate Income] and BIPOC [Black, Indigenous, and People of Color] customers—without overspending ratepayer dollars." 3 Tr 2334-2335. UCC recommended a short-term IRM, contending that it could be a "desirable model for funding reliability improvements because it creates greater accountability for the utility to follow through on promised investments while providing intervenors and consumer watchdogs sufficient opportunity to scrutinize spending outcomes. This ensures that ratepayer funds are spent as efficiently as possible and for the benefit of customers." 3 Tr 2334.

In briefing, UCC argued that Consumers should ensure accountability and transparency for the company's IRM and IRM extension and recommended that the Commission do the following:

> (1) First, proceed cautiously before approving the proposed IRM extension in this case given the outstanding reconciliation issues in [Case No.] U-21918.

> (2) Second, track the reconciliation process in [Case No.] U-21918 so that the Commission understands the information in that case and interactions with the issues before the Commission in this case.
>
> (3) Third, mandate quarterly reporting on project completion rates, spending versus budget, and equity outcomes in any extended IRM going forward. Such a short-term model would create "greater accountability for the utility to follow through on promised investments while providing intervenors and consumer watchdogs sufficient opportunity to scrutinize spending outcomes."
>
> (4) Fourth, return funds to ratepayers in compliance with the Commission's [March 21 order] if the reconciliation process in [Case No.] U-21918 reveals that funds designated for particular work were not spent as the Commission has directed. The Company has stated it will return funds, and the Commission should ensure that any necessary refunds are distributed to ratepayers promptly.

UCC's initial brief, p. 104 (footnotes omitted) (quoting 2 Tr 1809).

ABATE disagreed with Consumers' proposed IRM spending on programs within the LVD Lines Reliability program.[28] 6 Tr 3719. For the LVD targeted circuit improvements, ABATE argued that:

> the vintage underground cable rejuvenation project does not provide immediate safety or reliability benefits. Since this involves the replacement of cable that is already located underground, the safety and reliability benefits of undergrounding have already been realized by the Company. Thus, this project is more accurately characterized as preventative maintenance, which would only provide future benefits in the event that an existing underground cable fails. This raises concerns that the Company's plan is not using the IRM as the Commission intended.

6 Tr 3724. In sum, ABATE contended that its proposed adjustments to the LVD pole replacements and LVD targeted circuit improvement project would "reduce the Company's proposed authorized IRM capital expenditures by approximately $108.8 million in the test year

[28] ABATE noted that Consumers' proposed LVD Lines Reliability subprogram consists of "five investment categories: (1) targeted circuit improvements; (2) pole replacements; (3) ATR loops; (4) circuit exit enhancements; and (5) ROW and easement acquisition. The Company is proposing that cost related to the two largest investment categories, targeted circuit improvements and pole replacements, be recovered through the Company's IRM." 6 Tr 3719. For discussions on ABATE's arguments regarding LVD pole replacements, see the rate base section of this order.

and the year after. This lowers Consumers' projected test year IRM surcharge revenue deficiency by $5.871 million based on the Company's proposed ROE of 10.25% and common equity ratio of 50.75%." 6 Tr 3737.

The ALJ agreed with the Staff's proposed 20% reduction in test year capital expenditures for the LVD Repetitive Outages sub-program and recommended the removal of $6,068,800 from the annual IRM spending. PFD, p. 865. The ALJ, however, disagreed with ABATE's recommendation to remove $108.8 million from the IRM through capital reductions to pole replacements and targeted circuit improvements within LVD Lines Reliability. *Id*. The ALJ also disagreed with the Staff's recommendation to remove the VCRP from the IRM, agreeing with Consumers that the "VCRP aligns with the equity-related goals of the IRM[,] and therefore recommend[ed] that the $30 million proposed for the VCRP be recovered through the IRM." *Id*. The ALJ also noted that Consumers' proposed IRM capital expenditures in the Resiliency and System Protection sub-programs were not disputed. *Id*. As a result, the ALJ recommended the following IRM spending:

Capital Spending Program	IRM 12 months ending April 30, 2027
LVD Lines Reliability	$276,191,000
Resiliency	$11,647,000
System Protection	$4,098,000
Repetitive Outages	$24,275,200
VCRP	$30,000,000
Total	**$346,211,200**

Id. The ALJ also recommended that the Commission only extend the IRM through the test year, April 30, 2027, which will allow for "further information to be obtained through the reconciliation

of Year 1, in Case No. U-21918, and the reconciliation for Year 2, which will begin in 2026." *Id*., pp. 865-866. The ALJ noted that this additional information will assist with "determining whether the IRM is meeting the Commission's stated goals, and if so, the IRM can be extended to April 30, 2028, in Consumers' next rate case." *Id*., p. 866. The ALJ also noted that this recommendation renders the Staff's proposal to use the short-term debt rate for the second year of the IRM moot. *Id*. If the Commission extended the IRM for two years, the ALJ recommended that the Commission apply the "same return applied to all similar long-term capital investments as proposed by Consumers[, noting that he] . . . d[id] not find it appropriate to lower the [ROR] based on Consumers' proposed investments in the 2010s." *Id*.

Regarding UCC's recommendations, the ALJ agreed that the Commission should use Case No. U-21918 and subsequent reconciliation cases to "inform its decision-making regarding Consumers' current and future IRM proposals, but this PFD stop[ped] short of making any recommendation in this regard, noting that Staff and other parties can obtain information from these cases and present it to the Commission for consideration." *Id*. The ALJ also noted that Consumers is required to return funds to ratepayers if funds dedicated for particular work are not spent as directed. *Id*.

As to UCC's recommendation for Consumers to report quarterly on project completion rates, spending versus budget, and equity outcomes, the ALJ agreed with Consumers that quarterly reporting was first mentioned in UCC's initial brief.[29] *Id*. The ALJ also agreed with Consumers that project completion and spend versus budget are ostensibly addressed in the reconciliation cases. *Id*., pp. 866-867. However, the ALJ found that equity outcomes are not discussed in the

[29] In reply, Consumers noted that UCC's recommendation for quarterly reporting on project completion rates, spending versus budget, and equity outcome in the IRM going forward were presented for the first time in UCC's initial brief. Consumers' reply brief, p. 90.

IRM reconciliation cases, and as a result, recommended that the Commission require Consumers to "report more thoroughly on the linkage between its investments in EJ communities and the need in those communities in its next rate case or direct that equity outcomes be specifically addressed in the IRM reconciliation cases." *Id*., p. 867.

Consumers excepts to the ALJ's 20% reduction in test year capital expenditures for the LVD Repetitive Outages sub-program and removal of $6,068,800 from the annual IRM spending. Consumers' exceptions, p. 135 (citing PFD, p. 865). The company also excepts to the ALJ's recommendation that the Commission only extend the IRM through the test year to allow for further information in the reconciliation proceedings. Consumers' exceptions, p. 135 (citing PFD, pp. 865-866). Consumers asserts that additional information is not needed before approving a second year of the IRM in this case where Consumers has already made one IRM reconciliation filing in Case No. U-21918 in which a settlement agreement has been filed, so it is unclear what additional information will be gained from the next IRM reconciliation that would help inform approval of a second year IRM in a rate case proceeding. Consumers' exceptions, p. 135. Consumers also notes in exceptions that the additional reporting requirement for equity outcomes the ALJ recommended is not necessary because the company is already addressing equity outcomes as part of the IRM process. *Id*.

In the Staff's exceptions, the Staff disagrees with the ALJ's recommendation that the $30 million proposed for the VCRP be recovered through the IRM. Staff's exceptions, p. 22 (citing PFD, p. 865). The Staff maintains its position and recommends that the Commission remove the VCRP sub-program and the associated $30 million of proposed IRM expenditures. Staff's exceptions, p. 23. The Staff also excepts to the ALJ recommending that the Commission use the same return applied to all similar long-term capital investments as proposed by Consumers.

Id., p. 23. The Staff also maintains its position on this issue and recommends that the Commission use a lower ROR for the second year of the IRM. *Id*., pp. 23-24.

UCC supports the ALJ's recommendation to extend the IRM by one year instead of two and to require improved reporting from Consumers on the IRM. UCC's exceptions, pp. 37, 40-41. While UCC supports the ALJ's recommendation that the Commission "require more thorough equity reporting in the 'next rate case *or* direct that equity outcomes be specifically addressed in the IRM reconciliation cases[,]'" UCC asserts that the Commission should look at:

> equity reporting in *both* kinds of cases. Equity reporting is necessary in reconciliation cases to determine whether IRM funds, especially funds designated to the VCRP, are being used equitably and accountably in ways that protect and benefit ratepayers. Equity reporting is necessary in rate cases to determine whether the Company is likely to execute successfully on the new IRM proposals that the Company puts forward in the rate cases. Thus, equity reporting is necessary in both kinds of cases.

Id., p. 37 (emphasis in original; footnote omitted) (quoting PFD, p. 867). UCC, however, excepts to the ALJ's findings that UCC recommended quarterly reporting in its initial brief and not in its testimony, asserting that this is inconsequential. UCC's exceptions, p. 39. UCC notes that the Michigan Administrative Hearing Rules only preclude raising new factual and legal issues in reply briefs, not initial briefs. *Id*., p. 39 (citing Mich Admin Code, R 792.10434(3)). UCC contends that transparency and accountability are essential across the entire IRM, and quarterly reporting will help to ensure that both transparency and accountability are achieved. UCC's exceptions, p. 39.

While the ALJ agreed with UCC's assertion that the Commission should use Case No. U-21918 and subsequent reconciliation cases to inform its decision-making concerning the company's current and future IRM proposals, UCC disagrees with the ALJ's "deliberate omission of a specific recommendation on this point[and argues that] the Commission should adopt the position that it will consider the current reconciliation case [Case No.] U-21918 and subsequent

reconciliation cases in deciding whether to extend current and future IRM proposals." UCC's exceptions, pp. 39-40 (citing PFD, p. 866). UCC also asserts that that the Commission should "factor current and future reconciliation cases into its rate-case analysis, whether or not information about reconciliation is presented by Staff and other parties." UCC's exceptions, p. 40.

In replies, Consumers disagrees with the Staff's exception on the inclusion of VCRP expenditures in the IRM. Consumers' replies to exceptions, p. 122 (citing Staff's exceptions, pp. 22-23). Consumers contends that it proposed to include the VCRP expenditures in the IRM because of the importance of investing in EJ communities, which "[t]he IRM will ensure that these investments are made or will require the Company to refund any underspend." Consumers' replies to exceptions, p. 122. Consumers asserts that the Commission should approve the company's request to include VCRP expenditures in the IRM, which is consistent with the ALJ's recommendation. *Id*. Consumers also replies to the Staff's exception concerning approval of a lower ROR, asserting that the Staff's proposal to apply a lower return on distribution capital spending included within the IRM has the "effect of prohibiting the Company from recovering the full cost of financing these long-term assets, and, in effect, penalizes the Company for previous investment amounts[, which] is inappropriate ratemaking." Consumers' replies to exceptions, p. 123.

In response to UCC's exception regarding equity reporting, Consumers asserts that it is already addressing equity outcomes as part of the IRM process. *Id*., p. 125. Consumers argues that since it is "already performing significant reporting on equity in multiple cases, as well as providing reliability data publicly available online through interactive maps (see 3 TR 1451), additional reporting is not necessary and the Commission should not add a new quarterly reporting requirement." *Id*.

In ABATE's response to Consumers' exception to extend the IRM beyond the test year, ABATE argues that a further extension only invites "unreasonable speculation and unreliable cost forecasting to the detriment of customers[.]" ABATE's replies to exceptions, p. 36 (citing Consumers' exceptions, pp. 135-136). ABATE contends that the ALJ "properly recognized 'ABATE's suggested guardrails on the IRM when making its recommendations, as they appear reasonable and generally consistent with Commission directives.'" ABATE's replies to exceptions, p. 36 (quoting PFD, p. 864). ABATE reiterates the necessity of the guardrails "given that the Company's proposals would both significantly inflate cost recovery through the IRM and extend the period over which it recovers those costs beyond the test year[and asserts that s]uch an extension necessarily exacerbates the already inherent problems with projecting future costs based on hypotheticals and speculation." ABATE's replies to exceptions, pp. 36-37 (internal citation omitted) (citing ABATE's initial brief, pp. 88-91). Therefore, ABATE contends that the ALJ's recommendation is reasonable and will allow for further information to be obtained through the reconciliation of Years 1 and 2. ABATE's replies to exceptions, p. 37 (citing PFD, pp. 865-866).

In UCC's response to the Staff's exception regarding the inclusion of VCRP expenditures in the IRM, UCC maintains its position on this issue and provides that:

> what is most important is that these investments are funded through one mechanism or another. So long as the Company actually engages in comprehensive equity reporting by providing information that demonstrates linkage between the Company's investments in EJ communities and the needs of those communities, and so long as the Company complies with the IRM equity reporting requirements that the Commission ordered in [Case No.] U-21918—requirements that UCC stresses must be reiterated and ordered by the Commission in this case—the IRM will provide for valuable transparency and accountability.

UCC's replies to exceptions, p. 10 (footnotes omitted).[30]

UCC also responds to Consumers' exception concerning equity reporting, disagreeing with the company's assertion that it is already meeting the equity reporting requirements for the IRM. UCC's replies to exceptions, p. 11 (citing Consumers' exceptions, p. 136). While UCC supports Consumers' efforts to use the IRM to support vulnerable communities through the VCRP, UCC disagrees that the company has "provided evidence of 'whether the investments are, in fact, being deployed equitably' simply by including the VCRP in the IRM. As valuable as it is to have a program with goals of achieving equity, including it alone does not provide sufficient information about whether equity is being achieved." UCC's replies to exceptions, p. 11 (footnote omitted) (quoting March 1 order, p. 273). UCC also disagrees with Consumers' contention in its exceptions that it is "already addressing equity outcomes as part of 'the IRM review process.'" UCC's replies to exceptions, pp. 11-12 (quoting Consumers' exceptions, pp. 135-136). UCC contends that it is "not clear whether the Company is referring to the review process in the reconciliation case or in this case[; r]egardless, the Commission should, in this case, order more thorough reporting on equity in *both* rate cases and reconciliation cases." UCC's replies to exceptions, p. 12. UCC also disagrees with Consumers' exception concerning the two-year IRM period and contends that the ALJ's recommendation for a one-year period "will increase transparency and allow the Commission to proceed with information required to understand both ratepayer needs and cost-effectiveness in light of continued investments." *Id*., pp. 12-13 (citing Consumers' exceptions, p. 135).

[30] *See also*, the March 1 order, p. 273, which ordered Consumers to report on whether the IRM investments are "being deployed equitably, whether the investments exacerbate or perpetuate racial or socioeconomic disparities in service, whether there has been a positive impact on reliability and resilience, whether there is sufficient opportunity for scrutiny of the investments, and whether customers have benefitted from the IRM mechanism."

In MNSC's response to Consumers' exception concerning the two-year IRM period, MNSC opposes the company's exception and agrees with the ALJ's recommendation to hold the IRM to a single year. MNSC's replies to exceptions, p. 23 (citing Consumers' exceptions, pp. 134-136; PFD, p. 865). MNSC asserts that Consumers bears the burden of demonstrating that its proposal is reasonable and that the company has not met this burden. MNSC's replies to exceptions, p. 24. While a settlement agreement has been reached and remitted to the Commission in Case No. U-21918, MNSC asserts that the settlement agreement provides "no insight into whether Consumers' Year 1 investments achieved the Commission's stated goals – whether they led to reliability improvements, whether the investments were deployed equitably, and whether, and how customers benefitted from the Year 1 IRM investments." *Id*. As such, MNSC contends that the ALJ "correctly acknowledged the benefit of additional information from both Year 1 and Year 2 reconciliations to assess whether the IRM is meeting the Commission's stated goals before extending the IRM through Year 4 to April 30, 2028." *Id*. (citing PFD, p. 866).

The Commission, having reviewed the record and the parties' arguments on this issue, agrees with the ALJ's recommended one-year extension for the IRM covering May 1, 2026 through April 30, 2027, finding that the IRM approval for an additional one-year period allows time for the IRM to move forward and allows for reevaluation to take place as to whether the IRM should continue beyond Year 3. The Commission also agrees with the ALJ that the Staff has not adequately justified applying a lower ROR for the IRM surcharge and finds that an equivalent ROR between base rates and the IRM is appropriate. Accordingly, the Commission adopts the ALJ's findings and conclusions on these issues. *See*, PFD, pp. 865-866. As highlighted by UCC, the Commission also reiterates the IRM equity reporting requirements that the Commission established in Case No. U-21918 and continues to require as outlined in that order.

The Commission also finds the company's proposed IRM capital expenditures, as approved above in Rate Base, for the Resiliency and System Protection sub-program investment categories are reasonable and prudent and adopts the ALJ's recommendations on these two sub-programs. *Id*., p. 865. The Commission, however, respectfully disagrees with the ALJ's recommendation to add LVD Repetitive Outages and VCRP as two new sub-program investment categories suitable for inclusion in the IRM, and thus declines to adopt Consumers' proposal to include these two new sub-programs in the IRM. Regarding the LVD Lines Reliability sub-program investment category, the Commission agrees with the ALJ's recommendation to decline ABATE's proposal to remove $108.8 million from the IRM through capital reductions to pole replacements and targeted circuit improvements and adopts the ALJ's recommendation on this sub-program. *See*, *id*. The Commission also notes that, based on Consumers' concession, Underground Cable Rejuvenation will not be considered for inclusion in the IRM but will remain in rate base.[31] The Commission, thus, consistent with capital expenditure decisions made earlier in this order, approves the following capital spend amounts to be included in the IRM in this case:

Capital Spending Program	**IRM Year 1 12 months ending April 30, 2027**
Lines Reliability – LVD	$210,202,000
Resiliency	$11,647,000
System Protection	$4,098,000
Totals	**$225,947,000**

[31] For discussions on Underground Cable Rejuvenation, see the rate base section of this order.

B. Distribution System Planning and Analysis

The July 10, 2025 order in Case No. 20147 issued guidelines for future DSPs (DSP guidelines) after receiving feedback and comments from participating utilities, including Consumers. July 10, 2025 order in Case No. U-20147, Exhibit A. To file a revised DSP, the DSP guidelines provided, in part, that:

> Under the following circumstances, the Company may submit a revised DSP within the rate proceeding as detailed above:
>
> a. Significant misalignments between spend categories/allocations following changes in investment strategy or plan from the most recent DSP and the rate case filing.
>
> b. Difference(s) between the DSP and the rate case filing are significant in the judgment of the utility.

July 10, 2025 order in Case No. U-20147, Exhibit A, p. 10.

Consumers explained that this order requires utility distribution plans to use the "standard descriptor Distribution System Plan (DSP) going forward." 3 Tr 1566. Continuing, the Company explained that it had been using the terms "Electric Distribution Infrastructure Investment Plan (EDIIP) and Reliability Roadmap[,] . . . [but will] use the DSP moniker on a go-forward basis, although the three terms – EDIIP, Reliability Roadmap, and DSP – can continue to be understood as interchangeable." 3 Tr 1566. Consumers filed its "third EDIIP, the Reliability Roadmap, on September 27, 2023, in Case No. U-20147 (2023 Reliability Roadmap [or 2023 DSP]). 3 Tr 1389. Consumers filed an amended Reliability Roadmap in this case. 3 Tr 1389; *see also*, Exhibit A-129 for the amended version of the company's 2023 Reliability Roadmap.

Consumers explained that the company's vision for electric distribution was presented primarily through its Reliability Roadmap, which served as the underpinning document for the

distribution plans laid out in this rate case.[32] 3 Tr 1385-1386. Consumers explained that the "Reliability Roadmap focused on strategic investments needed to improve reliability and resiliency[,]" which Consumers' analysis indicated to be the most critical issue in the face of increasingly severe weather and storms. 3 Tr 1391, 1423; Consumers' initial brief, p. 431. Consumers also explained that the Reliability Roadmap laid out four distribution objectives, which taken together, provided the company with a comprehensive distribution strategy: (1) Safe, (2) Reliable and Resilient, (3) Clean and Equitable, and (4) Competitive. 3 Tr 1423.

Consumers described the company's Safe objective as follows:

> Improving overall safety and security for customers and employees remains the top priority. The Company designs its distribution system to ensure safety is enhanced through rehabilitation and preventative maintenance of assets as well as using automation technology to spot issues before they occur. In particular, capital spending in the Rehabilitation sub-programs proactively replaces assets judged to be at risk of imminent failure by Company personnel. This vital work not only enhances the reliability of the system by addressing system deterioration, but also protects the public from assets at a higher probability of failure.

3 Tr 1424. In support of these safety goals, Consumers provided that the Reliability Roadmap identified voltage conversions, subsurface transformer replacements, open-wire secondary conversions, and key investments to improve public safety. 3 Tr 1424. Consumers also noted that its new effort to perform groundline inspections of LVD poles and replace any pole in poor asset health will also improve both public and employee safety. 3 Tr 1424-1425.

To ensure system reliability and resiliency, Consumers "continues to invest in hundreds of millions of dollars in the distribution system to ensure its reliability and resiliency, repairing and replacing distribution assets, performing line clearing work, and investing in technology and

[32] Consumers explained that its electric distribution system is comprised of the HVD, LVD, and Metro systems. 3 Tr 1383. For further discussions on Consumers' electric distribution and Reliability Roadmap, see the rate base section of this order.

automation projects to modernize the gride." 3 Tr 1430. Specifically, the company directed $697.127 million of test year capital toward the Reliability Program and proposed an updated IRM to cover certain capital investments. 3 Tr 1430. Consumers also consulted EPRI's Distribution Grid Resiliency reports published in 2015 to garner a "foundation for the Company's distribution prioritization, [and] the Company stays active in various EPRI working groups . . . to stay up to date with best practices and potential breakthrough at other utilities or from others doing research." 3 Tr 1431.

For its Clean and Equitable objective, Consumers explained that:

> [t]he Company is building a system that will be modernized, smart, and capable of accommodating changing customer technology adoption patterns, such as electric vehicles (EVs) and distributed energy resources (DERs), for all communities served, ensuring members of disadvantaged communities have equitable opportunities to participate. The Company will deliver reliability and resiliency equitably across all communities.

3 Tr 1380-1381. Further details and parties' discussions on Consumers' Clean and Equitable objective is discussed in the next section of this order.

For its Competitive objective, Consumers explained that it is pursuing federal government funding for reliability and resiliency projects under the federal Infrastructure Investment and Jobs Act (IIJA) to leverage funds to achieve reliability goals. 3 Tr 1452. Consumers further explained that the IIJA provides federal funding to "support various infrastructure projects through the United States, including certain types of utility infrastructure[, and i]f the Company is able to obtain federal funding to support distribution infrastructure investment, then the portion of the costs of that infrastructure funded by federal grants would not be passed on to customers." 3 Tr 1452. To date, the company provided:

> [that it] has been selected for four grants related to grid reliability and resiliency, and is in the process of negotiating with the DOE on the final terms:

- Section 40101(c): Grid Resilience Program. Under this section of the IIJA, the Company was selected for a $100 million grant running through 2028. This grant could provide the Company with approximately $20 million each year in matching funds to perform sectionalization and circuit improvement work in federally-defined disadvantaged communities (DACs).

- Section 40101(d): Grid Resilience Grants. According to the Michigan Department of Environment, Great Lakes, and Energy (EGLE), Michigan is expected to receive a $38 million grant for "preventing outages and enhancing the resilience of the electric grid." The Company was selected by EGLE to potentially receive $4.05 million as part of this grant.

- Section 40101(d): Grid Resilience Grants (state and tribal program). Under this section of the IIJA, the Company was selected by the Nottawaseppi Huron Band of Potawatomi tribe to implement a $500,000 grant to perform pole top rehabilitation and other HVD upgrades to improve reliability.

- Section 40107: Grid Resilience and Innovative Partnerships. The Company is partnering with Utilidata, the Electric Power Research Institute (EPRI), GM Energy, and the University of Michigan on this grant, which is worth $19.9 million. The Company was selected to receive this grant in October 2024.

3 Tr 1453. Specific use of the grant funds and costs for the associated work are discussed in detail in the rate base section of this order.

ABATE argued that customers experienced over four billion minutes of outages over the last three years with 52% of the outages resulting from trees or trees outside the ROW and 26% of the outages resulting from weather, which leaves the remaining 22% of outages resulting from other causes such as equipment failures, car/pole accidents, unique circumstances, etc. 6 Tr 3716. Thus, ABATE argued that, "[i]f the Company intends on making any meaningful improvements to its future reliability metrics, then the primary focus should be on vegetation management as opposed to asset replacement since equipment failures only account for a small percentage of total outage minutes." 6 Tr 3716. Continuing, ABATE noted that:

> the company's distribution plant additions, or capital expenditures, have increased from approximately $590 million in 2020 to $878 million in 2024, an increase of $287 million or 49% in five years. Meanwhile, there has been no discernable trend

> in the Company's SAIDI with MEDs metric over the same period. This means that the Company has not been able to reduce customer outage minutes, despite significant increase in the annual distribution capital expenditure levels.

6 Tr 3717. As such, ABATE argued that the facts presented demonstrate a troubling pattern of "increasing investment with no corresponding improvement in reliability for customers." 6 Tr 3718. ABATE claimed that Consumers' "position that its reliability is improving is based on a cherry-picked view of its data, selectively focusing on SAIDI excluding MEDs, while ignoring the more critical all-weather SAIDI metric that reflects the actual experience of its customers." 6 Tr 3718. As a result, for Consumers to meet its burden to demonstrate that the company's investment and cost recovery proposals are reasonable and prudent, ABATE recommended that the Commission require Consumers to demonstrate a clear link between its investments and quantifiable reliability improvements. ABATE's initial brief, p. 15.

For further details and party discussions on Consumers' Safe, Reliable and Resilient, Clean and Equitable, and Competitive distribution objectives, see the next section and the rate base section of this order.

C. Clean & Equitable Grid

For Consumers' Clean and Equitable Grid objective, the company explained that its "distribution strategy is aligned with overall clean energy goals that involve increasing sustainability and reducing waste. The Company continues to execute on a detailed strategy to understand the distribution reliability experience of EJ communities, and to address any inequity found to exist." 3 Tr 1440. To support Consumers' objective to increase sustainability and reduce waste, the company explained that:

> [i]n addition to providing Consumers Energy's customers reliable electric delivery service, the Company's distribution investments are also designed to help facilitate the transition to cleaner energy resources by integrating and optimizing DERs such as rooftop solar, as well as EVs, onto the system.

> The Company's CVR investments reduce system losses, helping the Company meet load demand with less need for generation. The Company is considering sustainability through a broader scope by also including EJ factors in its distribution planning. This focus will address not only more equitable outcomes for customers, but also will lead to improved understanding of where the distribution system has sufficient hosting capacity to accept new distributed generation like solar.
>
> Finally, the Company continues to ensure its investments are right-sized and appropriately targeted to avoid wasteful overbuilding of the system.

3 Tr 1440-1441. In preparation for integrating and optimizing DERs, Consumers provided that the company was taking incremental steps to gain expertise around DER deployment by laying the groundwork for this through its DER Optimization initiative, which would allow the company to manage and coordinate company- and third-party-owned DER assets, applying best practices and lessons learned to deliver solutions best suited for Michigan and its customers. 3 Tr 1441. For EVs, Consumers provided that the company is working to optimize load for up to 1 million EVs in its service territory by 2030 in support of the State of Michigan's policy goals. 3 Tr 1442. Consumers explained that:

> [a]s more customers adopt new technologies like DERs and EVs, hosting capacity will become a more prominent issue on the system, and hosting capacity analyses (HCA) will be important in addressing any concerns that arise. HCA is defined as "the amount of DERs that can be accommodated without adversely impacting operational criteria, such as power quality, reliability, and safety, under existing grid control and operations and without requiring infrastructure upgrades." DERs interconnect to the distribution system through a Commission-regulated process. HCAs can improve and streamline this process by identifying locations on the system with a high probability of accommodating DERs. While resource-specific analyses are still required with an HCA, an HCA can help customers and DER developers avoid proposing interconnections and incurring study costs in areas that are not suitable for DERs.
>
> * * *
>
> In 2020, the [August 20, 2020 order in Case No. U-20147 (August 20 order)] directed the Company to pursue a "phased" approach to developing HCAs, with two primary phases:

- Phase I: A base-level approach with a zonal go/no-go map; and

- Phase II: Specific, detailed analyses on areas of the distribution system with high DER penetration, incorporating this information into a more detailed map with circuit voltage-level information as DER penetration continues to increase.

> The Company completed a Phase I analysis and reported the initial results in its 2021 EDIIP filing, with a detailed description of methodology.
>
> Since that time, the Company has updated its Phase I analysis as system conditions have changed, and the Company maintains a publicly available updated version on its website.
>
> * * *
>
> The Company expects to have a more detailed Phase II analysis available by the second half of 2025. For its Phase II analysis, the Company will be able to use maximum load data from 2024 to create a snapshot of detailed hosting capacity information. This analysis relies on the Distribution Resource Integration and Value Estimation ("DRIVE") tool developed by EPRI, although in the future the Company may evaluate using other platforms if appropriate. Because manual analysis is still required with current capabilities, Phase II maps will be detailed but will not be updated in real time. Phase II hosting capacity maps will show much more detailed circuit information than the existing Phase I maps.

3 Tr 1442-1443 (emphasis in original; footnote omitted) (citing August 20 order, pp. 15, 41-42).

For future versions of the EDIIP and/or future rate cases, the January 19, 2023 order in Case No. U-21224 (January 19 order) approved a settlement agreement wherein Consumers agreed to, among other terms, study reliability performance and hosting capacity on circuits that overlap with EJ communities.[33] 3 Tr 1443-1444. Consumers explained that the studies, as presented in Case Nos. U-21389 and U-21585, indicated that: "(a) on a systemwide basis, the Company's EJ communities have comparatively good reliability, but (b) there are particular communities that do

[33] Consumers explained that EJ communities are "defined as 'census tracts that are above the 80th percentile on the MiEJScreen Overall Score.'" 3 Tr 1444 (quoting January 19 order, Exhibit A, p. 11).

face reliability challenges, and given their socioeconomic vulnerabilities the Company intends to direct specific new investments to those communities to improve their reliability." 3 Tr 1444. To accomplish this goal, Consumers proposed the VCRP with $30 million in investments.[34] 3 Tr 1444, 1446.

Based on Consumers' testimony and exhibits for the current case, UCC expressed concern that the company is not on track to meet either the timeline or investment levels the Commission approved in the March 21 order for the company's EJ Resiliency Plan wherein the Commission "made clear that it was approving Consumers' $600 million EJ Resiliency Plan and that it 'expect[ed to] see the more detailed version, with specific proposed investments, in the company's next electric rate case.'" 3 Tr 2326 (alteration in original) (quoting the March 21 order, p. 375). Specifically, UCC asserted that:

> [w]hile Consumers did provide a list of proposed initial investments under its Vulnerable Communities Resiliency Plan in testimony for the current case, these projects only add up to a total of $30 million in investments over the coming year. Consumers . . . reiterated in [its] testimony that the Company plans to invest $600 million total "[o]ver a period of several years." However, $30 million in the first year does not put the Company on pace for the expected $600 million in investments over a 10-year period, a timeline that is already quite conservative for addressing these inequities. Improving reliability for vulnerable communities is an urgent need and should be prioritized as such. Unfortunately, . . . [Consumers did not] explain[] why only $30 million in projects were selected for the current year, or how the Company plans to meet the ten-year targets the Commission agreed with in [the March 21 order].

3 Tr 2326 (footnotes omitted; alteration in original) (quoting 3 Tr 1444-1445). UCC also expressed concern that Consumers was not making mitigation of disparity in race and socioeconomic status enough of a priority. 3 Tr 2327. To help address these concerns, UCC recommended that the Commission take the following actions:

[34] For a detailed discussion on the VCRP, see the rate base section of this order.

> 1. Require that Consumers provide a detailed plan for meeting the ten-year EJ Resiliency Plan targets that the Commission approved in [the March 21 order in] Case No. U-21585. Consumers' proposal for just $30 million in initial Resiliency Plan investments deserves extra scrutiny when coupled with questions about the Company's interpretation of its EJ reliability regression analysis. If Consumers wants to charge higher rates while its service still lags behind industry standards for reliability, its customers deserve reassurance that those dollars will largely be spent to improve their service and eliminate inequities as quickly as possible.
>
> 2. Require the Company to cease all shutoffs until it can determine why BIPOC customers are experiencing increased shutoff rates and present a plan to stop that bias from continuing. Every day that the Company continues to shutoff customers without having addressed the cause of this disparity, the Company is potentially committing new discriminatory acts against customers. Furthermore, the Company should also be required to create a fund to compensate customers shutoff by Consumers for improper reasons.

3 Tr 2329-2330.[35]

UCC also contended that it wanted Consumers to provide more information on prioritizing DER investments in EJ communities. 3 Tr 2341. As such, UCC recommended that the Commission require the company to prioritize EJ communities in its HCA analysis and update EJ community grids quickly thereafter to ensure that EJ communities are also able to realize the benefits of early DER investments. 3 Tr 2345. UCC also recommended that the Commission consider requiring both the DER Optimization Initiative and VCRP to adopt this goal. 3 Tr 2345-2346. UCC further recommended that the Commission require the company to invest in increased hosting capacity in EJ communities as part of the VCRP so that EJ communities could benefit from DERs as soon as possible. 3 Tr 2346.

When looking at the five-year rolling comparison of SAIDI (both with and without MEDs), the CEOs asserted that Consumers ranked in the fourth quartile relative to the company's utility

[35] For further discussion on residential shutoffs in Consumers' regression analysis, see the disconnection regression analysis section of this order.

peers, which is the bottom 25th percentile relative to the SAIDI metrics of its peers.[36] 4 Tr 3229. With regard to Consumers' EJ-focused reliability analysis, the CEOs commended the company for proposing the VCRP and for taking the additional step to understand if vulnerable communities experience certain parts of their distribution grid differently, which the CEOs believed to be critical (alongside regression analysis) in tracking the company's reliability progress. 4 Tr 3231. For Consumers' regression analysis, the CEOs asserted that the company could be more selective with which regression models to run in future cases, recommending that Consumers run regression for these reliability metrics: SAIDI with and without major event days (MEDs), system average interruption frequency index (SAIFI) with and without MEDs, customer average interruption duration index (CAIDI) with and without MEDs, CELID-5, and CELID-24.[37] 4 Tr 3236-3237. For Consumers' disconnection regression analysis, the CEOs: (1) requested that the company provide updates on its internal discussions regarding the analysis, (2) recommended that the company continue to run regression analyses on residential disconnections to track the company's

[36] According to the CEOs, Consumers tracks:

> both SAIDI with and without Major Event Days (MEDs). These two types of SAIDI can provide difference perspectives on the grid's reliability. SAIDI without MEDs represents how long an outage lasts on an average day (in other words controlling for weather). This metric helps us understand the typical, or day-to-day, reliability for customers. SAIDI with MEDs represents how long an outage lasts, inclusive of stormy and extreme weather. This metric helps us understand the Company's resiliency for responding to all types of outages, especially from storms.

3 Tr 3227-3228. The CEOs noted that Consumers provided the company's historical SAIDI performance between 2014 to 2022. 3 Tr 3227. For a detailed discussion on Consumers' historical SAIDI performance, see the historical system performance section of this order.

[37] The CEOs explained that CELID stands for customers experiencing long interruption duration, and the number means how long the duration occurs in terms of hours. 4 Tr 3237, n. 21.

progress toward addressing any potential inequitable disconnection rates, (3) recommended that the company begin to re-evaluate its disconnection policies, and (4) recommended that the company issue a moratorium on residential disconnections until it can propose a solution to mitigate the company's disconnection policy disproportionately impacting BIPOC households. 4 Tr 3238.

Consumers expressed no concerns with the CEOs' recommendations to focus on a narrower set of reliability metrics using the same independent variables in the next iteration of the regression analysis. 3 Tr 1605-1606; Consumers' initial brief, p. 436.

In response to the March 1 order,[38] Consumers explained that it posted interactive Geographic Information System (GIS) maps to its public website that show EJ circuits overlaid with EJ census tracts in the company's service territory, showing SAIDI and SAIFI by circuit, with and without MEDs, and had created an online form on its public website that allows interested parties to access GIS data. 3 Tr 1451.

While UCC appreciated that Consumers created a public GIS data map in advance of this rate case, UCC argued that the GIS data map is not user-friendly and needs considerable improvement in order to serve the purpose of allowing any intervenor or the public to easily understand the company's reliability data. 3 Tr 2340. Thus, UCC recommended that the Commission require Consumers to update the GIS data map's user interface to be easier for any intervenor or member of the general public to navigate and understand. 3 Tr 2340. Specifically, UCC argued that the Commission should direct Consumers to revise its GIS data map to meet the standard required by the March 1 order and require Consumers to: (1) include a clear key explaining all acronyms and

[38] According to Consumers, the March 1 order directed the company to work with the Staff to develop a means for interested parties to access GIS data from the company. 3 Tr 1451.

data categories, (2) add intuitive and navigable map controls, and (3) implement functionality that allows side-by-side comparison of reliability performance across circuits. 3 Tr 2340; UCC's initial brief, pp. 98-99.

While Consumers expressed a willingness to make continuous improvements to the public-facing tool, the company found UCC's recommendation to make the map easy to use by any member of the general public too broad and vague of a target condition. 3 Tr 1621. The company also noted that it published its more detailed Phase II HCA map on September 30, 2025, which was after UCC's testimony was filed. 3 Tr 1620.

Regarding Consumers' filing of the amended 2023 DSP in this case, the Staff argued that the refiled document does not align with the intent of the July 10, 2025 order in Case No. U-20147 and the DSP guidelines. 6 Tr 4293. The Staff noted that the DSP guidelines informed Consumers that a revised DSP within a rate proceeding was permissible under "two circumstances – 1) significant misalignments between spend categories/allocations following changes in investment strategy or 2) differences between the DSP and the rate case that the utility judges to be significant." 6 Tr 4293. The Staff further noted that the July 10, 2025 order in Case No. U-20147 also provided additional context by defining "significant" under Section VI of the DSP guideline as "'including areas within a utility's DSP where strategies have changed, where spending levels and/or timing for investments have materially changed, and/or where whole new investment categories are included and discussed,'" which the Commission foresaw "'as being a rarity as opposed to the normal course.'" 6 Tr 4293 (quoting July 10, 2025 order in Case No. U-20147, pp. 20-21, and Exhibit A, p. 10). The Staff argued that "[s]mall considerations, such as the incorporation of previously discussed intervenor feedback and the addition of another historical

year to projections, are not considered 'significant' justification to refile[, and t]he Company is [not] due to file its next DSP [until] 2027." 6 Tr 4293-4294. The Staff also noted that:

> within the Company's exhibits and proceedings in this case, many projects, programs, and subprograms have changed names and contents. These changes were not always documented and made Staff's comparison between the two documents difficult. . . . While Staff does not oppose the content of these changes necessarily and acknowledges that all plans and forecasts are subject to change, the recategorization of these changes between the 2023 DSP and the current rate case makes these investments very difficult to track between plans and rate cases.

6 Tr 4294. The Staff pointed to the March 21 order wherein the Commission noted several times that:

> "recategorizing or shifting of expenditures from one subprogram to another may lend confusion to the process of identifying historical costs and benefits as well as justifying projected expenditures" and that "simply relabeling or recategorizing capital expenditures from one program or tracking method to another does not provide sufficient evidence to demonstrate the reasonableness and prudence of costs nor the benefits of program expenditures." The [March 21] order asks the Company to be clear and do its due diligence to avoid any confusion when discussing historical and planned investments. Given that DSPs discuss planned investments, there is no exception for alignment between the DSP and rate case categories. Staff notes the Commission disallowed several expenses on such reasoning in [the March 21 order], and stated that:
>
> > ". . . *the Commission expects to see additional detail in future electric rate cases regarding line items that have been recategorized, the past spending levels for those line items, how historical spending for any relabeled line items compares to proposed expenditures, and clarity on how these investments deliver value for the company's customers.*"

6 Tr 4296 (footnotes omitted; emphasis in original) (quoting March 21 order, pp. 63, 102). Because the DSP guidelines were approved by the Commission after Consumers submitted this rate case,[39] the Staff did not recommend any disallowances in this case due to the misalignment

[39] The Staff provided that the DSP guidelines were approved in the July 10 order, which occurred "notably after this case was filed." 6 Tr 4292.

between the DSP and the rate case; however, the Staff recommended that the Commission recognize that reasonable and prudent costs should be categorized and similarly trackable between any DSP submitted by the company and any rate case which uses such DSP to justify cost recovery and that any costs in future cases that are unable to be reconciled or tracked between the planning efforts and the rate case should be disallowed. 6 Tr 4297. The Staff also recommended that the Commission direct Consumers to reevaluate its supplemental rate case filings for future rate cases to align with the July 10, 2025 order in Case No. U-20147. 6 Tr 4298.

The Staff also asserted that the model Consumers used to project potential SAIDI improvements only considered the prior five years of historical data, and not the larger decade trend presented by the Liberty Audit.[40] 6 Tr 4302. The Staff argued that the company using a rolling five-year average to create the illusion of a declining trendline over the entire period of 2014-2024 was misleading; "[u]sing a rolling average line can obscure other trends and such, the line lag[ged] the current data." 6 Tr 4300. In using the same data that Consumers presented over the 2014-2024 period, the Staff "ran a typical linear regression trendline to better demonstrate the movement of SAIDI performance in the past decade, using the entirety of the data instead of a five-year average" and noted a "marked lack of reliability improvement." 6 Tr 4300-4301. Thus, the Staff opined that the 10-year average provided more of a stable trendline when considering annual variability. 6 Tr 4301. Furthermore, the Staff argued that Consumers' seven-year and 10-year projected glidepaths did not meet the requirements set by the June 12, 2025 order in Case No. U-21305 for Consumers (June 12 order), asserting that the company did not meaningfully

[40] According to the Staff, Consumers used an internal model to "'project improvements to SAIDI reliabilities versus historical trendlines between SAIDI and spend in areas such as line clearing, capital investments in key areas, and certain CAIDI improvements.' It is through this model that the Company created its five-year, seven-year, and ten-year improvement projects." 6 Tr 4302.

examine an extended period to reach second quartile SAIDI performance and there was no attempt by the company to show how this extended period could contribute to cost effectiveness, affordability, or decreased rate impacts. 6 Tr 4302-4304. Thus, the Staff requested that:

> the Commission and the Company give more thought to these potential extended timelines for SAIDI improvements in the Company's next rate case, as it committed to in the [June 12 order]. It would recommend the Commission closely scrutinize the models the Company will use to project such investments and compare it to the Company's history appropriately. To that end, the Commission should not allow any spend in future rate cases that is based solely on avoiding financial penalties set by the Commission; while the rapid investment in SAIDI could potentially provide reliability benefits to customers, the Company has yet to prove it is reasonable from a cost-effective standpoint.
>
> In addition, the Staff recommends the Commission look into extending the historical data requirements currently presented in the guidelines from the [July 10, 2025 order in Case No. U-20147]. The Company and Liberty [Audit] demonstrate here that more data and a longer historical look could be beneficial to projections of future improvements in that context as well. The current guidelines list a five-year historical data review, as available[,] Staff would recommend this be extended to ten years, as available, should the Commission cho[o]se to revise the guidelines.

6 Tr 4306-4307.

In sum, the Staff made the following recommendations:

> [1]. Require costs to be categorized and similarly trackable between any submitted DSP and any rate case which uses such DSP to justify cost recovery to prove prudency and reasonableness of such costs.
>
> [2]. Require a comprehensible walkthrough of any expense programs, subprograms, and/or categories that have varied between the prior submitted DSP and the ongoing rate proceedings as an exhibit within that rate proceeding.
>
> [3]. Consider revising the DSP guidelines presented in the [July 10, 2025 order in Case No. U-20147] to include, where applicable, ten-years of historical reliability data, as available.
>
> [4]. Require a method other than the SAIDI performance model used in this case to examine fully potential extended timelines for SAIDI improvements in the Company's next rate case to be considered reasonable in reference to the [June 12 order].

> [5]. Require the Company to assess the cost effectiveness, affordability, and potential rate impact of any SAIDI performance forecast related to the [June 12 order].

6 Tr 4308-4309.

Finding the Staff's recommendation to require reasonable and prudent costs to be categorized and similarly trackable between any DSP submitted by the company and any rate case which uses such DSP to justify cost recovery, Consumers agreed to present planned investments in its 2026 DSP in a format that allowed for easier comparison between the DSP and how costs are presented in rate cases. 6 Tr 1567-1568 (referring to 6 Tr 4308). Consumers, however, disagreed with the Staff's assertion to use a linear regression over 10 years, arguing that:

> [u]sing a linear regression over 10 years may result in less variability than if a linear regression was done over just five years, but a linear regression such as that used by [the Staff] over any duration will not address annual variability in the same way that a rolling average does. A rolling average is better for identifying true trends over multiple years.

3 Tr 1569. Consumers also disagreed with the Staff's position on the company not meaningfully examining the seven-year and 10-year glidepaths for SAIDI improvement, asserting that it was not clear why it would be inappropriate to evaluate alternative glidepaths by adjusting the company's modeling to target different dates nor what other approach would be appropriate. 3 Tr 1570.

The ALJ, in finding that Consumers expressed no concerns with the CEOs' recommendations, recommended that the Commission direct Consumers to run additional regression analyses for the following reliability metrics: SAIDI with and without MEDs, SAIFI with and without MEDs, CAIDI with and without MEDs, and CELID-5 and CELID-24; and also consider directing Consumers to reevaluate its disconnection policies in its next rate case. PFD, p. 893.

Regarding the GIS map, the ALJ found that Consumers complied with the March 1 order by collaborating with other parties to make available the locations of the company's infrastructure

and the types of maps that can be produced and developed a "'clear and repeatable process that allows interested parties to request, safely obtain, and use GIS data[.]'" PFD, p. 896 (quoting the March 1 order, p. 286). The ALJ also found, however, that the company could make further improvements to the GIS data map. PFD, p. 896. Thus, the ALJ recommended that the Commission direct Consumers to "make continuous improvements to its public-facing GIS map regarding EJ reliability data, with recommended improvements to include a clear key explaining all acronyms and data categories and intuitive and navigable map controls." *Id*.

With regard to Consumers presenting planned investments in an easier format for comparison in subsequent DSPs and rate cases, the ALJ found that the company conceded to the Staff's request. PFD, p. 912. Thus, the ALJ recommended that the Commission adopt the Staff's recommendation to require costs to be categorized and similarly trackable between any submitted DSP and any rate case which uses such DSP to justify cost recovery and require a comprehensible walkthrough of any expense programs, subprograms, and/or categories that have varied between the prior submitted DSP and the ongoing rate proceedings as an exhibit within that rate proceeding. *Id*., pp. 912-913. The ALJ also recommended that the Commission order that any costs in future cases that cannot be reconciled or tracked between the planning efforts and the rate case be disallowed. *Id*., p. 913.

While the ALJ found Consumers' analysis on how an extended timeline could contribute to cost effectiveness, affordability, or decreased rates insufficient, the ALJ noted that the company's modeling has predicted SAIDI performance with a total net variance of only seven SAIDI minutes over the last five years. *Id*., p. 913. The ALJ also found merit in the company's assertion that adopting the Liberty Audit recommendations constrained the company's maneuvering and did not

find the impact of performance-based ratemaking[41] to be the sole reason for Consumers' selection of the five-year glidepath. Thus, the ALJ recommended that the Commission: "(1) direct the Company to demonstrate a clear link between investments and quantifiable reliability improvements; and (2) assess cost-effectiveness, affordability, and potential rate impact of any SAIDI performance forecasts related to the [June 12] order – to include the extended glidepath options." *Id*., pp. 913-914.

The ALJ also found merit in Consumers' assertion of using a rolling average to smooth out annual variability and to reduce the arbitrariness of which dates to use and the Staff's assertion to use a linear regression over 10 years. *Id*., p. 914. Therefore, the ALJ recommended that the Commission consider revising the DSP guidelines to include, where applicable, 10 years of historical reliability data, as available. *Id*., p. 914.

While the ALJ found that the Commission's performance-based ratemaking framework served as a "partial guide for targeted reliability improvements backed by financial consequences for utilities that fail to meet the minimum requirements, expenditures made ***solely*** to avoid penalty or receive an incentive would neither be reasonable nor prudent." *Id*., p. 913 (emphasis in original). Based on a lack of objections by Consumers, the ALJ recommended that the Commission "establish that any expenses in future rates cases based ***solely*** on avoiding financial penalties or gaining a financial incentive set by the Commission are imprudent." PFD, pp. 913-914 (emphasis in original).

[41] Throughout this order the phrase "performance-based ratemaking" is used, reflecting the terminology used by Consumers in its initial brief. The Commission notes that performance-based ratemaking is a subset of the more general concept of performance-based regulation, or PBR. *See*, MCL 460.6u. In addition to reflecting the terminology used in the initial filing, the Commission finds that the term performance-based ratemaking more accurately reflects the substance of the proceeding, which involves the establishment of metrics related to the level of incentives and disincentives, which is a form of ratemaking.

Regarding the Staff's recommendation to require Consumers to use a method other than the SAIDI performance model used in this case to examine fully potential extended timelines for SAIDI improvements in the company's next rate case, the ALJ found that there was nothing in the June 12 order to suggest the Commission would be in favor of Consumers abandoning its current SAIDI performance model. PFD, p. 915. Thus, the ALJ recommended that the Commission direct Consumers to provide a comparison of its actual reliability performance to its reliability impact projections based on "forecasted distribution capital program spending and a rate impact analysis for meeting its reliability goals in five, seven, and 10 year timeframes, including an assessment of the cost effectiveness, affordability, and potential rate impact of any SAIDI performance forecast in its next rate case." *Id*. (footnote omitted).

The ALJ further recommended that the Commission direct Consumers to reevaluate its supplemental DSP filing requirements to align with both the July 10, 2025 order in Case No. U-20147 and the above recommendations. PFD, p. 916.

While Consumers understands the ALJ's recommendation to make costs and programs trackable between the DSP and the rate case as an implementation of the July 10, 2025 order in Case No. U-20147, the company excepts to the ALJ's recommendation to disallow future costs that "cannot be reconciled or tracked[.]" Consumers' exceptions, p. 137 (quoting PFD, p. 913). Consumers argues that "[w]hether distribution cost projections are approved in future cases should be based on the evidence presented in those cases, and the Commission should not predetermine that a failure to 'reconcile or track' those costs will result in an automatic disallowance." Consumers' exceptions, p. 137 (quoting PFD, p. 913). Thus, Consumers asserts that the Commission should decline to adopt the ALJ's recommendation to predetermine the

reasonableness and prudence of future distribution costs without fully considering the future evidence that may support those costs. Consumers' exceptions, p. 137.

Consumers also excepts to the ALJ's recommendation that the company demonstrate a clear link between reliability improvements and capital investments; assess cost-effectiveness, affordability, and potential rate impact for any SAIDI performance forecasts related to the June 12 order; and compare actual reliability performance to reliability projects and include a rate impact analysis for meeting reliability goals in five, seven, and 10-year timeframes. *Id*. (citing PFD, pp. 913-915). The company argues that it is unclear what additional analysis the ALJ is recommending, or if there is anything more the company should or could provide in response to this recommendation. Consumers' exceptions, pp. 137-138. The company asserts that it already "identifies reliability improvements resulting from distribution investments[,] . . . compares its modeled SAIDI performance to actual [performance] [, and] . . . provided projected costs and reliability improvements related to the Company's proposed reliability glidepath, as well as 7-year and 10-year glidepaths." *Id*., p. 138. As such, Consumers contends that to the extent the ALJ is recommending that the Commission "require additional analysis that the Commission has not required as part of Case Nos. U-20147 and U-21305, the Commission should reject the recommendation and should instead continue to rely on the guidance given in those two proceedings related to distribution system analysis." *Id*.

Consumers also excepts to the ALJ's recommendation that the Commission find imprudent expenses in future cases that are based *solely* on avoiding financial penalties or gaining a financial incentive. *Id*., p. 138 (citing PFD, p. 915). The company argues that there is no evidence that the company proposed expenditures *solely* to avoid financial penalties or gain a financial incentive. Consumers' exceptions, p. 138. Continuing, Consumers argues that "[t]he Commission-approved

PBR framework establishes target reliability metrics with financial consequences for failing to meet those targets[, and] . . . [i]t would be wholly unreasonable and unfair to deny the Company funding needed to meet reliability targets and then impose financial penalties for failing to meet those targets." *Id*.

In replies to Consumers' exceptions, the Staff argues that the Commission should reject the company's arguments against disallowing unreconcilable or untrackable future costs, asserting that "any costs that are 'reasonable and prudent and supported by the evidence in the case' will be able to be reconciled and tracked to such reasonable decision making on the Company's part. The circular logic in the Company's statement renders it meaningless." Staff's replies to exceptions, p. 21 (quoting Consumers' exceptions, p. 137).

The Staff also disagrees with Consumers' exception that the company is "unclear what additional analysis the PFD is recommending and that the Commission should instead rely on recommendations between Case Nos[.] U-20147 and U-21305[.]" Staff's replies to exceptions, pp. 21-22 (citing Consumers' exceptions, pp. 137-138). The Staff argues that the company's exception fails because this case is fundamentally different than Case Nos. U-20147 and U-21305; the issue in this case concerns cost-effectiveness of the timelines in Consumers' SAIDI glidepath model as it relates to future rates, but neither Case No. U-20147 nor Case No. U-21305 approved costs or were contested. Staff's replies to exceptions, p. 22. The Staff asserts that the ALJ's recommendation for a rate impact analysis of Consumers' SAIDI glidepaths is appropriate and not mirrored by requirements in other cases. *Id*. (citing PFD, p. 915).

The Staff also disagrees with Consumers' exception concerning expenses being imprudent in future cases that are based *solely* on avoiding financial penalties or gaining a financial incentive. Staff's replies to exceptions, pp. 22-23. The Staff asserts that its original testimony as summarized

in its initial brief cites "both Case [No.] U-21305 and prior Commission order seeking proposals for longer SAIDI timelines in support of affordability. The Company cited, in its initial testimony, financial incentives and disincentives as support for continued expediated SAIDI 'glidepaths', which as argued by Staff, are not sufficient proof of actual future SAIDI." *Id*., p. 23 (internal citations omitted) (citing Staff's initial brief, pp. 173-176). The Staff maintains its analysis of Consumers' SAIDI modeling and believes the ALJ's recommendations on this issue are appropriate. Staff's replies to exceptions, p. 23.

In UCC's exceptions, it contends that the ALJ did not address its recommendation for the Commission to require Consumers to improve the company's analysis when the results of the regression analysis ordered in the March 21 order reveal disparities or contradictory claims and data. UCC's exceptions, p. 31. While the ALJ did summarize UCC's position, the ALJ did not issue a recommendation on UCC's request. *Id*., p. 32. UCC asserts that the Commission "must offer a ruling on the evidence provided by UCC to ensure compliance with Michigan law[,]" and should consider UCC's evidence and order the Company to supplement its analysis comparing reliability in urban EJ communities and non-EJ communities with proper like-versus-like analysis that compares EJ communities to similarly situated EJ communities and otherwise improve the analysis where the analysis contains contradictory results." *Id*., pp. 31-32.

UCC also contends that, "[d]espite the evidence provided by UCC on the record in this case, the PFD d[id] not issue a recommendation on UCC's requests to require the Company to ensure that EJ communities have adequate hosting capacity for DERs, and it does not mention community solar whatsoever, even in its summary of UCC's arguments." UCC's exceptions, p. 33. While the ALJ notes that Consumers agrees that it will study the reliability and DER hosting capacity in EJ communities in the future, UCC asserts that the Commission should "order more, requiring the

Company to support the deployment of DERs in EJ communities, and the Commission should scrutinize closely the Company's community solar efforts in other [] cases, including [Case No.] U-21972." *Id*., pp. 34-35 (citing PFD, p. 884).

UCC agrees with the ALJ's recommendation that the Commission require Consumers to "improve its GIS data map with 'a clear key explaining all acronyms and data categories and intuitive and navigable map controls.'" UCC's exceptions, p. 37 (quoting PFD, p. 896). However, UCC asserts that the ALJ failed to offer a recommendation on UCC's request to require Consumers to implement side-by-side comparisons of reliability across circuits. UCC's exceptions, p. 37. Thus, UCC requests that the Commission direct the company to implement this side-by-side data comparison measure. *Id*.

In replies, Consumers contends that UCC made "several new proposals in this case[] and argued that the PFD did not consider UCC's evidence because the PFD did not include a precise detailed discussion of the evidence that UCC expected." Consumers' replies to exceptions, p. 125. Consumers argues, however, that UCC failed to prove that its recommendations should be adopted based on the law, the evidence in this case, and the Commission's consideration of the same issues in other proceedings. *Id*., p. 126. The company also disagrees with UCC's exception on requiring Consumers to "supplement its regression analysis with 'like-versus-like' comparison[, asserting that i]t is unclear how UCC believes the regression analysis should be adjusted because the full regression analysis that was performed and presented in this case was meant to address these types of concerns." *Id*., p. 127 (internal citations omitted) (quoting UCC's exceptions, pp. 31-32). Consumers also disagrees with UCC's exception on DERs in EJ communities, arguing that the Commission should "reject UCC's request for the Commission to order the Company to 'support' DER deployment in EJ communities because there is no evidence indicating that the Company is

failing to provide for DER deployment that is sought in EJ communities." Consumers' replies to exceptions, p. 128.

In replies, Consumers notes that UCC recommends in exceptions that the Commission order the company to implement a side-by-side comparison of reliability across circuits as part of the GIS data map. *Id*., p. 129 (citing UCC's exceptions, pp. 36-37). While the company is open to considering the feasibility of specific improvements to the GIS map, Consumers provides that the current map arose out of the March 1 order and was largely developed based on the Staff's feedback. Consumers' replies to exceptions, p. 129.

Having reviewed the record and the parties' arguments on these issues, the Commission finds well-reasoned and supported by the record the ALJ's and the Staff's recommendations to: (1) require costs to be categorized and similarly trackable between any submitted DSP and any rate case which uses such DSP to justify cost recovery to prove prudency and reasonableness of such costs and (2) require a comprehensible walkthrough of any expense programs, subprograms, and/or categories that have varied between the prior submitted DSP and the ongoing rate proceedings within that rate proceeding. *See*, PFD, pp. 912-913. The Commission again cautions the company that simply relabeling or recategorizing capital expenditures from one program or tracking method to another does not provide sufficient evidence to demonstrate the reasonableness and prudence of costs nor the benefits of program expenditures, and the Commission expects to see additional detail in future electric rate cases regarding line items that have been recategorized, the past spending levels for those line items, how historical spending for any relabeled line items compares to proposed expenditures, and clarity on how these investments deliver value for the company's customers. Accordingly, the Commission adopts the ALJ's findings and conclusions on these issues. *See*, PFD, pp. 912-913.

The Commission also finds well-reasoned and supported by the record the ALJ's recommendations regarding the regression analyses and GIS map, and therefore, adopts the ALJ's findings and conclusions on these issues. *See*, PFD, pp. 893, 896. The Commission also finds UCC's additional recommendation to require side-by-side comparisons of reliability across circuits to be valuable but notes that this will be done by the Staff as part of a larger reliability transparency effort and thus declines to order the company to implement this at this time to reduce duplication of effort.

The Commission also finds the ALJ's recommendations that the company demonstrate a clear link between reliability improvements and capital investments; assess cost-effectiveness, affordability, and the potential rate impacts of any SAIDI performance forecasts related to the June 12 order; and provide alternative ways to evaluate SAIDI performance to be well-reasoned and supported by the record. Accordingly, the Commission adopts the ALJ's findings and conclusions on these issues. *See*, PFD, pp. 913-915.

As to the concern over expenditures made *solely* to avoid a penalty or receive an incentive, the Commission finds this issue to be overstated. The seven metrics tied to incentives and disincentives in Case No. U-21400 were developed over nearly two years of active engagement with a number of interested parties and are focused on addressing the areas where poor reliability performance causes the greatest frustration for customers, including the duration of outages (both when controlled for extreme weather and all-weather performance), storm restoration performance, the percentage of customers experiencing four or more interruptions each year, and improvements to the company's worst performing circuits. As such, the incentives and disincentives are specifically designed to result in system improvements, and the Commission finds it unlikely that an investment proposed by the company would be solely designed to avoid a

penalty or receive an incentive with no corresponding improvement to either the company's reliability performance on the identified metrics or the experience of Consumers' customers. That said, the Commission notes that any proposed investment, in this category as in any other, must be shown to be reasonable and prudent. As such, any expenses in future rate cases must align with customer interest and meet the reasonableness and prudence burden.

In reviewing the record and the parties' arguments on the DSP guidelines' historical reliability data ranging between five and 10 years, the Commission respectfully declines to prescribe a change to the DSP guidelines on this issue. While the DSP guidelines currently require a minimum of five years of historical reliability data be used, the Commissions finds that a party has the option to request additional historical reliability data during discovery.

D. Capital Spending Overview

Consumers provided its commitment to making investments in its distribution system to ensure they deliver clear and cost-effective customer benefits, using the "least-cost, best-fit" analysis for traditional investments on the distribution system and a more extensive BCA for non-traditional investments. 3 Tr 1457. The company defined traditional investments as "investments in components of lines (such as poles, pole tops, conductor, and certain devices), substation infrastructure, and other related items, across a variety of investment programs[,]" and non-traditional investments as "those in newer technologies, such as those covered in Grid Automation, or in certain pilot programs." 3 Tr 1457. Consumers explained that it makes capital investments under two broad classifications:

Classification	Description	Programs included
Planned	Investments planned to proactively improve grid reliability through capacity upgrades, and investments in new tools and technology.	Reliability, Capacity, "Electric Other," Wildfire Risk Mitigation

Unplanned	Demand-driven, customer-driven, or other reactive needs.	New Business, Demand Failures, Asset Relocations

3 Tr 1463, Figure 29. Consumers provided descriptions of distribution projects for the bridge period and test year that included scope, cost, location, benefit type, and benefits. 3 Tr 1468. For further details and parties' discussions on capital spending, see the rate base section of this order.

E. Historical System Performance

To evaluate electric distribution system performance, Consumers considered "several reliability metrics, with SAIDI being the most prominent. Other key reliability metrics measured and tracked by the Company include SAIFI, CAIDI, and CEMI."[42] 3 Tr 1479. The company provided the "[Commission] annual performance information related to SAIFI, CAIDI, and SAIDI with and without MEDS, on a rolling five-year average, using the industry standard IEEE method

[42] According to Consumers:

> SAIDI is comprised of two components: SAIFI and CAIDI.
>
> - SAIFI is a measure of frequency of outages that is drive by system condition, system configuration, and system challenges (i.e., weather).
> - CAIDI is a measure of the duration of interruptions, and is driven by system condition, the number of interruptions, resource availability, and restoration management practices.
>
> SAIDI is calculated as follows:
>
> SAIDI = SAIFI * CAIDI

3 Tr 1479-1480.

of calculation."[43] 3 Tr 1479. Consumers explained that the year-over-year variation in SAIDI:

> is driven in part by the number of MEDs each year, as any MED is likely to result in more customer outages than on a normal day. The number of MEDs in each year from 2014 through 2023 is shown in Figure 39 [].
>
> Storms in March 2017, July 2019, June 2020, August 2021, and February 2023 all exceeded this threshold, and all translated into large increases in customer interruption minutes, driving the higher annual SAIDI totals in those years. In most cases, these were multi-day storms that resulted in consecutive MEDs.
>
> Compared to the middle part of the last decade, the number of MEDs has been consistently higher since 2017, an indicator of worsening weather and system deterioration.

3 Tr 1483. Consumers also explained that the company monitored wind speed from 21 different official National Weather Service stations in Michigan and noted that wind speeds across the system have increased in severity. 3 Tr 1487. The company provided that the "data highlight[ed] that, as Michigan sees increasingly extreme weather, the electric distribution system needs to be hardened against that weather to improve resiliency." 3 Tr 1489.

CUB argued that Consumers' need to improve distribution system reliability does not justify the company's requested revenue requirement and rate increase. 6 Tr 4022. While CUB agreed with the company recovering reasonable and prudent costs, CUB found unreasonable the granting of substantial rate increases to help the company catch up to service reliability benchmarks when its rates are already high. 6 Tr 4023. CUB explained that:

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[43] Consumers provided that:

> IEEE Standard 1366-2012 defines the methodology for calculating a MED. It is based on a statistical analysis of five sequential years of daily values. In 2021, Consumers Energy adopted a refined methodology that transitions from a calendar day evaluation period to a rolling 24-hour evaluation period. This methodology better captures MEDs that straddle consecutive calendar days.

3 Tr 1481, n. 19.

> [a] significant portion of Consumers' distribution surge spending is remedial. That is, the Company has fallen behind its peers on distribution system maintenance and investment, causing it to experience worse reliability, and it has a backlog of maintenance to work through. It is not fair to charge today's customers the full cost of investments that should have been made in the past, on top of current investments.

6 Tr 4023. Thus, CUB recommended that: (1) the Commission not permit certain distribution surge expenses to be recovered as O&M costs or added to rate base but instead require the company to hold these as regulatory assets to be considered for future securitization subject to prudency review and (2) the Commission direct the company to review its allocators from a cost-causation standpoint incorporating its analysis of the benefits of these investments, and either propose adjustments or justify the status quo as part of its next electric rate case filing. 6 Tr 4023-4024.

CUB argued that it is necessary to minimize the rate impact of remedial work on today's customers because "the Company's proposed costs and allocation would result in residential rates increasing over 13%. . . . To prevent further unreasonable rate increases, hard choices must be made to invest only in reliability programs that yield the greatest improvements per dollar spent." 6 Tr 4049. Thus, CUB recommended that:

> the Commission approve surge spending in certain reliability programs identified as priorities in reports by the Liberty Consulting Group summarizing its audit of Consumers' distribution system (Liberty Audit), which the Commission adopted in [the June 12 order]. The Company should recover these costs, but in such a way as to minimize the rate impact of remedial work on today's customers and to recognize that the Company bears some responsibility for the financial and service-quality impacts of catching up on backlogged work. In his testimony, [CUB's] witness [Douglas] Jester recommends treatment of these costs as regulatory assets for potential future securitization.
>
> * * *
>
> The Liberty Audit identified backlogs in tree trimming/vegetation maintenance and pole replacements and found that surge spending in both these areas would be especially cost-effective. [CUB] recommend[ed] that the Commission approve

> these surge costs and hold other reliability investments at PAI [productivity-adjusted inflation]-adjusted current levels. Focusing on the backlogged tasks first will make it easier to determine what additional reliability actions may be needed next, after the proverbial dust settles. Implementing everything at once would also be very expensive, as reflected in the Company's proposed revenue requirement.

6 Tr 4048-4049.

In briefing, MNSC recommended that the Commission should order regulatory asset treatment and subsequent securitization of Consumers' above-baseline spending to ramp up forestry work and LVD pole replacements. MNSC's initial brief, pp. 5, 148.

MEIU noted that the March 21 order directed Consumers to "'(1) identify equipment generally needed for DER and EV interconnections, such as transformers, that currently have a long lead time for procurement, and (2) propose a plan for maintaining an adequate inventory of that equipment to support future development.'" 6 Tr 4228 (quoting March 21 order, p. 42). While MEIU believed Consumers satisfied the Commission's first directive in the March 21 order to identify equipment generally needed for DER and EV interconnections, MEIU found less clear whether Consumers satisfied the second directive to "propose a plan for maintaining an adequate inventory of that equipment to support future development." 6 Tr 4229. As a result, MEIU recommended that, to ensure greater certainty for developers, the Commission in this case should require Consumers to "make its inventory equipment with long acquisition lead times available to DER and EV projects initiated by third parties on the same basis that such equipment is available to the utility for projects that it initiates." 6 Tr 4231.

In rebuttal, Consumers asserted that its projects that require long lead time equipment are treated as a "first-come, first-served basis in which inventory is made available for projects in order of project approval, without preferential treatment for internal projects. Regarding interconnection projects specifically, the Company creates and schedules work orders in the order

that the interconnection approval process is completed." 3 Tr 1623. Consumers also explained that "the Company does not sell inventory to third-party customers who would own and maintain their own equipment. The Company is interpreting [MEIU's] proposal to mean only projects initiated by third parties, not projects conducted by third parties." 3 Tr 1623-1624.

The ALJ was not persuaded by CUB's proposal to focus on backlogged tasks and therefore recommended that the Commission reject CUB's proposal. PFD, p. 924. The ALJ also noted that Consumers did not object to MEIU's proposal "because it reflects Company practice[.]" *Id*., p. 926. As a result, the ALJ recommended that the Commission "recognize the Company's practice of making equipment inventory available to support third-party-initiated projects on the same basis as Company-initiated projects [as being] appropriate and direct the Company to continue to do so." *Id*.

No exceptions were filed on this issue.

Having reviewed the record and the parties' arguments on this issue, the Commission finds the ALJ's recommendations well-reasoned and supported by the record. Accordingly, the Commission adopts the ALJ's findings and conclusions on this issue. *See*, PFD, p. 924.

F. Distribution Deferral Mechanism

In this case, Consumers requested that the Commission approve the continuation of the distribution deferral mechanism that was approved in the March 21 order for the test year ending April 30, 2027, with the calculation of the $24.3 million deferral and straight-line amortization of the associated regulatory asset balance. 3 Tr 1074-1075.

The Staff supported Consumers' request for the $24.3 million deferral, finding it reasonable and prudent, but recommended continuing the following conditions that were approved in the March 21 order:

1. The Company shall provide a list of sub-programs and investment categories within each of the five programs of New Business, Demand Failures, Asset Relocation, Reliability, and Line Clearing and communicate any significant changes to these sub-programs and investment categories to Staff while the changes are still in the planning stages and prior to the implementation of the proposed changes.

2. The Company shall provide quarterly spend reporting in each of the five programs throughout the test year and notify Staff of any anticipated spending above 110% of the approved spend amount for New Business, Demand Failures, and Asset Relocation programs. Each notification must include an explanation for the overspend.

3. The Company shall spend the full amounts approved by the Commission in the Line Clearing programs. If the Company spends the approved amounts in the Line Clearing programs, deferred accounting treatment shall be authorized for both the overspend and the underspend (two-way tracker). If the Company fails to spend the approved amounts in the Line Clearing program, deferred accounting treatment shall only be authorized for the underspend (one-way tracker).

4. Deferred accounting treatment, if sought by the Company again in the future, must be requested in a future rate case.

6 Tr 4447 (citing March 21 order, pp. 381-382).

Consumers found the Staff's conditions to be reasonable. 3 Tr 1576.

With Consumers and the Staff in agreement, the ALJ recommended approval of the requested continuation of the distribution deferral mechanism subject to the Staff's four conditions. PFD, pp. 927-298.

No exceptions were filed on this issue.

The Commission adopts the ALJ's recommendation on this issue, finding the recommendation to be well-reasoned and supported by the record. Accordingly, the Commission adopts the ALJ's findings and conclusions on this issue. *See*, PFD, pp. 927-928.

G. Low-Income Assistance Programs

Consumers stated that it received $8.8 million of Affordable Payment Plan (APP)-specific assistance and $7.2 million in one-time assistance through the Michigan Energy Assistance

Program (MEAP), and that it was requesting $1.87 million in capital costs to support its Low Moderate Income (LMI) Enhancement project. 3 Tr 967.25-967.26. Consumers also proposed an increase from $30/meter to $42/meter for the Low-Income Assistance (LIA) credit, in addition to "a tariff change to increase eligibility for the Shut Off Protection Plan ('SPP')." 3 Tr 967.26. UCC stated that Consumers' assistance programs "are insufficient to fully address concerns about energy insecurity and energy burden" in part because customers lack information about them. 3 Tr 2307; *see also*, UCC's initial brief, pp. 27-31. As a solution, UCC suggested that Consumers institute a Percentage of Income Payment Plan (PIPP) program, discussed below. UCC's initial brief, p. 31; *see also*, *id*., pp. 32-41. UCC also suggested automatically enrolling customers into Consumers' Winter Protection Plan (WPP), discussed in detail below. UCC's initial brief, p. 5. Consumers rebutted, stating that many challenges "stem from systemic issues outside the Company's direct control, as it does not own nor administer the programs itself" despite remaining "deeply committed to improving customer experience and helping bridge those gaps wherever possible." 3 Tr 967.67. The Staff stated that "the Commission should continue its plan to modify energy assistance programs through the [Commission] Case No. U-20757 case docket and Staff's Energy Affordability Report and align its decisions on energy assistance across all relevant dockets." Staff's initial brief, p. 192. In reply, Consumers agrees with the Staff's position. *See*, Consumers' reply brief, p. 29.

The ALJ did "not formally adopt the UCC witnesses' recommendations" on automatic enrollment but recommended that Consumers "increase the color graphics and increase the font size in at least some of their handouts at community events [regarding low-income assistance programs] to make them easier to read." PFD, pp. 934-935.

The Staff urges "the Commission consider all recommendations and dockets currently addressing energy assistance programming and funding as it comes to a decision" in this case, while specifically mentioning its Energy Affordability Report in Case No. U-20757. Staff's exceptions, p. 192 (citing 6 Tr 4612). Thus, the Staff asserts that "the Commission should continue its plan to modify energy assistance programs through the [] Case No. U-20757 case docket and Staff's Energy Affordability Report and align its decisions on energy assistance across all relevant dockets." Staff's exceptions, p. 192.

UCC contends that "Consumers' current bill assistance programs do not sufficiently help customers afford their bills" as they are "inadequate, complex, and difficult to navigate" while providing "limited assistance instead of addressing the root problem . . . [of] the fundamental unaffordability of energy." UCC's exceptions, p. 9 (internal citation omitted). Additionally, UCC argues that the ALJ did "not provide sufficient reasoning about the issues of law and fact in UCC's arguments about the affordability crisis", causing UCC "material prejudice" because the ALJ did not address "UCC's argument that, in order to set rates that are 'just and reasonable,' the Commission must consider affordability because unaffordable rates cannot be 'reasonable.'" UCC's exceptions, pp. 12-13 (citing *Campbell v Marquette Prison Warden*, 119 Mich App 377, 384, 326 NW2d 516 (1982); PFD, p. 9). UCC asserts that the ALJ committed a "procedural deficiency in not responding to UCC's evidence and arguments about the affordability crisis" and as such, caused UCC material prejudice such that "the Commission cannot adopt the [ALJ's] recommendations as they stand and must fully consider UCC's evidence." UCC's exceptions, p. 14. UCC argues that "[u]nder Michigan law, the Commission must consider the evidence provided and should order Consumers to regularly conduct an affordability analysis in order to assess the impacts of the Company's proposed rate increases." *Id*. (citing MCL 462.26(8); *Detroit*

Edison Co. v Michigan Pub Serv Comm, 261 Mich App 448, 451-452; 683 NW2d 679 (2004)). UCC also contends that it "submitted evidence that Consumers has prioritized *customer* engagement activities focused on sales and service over meaningful *community* engagement related to affordability, reliability, and environmental justice." UCC's exceptions, p. 42 (citing UCC's initial brief, p. 108 (quoting 3 Tr 2346)) (emphasis in original). UCC argues that the ALJ's sole recommendation of adjusting Consumers' handouts' color and font size does not consider any of UCC's arguments.

Consumers asserts that UCC's arguments are misplaced because the company "is very active in the community and works with community leaders and assistance organizations across the state, employing a dedicated staff of community outreach leaders and a dedicated member of the Company's internal low-income team who works exclusively" with MEAP agencies. Consumers' replies to exceptions, p. 134 (citing 3 Tr 967.68). Regarding its public outreach, Consumers states that it "participates in around 30 customer-facing events annually across [eight] counties" in addition to communicating with customers. Consumers' replies to exceptions, p. 134 (citing 3 Tr 967.68-967.69). Consumers argues that it has provided evidence of "a robust, proactive community outreach framework that leverages community groups, direct customer engagement, and tailored communications" and as such, UCC's exceptions to the company's community engagement should be rejected. Consumers' replies to exceptions, p. 135.

In its replies to exceptions, UCC continues to argue that the Commission is legally required to "consider affordability issues in rate cases" and that the ALJ is ignoring UCC's evidence and arguments by merely considering the Staff's Energy Affordability Report. UCC's replies to exceptions, p. 2. Thus, UCC asserts that "the Commission should reject Staff's position and

should take any steps it can towards expanding energy assistance and customer support, including the LIA cap and credit." *Id*., p. 3.

The Commission finds the ALJ's recommendation to be well-reasoned based on the evidence on the record and therefore, adopts such. *See*, PFD, pp. 934-935. Far from being dismissive of UCC's affordability concerns, the work the Commission is doing in the Case No. U-20757 docket is fundamental to revamping the energy affordability landscape for customers. Additionally, in this case, the Commission is approving Consumers' request for capital costs to support its LMI Enhancement project and agrees with the company's proposed LIA credit increase from $30 per meter to $42 per meter.

1. Shut-off Protection Plan

As stated above, Consumers proposed a tariff language change along with a change to SPP eligibility. *See*, Exhibit A-16. Currently, Asset Limited, Income Constrained, Employed (ALICE) customers are only eligible for SPP if they are "at or under 200% of the Federal Poverty level [(FPL)]" and Consumers has suggested "increasing the eligibility to 400% or less of the [FPL]." 3 Tr 967.41. UCC acknowledged such, stating that as no party objected to Consumers' request, it should be approved. UCC's initial brief, p. 29; UCC's reply brief, p. 10.

The ALJ stated that because Consumers' "changes appear to be unopposed, this [ALJ] recommends their approval." PFD, p. 936. No party filed exceptions to this recommendation.

Seeing no disagreement with Consumers' proposed tariff language change, the Commission approves Consumers' increase of eligibility to 400% or less of the FPL.

2. Winter Protection Plan

UCC opined that Consumers' WPP "only covers certain months—November 1st through March 31st—for customers who meet specific requirements like being over 65 or [receiving]

certain government benefits" and that customers had to apply for WPP. 3 Tr 2394-2395. UCC suggested that Consumers "should automatically enroll all eligible customers in [the WPP] rather than requiring applications[,]" especially since many families in crisis "do not know these protections exist until they are already facing a shutoff." 3 Tr 2395. Furthermore, UCC contended that Consumers should do more to aid customers during extreme summer weather. *See*, UCC's initial brief, p. 5; *see also*, UCC's reply brief, pp. 47-48.

Consumers countered UCC's argument by stating that it "does proactive marketing to customers that might be eligible for programs ahead of being in crisis" and that programs delaying shut offs could "preclude those customers from receiving State Emergency Relief ('SER')." 3 Tr 967.70. Consumers also contended that it does automatically enroll customers receiving the Home Heating Credit (HHC) into its WPP, but that "some customers have called to disenroll" and that while WPP "helps prevent shutoffs during the cold months, it does not address long-term affordability" which is why the company focuses on connecting eligible customers to the Consumers Affordable Resource for Energy (CARE) program. 3 Tr 967.70-967.71.

The ALJ did not recommend automatic enrollment in WPP because "the WPP is effectively a forbearance plan that some customers may not want." PFD, p. 937. Furthermore, the ALJ found that UCC argued for a summer heat prohibition in Case No. U-21585, and that the Commission stated that "extreme weather condition policies should be conducted in Case No. U-20140" and as such, he "recommends the same" in this matter. *Id*., p. 938.

UCC excepts, arguing that both Consumers and the ALJ mischaracterized its arguments and that "'UCC is not asking the Company to take action that it is statutorily prohibited from doing.'" UCC's exceptions, p. 46 (quoting UCC's reply brief, pp. 3-4). UCC argues that the ALJ does not effectively address "UCC's arguments that the Company needs to take additional steps to increase

enrollment in assistance plans. The Commission should therefore order the Company to take additional steps to increase enrollment in assistance plans that are within its power." UCC's exceptions, pp. 46-47.

Consumers agrees with the ALJ's recommendation, asserting that the ALJ "clearly reviewed UCC's position" while "UCC never addressed the Commission's past decision [in Case No. U-21585]" in which UCC proffered the same arguments as in the current case. Consumers' replies to exceptions, p. 133. Consumers maintains that it "has a policy in place to protect customers during extreme weather conditions and believes that this issue should continue to be considered in Case No. U-20140." *Id*. Furthermore, Consumers continues to reject UCC's recommendation that it automatically enroll customers "in assistance programs because to do so might jeopardize customer participation in a more appropriate form of utility relief." *Id*., p. 135. Consumers also asserts that "there is dedicated information on the Company's website detailing assistance programs, which provides eligibility requirements, agent information, and other key messages." *Id*., p. 136.

The Commission finds the ALJ's recommendation to be well-reasoned based on the evidence on the record and therefore, adopts such. *See*, PFD, pp. 937-938. The Commission understands the value of automatic enrollment, but given the complexities of SER eligibility, the effects of compounding arrearages, and long-term affordability challenges, the Commission declines to adopt the suggestion to automatically enroll customers in the WPP. Affordability challenges such as these are being addressed more in-depth in Case No. U-20757. The Commission also agrees with Consumers that the ALJ did, in fact, review UCC's position, and that there is no need to automatically enroll customers in assistance programs as Consumers already provides dedicated assistance information on its website. Notably, the Commission is currently addressing extreme

weather conditions in Case No. U-20140, in which the Staff filed an Extreme Weather Report on February 17, 2026.

3. Percent of Income Payment Plan

UCC asserted that a PIPP "is a longer-term cure instead of the short-term band-aid approach offered by the current suite of bill assistance programs" and that it "offers a proactive, consistent approach for LMI customers by setting a fixed percentage of income to go towards energy bills, as opposed to applying for assistance after arrearages grow." 3 Tr 2316. Thus, UCC recommended that the Commission require Consumers to adopt a PIPP "to serve all customers at or below 200% [of the FPL]." 3 Tr 2321; *see also*, UCC's initial brief, pp. 26, 32-41; UCC's reply brief, pp. 2, 6-7, 9-19.

Consumers rebutted, averring that it had initiated a PIPP in Case No. U-21021 for households under 150% of the FPL; however, "the cost of maintaining a PIPP would be substantially higher" compared to APPs, and that low-income customers were satisfied with the existing CARE programs supported by MEAP which is why the company recommended continued use of MEAP and its current APP. 3 Tr 967.73-967.74; *see also*, Consumers' initial brief, pp. 444-445. The Staff noted that in Case No. U-21585, the Commission agreed with the Staff that a rate case was not the appropriate forum for large-scale energy assistance reform, whereas energy assistance and affordability reform was appropriate to discuss in Case No. U-20757, in which the Staff filed an "Energy Affordability Report." 6 Tr 4611-4612. The Staff also cited MCL 460.11(2) and MCL 460.10t(6)(b), which state, respectively, that "the commission may establish eligible low-income customer . . . rates" while an "'[e]ligible low-income customer means a customer whose household income does not exceed 150% of the poverty level . . . .'" 4 Tr 4611; MCL 460.11(2); MCL 460.10t(6)(b). Thus, the Staff recommended that the Commission "continue its plan to

modify energy assistance programs through . . . Case No. U-20757 case docket and Staff's Energy Affordability Report and align its decisions on energy assistance across all relevant open dockets." Staff's initial brief, p. 192; *see also*, 6 Tr 4612.

In its reply brief, UCC rejected the Staff's argument, stating that "the Commission should align those 'energy assistance programming and funding' recommendations with the order that Consumers adopt a long-term PIPP program in this case." UCC's reply brief, p. 18.

The ALJ recommended that "no action be taken on UCC's PIPP recommendation until the Commission has taken action in relation to Staff's report in Case No. U-20757." PFD, p. 942.

UCC objects to the ALJ's recommendation, arguing that if no action is taken in Case No. U-20757 this month per the Staff's affordability report, "then the Commission should order a PIPP program in *this* case instead of using the separate docket's existence as an excuse to further delay the proper consideration of a PIPP program." UCC's exceptions, p. 10. UCC also asserts that not ordering a PIPP program would "be arbitrary and capricious" as the ALJ did not appropriately analyze UCC's proffered evidence whereas "[t]he Commission must consider all of UCC's evidence presented on the record" that demonstrated "the numerous described benefits of the PIPP program, notably that it offers rates to customers in line with the Commission's own definition of affordability." *Id*., p. 15 (citing UCC's initial brief, pp. 22-23, 27-28, 32-34).

Consumers argues that UCC's exceptions "are misplaced" because the ALJ did, in fact, consider UCC's testimony and briefing; UCC just disagreed with the ALJ's recommendation. Consumers' replies to exceptions, p. 131. The company asserts that the ALJ was correctly persuaded by the Staff's reasoning and evidence, and that "the Commission should not require the Company to implement a PIPP in this case." *Id*. Furthermore, Consumers argues that it complies

with MCL 460.11(2) in that it includes "funding for customer assistance options in rates." *Id*., p. 145 (citing 3 Tr 944; Exhibit A-16, Schedule F-3.0).

The Commission finds the ALJ's recommendation to be well-reasoned based on the evidence on record and therefore, adopts such. *See*, PFD, p. 942. Far from "an excuse to further delay the proper consideration of a PIPP program" as alleged by UCC, the Commission finds that for a program so complex and fundamental to affordability programs, a PIPP deserves far more careful consideration and input from interested parties than provided in this rate case. UCC's exceptions, p. 10. Therefore, Case No. U-20757 is indeed the proper place to fully consider the benefits and tradeoffs of fundamental changes to affordability programs for customers, and the Commission will provide additional guidance and directives in due course.

4. Low-Income Assistance Credits

Consumers proposed an increase in LIA credits from $30 to $42 per meter in 2026. 3 Tr 967.26. The company outlined the various options customers have to be currently eligible for LIA credits, while stating that if none of the LIA credit requirements are met, then the customer will need to complete and return a Company-provided form. 3 Tr 967.39. Consumers also stated that 4,200 customers currently receive LIA credits through enrollment in the CARE program, but that the company is proposing 6,200 customers receive the credit, "with increases of 1,000 per year through 2029." 3 Tr 967.38-967.40; *see also*, Consumers' initial brief, p. 446. UCC

supported Consumers' proposed increase to the LIA credit. *See*, 3 Tr 2321; *see also*, UCC's initial brief, p. 41.

The ALJ found that as Consumers' proposal was unopposed, the Commission should approve "the expanded LIA credit and cap, and the tariff change to facilitate the increases." PFD, p. 944.

The Staff excepts to the ALJ's finding that this matter was unopposed, arguing that "[w]hile Staff did not expressly recommend its disallowance, Staff referenced the Company's proposal in its brief when responding to various proposals to reform or modify the energy assistance landscape." Staff's exceptions, p. 25. The Staff states that the ALJ erred in "not including all evidence as it pertains to the topic of energy assistance reform" while reiterating that the Commission should "consider its decisions on the Energy Affordability Report when reviewing this issue and consider not modifying energy assistance if not through the Energy Affordability Report." *Id*., pp. 25-26.

Consumers "generally agrees" with the Staff that "it is appropriate for energy assistance to be considered for all utilities in Case No. U-20757," but asserts that the ALJ's recommendation is appropriate because "the Commission recently found that it is appropriate to increase DTE Electric's LIA Credit while considering other energy assistance programs . . . ." Consumers' replies to exceptions, p. 131 (citing January 23 order, p. 405).

UCC asserts that the Commission should adopt the ALJ's recommendation to approve the expanded LIA credit and cap. UCC's replies to exceptions, p. 1. As stated above, UCC asserts that "the Commission should reject Staff's position and should take any steps it can towards expanding energy assistance and customer support, including the LIA cap and credit." *Id*., p. 3.

While the Commission acknowledges the Staff's exceptions, it finds the ALJ's recommendation, as supported by UCC and Consumers, to be well-reasoned based on the evidence

on the record and therefore, adopts such. *See*, PFD, p. 944. The Commission finds that while changes may be made to the LIA credit and other energy assistance programs comprehensively through Case No. U-20757, that is no reason to reject the increases to the credit and cap in this case in the interim.

H. Pension/Other Post-Employment Benefit Volatility Mechanism

Consumers requested to continue its implementation of Other Post Employment Benefits (OPEB), as previously authorized in Case Nos. U-21585 and U-21389, claiming that without its OPEB Volatility Mechanism (VM), "there could be substantial, unanticipated swings" and that its customers "benefit from a mechanism that eliminates the risk of future volatility in expense." 3 Tr 1136-1137; *see also*, Consumers' initial brief, p. 446. Consumers also stated that its proposed VM "mirrors the mechanism that has existed since 2023." 3 Tr 1137. Likewise, the company stated that its Pension VM amounts are amortized "over a 10-year period, consistent with the approach used in Case Nos. U-21585, U-21389, and U-21224" with a Defined Benefit (DB) Pension VM regulatory liability of $10.73 million. 3 Tr 1138. Consumers noted that no party opposed its proposal and requested that the Commission adopt such. Consumers' initial brief, p. 447.

The ALJ also noted no objection to Consumers' Pension and OPEB VM and recommended approval. PFD, p. 945. As there was no objection to Consumers' Pension and OPEB VM and no exceptions filed on this issue, the Commission adopts the company's proposal as recommended by the ALJ.

I. Disconnection Regression Analysis

In the March 21 order, the Commission directed Consumers to "present its [Environmental Justice] Resiliency Plan with specific proposed investments, and a regression analysis which

includes data on residential disconnections." March 21 order, p. 436. Consumers stated that while it does "purchase aggregate customer data . . . that has racial identifiers," that "racial identity data is not accessible at the customer account level. Consequently, a disconnection strategy cannot be based on racial data." 3 Tr 967.48; *see*, Consumers' initial brief, p. 447. However, the company admitted concern that one of the findings from its regression analysis was that higher minority-populated communities had an "increasing disconnection rate." 3 Tr 967.48; *see*, Consumers' initial brief, p. 447. Both UCC and the CEOs found it disconcerting that Black, Indigenous, and People of Color (BIPOC) communities suffered from high shutoff rates and suggested a temporary shutoff moratorium be placed in effect "until Consumers Energy addresses the findings on inequitable disconnections and mitigates this disparity." 4 Tr 3239; *see also*, CEOs' initial brief, pp. 24-26; UCC's initial brief, pp. 68, 70-71; 3 Tr 2328; UCC's reply brief, pp. 24-26; CEOs' reply brief, pp. 4-5. In rebuttal, Consumers asserted that while "there may well be a racial component to the Company's shutoff rates, [] there is no racial bias, and certainly no purposeful bias." 3 Tr 967.76. Consumers also asserted that "to stop disconnections would have a negative effect on all customers" and that "a disconnection moratorium would not stop customers from accruing bills and could put customers in a position for their energy bills to become unaffordable due to past due balances." 3 Tr 967.79; *see also*, Consumers' initial brief, p. 448.

The ALJ was not persuaded by the CEOs and UCC's argument that a residential disconnection moratorium was the best option to solve this issue. *See*, PFD, p. 954. Instead, the ALJ recommended that Consumers "revisit the regression analysis, once its pilot is complete, to evaluate how the pilot and countermeasures impacted disparity in disconnections." *Id*., p. 955.

UCC asserts that a reevaluation of Consumers' disconnection practices cannot wait until the next rate case, "that the Commission [should] require the Company to 'act with greater speed[,]'"

and that "racially disparate outcomes in Consumers' shutoffs cannot be considered just and reasonable." UCC's exceptions, p. 29 (internal citations omitted). UCC opines that the ALJ did not take its arguments into account and did "not directly address them at all." UCC's exceptions, p. 29. Along with a "time-limited shutoff moratorium[,]" UCC suggested that "the Commission should order the Company to create a compensation fund for customers improperly impacted by the racial disparities in Consumers' shutoff practices" that "would redress past harm to customers who were discriminated against by the Company's unjust and unreasonable shutoff practices." *Id*., p. 30 (citing UCC's initial brief, p. 70; 3 Tr 2330; MCL 460.557).

The CEOs assert that Consumers' concerns regarding customers accruing untenable past due balances "should not outweigh the potential for disparate impact in the Company's disconnection practices." CEOs' exceptions, pp. 3-4 (citing CEOs' reply brief, p. 5). The CEOs contend that "this significant relationship between disconnection and race" should be taken seriously, with the "correct path forward" being "to order Consumers to halt disconnections until it can conduct an internal audit of its practices and better understand why this relationship exists." CEO's exceptions, p. 4.

Consumers continues to counter UCC's and the CEOs' arguments. Consumers asserts that it was already conducting analysis of "equity issues in distribution reliability" when, in Case No. U-21585, the Commission directed it "to include analysis of residential shutoffs in [its] regression analysis." Consumers' replies to exceptions, pp. 131-132 (citing March 21 order, p. 375). Consumers contends that the ALJ correctly recognized that requiring the company to stop all disconnections "would not have the desired effect" because it "would not stop customers from accruing bills" that could become unaffordable due to past due balances, while possibly preventing some customers from receiving funding assistance with their bills. Consumers' replies to

exceptions, p. 132 (citing 3 Tr 967.79). Thus, while Consumers agrees with the ALJ that a disconnection moratorium is unnecessary, it "agrees to revisit the regression analysis to evaluate how the pilot and countermeasures impacted disparity in disconnections." Consumers' replies to exceptions, p. 132.

UCC agrees with the CEOs' exceptions, arguing that "the Company has known about statistically significant racial disparities in its shutoff practices since September 2024 and has yet to identify the root causes of these disparities." UCC's replies to exceptions, p. 8 (citing CEOs' exceptions, pp. 3-4; UCC's reply brief, p. 15). UCC asserts that to prevent and address "the ongoing harm" suffered by Consumers' BIPOC customers, the Commission must order "a time-limited shutoff moratorium while the Company investigates the racial disparity." UCC's replies to exceptions, p. 8.

The Commission finds that the ALJ's rationale in denying a residential disconnection moratorium is well-reasoned based on the record and therefore, adopts such. *See*, PFD, pp. 954-955. Again, the Commission finds that the ALJ properly considered UCC's arguments. However, the Commission finds that Consumers' agreement to revisit the regression analysis to evaluate how the pilot and countermeasures impacted disparity in disconnections should be adopted. *See*, March 21 order, p. 375.

J. State Reliability Mechanism

Consumers submitted Exhibit A-87 to show its calculation of capacity-related costs and its State Reliability Mechanism (SRM) charge. *See*, 4 Tr 2662-2663; *see also*, Exhibit A-87. For this case, the Consumers' SRM capacity Charge calculation is $116.17 per MW-day. 3 Tr 1785. The company used the method originally approved in Case No. U-18239, understanding that "any proposed changes to the calculation methodology would require that case be re-opened" while

stating that it does not plan on proposing any changes in this case. 3 Tr 1785-1786; *see also*, Consumers' initial brief, p. 449.

The Staff contended that while Consumers' SRM calculation complies with Case No. U-21585, the company's "formulaic true-up method has significant flaws" which results in "reducing the capacity revenue requirement by $461 million, artificially lowering the capacity charge." 6 Tr 4575, 4577; *see also*, Staff's initial brief, pp. 148-150. Thus, the Staff recommended that "the Commission determine that a true-up is only necessary if a customer is actually subject to the capacity charge and there is actual revenue to reconcile." 6 Tr 4578-4579; Staff's initial brief, p. 150.

Energy Michigan cited MCL 460.6w(4), which determines the methodology for true-up mechanisms. Energy Michigan explains that while the statute "says to use projections initially[,]" those should later be replaced "with the actual values for market priced sales and fuel, and 'true up' the SRM Charge paid to the utility by the customer." 6 Tr 4087-4088 (citing MCL 460.6w(4)); *see also*, Energy Michigan's initial brief, pp. 7-9. It further explained that "the 'true-up' should be the difference between what the customer initially paid according to the SRM Charge with forecast sales and fuel versus the SRM Charge recalculated with actual sales and fuel. The difference could either be an additional payment by the customer to the utility or a refund by the utility to the customer[;]" however, there "is no situation under the present true-up method where the customer pays and the utility collects the amount specified in the SRM statue MCL 460.6w." 6 Tr 4089, 4103; *see also*, Exhibit EM-2, line 23; Energy Michigan's initial brief, p. 7. Thus, Energy Michigan recommended that the current formulative true-up method be suspended and a customer-specific SRM true-up be implemented, with Energy Michigan's calculation nearly mirroring the Staff's calculation of $240.09 per MW-day. 6 Tr 4108-4109, 4118-4119; *see also*,

Energy Michigan's initial brief, pp. 12-14. Energy Michigan also noted that "no rebuttal was filed [to its] proposal to eliminate the current formulaic true-up method, so no party has an apparent interest in maintaining the current method." Energy Michigan's initial brief, p. 12; *see also*, Energy Michigan's reply brief, pp. 1-2.

The ALJ found Energy Michigan's proposal to be "detailed, necessary, well-supported, and agreed to by Staff" and that "the current formulaic method is contrary to cost-of-service principles and thus, the Commission "has authority to use discretion to implement a true up that is equitable and accurate." PFD, p. 965. Thus, the ALJ recommended "that the Commission suspend the current formulaic true-up method and implement a customer specific true-up, when and if, a customer actually pays the SRM capacity charge and there is actual revenue to reconcile." *Id*.

No party filed exceptions on this issue.

The Commission finds the ALJ's recommendation to implement Energy Michigan's proposal to be well-reasoned based on the evidence on the record and therefore, adopts such. *See*, PFD, p. 965.

K. Virtual Power Plants

The CEOs defined a Virtual Power Plant (VPP) as "an aggregation of DERS"—such as smart thermostats and water heaters . . . coordinated to balance supply and demand and deliver utility-grade grid services" to reduce peaks, defer distribution infrastructure investment, and lower system costs. 4 Tr 3206. In the March 21 order, the Commission stated that Consumers needed to support a robust business case for DERMS-related investments, including an analysis of VPPs. March 21 order, pp. 117-118.

Consumers stated that it is not requesting funding for DER Optimization but will instead establish a workgroup "to address the items raised in Case No. U-21585" and that it already has

robust programs in place while it "considers ways to improve those programs to deliver cost-effective savings for customers." 3 Tr 1725; Consumers' initial brief, p. 451. The CEOs stated that they believed Consumers "is ready to begin implementation of a VPP." 4 Tr 3202. GLREA requested that the Commission order Consumers to implement VPPs. *See*, 4 Tr 3329; GLREA's initial brief, pp. 1-47. MEIU agreed with the CEOs and GLREA that the Commission should direct the company to "explore a VPP program" with interested parties. 6 Tr 4238; *see also*, MEIU's initial brief, pp. 34-35. Consumers rebutted, stating that it cannot deploy VPPs "immediately, reaching operational status within six months, without the need for any kind of pilot." 3 Tr 1609; *see also*, Consumers' initial brief, pp. 452-456.

In its reply brief, Consumers asserted that while it plans to conduct a DERMS work group with interested persons that includes VPPs, the Commission "has no legal authority to require the Company to implement a near-term VPP program in this case." Consumers' reply brief, p. 65. MEIU contended that "the Commission has no obligation to continue to approve Consumers' recovery of investments in traditional infrastructure or costs attributable to it to the extent that VPPs provide a more cost-effective and superior alternative." MEIU's reply brief, p. 3. In its reply brief, GLREA discussed VPPs at length, concluding that Consumers should not delay in implementing a VPP program. *See*, GLREA's reply brief, pp. 1-20. The CEOs asserted that "[t]he longer the Company delays implementation of both DERMS and VPPs, the longer the Company's customers will be deprived of the significant grid and capacity benefits associated with this new technology." CEOs' reply brief, p. 4.

The ALJ agreed with the corresponding intervenors that "VPPs can provide a multitude of grid benefits, increase system reliability, and avoid or defer costly capital investments." PFD, p. 986. However, the ALJ also agreed with Consumers that "there is no statute which explicitly

requires Consumers to invest in and develop a VPP." *Id*. Thus, as Consumers is not requesting any VPP-related costs, the ALJ found that Consumers' decision "not to develop VPPs at this time is a managerial or business decision, which rests solely with the Company." *Id*. The ALJ noted that Consumers previously requested DERMS funding which was rejected due to a lack of evidence (in Case No. U-21585), and recommended the Commission encourage "Consumers to participate in Electric Power Research Institute's (EPRI's) DER Integration program and explore additional DERMS working group opportunities in other states" as well as adding topics for Consumers' DERMS workgroup. *Id*., pp. 987-988.

In their exceptions, the CEOs recommend reversal of the ALJ's recommendations, stating that "[w]hile no statute mandates Consumers to implement a VPP program, the Commission has significant discretion to guide Consumers' investments and strategy." CEOs' exceptions, p. 2 (citing *In re Consumers Energy Co*, 322 Mich App 480, 482, 913 NW2d 406 (2017)). The CEOs also point to Case No. U-21585, in which "the Commission already required the Company to investigate virtual power plants when it develops a business case for future DERMS spending." CEOs' exceptions, p. 2. The CEOs continue to espouse the value of VPPs, asserting that "the Commission should direct Consumers to create a VPP plan in its next distribution system plan" as well as "order Consumers to model VPP in its upcoming IRP." *Id*., pp. 2-3 (citing 4 Tr 3211-3213; CEOs' initial brief, p. 10).

MEIU asserts that "the Commission has the power to reject future requests for cost recovery related to proposed investments and expenses that could have been avoided by use of VPPs." MEIU's exceptions, p. 5 (citing MEIU's reply brief, pp. 2-4). Instead, MEIU contends, it is appropriate for the Commission to "issue a prospective warning to the Company that, in light of the 'extensive support for VPPs' in the record and the fact that 'VPPs can provide a multitude of

grid benefits, increase system reliability, and avoid or defer costly capital investments,' future proposed investments that fail to account for VPPs may be disallowed." MEIU's exceptions, pp. 5-6 (quoting PFD, pp. 987-988).

GLREA asserts that the ALJ failed to recognize "how VPPs can be implemented on a prompt basis, at lower cost than other addition of resources such as new plants or batteries, and that VPPs can reduce, shift, or eliminate peak loads" that can "save substantial costs by foregoing avoidable and unnecessary capacity and energy costs that would otherwise be incurred during peak loads." GLREA's exceptions, p. 1. GLREA argues that while the ALJ stated that there was no specific statute requiring Consumers to invest in and develop a VPP, in actuality, "the Commission already has comprehensive jurisdiction and authority to ensure that the impacts from such utility mismanagement [are] not reimbursed by customers in their rates" when a utility is making "unreasonable and imprudent utility actions, inactions, or policies." *Id*., p. 2. GLREA also "asserts that the failure of the company to study and analyze the value and practicability of VPPs is itself unreasonable and imprudent" as shown in GLREA's discovery request to Consumers which, GLREA asserts, shows that Consumers "is not and has not investigated the potential of [VPPs]." *Id*., pp. 5-7 (citing Revised GLREA Exhibit 2 and Revised Exhibit GLREA-3). GLREA continues to suggest that the Commission initiate a workgroup focusing on implementing VPPs. *See*, GLREA's exceptions, p. 8. GLREA argues that VPPs have been successfully implemented in other states, can be developed "in remarkably short timeframes," and that as "Michigan is lagging far behind other states in addressing affordability, reliability, and resilience for customers" as well as lagging far behind in implementing VPPs, "there are several actions the Commission could take to begin enabling VPPs in Michigan." *Id*., pp. 9-11, 15, 17. Thus, GLREA contends that VPPs

"are the most prudent, efficient, and fastest investments to deliver grid reliability and drive affordable, reliable, and resilient services for customers." *Id*., p. 16.

Consumers acknowledges that the CEOs, GLREA, and MEIU all made arguments that the company should develop additional and new VPP programs; however, the company also stated that the idea of "VPPs is broad, and suggestions that the Company should develop more VPP programs can mean different things to different parties." Consumers' replies to exceptions, p. 136. Consumers asserts that it "already has DR and EWR programs that are reviewed and approved by the Commission, and based on definitions of VPPs offered in this case, represent the Company's consideration and implementation of certain types of VPP offerings." *Id*., p. 137. The company avers that it continuously considers ways to improve its programs and that the programs are already considered in separate proceedings (such as Case Nos. U-21860, U-21671, and U-21829), but that it "has not developed an additional VPP program that involves the dispatch of DERs connected to the Company's distribution system" because the technology it does have is not "mature enough to support immediately implementing such a program." *Id*. Consumers reminds the Commission that "there is presently a lack of standardization for VPPs, and VPP standardization initiatives are taking place across the industry[,]" and that without VPP standardization, "utilities are required to manage multiple tailored interfaces, data formats, and communication protocols" which "increases the risk of operational inconsistencies, cybersecurity vulnerabilities, and high implementation and maintenance costs." *Id*., p. 138 (citing 3 Tr 1751-1752). Consumers also argues that if it is going to use VPPs, "for example, to defer distribution infrastructure upgrades, the Company must have the ability to monitor whether VPPs are responding to dispatch signals and take appropriate actions on the grid as needed." Consumers' replies to exceptions, p. 139 (citing 3 Tr 1750).

In its replies to exceptions, MEIU merely asks that the Commission "[d]irect Consumers to work with [interested persons] to develop a VPP program in line with that recommended by CEO witnesses . . . ." MEIU's replies to exceptions, p. 6.

The Commission finds the ALJ's recommendation to be well-reasoned based on the evidence on the record. *See*, PFD, pp. 986-988. However, the Commission also finds the benefits outlined by MEIU, GLREA, and the CEOs are substantial, and VPPs have the ability to be a fast-to-implement, low-cost, reliable solution to both needed distribution investments as well as generation and resource adequacy. Therefore, the Commission issues "a prospective warning to the Company that, in light of the 'extensive support for VPPs' in the record and the fact that 'VPPs can provide a multitude of grid benefits, increase system reliability, and avoid or defer costly capital investments,' future proposed investments that fail to account for VPPs may be disallowed." MEIU's exceptions, pp. 5-6. The reasonableness and prudence of Consumers' future investments will be considered in its future rate cases, while the company's future generation mix will be considered in IRPs. Further, the Commission specifically notes the requirement contained in the IRP filing requirements that directs utilities, as part of the development of IRPs, to "[d]escribe how the electric provider has included distributed generation (DG) as a selectable resource within its modeling for both the IRP and CEP, including interconnection to utility distribution as well as behind-the-meter. The utility is required to consider and model aggregated DG, distributed energy resources (DER) and virtual power plants (VPP) as selectable resources in its IRP." *See*, Revised Integrated Resource Plan Filing Requirements, included as Exhibit B in the December 18, 2025 order in Case No. U-21867. As such, the Commission expects a detailed presentation on how aggregated DG, DERs, and VPPs were modeled to be included in its next IRP filing if it is determined that there is a need for additional generation, including the level to which

it selected DERs as part of its proposed course of action to meet anticipated resource needs, consistent with the statutory criteria outlined in MCL 460.6t and the Commission's IRP Planning Parameters and Filing Requirements. If the company is concerned about standardization and communication protocols, it should participate in the efforts taking place across the industry to implement these standards. The Commission expects to announce additional details on Commission-led efforts in this regard in the near future, and that these efforts will include a range of technical and other considerations related to future AMI deployment and VPP-related issues, among others.

L. Transmission Coordination with Michigan Electric Transmission Company

METC argued that "[t]here is a pressing need in Michigan for improved regional transmission to ensure reliability but also access to low-cost energy resources." 4 Tr 3189; *see also*, METC's initial brief, p. 16. Thus, METC suggested that the Commission direct Consumers to engage in coordination through a workgroup with METC "to assess and plan for EV charging infrastructure impacts to the current and future demand needs of Consumers' service territory including transmission upgrade needs for Direct Current Fast Charging ('DCFC') deployment" and that the Commission approve Consumers' TEP Reliability Roadmap objectives, which "aligns with METC's goals to modernize Michigan's electric infrastructure." 4 Tr 3190, 3193; *see also*, METC's initial brief, pp. 16-17, 28-29. While Consumers agreed to "engage in informal coordination" it "does not believe the Commission needs to order a formal coordination process." 3 Tr 1622-1623; *see also*, Consumers' initial brief, p. 456.

The ALJ acknowledged Consumers' willingness to work with METC on an informal basis and suggested the Commission encourage the two entities to work "on the Reliability Roadmap and other aspects of the Company's distribution plan." PFD, p. 991. As such, and noting that no party

filed exceptions on this issue, the Commission adopts the ALJ's recommendation and encourages Consumers to work with METC as proposed by the ALJ.

M. Separate Campbell Plant Docket

As the Attorney General explained, "[o]n May 23, 2025, the [U.S.] Department of Energy (DOE) issued an order that the Campbell power plant continue to operate past May 2025 and directed FERC and MISO to issue appropriate directives to the company to effect the continued operation of the plant and related cost recovery and tariffs." Attorney General's initial brief, p. 87. Thus, the Attorney General suggested opening a new docket "to ensure that a full and proper accounting of costs and revenue form the continued operation of the Campbell plant occurs, as well as the cost recovery in rates established in Case [No.] U-21585." Attorney General's initial brief, p. 88.

Consumers stated that it does "not propose to adjust amounts included in this case related to the Campbell plant." 3 Tr 1846; *see also*, Consumers' initial brief, p. 456. Consumers stated that it "plans to request recovery of the costs associated with the DOE Orders through a [FERC] process, as provided by the DOE Order, and will refund to [the Commission's] jurisdictional customers any amounts collected through the FERC process that have been collected through [the Commission's] jurisdictional rates." 3 Tr 1846; *see also*, Consumers' initial brief, pp. 456-457. The company asserted that a review of costs and revenues will not occur until the FERC process is known such that there is no need to create a new docket. *See*, 3 Tr 1848; *see also*, Consumers' initial brief, p. 457.

Additionally, Consumers has requested $17.78 million for the bridge period and $9.6 million for the test year for a Waste Water Treatment System and to relocate the plant's machine shop. 3 Tr 2486; Exhibit A-12, Schedule B5.2. The Attorney General recommended a full disallowance

of the Campbell plant capital expenditures due to "the uncertainty surrounding the length and manner of its operation under FERC jurisdiction, and the still preliminary phase of the development of the project." 3 Tr 2486-2487. Consumers rebutted, stating that it was only projecting $12.4 million for the test year and $12.42 million for the bridge period. 6 Tr 3603; Exhibit A-12, Schedule B-5.2; Exhibit S-8.0. Consumers also stated that it would continue working on the Campbell plant project and that it would "offset the capital expenditure amounts incurred with Allowance for Funds Used During Construction ("AFUDC") such that there is no impact to the revenue requirement in this case." 6 Tr 3604.

The ALJ declined to recommend a separate Campbell docket be opened, "agreeing with Consumers that a full and proper accounting of Campbell's costs and revenues and refunding of any necessary amounts can take place in a future rate case proceeding." PFD, p. 994. The ALJ also rejected the proposed disallowances, as Consumers will continue work on the project such that "capital expenditures will be offset with AFUDC so there will be no impact on rates." *Id*.

The Attorney General continues to recommend that the Commission open a new docket, disagreeing with the ALJ's suggestion to accept Consumers' proposal to conduct a "full and proper accounting of Campbell's costs and revenues and [] refund of any necessary amount . . . in a future rate case proceeding." Attorney General's exceptions, p. 106 (citing PFD, p. 994). While the Attorney General agrees that Consumers' "proposed solution to make later refunds is the only workable solution at this time[,]" she feels that a new docket should be opened in a contested proceeding "to ensure that a full and proper accounting of costs and revenue from the continued operation of the Campbell plant occurs, as well as the cost recovery in rates established in Case [No.] U-21585." Attorney General's exceptions, p. 106.

Consumers reasserts that it "did not propose to adjust any amounts included in this case related to the Campbell Plant" because it plans to "request recovery of costs associated with the DOE orders through a FERC process" and will refund Michigan jurisdictional customers accordingly. Consumers' replies to exceptions, p. 140 (citing 3 Tr 1846). The company continues to disagree with the Attorney General's recommendation to establish a separate proceeding, stating that a review of costs and revenues "should not occur until the FERC process is known because that process will provide the information needed to perform the analysis before the Commission." Consumers' replies to exceptions, p. 141.

The Commission finds the ALJ's recommendations to be well-reasoned based on the evidence on the record and therefore, adopts such. *See*, PFD, p. 994. Consumers agreed that if the FERC process results in any cost recovery from others that it would be refunded to Consumers' customers. Additionally, the Commission finds it unnecessary to establish a separate proceeding.

N. Accounting Requests

The ALJ noted that Consumers requested continuing regulatory asset treatment for:

> the PowerMIDrive (PMD) and PowerMIFleet (PMF) programs; the decommissioning costs for Karn Units 1 and 2 and Campbell Units 1, 2, and 3 as well as ash disposal costs for these units and the Classic 7 sites; the remaining net book value of Campbell Units 1, 2, and 3; the Pension and OPEB Volatility Mechanism; the retention costs for Campbell units 1, 2, and 3 and Karn Units 1 and 2; and the river hydroelectric capital expenditures.

PFD, p. 994 (citing 3 Tr 1061-1068, 1832; Exhibits A-12 and A-75 through A-81).

As no other party raised an issue with these accounting requests, the ALJ found that "continuing regulatory asset treatment as detailed above should be approved." PFD, p. 995.

No party filed exceptions on this issue.

The Commission also finds that, absent opposition, Consumers' regulatory asset treatment as described above is approved.

1. Systems, Applications, and Products Simplified, Fourth Generation High Performance Analytic Appliance Regulatory Asset Approval

Consumers stated that its legacy business suite will no longer be supported as of December 31, 2027, requiring it to move "to a new SAP enterprise solution called S/4HANA." Consumers' initial brief, p. 150; *see also*, 3 Tr 740; 3 Tr 1068. Consumers projected spending $34.8 million of test year capital spending and $15.2 million of O&M expenses for the SAP S4/HANA Project, stating that "there is no financial impact to the case resulting from the capital spending." 3 Tr 1069. Deferring the associated O&M expense for the project, and amortizing "it over 15 years consistent with the life of the assets" prevents "the need for customers to fund spikes in the Company's IT O&M expense during the project and instead smooths the collection over the life of the asset" while providing benefits to both Consumers and its customers. 3 Tr 1069. Consumers stated that if "deferral is approved, the revenue deficiency of this case should be lowered by $14.6 million." 3 Tr 1069.

The Staff supported Consumers' requesting accounting treatment to defer the SAP S/4HANA O&M expense but stated that it came to a slightly different revenue deficiency. 6 Tr 4566-4567; *see also*, Staff's initial brief, pp. 133-134. The Attorney General suggested rejecting Consumers' request as she opined that this project involves the "forced obsolesce by the vendor in order to sell new software, services, and technology" and that "[o]perating the current system past 2030 is a viable solution given that the system is still functioning well and is meeting all the operating requirements of the Company." 3 Tr 2500-2502; *see also*, Attorney General's initial brief, p. 103. Consumers rebutted the Attorney General's argument, stating that "approving the deferral of O&M expenses will allow the Company to align cost recovery with the period over which the project delivers benefits" and that in Case No. U-21806, the Commission approved a similar request. 3 Tr 1080 (citing September order, p. 226).

The ALJ disagreed with the Attorney General that the SAP S4/HANA project was premature, instead finding "that deferring the SAP [S4/HANA] project O&M costs and amortizing the cloud implementation costs . . . over 15 years are appropriate for the reasons given by the Company, including mitigating impacts on customer rates." PFD, p. 997.

The Attorney General avers that approval of the SAP S/4HANA project is premature in part because there is no contract in place for the SaaS solution, and that it not is appropriate to defer the project's O&M costs and amortize the cloud implementation costs for the SaaS solution over 15 years, despite the ALJ's assertions otherwise. Attorney General's exceptions, pp. 83, 107.

Consumers avers that, despite the Attorney General's assertion, the SAP S/4 HANA project is not premature, and that "approving the deferral of O&M expenses, and amortizing cloud implementation costs over 15 years, will align the cost recovery with the period over which the project delivers benefits." Consumers' replies to exceptions, p. 76 (citing 3 Tr 1080). Not only will approving the deferral "mitigate customer rate impact[,]" but this treatment has previously been approved by the Commission in Case No. U-21806. Consumers' replies to exceptions, p. 76 (citing 3 Tr 1080).

Consistent with the decisions described above, the Commission agrees with the ALJ's determination that the SAP S/4 HANA project is not premature, and thus, adopts the ALJ's recommendation in this matter. *See*, PFD, p. 997.

2. Low Voltage Distribution Line Clearing Ramp-up Deferral

Consumers proposed to significantly "ramp-up" its LVD Line Clearing Program O&M expenditures over a five-year period for "approximately $256 million from 2026 through the 2030-2031 test period." 3 Tr 1070-1071; *see also*, Consumers' initial brief, pp. 331-332. However, the company suggested deferring the expenses "as a regulatory asset once the 'ramp-up' begins and

through its completion" where it "will securitize the regulatory asset when it reaches an appropriate balance" with securitization being "conditional upon receiving a return on the deferred expenses." 3 Tr 1071. In other words, Consumers' "proposal to securitize the deferred expenses is conditional on the ability to receive the prevailing pre-tax weighted average cost of capital ('pre-tax WACC') on the balance of the regulatory asset until the costs are securitized" because during deferral, Consumers "would be absorbing the cash and expense burden to fund the 'ramp up' while not collecting any of those costs from customers." 3 Tr 857-858; *see also*, Consumers' initial brief, pp. 332-333. The company argues that its credit metrics would be strained if it were to finance this regulatory asset with debt. 3 Tr 857; Consumers' initial brief, p. 332.

The Staff supported the deferral of $21.37 million in forestry ramp-up O&M expense but calculated a revenue deficiency reduction of $21.69 million. 6 Tr 4565; Exhibit S-1, Schedule A-3. Furthermore, the Staff recommended a short-term debt rate of return of 4.92% over Consumers' pre-tax WACC "because the Company has shown they have not invested in line clearing like they should have." 6 Tr 4389; *see also*, Staff's initial brief, pp. 135-138. The Attorney General agreed with using the Staff's short term debt rate of return because the Commission approved its use in Case No. U-20162 and calculated a proposed return of $1.81 million. 3 Tr 2593; Exhibit AG-59; *see also*, Attorney General's initial brief, pp. 197-198.

While MNSC agreed with Consumers' operational plan and spending level, it did not agree with Consumers' calculation of the surge amount, finding that the surge/ramp-up amount should be treated as a regulatory asset, removed from O&M expense. 6 Tr 4052; 3 Tr 4053; *see also*, MNSC's initial brief, pp. 53, 131-144; MNSC's reply brief, p. 8. MNSC asserted that the Commission should use its baseline spending calculation of approximately $114 million "which can be adjusted in future cases if the Company meets its burden to prove the reasonableness and

prudence of operational changes" with all above-baseline costs being "deferred as regulatory assets and securitized" involving approximately $72.7 million in LVD line clearing costs. MNSC's reply brief, pp. 7-8 (citing MNSC's initial brief, p. 138; 6 Tr 4053, 4055). MNSC also argued that Consumers' "concerns about its credit metrics are unsubstantiated" as the company "does not support its case" with "evidence of expected impacts on the Company's overall credit MNSC's initial brief, pp. 144-145 (citing 3 Tr 859; 3 Tr 864).

Consumers stated that the Attorney General's and MNSC's approaches are "overly simplistic" and "ignore[] the Company's demonstration that the cost of achieving the ramp-up . . . [which] is significantly higher than maintaining historical levels of expense" and are "'outdated' because they disregard the fundamental shift . . . to a five-year LVD line clearing cycle." 3 Tr 1083; Consumers' reply brief, p. 39 (citing 3 Tr 1083-1084). Consumers also disagreed with the Staff's short-term debt rate, stating that it "is not an acceptable financing assumption for the deferred ramp up regulatory asset" due to "harmful credit metric impacts." 3 Tr 865. Consumers also asserted that it "has demonstrated its commitment to its Line Clearing Program consistently since Case No. U-20697 where the Company first proposed the seven-year effective cycle for its LVD system." 3 Tr 2237. Furthermore, the company stated that "2026 will be a transitional year in the ramp-up process" with the first four months operating under the seven-year cycle from Case No. U-21585, and with the rest of the year operating on the new five-year cycle, resulting in a baseline operational expense for 2026 of $150.6 million. 3 Tr 2243-2244.

In rebuttal, the Staff opposed the Attorney General's and MNSC's proposal, instead stating that "the Commission should approve the full proposed spend of $186,683,974 in Line Clearing O&M being requested by the Company, with $164,445,867 being recovered as base O&M expense and $22,238,107 being recovered as part of a regulatory asset." 6 Tr 4409. The Staff

asserted that by approving Consumers' proposed base O&M expense for 2026, it will "set a baseline for future annual expenses that should ultimately result in less expense going into the regulatory asset over the next five years" with "lower interest expense to ratepayers in the long run" compared to the Attorney General's and MNSC's proposals. 6 Tr 4409-4410.

In rebuttal, MNSC asserted that "the Company's methodology would raise operating expenses, which are not amortized, and cause more immediate impacts to customers' rates." MNSC's initial brief, p. 141. MNSC asserted that "today's customers should not assume the full financial burden for the 'Company's past managerial decisions that resulted in backlogged maintenance and poor reliability performance[,]'" as many of Consumers' customers are already struggling and thus, to mitigate impacts, there should be a deferral and securitization of surge spending. *Id*., pp. 141-142 (citing 6 Tr 4050).

The ALJ approved Consumers' request to defer Line Clearing Ramp-up costs for a five-year clearing cycle as no disputes existed. PFD, p. 1006. The ALJ also found that "Consumers has adequately supported its proposed test year spending as necessary" and recommended that "$22,238,107 be recovered as part of a regulatory asset." *Id*. Regarding the rate of return, the ALJ found that the short-term debt rate proposed by the Staff was appropriate as it was "most reasonable until the company has arranged for securitization of Line Clearing Ramp-up costs." *Id*., pp. 1006-1007. While the ALJ recommended that the short-term debt rate used for DTE's tree-trimming surge also be used in this matter, he stated "that the Commission use the short-term debt rate it considers most reasonable until the company has arranged for securitization of the Line Clearing Ramp-up costs." *Id*.

Consumers objects to the ALJ's proposal that the Commission adopt the short-term debt rate, stating that it is not "the appropriate rate of return when considering the details of Consumers

Energy's proposal and evidence presented." Consumers' exceptions, p. 139. Consumers contends that using pre-tax WACC during the ramp-up is appropriate because due to the "long-term nature of the deferred expense" it "intends to fund this ramp-up with a mix of long-term debt and equity consistent with the Company's approved capital structure." *Id*. (citing 3 Tr 857). Consumers explains that a pre-tax WACC is important during the deferral period because "the Company will be absorbing the cash and expense burden to fund the ramp up, but will not be collecting any of those costs from customers" and to not fund it with a pre-tax WACC would lower its Funds from Operations (FFO) while raising its debt, "resulting in a wholly insufficient standalone FFO-to-debt ratio of approximately 5%." Consumers' exceptions, pp. 139-140 (citing 3 Tr 858-859). Consumers also stated that "there has been a material change" in its risk environment that the Commission should consider regarding "the current volatility and uncertainty in financial markets, interest rates, and geopolitical tensions." Consumers' exceptions, p. 140 (citing 3 Tr 865). Thus, the company continues to argue that "[t]he Commission should not order this mismatch of financing costs with the return on the regulatory asset, and should instead approve a return on the deferred expenses at the Company's pre-tax WACC during the ramp-up period until securitization takes place." Consumers' exceptions, p. 141.

The Staff excepts, stating that the short-term debt rate of 4.92% for the test year should be adopted, whereas the ALJ recommended "that the Commission use the short-term debt rate it considers most reasonable until the Company has arranged for securitization of the Line Clearing Ramp-up costs." Staff's exceptions, p. 22.

The Attorney General states that she "agrees in principle with the proposal to defer the line or tree clearing costs above a reasonable threshold," but that Consumers' "proposed baseline is too high and reduces the opportunity to defer and securitize a higher amount of tree clearing costs."

Attorney General's exceptions, p. 108. She asserts that the 2024 historical year amount of $110.23 million "provides a reasonable baseline for tree clearing expenses" and that expenses beginning in 2025 above that "should be charged to the regulatory asset for future securitization." *Id*. (citing 3 Tr 2582). That would result in $76.46 million "being removed from O&M in this rate case and included in a regulatory asset." Attorney General's exceptions, pp. 108-109 (citing Exhibits A-170 and A-13, Schedule C-5.1). The Attorney General agrees with MNSC that a lower baseline cost "would mitigate rate impact because it would defer more of the surge spending" and as such, she recommends "the Commission approve both the $110,225,000 baseline and the transfer of $76,459,000 from the O&M expense to the regulatory asset account for the projected test year." Attorney General's exceptions, p. 109 (citing PFD, p. 1005).

MNSC continues to assert that Consumers' credit metric concerns "are unsubstantiated." MSNC's exceptions, p. 37 (citing PFD, p. 1009). Additionally, MNSC also argues against the ALJ's recommendation for two reasons. First, MNSC contends that "the ALJ did not consider the intergenerational equity" which "is a well-established principle in ratemaking" where the Commission has "exercised its control over utility ratemaking to allocate costs equitably and to limit rate shock from programmatic spending surge." MNSC's exceptions, p. 35 (citing Case Nos. U-13899 and U-14400). MNSC argues that the ALJ's recommendation "does not adequately mitigate likely rate shock" from Consumers' line clearing surge as it "has significant backlogs in tree trimming and vegetation maintenance." MNSC's exceptions, pp. 35-36 (citing 6 Tr 4023). The ALJ's recommendation has current ratepayers paying for expenses "that should have been borne by past ratepayers and that will primarily benefit future ratepayers." MNSC's exceptions, p. 36. Secondly, MNSC asserts that "approximately $72.7 million of surge costs for future

securitization" should be deferred "[t]o ensure current rates are not inordinately increased because of the Company's past failures [in line clearing]." *Id*., p. 37.

In its replies to exceptions, Consumers contends that the Attorney General and MNSC proffered "unreasonably low baseline amounts" and that the ALJ declined to adopt those amounts "because of the consistent upward trend in . . . forestry spending." Consumers' replies to exceptions, p. 143 (citing PFD, p. 1006). Meanwhile, Consumers contends, "costs above the baseline amount represent the appropriate funding needed to ramp up to the five-year line clearing cycle, and it is this amount that should be included in the regulatory asset." Consumers' replies to exceptions, p. 144. Consumers also disagrees with using the Staff's proposed 4.92% short-term debt rate, asserting instead that the company's pre-tax WACC should be approved. *Id*., p. 145.

The Attorney General contends that Consumers' situation is not significantly different from DTE Electric's situation in Case No. U-20162 in which the short-term interest rate was deemed "most appropriate during the time that the Company holds the costs in a regulatory asset and until those costs are financed through securitization." Attorney General's replies to exceptions, pp. 87-88. She contends that the short-term interest rate "will provide an added incentive to securitize the costs sooner than later" and that the deferred amount should not be held long-term, while arguing that the Commission should treat Consumers and DTE Electric similarly. *Id*., p. 88.

The Commission agrees with the ALJ's recommendation in part, finding that the short-term debt rate of 4.92%, which the Attorney General also approved of, should be utilized. *See*, PFD, pp. 1006-1007. Thus, the Commission adopts the $22,238,107 ramp-up amount along using the short-term debt rate of 4.92%.

3. Surge Capital Spending on Pole Replacements

MNSC agreed with Consumers' proposed LVD pole replacement work. MNSC's initial brief, p. 5; 6 Tr 3989, 3997. However, after estimating a $25 million proposed baseline spend on LVD pole replacements (compared to Consumers' $127.5 million expense in the test year), MNSC recommended that the Commission defer $102.5 million in "LVD pole replacement costs as a regulatory asset for future securitization." MNSC's initial brief, pp. 146-147; MNSC's reply brief, p. 7. MNSC also alleged that Public Act 142 of 2000, which amended Public Act 3 of 1939, MCL 460.1 *et seq*., authorized securitization to surge operational expenses. MNSC's initial brief, p. 6. Consumers disagreed, stating that "utility securitizations have been reserved for the recovery of stranded costs associated with assets that no longer provide a benefit to customers." 3 Tr 1086. Consumers stated that LVD pole replacements are capital investments that "should be recovered through traditional rate base treatment" and that "result in long-lived assets that provide long-term benefit to customers." 3 Tr 1086; *see also*, Consumers' initial brief, pp. 51-52; Consumers' reply brief, p. 3.

The ALJ found that MNSC's proposal was "insufficiently justified and supported" whereas Consumers "has numerous existing cost deferral mechanisms and adding more debt and interest expense without sufficient justification and a detailed record would be imprudent." PFD, p. 1009.

MNSC argues that because Consumers' pole replacement program is backlogged, its surge in pole replacement work and expenses will eliminate the backlog, creating "a surge in replacement work and expense" which will be temporary. MNSC's exceptions, p. 37. MNSC asserts that because "the pole replacement surge involves capital expenditures that are already depreciated over time . . . it would be neither just nor reasonable to allow the Company to collect its full rate of

return on costs incurred reducing the backlog, which would only enrich current shareholders at the expense of ratepayers." *Id*., p. 38 (internal citations omitted).

Consumers contends that MNSC's proposal is inappropriate "because the use of securitization is not correct for these types of capital investments in the distribution system." Consumers' replies to exceptions, p. 20. Consumers explains that capital investments "result in long-lived assets that provide long-term benefits to customers, and the associated expenditures should be included in the Company's permanent capital structure." *Id*. As pole replacement capital expenditures depreciate over time, they "should be recovered through traditional rate base treatment which allows for depreciation over time and appropriate cost allocation across the customers who benefit from the replacements." *Id*., pp. 20-21. Consumers also asserts that the ALJ was correct in disagreeing with MNSC that Act 142 does not authorize the Commission to require Consumers to use securitization but merely makes the option of securitization available. *See, id*., p. 21. This is because the Commission's authority "must be found in specific statutory enactments" and does not, as MNSC contends, possess the broad plenary power necessary to allow the Commission to require the use of securitization. *Id*.

The Commission finds the ALJ's recommendation to be well-reasoned based on the evidence on the record and therefore, adopts such. *See*, PFD, p. 1009. As Consumers argued, LVD pole replacements are long-lived capital investments that provide long-term benefit to customers, and "should be recovered through traditional rate base treatment." 3 Tr 1086. This allows for depreciation over time and appropriate cost allocations, which benefits the company's customers. *See*, Consumers' replies to exceptions, pp. 20-21.

O. Wire Down

Currently, Consumers employs a bright yellow "Caution Do Not Enter" tape to secure wire downs. *See*, Exhibit S-18, p. 5. The Staff expressed concern that the current wire down tape "does not give the public any indication of what may be behind the taped-off area" such that the public may enter "not realizing there is a dangerous live wire or wires behind the tape." 6 Tr 4404-4405. To solve this problem, the Staff recommended that Consumers utilize caution tape "that states 'Caution Live Wire' or 'Danger Live Wire Keep Away.'" 6 Tr 4405; *see also*, Staff's initial brief, pp. 198-199. Consumers agreed to adopt the Staff's recommendation. *See*, 3 Tr 2175. Consumers did not address this in its initial or reply brief. The Staff did not address this issue in its reply brief.

No party filed exceptions on this issue.

Finding that there was no disagreement among the parties and further finding that the ALJ's recommendation was well supported and uncontested, the Commission adopts the PFD on this issue and orders Consumers to utilize caution tape that states "Caution Live Wire" or "Danger Live Wire Keep Away" for wire downs.

THEREFORE, IT IS ORDERED that:

A. Based on the findings in this order adopting a May 1, 2026 through April 30, 2027 test year, a jurisdictional rate base of $15,023,435,000, an authorized rate of return on common equity of 9.9%, and an authorized overall rate of return of 6.12%, Consumers Energy Company is authorized to implement rates that increase its annual electric revenues by $276,607,000 on a jurisdictional basis and as set forth in the order, over the rates approved in the March 21, 2025 order in Case No. U-21585.

B. Consumers Energy Company is authorized to implement rates consistent with the revenue deficiency approved by this order on a service-rendered basis for electric service provided on and after May 1, 2026, as reflected in Attachment A (a summary of revenue by rate class), Attachment B (tariff sheets), and Attachment C (updated capacity charge calculation) to this order. Within 30 days the date of this order, Consumers Energy Company shall file with the Commission Staff tariff sheets substantially similar to Attachment B. After the tariff sheets have been reviewed and accepted by the Commission Staff for inclusion in the company's tariff book, Consumers Energy Company shall promptly file the final tariff sheets in this docket and serve all parties. Consumers Energy Company shall implement a state reliability mechanism capacity charge of $88,052.77 per megawatt-year, or $241.24 per megawatt-day, for customers taking capacity service, as shown on Attachment C to this order. Attachment B contains the associated capacity rates. When filing the tariffs consistent with those ordered, Consumers Energy Company shall also update the Contributions In Aid of Construction Allowance Schedule amounts on Tariff Sheet C-4.00, Section C1.4, to be consistent with the rates approved in this order.

C. In its next electric rate case, Consumers Energy Company shall provide an analysis of the difference in costs incurred for the Low Voltage Distribution Lines New Business cost category between work performed in-house and work performed by contractors, and a description of what, if anything, the company has done in response to bring more work in-house or vice versa, as described in this order.

D. In its next electric rate case, Consumers Energy Company shall provide additional detail for the Low Voltage Distribution Lines Reliability Zonal Health Improvement cost category, showing the most cost-effective approaches to improving reliability and detailing the impact of the program, as described in this order.

E. In its next electric rate case, Consumers Energy Company shall provide a review of its capitalization policies and practices with respect to line inspections and security assessment work, as described in this order.

F. As set forth in the order, Consumers Energy Company shall start tracking its inventory of voltage regulator controllers in comparison to the number of controllers installed and shall include this information beginning with its next electric rate case.

G. As set forth in the order, Consumers Energy Company shall, beginning with its next electric rate case, update its benefit/cost analyses to include the full revenue requirement (i.e., full customer costs) in support of the company's proposed capital investments.

H. In future electric rate cases, Consumers Energy Company shall adequately justify any underspend in distribution expenditures and trace those dollars when they are spent, to the degree that it can, to ensure the company spends approved dollars reasonably and prudently, as set forth in the order.

I. In its next electric rate case, Consumers Energy Company shall present a thorough plan that addresses the utilization of vehicles and field equipment and the impact of reduced vehicle purchases in future years, as agreed and set forth in the order.

J. In its next electric rate case, Consumers Energy Company shall include more details regarding existing vehicle usage by vehicle specification, as set forth in the order.

K. In its next electric rate case, Consumers Energy Company shall provide an assessment of the viability of using electric vehicles for all already-scheduled light-duty vehicle replacements between now and 2030, as agreed and set forth in the order.

L. Consumers Energy Company shall meet with the Commission Staff quarterly to provide progress of the Systems, Applications, and Products Simplified, Fourth Generation High

Performance Analytic Appliance Implementation project, including any advancements and/or setbacks in project implementation; budget adherence; changes to project scope, timeline, and/or expenses; and any problems the company has experienced or anticipates experiencing with any operations or customer interactions.

M. Consumers Energy Company shall include in future rate case filings until implementation of the Systems, Applications, and Products Simplified, Fourth Generation High Performance Analytic Appliance project is complete any over- and under-recovery of each projected expense for the project compared to the 80% base (rough order of magnitude adjusted amount).

N. Consumers Energy Company shall provide the Commission Staff with updates on the Whole Home Optimization Demand Response Pilot in future electric rate cases and demand response reconciliation cases and shall notify the Commission Staff and intervenors in the instant case of significant changes in the approved plan.

O. In its next electric rate case, Consumers Energy Company shall include more information about the specific technologies being tested for the Whole Home Optimization Demand Response Pilot and how these technologies would be evaluated, and, in its next electric rate case, shall discuss the company's intentions for any necessary transition or integration of the Whole Home Optimization Demand Response Pilot participants once the pilot ends in 2028.

P. Consistent with its agreements regarding its Transportation Electrification Plan, Consumers Energy Company shall: (1) consider in its annual Transportation Electrification Plan reports and filings the impact that the elimination of the federal electric vehicle tax credit will have on forecasted electric vehicle growth; (2) require proof of electric vehicle purchase for fleet charging; and (3) continue targeted outreach regarding charging rebates to multifamily dwellings in its 2026 Transportation Electrification Plan, as described in this order.

Q. In its next Transportation Electrification Plan, Consumers Energy Company shall: (1) provide a more clear and precise definition of "community" and "traditional government boundary" as used in its Direct Charging Fast Current rebate applications; (2) publish a clear rubric and methodology including a description of the weight given to each criterion in the Direct Charging Fast Current rebate evaluation; and (3) address and evaluate the rebate amount for the Direct Charging Fast Current program, telematics and actively managed charging, the Vehicle-to-Grid School Bus Pilot, the battery integrated Direct Charging Fast Current pilot, and vehicle-to-everything capabilities and system benefits.

R. Consumers Energy Company shall extend the Direct Charging Fast Current rebate window of availability from two years to seven years from the date of this order approving the company's Direct Charging Fast Current rebate program, as described in this order.

S. Consumers Energy Company shall provide additional detail pertaining to the calibration variables in its residential, commercial, and industrial deliveries models and explain why the MetrixND model outputs are adjusted in the company's next electric rate case.

T. In its next electric rate case, Consumers Energy Company shall present an analysis on the costs and benefits of removing 100% of tree canopy in the first zone.

U. In its next electric rate case, Consumers Energy Company shall study the costs and benefits of moving to a four-year vegetation management cycle for its low-voltage distribution system, consistent with this order.

V. In future electric rate cases, Consumers Energy Company shall provide a detailed explanation of how expense associated with Emergent Reliability Funding is spent in each historical year, consistent with this order.

W. In future electric rate cases, Consumers Energy Company shall file evidentiary support detailing its corporate membership dues expense and the specific ratepayer benefits associated with that expense, consistent with this order.

X. In its next electric rate case, Consumers Energy Company shall provide details on its productivity offset that demonstrate measurable improvements and benefits for customers.

Y. In its next general electric rate case, Consumers Energy Company shall propose changes to how it allocates the costs of advanced metering infrastructure meters to customer classes to better reflect the system benefits these meters provide.

Z. For the facilities allowance for the Large Economic Development rate, Consumers Energy Company shall reconcile any overestimated revenue upon which it originally based the facilities allowance every five years and charge the Rate LED customer to make up any shortfalls.

AA. In its next general electric rate case, Consumers Energy Company shall provide a proposal for a shortened discount term for new Large Economic Discount rate customers, similar to the intervenors' proposal, as well as a proposal for the scenario in which the original basis for the rate approval is exhausted and there is a resulting capacity shortage.

BB. In its next general electric rate case, Consumers Energy Company shall propose a power factor adjustment for the Large Economic Development rate that is sufficient to cover the cost of power factor correction on the company's system.

CC. Consumers Energy Company shall convene a work group, including the Commission Staff and interested persons, as soon as possible, to develop a consensus-based electric vehicle fast charging rate proposal that is based on cost of service and that considers an energy-only rate, charging uptime, and charging reliability, and that encourages third-party investment, if possible,

within the cost-of-service framework, and shall present it to the Commission no later than January 31, 2027.

DD. In its next general electric rate case, Consumers Energy Company shall propose an electric heating/heat pump rate, hold a collaborative workgroup meeting to solicit input beforehand, and consider the following when developing the rate: (1) options for both seasonal and temporal differentiation; (2) electric heating/heat pump rates for residential and non-residential customers; (3) tradeoffs between rate designs focused on electric heating in general and those focused on technologies such as prompting heat pumps; (4) tradeoffs relating to eligibility requirements and verification (e.g., self-attestation, consumption analysis, submetering); and (5) delivery of the new rate, including strategies and tools for customer and contractor education, such as rate impact calculators and opt-out design strategies. In developing the proposed rate, Consumers Energy Company should also consider broader system-wide benefits including the ability for demand response or other broader system support.

EE. In Consumers Energy Company's next general electric rate case, the company shall create a fee structure for the overhead and underground service connection fees that covers fixed costs and also reflects the variable costs, as recommended by the Commission Staff.

FF. In its next electric rate case, Consumers Energy Company shall reevaluate its disconnection policies and run additional regression analyses for the following reliability metrics: system average interruption duration index with and without major event days, system average interruption frequency index with and without major event days, customer average interruption duration index with and without major event days, customers experiencing long interruption duration of at least 5 hours, and customers experiencing long interruption duration of at least 24 hours.

GG. Before its next electric rate case is filed, Consumers Energy Company shall make continuous improvements to its Geographic Information System map regarding environmental justice reliability data that include, but are not limited to, a clear key explaining all acronyms and data categories and intuitive and navigable map controls.

HH. In its next distribution system plan application, Consumers Energy Company shall present planned investments in a format that categorizes costs and allows for easier comparison between the distribution system plan and any rate case that uses such distribution system plan to justify cost recovery to prove prudence and reasonableness of such costs. Consumers Energy Company shall also provide a comprehensible walkthrough of any expense programs, subprograms, and/or categories that have varied between the prior submitted distribution system plan and the ongoing rate case proceedings.

II. In its next electric rate case, Consumers Energy Company shall demonstrate a clear link between reliability improvements and capital investments; assess cost-effectiveness, affordability, and the potential impacts of any system average interruption duration index performance forecasts related to the June 12, 2025 order in Case No. U-21305; and provide alternative ways to evaluate system average interruption duration index performance.

JJ. The Commission Staff shall suspend the current formulaic true-up method and implement a customer specific true-up, when and if a customer actually pays the State Reliability Mechanism capacity charge and there is actual revenue to reconcile.

KK. Consumers Energy Company shall utilize caution tape that states “Caution Live Wire” or “Danger Live Wire Keep Away” to secure wire downs.

LL. In its next general electric rate case, Consumers Energy Company shall provide empirical data in the Electric Asset Categorization report or other power system mapping to identify the extent to which higher voltage customers utilize and should pay for downstream assets.

MM. In its next general electric rate case, Consumers Energy Company shall propose changes to how it allocates the costs of advanced metering infrastructure meters to customer classes to better reflect the system benefits these meters provide.

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 March 27, 2026.

Lisa Felice, Executive Secretary

Consumers Energy Company
Case No. U-21870
Order Summary of Present and Proposed Revenue

MICHIGAN PUBLIC SERVICE COMMISSION
Consumers Energy Company
Order Summary of Present and Proposed Revenues by Rate Schedule
Total Revenues

Case No.: U-21870
ATTACHMENT A

Line No.	(a) Description	(b) Customers	(c) Sales	(d) Revenue Present	(e) Revenue Proposed	(f) Net Increase / (Decrease) Revenue	(g) Net Increase / (Decrease) Percent
		Mthly	MWh	$000	$000	$000	%
	FULL SERVICE						
	Residential Class						
1	Summer On-peak RSP	1,628,594	12,230,766	$ 2,354,768	$ 2,563,762	$ 208,994	8.9
2	Smart Hours RSH	24,351	177,999	34,358	37,466	3,108	9.0
3	Night Time Savers RPM	16,879	168,382	31,182	34,587	3,406	10.9
4	Non-Transmitting Meters RSM	10,973	108,263	20,935	23,562	2,628	12.6
5	Total Residential Class	1,680,798	12,685,410	$ 2,441,242	$ 2,659,377	$ 218,135	8.9
	Secondary Class						
6	Energy-only GS	204,973	4,114,839	$ 719,808	$ 752,409	$ 32,601	4.5
7	Time-of-Use GSTU	1,891	84,563	14,676	15,437	761	5.2
8	Demand GSD	20,152	2,979,606	446,985	473,358	26,373	5.9
9	Total Secondary	227,015	7,179,008	$ 1,181,468	$ 1,241,204	$ 59,735	5.1
	Primary Class						
10	Energy-only GP	1,360	666,952	$ 79,171	$ 79,859	$ 688	0.9
	Voltage Level 1	4	3,454	324	339	16	4.8
	Voltage Level 2	36	31,259	3,221	3,242	21	0.6
	Voltage Level 3	1,320	632,239	75,626	76,277	652	0.9
11	Demand GPD	855	5,035,360	469,921	462,493	(7,428)	(1.6)
	Voltage Level 1	22	1,167,540	93,034	94,199	1,166	1.3
	Voltage Level 2	60	1,453,040	129,403	126,806	(2,597)	(2.0)
	Voltage Level 3	773	2,414,780	247,485	241,488	(5,997)	(2.4)
12	Time-of-Use GPTU	1,517	4,273,401	458,822	454,414	(4,409)	(1.0)
	Voltage Level 1	23	464,518	40,955	42,352	1,397	3.4
	Voltage Level 2	80	496,642	48,187	47,696	(491)	(1.0)
	Voltage Level 3	1,413	3,312,240	369,681	364,366	(5,314)	(1.4)
13	Energy Intensive EIP	17	392,565	30,152	30,636	484	1.6
	Voltage Level 1	5	332,592	24,426	25,123	697	2.9
	Voltage Level 2	7	53,237	4,945	4,750	(195)	(3.9)
	Voltage Level 3	5	6,737	782	763	(18)	(2.4)
14	Total Primary	3,748	10,368,279	$ 1,038,067	$ 1,027,402	$ (10,665)	(1.0)
	Lighting & Unmetered Class						
15	Metered Lighting GML	399	10,776	$ 1,622	$ 1,909	$ 286	17.6
16	Universal Unmetered Lighting UUL	4,696	54,640	28,563	32,623	4,060	14.2
17	Unmetered GU	465	99,352	10,837	11,337	500	4.6
18	Total Lighting & Unmetered	5,560	164,769	$ 41,022	$ 45,869	$ 4,847	11.8
	Self-generation Class						
19	Small Self-generation GSG-1	-	-	$ -	$ -	$ -	NA
20	Large Self-generation GSG-2	14	173,301	17,081	17,555	473	2.8
	Voltage Level 1	5	77,349	6,022	6,755	733	12.2
	Voltage Level 2	8	77,337	8,927	8,686	(241)	(2.7)
	Voltage Level 3	1	18,615	2,133	2,114	(19)	(0.9)
21	Total Self-generation	14	173,301	$ 17,081	$ 17,555	$ 473	2.8
22	Total Full Service	1,917,135	30,570,766	$ 4,718,881	$ 4,991,407	$ 272,526	5.8
	ROA SERVICE						
	Secondary Class						
23	Energy-only GS	85	18,702	$ 1,191	$ 1,317	$ 126	10.6
24	Demand GSD	472	174,288	8,956	10,594	1,638	18.3
25	Total Secondary	556	192,989	$ 10,147	$ 11,911	$ 1,764	17.4
	Primary Class						
26	Energy-only GP	60	72,068	$ 1,817	$ 1,804	$ (14)	(0.8)
	Voltage Level 1	-	-	-	-	-	NA
	Voltage Level 2	2	1,783	21	22	1	3.0
	Voltage Level 3	58	70,285	1,796	1,782	(14)	(0.8)
27	Demand GPD	356	3,303,873	28,853	31,180	2,327	8.1
	Voltage Level 1	14	1,270,576	2,342	5,421	3,079	131.5
	Voltage Level 2	38	1,080,207	7,912	7,923	11	0.1
	Voltage Level 3	305	953,091	18,599	17,836	(763)	(4.1)
28	Total Primary	417	3,375,942	$ 30,671	$ 32,984	$ 2,313	7.5
29	Total ROA Service	973	3,568,931	$ 40,817	$ 44,895	$ 4,078	10.0
30	Total Jurisdictional Service	1,918,108	34,139,697	$ 4,759,698	$ 5,036,301	$ 276,603	5.8
31	Plus: Rounding			-	(0)	3	
32	Total Jurisdictional Revenues			$ 4,759,698	$ 5,036,301	$ 276,603	5.8
33	Less: PSCR Factor Revenues			299,823	299,823	-	
34	Less: DR Surcharge			-	51,821	51,821	
35	Less: IRM Surcharge			-	13,927	13,927	
36	Total Jurisdictional Base Revenues			$ 4,459,875	$ 4,670,730	$ 210,855	4.7
37	Total Jurisdictional Revenues			4,759,698	5,036,301	276,603	5.8
38	Plus: ERC Deferral Surcharge			-	24,325	24,325	
39	Total Jurisdictional Revenues Requested			$ 4,759,698	$ 5,060,626	$ 300,928	6.3

Line No.	Description	Sales	Revenue Present	Revenue Proposed	Net Increase / (Decrease) Revenue	Net Increase / (Decrease) Percent
		MWh	$000	$000	$000	%
	FULL SERVICE					
	Residential Class					
1	Summer On-peak RSP	12,230,766	$ 1,258,272	$ 1,283,667	$ 25,396	2.0
2	Smart Hours RSH	177,999	18,266	18,690	424	2.3
3	Night Time Savers RPM	168,382	16,477	17,344	867	5.3
4	Non-Transmitting Meters RSM	108,263	11,213	11,239	26	0.2
5	Total Residential Class	12,685,410	$ 1,304,227	$ 1,330,940	$ 26,713	2.0
	Secondary Class					
6	Energy-only GS	4,114,839	$ 410,783	$ 415,410	$ 4,627	1.1
7	Time-of-Use GSTU	84,563	8,881	9,067	186	2.1
8	Demand GSD	2,979,606	286,430	284,724	(1,706)	(0.6)
9	Total Secondary	7,179,008	$ 706,094	$ 709,201	$ 3,107	0.4
	Primary Class					
10	Energy-only GP	666,952	$ 61,383	$ 62,190	$ 807	1.3
	Voltage Level 1	3,454	310	313	3	1.0
	Voltage Level 2	31,259	2,847	2,873	27	0.9
	Voltage Level 3	632,239	58,227	59,004	777	1.3
11	Demand GPD	5,035,360	413,307	404,040	(9,268)	(2.2)
	Voltage Level 1	1,167,540	90,442	88,186	(2,256)	(2.5)
	Voltage Level 2	1,453,040	118,680	115,924	(2,756)	(2.3)
	Voltage Level 3	2,414,780	204,185	199,929	(4,256)	(2.1)
12	Time-of-Use GPTU	4,273,401	376,751	373,742	(3,009)	(0.8)
	Voltage Level 1	464,518	39,567	39,159	(408)	(1.0)
	Voltage Level 2	496,642	43,191	42,760	(432)	(1.0)
	Voltage Level 3	3,312,240	293,993	291,824	(2,169)	(0.7)
13	Energy Intensive EIP	392,565	27,890	27,465	(425)	(1.5)
	Voltage Level 1	332,592	23,628	23,265	(363)	(1.5)
	Voltage Level 2	53,237	3,771	3,715	(56)	(1.5)
	Voltage Level 3	6,737	491	486	(6)	(1.1)
14	Total Primary	10,368,279	$ 879,332	$ 867,437	$ (11,895)	(1.4)
	Lighting & Unmetered Class					
15	Metered Lighting GML	10,776	$ 639	$ 584	$ (55)	(8.6)
16	Universal Unmetered Lighting UUL	54,640	3,127	2,800	(327)	(10.4)
17	Unmetered GU	99,352	8,000	7,880	(120)	(1.5)
18	Total Lighting & Unmetered	164,769	$ 11,766	$ 11,264	$ (502)	(4.3)
	Self-generation Class					
19	Small Self-generation GSG-1	-	$ -	$ -	$ -	NA
20	Large Self-generation GSG-2	173,301	14,136	14,136	-	-
	Voltage Level 1	77,349	5,414	5,414	-	-
	Voltage Level 2	77,337	7,024	7,024	-	-
	Voltage Level 3	18,615	1,698	1,698	-	-
21	Total Self-generation	173,301	$ 14,136	$ 14,136	$ -	-
22	Total Full Service	30,570,766	$ 2,915,554	$ 2,932,978	$ 17,423	0.6
	ROA SERVICE					
	Secondary Class					
23	Energy-only GS	-	$ -	$ -	$ -	NA
24	Demand GSD	-	-	-	-	NA
25	Total Secondary	-	$ -	$ -	$ -	NA
	Primary Class					
26	Energy-only GP	-	$ -	$ -	$ -	NA
	Voltage Level 1	-	-	-	-	NA
	Voltage Level 2	-	-	-	-	NA
	Voltage Level 3	-	-	-	-	NA
27	Demand GPD	-	-	-	-	NA
	Voltage Level 1	-	-	-	-	NA
	Voltage Level 2	-	-	-	-	NA
	Voltage Level 3	-	-	-	-	NA
28	Total Primary	-	$ -	$ -	$ -	NA
29	Total ROA Service	-	$ -	$ -	$ -	NA
30	Total Jurisdictional Service	30,570,766	$ 2,915,554	$ 2,932,978	$ 17,423	0.6
31	Plus: Rounding		-	(4)	(4)	
32	Total Jurisdictional Base Revenues		$ 2,915,554	$ 2,932,974	$ 17,419	0.6
33	Less: PSCR Factor Revenues		299,823	299,823	-	
34	Less: DR Surcharge		-	51,821	51,821	
35	Less: IRM Surcharge		-	-	-	
36	Total Jurisdictional Base Revenues		$ 2,615,731	$ 2,581,329	$ (34,402)	(1.3)
37	Total Jurisdictional Revenues		2,915,554	2,932,974	17,419	0.6
38	Plus: ERC Deferral Surcharge		-	-	-	
39	Total Jurisdictional Revenues Requested		$ 2,915,554	$ 2,932,974	$ 17,419	0.6

Line No.	Description	Sales	Revenue Present	Revenue Proposed	Net Increase / (Decrease) Revenue	Net Increase / (Decrease) Percent
		(a)	(b)	(c)	(d)	(e)	(f)
		MWh	$000	$000	$000	%
	FULL SERVICE					
	Residential Class					
1	Summer On-peak RSP	12,230,766	$ 1,096,496	$ 1,280,095	$ 183,598	16.7
2	Smart Hours RSH	177,999	16,093	18,776	2,684	16.7
3	Night Time Savers RPM	168,382	14,705	17,243	2,539	17.3
4	Non-Transmitting Meters RSM	108,263	9,722	12,323	2,601	26.8
5	Total Residential Class	12,685,410	$ 1,137,016	$ 1,328,438	$ 191,422	16.8
	Secondary Class					
6	Energy-only GS	4,114,839	$ 309,024	$ 336,999	$ 27,974	9.1
7	Time-of-Use GSTU	84,563	5,795	6,370	575	9.9
8	Demand GSD	2,979,606	160,555	188,634	28,079	17.5
9	Total Secondary	7,179,008	$ 475,374	$ 532,003	$ 56,628	11.9
	Primary Class					
10	Energy-only GP	666,952	$ 17,788	$ 17,669	$ (119)	(0.7)
	Voltage Level 1	3,454	14	27	13	88.5
	Voltage Level 2	31,259	375	369	(6)	(1.6)
	Voltage Level 3	632,239	17,399	17,273	(126)	(0.7)
11	Demand GPD	5,035,360	56,614	58,454	1,840	3.2
	Voltage Level 1	1,167,540	2,592	6,013	3,421	132.0
	Voltage Level 2	1,453,040	10,723	10,882	159	1.5
	Voltage Level 3	2,414,780	43,299	41,558	(1,741)	(4.0)
12	Time-of-Use GPTU	4,273,401	82,071	80,672	(1,400)	(1.7)
	Voltage Level 1	464,518	1,388	3,193	1,805	130.0
	Voltage Level 2	496,642	4,995	4,936	(59)	(1.2)
	Voltage Level 3	3,312,240	75,688	72,543	(3,145)	(4.2)
13	Energy Intensive EIP	392,565	2,262	3,171	909	40.2
	Voltage Level 1	332,592	798	1,858	1,060	132.9
	Voltage Level 2	53,237	1,174	1,035	(138)	(11.8)
	Voltage Level 3	6,737	290	278	(13)	(4.4)
14	Total Primary	10,368,279	$ 158,735	$ 159,965	$ 1,230	0.8
	Lighting & Unmetered Class					
15	Metered Lighting GML	10,776	$ 983	$ 1,325	$ 341	34.7
16	Universal Unmetered Lighting UUL	54,640	25,436	29,823	4,387	17.2
17	Unmetered GU	99,352	2,836	3,457	620	21.9
18	Total Lighting & Unmetered	164,769	$ 29,256	$ 34,605	$ 5,349	18.3
	Self-generation Class					
19	Small Self-generation GSG-1	-	$ -	$ -	$ -	NA
20	Large Self-generation GSG-2	173,301	2,946	3,419	473	16.1
	Voltage Level 1	77,349	608	1,341	733	120.6
	Voltage Level 2	77,337	1,903	1,662	(241)	(12.6)
	Voltage Level 3	18,615	435	416	(19)	(4.4)
21	Total Self-generation	173,301	$ 2,946	$ 3,419	$ 473	16.1
22	Total Full Service	30,570,766	$ 1,803,326	$ 2,058,429	$ 255,103	14.1
	ROA SERVICE					
	Secondary Class					
23	Energy-only GS	18,702	$ 1,191	$ 1,317	$ 126	10.6
24	Demand GSD	174,288	8,956	10,594	1,638	18.3
25	Total Secondary	192,989	$ 10,147	$ 11,911	$ 1,764	17.4
	Primary Class					
26	Energy-only GP	72,068	$ 1,817	$ 1,804	$ (14)	(0.8)
	Voltage Level 1	-	-	-	-	NA
	Voltage Level 2	1,783	21	22	1	3.0
	Voltage Level 3	70,285	1,796	1,782	(14)	(0.8)
27	Demand GPD	3,303,873	28,853	31,180	2,327	8.1
	Voltage Level 1	1,270,576	2,342	5,421	3,079	131.5
	Voltage Level 2	1,080,207	7,912	7,923	11	0.1
	Voltage Level 3	953,091	18,599	17,836	(763)	(4.1)
28	Total Primary	3,375,942	$ 30,671	$ 32,984	$ 2,313	7.5
29	Total ROA Service	3,568,931	$ 40,817	$ 44,895	$ 4,078	10.0
30	Total Jurisdictional Service	34,139,697	$ 1,844,144	$ 2,103,324	$ 259,180	14.1
31	Plus: Rounding		-	4	4	
32	Total Jurisdictional Base Revenues		$ 1,844,144	$ 2,103,327	$ 259,184	14.1
33	Less: PSCR Factor Revenues		-	-	-	
34	Less: DR Surcharge		-	-	-	
35	Less: IRM Surcharge		-	13,927	13,927	
36	Total Jurisdictional Base Revenues		$ 1,844,144	$ 2,089,400	$ 245,257	13.3
37	Total Jurisdictional Revenues		1,844,144	2,103,327	259,184	14.1
38	Plus: ERC Deferral Surcharge		-	24,325	24,325	
39	Total Jurisdictional Revenues Requested		$ 1,844,144	$ 2,127,652	$ 283,509	15.4

MICHIGAN PUBLIC SERVICE COMMISSION

Consumers Energy Company

Order Tariff Sheets

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C4. APPLICATION OF RATES (Contd)

C4.3 Application of Residential Usage and Non-Residential Usage (Contd)

D. Rate Application for Seasonal Condominium Campgrounds (Contd)

(6) The customer must notify individuals and co-owners utilizing the customer's property that requests and concerns regarding electric service will be addressed between the single legal entity and ownership and primary operating authority, not with individuals.

(7) The customer shall be responsible for ensuring that the electrical facilities are adequate to meet the needs of the units placed within the Seasonal Condominium Campground in their entirety and shall pay the Company for any charges incurred for modifications necessary to accommodate load according to other portions of this Electric Rate Book.

C4.4 Resale

This provision is closed to resale for general unmetered service, unmetered or metered lighting service and new or expanded service for resale for residential use.

No customer shall resell electric service to others except when the customer is served under a Company rate expressly made available for resale purposes, and then only as permitted under such rate and under this rule.

Where, in the Company's opinion, the temporary or transient nature of the proposed ultimate use, physical limitation upon extensions, or other circumstances, make it impractical for the Company to extend or render service directly to the ultimate user, the Company may allow a customer to resell electric service to others.

For the purposes of this tariff, the provision of electric vehicle charging service for which there is no direct per kWh charge shall not be considered resale of service.

A resale customer is required to take service under the resale provision of one of the following rates for which they qualify: General Service Secondary Rate GS, General Service Secondary Time-of-Use Rate GSTU, General Service Secondary Demand Rate GSD, General Service Primary Rate GP, Large General Service Primary Demand Rate GPD, or General Service Primary Time-of-Use Rate GPTU. Resale Service is provided pursuant to a service contract providing for such resale privilege. Service to each ultimate user shall be separately metered.

A. If the resale customer elects to take service under a Company Full Service resale rate, the ultimate user shall be served and charged for such service under standard Rate RSM for residential use or under the appropriate standard General Service Rate applicable in the Company's Electric Rate Book available for similar service under like conditions. Reselling customers are not required to offer or administer any additional service provisions or nonstandard rates contained in the Electric Rate Book, such as the Income Assistance Service Provision or the Educational Institution Service Provision.

B. If the resale customer elects to take service under a Company Retail Open Access Service rate, the ultimate user shall be served and charged for such service under Rate ROA-R for residential use or under Rate ROA-S or ROA-P applicable in the Company's Electric Rate Book available for similar service under like conditions.

C. If the ultimate user is a campground lot or boat harbor slip, the resale customer has the option to charge a maximum of the following all inclusive rate per kWh in place of billing the ultimate customer on the appropriate standard Company tariff rate:

$***0.207286***	per kWh for all kWh during the months of June - September
$***0.178963***	per kWh for all kWh during the months of October - May

The Company shall be under no obligation to furnish or maintain meters or other facilities for the resale of service by the reselling customer to the ultimate user.

The service contract shall provide that the reselling customer's billings to the ultimate user shall be audited each year by February's month end, for the previous calendar year. The audit shall be conducted either by the Company, if the Company elects to conduct such audit, or by an independent auditing firm approved by the Company. The reselling customer shall be assessed a reasonable fee for an audit conducted by the Company. If the audit is conducted by an independent auditing firm, the customer shall submit a copy of the results of such audit to the Company in a form approved by the Company.

(Continued on Sheet No. C-16.00)

(Continued From Sheet No. C-17.00)

C4. APPLICATION OF RATES (Contd)

C4.5 Mobile Home Park - Individually Served (Contd)

B. Original Installations of Underground Service Connections From Underground Distribution Systems

The mobile home park owner or an authorized representative shall be required to make a nonrefundable contribution in aid of construction to the Company, to cover the cost resulting from the installation of the underground service connections. ***For the route specified by the Company, the*** contribution shall be ***a flat fee of $1,300. For an alternate route requested by the customer and is mutually agreed upon by the Company and the customer, the contribution shall be a flat fee of $1,300 plus any additional costs in excess of those associated with the route specified by the Company.***

The Company shall furnish, install, own and maintain the entire underground electric distribution system including the pre-meter portion of the service lateral cables for new mobile home parks. The trenches for Primary or Secondary main cables will be occupied jointly by facilities of the Company and other utilities where satisfactory agreement for reimbursement of applicable joint facility costs exist between the Company and the other utilities.

Certain related equipment, such as pad-mounted transformers, switching equipment, and service pedestals may be above grade. The area must be suitable for the direct burial installation of cable.

The mobile home park owner or an authorized representative shall provide, own, install and maintain suitable meter supports of a design satisfactory to the Company.

C. If temporary overhead service is installed for the convenience of the mobile home park owner or an authorized representative for construction purposes, such owner or representative shall be required to pay the in-and-out costs of such overhead facilities in the underground area.

D. Where, in the Company's judgment, practical difficulties exist, such as frost or water conditions, rock near the surface, or where there are requirements for deviation from the Company's filed construction standards, the per foot charges included in this rule shall not apply and the contribution in aid of construction shall be equal to the estimated difference in cost between overhead and underground facilities but not less than the contribution calculated under the appropriate per foot charge.

E. The Company may, upon request of the owner and subject to the provisions of this rule, assume ownership of, and incorporate into its electric distribution system, all of an owner's existing electric distribution system and service connection, including distribution lines, transformers, services, meter set assemblies, meters and associated equipment. The Company, on assuming ownership, shall provide individual service and meters for each ultimate consumer. The purchase price to be paid by the Company for such distribution system shall be computed at a rate of $200 per lot for each lot with an installed service connection to the distribution system where the average age of the mobile home park is five years or less. Such rate shall be reduced by $40 per lot for each additional five-year increment in average age.

In cases where the assumption of ownership would require the Company to install new distribution facilities and service connections or modify the existing distribution system, the mobile home park owner or authorized representative may be required to make a deposit or nonrefundable contribution in aid of construction to the Company to cover the cost of such facilities.

(Continued on Sheet No. C-19.00)

(Continued From Sheet No. C-22.00)

C5. CUSTOMER RESPONSIBILITIES (Contd)

C5.3 Restoration of Service (Contd)

The restoration charge and meter relocation charge, if applicable, shall be billed to the customer and shall be paid before service is restored.

An On-Premises Site Visit Charge of $15.00 shall be assessed to the customer if a Company employee is sent to the premises to either serve the customer with a shut-off notification or to shut off service, unless the customer presents evidence that reasonably indicates the claim has been satisfied or is currently in dispute. The charge shall be applied to the customer account. The Company shall not assess this fee twice on the same notice for shutoff.

In case of shutoff of service, the Company shall restore service only after any metering changes, where deemed necessary by the Company, have been made by the Company and after the customer has paid for any unmetered energy used, paid for any damage to Company property, paid the restoration charge and meter relocation charge, installed any necessary devices to protect the Company's facilities and paid all charges as provided in the Company's Electric Rate Book.

A customer who orders a termination and a restoration of service at the same premises within a 12-month period shall be liable for a "turnon" charge of $11.

C5.4 Shutoff Protection Plan for Residential Customers

A. Eligibility

Eligible low-income customers and senior citizen customers may choose to participate in the Shutoff Protection Plan (SPP) in lieu of the applicable Winter Protection Plan as described in Rule B2., Consumer Standards and Billing Practices for Electric and Natural Gas Service, R 460.131, Winter Protection Plan for Eligible Low-Income Customers, or R 460.132, Winter Protection Plan for Eligible Senior Citizen Customers. For purposes of this Company rule, an eligible low-income customer means a utility customer who has not had more than one default condition on the SPP in the last twelve months and whose household income does not exceed ***400***% of the federal poverty guidelines as published by the United States Department of Health and Human Services. In addition, an eligible senior citizen customer means a utility customer who has not had more than one default condition on the SPP in the last twelve months, is 65 years of age or older, and advises the utility of his or her eligibility. An eligible customer enrolled in the SPP shall be referred to as an SPP Customer. Customers may become eligible for a modified SPP as provided for in Rule C5.4. B.

(Continued on Sheet No. C-24.00)

(Continued From Sheet No. C-23.00)

C5. CUSTOMER RESPONSIBILITIES (Contd)

C5.4 Shutoff Protection Plan for Residential Customers (Contd)

B. Enrollment

An eligible customer may enroll at any time of the calendar year in the SPP. Where unauthorized use of utility service has not occurred, to enroll an eligible customer must (1) contact the Company and indicate that they wish to enroll, (2) be able to demonstrate that he or she has made application for state or federal heating assistance, or has a household income that does not exceed ***400***% of the federal poverty guidelines as published by the United States Department of Health and Human Services, (3) within 14 days of a customer calling to enroll in the SPP, have completed the enrollment process by paying a minimum down payment of 10% of the total amount owed to the Company at the time of the request to enroll. An eligible customer is not enrolled in the SPP until the enrollment requirements are fulfilled. Customers previously enrolled in the SPP the last twelve months who default may be permitted to re-enroll in a modified SPP payment arrangement, at the discretion of the Company, if they have demonstrated a willingness to satisfy the terms of the payment plan through their payment history or have received assistance that will improve the customer's ability to satisfy the payment arrangements. The modified SPP repayment period shall not exceed 24 months.

Customers who enroll in the SPP who have not been enrolled in the SPP for more than twelve months may not be required to pay a deposit or reconnection fee, if applicable. Customers who enroll in the SPP who were previously enrolled in the SPP in the last twelve months and removed due to default may be required to pay a deposit and a reconnection fee, if applicable.

Where unauthorized use of utility service has occurred, the customer must pay 100% of the portion of charges that are the result of the unauthorized use. Upon receipt of payment, the customer shall be considered eligible if all other eligibility requirements are met. The customer may then enroll under the conditions described previously. The payment of unauthorized use charges may be made at the same time as the down payment of the total amount owed to the Company is made. In the event that the downpayment of the total amount owed to the Company is made without payment of the unauthorized charges at the same time or previously, the payment received shall first be applied to the unauthorized charges.

In the event that an eligible customer has contacted the Company to indicate a wish to enroll but the requirements so described are not met in full, the eligible customer shall then be subject to credit action as though no contact with the Company had occurred. In the event that all Company obligations to shut off service have been met, the eligible customer shall receive a minimum of one communication at least 24 hours prior to shutoff of service.

C. Customer Protection

Once enrolled in the SPP, a utility shall not shut off service to a SPP Customer if the customer pays to the Company a monthly amount equal to 1/12th of the estimated annual bill for the SPP Customer and a Company-specified amount between 1/12th and 1/24th of any remaining delinquent balance owed to the Company at the time of the enrollment. The Company shall have the right to deny or shut off service in accordance with Rules and Regulations of the Company as authorized by the Michigan Public Service Commission outlined in Rule C1.3, Use of Service and in Rule C5.1, Access to Customer’s Premises. While the customer is enrolled in the SPP and payments are made by the due date of the amount due shown on the bill, no late payment charges will be assessed. The SPP Customer may participate in the SPP for a maximum period of 24 months or until the delinquent charges are eliminated and the SPP Customer is able to pay his or her regular monthly energy bills.

(Continued on Sheet No. C-25.00)

(Continued From Sheet No. C-24.00)

C5. CUSTOMER RESPONSIBILITIES (Contd)

C5.4 Shutoff Protection Plan for Residential Customers (Contd)

C. Customer Protection (Contd)

The estimated annual bill for the SPP Customer and the delinquent balance due may be recalculated periodically by the Company. The Company may also recalculate the estimated annual bill and the delinquent balance due upon the transfer of a balance owed on another account in compliance with Rule B2., Consumer Standards and Billing Practices for Electric and Natural Gas Service.

D. Default

Should a SPP Customer fail to make payment by the due date, a shutoff notice specific to this SPP shall be issued but shall comply with the requirements of Part 8 of Rule B2., Consumer Standards and Billing Practices for Electric and Natural Gas Service. If the SPP Customer makes payment before the date provided for shutoff of service, the customer shall not be considered to be in default but shall remain in the SPP. If the SPP Customer makes payment after this date, the SPP Customer shall be in default and shall be removed from the SPP. The customer shall be subject to shutoff, provided the 24-hour notice was made by the Company.

E. Participation in Other Shutoff Protection Plans

Customers eligible to participate under the Winter Protection Plan, Rules R 460.131 and R 460.132, will be required to waive their rights to participate under the Winter Protection Plan in order to participate in the Plan. Upon enrollment, the Company shall send written confirmation of the enrollment terms and include notice of this provision.

C5.5 Non-Transmitting Meter Provision

Residential Customers electing a non-transmitting meter shall be served on Residential Service Secondary Non-Transmitting Meter Rate RSM. Non-Residential Customers served on General Service Secondary Rate GS have the option to choose a non-transmitting meter. In order for a customer to be eligible to participate in the Non-Transmitting Meter Provision, the customer must have a meter that is accessible to Company employees and the customer shall have zero instances of unauthorized use, theft, fraud and/or threats of violence toward Company employees.

Customers electing a non-transmitting meter will pay the following charges per premises or billing meter:

Up Front Charge:	$***168.07***	a one-time charge per billing meter per request
Monthly Charge:	$***12.61***	per month at each premises as defined in Rule B1., Technical Standards for Electric Service. Multiple metered units shall be charged per billing meter.

All standard charges and provisions of the customer's applicable tariff shall apply.

(Continued on Sheet No. C-26.00)

(Continued From Sheet No. C-26.10)

C6. DISTRIBUTION SYSTEMS, LINE EXTENSIONS AND SERVICE CONNECTIONS

C6.1 Overhead Extension Policy

Applications for electric service which require the construction of an overhead distribution system shall be granted under the following conditions:

A. Residential Customers

The Company shall construct single-phase distribution line extensions at its own cost a distance of 600 feet, for each residential dwelling.

The length of the distribution line extension shall be measured from the nearest point of connection to the Company's facilities from which the extension can be made to the point from which the service line to the customer shall be run.

Distribution line extensions in excess of the above 600 feet shall require a deposit for the estimated cost of such excess footage. The required deposit for such excess footage shall be $3.50 per lineal foot less 25%.

The Company shall make a one-time refund, five years from the completion date of the extension or upon completion of the customer's construction, whichever the customer chooses, of $1,000 for each additional residential customer and/or three times the estimated annual revenue for each additional General Service customer who connects directly to the line for which a deposit was required. Refund allowances shall first be credited against the 25% reduction before a refund is made to the customer based on the customer's cash deposit. Directly connected customers are those who do not require the construction of more than 300 feet of Primary and/or Secondary distribution line. Refunds shall not include any amount of contribution in aid of construction for underground service made under the provisions of Rule C6.2, Underground Policy. Total refund shall not exceed the amount of the original deposit.

B. Installations of Overhead Service Connection - Residential

The developer or customer shall be required to make a nonrefundable contribution in aid of construction to the Company, to cover the cost resulting from the installation of an overhead service connection. For the route specified by the Company, the contribution shall be a flat fee of $1,300. For an alternate route requested by the customer and is mutually agreed upon by the Company and the customer, the contribution shall be a flat fee of $1,300 plus any additional costs in excess of those associated with the route specified by the Company.

(Continued on Sheet No. C-27.00)

(Continued From Sheet No. C-26.20)

C6. DISTRIBUTION SYSTEMS, LINE EXTENSIONS AND SERVICE CONNECTIONS (Contd)

C6.1 Overhead Extension Policy (Contd)

C. General Service Customers

The Company shall construct single-phase and three-phase distribution line extensions, at its own cost when the cost of such extension does not exceed three times the estimated annual revenue from the customer(s) to be immediately served.

Extensions with costs in excess of three times the estimated annual revenue shall require a deposit from the customer.

(1) Original Customers

At the end of the first complete 12-month period beginning three months following the date the line extension is completed, the Company shall refund to the depositor three times the amount that actual revenue exceeds the original revenue estimate. If the actual revenue exceeds the estimated revenue, the actual revenue then becomes the base upon which future refund calculations are to be made during the remainder of the five year refund period.

(2) Additional Connected Customers

The Company shall refund $1,000 for each residential customer and/or three times the estimated annual revenue for each General Service customer who connects directly to the line for which a deposit was required. Directly connected customers are those who do not require the construction of more than 300 feet of Primary and/or Secondary distribution line. Refunds shall not be made until the original customer(s) or equivalent is actually connected to the extension. Refunds shall not include any amount of contribution in aid of construction for underground service made under the provisions of Rule C6.2, Underground Policy.

D. ***Installations of Overhead Service Connection - General Service***

The developer or customer shall be required to make a refundable contribution in aid of construction to the Company, to cover the cost resulting from the installation of an overhead service connection. For the route specified by the Company, the contribution shall be a flat fee of $2,200. For an alternate route requested by the customer and is mutually agreed upon by the Company and the customer, the contribution shall be a flat fee of $2,200 plus any additional costs in excess of those associated with the route specified by the Company.

E. General

(1) Refundable deposits made with the Company under this rule shall be subject to refund without interest, for a five-year period which begins three months after the line extension is completed. The Company shall have no further obligation to refund any remaining portion of line extension deposits.

(2) Each extension shall be a separate, distinct unit and any further extension therefrom shall have no effect upon the agreements under which existing extensions were constructed.

(3) Refunds cannot exceed the refundable portion of the deposit.

(4) Estimated construction costs shall exclude services and meters.

(5) The applicant shall furnish, without cost to the Company, all necessary rights-of-way and tree trimming permits, in a form satisfactory to the Company. If the applicant is unable to secure rights-of-way and permits, in a form satisfactory to the Company, the Company may extend its distribution system along an alternate route selected by the Company, and may require the applicant to pay all additional costs incurred.

(Continued on Sheet No. C-28.00)

(Continued From Sheet No. C-27.00)

C6. DISTRIBUTION SYSTEMS, LINE EXTENSIONS AND SERVICE CONNECTIONS (Contd)

C6.1 Overhead Extension Policy (Contd)

E. General (Contd)

(6) The Company reserves the right to make special contractual arrangements as to the provision of necessary Service Facilities, duration of contract, amount of deposit and refunds thereon, minimum bills or other service conditions with respect to the customers or prospective customers whose load requirements exceed the capacity of the available distribution system in the area, or whose load characteristics or special service needs require unusual investments by the Company in Service Facilities or where there is not sufficient assurance of the permanence of the use of the service. The Company shall construct overhead electric distribution facilities and extensions only in the event it is able to obtain or use the necessary materials, equipment and supplies. The Company, subject only to review by the Commission, reserves the right, in its discretion, to allocate the use of such materials, equipment and supplies it may have on hand from time to time among the various classes of customers and prospective customers and among various customers and prospective customers of the same class.

(7) Contributions in Aid of Construction otherwise required by the Company may be suspended for charging sites participating in the PowerMIDrive Public or PowerMIFleet programs.

(8) All service rendered shall be subject to the Company's Standard Contract forms and to its Electric Rate Book.

(9) Any charges, deposits or contributions may be required In Advance of commencement of construction.

C6.2 Underground Policy

A. General

This rule sets forth the conditions under which the Company shall install direct burial underground electric distribution systems and underground service connections for residential and General Service customers. For the purpose of this rule, such underground distribution facilities are defined as those facilities operated at 15,000 Volts or less phase to ground wye connected or 20,000 Volts or less phase to phase delta connected.

The general policy of the Company is that real estate developers, property owners or other applicants for underground service shall make a contribution in aid of construction to the Company in an amount equal to the estimated difference in cost between underground and equivalent overhead facilities.
Methods for determining this cost differential for specific classifications of service are provided herein. In cases, where the nature of service or the construction conditions are such that these conditions are not applicable, the general policy stated above shall apply.

In cases where the Company does not require underground electric distribution systems and/or underground service connections, but is required to underground such facilities by state or local law or regulation, the Company may adjust the contribution in aid of construction to account for such requirement.

It shall be mandatory that all original electric distribution systems installed in new residential subdivisions and in existing residential subdivisions in which overhead electric distribution facilities have not already been constructed be placed underground, except that a lot within a subdivision facing a previously existing street or county road and having an existing overhead distribution line on its side of the street or county road shall be served with an underground service from these facilities and shall be considered a part of the underground service area. It shall also be mandatory that all original service connections installed to serve one-family or two-family dwellings from an underground distribution system be placed underground.

Except as otherwise provided in the following paragraph, it shall be mandatory that all new General Service distribution systems and service connections installed in the vicinity of or on the customer's premises to be served, and constructed solely to serve the customer or a group of adjacent customers, be placed underground.

(Continued on Sheet No. C-29.00)

(Continued From Sheet No. C-30.00)

C6. DISTRIBUTION SYSTEMS, LINE EXTENSIONS AND SERVICE CONNECTIONS (Contd)

C6.2 Underground Policy (Contd)

B. Installations of Underground Distribution Facilities - Residential (Contd)

Where a residential underground distribution system serves lots on one side of a street, the later connection of lots on the other side of the street to that existing system shall be considered as an original installation of a residential underground distribution system for such later-connected lots. Streetlighting, if any, shall be served underground in areas served directly by residential underground distribution systems. The character and location of the streetlighting cables, if any, and all equipment constituting the residential underground distribution system, shall conform to specifications prepared by the Company.

Where the underground cable for a residential underground distribution system extends through areas within the subdivision which are undeveloped or consist of lots platted for future use and which are not to be served initially by the system, the front-foot measurement of both sides of the street or easement along which the cable extends through such areas shall be included in determining the contribution of the owner(s) or developer(s) for the residential underground distribution system.

Where the Company and the owner(s) or developer(s) agree that it is desirable to extend the underground cable to the boundary of a subdivision property from a point outside the subdivision a contribution of $7.00 per trench foot shall be required.

(b) Outside of subdivisions

The Company shall extend its Primary or Secondary distribution system from existing overhead or underground facilities. When any such extension is made from an existing overhead system the property owner may be required to provide an easement(s) for extension of the overhead system to a pole on his/her property where transition from overhead to underground can be made.
The customer shall be required to make a nonrefundable contribution in aid of construction to the Company, to cover the estimated total difference in cost between overhead and direct burial underground facilities for all underground facilities required to serve the customer.

(3) Installation of Underground Service Connections

The developer or customer shall be required to make a nonrefundable contribution in aid of construction to the Company, to cover the cost resulting from the installation of an underground service connection. For ***the route specified by the Company, the*** contribution shall be a flat fee of ***$1,300 For an alternate route requested by the customer and is mutually agreed upon by the Company and the customer, the contribution shall be a flat fee of $1,300 plus any additional costs in excess of those associated with the route specified by the Company***.

Where the electric service connection is installed jointly with the gas service line, the per foot charge for all footage, as measured, shall be reduced by 25 cents per foot.

(Continued on Sheet No. C-32.00)

(Continued From Sheet No. C-31.00)

C6. DISTRIBUTION SYSTEMS, LINE EXTENSIONS AND SERVICE CONNECTIONS (Contd)

C6.2 Underground Policy (Contd)

C. Installations of Underground Distribution Facilities - General Service

(1) Installation of Underground Distribution Systems

The Company shall construct single-phase and three-phase distribution line extensions at its own cost, when the cost of such extension, less contributions made under other sections of this rule, does not exceed three times the estimated annual revenue from the customer(s) to be immediately served. Extensions with costs in excess of three times the estimated annual revenue shall require a deposit from the customer.

(2) Installation of Underground Service Connections

The developer or customer shall be required to make a ***refundable*** contribution in aid of construction, to cover the cost resulting from the installation of an underground service connection. ***For the route specified by the Company, the*** **contribution shall be** ***a flat fee of $2,200. For an alternate route requested by the customer and is mutually agreed upon by the Company and the customer, the contribution shall be a flat fee of $2,200 plus any additional costs in excess of those associated with the route specified by the Company.***

(Continued on Sheet No. C-33.00)

(Continued From Sheet No. C-35.00)

C8. POWER SUPPLY COST RECOVERY (PSCR) CLAUSE (Contd)

A. Applicability of Clause (Contd)

"Power Supply Costs" means those elements of the costs of fuel and purchased and net interchanged power as determined by the Commission to be included in the calculation of the Power Supply Cost Recovery Factor. The Commission determined in its Order in Case No. U-10335 dated May 10, 1994 that the fossil plant emissions permit fees over or under the amount included in base rates charged the Company are an element of fuel costs for the purpose of the clause.

B. Billing

(1) The Power Supply Cost Recovery Factor shall consist of an adjustment factor of ***1.07273*** applied to projected average booked cost of fuel burned for electric generation and purchased and net interchange power incurred above or below a cost base of $0.05570 per kWh (excluding line losses). Average booked costs of fuel burned and purchased and net interchange power shall be equal to the booked costs in that period divided by that period's net system kWh requirements. The average booked costs so determined shall be truncated to the full $0.00001 cost per Kilowatt-hour. Net system kWh requirements shall be the sum of the net kWh generation and net kWh purchased and interchange power.

(2) Each month the Company shall include in its rates a Power Supply Cost Recovery Factor up to the maximum authorized by the Commission as shown on Sheet No. D-6.00.

Should the Company apply lesser factors than those shown on Sheet No. D-6.00, or if the factors are later revised pursuant to Commission Orders or Michigan Compiled Laws, Annotated, 460.6 et seq., the Company shall notify the Commission if necessary and file a revised Sheet No. D-6.00.

C. General Conditions

(1) The power supply and cost review shall be conducted not less than once a year for the purpose of evaluating the Power Supply Cost Recovery Plan filed by the Company and to authorize appropriate Power Supply Cost Recovery Factors. Contemporaneously with its Power Supply Cost Recovery Plan, the Company shall file a 5-year forecast of the power supply requirements of its customers, its anticipated sources of supply and projections of Power Supply Costs.

(2) Not more than 45 days following the last day of each billing month in which a Power Supply Cost Recovery Factor has been applied to customers' bills, the Company shall file with the Commission a detailed statement for that month of the revenues recorded pursuant to the Power Supply Cost Recovery Factor and the allowance for cost of power included in the base rates established in the latest Commission order for the Company, and the cost of power supply.

(3) All revenues collected pursuant to the Power Supply Cost Recovery Factors and the allowance for power included in the base rates are subject to annual reconciliation proceedings.

(Continued on Sheet No. C-37.00)

(Continued from Sheet No. C-64.20)

C11. SELF-GENERATION, NET METERING, DISTRIBUTED GENERATION AND SIMPLE RENEWABLE PROGRAM (Contd)

C11.3 DISTRIBUTED GENERATION PROGRAM (Contd)

E. Customer Billing

a. Full Service Customers Outflow Credit

Customers will be credited per kWh or per kW of Outflow based on the power supply rates (which include transmission costs) of their Full Service Rate Schedule as shown below, plus the PSCR factor as shown on Tariff Sheet No. D-6.00.

Residential Rates		
Summer	***(0.151904)***	per kWh of On-Peak Outflow between June 1 and September 30
On-Peak Basic	***(0.103970)***	per kWh of Off-Peak Outflow between June 1 and September 30
Rate RSP	***(0.082996)***	per kWh of all Outflow kWh between October 1 and May 31
	(0.151904)	per kWh of On-Peak Outflow between June 1 and September 30
Smart Hours	***(0.103970)***	per kWh of Off-Peak Outflow between June 1 and September 30
Rate RSH	***(0.096396)***	per kWh of On-Peak Outflow between October 1 and May 31
	(0.080437)	per kWh of Off-Peak Outflow between October 1 and May 31
	(0.151904)	per kWh of On-Peak Outflow between June 1 and September 30
Nighttime Savers	***(0.116161)***	per kWh of Off-Peak Outflow between June 1 and September 30
Rate RPM	***(0.093996)***	per kWh of Super Off-Peak Outflow between June 1 and September 30
	(0.096396)	per kWh of On-Peak Outflow between October 1 and May 31
	(0.090423)	per kWh of Off-Peak Outflow between October 1 and May 31
	(0.072645)	per kWh of Super Off-Peak Outflow between October 1 and May 31
Secondary Rates		
Rate GS	***(0.108107)***	per kWh of Outflow during the billing months of June - September
	(0.079784)	per kWh of Outflow during the billing months of October - May
Rate GSTU[(1)]	***(0.147341)***	per kWh of On-Peak Outflow during the billing months of June - September
	(0.114753)	per kWh of Mid-Peak Outflow during the billing months of June - September
	(0.086122)	per kWh of Off-Peak Outflow during the billing months of June - September
	(0.087178)	per kWh of On-Peak Outflow during the billing months of October - May
	(0.070470)	per kWh of Off-Peak Outflow during the billing months of October - May
Rate GSD[(1)]	***(0.032526)***	per kWh of Outflow during the billing months of June - September
	(0.023861)	per kWh of Outflow during the billing months of October - May
	(24.27)	per kW of Outflow Demand during the billing months of June - September
	(19.06)	per kW of Outflow Demand during the billing months of October - May
[(1)] Outflow credit will be reduced by the applicable Interruptible Credit for GSTU and GSD customers participating on GSI Provision.		

(Continued on Sheet No. C-64.40)

(Continued from Sheet No. C-64.30)

C11. SELF-GENERATION, NET METERING, DISTRIBUTED GENERATION AND SIMPLE RENEWABLE PROGRAM (Contd)

C11.3 DISTRIBUTED GENERATION PROGRAM (Contd)

E. Customer Billing (Contd)

a. Full Service Customers Outflow Credit (Contd)

Primary Rates		
Rate GP		
Customer Voltage Level 1	***(0.094934)***	per kWh of outflow during the billing months of June - September
	(0.071132)	per kWh of outflow during the billing months of October - May
Customer Voltage Level 2	***(0.096192)***	per kWh of outflow during the billing months of June - September
	(0.072078)	per kWh of outflow during the billing months of October - May
Customer Voltage Level 3	***(0.097461)***	per kWh of outflow during the billing months of June - September
	(0.073033)	per kWh of outflow during the billing months of October - May
Rate GPD[(2)]		
Customer Voltage Level 1	***(0.040427)***	per kWh of On-Peak Outflow during the billing months of June - September
	(0.026219)	per kWh of Off-Peak Outflow during the billing months of June - September
	(25.15)	per kW of Outflow Demand during the billing months of June - September
	(0.025351)	per kWh of On-Peak Outflow during the billing months of October - May
	(0.022012)	per kWh of Off-Peak Outflow during the billing months of October - May
	(22.98)	per kW of Outflow Demand during the billing months of October - May
Customer Voltage Level 2	***(0.040900)***	per kWh of On-Peak Outflow during the billing months of June - September
	(0.026526)	per kWh of Off-Peak Outflow during the billing months of June - September
	(25.50)	per kW of Outflow Demand during the billing months of June - September
	(0.025648)	per kWh of On-Peak Outflow during the billing months of October - May
	(0.022270)	per kWh of Off-Peak Outflow during the billing months of October - May
	(23.30)	per kW of Outflow Demand during the billing months of October - May
Customer Voltage Level 3	***(0.041312)***	per kWh of On-Peak Outflow during the billing months of June - September
	(0.026793)	per kWh of Off-Peak Outflow during the billing months of June - September
	(25.87)	per kW of Outflow Demand during the billing months of June - September
	(0.025907)	per kWh of On-Peak Outflow during the billing months of October - May
	(0.022495)	per kWh of Off-Peak Outflow during the billing months of October - May
	(23.64)	per kW of Outflow Demand during the billing months of October - May
Rate GPTU		
Customer Voltage Level 1	***(0.128006)***	per kWh of High-Peak Outflow between June 1 and September 30
	(0.113945)	per kWh of Mid-Peak Outflow between June 1 and September 30
	(0.091964)	per kWh of Low-Peak Outflow between June 1 and September 30
	(0.068664)	per kWh of Off-Peak Outflow between June 1 and September 30
	(0.082444)	per kWh of High-Peak Outflow between October 1 and May 31
	(0.076380)	per kWh of Mid-Peak Outflow between October 1 and May 31
	(0.063823)	per kWh of Off-Peak Outflow between October 1 and May 31
Customer Voltage Level 2	***(0.129695)***	per kWh of High-Peak Outflow between June 1 and September 30
	(0.115450)	per kWh of Mid-Peak Outflow between June 1 and September 30
	(0.093177)	per kWh of Low-Peak Outflow between June 1 and September 30
	(0.069571)	per kWh of Off-Peak Outflow between June 1 and September 30
	(0.083531)	per kWh of High-Peak Outflow between October 1 and May 31
	(0.077388)	per kWh of Mid-Peak Outflow between October 1 and May 31
	(0.064664)	per kWh of Off-Peak Outflow between October 1 and May 31
Customer Voltage Level 3	***(0.131391)***	per kWh of High-Peak Outflow between June 1 and September 30
	(0.116959)	per kWh of Mid-Peak Outflow between June 1 and September 30
	(0.094395)	per kWh of Low-Peak Outflow between June 1 and September 30
	(0.070481)	per kWh of Off-Peak Outflow between June 1 and September 30
	(0.084624)	per kWh of High-Peak Outflow between October 1 and May 31
	(0.078399)	per kWh of Mid-Peak Outflow between October 1 and May 31
	(0.065509)	per kWh of Off-Peak Outflow between October 1 and May 31

[(2)] For customers on Rate GPD GI Provision, On-Peak kW Outflow Credit shall be reduced by $8.50 per kW during the billing months of June through September and $7.50 per kW during the billing months of October through May.

(Continued on Sheet No. C-64.50)

(Continued from Sheet No. C-64.40)

C11. SELF-GENERATION, NET METERING, DISTRIBUTED GENERATION AND SIMPLE RENEWABLE PROGRAM (Contd)

C11.3 DISTRIBUTED GENERATION PROGRAM (Contd)

E. Customer Billing (Contd)

a. Full Service Customers Outflow Credit (Contd)

Rate EIP		
Customer Voltage Level 1	***(0.181262)***	per kWh of Critical Peak Outflow between June 1 and September 30
	(0.120841)	per kWh of High-Peak Outflow between June 1 and September 30
	(0.108020)	per kWh of Mid-Peak Outflow between June 1 and September 30
	(0.086392)	per kWh of Low-Peak Outflow between June 1 and September 30
	(0.063874)	per kWh of Off-Peak Outflow between June 1 and September 30
	(0.114801)	per kWh of Critical Peak Outflow between October 1 and May 31
	(0.076533)	per kWh of High-Peak Outflow between October 1 and May 31
	(0.071290)	per kWh of Mid-Peak Outflow between October 1 and May 31
	(0.059655)	per kWh of Off-Peak Outflow between October 1 and May 31
Customer Voltage Level 2	***(0.183620)***	per kWh of Critical Peak Outflow between June 1 and September 30
	(0.122413)	per kWh of High-Peak Outflow between June 1 and September 30
	(0.109424)	per kWh of Mid-Peak Outflow between June 1 and September 30
	(0.087515)	per kWh of Low-Peak Outflow between June 1 and September 30
	(0.064706)	per kWh of Off-Peak Outflow between June 1 and September 30
	(0.116296)	per kWh of Critical Peak Outflow between October 1 and May 31
	(0.077531)	per kWh of High-Peak Outflow between October 1 and May 31
	(0.072218)	per kWh of Mid-Peak Outflow between October 1 and May 31
	(0.060432)	per kWh of Off-Peak Outflow between October 1 and May 31
Customer Voltage Level 3	***(0.185950)***	per kWh of Critical Peak Outflow between June 1 and September 30
	(0.123967)	per kWh of High-Peak Outflow between June 1 and September 30
	(0.110812)	per kWh of Mid-Peak Outflow between June 1 and September 30
	(0.088627)	per kWh of Low-Peak Outflow between June 1 and September 30
	(0.065530)	per kWh of Off-Peak Outflow between June 1 and September 30
	(0.117778)	per kWh of Critical Peak Outflow between October 1 and May 31
	(0.078519)	per kWh of High-Peak Outflow between October 1 and May 31
	(0.073138)	per kWh of Mid-Peak Outflow between October 1 and May 31
	(0.061200)	per kWh of Off-Peak Outflow between October 1 and May 31

b. Retail Open Access Customers

The Outflow Credit will be determined by the Retail Service Supplier

(Continued on Sheet No. C-64.60)

(Continued From Sheet No. C-76.00)

C18. STANDARD OFFER - PURCHASED POWER (Contd)

D. Monthly Rate (Contd)

Rate Options (Contd)

Capacity

The monthly capacity payment will be equal to the number of Zonal Resource Credits ("ZRCs") that MISO determines the seller's QF can supply to the Company for the applicable MISO resource planning period multiplied by the applicable capacity rate expressed in such units of capacity. The current resource planning period is the planning year which runs from June 1st of each year through May 31st of the following year. If no historical generation data is available for the first year of generation a QF shall be assigned the MISO class average capacity credits by technology.

Capacity value paid to QFs does not depend on whether the Company actually obtains ZRCs for such capacity, only that the Company could obtain ZRCs for the QF capacity. Capacity value paid to a QF is in units of $ per ZRC-Month. MISO ZRCs are equal to the project's nameplate capacity (in MW_{AC}) modified by the MISO effective load carrying capacity (ELCC) calculation.

Capacity will be paid based on the average of the methodologies utilized by MISO at the time the QF contract is executed and at the time of capacity delivery from the QF, according to the MISO Business Practices Manual (BPM) calculation method effective at the respective times.

Eligible QFs that meet the requirements of Section C18A (1) or C18A (2) of this Rule can select one of the Energy Rate Options listed below:

Rate Option	**Energy Rate $/kWh**			
1. As Available Rate	Actual MISO Day Ahead Locational Marginal Price (LMP) at the Company's CONS.CETR load node under a 15-year term then multiplied by 1 plus the line loss adjustment factor of ***2.24***% for interconnection voltages less than 46 kV or ***1.36***% for interconnection voltage at 46 kV and less the Administrative Fee of $0.001/kWh			
2. LMP Energy Rate Forecast (Year 1-5)	A 10-year term based on a forecast of LMPs for the first five years and year six through year 10 of the term will be based on actual LMPs as described below. Rates include the line loss adjustment and Administrative Fee.			
	On-Peak Energy Rate Interconnection Voltage <46 kV	**Off-Peak Energy Rate Interconnection Voltage <46 kV**	**On-Peak Energy Rate Interconnection Voltage =46 kV**	**Off-Peak Energy Rate Interconnection Voltage =46 kV**
Year	**$/kWh**	**$/kWh**	**$/kWh**	**$/kWh**
2022	$0.02983	$0.02477	$0.02955	$0.02453
2023	$0.03076	$0.02553	$0.03048	$0.02529
2024	$0.03118	$0.02643	$0.03089	$0.02618
2025	$0.03145	$0.02646	$0.03116	$0.02621
2026	$0.03293	$0.02755	$0.03263	$0.02729
2027	$0.03455	$0.02863	$0.03423	$0.02836
2028	$0.03527	$0.02874	$0.03495	$0.02847
2029	$0.03621	$0.02973	$0.03588	$0.02945
2030	$0.03724	$0.03049	$0.03690	$0.03021
Actual LMP (Year 6-10)	Actual MISO Day Ahead Locational Marginal Price (LMP) at the Company's CONS.CETR load node under the remaining contract term then multiplied by 1 plus the line loss adjustment factor of ***2.24***% for interconnection voltages less than 46 kV or ***1.36***% for interconnection voltage at 46 kV and less the Administrative Fee of $0.001/kWh.			

(Continued on Sheet No. C-78.00)

(Continued From Sheet No. C-77.00)

C18. STANDARD OFFER - PURCHASED POWER (Contd)

D. Renewable Energy Credits

Renewable Energy Credits (RECs) are owned by the seller. The Company may purchase RECs from sellers that are willing to sell RECs generated. The Company will enter into a separate agreement with the seller for the purchase of any RECsAMI

E. Term

For QFs at or below 150kW$_{AC}$ in size who qualify for the Standard Offer based on C18A (1) of this rule, the seller may select a contract length up to 20 years.

For QFs at or below 5MW$_{AC}$ in size who qualify for the Standard Offer based on C18A (2) of this rule, the seller may select to receive a contract length up to 15 years when selecting Rate Option 1, or up to 10 years when selecting Rate Option 2.

All Standard Offer PPAs shall require a minimum contract term of one (1) year, and in no event shall the term of any PPA as listed above expire prior to the end of a MISO planning period.

F. Early Termination

Sellers shall be required, based on the options made available by the Company, to select a form of security to cover the financial risk associated with the Company's cost for replacement supply in the event the QF ceases operation prior to the end of the term of the PPA.

Security shall be provided through a letter of credit, one-time escrow payment, or monthly escrow payments.
The amount of security required will be based on the contract capacity and the term of the contract. This early termination security amount will be calculated using the following table:

Contract Term (Years)	**Early Termination Security Amount**
5	$10,000 x Contract Capacity (MW)
10	$30,000 x Contract Capacity (MW)
15	$52,500 x Contract Capacity (MW)
20	$62,500 x Contract Capacity (MW)

G. Execution of Standard PPA

In order to execute the Standard PPA, the Seller must complete all of the general project information requested in the applicable Standard PPA. When all information required in the standard PPA has been received in writing from the Seller, the Company will respond within 15 business days with a draft Standard PPA.

The Seller may request in writing that the Company prepare a final draft Standard PPA. The Company will respond to this request within 15 business days. In connection with such request, the Seller must provide the Company with any additional or clarified project information that the Company reasonably determines to be necessary for the preparation of a final draft Standard PPA. When both parties are in full agreement as to all terms and conditions of the draft Standard PPA, the Company will prepare and forward to the Seller a final executable version of the agreement within 15 business days.

SURCHARGES

Electric Rate Case
Demand Response Surcharge
(Case No. U-*21870*)
Effective for service rendered
on and after *May 1, 2026*

Rate Schedule	
Rate RSP	$*0.002224* /kWh
Rate RSH	*0.002224* /kWh
Rate RPM	*0.002224* /kWh
Rate RSM	*0.002224* /kWh
Rate GS	*0.002000* /kWh
Rate GSTU	*0.002000* /kWh
Rate GSD	*0.67*/kW
Rate GP	
Customer Voltage Level 1	*0.001705* /kWh
Customer Voltage Level 2	*0.001725* /kWh
Customer Voltage Level 3	*0.001743* /kWh
Rate GPD	
Customer Voltage Level 1	*0.74* /kW
Customer Voltage Level 2	*0.76* /kW
Customer Voltage Level 3	*0.77* /kW
Rate GPTU	
Customer Voltage Level 1	*0.001519* /kWh
Customer Voltage Level 2	*0.001537* /kWh
Customer Voltage Level 3	*0.001552* /kWh
Rate EIP	
Customer Voltage Level 1	*0.001274* /kWh
Customer Voltage Level 2	*0.001290* /kWh
Customer Voltage Level 3	*0.001302* /kWh
Rate LED	
Customer Voltage Level 1	NA
Customer Voltage Level 2	NA
Customer Voltage Level 3	NA
Rate LTILRR	NA
Rate GSG-2	
Customer Voltage Level 1	NA
Customer Voltage Level 2	NA
Customer Voltage Level 3	NA
Rate GML	*0.000517* /kWh
Rate GUL	*0.000487* /kWh
Rate GUL-LED	*0.000487* /kWh
Rate GU	*0.001317* /kWh
Rate PA	NA
Rate ROA-R	NA
Rate ROA-S	NA
Rate ROA-P	NA

SURCHARGES

Rate Schedule	Investment Recovery Mechanism (IRM) (Case No. U-21585) Effective for service rendered April 4, 2025 through February 28, 2026	*Investment Recovery Mechanism (IRM) (Case No. U-21870) Effective for service rendered May 1, 2026 through April 30, 2027*
Rate RSP	$0.000259/kWh	***$0.000699/kWh***
Rate RSH	0.000259/kWh	***0.000699/kWh***
Rate RPM	0.000259/kWh	***0.000699/kWh***
Rate RSM	0.000259/kWh	***0.000699/kWh***
Rate GS	0.000211/kWh	***0.000534/kWh***
Rate GSTU	0.000211/kWh	***0.000534/kWh***
Rate GSD	0.000151/kWh	***0.000412/kWh***
Rate GP		
Customer Voltage Level 1	0.000013/kWh	***0.000066/kWh***
Customer Voltage Level 2	0.000043/kWh	***0.000101/kWh***
Customer Voltage Level 3	0.000076/kWh	***0.000173/kWh***
Rate GPD		
Customer Voltage Level 1	0.000009/kWh	***0.000045/kWh***
Customer Voltage Level 2	0.000029/kWh	***0.000069/kWh***
Customer Voltage Level 3	0.000051/kWh	***0.000118/kWh***
Rate GPTU		
Customer Voltage Level 1	0.000009/kWh	***0.000045/kWh***
Customer Voltage Level 2	0.000029/kWh	***0.000069/kWh***
Customer Voltage Level 3	0.000051/kWh	***0.000118/kWh***
Rate EIP		
Customer Voltage Level 1	0.000009/kWh	***0.000045/kWh***
Customer Voltage Level 2	0.000029/kWh	***0.000069/kWh***
Customer Voltage Level 3	0.000051/kWh	***0.000118/kWh***
Rate LED		
Customer Voltage Level 1	0.000009/kWh	***0.000045/kWh***
Customer Voltage Level 2	0.000029/kWh	***0.000069/kWh***
Customer Voltage Level 3	0.000051/kWh	***0.000118/kWh***
Rate LTILRR	NA	***NA***
Rate GSG-2		
Customer Voltage Level 1	0.000009/kWh	***0.000045/kWh***
Customer Voltage Level 2	0.000029/kWh	***0.000069/kWh***
Customer Voltage Level 3	0.000051/kWh	***0.000118/kWh***
Rate GML	0.000257/kWh	***0.000806/kWh***
Rate GUL	0.001028/kWh	***0.003580/kWh***
Rate GU-LED	0.001028/kWh	***0.003580/kWh***
Rate GU	0.000081/kWh	***0.000230/kWh***
Rate PA	NA	***NA***
Rate ROA-R	Same as Full Service Delivery Schedule	***Same as Full Service Delivery Schedule***
Rate ROA-S	Same as Full Service Delivery Schedule	***Same as Full Service Delivery Schedule***
Rate ROA-P	Same as Full Service Delivery Schedule	***Same as Full Service Delivery Schedule***

M.P.S.C. No. 14 - Electric
Consumers Energy Company **Sheet No. D-5.00**

SURCHARGES

Rate Schedule	Electric Rate Case Deferral Surcharge (Case No. U-21585) Effective for service rendered April 4, 2025 through April 3, 2026	*Electric Rate Case Deferral Surcharge (Case No. U-21870) Effective for service rendered May 1, 2026 through April 30, 2027*
Rate RSP	$0.001090/kWh	*$0.001221/kWh*
Rate RSH	0.001090/kWh	*0.001221/kWh*
Rate RPM	0.001090/kWh	*0.001221/kWh*
Rate RSM	0.001090/kWh	*0.001221/kWh*
Rate GS	0.000889/kWh	*0.000933/kWh*
Rate GSTU	0.000889/kWh	*0.000933/kWh*
Rate GSD	0.000638/kWh	*0.000720/kWh*
Rate GP		
Customer Voltage Level 1	0.000055/kWh	*0.000116/kWh*
Customer Voltage Level 2	0.000183/kWh	*0.000178/kWh*
Customer Voltage Level 3	0.000319/kWh	*0.000305/kWh*
Rate GPD		
Customer Voltage Level 1	0.000037/kWh	*0.000078/kWh*
Customer Voltage Level 2	0.000123/kWh	*0.000120/kWh*
Customer Voltage Level 3	0.000214/kWh	*0.000205/kWh*
Rate GPTU		
Customer Voltage Level 1	0.000037/kWh	*0.000078/kWh*
Customer Voltage Level 2	0.000123/kWh	*0.000120/kWh*
Customer Voltage Level 3	0.000214/kWh	*0.000205/kWh*
Rate EIP		
Customer Voltage Level 1	0.000037/kWh	*0.000078/kWh*
Customer Voltage Level 2	0.000123/kWh	*0.000120/kWh*
Customer Voltage Level 3	0.000214/kWh	*0.000205/kWh*
Rate LED		
Customer Voltage Level 1	0.000037/kWh	*0.000078/kWh*
Customer Voltage Level 2	0.000123/kWh	*0.000120/kWh*
Customer Voltage Level 3	0.000214/kWh	*0.000205/kWh*
Rate LTILRR	NA	*NA*
Rate GSG-2		
Customer Voltage Level 1	0.000037/kWh	*0.000078/kWh*
Customer Voltage Level 2	0.000123/kWh	*0.000120/kWh*
Customer Voltage Level 3	0.000214/kWh	*0.000205/kWh*
Rate GML	0.001082/kWh	*0.001409/kWh*
Rate GUL	0.004333/kWh	*0.006253/kWh*
Rate GU-LED	0.004333/kWh	*0.006253/kWh*
Rate GU	0.000343/kWh	*0.000402/kWh*
Rate PA	NA	*NA*
Rate ROA-R	Same as Full Service Delivery Rate Schedule	*Same as Full Service Delivery Rate Schedule*
Rate ROA-S	Same as Full Service Delivery Rate Schedule	*Same as Full Service Delivery Rate Schedule*
Rate ROA-P	Same as Full Service Delivery Rate Schedule	*Same as Full Service Delivery Rate Schedule*
Rate ROA-GPD	Same as Full Service Delivery Rate Schedule	*Same as Full Service Delivery Rate Schedule*

RESIDENTIAL SUMMER ON-PEAK BASIC RATE RSP

Availability

Subject to any restrictions, this rate is available to any Full Service Customer desiring electric service for any usual residential use in: (i) private family dwellings; (ii) tourist homes, rooming houses, dormitories, nursing homes and other similarly occupied buildings containing sleeping accommodations for up to six persons; or (iii) existing multifamily dwellings containing up to four households served through a single meter. Service for single-phase or three-phase equipment may be included under this rate, provided the individual capacity of such equipment does not exceed 3 hp or 3 kW, nor does the total connected load of the home exceed 10 kW, except as provided for below.

Service for charging Electric Vehicles is available on this rate and shall not exceed 9.6 kW, except as provided for below. Electric Vehicle charging equipment is not included in the total connected load of the home for purpose of this section.

Individual equipment exceeding 3 hp or 3 kW, Electric Vehicle charging equipment exceeding 9.6 kW or total household load exceeding 10 kW may be subject to additional charges in accordance with Rule C6., Distribution Systems, Line Extensions and Service Connections. Such charges shall only apply to the extent the cost exceeds that of ensuring the connecting equipment matches that provided as standard to new residential customers.

This rate is not available for: (i) resale purposes; (ii) multifamily dwellings containing more than four living units served through a single meter; (iii) tourist homes, rooming houses, dormitories, nursing homes and similarly occupied buildings containing sleeping accommodations for more than six persons; (iv) any other Non-Residential usage; or (v) Rule C5.5 - Non-Transmitting Meter Provision participants.

Residences in conjunction with commercial or industrial enterprises and mobile home parks may take service on this rate only under the Rules and Regulations contained in the Company's Electric Rate Book.

Nature of Service

Service under this rate shall be alternating current, 60-Hertz, single-phase or three-phase (at the Company's option) Secondary Voltage service. The Company will determine the particular nature of the voltage in each case.

Monthly Rate

Power Supply Charges: These charges are applicable to Full Service Customers.

Energy Charge:

Non-Capacity	Capacity	Total	
$***0.067348***	***$0.036622***	***$0.103970***	per kWh for Off-Peak kWh between June 1 and September 30
$0.098398	***$0.053506***	***$0.151904***	per kWh for On-Peak kWh between June 1 and September 30
$0.053762	***$0.029234***	***$0.082996***	per kWh for all kWh between October 1 and May 31

This rate is subject to the Power Supply Cost Recovery (PSCR) Factor shown on Sheet No. D-6.00.

Delivery Charges: These charges are applicable to Full Service Customers.

System Access Charge:	$8.00	per customer per month
Distribution Charge:	$***0.093333***	per kWh for all kWh

This rate is subject to the Surcharges shown on Sheet Nos. D-2.00 through D-5.00 and Securitization Charges shown on Sheet Nos. D-7.00 and D-7.10

(Continued on Sheet No. D-15.00)

RESIDENTIAL SUMMER ON-PEAK BASIC RATE RSP

(Continued From Sheet No. D-14.00)

Monthly Rate: (Contd)

Income Assistance Service Provision (RIA):

When service is supplied to a Principal Residence Customer, where the total household income does not exceed 150% of the Federal Poverty level, a credit shall be applied during all billing months. The total household income is verified when the customer has provided proof that they have received, or are currently participating in, one or more of the following within the past 12 months:

1. A Home Heating Credit energy draft
2. State Emergency Relief
3. Assistance from a Michigan Energy Assistance Program (MEAP)
4. Medicaid

If a customer does not meet any of the above requirements, a low-income verification form will be provided by the Company for the customer to complete and return.

The monthly credit for the Income Assistance Service Provision (RIA) shall be applied as follows:

Delivery Charges: These charges are applicable to Full Service Customers.

Income Assistance Credit:	$(8.00)	per customer per month

If a credit balance occurs, the credit shall apply to the customer's future electric utility charges.

This credit shall not be taken in conjunction with a credit for the Senior Citizen Service Provision (RSC).

Low Income Assistance Credit (LIAC):

Company selected Residential customers may receive LIAC for up to 12 consecutive months. The number of customers enrolled may be adjusted, at the Company's discretion, in order to dispense Commission-approved LIAC funding on an annual basis. Any shortfall in the dispensing of annual LIAC funds to qualified customers shall be carried over into the subsequent LIAC program year. LIAC customer selection will be based on highest need and with total household income that does not exceed 150% of the Federal Poverty-level. The total household income is verified when the customer has provided proof that they have received, or are currently participating in, one or more of the following within the past 12 months:

1. Customers whose total household income does not exceed 150% of the Federal Poverty level within the last 12 months
2. Customers who have received assistance from a Michigan Energy Assistance Program (MEAP)
3. Customers who have received a Home Heating Credit energy draft
4. A State Emergency Relief program
5. Medicaid
6. Customers that have participated in a Supplementary Nutrition Assistance Program where the total household income does not exceed 150% of the Federal Poverty level within the last 12 months.

If the customer does not meet any of the above requirements, a low-income verification form will be provided by the Company for the customer to complete and return.

The monthly credit for LIAC shall be applied as follows:

Low Income Assistance Credit:	$***(42.00)***	per meter per month

If a credit balance occurs, the credit shall apply to the customer's future electric utility charges. Re-enrollment, if applicable, and confirmation of qualification is required for each annual period of participation.

Customers selected for LIAC will not be eligible for the RIA Provision while enrolled in LIAC.

Senior Citizen Service Provision (RSC):

When service is supplied to the Principal Residence Customer who is 65 years of age or older and head of household, a credit shall be applied during all billing months.

The monthly credit for the residential Senior Citizen Service Provision shall be applied as follows:

Delivery Charges: These charges are applicable to Full Service and Retail Open Access customers.

Senior Citizen Credit:	$(4.00)	per customer per month

This credit shall not be taken in conjunction with a credit for the Income Assistance Service Provision (RIA) and shall not be applied to more than one account per Principal Residence Customer.

(Continued on Sheet No. D-16.00)

RESIDENTIAL SUMMER ON-PEAK BASIC RATE RSP

(Continued From Sheet No. D-16.00)

Monthly Rate (Contd)

Peak Reward

Participating customers are able to manage electric costs by reducing load during critical peak events. A customer participating in this program is not eligible to participate in Demand Response programs with an Aggregator of Retail Customers during any MISO season. The Company may call up to fourteen critical peak events between June 1 and August 31 and up to five critical peak events between September 1 and May 31. Customers will be notified by 11:59 PM the day before a critical peak event is expected to occur. Receipt of such notice is the responsibility of the participating customer. In the circumstance that MISO declares a maximum Generation Emergency Event, participating customers may receive a critical peak event communication without a guarantee of advance notice. The maximum Generation Emergency Event will be in accordance with the currently effective MISO Emergency Electrical Effective Procedure or North American Electric Reliability Corporation Emergency Event Alert 2 notice indicating that MISO is experiencing or expects to experience a shortage of economic resources and the Company has declared emergency status.

A control group will be established for each critical peak event. Control group participants will not receive notice and shall receive a standard credit of $3.00 for participation in the control group for the critical peak event. Customers may be assigned to a maximum of two control groups per event season.

Customers must have a transmitting meter to participate in Peak Power Savers. Customers who relocate within the Consumers Energy electric service territory will have their Peak Reward enrollment transferred to their new premises, unless a request for cancelation is submitted to the Company.

During a critical peak event, customers will be credited the Peak Reward per kWh of incremental energy reductions. Customers participating in the Peak Reward Program cannot participate in the Critical Peak Price Program.

Power Supply Charges: These charges are applicable to Full Service Customers.

Peak Reward:	$***(0.50)***	per kWh of incremental energy reduction during a critical peak event

Critical Peak Price

Participating customers are able to manage electric costs by shifting load during critical peak events to a lower cost pricing period. A customer participating in this program is not eligible to participate in Demand Response programs with an Aggregator of Retail Customers during any MISO season. The Company may call up to fourteen critical peak events between June 1 and August 31. Customers will be notified by 11:59 PM the day before a critical peak event is expected to occur. Receipt of such notice is the responsibility of the participating customer.

A control group will be established for each critical peak event. Control group participants will not receive notice and shall not be penalized for not participating in the critical peak event. Customers may be assigned to a maximum of two control groups per event season.

Customers must have a transmitting meter to participate in Peak Power Savers. Customers who relocate within the Consumers Energy electric service territory will have their Critical Peak Price enrollment transferred to their new premises, unless a request for cancellation is submitted to the Company.

During a critical peak event, customers will be charged the Critical Peak Price per kWh consumed during the critical peak event. Customers participating in the Critical Peak Price Program cannot participate in the Peak Reward Program.

Power Supply Charges: These charges are applicable to Full Service Customers.

Critical Peak Price:	$1.00	per kWh of energy consumed during a critical peak event between June 1 and August 31
Off-Peak Discount:	$***(0.006373)***	per kWh of Off-Peak kWh between June 1 and August 31

Self-Generation (SG)

To be eligible for Self-Generation, a Customer with a generating installation operating in parallel with the Company's system, must meet the requirements described in Rule C 11.1., Self-Generation.

(Continued on Sheet No. D-18.00)

RESIDENTIAL SMART HOURS RATE RSH

Availability

Subject to any restrictions, this rate is available to any Full Service residential customers who have the required metering equipment and infrastructure installed. The Company will furnish, maintain and own the required equipment at the customers' premises at the Company's request. By selecting this rate schedule, the customer agrees to provide an email address. Electric consumption is billed using on-peak and off-peak periods year-round on the Residential Smart Hours Rate.

Service for single-phase or three-phase equipment may be included under this rate, provided the individual capacity of such equipment does not exceed 3 hp or 3 kW, nor does the total connected load of the home exceed 10 kW, except provided for below.

Service for charging Electric Vehicles is available on this rate and shall not exceed 9.6 kW, except as provided for below. Electric Vehicle charging equipment is not included in the total connected load of the home for purposes of this section.

Individual equipment exceeding 3 hp or 3 kW, Electric Vehicle charging equipment exceeding 9.6 kW, or total household load exceeding 10 kW may be subject to additional charges in accordance with Rule C6., Distribution Systems, Line Extensions and Service Connections. Such charges shall only apply to the extent the cost exceeds that of ensuring the connecting equipment matches that provided as standard to new residential customers.

This rate is not available for resale purposes or for any Non-Residential usage.

Nature of Service

Service under this rate shall be alternating current, 60-Hertz, single-phase or three-phase (at the Company's option) Secondary Voltage service. The Company will determine the particular nature of the voltage in each case.

Monthly Rate

Power Supply Charges: These charges are applicable to Full Service Customers.

Energy Charge:

	Non-Capacity	Capacity	Total	
Off-Peak - Summer	***$0.067348***	***$0.036622***	***$0.103970***	per kWh for all Off-Peak kWh between June 1 and September 30
On-Peak - Summer	***$0.098398***	***$0.053506***	***$0.151904***	per kWh for all On-Peak kWh between June 1 and September 30
Off-Peak - Winter	***$0.052104***	***$0.028333***	***$0.080437***	per kWh for all Off-Peak kWh between October 1 and May 31
On-Peak - Winter	***$0.062442***	***$0.033954***	***$0.096396***	per kWh for all On-Peak kWh between October 1 and May 31

This rate is subject to the Power Supply Cost Recovery (PSCR) Factor shown on Sheet No. D-6.00.

Delivery Charges: These charges are applicable to Full Service Customers.

System Access Charge:	$8.00	per customer per month
Distribution Charge:	$***0.093333***	per kWh for all kWh for a Full Service customer

This rate is subject to the Surcharges shown on Sheet Nos. D-2.00 through D-5.00 and Securitization Charges shown on Sheet Nos. D-7.00 and D-7.10

(Continued on Sheet No. D-36.10)

RESIDENTIAL SMART HOURS RATE RSH

(Continued From Sheet No. D-36.00)

Income Assistance Service Provision (RIA):

When service is supplied to a Principal Residence Customer, where the total household income does not exceed 150% of the Federal Poverty level, a credit shall be applied during all billing months. The total household income is verified when the customer has provided proof that they have received, or are currently participating in, one or more of the following within the past 12 months:

1. A Home Heating Credit energy draft
2. State Emergency Relief
3. Assistance from a Michigan Energy Assistance Program (MEAP)
4. Medicaid

If a customer does not meet any of the above requirements, a low-income verification form will be provided by the Company for the customer to complete and return.

The monthly credit for the Income Assistance Service Provision (RIA) shall be applied as follows:

Delivery Charges: These charges are applicable to Full Service Customers.

Income Assistance Credit:	$(8.00)	per customer per month

If a credit balance occurs, the credit shall apply to the customer's future electric utility charges.

This credit shall not be taken in conjunction with a credit for the Senior Citizen Service Provision (RSC).

Low Income Assistance Credit (LIAC):

Company selected Residential customers may receive LIAC for up to 12 consecutive months. The number of customers enrolled may be adjusted, at the Company's discretion, in order to dispense Commission-approved LIAC funding on an annual basis. Any shortfall in the dispensing of annual LIAC funds to qualified customers shall be carried over into the subsequent LIAC program year. LIAC customer selection will be based on highest need and with total household income that does not exceed 150% of the Federal Poverty-level. The total household income is verified when the customer has provided proof that they have received, or are currently participating in, one or more of the following within the past 12 months:

1. Customers whose total household income does not exceed 150% of the Federal Poverty level within the last 12 months
2. Customers who have received assistance from a Michigan Energy Assistance Program (MEAP)
3. Customers who have received a Home Heating Credit energy draft
4. A State Emergency Relief program
5. Medicaid
6. Customers that have participated in a Supplementary Nutrition Assistance Program where the total household income does not exceed 150% of the Federal Poverty level within the last 12 months.

If the customer does not meet any of the above requirements, a low-income verification form will be provided by the Company for the customer to complete and return.

The monthly credit for LIAC shall be applied as follows:

Low Income Assistance Credit:	$***(42.00)***	per meter per month

If a credit balance occurs, the credit shall apply to the customer's future electric utility charges. Re-enrollment, if applicable, and confirmation of qualification is required for each annual period of participation.

Customers selected for LIAC will not be eligible for the RIA Provision while enrolled in LIAC.

Senior Citizen Service Provision (RSC):

When service is supplied to the Principal Residence Customer who is 65 years of age or older and head of household, a credit shall be applied during all billing months.

The monthly credit for the residential Senior Citizen Service Provision shall be applied as follows:

Delivery Charges: These charges are applicable to Full Service Customers.

Senior Citizen Credit:	$(4.00)	per customer per month

This credit shall not be taken in conjunction with a credit for the Income Assistance Service Provision (RIA) and shall not be applied to more than one account per Principal Residence Customer.

(Continued on Sheet No. D-37.00)

RESIDENTIAL SMART HOURS RATE RSH

(Continued From Sheet No. D-37.00)

Monthly Rate: (Contd)

Peak Reward

Participating customers are able to manage electric costs by reducing load during critical peak events. A customer participating in this program is not eligible to participate in Demand Response programs with an Aggregator of Retail Customers during any MISO season. The Company may call up to fourteen critical peak events between June 1 and August 31 and up to five critical peak events between September 1 and May 31. Customers will be notified by 11:59 PM the day before a critical peak event is expected to occur. Receipt of such notice is the responsibility of the participating customer. In the circumstance that MISO declares a maximum Generation Emergency Event, participating customers may receive a critical peak event communication without a guarantee of advance notice. The maximum Generation Emergency Event will be in accordance with the currently effective MISO Emergency Electrical Effective Procedure or North American Electric Reliability Corporation Emergency Event Alert 2 notice indicating that MISO is experiencing or expects to experience a shortage of economic resources and the Company has declared emergency status.

A control group will be established for each critical peak event. Control group participants will not receive notice and shall receive a standard credit of $3.00 for participation in the control group for the critical peak event. Customers may be assigned to a maximum of two control groups per event season.

Customers must have a transmitting meter to participate in Peak Power Savers. Customers who relocate within the Consumers Energy electric service territory will have their Peak Reward enrollment transferred to their new premises, unless a request for cancelation is submitted to the Company.

During a critical peak event, customers will be credited the Peak Reward per kWh of incremental energy reductions. Customers participating in the Peak Reward Program cannot participate in the Critical Peak Price Program.

Power Supply Charges: These charges are applicable to Full Service Customers.

Peak Reward:	$***(0.50)***	per kWh of incremental energy reduction during a critical peak event

Critical Peak Price

Participating customers are able to manage electric costs by shifting load during critical peak events to a lower cost pricing period. A customer participating in this program is not eligible to participate in Demand Response programs with an Aggregator of Retail Customers during any MISO season. The Company may call up to fourteen critical peak events between June 1 and August 31. Customers will be notified by 11:59 PM the day before a critical peak event is expected to occur. Receipt of such notice is the responsibility of the participating customer.

A control group will be established for each critical peak event. Control group participants will not receive notice and shall not be penalized for not participating in the critical peak event. Customers may be assigned to a maximum of two control groups per event season.

Customers must have a transmitting meter to participate in Peak Power Savers. Customers who relocate within the Consumers Energy electric service territory will have their Critical Peak Price enrollment transferred to their new premises, unless a request for cancellation is submitted to the Company.

During a critical peak event, customers will be charged the Critical Peak Price per kWh consumed during the critical peak event. Customers participating in the Critical Peak Price Program cannot participate in the Peak Reward Program.

Power Supply Charges: These charges are applicable to Full Service Customers.

Critical Peak Price:	$1.00	per kWh of energy consumed during a critical peak event between June 1 and August 31
Off-Peak Discount:	$***(0.006373)***	per kWh of Off-Peak kWh between June 1 and August 31

Self-Generation (SG)

To be eligible for Self-Generation, a Customer with a generating installation operating in parallel with the Company's system, must meet the requirements described in Rule C 11.1., Self-Generation.

(Continued on Sheet No. D-39.00)

RESIDENTIAL NIGHTTIME SAVERS RATE RPM

Availability

The Residential Nighttime Savers Rate is voluntary and available for service rendered on and after June 1, 2021 to Full Service residential customers who have the required metering equipment and infrastructure installed. The Company will furnish, install, maintain and own the required equipment at the customers' premises at the Company's expense.

Service for single-phase or three-phase equipment may be included under this rate, provided the individual capacity of such equipment does not exceed 3 hp or 3 kW, nor does the total connected load of the home exceed 10 kW, except as provided for below.

Service for charging Electric Vehicles is available on this rate and shall not exceed 9.6 kW, except as provided for below. Electric Vehicle charging equipment is not included in the total connected load of the home for purposes of this section.

Individual equipment exceeding 3 hp or 3 kW, Electric Vehicle charging equipment exceeding 9.6 kW, or total household load exceeding 10 kW may be subject to additional charges in accordance with Rule C6., Distribution Systems, Line Extensions and Service Connections. Such charges shall only apply to the extent cost exceeds that of ensuring the connecting equipment matches that provided as standard to new residential customers.

This rate is not available for: (i) resale purposes; (ii) multifamily dwellings containing more than four living units served through a single meter; (iii) tourist homes, rooming houses, dormitories, nursing homes and similarly occupied buildings containing sleeping accommodations for more than six persons; (iv) any other Non-Residential usage or (v) customers being served under Rule C5.5 Non-Transmitting Meter Provision.

Residences in conjunction with commercial or industrial enterprises and mobile home parks may take service on this program only under the Rules and Regulations contained in the Company's Electric Rate Book.

Nature of Service

Service under this program shall be alternating current, 60-Hertz, single-phase or three-phase (at the Company's option) Secondary Voltage service. The Company will determine the particular nature of the voltage in each case.

Monthly Rate

Power Supply Charges: These charges are applicable to Full Service Customers.

Energy Charge:

	Non-Capacity	Capacity	Total	
Super Off-Peak - Summer	***$0.060887***	***$0.033109***	***$0.093996***	per kWh for all Super Off-Peak kWh between June 1 and September 30
Off-Peak - Summer	***$0.075245***	***$0.040916***	***$0.116161***	per kWh for all Off-Peak kWh between June 1 and September 30
On-Peak - Summer	***$0.098398***	***$0.053506***	***$0.151904***	per kWh for all On-Peak kWh between June 1 and September 30
Super Off-Peak - Winter	***$0.047057***	***$0.025588***	***$0.072645***	per kWh for all Super Off-Peak kWh between October 1 and May 31
Off-Peak - Winter	***$0.058573***	***$0.031850***	***$0.090423***	per kWh for all Off-Peak kWh between October 1 and May 31
On-Peak - Winter	***$0.062442***	***$0.033954***	***$0.096396***	per kWh for all On-Peak kWh between October 1 and May 31

This rate is subject to the Power Supply Cost Recovery (PSCR) Factor shown on Sheet No. D-6.00.

Delivery Charges: These charges are applicable to Full Service Customers.

System Access Charge:	$8.00	per customer per month
Distribution Charge:	$***0.093333***	per kWh for all kWh for a Full Service Customer

This rate is subject to the Surcharges shown on Sheet Nos. D-2.00 through D-5.00 and Securitization Charges shown on Sheet Nos. D-7.00 and D-7.10.

(Continued on Sheet No. D-40.50)

RESIDENTIAL NIGHTTIME SAVERS RATE RPM

(Continued From Sheet No. D-40.00)

Monthly Rate: (Contd)

Income Assistance Service Provision (RIA):

When service is supplied to a Principal Residence Customer, where the total household income does not exceed 150% of the Federal Poverty level, a credit shall be applied during all billing months. The total household income is verified when the customer has provided proof that they have received, or are currently participating in, one or more of the following within the past 12 months:

1. A Home Heating Credit energy draft
2. State Emergency Relief
3. Assistance from a Michigan Energy Assistance Program (MEAP)
4. Medicaid

If a customer does not meet any of the above requirements, a low-income verification form will be provided by the Company for the customer to complete and return.

The monthly credit for the Income Assistance Service Provision (RIA) shall be applied as follows:

Delivery Charges: These charges are applicable to Full Service Customers.

Income Assistance Credit: $(8.00) per customer per month

If a credit balance occurs, the credit shall apply to the customer's future electric utility charges.

This credit shall not be taken in conjunction with a credit for the Senior Citizen Service Provision (RSC).

Low Income Assistance Credit (LIAC):

Company selected Residential customers may receive LIAC for up to 12 consecutive months. The number of customers enrolled may be adjusted, at the Company's discretion, in order to dispense Commission-approved LIAC funding on an annual basis. Any shortfall in the dispensing of annual LIAC funds to qualified customers shall be carried over into the subsequent LIAC program year. LIAC customer selection will be based on highest need and with total household income that does not exceed 150% of the Federal Poverty-level. The total household income is verified when the customer has provided proof that they have received, or are currently participating in, one or more of the following within the past 12 months:

1. Customers whose total household income does not exceed 150% of the Federal Poverty level within the last 12 months
2. Customers who have received assistance from a Michigan Energy Assistance Program (MEAP)
3. Customers who have received a Home Heating Credit energy draft
4. A State Emergency Relief program
5. Medicaid
6. Customers that have participated in a Supplementary Nutrition Assistance Program where the total household income does not exceed 150% of the Federal Poverty level within the last 12 months.

If the customer does not meet any of the above requirements, a low-income verification form will be provided by the Company for the customer to complete and return.

The monthly credit for LIAC shall be applied as follows:

Low Income Assistance Credit: $***(42.00)*** per meter per month

If a credit balance occurs, the credit shall apply to the customer's future electric utility charges. Re-enrollment, if applicable, and confirmation of qualification is required for each annual period of participation.

Customers selected for LIAC will not be eligible for the RIA Provision while enrolled in LIAC.

(Continued on Sheet No. D-41.00)

RESIDENTIAL NIGHTTIME SAVERS RATE RPM

(Continued From Sheet No. D-41.00)

Monthly Rate (Contd)

Device Cycling Program (Contd)

Load management may occur during the summer months of June through August only. Load management may be implemented for, but not limited to, maintaining system integrity, making an emergency purchase, economic reasons, or when there is insufficient system generation available to meet anticipated system load. Load management may occur on any day, during any hour, and for any length of time during a declared emergency event as directed by MISO.

The Customer may contact the Company to request to override a load management event for one load management event during the June through August months in any one calendar year for the balance of the hours left in that load management event with no penalty. The request shall be granted at the discretion of the Company. If the override request was granted by the Company and the customer requests and is granted any additional overrides in the same calendar year, the Device Cycling Credit may be forfeited for that billing month.

Rule C1.1 Character of Service, Rule C3 Emergency Electrical Procedures and other rules and regulations contained in the Company's Electric Rate Book apply to customers taking service under this Peak Power Savers - Device Cycling Program.

The monthly credit(s) for the Peak Power Savers Program shall be applied as follows:

Power Supply Charges: These charges are applicable to Full Service Customers.

Air Conditioner Peak Cycling Credit:	$(5.00)	per customer per month during the billing months of June - August

Peak Reward

Participating customers are able to manage electric costs by reducing load during critical peak events. A customer participating in this program is not eligible to participate in Demand Response programs with an Aggregator of Retail Customers during any MISO season. The Company may call up to fourteen critical peak events between June 1 and August 31 and up to five critical peak events between September 1 and May 31. Customers will be notified by 11:59 PM the day before a critical peak event is expected to occur. Receipt of such notice is the responsibility of the participating customer. In the circumstance that MISO declares a maximum Generation Emergency Event, participating customers may receive a critical peak event communication without a guarantee of advance notice. The maximum Generation Emergency Event will be in accordance with the currently effective MISO Emergency Electrical Procedure or North American Electric Reliability Corporation Emergency Event Alert 2 notice indicating that MISO is experiencing or expects to experience a shortage of economic resources and the Company has declared emergency status.

A control group will be established for each critical peak event. Control group participants will not receive notice and shall receive a standard credit of $3.00 for participation in the control group for the critical peak event. Customers may be assigned to a maximum of two control groups per event season.

Customers must have a transmitting meter to participate in Peak Power Savers. Customers who relocate within the Consumers Energy electric service territory will have their Peak Reward Enrollment transferred to their new premises, unless a request for cancelation is submitted to the Company.

During a critical peak event, customers on will be credited the Peak Reward per kWh of incremental energy reductions. Customers participating in the Peak Reward Program cannot participate in the Critical Peak Price Program.

Power Supply Charges: These charges are applicable to Full Service Customers.

Peak Reward	$***(0.50)***	per kWh of incremental energy reduction during a critical peak event

(Continued on Sheet No. D-43.00)

RESIDENTIAL NIGHTTIME SAVERS RATE RPM

(Continued From Sheet No. D-42.00)

Monthly Rate (Contd)

Critical Peak Price

Participating customers are able to manage electric costs by shifting load during critical peak events to a lower cost pricing period. A customer participating in this program is not eligible to participate in Demand Response programs with an Aggregator of Retail Customers during any MISO season. The Company may call up to fourteen critical peak events between June 1 and August 31. Customers will be notified by 11:59 PM the day before a critical peak event is expected to occur. Receipt of such notice is the responsibility of the participating customer.

A control group will be established for each critical peak event. Control group participants will not receive notice and shall not be penalized for not participating in the critical peak event. Customers may be assigned to a maximum of two control groups per event season.

Customers must have a transmitting meter to participate in Peak Power Savers. Customers who relocate within the Consumers Energy electric service territory will have their Critical Peak Price enrollment transferred to their new premises, unless a request for cancellation is submitted to the Company.

During a critical peak event, customers on will be charged the Critical Peak Price per kWh consumed during the critical peak event. Customers participating in the Critical Peak Price Program cannot participate in the Peak Reward Program.

Power Supply Charges: These charges are applicable to Full Service Customers.

Critical Peak Price	$1.00	per kWh of energy consumed during a critical peak event between June 1 and August 31
Off-Peak Discount	$***(0.006373)***	per kWh for Off-Peak kWh between June 1 and August 31

Self-Generation (SG)

To be eligible for Self-Generation, a Customer with a generating installation operating in parallel with the Company's system, must meet the requirements described in Rule C 11.1., Self-Generation.

Net Metering Program

The Net Metering Program is available to any eligible customer as described in Rule C 11.2., Net Metering Program, who desires to generate a portion or all of their own retail electricity requirements using a Renewable Energy Resource as defined in Rule C 11.2.B., Net Metering Definitions.

A customer who participates in the Net Metering Program is subject to the provision contained in Rule C 11.2., Net Metering Program.

Distributed Generation Program

The Distributed Generation Program is available to any eligible customer as described in Rule C 11.3., Distributed Generation Program, who desires to generate a portion or all of their own retail electricity requirements using a Renewable Energy Resource as defined in Rule C 11.3.B., Distributed Generation Definitions.

A customer who participates in the Distributed Generation Program is subject to the provisions contained in Rule C 11.3., Distributed Generation Program.

Green Generation Program

Customer contracts for participation in the Green Generation Program shall be available to any eligible customer as described in Rule C10.2, Green Generation Program.

A customer who participates in the Green Generation Program is subject to the provisions contained in Rule C10.2, Green Generation Program.

(Continued on Sheet No. D-44.00)

RESIDENTIAL SERVICE SECONDARY NON-TRANSMITTING METER RATE RSM

Availability

Subject to any restrictions, this rate is available to any customer desiring electric service for any usual residential use in: (i) private family dwellings; (ii) tourist homes, rooming houses, dormitories, nursing homes and other similarly occupied buildings containing sleeping accommodations for up to six persons; or (iii) existing multifamily dwellings containing up to four households served through a single meter. Service for single-phase or three-phase equipment may be included under this rate, provided the individual capacity of such equipment does not exceed 3 hp or 3 kW, nor does the total connected load of the home exceed 10 kW, except as provided for below.

Service for charging Electric Vehicles is available on this rate and shall not exceed 9.6 kW, except as provided for below. Electric Vehicle charging equipment is not included in the total connected load of the home for purposes of this section.

Individual equipment exceeding 3 hp or 3 kW, Electric Vehicle charging equipment exceeding 9.6 kW, or total household load exceeding 10 kW may be subject to additional charges in accordance with Rule C6., Distribution Systems, Line Extensions and Service Connections. Such charges shall only apply to the extent the cost exceeds that of ensuring the connecting equipment matches that provided as standard to new residential customers.

This rate is only available to customers electing a Non-Transmitting Meter in accordance with Rule C5.5, Non-Transmitting Meter Provision, customers with a Non-Communicating Advanced Metering Infrastructure (AMI) Meter, or customers determined to be eligible at the Company's sole discretion.

A Non-Communicating AMI meter is unable to consistently transmit interval data to the Company's billing system. Non-Communicating Meters are determined at the Company's sole discretion and are subject to a minimum of one communication review per calendar year. When the meter has been determined to successfully communicate interval data, the customer may be transferred to Residential Service Secondary On-Peak Summer Basic Rate RSP. The transfer to Rate RSP shall not occur between June 1 and September 30.

This rate is not available for: (i) resale purposes; (ii) multifamily dwellings containing more than four living units served through a single meter; (iii) tourist homes, rooming houses, dormitories, nursing homes and similarly occupied buildings containing sleeping accommodations for more than six persons; or (iv) any other Non-Residential usage.

Residences in conjunction with commercial or industrial enterprises and mobile home parks may take service on this rate only under the Rules and Regulations contained in the Company's Electric Rate Book.

Nature of Service

Service under this rate shall be alternating current, 60-Hertz, single-phase or three-phase (at the Company's option) Secondary Voltage service. The Company will determine the particular nature of the voltage in each case.

The Company will schedule meter readings on a monthly basis and attempt to obtain an actual meter reading for all tourist and/or occasional residence customers at intervals of not more than six months.

Monthly Rate

Power Supply Charges: These charges are applicable to Full Service customers.

Energy Charge:

Non-Capacity	Capacity	Total	
$0.053762	***$0.029234***	***$0.082996***	per kWh for the first 600 kWh per month during the billing months of June - September
$0.098398	***$0.053506***	***$0.151904***	per kWh for all kWh over 600 kWh per month during the billing months of June - September
$0.053762	***$0.029234***	***$0.082996***	per kWh for all kWh during the billing months of October - May

This rate is subject to the Power Supply Cost Recovery (PSCR) Factor shown on Sheet No. D-6.00.

(Continued on Sheet No. D-44.20)

RESIDENTIAL SERVICE SECONDARY NON-TRANSMITTING METER RATE RSM

(Continued From Sheet No. D-44.10)

Delivery Charges: These charges are applicable to Full Service and Retail Open Access customers.

System Access Charge:	$8.00	per customer per month
Distribution Charge:	$***0.093333***	per kWh for all kWh

This rate is subject to the Surcharges shown on Sheet Nos. D-2.00 through D-5.00 and Securitization Charges shown on Sheet Nos. D-7.00 and D-7.10.

Income Assistance Service Provision (RIA):

When service is supplied to a Principal Residence Customer, where the total household income does not exceed 150% of the Federal Poverty level, a credit shall be applied during all billing months. The total household income is verified when the customer has provided proof that they have received, or are currently participating in, one or more of the following within the past 12 months:

1. A Home Heating Credit energy draft
2. State Emergency Relief
3. Assistance from a Michigan Energy Assistance Program (MEAP)
4. Medicaid

If a customer does not meet any of the above requirements, a low-income verification form will be provided by the Company for the customer to complete and return.

The monthly credit for the Income Assistance Service Provision (RIA) shall be applied as follows:

Delivery Charges: These charges are applicable to Full Service Customers.

Income Assistance Credit:	$(8.00)	per customer per month

If a credit balance occurs, the credit shall apply to the customer's future electric utility charges.

This credit shall not be taken in conjunction with a credit for the Senior Citizen Service Provision (RSC).

Low Income Assistance Credit (LIAC):

Company selected Residential customers may receive LIAC for up to 12 consecutive months. The number of customers enrolled may be adjusted, at the Company's discretion, in order to dispense Commission-approved LIAC funding on an annual basis. Any shortfall in the dispensing of annual LIAC funds to qualified customers shall be carried over into the subsequent LIAC program year. LIAC customer selection will be based on highest need and with total household income that does not exceed 150% of the Federal Poverty-level. The total household income is verified when the customer has provided proof that they have received, or are currently participating in, one or more of the following within the past 12 months:

1. Customers whose total household income does not exceed 150% of the Federal Poverty level within the last 12 months
2. Customers who have received assistance from a Michigan Energy Assistance Program (MEAP)
3. Customers who have received a Home Heating Credit energy draft
4. A State Emergency Relief program
5. Medicaid
6. Customers that have participated in a Supplementary Nutrition Assistance Program where the total household income does not exceed 150% of the Federal Poverty level within the last 12 months.

If the customer does not meet any of the above requirements, a low-income verification form will be provided by the Company for the customer to complete and return.

The monthly credit for LIAC shall be applied as follows:

Low Income Assistance Credit:	$***(42.00)***	per meter per month

If a credit balance occurs, the credit shall apply to the customer's future electric utility charges. Re-enrollment, if applicable, and confirmation of qualification is required for each annual period of participation.

Customers selected for LIAC will not be eligible for the RIA Provision while enrolled in LIAC.

(Continued on Sheet No. D-44.30)

GENERAL SERVICE SECONDARY RATE GS

Availability

Subject to any restrictions, this rate is available to any general use customer, political subdivision or agency of the State of Michigan, either acting separately or in combinations permitted under the laws of this state, desiring Secondary Voltage service for any of the following: (i) standard secondary service, (ii) public potable water pumping and/or waste water system(s), or (iii) resale purposes. This rate is also available for service to any Primary Rate Customer where the Company elects to provide one transformation from the available Primary Voltage to another available Primary Voltage desired by the customer.

This rate is not available for: (i) private family dwellings, (ii) lighting service except for private streets, mobile home parks or service to temporary lighting installations, (iii) heating water for industrial processing, (iv) resale for lighting service, or (v) new or expanded service for resale to residential customers. Unmetered Billboard Service is not available to Retail Open Access service.

Nature of Service

Service under this rate shall be alternating current, 60-Hertz, single-phase or three-phase (at the Company's option) Secondary Voltage service. The Company will determine the particular nature of the voltage in each case.

Three-phase, 3-wire service requires that the customer furnishes all transformation facilities required for single-phase load and so arranges the load as to avoid excessive unbalance of the three-phase load. When the service is single-phase, or 4-wire, three-phase, the single-phase individual motor capacity shall not exceed 3 hp, nor the total single-phase motor capacity of 10 hp, without the specific consent of the Company.

Where the Company elects to measure the service on the Primary side of the transformers, 3% shall be deducted for billing purposes from the energy measurements thus made. Where the Company elected to provide a Primary Rate Customer one transformation from the available Primary Voltage to another available Primary Voltage desired by the customer, 3% shall not be deducted for billing purposes from the energy measurements thus made.

Monthly Rate

Power Supply Charges: These charges are applicable to Full Service customers.

Energy Charge:

Non-Capacity	Capacity	Total	
$0.073051	***$0.035056***	***$0.108107***	per kWh for all kWh during the billing months of June - September
$0.053797	***$0.025987***	***$0.079784***	per kWh for all kWh during the billing months of October - May

This rate is subject to the Power Supply Cost Recovery (PSCR) Factor shown on Sheet No. D-6.00.

Delivery Charges: **These charges are applicable to Full Service and Retail Open Access customers.**

System Access Charge:	$20.00	per customer per month
Distribution Charge:	$***0.069433***	per kWh for all kWh

This rate is subject to the Surcharges shown on Sheet Nos. D-2.00 through D-5.00 and Securitization Charges shown on Sheet Nos. D-7.00 and D-7.10.

Billboard Service Provision

Monthly kWh shall be determined by multiplying the total connected load in kW (including the lamps, ballasts, transformers, amplifiers, and control devices) times 730 hours. The kWh for cyclical devices shall be adjusted for the average number of hours used.

(Continued on Sheet No. D-46.00)

GENERAL SERVICE SECONDARY RATE GS

(Continued From Sheet No. D-45.00)

Monthly Rate: (Contd)

Resale Service Provision

Subject to any restrictions, this provision is available to customers desiring Secondary Voltage service for resale purposes in accordance with Rule C4.4, Resale.

Educational Institution Service Provision (GEI)

When service is supplied to a school, college or university, a credit shall be applied during all billing months. As used in this provision, "school" shall mean buildings, facilities, playing fields, or property directly or indirectly used for school purposes for children in grades kindergarten through twelve, when provided by a public or nonpublic school. School does not include instruction provided in a private residence or proprietary trade, vocational, training, or occupational school. "College" or "University" shall mean buildings located on the same campus and used to impart instruction, including all adjacent and appurtenant buildings owned by the same customer which are located on the same campus and which constitute an integral part of such college or university facilities.

The monthly credit for the Educational Institution Service Provision shall be applied as follows:

Delivery Charges: These charges are applicable to Full Service and Retail Open Access Customers.

Education Institution Credit: $***(0.001000)*** per kWh for all kWh

Customers on this provision shall require a written contract, with a minimum term of one year, and shall be evaluated annually to determine whether or not the accounts shall remain on the service provision.

Demand Response Program

Customers participating in the voluntary Demand Response Program help reduce peak demand when energy use is the highest. A customer specific agreement stating the customer's Contracted Capacity kW shall be completed prior to participation in the Demand Response Program. Customer eligibility to participate in this program is determined solely by the Company. The Company reserves the right to specify the term or duration of the program. A customer participating in this program is not eligible to participate in Demand Response programs with an Aggregator of Retail Customers during any MISO season.

Under this program, the customer shall provide a documented energy reduction plan. The energy reduction plan shall serve as the representation of the customer's annual simulated power test in compliance with the Commission Order issued October 29, 2020 in Case No. U-20628. Any changes to the customer's contracted capacity under this program must be supported by an updated energy reduction plan on an annual basis.

Demand Response Program customers shall receive an annual Program Payment on the customer bill or a check for the capacity amount delivered during events specified in the customer specific agreement within three billing cycles after the program season ends. Eligible customers may also receive Emergency Event Performance Payments on the customer bill under specific circumstances as outlined in the customer specific agreement. If a customer fails to deliver their total Contracted Capacity during an Emergency Event ordered by Consumers Energy, an Underperformance Penalty may be applicable. Any applicable penalties or program incentives shall be applied to the customer bill. As a condition of enrollment, Customers will be required to provide energy reduction plans that detail their load reduction procedure as specified in the agreement. Customers will be required to provide event notification contacts that support the program. The program agreement will specify the terms of the program that include program duration, number and length of events, performance calculations and program rules.

Self-Generation (SG)

To be eligible for Self-Generation, a Customer with a generating installation operating in parallel with the Company's system must meet the requirements described in Rule C 11.1., Self-Generation.

(Continued on Sheet No. D-47.00)

GENERAL SERVICE SECONDARY TIME-OF-USE RATE GSTU

Availability

Subject to any restrictions, General Service Secondary Time-of-Use Rate GSTU is available to any Full Service Customer taking service at the Company's Secondary Voltage level with advanced metering infrastructure and supporting critical systems. Standby service shall be provided on this rate for secondary customers with solar installations equal to or greater than 150 kW.

This rate is not available for: (i) private family dwellings, (ii) lighting service except for private streets, mobile home parks or service to temporary lighting installations, (iii) heating water for industrial processing, (iv) resale for lighting service, or (v) new or expanded service for resale to residential customers.

This rate shall not be taken in conjunction with Net Metering.

Nature of Service

Service under this rate shall be alternating current, 60-Hertz, single-phase or three-phase (at the Company's option) Secondary Voltage service. The Company will determine the particular nature of the voltage in each case.

Three-phase, 3-wire service requires that the customer furnishes all transformation facilities required for single-phase load and so arranges the load as to avoid excessive unbalance of the three-phase load. When the service is single-phase, or 4-wire, three-phase, the single-phase individual motor capacity shall not exceed 3 hp, nor the total single-phase motor capacity of 10 hp, without the specific consent of the Company.

Where the Company elects to measure the service on the Primary side of the transformers, 3% shall be deducted for billing purposes from the energy measurements thus made. Where the Company elected to provide a Primary Rate Customer one transformation from the available Primary Voltage to another available Primary Voltage desired by the customer, 3% shall not be deducted for billing purposes from the energy measurements thus made.

Monthly Rate

Power Supply Charges: These charges are applicable to Full Service Customers.

Energy Charge:

	Non-Capacity	Capacity	Total	
Off-Peak-Summer	***$0.058059***	***$0.028063***	***$0.086122***	per kWh for all Off-Peak kWh during the billing months of June - September
Mid-Peak-Summer	***$0.077384***	***$0.037369***	***$0.114753***	per kWh for all Mid-Peak kWh during the billing months of June - September
On-Peak-Summer	***$0.099359***	***$0.047982***	***$0.147341***	per kWh for all On-Peak kWh during the billing months of June - September
Off-Peak-Winter	***$0.047509***	***$0.022961***	***$0.070470***	per kWh for all Off-Peak kWh during the billing months of October - May
On-Peak -Winter	***$0.058750***	***$0.028428***	***$0.087178***	per kWh for all On-Peak kWh during the billing months of October - May

This rate is subject to the Power Supply Cost Recovery (PSCR) Factor shown on Sheet No. D-6.00.

Delivery Charges: These charges are applicable to Full Service Customers.

System Access Charge:	$20.00	per customer per month
Distribution Charge:	$***0.069433***	per kWh for all kWh for a Full Service Customer

This rate is subject to the Surcharges shown on Sheet Nos. D-2.00 through D-5.00 and Securitization Charges shown on Sheet Nos. D-7.00 and D-7.10.

(Continued on Sheet No. D-49.00)

GENERAL SERVICE SECONDARY TIME-OF-USE RATE GSTU

(Continued From Sheet No. D-48.00)

Monthly Rate (Contd)

Schedule of Hours

The following schedule shall apply Monday through Friday (except holidays designated by the Company). Weekends and holidays are off-peak. Holidays designated by the Company include: New Year's Day - January 1, Memorial Day - Last Monday in May, Independence Day - July 4, Labor Day - First Monday in September, Thanksgiving Day - Fourth Thursday in November and Christmas Day - December 25. Whenever January 1, July 4, or December 25 falls on Sunday, extended holiday periods such as Monday, January 2, Monday, July 5 and Monday, December 26 shall not be considered as holidays for application of off-peak hours.

Summer Billing Months of June through September:

(1) Off-Peak Hours 12:00 AM to 7:00 AM and 11:00 PM to 12:00 AM
(2) Mid-Peak Hours 7:00 AM to 2:00 PM and 6:00 PM to 11:00 PM
(3) On-Peak Hours 2:00 PM to 6:00 PM

Winter Billing Months of January through May and October through December:

(1) Off-Peak Hours 11:00 PM to 7:00 AM
(2) On-Peak Hours 7:00 AM to 11:00 PM

Resale Service Provision

Subject to any restrictions, the provision is available to customers desiring Secondary Voltage service for resale purposes in accordance with Rule C4.4, Resale.

Educational Institution Service Provision (GEI)

When service is supplied to a school, college or university, a credit shall be applied during all billing months. As used in this provision, "school" shall mean buildings, facilities, playing fields, or property directly or indirectly used for school purposes for children in grades kindergarten through twelve, when provided by a public or nonpublic school. School does not include instruction provided in a private residence or proprietary trade, vocational, training, or occupational school. "College" or "University" shall mean buildings located on the same campus and used to impart instruction, including all adjacent and appurtenant buildings owned by the same customer which are located on the same campus and which constitute an integral part of such college or university facilities.

The monthly credit for the Educational Institution Service Provision shall be applied as follows:

Delivery Charges: These charges are applicable to Full Service Customers.

Education Institution Credit: $***(0.001000)*** per kWh for all kWh

Customers on this provision shall require a written contract, with a minimum term of one year, and shall be evaluated annually to determine whether or not the accounts shall remain on the service provision.

General Service Secondary Interruptible (GSI) Provision

This provision is available to no more than 200 Full Service Customers desiring interruptible service in conjunction with service taken under General Service Secondary Demand Rate GSD or General Service Secondary Time-of-Use Rate GSTU. A customer participating in this provision is not eligible to participate in Demand Response programs with an Aggregator of Retail Customers during any MISO season. Service to interruptible load shall be taken through separately metered circuits and permanently wired. The design and method of installation for application of this rate shall be subject to the approval of the Company.

Any load designated as interruptible by the customer is subject to Midcontinent Independent System Operator's, Inc. (MISO) requirements for Load Modifying Resources and the Company shall inform the Customer of such MISO requirements. Interruption under this provision may occur if MISO declares a Maximum Generation Emergency Event that requires deployment of Load Modifying Resources in accordance with the currently effective MISO Emergency Electrical Procedures or NERC Emergency Event Alert 2 notice indicating that MISO is experiencing or expects to experience a shortage of economic resources and the Company has declared Emergency Status.

(Continued on Sheet No. D-50.00)

GENERAL SERVICE SECONDARY TIME-OF-USE RATE GSTU

(Continued From Sheet No. D-49.00)

Monthly Rate (Contd)

General Service Secondary Interruptible (GSI) Provision (Contd)

Under this provision, the customer shall be interrupted at any time the Company deems it necessary to maintain system integrity. Service to interruptible load shall not be transferred to firm service circuits to avoid interruption. The Company shall provide the Customer at least 30 minutes notice in advance of a required interruption. Failure to acknowledge receipt of such notice shall not relieve the Customer of the obligation for interruption under the GSI provision. Failure by a customer to comply with a system integrity interruption order of the Company shall be considered unauthorized use and billed at (i) the higher of the actual damages incurred by the Company or (ii) the rate of $25.00 per kW for the highest 15-minute kW of demand created during the interruption period in addition to the prescribed monthly rate.

This rate is not available for loads that are primarily off-peak, for example parking lot lighting. Participation requires a minimum term of one year. All contracts under this provision shall be negotiated on an annual basis for the following capacity planning year (June 1 through May 31) and the Customer must notify the Company by December 10th of each year of their desire to renew the GSI Provision, unless the Customer chooses to lengthen the term of their commitment (up to five years). Annual changes to the amount of interruptible kW for long term contracts are open to adjustment through December 10th of each year.

The monthly credit for the Interruptible Service Provision shall be applied as follows:

Power Supply Charges: These charges are applicable to Full Service Customers.

Capacity Credit: These charges are applicable to Full Service Customers.

Interruptible Credit: $***(0.021695)*** per kWh for all kWh

Demand Response Program

Customers participating in the voluntary Demand Response Program help reduce peak demand when energy use is the highest. A customer specific agreement stating the customer's Contracted Capacity kW shall be completed prior to participation in the Demand Response Program. Customer eligibility to participate in this program is determined solely by the Company. The Company reserves the right to specify the term or duration of the program. A customer participating in this program is not eligible to participate in Demand Response programs with an Aggregator of Retail Customers during any MISO season.

Under this program, the customer shall provide a documented energy reduction plan. The energy reduction plan shall serve as the representation of the customer's annual simulated power test in compliance with the Commission Order issued October 29, 2020 in Case No. U-20628. Any changes to the customer's contracted capacity under this program must be supported by an updated energy reduction plan on an annual basis.

Demand Response Program customers shall receive an annual Program Payment on the customer bill or a check for the capacity amount delivered during events specified in the customer specific agreement within three billing cycles after the program season ends. Eligible customers may also receive Emergency Event Performance Payments on the customer bill under specific circumstances as outlined in the customer specific agreement. If a customer fails to deliver their total Contracted Capacity during an Emergency Event ordered by Consumers Energy, an Underperformance Penalty may be applicable. Any applicable penalties or program incentives shall be applied to the customer bill. As a condition of enrollment, Customers will be required to provide energy reduction plans that detail their load reduction procedure as specified in the agreement. Customers will be required to provide event notification contacts that support the program. The program agreement will specify the terms of the program that include program duration, number and length of events, performance calculations and program rules.

Self-Generation (SG)

To be eligible for Self-Generation, a Customer with a generating installation operating in parallel with the Company's system, must meet the requirements described in Rule C 11.1., Self-Generation.

Distributed Generation Program

The Distributed Generation Program is available to any eligible customer as described in Rule C 11.3., Distributed Generation Program, who desires to generate a portion or all of their own retail electricity requirements using a Renewable Energy Resource as defined in Rule C 11.3.B., Distributed Generation Definitions.

A customer who participates in the Distributed Generation Program is subject to the provisions contained in Rule C 11.3., Distributed Generation Program.

(Continued on Sheet No. D-50.10)

GENERAL SERVICE SECONDARY DEMAND RATE GSD

Availability

Subject to any restrictions, this rate is available to any customer desiring Secondary Voltage service, either for general use or resale purposes, where the Peak Demand is 5 kW or more. This rate is also available for service to any Primary Rate Customer where the Company elects to provide one transformation from the available Primary Voltage to another available Primary Voltage desired by the customer.

This rate is not available for: (i) private family dwellings, (ii) lighting service, (iii) resale for lighting service, or (iv) new or expanded service for resale to residential customers.

Nature of Service

Service under this rate shall be alternating current, 60-Hertz, single-phase or three-phase (at the Company's option) Secondary Voltage service. The Company will determine the particular nature of the voltage in each case.

Three-phase, 3-wire service requires that the customer furnishes all transformation facilities required for single-phase load and so arranges the load as to avoid excessive unbalance of the three-phase load. When the service is single-phase, or 4-wire, three-phase, the single-phase individual motor capacity shall not exceed 3 hp, nor the total single-phase motor capacity of 10 hp, without the specific consent of the Company.

Where the Company elects to measure the service on the Primary side of the transformers, 3% shall be deducted for billing purposes from the demand and energy measurements thus made. Where the Company elected to provide a Primary Rate Customer one transformation from the available Primary Voltage to another available Primary Voltage desired by the customer, 3% shall not be deducted for billing purposes from the energy measurements thus made.

Monthly Rate

Power Supply Charges: These Charges are applicable to Full Service customers.

Peak Demand Charge:

Non-Capacity	Capacity	Total	
$14.10	***$10.17***	***$24.27***	per kW for all kW of Peak Demand during the billing months of June - September
$10.01	***$9.05***	***$19.06***	per kW for all kW of Peak Demand during the billing months of October - May

Energy Charge:

Non-Capacity

$***0.032526***	per kWh for all kWh during the billing months of June - September
$***0.023861***	per kWh for all kWh during the billing months of October - May

This rate is subject to the Power Supply Cost Recovery (PSCR) Factors shown on Sheet No. D-6.00.

Delivery Charges: These Charges are applicable to Full Service and Retail Open Access (ROA) customers.

System Access Charge:	$30.00	per customer per month
Capacity Charge:	$1.00	per kW for all kW of Peak Demand
Distribution Charge:	$***0.057650***	per kWh for all kWh

This rate is subject to the Surcharges shown on Sheet Nos. D-2.00 through D-5.00 and Securitization Charges shown on Sheet Nos. D-7.00 and D-7.10.

(Continued on Sheet No. D-52.00)

GENERAL SERVICE SECONDARY DEMAND RATE GSD

(Continued From Sheet No. D-52.00)

Monthly Rate (Contd)

Educational Institution Service Provision (GEI)

When service is supplied to a school, college or university, a credit shall be applied during all billing months. As used in this provision, "school" shall mean buildings, facilities, playing fields, or property directly or indirectly used for school purposes for children in grades kindergarten through twelve, when provided by a public or nonpublic school. School does not include instruction provided in a private residence or proprietary trade, vocational, training, or occupational school. "College" or "University" shall mean buildings located on the same campus and used to impart instruction, including all adjacent and appurtenant buildings owned by the same customer which are located on the same campus and which constitute an integral part of such college or university facilities.

The monthly credit for the Educational Institution Service Provision shall be applied as follows:

Delivery Charges: These charges are applicable to Full Service and Retail Open Access Customers.

Education Institution Credit:	$***(0.000820)***	per kWh for all kWh

Customers on this provision shall require a written contract, with a minimum term of one year, and shall be evaluated annually to determine whether or not the accounts shall remain on the service provision.

General Service Secondary Interruptible (GSI) Provision

This provision is available to no more than 200 Full Service Customers desiring interruptible service in conjunction with service taken under General Service Secondary Demand Rate GSD or General Service Secondary Time-of-Use Rate GSTU. A customer participating in this provision is not eligible to participate in Demand Response programs with an Aggregator of Retail Customers during any MISO season. Service to interruptible load shall be taken through separately metered circuits and permanently wired. The design and method of installation for application of this rate shall be subject to the approval of the Company.

Any load designated as interruptible by the customer is subject to Midcontinent Independent System Operator's, Inc. (MISO) requirements for Load Modifying Resources and the Company shall inform the Customer of such MISO requirements. Interruption under this provision may occur if MISO declares a Maximum Generation Emergency Event that requires deployment of Load Modifying Resources in accordance with the currently effective MISO Emergency Electric Procedure or NERC Emergency Event Alert 2 notice indicating that MISO is experiencing or expects to experience a shortage of economic resources and the Company has declared Emergency Status.

Under this provision, the customer shall be interrupted at any time the Company deems it necessary to maintain system integrity. Service to interruptible load shall not be transferred to firm service circuits to avoid interruption. The Company shall provide the Customer at least 30 minutes notice in advance of a required interruption. Failure to acknowledge receipt of such notice shall not relieve the Customer of the obligation for interruption under the GSI provision. Failure by a customer to comply with a system integrity interruption order of the Company shall be considered unauthorized use and billed at (i) the higher of the actual damages incurred by the Company or (ii) the rate of $25.00 per kW for the highest 15-minute kW of demand created during the interruption period in addition to the prescribed monthly rate. This rate is not available for loads that are primarily off-peak, for example parking lot lighting. Participation requires a minimum term of one year. All contracts under this provision shall be negotiated on an annual basis for the following capacity planning year (June 1 through May 31) and the Customer must notify the Company by December 10th of each year of their desire to renew the GSI Provision, unless the Customer chooses to lengthen the term of their commitment (up to five years). Annual changes to the amount of interruptible kW for long term contracts are open to adjustment through December 10th of each year.

The monthly credit for the Interruptible Service Provision shall be applied as follows:

Power Supply Charges: These charges are applicable to Full Service Customers.

Capacity Credit: These charges are applicable to Full Service Customers.

Interruptible Credit:	$(8.50)	per kW for all kW of Peak Demand during the billing months of June - September
	$(7.50)	per kW for all kW of Peak Demand during the billing months of October - May

(Continued on Sheet No. D-53.50)

GENERAL SERVICE PRIMARY RATE GP

Availability

As of January 1, 2021, this rate is closed to new business other than for service to DCFC fast charging stations. Subject to any restrictions, this rate is available to any customer, political subdivision or agency of the State of Michigan, either acting separately or in combinations permitted under the laws of this state, desiring Primary Voltage service for general use or for public potable water pumping and/or waste water system(s).

This rate is available to existing Full Service Customers with an electric generating facility interconnected at a primary voltage level utilizing General Service Primary Rate GP for standby service on or before June 7, 2012. The amount of retail usage shall be determined on an hourly basis. Customers with a generating installation are required to have an Interval Data Meter.

This rate is not available to a Primary Rate Customer where the Company elects to provide one transformation from the available Primary Voltage to another available Primary Voltage desired by the customer.

This rate is not available for lighting service, except for temporary service for lighting installations.

Nature of Service

Service under this rate shall be alternating current, 60-Hertz, single-phase or three-phase (at the Company's option) Primary Voltage service. The Company will determine the particular nature of the voltage in each case.

Where service is supplied at a nominal voltage of 25,000 Volts or less, the customer shall furnish, install and maintain all necessary transforming, controlling and protective equipment.

Where the Company elects to measure the service at a nominal voltage above 25,000 Volts and where the meter is located on the Company side of the substation transformer, 1% shall be deducted for billing purposes, from the energy measurements thus made.

Where the Company elects to measure the service at a nominal voltage of less than 2,400 Volts, 3% shall be added for billing purposes, to the energy measurements thus made.

Monthly Rate

Power Supply Charges: These charges are applicable to Full Service customers.

Charges for Customer Voltage Level 3 (CVL3)

Energy Charge:

Non-Capacity	Capacity	Total	
$0.069019	***$0.028442***	***$0.097461***	per kWh for all kWh during the billing months of June - September
$0.051337	***$0.021696***	***$0.073033***	per kWh for all kWh during the billing months of October - May

Charges for Customer Voltage Level 2 (CVL2)

Energy Charge:

Non-Capacity	Capacity	Total	
$0.068194	***$0.027998***	***$0.096192***	per kWh for all kWh during the billing months of June - September
$0.050721	***$0.021357***	***$0.072078***	per kWh for all kWh during the billing months of October - May

Charges for Customer Voltage Level 1 (CVL1)

Energy Charge:

Non-Capacity	Capacity	Total	
$0.067339	***$0.027595***	***$0.094934***	per kWh for all kWh during the billing months of June - September
$0.050083	***$0.021049***	***$0.071132***	per kWh for all kWh during the billing months of October - May

This rate is subject to the Power Supply Cost Recovery (PSCR) Factor shown on Sheet No. D-6.00.

(Continued on Sheet No. D-56.00)

GENERAL SERVICE PRIMARY RATE GP

(Continued From Sheet No. D-55.00)

Monthly Rate (Contd)

Delivery Charges: These charges are applicable to Full Service and Retail Open Access (ROA) customers.

System Access Charge: $100.00 per customer per month

Charges for Customer Voltage Level 3 (CVL3)
Distribution Charge: $***0.024415*** per kWh for all kWh

Charges for Customer Voltage Level 2 (CVL2)
Distribution Charge: $***0.010996*** per kWh for all kWh

Charges for Customer Voltage Level 1 (CVL1)
Distribution Charge: $***0.006957*** per kWh for all kWh

This rate is subject to the Surcharges shown on Sheet Nos. D-2.00 through D-5.00 and Securitization Charges shown on Sheet Nos. D-7.00 and D-7.10.

Adjustment for Power Factor

This rate requires a determination of the average Power Factor maintained by the customer during the billing period . Such average Power Factor shall be determined through metering of lagging Kilovar-hours and Kilowatt-hours during the billing period. The calculated ratio of lagging Kilovar-hours to Kilowatt-hours shall then be converted to the average Power Factor for the billing period by using the appropriate conversion factor. Whenever the average Power Factor during the billing period is above .899 or below .850, the customer bill shall be adjusted as follows:

(a) If the average Power Factor during the billing period is .900 or higher, a 0.50% credit will be applied to all metered-based charges, excluding surcharges. This credit shall not in any case be used to reduce the prescribed Minimum Charge.

(b) If the average Power Factor during the billing period is less than .850, a penalty will be applied to all metered-based charges, excluding surcharges, in accordance with the following table:

Power Factor	**Penalty**
0.800 to 0.849	0.50%
0.750 to 0.799	1.00%
0.700 to 0.749	2.00%
Below 0.700	3% first 2 months

(c) A Power Factor less than 0.700 is not permitted and necessary corrective equipment must be installed by the customer. A 15% penalty will be applied to any metered-based charges, excluding surcharges, after two consecutive months below 0.700 Power Factor and will continue as long as the Power Factor remains below 0.700. Once the customer's Power Factor exceeds 0.700, it is necessary to complete two consecutive months below 0.700 before the 15% penalty applies again.

Resale Service Provision

Subject to any restrictions, this provision is available to customers desiring Primary Voltage service for resale purposes in accordance with Rule C4.4, Resale.

(Continued on Sheet No. D-57.00)

GENERAL SERVICE PRIMARY RATE GP

(Continued From Sheet No. D-56.00)

Monthly Rate (Contd)

Substation Ownership Credit

Where service is supplied at a nominal voltage of more than 25,000 volts, and the customer provides all of the necessary transforming, controlling and protective equipment for all of the service there shall be deducted from the bill a monthly credit.

The monthly credit for the substation ownership shall be applied as follows:

Delivery Charges: These charges are applicable to Full Service and Retail Open Access customers.

Charges for Customer Voltage Level 2 (CVL 2)
Substation Ownership Credit: $***(0.004513)*** per kWh for all kWh

Charges for Customer Voltage Level 1 (CVL 1)
Substation Ownership Credit: $***(0.004093)*** per kWh for all kWh

For those customers served by more than one substation where one or more of the substations is owned by the customer, the credit will be applied to the customer's coincident Maximum Demand for those substations owned by the customer. This credit shall not operate to reduce the customer's billing below the prescribed minimum charges included in the rate. The credit shall be based on the kW after the 1% deduction or 3% addition has been applied to the metered kWh.

Educational Institution Service Provision (GEI)

When service is supplied to a school, college or university, a credit shall be applied during all billing months. As used in this provision, "school" shall mean buildings, facilities, playing fields, or property directly or indirectly used for school purposes for children in grades kindergarten through twelve, when provided by a public or nonpublic school. School does not include instruction provided in a private residence or proprietary trade, vocational, training, or occupational school. "College" or "University" shall mean buildings located on the same campus and used to impart instruction, including all adjacent and appurtenant buildings owned by the same customer which are located on the same campus and which constitute an integral part of such college or university facilities.

The monthly credit for the Educational Institution Service Provision shall be applied as follows:

Delivery Charges: These charges are applicable to Full Service and Retail Open Access Customers.
Educational Institution Credit: $***(0.000578)*** per kWh for all kWh

Customers on this provision shall require a written contract, with a minimum term of one year, and shall be evaluated annually to determine whether or not the accounts shall remain on the service provision.

Demand Response Program

Customers participating in the voluntary Demand Response Program help reduce peak demand when energy use is the highest. A customer specific agreement stating the customer's Contracted Capacity kW shall be completed prior to participation in the Demand Response Program. Customer eligibility to participate in this program is determined solely by the Company. The Company reserves the right to specify the term or duration of the program. A customer participating in this program is not eligible to participate in Demand Response programs with an Aggregator of Retail Customers during any MISO season.

Under this program, the customer shall provide a documented energy reduction plan. The energy reduction plan shall serve as the representation of the customer's annual simulated power test in compliance with the Commission Order issued October 29, 2020 in Case No. U-20628. Any changes to the customer's contracted capacity under this program must be supported by an updated energy reduction plan on an annual basis.

Demand Response Program customers shall receive an annual Program Payment on the customer bill or a check for the capacity amount delivered during events specified in the customer specific agreement within three billing cycles after the program season ends. Eligible customers may also receive Emergency Event Performance Payments on the customer bill under specific circumstances as outlined in the customer specific agreement. If a customer fails to deliver their total Contracted Capacity during an Emergency Event ordered by Consumers Energy, an Underperformance Penalty may be applicable. Any applicable penalties or program incentives shall be applied to the customer bill. As a condition of enrollment, Customers will be required to provide energy reduction plans that detail their load reduction procedure as specified in the agreement. Customers will be required to provide event notification contacts that support the program. The program agreement will specify the terms of the program that include program duration, number and length of events, performance calculations and program rules.

Self-Generation (SG)

To be eligible for Self-Generation, a Customer with a generating installation operating in parallel with the Company's system, must meet the requirements described in Rule C 11.1., Self-Generation.

(Continued on Sheet No. D-58.00)

LARGE GENERAL SERVICE PRIMARY DEMAND RATE GPD

Availability

Subject to any restrictions, this rate is available to any customer desiring Primary Voltage service, either for general use or resale purposes, where the On-Peak Billing Demand is 25 kW or more. This rate is also available to any political subdivision or agency of the State of Michigan, either acting separately or in combinations permitted under the laws of this state, for Primary Voltage service for potable water pumping and/or waste water system(s).

This rate is not available to a Primary Rate Customer where the Company elects to provide one transformation from the available Primary Voltage to another available Primary Voltage desired by the customer.

This rate is also not available for lighting service, for resale for lighting service, or for new or expanded service for resale to residential customers.

Nature of Service

Service under this rate shall be alternating current, 60-Hertz, single-phase or three-phase (at the Company's option) Primary Voltage service. The Company will determine the particular nature of the voltage in each case.

Where service is supplied at a nominal voltage of 25,000 Volts or less, the customer shall furnish, install and maintain all necessary transforming, controlling and protective equipment.

Where the Company elects to measure the service at a nominal voltage above 25,000 Volts and where the meter is located on the Company side of the substation transformer, 1% shall be deducted for billing purposes, from the demand and energy measurements thus made.

Where the Company elects to measure the service at a nominal voltage of less than 2,400 Volts, 3% shall be added for billing purposes, to the demand and energy measurements thus made.

Interval Data Meters are required for service under this rate. Meter reading will be accomplished electronically through telecommunication links or other electronic data methods able to provide the Company with the metering data / billing determinants necessary for billing purposes.

Monthly Rate

Power Supply Charges: These charges are applicable to Full Service Customers

Charges for Customer Voltage Level 3 (CVL 3)

Demand Charge:

Non-Capacity	Capacity	Total	
$6.09	***$10.37***	***$16.46***	per kW of On-Peak Billing Demand during the billing months of June - September
$5.26	***$9.62***	***$14.88***	per kW of On-Peak Billing Demand during the billing months of October - May

Transmission Charge:

Non-Capacity

$***9.41***	per kW of On-Peak Billing Demand during the billing months of June - September
$***8.76***	per kW of On-Peak Billing Demand during the billing months of October - May

Energy Charge:

Non-Capacity

$***0.041312***	per kWh for all On-Peak kWh during the billing months of June - September
$***0.026793***	per kWh for all Off-Peak kWh during the billing months of June - September
$***0.025907***	per kWh for all On-Peak kWh during the billing months of October - May
$***0.022495***	per kWh for all Off-Peak kWh during the billing months of October - May

(Continued on Sheet No. D-60.00)

LARGE GENERAL SERVICE PRIMARY DEMAND RATE GPD

(Continued From Sheet No. D-59.00)

Monthly Rate (Contd)

Power Supply Charges: These charges are applicable to Full Service Customers (Contd)

Charges for Customer Voltage Level 2 (CVL 2)

Demand Charge:

Non-Capacity	Capacity	Total	
$6.03	***$10.21***	***$16.24***	per kW of On-Peak Billing Demand during the billing months of June - September
$5.21	***$9.47***	***$14.68***	per kW of On-Peak Billing Demand during the billing months of October - May

Transmission Charge:

Non-Capacity

$***9.26***	per kW of On-Peak Billing Demand during the billing months of June - September
$***8.62***	per kW of On-Peak Billing Demand during the billing months of October - May

Energy Charge:

Non-Capacity

$***0.040900***	per kWh for all On-Peak kWh during the billing months of June - September
$***0.026526***	per kWh for all Off-Peak kWh during the billing months of June - September
$***0.025648***	per kWh for all On-Peak kWh during the billing months of October - May
$***0.022270***	per kWh for all Off-Peak kWh during the billing months of October - May

Charges for Customer Voltage Level 1 (CVL 1)

Demand Charge:

Non-Capacity	Capacity	Total	
$5.96	***$10.06***	***$16.02***	per kW of On-Peak Billing Demand during the billing months of June - September
$5.15	***$9.33***	***$14.48***	per kW of On-Peak Billing Demand during the billing months of October - May

Transmission Charge:

Non-Capacity

$***9.13***	per kW of On-Peak Billing Demand during the billing months of June - September
$***8.50***	per kW of On-Peak Billing Demand during the billing months of October - May

Energy Charge:

Non-Capacity

$***0.040427***	per kWh for all On-Peak kWh during the billing months of June - September
$***0.026219***	per kWh for all Off-Peak kWh during the billing months of June - September
$***0.025351***	per kWh for all On-Peak kWh during the billing months of October - May
$***0.022012***	per kWh for all Off-Peak kWh during the billing months of October - May

This rate is subject to the Power Supply Cost Recovery (PSCR) Factor shown on Sheet No. D-6.00.

(Continued on Sheet No. D-61.00)

LARGE GENERAL SERVICE PRIMARY DEMAND RATE GPD

(Continued From Sheet No. D-60.00)

Monthly Rate (Contd)

Delivery Charges: **These charges are applicable to Full Service and Retail Open Access (ROA) customers.**

System Access Charge: $200.00 per customer per month

Charges for Customer Voltage Level 3 (CVL3)

Capacity Charge: $***6.68*** per kW of Maximum Demand

Charges for Customer Voltage Level 2 (CVL2)

Capacity Charge: $***3.61*** per kW of Maximum Demand

Charges for Customer Voltage Level 1 (CVL1)

Capacity Charge: $***2.37*** per kW of Maximum Demand

This rate is subject to the Surcharges shown on Sheet Nos. D-2.00 through D-5.00 and the Securitization Charges shown on Sheet Nos. D-7.00 and D-7.10.

Adjustment for Power Factor

This rate requires a determination of the average Power Factor maintained by the customer during the billing period. Such average Power Factor shall be determined through metering of lagging Kilovar-hours and Kilowatt-hours during the billing period. The calculated ratio of lagging Kilovar-hours to Kilowatt-hours shall then be converted to the average Power Factor for the billing period by using the appropriate conversion factor. Whenever the average Power Factor during the billing period is above .899 or below .850, the customer bill shall be adjusted as follows:

(a) If the average Power Factor during the billing period is .900 or higher, a 0.50% credit will be applied to all metered-based charges, excluding surcharges. This credit shall not in any case be used to reduce the prescribed Minimum Charge.

(b) If the average Power Factor during the billing period is less than .850, a penalty will be applied to all metered-based charges, excluding surcharges, in accordance with the following table:

Power Factor	**Penalty**
0.800 to 0.849	0.50%
0.750 to 0.799	1.00%
0.700 to 0.749	2.00%
Below 0.700	3% first 2 months

(c) A Power Factor less than 0.700 is not permitted and necessary corrective equipment must be installed by the customer. A 15% penalty will be applied to any metered-based charges, excluding surcharges, after two consecutive months below 0.700 Power Factor and will continue as long as the Power Factor remains below 0.700. Once the customer's Power Factor exceeds 0.700, it is necessary to complete two consecutive months below 0.700 before the 15% penalty applies again.

(Continued on Sheet No. D-62.00)

LARGE GENERAL SERVICE PRIMARY DEMAND RATE GPD

(Continued From Sheet No. D-61.00)

Monthly Rate (Contd)

Maximum Demand

The Maximum Demand shall be the highest 15-minute demand created during the current month or previous 11 months.

On-Peak Billing Demand

The On-Peak Billing Demand shall be based on the highest on-peak demand created during the billing month, but never less than 60% of the highest on-peak billing demand of the four preceding summer billing months (June through September), nor less than 25 kW.

The On-Peak Billing Demand shall be the Kilowatts (kW) supplied during the 15-minute period of maximum use during on-peak hours, as described in Rule C14., Provisions Governing the Application of On-Peak and Off-Peak Rates.

The Company reserves the right to make special determination of the On-Peak Billing Demand, and/or the Minimum Charge, should the equipment which creates momentary high demands be included in the customer's installation.

Transmission On-Peak Billing Demand

The Transmission On-Peak Billing Demand for each billing month shall be the Kilowatts (kW) supplied during the 15-minute period of maximum use during on-peak hours, as described in Rule C14., Provisions Governing the Application of On-Peak and Off-Peak Rates.

Resale Service Provision

Subject to any restrictions, this provision is available to customers desiring Primary Voltage service for resale purposes in accordance with Rule C4.4, Resale.

Substation Ownership Credit

Where service is supplied at a nominal voltage of more than 25,000 Volts, energy is measured through an Interval Data Meter, and the customer provides all of the necessary transforming, controlling and protective equipment for all of the service there shall be deducted from the bill a monthly credit. For those customers, part of whose load is served through customer-owned equipment, the credit shall be based on the Maximum Demand.

The monthly credit for the substation ownership shall be applied as follows:

Delivery Charges: These charges are applicable to Full Service and Retail Open Access Customers

Charges for Customer Voltage Level 2 (CVL 2)
Substation Ownership Credit: $***(1.93)*** per kW of Maximum Demand

Charges for Customer Voltage Level 1 (CVL 1)
Substation Ownership Credit: $***(1.82)*** per kW of Maximum Demand

For those customers served by more than one substation where one or more of the substations is owned by the customer, the credit will be applied to the customer's coincident Maximum Demand for those substations owned by the customer. This credit shall not operate to reduce the customer's billing below the prescribed minimum charges included in the rate. The credit shall be based on the kW after the 1% deduction or 3% addition has been applied to the metered kW.

(Continued on Sheet No. D-63.00)

LARGE GENERAL SERVICE PRIMARY DEMAND RATE GPD

(Continued From Sheet No. D-62.00)

Monthly Rate (Contd)

Aggregate Peak Demand Service Provision (GAP)

This provision is available to any customer with 7 accounts or more who desire to aggregate their On-Peak Billing Demands for power supply billing purposes. To be eligible, each account must have a minimum average On-Peak Billing Demand of 250 kW and be located within the same billing district. The customer's aggregated accounts shall be billed under the same rate schedule and service provisions. The aggregate maximum capacity of all customers served under this provision shall be limited to 200,000 kW. ***Not withstanding the specific requirements outlined in this provision, the Company may, at its sole discretion, allow participation by customers who do not fully meet one or more of the stated eligibility criteria, including but not limited to the number of accounts or demand thresholds.***

This provision commences with service rendered on and after June 20, 2008 and remains in effect until terminated by a Commission Order.

Customers on this provision shall require a written contract, with a minimum term of one year, and shall be evaluated annually to determine whether or not the accounts shall remain on the service provision.

Interval Data Meters are required for service under this provision.

The aggregated accounts shall be summarized for each interval time period registered and a comparison shall be performed to determine the on-peak time at which the summarized value of the aggregated accounts reached a maximum for the billing month. The individual aggregated accounts shall be billed for their corresponding On-Peak Billing Demand occurring at that point in time.

Educational Institution Service Provision (GEI)

When service is supplied to a school, college or university, a credit shall be applied during all billing months. As used in this provision, "school" shall mean buildings, facilities, playing fields, or property directly or indirectly used for school purposes for children in grades kindergarten through twelve, when provided by a public or nonpublic school. School does not include instruction provided in a private residence or proprietary trade, vocational, training, or occupational school. "College" or "University" shall mean buildings located on the same campus and used to impart instruction, including all adjacent and appurtenant buildings owned by the same customer which are located on the same campus and which constitute an integral part of such college or university facilities.

The monthly credit for the Educational Institution Service Provision shall be applied as follows:

Delivery Charges: These charges are applicable to Full Service and Retail Open Access Customers.

Educational Institution Credit: $***(0.000205)*** per kWh for all kWh

Customers on this provision shall require a written contract, with a minimum term of one year, and shall be evaluated annually to determine whether or not the accounts shall remain on the service provision.

Demand Response Program

Customers participating in the voluntary Demand Response Program help reduce peak demand when energy use is the highest. A customer specific agreement stating the customer's Contracted Capacity kW shall be completed prior to participation in the Demand Response Program. Customer eligibility to participate in this program is determined solely by the Company. The Company reserves the right to specify the term or duration of the program. A customer participating in this program is not eligible to participate in Demand Response programs with an Aggregator of Retail Customers during any MISO season.

Under this program, the customer shall provide a documented energy reduction plan. The energy reduction plan shall serve as the representation of the customer's annual simulated power test in compliance with the Commission Order issued October 29, 2020 in Case No. U-20628. Any changes to the customer's contracted capacity under this program must be supported by an updated energy reduction plan on an annual basis.

Demand Response Program customers shall receive an annual Program Payment on the customer bill or a check for the capacity amount delivered during events specified in the customer specific agreement within three billing cycles after the program season ends. Eligible customers may also receive Emergency Event Performance Payments on the customer bill under specific circumstances as outlined in the customer specific agreement. If a customer fails to deliver their total Contracted Capacity during an Emergency Event ordered by Consumers Energy, an Underperformance Penalty may be applicable. Any applicable penalties or program incentives shall be applied to the customer bill. As a condition of enrollment, Customers will be required to provide energy reduction plans that detail their load reduction procedure as specified in the agreement. Customers will be required to provide event notification contacts that support the program. The program agreement will specify the terms of the program that include program duration, number and length of events, performance calculations and program rules.

(Continued on Sheet No. D-64.00)

LARGE GENERAL SERVICE PRIMARY DEMAND RATE GPD

(Continued From Sheet No. D-65.00)

Monthly Rate (Contd)

Interruptible Service Provision - Market-Price Option (GI2) (Contd)

Monthly Billing

For billing purposes, the Contracted Firm Capacity will be billed first on Rate GPD, with the load in excess of contracted firm being billed on the GI2 charges specified in this rate schedule.

Power Supply Charges: These charges are applicable to contracted interruptible capacity.

The customer shall be responsible for the MISO Real-Time Locational Market Price (LMP) for the Company's load node (designated as "CONS.CETR" as the date of this Rate Schedule), multiplied by the customer's consumption (kWh), plus the Market Settlement Fee of $0.002/kWh.

Charges for Customer Voltage Level 3 (CVL 3)

LMP Energy Charge:	MISO Real-Time LMP per kWh for all kWh	
Capacity & Transmission Charge:	$***0.033010***	per kWh for all kWh during the billing months of June - September
	$***0.031900***	per kWh for all kWh during the billing months of October - May

Charges for Customer Voltage Level 2 (CVL 2)

LMP Energy Charge:	MISO Real-Time LMP per kWh for all kWh	
Capacity & Transmission Charge:	$***0.031449***	per kWh for all kWh during the billing months of June - September
	$***0.029198***	per kWh for all kWh during the billing months of October - May

Charges for Customer Voltage Level 1 (CVL 1)

LMP Energy Charge:	MISO Real-Time LMP per kWh for all kWh	
Capacity & Transmission Charge:	$***0.029081***	per kWh for all kWh during the billing months of June - September
	$***0.026985***	per kWh for all kWh during the billing months of October - May

The MISO Real-Time LMP per kWh shall be adjusted for losses based on the customer's point of metering as shown below:

	Meter Point	
	High Side	Low Side
Customer Voltage Level 1	0.000%	***0.986***%
Customer Voltage Level 2	***1.359***%	***2.247***%
Customer Voltage Level 3	***3.268***%	***6.502***%

Delivery Charges: These charges are applicable to contract capacity

Rate GPD Delivery Charges will apply to all Delivery service, including contracted capacity designated as GI2 interruptible service.

System Access Charge
If contracted capacity is separately metered: $100.00 per additional meter installation per month

This provision is subject to the Surcharges shown on Sheet Nos. D-2.00 through D-5.00 and the Securitization Charges shown on Sheet Nos. D-7.00 and D-7.10 as well as the System Access Charge, Delivery Charges, General Terms, Adjustment for Power Factor, Substation Ownership Credit, Minimum Charge and the Due Date and Late Payment Charge applicable to Rate GPD.

Annual Power Test Requirement

Under this provision, the customer shall provide a documented energy reduction plan. The energy reduction plan shall serve as the representation of the customer's annual simulated power test in compliance with the Commission Order issued October 29, 2020 in Case No. U-20628. Any changes to the customer's contracted capacity under this provision must be supported by an updated energy reduction plan on an annual basis.

(Continued on Sheet No. D-67.00)

LARGE GENERAL SERVICE PRIMARY DEMAND RATE GPD

(Continued From Sheet No. D-67.00)

Coincident Peak Demand Provision (CPD)

This provision is available to any customer on Rate GPD but limited to the first three customers enrolled in the provision. Customers served under this provision will be charged capacity and transmission through a volumetric on peak energy charge as stated below. This will be charged on all energy consumed during the on peak window, from 11 AM to 7 PM. They will pay the On Peak Demand Charge on all demand during the coincident peak window of 4 PM to 6 PM. Customers served under this provision will be subject to Critical Peak Event Pricing.

Critical Peak Event Determination

A Critical Peak Event occurs when a System Integrity Event is enacted.

A System Integrity Event is enacted when MISO declares that a Maximum Generation Emergency Event has occurred and MISO has instructed the Company to implement Load Management Measures using Load Modifying Resources. A System Integrity Event shall occur at any time for any duration. A Critical Peak Event caused by a System Integrity Event shall be billed the full on peak demand charge plus $1.00/kWh during the duration of the event.

Monthly Rate

Power Supply Charges: These charges are applicable to Full Service Customers

Charges for Customer Voltage Level 3 (CVL 3)

Energy Charge:

Non-Capacity	Capacity	Total	
NA	$***0.031287***	***$0.031287***	per kWh of On-Peak kWh during the billing months of June - September
NA	***$0.028277***	***$0.028277***	per kWh of On-Peak kWh during the billing months of October - May

Demand Charge:

Non-Capacity	Capacity	Total	
$6.09	***$10.37***	***$16.46***	per kW of On-Peak Billing Demand during the coincident peak window of 4PM-6PM during the billing months of June - September
$5.26	***$9.62***	***$14.88***	per kW of On-Peak Billing Demand during the coincident peak window of 4PM-6PM during the billing months of October - May

Transmission Charge:

Non-Capacity

$***0.017876***	per kWh of On-Peak kWh during the billing months of June - September
$***0.016640***	per kWh of On-Peak kWh during the billing months of October - May

Energy Charge:

Non-Capacity

$***0.026793***	per kWh for all Off-Peak kWh during the billing months of June - September
$***0.041312***	per kWh for all On-Peak kWh during the billing months of June - September
$***0.022495***	per kWh for all Off-Peak kWh during the billing months of October - May
$***0.025907***	per kWh for all On-Peak kWh during the billing months of October - May

Critical Peak Event:

Non-Capacity	Capacity	Total	
$6.09	***$10.37***	***$16.46***	per kW of On-Peak Billing Demand during a System Integrity Event during the billing months of June - September
$5.26	***$9.62***	***$14.88***	per kW of On-Peak Billing Demand during a System Integrity Event during the billing months of October - May
NA	$1.00	$1.00	per kWh for all kWh during a System Integrity Event

(Continued on Sheet No. D-67.20)

LARGE GENERAL SERVICE PRIMARY DEMAND RATE GPD

(Continued From Sheet No. D-67.10)

Monthly Rate (Contd)

Coincident Peak Demand Provision (CPD) (Contd)

Power Supply Charges: These charges are applicable to Full Service Customers (Contd)

Charges for Customer Voltage Level 2 (CVL 2)

Energy Charge:

Non-Capacity	Capacity	Total	
NA	***$0.030044***	***$0.030044***	per kWh of On-Peak kWh during the billing months of June - September
NA	***$0.027129***	***$0.027129***	per kWh of On-Peak kWh during the billing months of October - May

Demand Charge:

Non-Capacity	Capacity	Total	
$6.03	***$10.21***	***$16.24***	per kW of On-Peak Billing Demand during the coincident peak window of 4PM-6PM during the billing months of June - September
$5.21	***$9.47***	***$14.68***	per kW of On-Peak Billing Demand during the coincident peak window of 4PM-6PM during the billing months of October - May

Transmission Charge:

Non-Capacity

$***0.017130*** per kWh of On-Peak kWh during the billing months of June - September
$***0.008416*** per kWh of On-Peak kWh during the billing months of October - May

Energy Charge:

Non-Capacity

$***0.026526*** per kWh for all Off-Peak kWh during the billing months of June - September
$***0.040900*** per kWh for all On-Peak kWh during the billing months of June - September

$***0.022270*** per kWh for all Off-Peak kWh during the billing months of October - May
$***0.025648*** per kWh for all On-Peak kWh during the billing months of October - May

Critical Peak Event:

Non-Capacity	Capacity	Total	
$6.03	***$10.21***	***$16.24***	per kW of On-Peak Billing Demand during a System Integrity Event during the calendar months of June - September
$5.21	***$9.47***	***$14.68***	per kW of On-Peak Billing Demand during a System Integrity Event during the calendar months of October - May
NA	$1.00	$1.00	per kWh for all kWh during a System Integrity Event

Charges for Customer Voltage Level 1 (CVL 1)

Energy Charge:

Non-Capacity	Capacity	Total	
NA	***$0.027987***	***$0.027987***	per kWh of On-Peak kWh during the billing months of June - September
NA	***$0.025248***	***$0.025248***	per kWh of On-Peak kWh during the billing months of October - May

Demand Charge:

Non-Capacity	Capacity	Total	
$5.96	***$10.06***	***$16.02***	per kW of On-Peak Billing Demand during the coincident peak window of 4PM-6PM during the billing months of June - September
$5.15	***$9.33***	***$14.48***	per kW of On-Peak Billing Demand during the coincident peak window of 4PM-6PM during the billing months of October - May

(Continued on Sheet No. D-67.30)

LARGE GENERAL SERVICE PRIMARY DEMAND RATE GPD

(Continued From Sheet No. D-67.20)

Coincident Peak Demand Provision (CPD) (Contd)

Monthly Rate (Contd)

Power Supply Charges: These charges are applicable to Full Service Customers (Contd

Charges for Customer Voltage Level 1 (CVL 1) (Cont)

Transmission Charge:

Non-Capacity

$***0.015940***	per kWh of On-Peak kWh during the billing months of June - September
$***0.014813***	per kWh of On-Peak kWh during the billing months of October - May

Energy Charge:

Non-Capacity

$***0.026219***	per kWh for all Off-Peak kWh during the billing months of June - September
$***0.040427***	per kWh for all On-Peak kWh during the billing months of June - September
$***0.022012***	per kWh for all Off-Peak kWh during the billing months of October - May
$***0.025351***	per kWh for all On-Peak kWh during the billing months of October - May

Critical Peak Event:

Non-Capacity	Capacity	Total	
$5.96	***$10.06***	***$16.02***	per kW of On-Peak Billing Demand during a System Integrity Event during the calendar months of June - September
$5.15	***$9.33***	***$14.48***	per kW of On-Peak Billing Demand during a System Integrity Event during the calendar months of October - May
NA	$1.00	$1.00	per kWh for all kWh during a System Integrity Event

(Continued on Sheet No. D-68.00)

GENERAL SERVICE PRIMARY TIME-OF-USE RATE GPTU

(Continued from Sheet No. D-70.00)

Monthly Rate
Power Supply Charges:

Charges for Customer Voltage Level 3 (CVL3)
Energy Charge:

	Non-Capacity	Capacity	Total	
Off-Peak - Summer	$***0.050972***	***$0.019509***	***$0.070481***	per kWh during the calendar months of June - September
Low-Peak - Summer	***$0.068312***	***$0.026083***	***$0.094395***	per kWh during the calendar months of June - September
Mid-Peak - Summer	$***0.084595***	***$0.032364***	***$0.116959***	per kWh during the calendar months of June - September
High-Peak - Summer	$***0.095041***	***$0.036350***	***$0.131391***	per kWh during the calendar months of June - September
Off-Peak - Winter	$***0.047473***	***$0.018036***	***$0.065509***	per kWh during the calendar months of October - May
Mid-Peak - Winter	$***0.056719***	***$0.021680***	***$0.078399***	per kWh during the calendar months of October - May
High-Peak - Winter	$***0.061207***	***$0.023417***	***$0.084624***	per kWh during the calendar months of October - May

Charges for Customer Voltage Level 2 (CVL2)
Energy Charge:

	Non-Capacity	Capacity	Total	
Off-Peak - Summer	***0.050367***	***$0.019204***	***$0.069571***	per kWh during the calendar months of June - September
Low-Peak - Summer	***$0.067502***	***$0.025675***	***$0.093177***	per kWh during the calendar months of June - September
Mid-Peak - Summer	***$0.083591***	***$0.031859***	***$0.115450***	per kWh during the calendar months of June - September
High-Peak - Summer	***$0.093913***	***$0.035782***	***$0.129695***	per kWh during the calendar months of June - September
Off-Peak - Winter	***$0.046910***	***$0.017754***	***$0.064664***	per kWh during the calendar months of October - May
Mid-Peak - Winter	***$0.056046***	***$0.021342***	***$0.077388***	per kWh during the calendar months of October - May
High-Peak - Winter	***$0.060480***	***$0.023051***	***$0.083531***	per kWh during the calendar months of October - May

Charges for Customer Voltage Level 1 (CVL1)
Energy Charge:

	Non-Capacity	Capacity	Total	
Off-Peak - Summer	***$0.049737***	***$0.018927***	***$0.068664***	per kWh during the calendar months of June - September
Low-Peak - Summer	***$0.066658***	***$0.025306***	***$0.091964***	per kWh during the calendar months of June - September
Mid-Peak - Summer	***$0.082545***	***$0.031400***	***$0.113945***	per kWh during the calendar months of June - September
High-Peak - Summer	***$0.092739***	***$0.035267***	***$0.128006***	per kWh during the calendar months of June - September
Off-Peak - Winter	***$0.046324***	***$0.017499***	***$0.063823***	per kWh during the calendar months of October - May
Mid-Peak - Winter	***$0.055345***	***$0.021035***	***$0.076380***	per kWh during the calendar months of October - May
High-Peak - Winter	***$0.059724***	***$0.022720***	***$0.082444***	per kWh during the calendar months of October - May

This rate is subject to the Power Supply Cost Recovery (PSCR) Factor shown on Sheet No. D-6.00.

Delivery Charges:

System Access Charge:	$200.00	per customer per month

Charges for Customer Voltage Level 3 (CVL3)

Capacity Charge:	$***6.68***	per kW of Maximum Demand

Charges for Customer Voltage Level 2 (CVL2)
Capacity Charge: $***3.61*** per kW of Maximum Demand

Charges for Customer Voltage Level 1 (CVL1)
Capacity Charge: $***2.37*** per kW of Maximum Demand

This rate is subject to the Surcharges shown on Sheet Nos. D-2.00 through D-5.00 and the Securitization Charges shown on Sheet Nos. D-7.00 and D-7.10.

Adjustment for Power Factor

This rate requires a determination of the average Power Factor maintained by the customer during the billing period. Such average Power Factor shall be determined through metering of lagging Kilovar-hours and Kilowatt-hours during the billing period. The calculated ratio of lagging Kilovar-hours to Kilowatt-hours shall then be converted to the average Power Factor for the billing period by using the appropriate conversion factor. Whenever the average Power Factor during the billing period is above .899 or below .850, the customer bill shall be adjusted as follows:

(Continued on Sheet No. D-72.00)

GENERAL SERVICE PRIMARY TIME-OF-USE RATE GPTU

(Continued from Sheet No. D-71.00)

Monthly Rate (Contd)

Adjustment for Power Factor (Contd)

(a) If the average Power Factor during the billing period is .900 or higher, a 0.50% credit will be applied to all metered-based charges, excluding surcharges. This credit shall not in any case be used to reduce the prescribed Minimum Charge.

(b) If the average Power Factor during the billing period is less than .850, a penalty will be applied to all metered-based charges, excluding surcharges, in accordance with the following table:

Power Factor	Penalty
0.800 to 0.849	0.50%
0.750 to 0.799	1.00%
0.700 to 0.749	2.00%
Below 0.700	3% first 2 months

(c) A Power Factor less than 0.700 is not permitted and necessary corrective equipment must be installed by the customer. A 15% penalty will be applied to any metered-based charges, excluding surcharges, after two consecutive months below 0.700 Power Factor and will continue as long as the Power Factor remains below 0.700. Once the customer's Power Factor exceeds 0.700, it is necessary to complete two consecutive months below 0.700 before the 15% penalty applies again.

Maximum Demand

The Maximum Demand shall be the highest 15-minute demand created during the current month or previous 11 months.

Resale Service Provision

Subject to any restrictions, this provision is available to customers desiring Primary Voltage service for resale purposes in accordance with Rule C4.4, Resale.

Substation Ownership Credit

Where service is supplied at a nominal voltage of more than 25,000 volts, energy is measured through an Interval Data Meter, and the customer provides all the necessary transforming, controlling and protective equipment for all the service there shall be deducted from the bill a monthly credit. For those customers, part of whose load is served through customer-owned equipment, the credit shall be based on the Maximum Demand.

The monthly substation ownership credit shall be applied as follows:

Delivery Charges: These charges are applicable to Full Service Customers.

Charges for Customer Voltage Level 2 (CVL 2)
Substation Ownership Credit: $***(1.93)*** per kW of Maximum Demand

Charges for Customer Voltage Level 1 (CVL 1)
Substation Ownership Credit: $***(1.82)*** per kW of Maximum Demand

For those customers served by more than one substation where one or more of the substations is owned by the customer, the credit will be applied to the customer's coincident Maximum Demand for those substations owned by the customer. This credit shall not operate to reduce the customer's billing below the prescribed minimum charges included in the rate. The credit shall be based on the kW after the 1% deduction or 3% addition has been applied to the metered kW.

Educational Institution Service Provision (GEI)

When service is supplied to a school, college or university, a credit shall be applied during all billing months. As used in this provision, "school" shall mean buildings, facilities, playing fields, or property directly or indirectly used for school purposes for children in grades kindergarten through twelve, when provided by a public or nonpublic school. School does not include instruction provided in a private residence or proprietary trade, vocational, training, or occupational school. "College" or "University" shall mean buildings located on the same campus and used to impart instruction, including all adjacent and appurtenant buildings owned by the same customer which are located on the same campus and which constitute an integral part of such college or university facilities.

The monthly credit for the Educational Institution Service Provision shall be applied as follows:

Delivery Charges: These charges are applicable to Full Service Customers.

Educational Institution Credit: $***(0.000205)*** per kWh for all kWh

Customers on this provision shall require a written contract, with a minimum term of one year, and shall be evaluated annually to determine whether or not the accounts shall remain on the service provision.

(Continued on Sheet No. D-72.10)

M.P.S.C. No. 14 - Electric
Consumers Energy Company **Sheet No. D-75.00**

ENERGY INTENSIVE PRIMARY RATE EIP

(Continued from Sheet No. D-74.50)

Monthly Rate
Power Supply Charges:

Charges for Customer Voltage Level 3 (CVL 3)

Energy Charge:

	Non-Capacity	Capacity	Total	
Off-Peak - Summer	***$0.050699***	***$0.014831***	***$0.065530***	per kWh during the calendar months of June - September
Low-Peak - Summer	***$0.068798***	***$0.019829***	***$0.088627***	per kWh during the calendar months of June - September
Mid-Peak - Summer	***$0.086207***	***$0.024605***	***$0.110812***	per kWh during the calendar months of June - September
High-Peak - Summer	***$0.096332***	***$0.027635***	***$0.123967***	per kWh during the calendar months of June - September
Interruptible Credit	$0.000000	***$(0.008461)***	***$(0.008461)***	per kWh during the calendar months of June - September
Emergency Event	NA	$1.00	$1.00	per kWh for all kWh during a System Integrity Event during the calendar months of June - September
Critical Peak - Summer Economic Event				the greater of either 150% of the High-Peak - Summer Energy Charge or the average Market price per kWh for a Critical Peak Event during the calendar months of June - September
Off-Peak - Winter	***$0.047488***	***$0.013712***	***$0.061200***	per kWh during the calendar months of October - May
Mid-Peak - Winter	***$0.056655***	***$0.016483***	***$0.073138***	per kWh during the calendar months of October - May
High-Peak - Winter	***$0.060716***	***$0.017803***	***$0.078519***	per kWh during the calendar months of October - May
Interruptible Credit	$0.000000	***$(0.008461)***	***$(0.008461)***	per kWh during the calendar months of October - May
Emergency Event	NA	$1.00	$1.00	per kWh for all kWh during a System Integrity Event during the calendar months of October - May
Critical Peak - Winter Economic Event				the greater of either 150% of the High-Peak - Winter Energy Charge or the average Market price per kWh for a Critical Peak Event during the calendar months of October - May

Charges for Customer Voltage Level 2 (CVL 2)

Energy Charge:

	Non-Capacity	Capacity	Total	
Off-Peak - Summer	***$0.050106***	***$0.0014600***	***$0.064706***	per kWh during the calendar months of June - September
Low-Peak - Summer	***$0.067996***	***$0.019519***	***$0.087515***	per kWh during the calendar months of June - September
Mid-Peak - Summer	***$0.085204***	***$0.024220***	***$0.109424***	per kWh during the calendar months of June - September
High-Peak - Summer	***$0.095210***	***$0.027203***	***$0.122413***	per kWh during the calendar months of June - September
Interruptible Credit	$0.000000	***$(0.008461)***	***$(0.008461)***	per kWh during the calendar months of June - September
Emergency Event	NA	$1.00	$1.00	per kWh for all kWh during a System Integrity Event during the calendar months of June - September
Critical Peak - Summer Economic Event				the greater of either 150% of the High-Peak - Summer Energy Charge or the average Market price per kWh for a Critical Peak Event during the calendar months of June - September
Off-Peak - Winter	***$0.046934***	***$0.013498***	***$0.060432***	per kWh during the calendar months of October - May
Mid-Peak - Winter	***$0.055993***	***$0.016225***	***$0.072218***	per kWh during the calendar months of October - May

High-Peak - Winter	***$0.060006***	***$0.017525***	***$0.077531***	per kWh during the calendar months of October - May
Interruptible Credit	$0.000000	***$(0.008461)***	***$(0.008461)***	per kWh during the calendar months of October - May
Emergency Event	NA	$1.00	$1.00	per kWh for all kWh during a System Integrity Event during the calendar months of October - May
Critical Peak-Winter Economic Event				the greater of either 150% of the High-Peak - Winter Energy Charge or the average Market price per kWh for a Critical Peak Event during the calendar months of October - May

(Continued on Sheet No. D-76.00)

ENERGY INTENSIVE PRIMARY RATE EIP

(Continued from Sheet No. D-75.00)

Monthly Rate (Contd)
Power Supply Charges:

Charges for Customer Voltage Level 1 (CVL 1)

Energy Charge:

	Non-Capacity	Capacity	Total	
Off-Peak - Summer	***$0.049484***	***$0.014390***	***$0.063874***	per kWh during the calendar months of June - September
Low-Peak - Summer	***$ 0.067153***	***$0.019239***	***$0.086392***	per kWh during the calendar months of June - September
Mid-Peak - Summer	***$ 0.084148***	***$0.023872***	***$0.108020***	per kWh during the calendar months of June - September
High-Peak - Summer	***$0.094029***	***$0.026812***	***$0.120841***	per kWh during the calendar months of June - September
Interruptible Credit	$0.000000	***$(0.008461)***	***$(0.008461)***	per kWh during the calendar months of June - September
Emergency Event	NA	$1.00	$1.00	per kWh for all kWh during a System Integrity Event during the calendar months of June - September
Critical Peak - Summer Economic Event				the greater of either 150% of the High-Peak - Summer Energy Charge or the average Market price per kWh for a Critical Peak Event during the calendar months of June - September
Off-Peak - Winter	***$0.046352***	***$0.013303***	***$0.059655***	per kWh during the calendar months of October - May
Mid-Peak - Winter	***$0.055298***	***$0.015992***	***$0.071290***	per kWh during the calendar months of October - May
High-Peak - Winter	***$0.059261***	***$0.017272***	***$0.076533***	per kWh during the calendar months of October - May
Interruptible Credit	$0.000000	***$(0.008461)***	***$(0.008461)***	per kWh during the calendar months of October - May
Emergency Event	NA	$1.00	$1.00	per kWh for all kWh during a System Integrity Event during the calendar months of October - May
Critical Peak - Winter Economic Event				the greater of either 150% of the High-Peak - Winter Energy Charge or the average Market price per kWh for a Critical Peak Event during the calendar months of October - May

This rate is subject to the Power Supply Cost Recovery (PSCR) Factor shown on Sheet No. D-6.00.

Delivery Charges:

System Access Charge: $200.00 per customer per month

Charges for Customer Voltage Level 3 (CVL 3)
Capacity Charge: $***6.68*** per kW of Maximum Demand

Charge for Customer Voltage Level 2 (CVL 2)
Capacity Charge: $***3.61*** per kW of Maximum Demand

Charge for Customer Voltage Level 1 (CVL 1)
Capacity Charge: $***2.37*** per kW of Maximum Demand

This rate is subject to the Surcharges shown on Sheet Nos. D-2.00 through D-5.00 and the Securitization Charges shown on Sheet Nos. D-7.00 and D-7.10.

(Continued on Sheet No. D-77.00)

ENERGY INTENSIVE PRIMARY RATE EIP

(Continued from Sheet No. D-76.00)

Monthly Rate (Contd)

Adjustment for Power Factor

This rate requires a determination of the average Power Factor maintained by the customer during the billing period. Such average Power Factor shall be determined through metering of lagging Kilovar-hours and Kilowatt-hours during the billing period. The calculated ratio of lagging Kilovar-hours to Kilowatt-hours shall then be converted to the average Power Factor for the billing period by using the appropriate conversion factor. Whenever the average Power Factor during the billing period is above .899 or below .850, the customer bill shall be adjusted as follows:

(a) If the average Power Factor during the billing period is .900 or higher, a 0.50% credit will be applied to all metered-based charges, excluding surcharges. This credit shall not in any case be used to reduce the prescribed Minimum Charge.

(b) If the average Power Factor during the billing period is less than .850, a penalty will be applied to all metered-based charges, excluding surcharges, in accordance with the following table:

Power Factor	Penalty
0.800 to 0.849	0.50%
0.750 to 0.799	1.00%
0.700 to 0.749	2.00%
Below 0.700	3% first 2 months

(c) A Power Factor less than 0.700 is not permitted and necessary corrective equipment must be installed by the customer. A 15% penalty will be applied to any metered-based charges, excluding surcharges, after two consecutive months below 0.700 Power Factor and will continue as long as the Power Factor remains below 0.700. Once the customer's Power Factor exceeds 0.700, it is necessary to complete two consecutive months below 0.700 before the 15% penalty applies again.

Maximum Demand

The Maximum Demand shall be the highest 15-minute demand created during the current month or previous 11 months.

Interruptible Credit

Due to the nature of this rate schedule, all customers on this rate schedule shall receive an Interruptible Credit per kWh for all consumption for each calendar month.

Substation Ownership Credit

Where service is supplied at a nominal voltage of more than 25,000 volts, energy is measured through an Interval Data Meter, and the customer provides all the necessary transforming, controlling and protective equipment for all the service there shall be deducted from the bill a monthly credit. For those customers, part of whose load is served through customer-owned equipment, the credit shall be based on the Maximum Demand.

The monthly substation ownership credit shall be applied as follows:

Delivery Charges: These charges are applicable to Full Service and Retail Open Access Customers.

Charges for Customer Voltage Level 2 (CVL 2)
Substation Ownership Credit: $***(1.93)*** per kW of Maximum Demand

Charges for Customer Voltage Level 1 (CVL 1)
Substation Ownership Credit: $***(1.82)*** per kW of Maximum Demand

For those customers served by more than one substation where one or more of the substations is owned by the customer, the credit will be applied to the customer's coincident Maximum Demand for those substations owned by the customer. This credit shall not operate to reduce the customer's billing below the prescribed minimum charges included in the rate. The credit shall be based on the kW after the 1% deduction or 3% addition has been applied to the metered kW.

Self-Generation (SG)

To be eligible for Self-Generation, a Customer with a generating installation operating in parallel with the Company's system, must meet the requirements described in Rule C 11.1., Self-Generation.

(Continued on Sheet No. D-78.00)

LARGE ECONOMIC DEVELOPMENT RATE LED

(Continued From Sheet No. D-78.10)

Nature of Service

Service under the rate shall be alternating current, 60-Hertz, three-phase Primary Voltage service. The particular nature of the voltage service provided to the customer shall be specified in a written agreement.

Where voltage is supplied at a nominal voltage of 25,000 volts or less, the customer shall furnish, install and maintain all necessary transforming, controlling and protective equipment.

Where the Company elects to measure the service at a nominal voltage above 25,000 volts and where the meter is located on the Company side of the substation transformer, 1% shall be deducted for billing purposes, from the demand and energy measurements thus made.

Where the Company elects to measure the service at a nominal voltage of less than 2,400 volts, 3% shall be added for billing purposes, from the demand and energy measurements thus made.

Interval Data Meters are required for service under this rate. Meter reading will be accomplished electronically through telecommunication links or other electronic measuring equipment available to provide the Company with the metering data necessary for billing purposes.

Line losses shall be applied to the customer's monthly metered production capacity, transmission capacity and energy to reflect the energy consumed in moving electric power through the Transmission system and the Company's distribution system to the customer's point of delivery as determined by the Company and approved by the Commission as reflected in the Monthly Rate.

Monthly Rate

System Contribution Charge:	$0.000284	per kWh for all kWh

Power Supply Charges:

Production Charge:

Customer Voltage Level 1	$***11.27***	per kW of On-Peak Billing Demand for all calendar months
Customer Voltage Level 2	$***11.43***	per kW of On-Peak Billing Demand for all calendar months
Customer Voltage Level 3	$***11.61***	per kW of On-Peak Billing Demand for all calendar months

Effective for contracts dated on and after June 7, 2024, the monthly Production Charge is the Cost of New Entry for MISO's Local Resource Zone 7 ("CONE"), as of the time of contract execution. The monthly Production Charge is fixed for the contract term at the rate in effect at the time of contract execution, unless the customer fails to meet the minimum On-Peak Billing Demand required by the Company. Effective for contracts dated on or before June 7, 2024, customers shall pay the monthly Production Charge which was in effect at the time of contract execution.

Transmission Charge:

Customer Voltage Level 1	$1.59	per kW of On-Peak Billing Demand for all calendar months
Customer Voltage Level 2	$1.62	per kW of On-Peak Billing Demand for all calendar months
Customer Voltage Level 3	$1.64	per kW of On-Peak Billing Demand for all calendar months

The monthly Transmission Charge is based on the incremental transmission charges applicable with the load served under this tariff and shall be adjusted and reconciled on an annual basis in the Company's PSCR proceedings.

Energy Charge:

For all energy supplied by the Company, the customer shall be responsible for either the MISO Real-Time or Day Ahead Locational Marginal Price (LMP) for the Company's load node (designated as "CONS.CETR" as of the date of this Rate Schedule), multiplied by the customer's consumption (kWh). Customers also enrolled in the Voluntary Large Customer Renewable Program LC-REP (LC-REP) may choose, at the Company's discretion, to have the billing of energy under this Rate Schedule match with the crediting methodology of energy under the LC-REP Program for administrative purposes.

Line losses applied to Energy Charge	
Voltage Level 1	***3.08***%
Voltage Level 2	***4.25***%
Voltage Level 3	***5.27***%

(Continued on Sheet No. D-78.30)

LARGE ECONOMIC DEVELOPMENT RATE LED

(Continued From Sheet No. D-78.20)

Monthly Rate (Contd)

Delivery Charges:

Distribution Charges:

Customer Voltage Level 1:	$***2.37***	per kW of Maximum Demand
Customer Voltage Level 2:	$***3.61***	per kW of Maximum Demand
Customer Voltage Level 3:	$***6.68***	per kW of Maximum Demand

The Distribution Charges for the Large Economic Development Rate are equivalent to the Distribution Charges for Large General Service Primary Demand Rate GPD. The monthly charge per kW of Maximum Demand per calendar month may be adjusted to contribute to the recovery of the annual revenue requirement associated with investments made by the Company for incremental distribution facilities required to serve the customer and ***a facilities allowance*** specified in the contract for electric service.

Substation Ownership Credit

Where service is supplied at a nominal voltage of more than 25,000 volts, energy is measured through an Interval Data Meter, and the customer provides all the necessary transforming, controlling and protective equipment for all the service there shall be deducted from the bill a monthly credit. For those customers, part of whose load is served through customer-owned equipment, the credit shall be based on the Maximum Demand.

The monthly substation ownership credit shall be applied as follows:

Delivery Charges: These charges are applicable to Full Service Customers.

Charges for Customer Voltage Level 2 (CVL 2)

Substation Ownership Credit: $***(1.93)*** per kW of Maximum Demand

Charges for Customer Voltage Level 1 (CVL 1)

Substation Ownership Credit: $***(1.82)*** per kW of Maximum Demand

This rate is subject to the Surcharges shown on Sheet Nos. D-2.00 through D-5.00 and the Securitization Charges shown on Sheet Nos. D-7.00 and D-7.10. This rate is not subject to the Power Supply Cost Recovery (PSCR) Factor shown on Sheet No. D-6.00.

(Continued on Sheet No. D-78.40)

LARGE ECONOMIC DEVELOPMENT RATE LED

(Continued From Sheet No. D-78.30)

Interruptible Service Provision

The monthly credit available to the customer under this Interruptible Service Provision shall not exceed the Production Capacity Charge specified in the Large Economic Development Rate.

A customer participating in this provision is not eligible to participate in Demand Response programs with an Aggregator of Retail Customers during any MISO season.

The Company reserves the right to limit the amount of load contracted as Interruptible Service Capacity under this rate schedule or require testing to demonstrate the customer's ability to meet the contracted Interruptible Service Capacity.

Customers contracting for interruptible service under this rate schedule shall be required to monitor and provide real-time, Internet-enabled power monitoring. The Company will provide the metering or monitoring devices necessary, which shall be owned by the Company and provided to the customer at the Company's expense. The customer may be required to provide suitable space for such monitoring equipment and either a static or non-static, as applicable, Internet Protocol (IP) address and Local Area Network (LAN) access that allows for Internet-based communication of the customer's site electricity consumption and interruption event performance.

The interruptible load is subject to the MISO Load Modifying Resource requirements. Within 30 minutes of receiving an interruption notice from the Company, the customer shall reduce its total load level down to the Firm Contracted Capacity level or as required by the MISO partial curtailment request.

Any load designated as interruptible is subject to MISO requirements for Load Modifying Resources and the Company shall inform the customer of such MISO requirements. Interruption under this Interruptible Service Provision may occur if MISO declares a Maximum Generation Emergency Event that requires deployment of Load Modifying Resources in accordance with the currently effective MISO Emergency Electrical Procedure or North American Electric Reliability Corporation Emergency Event Alert 2 notice indicating that MISO is experiencing or expects to experience a shortage of economic resources and the Company has declared emergency status. Participation in the Interruptible Service Provision does not limit the Company's ability to implement emergency electrical procedures as described in the Company's Electric Rate Book including interruption of service as required to maintain system integrity.

Annual Power Test Requirement

Under this provision, the customer shall provide a documented energy reduction plan. The energy reduction plan shall serve as the representation of the customer's annual simulated power test in compliance with the Commission Order issued October 29, 2020 in Case No. U-20628. Any changes to the customer's contracted capacity under this provision must be supported by an updated energy reduction plan on an annual basis.

Conditions of Interruption

Under this Interruptible Service Provision, the customer shall be interrupted at any time MISO deems it necessary to maintain system integrity. The Company shall endeavor to provide notice to the customer in advance of probable interruption by MISO. The Company shall provide the customer at least thirty minutes advance notice of a required interruption, and if possible, a second notice. Notices will be communicated by telephone to the contact numbers provided by the customer. The customer shall confirm the receipt of such notice through the automated response process. Failure to acknowledge receipt of such notice shall not relieve the customer of the obligation for interruption. The customer shall be informed, when possible, of the estimated duration of the interruption at the time of interruption.

The Company shall not be liable for any loss or damage caused by or resulting from any interruption of service under this Interruptible Service Provision.

Interruptions beyond the Company's control, described in Rules C1.1, Character of Service, and C3, Emergency Electrical Procedures, of the Company's Electric Rate Book, shall not be considered as interruptions for purposes of this Interruptible Service Provision.

Should the Company be ordered by Governmental authority during a national emergency to supply firm instead of interruptible service, billing shall reflect firm service capacity as provided under this rate schedule.

Cost of Non-Compliance with Interruption

Failure by customer to comply with an interruption order under this Interruptible Service Provision shall be considered as unauthorized use and billed at (i) the higher of the customer's pro rata share of any actual MISO penalties incurred by the Company or (ii) the rate of $25.00 per kW for the highest 15-minute kW of Interruptible Peak Billing Demand created during the interruption period in excess of the Firm Contracted Capacity or the partial curtailment requested amount, in addition to the prescribed monthly rate.

(Continued on Sheet No. D-78.50)

GENERAL SERVICE SELF GENERATION RATE GSG-2

(Continued From Sheet No. D-81.00)

Nature of Service (Contd)

Where service is supplied at a nominal voltage equal to or greater than 2,400 volts and the Company elects to measure the service at a nominal voltage above 25,000 volts and where the meter is located on the Company side of the substation transformer, 1% shall be deducted for billing purposes, from the demand and energy measurements thus made.

Where service is supplied at a nominal voltage equal to or greater than 2,400 volts and the Company elects to measure the service at a nominal voltage of less than 2,400 volts, 3% shall be added for billing purposes, to the demand and energy measurements thus made.

Where service is supplied at a nominal voltage less than 2,400 volts and the Company elects to measure the service at a nominal voltage equal to or greater than 2,400 volts, 3% shall be deducted for billing purposes from the energy measurements thus made.

There shall be no double billing of demand under the base rate and Rate GSG-2.

Monthly Rate

Standby Charges:

Power Supply Standby Charges:

For all standby energy supplied by the Company, the customer shall be responsible for the MISO Real-Time Locational Market Price (LMP) for the Company's load node (designated as "CONS.CETR" as of the date of this Rate Schedule), multiplied by the customer's consumption (kWh), plus the Market Settlement Fee of $0.002/kWh. In addition capacity charges will be assessed monthly, calculated using the highest 15 minute kW demand associated with Standby Service occurring during the Company's On-Peak billing hours will be multiplied by the highest contracted capacity purchased by the Company in that month, plus allocated transmission and ancillaries. The capacity charges will be prorated based on the number of On-Peak days that Standby Service was used during the billing month.

A customer with a generator(s) nameplate rating more than 550 kW must provide written notice to the Company by December 1 if they desire standby service in the succeeding calendar months of June through September. Written notice shall be submitted on Company Form 500.

Real Power Losses:

Real Power Losses shall be measured based on the transmission loss factor of ***2.12***% plus the associated meter point as listed below:

	Meter Point	
	High Side	Low Side
Customer Voltage Level 1	0.000%	***0.986***%
Customer Voltage Level 2	***1.359***%	***2.247***%
Customer Voltage Level 3	***3.268***%	***6.502***%

Delivery Standby Charges:

System Access Charge:	$100.00	per generator installation per month
Charges for Customer Voltage Level 3 (CVL 3)		
Capacity Charge:	$***6.68***	per kW of Maximum Demand
Charges for Customer Voltage Level 2 (CVL 2)		
Capacity Charge:	$***3.61***	per kW of Maximum Demand
Charges for Customer Voltage Level 1 (CVL 1)		
Capacity Charge:	$***2.37***	per kW of Maximum Demand

This rate is subject to the Surcharges shown on Sheet Nos. D-2.00 through D-5.00 and the Securitization Charges shown on Sheet Nos. D-7.00 and D-7.10.

(Continued on Sheet No. D-83.00)

GENERAL SERVICE SELF GENERATION RATE GSG-2

(Continued From Sheet No. D-82.00)

Monthly Rate (Contd)

Standby Charges: (Contd)

Adjustment for Power Factor

This rate requires a determination of the average Power Factor maintained by the customer during the billing period. Such average Power Factor shall be determined through metering of lagging Kilovar -hours and Kilowatt-hours during the billing period. The calculated ratio of lagging Kilovar-hours to Kilowatt-hours shall then be converted to the average Power Factor for the billing period by using the appropriate conversion factor. Whenever the average Power Factor during the billing period is above .899 or below .850, the customer bill shall be adjusted as follows:

(a) If the average Power Factor during the billing period is .900 or higher, a 0.50% credit will be applied to all metered-based charges, excluding surcharges. This credit shall not in any case be used to reduce the prescribed Minimum Charge.

(b) If the average Power Factor during the billing period is less than .850, a penalty will be applied to all metered-based charges, excluding surcharges, in accordance with the following table:

Power Factor	Penalty
0.800 to 0.849	0.50%
0.750 to 0.799	1.00%
0.700 to 0.749	2.00%
Below 0.700	3% first 2 months

(c) A Power Factor less than 0.700 is not permitted and necessary corrective equipment must be installed by the customer. A 15% penalty will be applied to any metered-based charges, excluding surcharges, after two consecutive months below 0.700 Power Factor and will continue as long as the Power Factor remains below 0.700. Once the customer's Power Factor exceeds 0.700, it is necessary to complete two consecutive months below 0.700 before the 15% penalty applies again.

Substation Ownership Credit

Where service is supplied at a nominal voltage of more than 25,000 volts, energy is measured through an Interval Data Meter, and the customer provides all of the necessary transforming, controlling and protective equipment for all of the service there shall be deducted from the bill a monthly credit. For those customers, part of whose load is served through customer-owned equipment, the credit shall be based on the billed Standby Demand.

The monthly credit for the substation ownership shall be applied as follows:

Delivery Charges:

Charges for Customer Voltage Level 2 (CVL 2)
Substation Ownership Credit: $***(1.93)*** per kW of Maximum Demand

Charges for Customer Voltage Level 1 (CVL 1)
Substation Ownership Credit: $***(1.82)*** per kW of Maximum Demand

For those customers served by more than one substation where one or more of the substations is owned by the customer, the credit will be applied to the customer's coincident Maximum Demand for those substations owned by the customer. This credit shall not operate to reduce the customer's billing below the prescribed minimum charges included in the rate. The credit shall be based on the kW after the 1% deduction or 3% addition has been applied to the metered kW.

(Continued on Sheet No. D-83.10)

GENERAL SERVICE SELF GENERATION RATE GSG-2

(Continued From Sheet No. D-83.00)

Monthly Rate (Contd)

Standby Charges: (Contd)

Transmission Interconnect Credit

Where standby service is provided to a non-utility electric generator located within the Company's service territory and taking power through its transmission interconnect, where the Company has no owned infrastructure other than metering, including billing grade current transformers and potential transformers, telemetry facilities and associated wiring, the following monthly credit shall be applied to the bill:

Delivery Charges:

Transmission Interconnect Credit: $***(2.37)*** per kW of Maximum Demand

This credit shall be based on the kW after the 1% deduction has been applied to the metered kW. The credit supersedes any applicable substation ownership credit.

Sales of Energy to the Company

Administrative Cost Charge

Generation installation with a capacity of over 550 kW but less than or equal to 2,000 kW
As negotiated or $0.0010 per kWh purchased, at the option of the customer

Generation installation with a capacity of over 2,000 kW
As negotiated

Energy Purchase

An energy purchase by the Company shall be bought at the Midcontinent Independent System Operator's Inc. (MISO) real-time Locational Marginal Price (LMP) for the Company's load node (designated as "CONS.CETR" as of the date of this Rate Schedule).

Demand Response Program

Customers participating in the voluntary Demand Response Program help reduce peak demand when energy use is the highest. A customer specific agreement stating the customer's Contracted Capacity kW shall be completed prior to participation in the Demand Response Program. Customer eligibility to participate in this program is determined solely by the Company. The Company reserves the right to specify the term or duration of the program. A customer participating in this program is not eligible to participate in Demand Response programs with an Aggregator of Retail Customers during any MISO season.

Under this program, the customer shall provide a documented energy reduction plan. The energy reduction plan shall serve as the representation of the customer's annual simulated power test in compliance with the Commission Order issued October 29, 2020 in Case No. U-20628. Any changes to the customer's contracted capacity under this program must be supported by an updated energy reduction plan on an annual basis.

Demand Response Program customers shall receive an annual Program Payment on the customer bill or a check for the capacity amount delivered during events specified in the customer specific agreement within three billing cycles after the program season ends. Eligible customers may also receive Emergency Event Performance Payments on the customer bill under specific circumstances as outlined in the customer specific agreement. If a customer fails to deliver their total Contracted Capacity during an Emergency Event ordered by Consumers Energy, an Underperformance Penalty may be applicable. Any applicable penalties or program incentives shall be applied to the customer bill. As a condition of enrollment, Customers will be required to provide energy reduction plans that detail their load reduction procedure as specified in the agreement. Customers will be required to provide event notification contacts that support the program. The program agreement will specify the terms of the program that include program duration, number and length of events, performance calculations and program rules.

(Continued on Sheet No. D-84.00)

GENERAL SERVICE METERED LIGHTING RATE GML

Availability

Subject to any restrictions, this rate is available to any political subdivision or agency of the State of Michigan having jurisdiction over public streets or roadways, for Primary or Secondary Voltage energy-only metered lighting service where the Company has existing distribution lines available for supplying energy for such service. Luminaires which are served under the Company's unmetered lighting rates shall not be intermixed with luminaires served under this metered lighting rate. Luminaire types in addition to those served on Rate Schedule GUL, such as light-emitting diode (LED) streetlights, may receive service under this Rate Schedule.

This rate is not available for resale purposes or for Retail Open Access Service.

Nature of Service

Secondary Voltage:

Service under this rate shall be alternating current, 60-hertz, single-phase or three-phase (at the Company's option), 120/240 nominal Volt service for a minimum of ten luminaires located within a clearly defined area. Control equipment shall be furnished, owned and maintained by the Company. The customer shall furnish, install, own and maintain the rest of the equipment comprising the metered lighting system including, but not limited to, the overhead wires or underground cables between the luminaires, protective equipment, and the supply circuits extending to the point of attachment with the Company's distribution system. The Company shall connect the customer's equipment to the Company's lines and supply the energy for its operation. All of the customer's equipment shall be subject to the Company's approval. The customer shall not change the capacity requirements of the equipment owned by it without first notifying the Company in writing of such changes and the date that they shall be made.

Dusk to Midnight Service:

Dusk to midnight service shall be the same as Secondary service except:

The customer shall pay the difference between the cost of the control equipment necessary for dusk to midnight service and control equipment normally installed for Secondary service. Circuits shall be arranged approximating minimum loads of 3 kW.

Primary Voltage:

Service under this rate shall be alternating current, 60-hertz, single-phase or three-phase (at the Company's option), Primary Voltage service for actual kW demands of not less than 100 kW for each point of delivery and where the customer guarantees a minimum of 4,000 annual hours' use of the actual demand. The Company will determine the particular nature of the voltage in each case. The customer shall furnish, install, own and maintain all equipment comprising the metered lighting system including, but not limited to, controls, protective equipment, transformers and overhead or underground metered lighting circuits extending to the point of attachment with the Company's distribution system. The Company shall furnish, install, own and maintain the metering equipment and connect the customer's metered lighting circuit to its distribution system and supply the energy for operation of the customer's metered lighting system.

Monthly Rate

Secondary Power Supply Charge:

Energy Charge:

Non-Capacity	Capacity	Total	
$0.045272	$0.000000	***$0.045272***	per kWh for all kWh

This rate is subject to the Power Supply Cost Recovery (PSCR) Factor shown on Sheet No. D-6.00.

(Continued on Sheet No. D-86.00)

GENERAL SERVICE METERED LIGHTING RATE GML

(Continued From Sheet No. D-85.00)

Monthly Rate (Contd)

Secondary Delivery Charge:

System Access Charge:	$10.00	per customer per month
Distribution Charge:	$***0.118564***	per kWh for all kWh

This rate is subject to the Surcharges shown on Sheet Nos. D-2.00 through D-5.00 and the Securitization Charges shown on Sheet Nos. D-7.00 and D-7.10.

Primary Power Supply Charge:

Energy Charge:

Non-Capacity	Capacity	Total	
$0.022217	$0.000000	***$0.022217***	per kWh for all kWh

This rate is subject to the Power Supply Cost Recovery (PSCR) Factor shown on Sheet No. D-6.00.

Primary Delivery Charge:

System Access Charge:	$20.00	per customer per month
Distribution Charge:	$***0.090355***	per kWh for all kWh

This rate is subject to the Surcharges shown on Sheet Nos. D-2.00 through D-5.00 and the Securitization Charges shown on Sheet Nos. D-7.00 and D-7.10.

Net Metering Program

The Net Metering Program is available to any eligible customer as described in Rule C11.2., Net Metering Program, who desires to generate a portion or all of their own retail electricity requirements using a Renewable Energy Resource as defined in Rule C11.2.B., Net Metering Program.

A customer who participates in the Net Metering Program is subject to the provisions contained in Rule C11.2., Net Metering Program.

Green Generation Program

Customer contracts for participation in the Green Generation Program shall be available to any eligible customer as described in Rule C10.2, Green Generation Program.

A customer who participates in the Green Generation Program is subject to the provisions contained in Rule C10.2, Green Generation Program.

Renewable Energy Credit (REC) Programs

These programs provide customers with the opportunity to subscribe to the environmental attribute of renewable energy by offering customers the ability to utilize renewable energy credits to match up to 100% of their total annual energy.

A customer that participates in one of the Renewable Energy Credit (REC) Programs is subject to the provisions contained in Rule C10.7., Renewable Energy Credits (REC) Programs.

(Continued on Sheet No. D-87.00)

M.P.S.C. No. 14 - Electric
Consumers Energy Company **Sheet No. D-90.10**

GENERAL SERVICE UNMETERED LIGHTING RATE GUL

(Continued From Sheet No. D-90.00)

Monthly Rate (Contd)

Universal Unmetered Streetlighting Rates, effective for service rendered on and after *May 1, 2026*:

Company-Owned Equipment

Watts Per Light:	Non-Capacity Energy:	Capacity Energy:	Total Energy:	Delivery:	Monthly Cost Per Light:
15-24	$*0.28*	$0.00	$*0.28*	$*10.29*	$*10.57*
25-34	$*0.43*	$0.00	$*0.43*	$*11.07*	$*11.50*
35-44	$*0.57*	$0.00	$*0.57*	$*11.85*	$*12.42*
45-54	$*0.72*	$0.00	$*0.72*	$*12.63*	$*13.35*
55-64	$*0.86*	$0.00	$*0.86*	$*13.41*	$*14.27*
65-74	$*1.01*	$0.00	$*1.01*	$*14.19*	$*15.20*
75-84	$*1.15*	$0.00	$*1.15*	$*14.97*	$*16.12*
85-94	$*1.29*	$0.00	$*1.29*	$*15.75*	$*17.04*
95-104	$*1.44*	$0.00	$*1.44*	$*16.53*	$*17.97*
105-114	$*1.58*	$0.00	$*1.58*	$*17.31*	$*18.89*
115-124	$*1.73*	$0.00	$*1.73*	$*18.09*	$*19.82*
125-134	$*1.87*	$0.00	$*1.87*	$*18.86*	$*20.73*
135-144	$*2.02*	$0.00	$*2.02*	$*19.64*	$*21.66*
145-154	$*2.16*	$0.00	$*2.16*	$*20.42*	$*22.58*
155-164	$*2.31*	$0.00	$*2.31*	$*21.20*	$*23.51*
165-174	$*2.45*	$0.00	$*2.45*	$*21.98*	$*24.43*
175-184	$*2.60*	$0.00	$*2.60*	$*22.76*	$*25.36*
185-194	$*2.74*	$0.00	$*2.74*	$*23.54*	$*26.28*
195-204	$*2.89*	$0.00	$*2.89*	$*24.32*	$*27.21*
205-214	$*3.03*	$0.00	$*3.03*	$*25.10*	$*28.13*
215-224	$*3.17*	$0.00	$*3.17*	$*25.88*	$*29.05*
225-234	$*3.32*	$0.00	$*3.32*	$*26.66*	$*29.98*
235-244	$*3.46*	$0.00	$*3.46*	$*27.44*	$*30.90*
245-254	$*3.61*	$0.00	$*3.61*	$*28.22*	$*31.83*
255-264	$*3.75*	$0.00	$*3.75*	$*29.00*	$*32.75*
265-274	$*3.90*	$0.00	$*3.90*	$*29.78*	$*33.68*
275-284	$*4.04*	$0.00	$*4.04*	$*30.56*	$*34.60*
285-294	$*4.19*	$0.00	$*4.19*	$*31.34*	$*35.53*
295-304	$*4.33*	$0.00	$*4.33*	$*32.12*	$*36.45*
305-314	$*4.48*	$0.00	$*4.48*	$*32.90*	$*37.38*
315-324	$*4.62*	$0.00	$*4.62*	$*33.68*	$*38.30*
325-334	$*4.77*	$0.00	$*4.77*	$*34.45*	$*39.22*
335-344	$*4.91*	$0.00	$*4.91*	$*35.23*	$*40.14*
345-354	$*5.05*	$0.00	$*5.05*	$*36.01*	$*41.06*
355-364	$*5.20*	$0.00	$*5.20*	$*36.79*	$*41.99*
365-374	$*5.34*	$0.00	$*5.34*	$*37.57*	$*42.91*
375-384	$*5.49*	$0.00	$*5.49*	$*38.35*	$*43.84*
385-394	$*5.63*	$0.00	$*5.63*	$*39.13*	$*44.76*
395-404	$*5.78*	$0.00	$*5.78*	$*39.91*	$*45.69*
405-414	$*5.92*	$0.00	$*5.92*	$*40.69*	$*46.61*
415-424	$*6.07*	$0.00	$*6.07*	$*41.47*	$*47.54*
425-434	$*6.21*	$0.00	$*6.21*	$*42.25*	$*48.46*
435-444	$*6.36*	$0.00	$*6.36*	$*43.03*	$*49.39*
445-454	$*6.50*	$0.00	$*6.50*	$*43.81*	$*50.31*
455-464	$*6.65*	$0.00	$*6.65*	$*44.59*	$*51.24*
465-474	$*6.79*	$0.00	$*6.79*	$*45.37*	$*52.16*
475-484	$*6.94*	$0.00	$*6.94*	$*46.15*	$*53.09*

(Continued on Sheet No. D-90.20)

M.P.S.C. No. 14 - Electric
Consumers Energy Company **Sheet No. D-90.20**

GENERAL SERVICE UNMETERED LIGHTING RATE GUL

(Continued From Sheet No. D-90.10)

Monthly Rate (Contd)

Universal Unmetered Streetlighting Rates, effective for service rendered on and after *May 1, 2026*:

Customer-Owned Equipment

Watts Per Light:	Non-Capacity Energy:	Capacity Energy:	Total Energy:	Delivery:	Monthly Cost Per Light:
15-24	$*0.28*	$0.00	$*0.28*	$*7.29*	$*7.57*
25-34	$*0.43*	$0.00	$*0.43*	$*8.07*	$*8.50*
35-44	$*0.57*	$0.00	$*0.57*	$*8.85*	$*9.42*
45-54	$*0.72*	$0.00	$*0.72*	$*9.63*	$*10.35*
55-64	$*0.86*	$0.00	$*0.86*	$*10.41*	$*11.27*
65-74	$*1.01*	$0.00	$*1.01*	$*11.19*	$*12.20*
75-84	$*1.15*	$0.00	$*1.15*	$*11.97*	$*13.12*
85-94	$*1.29*	$0.00	$*1.29*	$*12.75*	$*14.04*
95-104	$*1.44*	$0.00	$*1.44*	$*13.53*	$*14.97*
105-114	$*1.58*	$0.00	$*1.58*	$*14.31*	$*15.89*
115-124	$*1.73*	$0.00	$*1.73*	$*15.09*	$*16.82*
125-134	$*1.87*	$0.00	$*1.87*	$*15.86*	$*17.73*
135-144	$*2.02*	$0.00	$*2.02*	$*16.64*	$*18.66*
145-154	$*2.16*	$0.00	$*2.16*	$*17.43*	$*19.58*
155-164	$*2.31*	$0.00	$*2.31*	$*18.20*	$*20.51*
165-174	$*2.45*	$0.00	$*2.45*	$*18.98*	$*21.43*
175-184	$*2.60*	$0.00	$*2.60*	$*19.76*	$*22.36*
185-194	$*2.74*	$0.00	$*2.74*	$*20.54*	$*23.28*
195-204	$*2.89*	$0.00	$*2.89*	$*21.32*	$*24.21*
205-214	$*3.03*	$0.00	$*3.03*	$*22.10*	$*25.13*
215-224	$*3.17*	$0.00	$*3.17*	$*22.88*	$*26.05*
225-234	$*3.32*	$0.00	$*3.32*	$*23.66*	$*26.98*
235-244	$*3.46*	$0.00	$*3.46*	$*24.44*	$*27.90*
245-254	$*3.61*	$0.00	$*3.61*	$*25.22*	$*28.83*
255-264	$*3.75*	$0.00	$*3.75*	$*26.00*	$*29.75*
265-274	$*3.90*	$0.00	$*3.90*	$*26.78*	$*30.68*
275-284	$*4.04*	$0.00	$*4.04*	$*27.56*	$*31.60*
285-294	$*4.19*	$0.00	$*4.19*	$*28.34*	$*32.53*
295-304	$*4.33*	$0.00	$*4.33*	$*29.12*	$*33.45*
305-314	$*4.48*	$0.00	$*4.48*	$*29.90*	$*34.38*
315-324	$*4.62*	$0.00	$*4.62*	$*30.68*	$*35.30*
325-334	$*4.77*	$0.00	$*4.77*	$*31.45*	$*36.22*
335-344	$*4.91*	$0.00	$*4.91*	$*32.23*	$*37.14*
345-354	$*5.05*	$0.00	$*5.05*	$*33.01*	$*38.06*
355-364	$*5.20*	$0.00	$*5.20*	$*33.79*	$*38.99*
365-374	$*5.34*	$0.00	$*5.34*	$*34.57*	$*39.91*
375-384	$*5.49*	$0.00	$*5.49*	$*35.35*	$*40.84*
385-394	$*5.63*	$0.00	$*5.63*	$*36.13*	$*41.76*
395-404	$*5.78*	$0.00	$*5.78*	$*36.91*	$*42.69*
405-414	$*5.92*	$0.00	$*5.92*	$*37.69*	$*43.61*
415-424	$*6.07*	$0.00	$*6.07*	$*38.47*	$*44.54*
425-434	$*6.21*	$0.00	$*6.21*	$*39.25*	$*45.46*
435-444	$*6.36*	$0.00	$*6.36*	$*40.03*	$*46.39*
445-454	$*6.50*	$0.00	$*6.50*	$*40.81*	$*47.31*
455-464	$*6.65*	$0.00	$*6.65*	$*41.59*	$*48.24*
465-474	$*6.79*	$0.00	$*6.79*	$*42.37*	$*49.16*
475-484	$*6.94*	$0.00	$*6.94*	$*43.15*	$*50.09*

This rate is subject to the Surcharges shown on Sheet Nos. D-2.00 through D-5.00 and the Securitization Charges shown on Sheet Nos. D-7.00 and D-7.10.

(Continued on Sheet No. D-91.00)

GENERAL UNMETERED LIGHT EMITTING DIODE LIGHTING RATE GU-LED

(Continued From Sheet No. D-93.00)

Facilities Policy (Contd)

Company-Owned Option (Contd)

D. The Company will determine LED lighting fixtures to be offered under this rate. The list of approved fixtures is subject to modification at the sole discretion of the Company to accommodate new product development and advances in technology. Upon customer request, the Company shall provide a list of LED lighting available under this rate.

E. For customer requested material requiring special order, an additional per luminaire per month charge may apply for procurement and material handling. The Company and the Customer shall mutually agree to the monthly charge prior to procurement and installation of the special order material.

F. The Company shall determine all associated equipment necessary to provide service under the Company-Owned Unmetered LED Lighting option.

G. Any charges, deposits or contributions may be required in advance of commencement of construction.

H. At the Company's discretion, any fixture may be converted to LED at no cost to the customer. The replaced fixture will be moved to General Unmetered Light Emitting Diode Lighting Rate GU-LED upon completion of the installation and reconciliation of the community's streetlighting inventory for billing accuracy.

Customer-Owned Option

If it is necessary for the Company to install distribution facilities to serve a customer-owned system, contributions and/or deposits for such additional facilities shall be calculated in accordance with the Company's general service line extension policy. Any charges, deposits or contributions may be required in advance of commencement of construction.

Monthly Rate

Company-Owned Conversion Credit

A conversion credit may be available to Customers who converted to LED municipal streetlighting.

Customers who converted to LED streetlighting before April 1, 2018 are eligible for the following Conversion Credit per billing month beginning with the January 2021 billing month through the December 2028 billing month:

Fixture Credit per Luminaire: $***(7.72)*** per month

(Continued on Sheet No. D-94.10)

M.P.S.C. No. 14 - Electric
Consumers Energy Company **Sheet No. D-94.20**

GENERAL UNMETERED LIGHT EMITTING DIODE LIGHTING RATE GU-LED

(Continued From Sheet No. D-94.10)

Monthly Rate (Contd)

Universal Unmetered Streetlighting Rates, effective for service rendered on and after *May 1, 2026*:

Company-Owned Equipment

Watts Per Light:	Non-Capacity Energy:	Capacity Energy:	Total Energy:	Delivery:	Monthly Cost Per Light:
15-24	$*0.28*	$0.00	$*0.28*	$*10.29*	$*10.57*
25-34	$*0.43*	$0.00	$*0.43*	$*11.07*	$*11.50*
35-44	$*0.57*	$0.00	$*0.57*	$*11.85*	$*12.42*
45-54	$*0.72*	$0.00	$*0.72*	$*12.63*	$*13.35*
55-64	$*0.86*	$0.00	$*0.86*	$*13.41*	$*14.27*
65-74	$*1.01*	$0.00	$*1.01*	$*14.19*	$*15.20*
75-84	$*1.15*	$0.00	$*1.15*	$*14.97*	$*16.12*
85-94	$*1.29*	$0.00	$*1.29*	$*15.75*	$*17.04*
95-104	$*1.44*	$0.00	$*1.44*	$*16.53*	$*17.97*
105-114	$*1.58*	$0.00	$*1.58*	$*17.31*	$*18.89*
115-124	$*1.73*	$0.00	$*1.73*	$*18.09*	$*19.82*
125-134	$*1.87*	$0.00	$*1.87*	$*18.86*	$*20.73*
135-144	$*2.02*	$0.00	$*2.02*	$*19.64*	$*21.66*
145-154	$*2.16*	$0.00	$*2.16*	$*20.42*	$*22.58*
155-164	$*2.31*	$0.00	$*2.31*	$*21.20*	$*23.51*
165-174	$*2.45*	$0.00	$*2.45*	$*21.98*	$*24.43*
175-184	$*2.60*	$0.00	$*2.60*	$*22.76*	$*25.36*
185-194	$*2.74*	$0.00	$*2.74*	$*23.54*	$*26.28*
195-204	$*2.89*	$0.00	$*2.89*	$*24.32*	$*27.21*
205-214	$*3.03*	$0.00	$*3.03*	$*25.10*	$*28.13*
215-224	$*3.17*	$0.00	$*3.17*	$*25.88*	$*29.05*
225-234	$*3.32*	$0.00	$*3.32*	$*26.66*	$*29.98*
235-244	$*3.46*	$0.00	$*3.46*	$*27.44*	$*30.90*
245-254	$*3.61*	$0.00	$*3.61*	$*28.22*	$*31.83*
255-264	$*3.75*	$0.00	$*3.75*	$*29.00*	$*32.75*
265-274	$*3.90*	$0.00	$*3.90*	$*29.78*	$*33.68*
275-284	$*4.04*	$0.00	$*4.04*	$*30.56*	$*34.60*
285-294	$*4.19*	$0.00	$*4.19*	$*31.34*	$*35.53*
295-304	$*4.33*	$0.00	$*4.33*	$*32.12*	$*36.45*
305-314	$*4.48*	$0.00	$*4.48*	$*32.90*	$*37.38*
315-324	$*4.62*	$0.00	$*4.62*	$*33.68*	$*38.30*
325-334	$*4.77*	$0.00	$*4.77*	$*34.45*	$*39.22*
335-344	$*4.91*	$0.00	$*4.91*	$*35.23*	$*40.14*
345-354	$*5.05*	$0.00	$*5.05*	$*36.01*	$*41.06*
355-364	$*5.20*	$0.00	$*5.20*	$*36.79*	$*41.99*
365-374	$*5.34*	$0.00	$*5.34*	$*37.57*	$*42.91*
375-384	$*5.49*	$0.00	$*5.49*	$*38.35*	$*43.84*
385-394	$*5.63*	$0.00	$*5.63*	$*39.13*	$*44.76*
395-404	$*5.78*	$0.00	$*5.78*	$*39.91*	$*45.69*
405-414	$*5.92*	$0.00	$*5.92*	$*40.69*	$*46.61*
415-424	$*6.07*	$0.00	$*6.07*	$*41.47*	$*47.54*
425-434	$*6.21*	$0.00	$*6.21*	$*42.25*	$*48.46*
435-444	$*6.36*	$0.00	$*6.36*	$*43.03*	$*49.39*
445-454	$*6.50*	$0.00	$*6.50*	$*43.81*	$*50.31*
455-464	$*6.65*	$0.00	$*6.65*	$*44.59*	$*51.24*
465-474	$*6.79*	$0.00	$*6.79*	$*45.37*	$*52.16*
475-484	$*6.94*	$0.00	$*6.94*	$*46.15*	$*53.09*

(Continued on Sheet No. D-94.30)

M.P.S.C. No. 14 - Electric
Consumers Energy Company **Sheet No. D-94.30**

GENERAL UNMETERED LIGHT EMITTING DIODE LIGHTING RATE GU-LED

(Continued From Sheet No. D-94.20)

Monthly Rate (Contd)

Universal Unmetered Streetlighting Rates, effective for service rendered on and after *May 1, 2026*:

Customer-Owned Equipment

Watts Per Light:	Non-Capacity Energy:	Capacity Energy:	Total Energy:	Delivery:	Monthly Cost Per Light:
15-24	$*0.28*	$0.00	$*0.28*	$*7.29*	$*7.57*
25-34	$*0.43*	$0.00	$*0.43*	$*8.07*	$*8.50*
35-44	$*0.57*	$0.00	$*0.57*	$*8.85*	$*9.42*
45-54	$*0.72*	$0.00	$*0.72*	$*9.63*	$*10.35*
55-64	$*0.86*	$0.00	$*0.86*	$*10.41*	$*11.27*
65-74	$*1.01*	$0.00	$*1.01*	$*11.19*	$*12.20*
75-84	$*1.15*	$0.00	$*1.15*	$*11.97*	$*13.12*
85-94	$*1.29*	$0.00	$*1.29*	$*12.75*	$*14.04*
95-104	$*1.44*	$0.00	$*1.44*	$*13.53*	$*14.97*
105-114	$*1.58*	$0.00	$*1.58*	$*14.31*	$*15.89*
115-124	$*1.73*	$0.00	$*1.73*	$*15.09*	$*16.82*
125-134	$*1.87*	$0.00	$*1.87*	$*15.86*	$*17.73*
135-144	$*2.02*	$0.00	$*2.02*	$*16.64*	$*18.66*
145-154	$*2.16*	$0.00	$*2.16*	$*17.42*	$*19.58*
155-164	$*2.31*	$0.00	$*2.31*	$*18.20*	$*20.51*
165-174	$*2.45*	$0.00	$*2.45*	$*18.98*	$*21.43*
175-184	$*2.60*	$0.00	$*2.60*	$*19.76*	$*22.36*
185-194	$*2.74*	$0.00	$*2.74*	$*20.54*	$*23.28*
195-204	$*2.89*	$0.00	$*2.89*	$*21.32*	$*24.21*
205-214	$*3.03*	$0.00	$*3.03*	$*22.10*	$*25.13*
215-224	$*3.17*	$0.00	$*3.17*	$*22.88*	$*26.05*
225-234	$*3.32*	$0.00	$*3.32*	$*23.66*	$*26.98*
235-244	$*3.46*	$0.00	$*3.46*	$*24.44*	$*27.90*
245-254	$*3.61*	$0.00	$*3.61*	$*25.22*	$*28.83*
255-264	$*3.75*	$0.00	$*3.75*	$*26.00*	$*29.75*
265-274	$*3.90*	$0.00	$*3.90*	$*26.78*	$*30.68*
275-284	$*4.04*	$0.00	$*4.04*	$*27.56*	$*31.60*
285-294	$*4.19*	$0.00	$*4.19*	$*28.34*	$*32.53*
295-304	$*4.33*	$0.00	$*4.33*	$*29.12*	$*33.45*
305-314	$*4.48*	$0.00	$*4.48*	$*29.90*	$*34.38*
315-324	$*4.62*	$0.00	$*4.62*	$*30.68*	$*35.30*
325-334	$*4.77*	$0.00	$*4.77*	$*31.45*	$*36.22*
335-344	$*4.91*	$0.00	$*4.91*	$*32.23*	$*37.14*
345-354	$*5.05*	$0.00	$*5.05*	$*33.01*	$*38.06*
355-364	$*5.20*	$0.00	$*5.20*	$*33.79*	$*38.99*
365-374	$*5.34*	$0.00	$*5.34*	$*34.57*	$*39.91*
375-384	$*5.49*	$0.00	$*5.49*	$*35.35*	$*40.84*
385-394	$*5.63*	$0.00	$*5.63*	$*36.13*	$*41.76*
395-404	$*5.78*	$0.00	$*5.78*	$*36.91*	$*42.69*
405-414	$*5.92*	$0.00	$*5.92*	$*37.69*	$*43.61*
415-424	$*6.07*	$0.00	$*6.07*	$*38.47*	$*44.54*
425-434	$*6.21*	$0.00	$*6.21*	$*39.25*	$*45.46*
435-444	$*6.36*	$0.00	$*6.36*	$*40.03*	$*46.39*
445-454	$*6.50*	$0.00	$*6.50*	$*40.81*	$*47.31*
455-464	$*6.65*	$0.00	$*6.65*	$*41.59*	$*48.24*
465-474	$*6.79*	$0.00	$*6.79*	$*42.37*	$*49.16*
475-484	$*6.94*	$0.00	$*6.94*	$*43.15*	$*50.09*

This rate is subject to the Surcharges shown on Sheet Nos. D-2.00 through D-5.00 and the Securitization Charges shown on Sheet Nos. D-7.00 and D-7.10.

(Continued on Sheet No. D-95.00)

GENERAL SERVICE UNMETERED RATE GU

Availability

Subject to any restrictions, this rate is available to the US Government, any political subdivision or agency of the State of Michigan, and any public or private school district for filament and/or gaseous discharge lamp installations maintained for traffic regulation or guidance, as distinguished from street illumination and police signal systems. Lighting for traffic regulation may use experimental lighting technology including light-emitting diode (LED). This rate is also available to Community Antenna Television Service Companies (CATV), Wireless Access Companies or Security Camera Companies for unmetered Power Supply Units. Where the Company's total investment to serve an individual location exceeds three times the annual revenue to be derived from such location, a contribution to the Company shall be required for the excess.

This rate is not available for resale purposes, new roadway lighting or for Retail Open Access Service.

Nature of Service

Customer furnishes and installs all fixtures, lamps, ballasts, controls, amplifiers and other equipment, including wiring to point of connection with Company's overhead or underground system, as directed by the Company. Company furnishes and installs, where required for center suspended overhead traffic light signals, messenger cable and supporting wood poles and also makes final connections to its lines. If, in the Company's opinion, the installation of wood poles for traffic lights is not practical, the customer shall furnish, install and maintain suitable supports other than wood poles. The customer shall maintain the equipment, including lamp renewals, and the Company shall supply the energy for the operation of the equipment. Conversion and/or relocation costs of existing facilities shall be paid for by the customer except when initiated by the Company.

The capacity requirements of the lamp(s), associated ballast(s) and control equipment for each luminaire shall be determined by the Company from the specifications furnished by the manufacturers of such equipment, provided that the Company shall have the right to test such capacity requirements from time to time. In the event that said tests shall show capacity requirements different from those indicated by the manufacturers' specifications, the capacity requirements shown by said tests shall control. The customer shall not change the capacity requirements of the equipment owned by it without first notifying the Company in writing of such changes and the date that they shall be made.

Monthly Rate

Power Supply Charges:

Energy Charge:

Non-Capacity	Capacity	Total	
$ 0.052791	***$ 0.015927***	***$0.068718***	per kWh for all kWh

This rate is subject to the Power Supply Cost Recovery (PSCR) Factor shown on Sheet No. D-6.00.

Delivery Charges:

System Access Charge:	$2.00	per customer per month
Distribution Charge:	$***0.034452***	per kWh for all kWh

This rate is subject to the Surcharges shown on Sheet Nos. D-2.00 through D-5.00 and the Securitization Charges shown on Sheet Nos. D-7.00 and D-7.10.

(Continued on Sheet No. D-97.00)

RETAIL OPEN ACCESS RESIDENTIAL SECONDARY RATE ROA-R

(Continued From Sheet No. E-21.00)

RETAILER:

Monthly Rate - Retailer

Transmission Service

Subject to Rule E1.5, Transmission Service must be obtained from the appropriate transmission service providers and the charges for such service shall be as specified in the Applicable FERC Open Access Tariff.

Real Power Losses

The Retailer is responsible for replacing Real Power Losses of ***6.502***% on the Company's Distribution System associated with the movement of Power and for compensation for losses.

General Terms and Conditions

This rate is subject to all general terms and conditions shown on Sheet No. D-1.00.

Term and Form of Contract - Retailer

All service under this rate shall require a written ROA Service Contract between the Company and a Retailer.

ROA CUSTOMER:

Monthly Rate - ROA Customer

ROA System Access Charge, Distribution Charge, General Terms, Minimum Charge and Due Date and Late Payment Charge

The System Access Charge, Distribution Charge, General Terms, Minimum Charge and the Due Date and Late Payment Charge shall be as provided for under the ROA Customer's otherwise applicable Company Full Service rate.

This rate is subject to the Surcharges shown on Sheet Nos. D-2.00 through D-5.00, the Power Plant Securitization Charges shown on Sheet No. D-7.00 and the Karn 1 and 2 Securitization Charges Shown on Sheet No. D-7.10.

Customers taking ROA service on December 6, 2013 are excluded from the Power Plant Securitization Charges. This exclusion does not apply to customers first taking ROA service after December 6, 2013 or to customers taking service on December 6, 2013 who discontinue taking ROA service any time after December 6, 2013. Customers who discontinue taking ROA service any time after December 6, 2013 and who return to ROA service shall pay the Power Plant Securitization Charges applicable to the customer's otherwise applicable Company Full Service Rate Schedule.

Customers taking ROA service on December 17, 2020 are excluded from the Karn 1 and 2 Securitization Charges. This exclusion does not apply to customers first taking ROA service after December 17, 2020 or to customers taking service on December 17, 2020 who discontinue taking ROA service any time after December 17, 2020. Customers who discontinue taking ROA service any time after December 17, 2020 and who return to ROA service shall pay the Karn 1 and 2 Securitization Charges applicable to the customer's otherwise applicable Company Full Service Rate Schedule.

State Reliability Mechanism for ROA

Beginning June 1, 2018 all ROA customers may be subject to a State Reliability Mechanism Capacity Charge. This charge shall not apply to ROA customers for any planning year in which their Alternative Electric Supplier can demonstrate to the Commission that it can meet its capacity obligations by the seventh business day of February each year starting in 2018.

If a capacity charge is required to be paid in the planning year beginning June 1, 2018, or any of the three subsequent planning years, due to the Alternative Electric Supplier not meeting its capacity obligations, then the capacity charge is applicable for each of those planning years. Any capacity charged required to be paid any time after the first initial four-year period shall be applicable for a single year. The planning year is defined as being June 1 through the following May 31 of each year. The capacity charge paid by ROA customers will be the same amount as a Full Service Customer on the otherwise applicable Rate Schedule. Non-capacity charges shall not apply.

ROA Customer Switching Service Charge

A $5.00 switching fee shall be charged the ROA Customer each time a ROA Customer switches (i) from one Retailer to another or (ii) from ROA to a Company Full Service rate. The ROA Customer may switch Retailers at the end of any billing month by having their new Retailer give the Company at least 30 days' written notice. The Company will notify the ROA Customer's previous Retailer and new Retailer electronically of the effective date of the switch. The ROA Customer may choose to return to Company Full Service at the end of any billing month in compliance with Rule
E2.5 D., Return to Company Full Service - Residential ROA Customers. The ROA Customer Switching Service Charge shall not be applied (i) for the initial switch to ROA Service or (ii) at the time the ROA Customer returns to Company Full Service or another Retailer because the ROA Customer was Slammed by the Retailer.

Term and Form of Contract - ROA Customer

Service under this rate shall not require a ROA Service Contract between the Company and a ROA Customer.

RETAIL OPEN ACCESS SECONDARY RATE ROA-S

(Continued From Sheet No. E-23.00)

Metering Requirements

The ROA Customer with a Maximum Demand of less than 20 kW shall be separately metered by a Wireless Under Glass Meter or an Energy Registering Meter, with or without maximum demand registers, of billing quality. Such metering equipment shall be furnished, installed, maintained and owned by the Company.

The ROA Customer with a Maximum Demand of less than 20 kW may elect to install an Interval Data Meter. Such metering equipment shall be furnished, installed, maintained and owned by the Company. The requesting ROA Customer shall be required to pay the System Access Charge, as provided for under the ROA Customer's otherwise applicable Company Full Service rate, for all such metering equipment.

The ROA Customer with a Maximum Demand of 20 kW or more shall be separately metered by a Wireless Under Glass Meter or an Interval Data Meter of billing quality. Such metering equipment shall be furnished, installed, maintained and owned by the Company. The ROA Customer shall be required to pay the System Access Charge, as provided for under the ROA Customer's otherwise applicable Company Full Service rate, for all such metering equipment.

The ROA Customer with an Interval Data Meter shall be responsible for (i) the communication links that allow access to the meter data by the Company and are compatible with the Company's metering and billing systems, and (ii) all associated costs relating to the communication links including other accompanying equipment and monthly fees.

RETAILER:
Monthly Rate - Retailer

Transmission Service

Subject to Rule E1.5, Transmission Service must be obtained from the appropriate transmission service providers and the charges for such service shall be as specified in the Applicable FERC Open Access Tariff.

Real Power Losses

The Retailer is responsible for replacing Real Power Losses of ***6.502***% on the Company's Distribution System associated with the movement of Power and for compensation for losses.

General Terms and Conditions

This rate is subject to all general terms and conditions shown on Sheet No. D-1.00.

Term and Form of Contract - Retailer

All service under this rate shall require a written ROA Service Contract between the Company and a Retailer.

(Continued on Sheet No. E-25.00)

RETAIL OPEN ACCESS PRIMARY RATE ROA-P

Availability

Subject to any restrictions, this rate is available to any customer receiving service at a Primary Voltage for the delivery of Power from the Point of Receipt to the Point of Delivery and for resale service in accordance with Rule C4.4, Resale.

This rate is not available to a ROA-P Customer where the Company elects to provide one transformation from the available Primary Voltage to another available Primary Voltage desired by the customer. This ROA Customer must take service under Retail Open Access Secondary Rate ROA-S.

This rate is not available for unmetered general service or for any unmetered or metered lighting service.

Service under this rate shall be separately metered. The Retailer shall deliver a flat, fixed amount of power every hour of every day.

Any ROA Customer whose monthly minimum Maximum Demand is less than 1,000 kW must utilize an Aggregator.

Nature of Service

Service under this rate shall be alternating current, 60-Hertz, single-phase or three-phase (at the Company's option) Primary Voltage service. The Company will determine the particular nature of the voltage in each case.

The Company shall not be required to, but may expand its existing facilities to make deliveries under this tariff. The ROA Customer and/or Retailer shall be liable for any and all costs incurred as a result of an expansion of facilities made to make deliveries under this tariff.

Metering Requirements

The load under this tariff shall be separately metered by a Wireless Under Glass Meter or an Interval Data Meter of billing quality. Such metering equipment shall be furnished, installed, maintained and owned by the Company. The ROA customer shall be required to pay the System Access Charge, as provided for under the ROA customer's otherwise applicable Company Full Service rate, for all such metering equipment.

The ROA Customer with an Interval Data Meter shall be responsible for (i) the communication links that allow access to the meter data by the Company and are compatible with the Company's metering and billing systems, and (ii) all associated costs relating to the communication links including other accompanying equipment and monthly fees.

RETAILER:
Monthly Rate - Retailer

Transmission Service

Subject to Rule E1.5, Transmission Service must be obtained from the appropriate transmission service providers and the charges for such service shall be as specified in the Applicable FERC Open Access Tariff.

Real Power Losses

The Retailer is responsible for replacing Real Power Losses as shown below on the Company's Distribution System associated with the movement of Power and for compensation for losses.

	Meter Point	
	High Side	Low Side
Customer Voltage Level 1	0.000%	***0.986***%
Customer Voltage Level 2	***1.359***%	***2.247***%
Customer Voltage Level 3	***3.268***%	***6.502***%

(Continued on Sheet No. E-27.00)

MICHIGAN PUBLIC SERVICE COMMISSION

MPSC Case No.: U-21870

Consumers Energy Company

ATTACHMENT C

Electric Cost-of-Service Study

Capacity Related Cost and Charge Calculation

Projected 12-Month Period Ending April 30, 2027

FOR ORDER

Line No.	(a) Description	(b) Total Electric ($000)	(c) Capacity Charge	(d) Formula
1	Total Production Related Cost	$ 2,633,151		
2	Non-Capacity Related Cost:			
3	Fuel Expense	$ 551,095		
4	Purchased & Interchanged	770,730		
5	Energy Related Other O&M Expense	13,438		
6	PSCR Revenue Credits	(324,432)		
7	Non-PSCR Revenue Credits	(220,511)		
8	Transmission Expense	635,028		
9	Total Non-Capacity Related Cost	$ 1,425,348		Σ Lines 3:8
10	Total Capacity Related Cost	$ 1,207,802		Line 1 - Line 9
11	Offsets:			
12	Energy Market Sales	871,945		
13	Off-System Energy Sales	9,000		
14	Ancillary Service Sales	5,000		
15	Bilateral Energy Sales	0		
16	Total Revenue	$ 885,945		Σ Lines 12:15
17	Related Fuel Cost	545,993		
18	Total Revenue Less Fuel Cost	$ 339,952		Line 16 - Line 17
19	SRM Reconciliation	-		Discontinue Per Order
20	Net Capacity Cost	$ 867,850		Line 10 - Line 18
21	Capacity Charge Demand (MW)		9,853	
22	Capacity Charge ($/MW-Day)		$241.31	[(Line 19 x 1,000) ÷ Line 20] ÷ 365

P R O O F O F S E R V I C E

STATE OF MICHIGAN)

Case No. U-21870

County of Ingham)

Brianna Brown being duly sworn, deposes and says that on March 27, 2026 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 27th day of March 2026.

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

Service List for Case: U-21870

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