

STATE OF MICHIGAN

BEFORE THE MICHIGAN PUBLIC SERVICE COMMISSION

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In the matter of the application of)
CONSUMERS ENERGY COMPANY)
for approval to implement a power supply) Case No. U-21592
cost recovery plan for the 12 months)
ending December 31, 2025.)
_____)

At the April 30, 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

History of Proceedings

On September 30, 2024, Consumers Energy Company (Consumers) filed an application in this docket, with supporting testimony and exhibits, pursuant to Section 6j of Public Act 304 of 1982 (Act 304), MCL 460.6j, as amended, and the April 25, 2024 order in Case Nos. U-21590 *et al.* (April 25 order),¹ requesting approval of the company's power supply cost recovery (PSCR) plan and monthly PSCR factors for the 12-month period ended December 31, 2025.

In its application, Consumers sought approval of a monthly base PSCR factor of \$0.00909 per kilowatt-hour (kWh) for all customer classes plus additional amounts contingent on future events.

¹ The April 25 order assigned docket numbers for Consumers and other electric providers to file their respective power supply, gas, and steam supply cost recovery plans and reconciliations. April 25 order, p. 2.

Application, pp. 1-2. Specifically, the application included a proposed PSCR Factor Ceiling Price Adjustment Mechanism for the 2025 PSCR plan year (PSCR contingency mechanism) that would allow increases above the base PSCR factor to reflect increases above forecasted costs. *Id.*, pp. 2-3. The application also included the company’s five-year forecast of its “power supply requirements, anticipated sources of supply, and projections of power supply costs.” *Id.*, p. 2.

A prehearing conference was held on November 13, 2024, before Administrative Law Judge Lesley C. Fairrow (ALJ). At the prehearing conference, the ALJ recognized the intervention of the Michigan Department of Attorney General (Attorney General) and granted intervention status to Michigan Power Limited Partnership, Ada Cogeneration Limited Partnership, Association of Businesses Advocating for Tariff Equality (ABATE), and Citizens Utility Board of Michigan (CUB). Consumers and the Commission Staff (Staff) also participated in the proceeding.

The ALJ issued a protective order in this matter on March 26, 2025.

On May 22, 2025, the Staff and ABATE filed direct testimony and exhibits in this matter. On June 27, 2025, Consumers and ABATE filed rebuttal testimony.

On July 7, 2025, Consumers filed a motion to strike portions of the rebuttal testimony of ABATE witness Jessica A. York, to which ABATE filed a response on July 15, 2025. On July 24, 2025, the ALJ granted the company’s motion and struck portions of Ms. York’s rebuttal testimony from the record. On August 1, 2025, ABATE filed revised direct and rebuttal testimony for Ms. York.

An evidentiary hearing was held before the ALJ on July 24 and 25, 2025, during which cross-examination occurred, and testimony and exhibits were bound into the record. At the evidentiary hearing, the Staff objected to the admission of ABATE’s proposed Exhibit AB-5 into the record. On August 5, 2025, ABATE filed a response to the Staff’s objection, and on August 12, 2025, the

Staff filed a brief on the issue and Consumers filed a response to the Staff's objection. On August 13, 2025, the ALJ issued a ruling finding that the portion of ABATE's proposed Exhibit AB-5 that included communications to or from the Staff's witness Christopher W. Wentworth were admitted into the evidentiary record. The ALJ further directed ABATE to file a redacted copy of the exhibit in this docket, which ABATE filed on August 27, 2025. That same date, the ALJ closed the record in this matter.

Consumers, the Staff, ABATE, and CUB filed initial briefs on September 3, 2025, with Consumers, the Staff, and ABATE filing reply briefs on October 8, 2025. The ALJ issued a proposal for decision (PFD) in this matter on November 5, 2025. ABATE filed exceptions on December 12, 2025, with Consumers and the Staff filing replies to exceptions on January 13, 2026.

The record in this matter consists of 521 pages of transcript and 35 exhibits admitted into evidence.

Uncontested Issues

The ALJ provided a thorough overview of the record and statutory requirements pertaining to PSCR plan proceedings on pages 3-24 of the PFD, which will not be repeated here. The ALJ next turned to Consumers' 2025 PSCR plan and five-year forecast, noting that many components therein were undisputed by the parties. PFD, p. 24. Specifically, the ALJ outlined the undisputed issues in this case as follows:

[t]he PSCR Plan for 2025 and 5-year forecast that Consumers proposes are largely undisputed. There is no dispute among the parties regarding the Company's forecasted system power supply costs, system transmission and energy market costs, environmental expenses, anticipated sources of supply, and the decisions underlying its five-year forecast. Staff even points out that although the proposed PSCR factor is 3.64% higher than the factor proposed in the 2024 plan year, it is still reasonable and prudent and should be approved.

The Company's proposed maximum PSCR factor also incorporates the portion of the 2022 under-recovery identified by the Commission for collection across a three-year period (2023, 2024, and 2025) and no party has disputed the Company's application of the Commission's directives.

Id., pp. 24-25 (footnotes omitted).

Noting that no party opposed these uncontested issues, the ALJ found that there was ample support in the record to approve a maximum base PSCR factor of \$0.00909 per kWh to each customer bill during the 2025 plan year. Accordingly, the ALJ recommended that the Commission approve this base PSCR factor. PFD, p. 25.

The Commission finds the ALJ's recommendation on the non-contested issues in this proceeding to be well-reasoned and supported by the substantial evidence of the record. Finding that the parties agree on the above-listed issues concerning Consumers' PSCR plan and having no exceptions filed on these issues, the Commission adopts the ALJ's recommendations. *See, id.*, pp. 24-25, 37. The remaining contested issue, objected to in exceptions, is discussed in detail below.

Power Supply Cost Recovery Contingency Mechanism

As part of its application, Consumers sought approval of a PSCR contingency mechanism that would allow for upward adjustments to the base PSCR factor to reflect increases in New York Mercantile Exchange (NYMEX) futures prices if the updated 12-month forecast was greater than the 12-month forecast that was used to develop the base PSCR factor. 2 Tr 125. According to the company, there is a "direct relationship between natural gas costs and Locational Marginal Prices and the resulting total PSCR costs." 2 Tr 125.

Under the PSCR contingency mechanism, Consumers explained that it would make a monthly comparison between an updated 12-month average NYMEX price forecast and the 12-month average NYMEX price forecast that was used in developing the base PSCR factor. 2 Tr 166-167.

For every \$0.25 per one million British thermal units (MMBtu) increase in the NYMEX price forecast relative to the PSCR plan forecast, the PSCR contingency mechanism would set a corresponding updated PSCR ceiling factor that the company would use for that month.

Consumers also noted that the NYMEX price increase considered in the updated forecast would be capped at \$4.00/MMBtu. 2 Tr 167; *see also*, Exhibit A-27.

Consumers emphasized that the PSCR contingency mechanism was modeled on the company's gas cost recovery (GCR) contingency mechanism, which Consumers averred has worked well. The company further contended that the PSCR contingency mechanism is structurally identical to the contingency mechanism approved by the Commission in the company's 2024 PSCR plan case. As a result, Consumers argued that the Commission should likewise approve the PSCR contingency mechanism for this case. *See*, Consumers' initial brief, pp. 15-16.

ABATE and CUB opposed the PSCR contingency mechanism, arguing that the mechanism is unnecessary, unreasonable, imprudent, and fundamentally flawed. ABATE argued that the proposed mechanism produces arbitrary outcomes, as opposed to cost-based results. It asserted that both Consumers and Upper Michigan Energy Resources Corporation (UMERC) implemented the same contingency mechanisms in 2025, both of which were based on NYMEX futures prices. However, ABATE noted that, despite the similarities, both mechanisms had opposite results, specifically with an increase in Consumers' PSCR base factor and a decrease for UMERC's customers. *See*, ABATE's initial brief, pp. 4-7.

ABATE further argued that Consumers' PSCR contingency mechanism would create volatility and would not be of benefit to ratepayers, and that the mechanism was technically deficient due to undefined or missing terms in the tariff language. 3 Tr 325-326, 342-343,

350-351; *see also*, ABATE's initial brief, pp. 17-18, 26-29. Additionally, ABATE challenged the company's rationale for selecting a \$0.25/MMBtu increment and argued that Consumers improperly deleted evidentiary support for the company's selection. ABATE's initial brief, pp. 33-38.

CUB echoed ABATE's concerns and argued that the PSCR contingency mechanism harms residential customers, shifts risks to them, encourages increased reliance on natural gas, and is technically unsound. *See*, CUB's initial brief, pp. 1-11.

The Staff supported approval of the PSCR contingency mechanism and argued that such mechanisms are standard in GCR plans and appropriate in the PSCR context. *See*, Staff's initial brief, p. 7. The Staff maintained that the mechanism better aligns rates with market conditions, reduces the risk of significant underrecoveries, and provides customers with price signals that enable them to respond to changing market conditions. 3 Tr 423; *see also*, Staff's initial brief, pp. 12-14. Further, the Staff noted that similar mechanisms have been approved in multiple PSCR cases and are consistent with past Commission decisions. By way of example, the Staff pointed to Consumers' recent use of the mechanism, which the Staff noted mitigated a substantial underrecovery. Staff's initial brief, pp. 10-11; *see also*, Exhibit S-1.1. Responding to ABATE's and CUB's concerns, the Staff argued that the PSCR contingency mechanism does not improperly shift risk because power supply costs are ultimately borne by ratepayers regardless of the use of the mechanism. *See*, Staff's initial brief, pp. 15-16.

The ALJ found that the proposed PSCR contingency mechanism was permissible under MCL 460.6j and that the evidence supported Consumers' contention that there is a correlation between PSCR costs and natural gas prices. PFD, p. 33. The ALJ further agreed with the Staff's arguments in briefing and found that the evidence supported approving the proposed PSCR

contingency mechanism, including the proposed \$0.25/MMBtu increments and a \$4.00/MMBtu maximum threshold amount for the 2025 PSCR plan year. *Id.*, pp. 33-34. Specifically, the ALJ found that:

[t]he proposed contingency mechanism allows the Company and its customers to avoid potentially large under-recoveries and associated interest which have been identified as reasonable bases to allow similar PSCR contingency mechanisms in the recent past. Indeed, Staff determined the Company's self-implementation of the contingency mechanism during the 2025 plan year worked as expected by preventing an under-recovery of \$100 million, plus interest.

Id., p. 34.

The ALJ declined to adopt ABATE's proposal to reject the PSCR contingency mechanism due to its assertion that Consumers failed to provide documentation supporting the underlying decision for using \$0.25/MMBtu increments. She found that MCL 460.6j(6), (12), and (13) did not require the company to provide such documentation and further found that such documentation was unnecessary given the testimonial evidence produced in the case. *Id.* (citing 2 Tr 60). Moreover, the ALJ noted that ABATE itself provided no documentation opposing the use of Consumers' proposed increment amount and instead relied on the testimony from its witnesses. PFD, p. 34.

Additionally, the ALJ found that the Staff's support for the proposed PSCR contingency mechanism was consistent with both the evidentiary record and the Commission's guidance. She agreed with the Staff's determination that a contingency mechanism is appropriate for the 2025 PSCR plan year, considering Consumers' generation portfolio and the fact that regulatory conditions remain unchanged from the 2024 PSCR plan year, when the Commission deemed the inclusion of such a mechanism as reasonable and prudent. *Id.*, p. 35.

Further, the ALJ rejected the claim that implementing the PSCR contingency mechanism would harm customers more than not implementing it. As Consumers and the Staff noted, she found that market price risks do not shift to customers because, under the PSCR statute, customers

ultimately bear the cost of the energy they use. The ALJ also agreed with the Staff that the contingency mechanism would provide customers with accurate, up-to-date pricing, allowing customers to adjust consumption or budgets as needed. Additionally, the ALJ found that all costs would be reviewed for reasonableness in the associated PSCR reconciliation case and that any concerns about the contingency mechanism affecting the company's analysis of fuel alternatives with less price volatility could be addressed in Consumers' integrated resource plan (IRP) proceeding, as the Commission has previously recognized. *Id.*, pp. 35-36.

Finally, the ALJ rejected ABATE's argument that the PSCR contingency mechanism should be rejected because the tariff language was purportedly incomprehensible, ambiguous, and/or prevents independent oversight by the Commission. The ALJ found that Consumers' tariff language was identical to the tariff approved by the Commission in Case No. U-21423 and noted that the Staff deemed that the implementation of the tariff was reasonable and prudent, thereby demonstrating that the tariff was capable of being understood and reviewed. As such, the ALJ found that the proposed tariff language complied with MCL 460.6j(6) and that any ambiguous wording in the tariff was correctable. PFD, p. 36.

In sum, the ALJ found that the totality of the evidence in the record supported approval of the PSCR contingency mechanism and that Consumers' and the Staff's arguments regarding the legal authority and need for the proposed PSCR contingency mechanism were more persuasive than ABATE's and CUB's arguments. *Id.*, p. 33.

ABATE excepts to the ALJ's recommendations to approve the PSCR contingency mechanism. It first argues that the Commission should reject the mechanism because it is internally inconsistent. Specifically, ABATE contends that the Staff based its support for the mechanism on the Commission's prior approval of a similar mechanism, namely the contingency

mechanism adopted in UMERC's PSCR contested plan cases. ABATE's exceptions, pp. 2-3.²

However, ABATE maintains that Consumers undermined the Staff's rationale by asserting that the PSCR contingency mechanism differed from UMERC's mechanism to justify the mechanisms' differing outcomes for 2025. *Id.*, pp. 3-4. Accordingly, ABATE argues that the ALJ:

errs by sidestepping this inconsistency, reciting both arguments without reckoning with the fact that Consumers and Staff do not agree on whether the UMERC mechanism is the same as, or different from, the Contingency Mechanism proposed in this case. PFD at 29-33 (summarizing Staff's precedent reliance and Consumers' replies). That omission matters: where the proponents of a contested, novel ratemaking device advance contradictory justifications, the Commission should treat that conflict as a warning sign that the mechanism is not supported by a stable, testable rationale, rather than as a reason to rubber-stamp the [ALJ's] recommendation.

Id., pp. 4-5. ABATE further contends that the divergent outcomes for Consumers' and UMERC's PSCR contingency mechanisms for the same 2025 period demonstrate that Consumers' mechanism is unreasonable and arbitrary. *Id.*, pp. 5-6.

Additionally, ABATE argues that Consumers failed to provide and preserve its analysis supporting the proposed PSCR contingency mechanism's \$0.25/MMBtu incremental step and \$4.00/MMBtu cap. It asserts that the company had a duty to preserve this analysis and that by failing to do so, the mechanism is not supported by competent evidence. *Id.*, p. 6. Moreover, ABATE contends that the proposed step increment and cap diverge from those previously approved by the Commission for GCR cases and therefore, that at a minimum, the Commission should "should reject the \$0.25/MMBtu step and \$4.00/MMBtu cap as unsupported, draw an adverse inference from the destruction of the contemporaneous analysis, and decline to approve a

² ABATE's exceptions are unpaginated. As such, this order refers to the page numbers in their natural order.

mechanism whose defining parameters cannot be verified, tested, or meaningfully reviewed on this record.” *Id.*, p. 7.

Next, ABATE argues that Consumers failed to establish a clear relationship between changes in NYMEX futures prices and changes to total PSCR costs and that the record is devoid of any statistical analysis demonstrating a correlation between the two. *Id.*, pp. 7-8. As a result, ABATE asserts that the PSCR contingency mechanism does not reflect the company’s booked costs and permits the company to potentially collect higher PSCR charges than those actually incurred. ABATE further argues that the mechanism shifts costs forward based on speculative future prices, which it claims reduces the company’s incentive to minimize costs and guarantees that customers will pay higher PSCR factors. *Id.*, pp. 11-13. ABATE also repeats its contention that the mechanism’s tariff is not understandable or reliably replicable by ratepayers. *Id.*, p. 14.

Further, ABATE argues that the PSCR contingency mechanism weakens utilities’ incentives to plan prudently by shielding them from the financial risks of relying on volatile gas generation, thereby undermining Act 304’s purpose. *Id.*, p. 15. It also contends that relying on reconciliation to fix flaws in the mechanism is misguided because it becomes difficult to determine whether collections were justified and to unwind unreasonable or imprudent recoveries once the utility has collected additional revenues. *Id.*, pp. 15-16. ABATE avers that the proposed mechanism would effectively reverse the traditional burden of proof by forcing regulators and intervenors to prove overrecovery rather than requiring Consumers to justify additional cost recovery. *Id.*, p. 16. Thus, according to ABATE,

[i]t is far better regulatory policy to avoid creating a mechanism that produces these problems in the first place than to rely on reconciliation as an imperfect backstop. Reconciliation is designed to true up forecast errors and ensure full recovery of prudently incurred costs, not to police an automatic adjustment clause that invites speculative cost recovery and shifts the burden of oversight away from the utility.

Id., p. 17.

ABATE continues and argues that the PSCR contingency mechanism violates Act 304 by replacing the requirement for a single, Commission-approved monthly PSCR factor with a formula that preauthorizes multiple potential factors based on volatile future prices, as opposed to actual booked costs. *Id.*, pp. 17-18. As ABATE contends:

[a]lthough only one factor would ultimately be billed in any given month, the Commission would, in effect, have approved a menu of alternative factors and delegated to a tariff formula the choice among them. The [ALJ] attempts to sidestep this problem by focusing on the fact that customers see only a single factor on their bills, but the statutory requirement is directed at what the Commission approves, not merely what appears on bills. A limited contingent adjustment that specifies a defined adder tied to a narrow event may be consistent with the statute. A broad formula that pre-authorizes multiple potential factors and allows monthly automatic movement among them based on an external commodity index is not.

Id., p. 18.

Additionally, ABATE contends price signals from the PSCR contingency mechanism are “muddied” by the way the mechanism operates and that customers are not informed of the basis for the increase in their monthly PSCR factor. ABATE also argues that price signals are further undermined by the fact that the PSCR contingency mechanism is only tied to a single commodity index, despite PSCR costs being driven by a host of complex conditions. *Id.*, p. 19.

Finally, ABATE argues that prior approvals of other similar contingency mechanisms, particularly in settlements or gas cases, do not demonstrate that the PSCR contingency mechanism is lawful or reasonable for electric PSCR. *Id.*, pp. 21-22. It further asserts that the claimed benefits of the mechanism, such as improved price signals and reduced interest costs, lack empirical support and are outweighed by risks of rate volatility, customer confusion, and continued overrecoveries. *Id.*, pp. 22-24.

In its replies to exceptions, Consumers argues that MCL 460.6j(6) expressly permits the use of multiple PSCR factors based on contingent future events. According to Consumers, this statutory authorization undermines ABATE's arguments regarding the legality of the PSCR contingency mechanism. Consumers' replies to exceptions, pp. 2-4. From a practical standpoint, Consumers contends that the PSCR contingency mechanism does not offer a broad "menu" of PSCR factors from which the company may choose, but rather, that the mechanism is driven by independent natural gas price data that determines a single, contingent PSCR factor for a given month. *Id.*, p. 5. As a result, Consumers asserts that ABATE fails to convincingly explain how the PSCR contingency mechanism violates Act 304, particularly given that both the Commission and the courts have previously approved similar contingency mechanisms based on NYMEX pricing. *Id.*, pp. 5-6.

Consumers additionally rebuts ABATE's claim that the PSCR contingency mechanism is deficient because it is not based on booked costs. The company explains that PSCR plans are necessarily forward-looking, as they are based on reasonable and prudent forecasted costs for the upcoming plan year that are later reconciled. Accordingly, Consumers maintains that no statutory requirement necessitates that the PSCR contingency mechanism be based on actual booked costs at the time of approval, especially given that ABATE did not object to the company's proposed base PSCR factor, which is based on the same forecasting information. *Id.*, pp. 7-8.

Further, Consumers argues that Act 304 does not impose any requirement to demonstrate a "statistical correlation" within the forecasting methodology used to inform the PSCR contingency mechanism. According to Consumers, so long as a forecasting model provides a reasonable proxy for expected costs that are reasonable and prudent, the Commission has authority to approve it. Consumers' replies to exceptions, pp. 9-10. Consumers notes the Commission's longstanding

practice of accepting NYMEX futures prices as reasonable proxies for forecasting natural gas costs in PSCR proceedings and observes that the Commission rejected a similar argument made by ABATE to the contrary in Case No. U-21423. Consumers' replies to exceptions, p. 10 (citing the February 11, 2011 order in Case No. U-16045, p. 12; June 12, 2025 order in Case No. U-21423). Moreover, Consumers emphasizes that these prior approvals are appropriate and that a clear relationship exists between NYMEX futures prices and PSCR gas costs. Consumers' replies to exceptions, p. 11 (citing 2 Tr 58-60, 3 Tr 441).

Additionally, Consumers argues that there is no real contradiction between it and the Staff regarding the comparison of UMERC's and the company's contingency mechanisms. Consumers states that the Staff supported the PSCR contingency mechanism partly because it shares key design features with mechanisms that the Commission has already approved, including UMERC's mechanism. Thus, although ABATE portrays the Staff's support as inconsistent, Consumers maintains that UMERC's and its mechanisms are only similar in fundamental design, and not identical in implementation. Consumers' replies to exceptions, pp. 2-6.

Consumers also rejects ABATE's contention that the PSCR contingency mechanism undermines intergenerational equity, explaining that all PSCR factors, regardless of whether a contingency mechanism is used, are inherently based on forecasts. As Consumers asserts, the key difference however is that a contingency mechanism allows adjustments during the plan year to reflect more current and accurate costs projections, whereas without the mechanism, rates would rely on outdated forecasts, which would potentially cause costs to be shifted to future customers. *Id.*, pp. 20-21. Thus, Consumers argues that the mechanism helps align costs with customers who incur them, rather than harming intergenerational equity. The company also rejects ABATE's assertion that the PSCR contingency mechanism would incentivize it to favor natural gas in

dispatch and procurement, explaining that dispatch is controlled by the Midcontinent Independent System Operator, Inc. (MISO) based on operating costs and that procurement decisions are governed by regulatory requirements and long-term planning processes. *Id.*, pp. 28-30.

Regarding benefits of the contingency mechanism, Consumers objects to ABATE's argument that such benefits are illusory. Instead, the company explains that the proposed mechanism does not create volatility but instead helps align costs with real-time conditions while reducing underrecovery and cost-shifting. Consumers further argues that the mechanism improves price transparency by giving customers more accurate and timely price signals. *Id.*, pp. 31-37.

Finally, Consumers argues that its tariff is understandable and that there is no merit to ABATE's evidentiary arguments concerning the PSCR contingency mechanism's increments or cap. Specifically, Consumers asserts that the tariff is straightforward and has already been approved by the Commission in a prior case. Consumers also contends that the mechanism is also auditable and replicable using publicly available or accessible data, and that any minor clarity issues could easily be fixed without rejecting the tariff. *Id.*, pp. 23-28. Consumers further argues that evidence of the \$0.25 increment for the mechanism was properly deleted under standard retention policies and that testimony provided a clear rationale for the \$0.25 value, thereby making ABATE's spoliation and adverse inference arguments unsupported. *Id.*, pp. 38-42.

The Staff, in its replies to exceptions, rejects ABATE's assertion that a conflict exists between Consumers' and the Staff's positions regarding the PSCR contingency mechanism. The Staff clarifies that technical differences between UMER's contingency mechanism and Consumers' PSCR contingency mechanism exist, but that both serve the same function as those previously approved by the Commission. Staff's replies to exceptions, pp. 4-5. The Staff further notes that Consumers' proposed contingency mechanism is technically similar to the mechanism approved

by the Commission for the company's 2024 PSCR plan in Case No. U-21423 and that ABATE never refuted this fact. Staff's replies to exceptions, pp. 5-6.

The Staff also argues that a clear and simple relationship exists between NYMEX futures prices and PSCR costs, explaining that:

[n]atural gas is so commonly utilized as a fuel source for electric generation in Michigan, and in the MISO energy markets more broadly, that the [Commission] utilizes a natural gas combined cycle generating plant as the generic, non-renewable stand-in for the purposes of renewable energy cost recovery. To suggest that the market price of natural gas is completely irrelevant to the cost of supplying electricity is unsubstantiated.

Id., p. 7. Further, the Staff points out that ABATE did not object to the company's proposed PSCR base factor, which also uses NYMEX futures prices as the basis for natural gas cost projections used to estimate PSCR costs. Given that both the PSCR base factor and the PSCR contingency mechanism are methods for estimating future costs that are unknown at the time of approval and later reconciled, the Staff opines that the PSCR contingency mechanism is a "valid tool for recovering power supply costs more efficiently and accurately." *Id.*, p. 9.

Lastly, the Staff contends that the PSCR contingency mechanism does not represent the preauthorization of multiple PSCR factors. Like Consumers, the Staff asserts that the company's proposed PSCR plan provides a single base PSCR factor that may potentially be adjusted monthly contingent on specific future events, which the Staff maintains is in accordance with MCL 460.6j(6). Staff's replies to exceptions, p. 9. As such, the Staff advocates for the Commission to approve Consumers' PSCR contingency mechanism. *Id.*, p. 10.

The Commission finds the ALJ's recommendation to approve the PSCR contingency mechanism to be well-reasoned and supported by the substantial evidence in the record. The Commission agrees with the ALJ and finds that, based on the totality of the evidence in the record, the arguments advanced by Consumers and the Staff regarding the statutory authority and benefits

of the PSCR contingency mechanism are more persuasive than those presented by ABATE and CUB. The Commission further finds that the PSCR contingency mechanism is permissible under Act 304, which the Commission notes expressly provides for the inclusion of “specific amounts contingent on future events.” MCL 460.6j(6). Moreover, the Commission finds that the proposed mechanism appropriately functions to mitigate the risk of significant underrecoveries and associated interest costs, as demonstrated by the prior implementation of a similar mechanism that prevented a substantial underrecovery during the 2025 plan year. *See*, 3 Tr 424-425; *see also*, Exhibit S-1.1.

Additionally, the Commission finds that the evidentiary record supports a correlation between PSCR costs and natural gas prices given Consumers’ current generation portfolio. *See*, 2 Tr 58-59. The Commission is unpersuaded by ABATE’s arguments concerning the absence of documentary evidence supporting the company’s selected increment of \$0.25/MMBtu and finds that the record contains testimonial evidence that sufficiently explains the company’s methodology and rationale for the increment. *See*, 2 Tr 60-61.

The Commission is further unpersuaded by ABATE’s arguments that the PSCR contingency mechanism, and the Staff’s support for it, are inconsistent. The Commission is persuaded by Consumers’ explanation of the differences between its contingency mechanism and UMER’s for the 2025 plan year. The Commission also agrees with Consumers and the Staff that the PSCR contingency mechanism is functionally similar to other contingency mechanisms that have been previously approved by the Commission. The Commission finds that the regulatory conditions underlying prior approvals remain unchanged and, therefore, that the use of a contingency mechanism continues to be reasonable and prudent. Additionally, the Commission finds that the PSCR contingency mechanism will not improperly shift risk to customers but will instead promote

more accurate and timely price signals, allowing customers to better respond to changing market conditions.

Finally, the Commission rejects ABATE's argument that the proposed tariff language is flawed and incapable of oversight. The Commission finds that the tariff is materially consistent with previously approved language and that the record demonstrated that it can be understood and reviewed.

Accordingly, the Commission adopts the ALJ's findings and recommendations on this issue and finds that the PSCR contingency mechanism for the 2025 PSCR plan year is reasonable and prudent. *See*, PFD, pp. 33-36.

THEREFORE, IT IS ORDERED that:

A. The application filed by Consumers Energy Company for a power supply cost recovery plan for the 12 months ending December 31, 2025, is approved, as set forth in this order.

B. Consumers Energy Company's proposed power supply cost recovery factor of \$0.00909 per kilowatt-hour is approved, and the company's five-year forecast is accepted.

C. Consumers Energy Company's proposed power supply cost recovery factor ceiling price adjustment (contingency) mechanism for the 2025 power supply cost recovery plan year is approved.

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 sheacl@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 April 30, 2026.

Lisa Felice, Executive Secretary

PROOF OF SERVICE

STATE OF MICHIGAN)

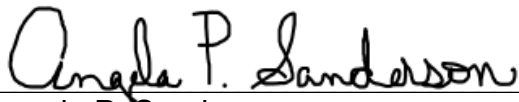
Case No. U-21592

County of Ingham)

Brianna Brown being duly sworn, deposes and says that on April 30, 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 30th day of April 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-21592**

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