

CONSUMERS ENERGY COMPANY

Explanation of Unbundled Electricity Charges for Nonresidential Customers

(Revised 01/21/10)

CHARGE	DESCRIPTION
<p>Power Supply Charges:</p> <ul style="list-style-type: none"> • Capacity Charge (On-Peak Billing Demand, Peak Demand) • Energy Charge • Power Supply Cost Recovery (PSCR) Factor 	<p>Power supply charges are applicable to company full-service customers only. Company full-service customers take power supply (includes generation and transmission costs), service and delivery (includes customer-related and distribution costs) service from the company. Company Retail Open Access (Electric Customer Choice) customers take power supply service from an Alternative Electric Supplier (Retailer) and delivery service from the company. Power supply charges are authorized by the Michigan Public Service Commission (MPSC).</p> <ul style="list-style-type: none"> • A MPSC-authorized charge applicable to nonresidential customers served on demand-based rates. Capacity charges are based upon the electric capacity or demand in kilowatts (kW) required by the customer. Capacity charges recover system costs of power production and fuel. • A MPSC-authorized charge based upon the quantity of electric energy in kilowatt-hours (kWh) used by the customer. Energy charges recover the costs of power production and fuel that are not collected through the capacity (or demand) charge. Some rates separate the energy charge into on-peak and off-peak rates. On-peak hours are the hours between 11 a.m. and 7 p.m. Off-peak hours are the hours between 7 p.m. and 11 a.m. Power supply costs are higher during the on-peak period than they are during the off-peak period. • Michigan Compiled Laws, 460.6 et seq. provides for the incorporation of a Power Supply Cost Recovery factor in rates. Power Supply costs are recovered through a base amount that is included in the capacity and energy charges described above. The remaining costs are recovered through a Power Supply Cost Recovery factor that may vary from month to month and that are reconciled every year to recover the actual cost of fuel the company uses to generate electricity, the cost of electricity the company purchases and the transmission service the company purchases.
<p>Delivery Charges:</p> <ul style="list-style-type: none"> • System Access Charge • Capacity Charge (Maximum Demand, Peak Demand) • Distribution Charge 	<p>Delivery charges are applicable to company full-service and Retail Open Access (Electric Customer Choice) customers. Delivery service includes both customer-related and distribution services that are provided by the company. Delivery charges are authorized by the MPSC.</p> <ul style="list-style-type: none"> • A MPSC-authorized fixed monthly charge to recover the costs of metering, meter reading, billing and other customer-related operating costs, exclusive of demand and energy consumption. • A MPSC-authorized charge applicable to most nonresidential customers based upon the electric capacity (or demand in kW) used during the customer's highest 15-minute demand (kW) created during the current month or previous 11 months. Capacity charges recover system costs for transporting electricity from the transmission (high voltage) lines over the distribution (lower voltage) lines to the customer's premises. • A MPSC-authorized charge based upon the quantity of electric energy (kWh) used by the customer. This charge recovers costs related to the utility plant used for

<ul style="list-style-type: none"> • Palisades Plant Sale Credit 1 and 3 • Regulatory Asset Recovery Surcharge • Energy Optimization Plan • Renewable Energy Plan Surcharge • Securitization and Securitization Tax Charges • Stranded Cost Recovery Surcharge 	<p>delivering electric energy from the transmission system to the customer's premises, including expenses for operating and maintenance of distribution facilities.</p> <ul style="list-style-type: none"> • Refunds to customers for the remaining proceeds resulting from the Palisades Nuclear Plant sale in 2007. The Palisades Plant Sale Credit 1 is effective for the January 2010 bill month. Palisades Plant Sale Credit 3 is effective from the January 2010 bill month through the June 2010 bill month. • 2000 Public Act 14, Section 10d (4), as amended on December 20, 2002, provides for recovery of certain investments and expenses that took place during the rate freeze and rate cap periods imposed by the law. The MPSC first approved this surcharge applicable to company full-service customers over a period of five years in its Order U-14148 dated December 22, 2005, allowing recovery primarily for clean air investments at our coal-fired generating plants. • 2008 Public Act 295 allows for recovery of approved cost for the company's energy optimization plan. The MPSC approved a per kWh surcharge for residential customers and monthly per meter surcharges for business customers in Case Nos. U-15805 and U-15889. Learn more about the energy efficiency programs and rebates at www.consumersenergy.com/eeprograms. • 2008 Public Act 295 requires electric providers to recover approved incremental cost of compliance to meet the state's renewable energy standards. The MPSC approved a monthly per meter surcharge in Case No. U-15805. • 2000 Public Act 142 provides for the MPSC to issue financing orders authorizing the issuance of securitization bonds to recover certain "qualified" costs as defined in the act. "Qualified" costs include, among other costs, taxes related to the recovery of securitization charges. As proceeds from the bonds are used to refinance higher cost debt, interest savings are realized by the company and the company's credit rating improves. The MPSC first approved the company's securitization charges in its Orders in Case No. U-12505 dated October 24, 2000, and January 4, 2001. • Stranded costs are fixed generation costs that were incurred to serve customers who elected to receive their electricity from alternative energy suppliers. In late 2004, the MPSC approved the recovery of \$63 million in stranded costs for the years 2002 and 2003. 2008 Public Act 286 requires the MPSC ensure recovery of stranded costs within five years of its enactment or by October 6, 2013. In an order issued August 11, 2009 in Case No. U-15744, the Commission modified the surcharges to include commercial and industrial customers and increased the current charge for retail open access customers to ensure that the company can collect the total stranded costs for 2002 and 2003 within the required five-year period.
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