

CONSUMERS ENERGY COMPANY

Explanation of Unbundled Electricity Charges for Residential Customers

(Revised 08/27/09)

CHARGE	DESCRIPTION
<p>Power Supply Charges:</p> <ul style="list-style-type: none"> • 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"> • An MPSC-authorized charge based upon the electric energy or kilowatt-hours (kWh). 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 between 11 a.m. and 7 p.m. Off-peak hours are 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 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 • Distribution Charge • Delivery Surcharges 	<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"> • An MPSC-authorized charge to recover the costs of metering, meter reading, billings and other customer-related operating costs, exclusive of demand and energy consumption. • An MPSC-authorized charge based upon the electric energy (kWh) used by the customer. This charge recovers costs related to the utility plant used for delivering electric energy from the transmission system to the customer's premises, including operating and maintenance expenses of the distribution plant. • Delivery surcharges include the following items: <ul style="list-style-type: none"> - Electric Interim Surcharge Case U-15645: Public Act 286 of 2008 permits a utility to self-implement a rate increase if the MPSC has not issued an order within 180 days of a complete application. Consumers Energy filed an electric rate case, U-15645, on November 14, 2008 resulting in the Electric Interim Surcharge effective for service rendered on and after May 14, 2009. This surcharge will terminate upon issuance of an MPSC final order in Case No. U-15645, or absent a final order in the

<ul style="list-style-type: none"> ▪ Delivery Surcharges (cont'd) 	<p>case, on November 15, 2009.</p> <ul style="list-style-type: none"> - Palisades Plant Sale Credit 2: On May 12, 2009, the Michigan Public Service Commission directed the utility to offset part of the Electric Interim Surcharge in Case U-15645 for residential customers by using \$36 million in surplus decommissioning funds from the Palisades plant sale. - Energy Optimization Program Surcharge: 2008 Public Act 295 allows for recovery of the cost for the energy optimization plan. The Michigan Public Service Commission approved a per kWh surcharge for residential customers in Case No. U-15805/U-15889. Learn more about the energy efficiency programs and rebates at www.consumersenergy.com/eeprograms. - Renewable Energy Plan Surcharge: 2008 Public Act 295 allows for electric providers to recover the incremental cost of compliance with required renewable energy standards. The Michigan Public Service Commission approved a monthly per meter surcharge in Case No. U-15805. - Regulatory Asset Recovery Surcharge: 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.
<ul style="list-style-type: none"> ▪ Securitization and Securitization Tax Charges 	<ul style="list-style-type: none"> • 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.