

Explanation of Unbundled Electricity Charges for Non-Residential Customers

(Revised for the December 2011 billing month)

CHARGE	DESCRIPTION
<p>Power Supply:</p> <ul style="list-style-type: none"> • Capacity On-Peak Billing Demand, Peak Demand • Energy • Power Supply Cost Recovery (PSCR) Factor 	<p>Power supply charges are applicable to company full-service retail customers only. Company full-service customers receive 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 applicable to most non-residential customers, based upon the electric capacity or demand in kilowatts (kW). Capacity charges recover costs associated with power production and fuel. • An MPSC-authorized charge based upon the electric energy in kilowatt-hours (kWh) consumed each month. 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 cost of fuel the company uses to generate electricity, the cost of electricity the company purchases and transmission service.
<p>Delivery Charges:</p> <ul style="list-style-type: none"> • System Access • Capacity Charge (Maximum Demand, Peak Demand) 	<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 monthly charge to recover the costs of metering, meter reading, billing and other customer-related operating costs, exclusive of demand and energy consumption. • An MPSC-authorized charge applicable to most non-residential 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.

<ul style="list-style-type: none"> • Distribution • Electric Restructuring Implementation Program Surcharge (ERIP) • Energy Optimization • Renewable Energy Plan • Securitization and Securitization Tax • Stranded Cost Recovery • Regulatory Asset • UETM Surcharge 	<ul style="list-style-type: none"> • 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. • The Electric Restructuring Implementation Program Surcharge is a reconciliation of expenses previously approved for recovery with the actual revenues collected for cost recovery that have occurred to implement electric restructuring (Electric Customer Choice). Small nonresidential customers (under 15 kW) under-contributed to actual costs, which results in a 36-month surcharge beginning with the April 2010 bill month. The MPSC authorized the ERIP Surcharges on Feb. 8, 2010 in Case No. U-16012. • 2008 Public Act 295 allows for recovery of approved costs for the 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 to cover costs associated with the company's Energy Efficiency Programs. Learn more about the energy efficiency programs and rebates at www.consumersenergy.com/eeprograms. • 2008 Public Act 295 allows for electric providers to recover approved incremental costs 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 Oct. 24, 2000, and Jan. 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 from Retail Open Access customers 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 Oct. 6, 2013. In an order issued Aug. 11, 2009 in Case No. U-15744, the Commission modified the surcharges to include full service 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. • 2000 Public Act 14, Section 10d (4), 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 a 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-fire generating plant. A refund beginning December 1, 2011 through December 31, 2011 to nonresidential customers greater than 15 kW will reconcile an over recovery of the surcharge collected over the initial five year period. A surcharge beginning December 1, 2011 through March 31, 2012 to nonresidential customers less than 15 kW will reconcile an under recovery of the surcharge collected over the initial five year period. • The Uncollectible Expense Tracking Mechanism was originally approved by the MPSC on November 2, 2009 in Case No. U-15645 to allow for recovery of uncollectible expenses that exceed the amount set in base rates. The UETM Surcharge is a one-month surcharge to recover the additional uncollectible expenses for the period of
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<ul style="list-style-type: none">• Electric Interim Surcharge	<p>November 13, 2009 through November 30, 2010. The UETM Surcharge will apply to both residential and nonresidential customers.</p> <p>The Electric Interim Surcharge is a self-implemented surcharge authorized by the 180-day provision of Section 6a(1) of 2008 PA 286. The surcharge is effective for service rendered on and after December 8, 2011 and will be in effect until the MPSC issues a final order in Case No. U-16794. The U-16794 Interim Surcharge is subject to refund.</p>
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