

# Explanation of Unbundled Electricity Charges for Residential Customers

(Revised for the December 2011 billing month)

CHARGE	DESCRIPTION
<p><b>Power Supply:</b></p> <ul style="list-style-type: none"> <li>• Energy</li> <li>• Power Supply Cost Recovery (PSCR) Factor</li> </ul>	<p><b>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).</b></p> <ul style="list-style-type: none"> <li>• An MPSC-authorized charge based upon the electric energy or kilowatt-hours (kWh) consumed per 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 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.</li> </ul> <p><b>Energy First 600 kWh</b> – represents the energy charge for the first 600 kWh consumed per month during the billing months of June through September</p> <p><b>Energy Over 600 kWh</b> – represents the energy charge for all energy in excess of 600 kWh consumed per month during the billing months of June through September. The cost to buy and produce electricity increases during this period and is therefore reflected in the higher summer rate to help encourage conservation. Conservation lowers the utility's cost, saves fuel and benefits all customers.</p> <ul style="list-style-type: none"> <li>• 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.</li> </ul>
<ul style="list-style-type: none"> <li>• Delivery:</li> <li>• System Access</li> </ul>	<p><b>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.</b></p> <ul style="list-style-type: none"> <li>• An MPSC-authorized monthly charge to recover the costs of metering, meter reading, billings and other customer-related operating costs, exclusive of demand and energy consumption.</li> </ul>

<ul style="list-style-type: none"> <li>• Distribution</li> <li>• Energy Optimization Plan</li> <li>• Renewable Energy Plan</li> <li>• Regulatory Asset</li> <li>• UETM Surcharge</li> <li>• Electric Interim Surcharge</li> <li>• Securitization and Securitization Tax</li> </ul>	<ul style="list-style-type: none"> <li>• 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.</li> <li>• 2008 Public Act 295 allows for recovery of approved costs for the company's energy optimization plan. The Michigan Public Service Commission approved a per kWh surcharge for residential customers in Case No. U-15805/U-15889 to recover costs associated with the company's Energy Efficiency Programs. Visit <a href="http://www.consumersenergy.com/eeprograms">http://www.consumersenergy.com/eeprograms</a> to learn more about energy efficiency programs and rebates.</li> <li>• 2008 Public Act 295 requires electric providers to recover the incremental cost of compliance to meet renewable energy standards. The Michigan Public Service Commission authorized a monthly per meter surcharge in Case No. U-15805.</li> <li>• 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 residential customers will reconcile an over recovery of the surcharge that was collected over the initial five year period.</li> <li>• 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 November 13, 2009 through November 30, 2010. The UETM Surcharge will apply to both residential and nonresidential customers beginning December 1, 2011.</li> <li>• 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.</li> <li>• 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.</li> </ul>
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