



Explanation of Unbundled Electricity Charges Non-Residential Customers

(Revised for the January 2021 billing month)

| Charge | Description |
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| Power Supply Charges | Power supply charges are applicable to Consumers Energy's full-service retail customers only. Consumers Energy's full-service retail customers receive power supply service (includes generation and transmission costs), and delivery service (includes customer-related and distribution costs) from the Company. Retail Open Access (Electric Customer Choice) customers take power supply service from an Alternative Electric Supplier (Retailer) and delivery service from Consumers Energy. Power supply charges are authorized by the Michigan Public Service Commission (MPSC). |
| <ul style="list-style-type: none"> Capacity (On-Peak Billing Demand, Peak Demand) | <ul style="list-style-type: none"> An MPSC-authorized charge applicable to most non-residential customers, based upon the customer's electric capacity or demand in kilowatts (kW). Capacity charges recover costs associated with power production and fuel. |
| <ul style="list-style-type: none"> Transmission Capacity (On-Peak Billing Demand) | An MPSC authorized charge applicable to large primary demand customers, based upon the customer's capacity or demand in kilowatts (kW). These charges recover costs associated with transmission capacity service. |
| <ul style="list-style-type: none"> Energy | <ul style="list-style-type: none"> An MPSC-authorized charge based upon the electric energy in kilowatt-hours (kWh) consumed by the customer 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. |
| <ul style="list-style-type: none"> Power Supply Cost Recovery (PSCR) Factor | <ul style="list-style-type: none"> Michigan Compiled Laws, 460.6et seq. provide 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 power supply costs that exceed the base amount included in capacity and energy charges are recovered through a Power Supply Cost Recovery (PSCR) factor that may vary from month to month. Power Supply costs 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. Consumers Energy does not make a profit on its Power Supply Cost Recovery. |
| Delivery Charges | Delivery charges are applicable to Consumers Energy's 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. |
| <ul style="list-style-type: none"> System Access | <ul style="list-style-type: none"> An MPSC-authorized monthly charge to recover the costs of metering, billing and other customer-related operating costs, exclusive of demand and energy consumption. Per Public Act 342 of 2016, Section 89 (2), Energy Efficiency Program Surcharges shall not be itemized on or after January 1, 2021. Beginning with the May 2020 billing month, Nonresidential customers' Energy Efficiency Program Surcharge will be added to their System Access charge for Full Service and ROA customers' bills each month. For Company-Owned General Service Unmetered Lighting Rate GUL customers, the Energy Efficiency Program Surcharge will be added to their Service Charge per Luminaire each month. |
| <ul style="list-style-type: none"> Capacity Charge (Maximum Demand, Peak Demand) | <ul style="list-style-type: none"> 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 | <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. |

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| <ul style="list-style-type: none"> • Energy Efficiency | <ul style="list-style-type: none"> • 2016 Public Act 342 provides for the recovery of approved costs for Consumers Energy's Energy Efficiency Plan. The MPSC approved a per kWh surcharge for residential customers and monthly per meter surcharges for business customers to recover costs associated with the Company's Energy Efficiency Programs. Learn more about the energy efficiency programs and rebates at www.consumersenergy.com/eeprograms. *Please see "System Access" section above for new bill display beginning May 2020 billing month. |
| <ul style="list-style-type: none"> • Renewable Energy Plan | <ul style="list-style-type: none"> • 2008 Public Act 295 authorizes 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, and modifies the surcharge periodically to ensure the Company is recovering costs in compliance with statutory requirements. The surcharge is currently adjusted to \$0.00 beginning with the July 2014 bill month and thus does not currently appear on customers' bills. The surcharge will continue to be reviewed in the future and will remain in effect through the August 2029 bill month. Consumers Energy is required to file its renewable energy plan for review by the MPSC biennially. |
| <ul style="list-style-type: none"> • U-20697 Deferral Surcharge | <ul style="list-style-type: none"> • An MPSC-authorized charge based upon the electric energy (kWh) used by the customer to recover costs above amounts included in rates for certain distribution investments. The surcharge is effective for service rendered on and after January 1 through December 31, 2021 and was authorized by an MPSC order on December 17, 2020 in Case No. U-20697. |
| <ul style="list-style-type: none"> • Financial Compensation Mechanism (FCM) Surcharge | <ul style="list-style-type: none"> • An MPSC-authorized charge based upon the electric energy (kWh) used by the customer to recover compensation associated with solar power purchase agreements. The surcharge is effective for service rendered on and after January 1, 2021 and was authorized by an MPSC order on December 17, 2020 in Case No. U-20697. |
| <ul style="list-style-type: none"> • Power Plant Securitization Charge | <ul style="list-style-type: none"> • The MPSC issued a financing order under PA 142 on December 6, 2013, in Case No. U-17473 authorizing the Company to issue securitization bonds in an amount equal to the book value of certain Power Plant assets, plus additional qualified costs as defined in the Order. On July 22, 2014 Consumers Energy issued \$378 million of securitization bonds used to refinance higher capital costs, reducing rates for our customers. Customer savings began in the August 2014 bill month with the implementation of the Power Plant Securitization Charge and the Power Plant Bill Credit. The securitized plant was removed from the Company's rate base and the Power Plant Bill Credit terminated in June 2015. On July 23, 2020, the Commission approved the Company's annual securitization true-up resulting in an adjustment effective with the August 2020 bills. Customers continuously enrolled in the Choice program from December 6, 2013 to the present are exempt from the Power Plant Securitization charge. |
| <ul style="list-style-type: none"> • LIEAF (LIA) – Low-Income Energy Assistance Fund | <ul style="list-style-type: none"> • On July 1, 2013, Governor Rick Snyder signed 2013 PA 95 (Act 95) into law to create the Low-Income Energy Assistance Fund (LIEAF). Monies from the LIEAF are distributed by the Department of Human Services to support low income energy assistance during the heating season for all Michigan residents. The Commission may annually approve a low-income energy assistance funding factor no later than July 31 of each year for the subsequent fiscal year. The factor is a surcharge added to each retail billing meter. The factor is the same for each customer class and cannot exceed \$1. On July 23, 2020, the Commission approved \$0.91 as the funding factor, effective beginning the September 2020 billing month. |
| <ul style="list-style-type: none"> • Capacity Tax Reform Credit • Distribution Tax Reform Credit | <ul style="list-style-type: none"> • The MPSC issued an order on February 22, 2018 in U-18494 which adopted a 3 phase approach to address Tax Reform (Tax Credit A, B & C). The final phase, Tax credit C provides for returning amounts due to customers as a result of the remeasurement of deferred taxes to the appropriate rate schedules. For the period of October 1, 2019 through December 31, 2020, the Company will implement a credit for Residential and business rate schedules as provided in the September 26, 2019 Order in U-20309. |

To view current Consumers Energy rates and tariffs, please visit www.ConsumersEnergy.com/ratesbiz