



Explanation of Unbundled Electricity Charges Residential Customers

(Revised for the December 2021 billing month)

Charge	Description
Power Supply Charges	Power supply charges are applicable to Consumers Energy’s full-service customers only. Consumers Energy’s full-service 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"> • Energy 	<ul style="list-style-type: none"> • 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 for generating electricity. • Beginning January 1, 2020, the standard rate for residential customers is the Residential Summer On-Peak Basic Rate (RSP). Energy charges for Rate RSP have a seasonal component. From June 1 to September 30, the energy charge is separated into on-peak and off-peak rates. On-peak rates apply for those hours between 2 p.m. and 7 p.m. on weekdays, and off-peak rates apply for those hours between 7 p.m. and 2 p.m. on weekdays and all hours on the weekend. Power supply costs are higher during the on-peak period than they are during the off-peak period. From October 1 to May 31, all energy consumed will be charged the same rate. • Residential Smart Hours Rate (RSH) separates the energy charge into on-peak and off-peak rates. On-peak hours are the hours between 2 p.m. and 7 p.m. Off-peak hours are the hours between 7 p.m. and 2 p.m. on weekdays and all hours on the weekend. Power supply costs are higher during the on-peak period than they are during the off-peak period. • Energy charges for Residential Non-Transmitting Meter Rate (RSM) have a seasonal component that may result in higher per unit rate for service during certain times of the year: <ul style="list-style-type: none"> ○ Energy First 600 kWh – Represents the energy charge for the first 600 kWh consumed per month during the billing months of June through September. ○ Energy Over 600 kWh – 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 therefore is reflected in the higher summer rate to help encourage conservation. Conservation lowers the utility’s cost, saves fuel and benefits all customers.
<ul style="list-style-type: none"> • Power Supply Cost Recovery (PSCR) Factor 	<ul style="list-style-type: none"> • Michigan Compiled Laws, 460.6 et seq. provide for the incorporation of a Power Supply Cost Recovery factor in rates. Some power supply costs are recovered through a base amount that is included in the energy charges described above. The costs that exceed the base amount included in 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 purchased capacity and the cost of 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.

<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. 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, Residential customers' Energy Efficiency Program Surcharge will be added to their Distribution charge for Full Service and ROA customers' bills each month.
<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 "Distribution" 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 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 27, 2021 the Commission approved the Company's annual securitization true-up resulting in an adjustment effective with the August 2021 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 27, 2021, the Commission approved \$0.87 as the funding factor, effective beginning the September 2021 billing month.

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