



Explanation of Unbundled Natural Gas Charges Residential, Commercial and Industrial Customers

(Revised for the November 2017 billing month)

| Charge | Description |
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| Gas Cost Recovery | Gas Cost Recovery (GCR) charges are only applicable to Consumers Energy's full-service customers. Full-service customers take both gas supply service (includes transmission costs) and delivery service (includes customer-related and distribution costs) from Consumers Energy. Gas Customer Choice customers receive gas supply service from an alternate gas supplier which is delivered to the customers by Consumers Energy. Gas Cost Recovery (GCR) charges are authorized by the Michigan Public Service Commission (MPSC). Consumers Energy makes no profit on the costs of gas sold to its full-service customers. The GCR is set at a rate, and adjusted periodically, to allow the Company to recover the cost of the supplied gas. |
| Delivery Charges | Delivery charges are applicable to all customers who receive gas through Consumers Energy's gas distribution system. 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"> • Customer Charge | <ul style="list-style-type: none"> • An MPSC-authorized monthly charge approximately equal to the average costs of metering, meter reading, billings and other customer-related operating costs, exclusive of demand and energy consumption for each customer class. |
| <ul style="list-style-type: none"> • Distribution | <ul style="list-style-type: none"> • An MPSC-authorized charge based upon the volume of gas (thousand cubic feet or Mcf) used by the customer. This charge recovers costs not recovered through the fixed customer charge and those costs related to delivering gas from the transmission system or storage fields to the customer's premises, including operating and maintenance expenses. |
| <ul style="list-style-type: none"> • Excess Peak Demand | <ul style="list-style-type: none"> • An MPSC-authorized charge applicable to Rate A-1 Multifamily Dwelling Service customers. The Mcf used for billing equals all Mcf in excess of 45 Mcf in the peak month. The peak month is the month within the last 12 months in which the greatest consumption occurred for each Multifamily Dwelling Service customer. This charge essentially recovers the additional "fixed cost" of providing service in proportion to the increased consumption that occurs in a centrally metered residential unit but which is not recognized through the customer charge. |
| <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 Mcf surcharge for 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. |
| <ul style="list-style-type: none"> • U-18136 Residual Balance Reconciliation | <ul style="list-style-type: none"> • Consumers Energy filed an application in U-17882 on July 17, 2015 with the MPSC requesting a gas rate increase of approximately \$85 million. On January 14, 2016, Consumers Energy self-implemented a portion of the requested increase, \$60 million, subject to refund. The self-implemented surcharge ended April 21, 2016 when the Commission approved new rates effective for service on and after April 22, 2016. Consumers Energy provided a refund in the March 2017 bill month. The remaining balance indicates the need to refund, with interest the Residential rate schedules on a per customer basis in the November 2017 bill month. |

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