



Explanation of Unbundled Electricity Charges Residential Customers

(Revised for the June 2017 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. Residential Service Time of Use Rate (RT) separates 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. • Energy charges for Residential Rate (RS) 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.
<ul style="list-style-type: none"> • Energy Efficiency 	<ul style="list-style-type: none"> • 2008 Public Act 295 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 in Case Nos. U-15805, U-16302, U-16303, U-16412, U-16670, U-16736, U-17281, U-17351, U-17601, U-17771, U-17831 and U-18025 to recover costs associated with the Company’s Energy Efficiency Programs. Learn more about the energy efficiency programs and rebates at www.consumersenergy.com/eepprograms.

<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"> • Power Plant Securitization Charge 	<ul style="list-style-type: none"> • 2000 Public Act 142 (PA 142) authorized the MPSC to issue financing orders which allow the Company to issue securitization bonds to recover certain qualified costs as defined in the act. Securitization charges are used to pay costs associated with the securitization bonds. Proceeds from the bonds are used to refinance the Company’s higher capital costs, and the interest savings realized by the Company are used to lower customer’s rates. 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 full service 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 22, 2016, the Commission approved the Company’s annual securitization true-up resulting in an adjustment effective with the August 2016 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 22, 2016, the Commission approved \$0.96 as the funding factor, effective beginning the September 2016 billing month.

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