

August 6, 2012

The Honorable Rick Snyder
Governor of Michigan
P.O. Box 30013
Lansing, Michigan 48909

Michigan State Senate
c/o Ms. Carol Morey Viventi, Secretary
State Capitol
Lansing, Michigan 48909

Michigan House of Representatives
c/o Mr. Gary Randall, Clerk
State Capitol, Room 70
Lansing, Michigan 48909

Dear Governor Snyder and Members of the Legislature;

In accordance with Public Act 304 of 1982, the attached 2012 Annual Report for the Michigan Utility Consumer Representation Fund (UCRF) is transmitted to the Legislature. This report reflects the activities and results of the UCRF grant program administered by the Utility Consumer Participation Board (UCPB).

The UCRF provides grants to qualified organizations that represent the interests of Michigan's residential energy utility customers in gas cost and power supply cost recovery proceedings before the Michigan Public Service Commission. The benefits achieved, relative to the costs of the program to residential customers, demonstrate the continued importance of the UCRF grant program.

In 2012, UCRF funds helped Michigan citizen advocates achieve, directly and in collaboration with other parties, significant benefits for residential utility customers throughout the State of Michigan. Major areas of impact included reduction of coal plant capital costs and expenses, changes in Gas Fixed Price Purchasing (FPP) programs, affiliate transactions, advocacy on transmission issues, Power Supply Cost Recovery (PSCR) plan and reconciliation adjustments and influence over capacity market auction design.

Among the measurable benefits of grantee funded intervention were disallowances, savings and credits of \$50.3 million and reduced rate increases of \$133.22 million.

The Office of Attorney General also receives UCRF funding to intervene in Act 304 proceedings on behalf of the utility ratepayers of Michigan. The Attorney General's Office submits its' P.A. 304 Annual Report under separate cover.

Sincerely,

A handwritten signature in black ink that reads "Jim MacInnes". The signature is written in a cursive style with a large initial "J" and "M".

Mr. James MacInnes, P.E., Chairman
Utility Consumer Participation Board

cc. Steve Arwood, Director, Michigan Department of Licensing and Regulatory Affairs (LARA)

**UTILITY CONSUMER REPRESENTATION FUND
ANNUAL REPORT**

CALENDAR YEAR 2012

UTILITY CONSUMER PARTICIPATION BOARD

Mr. James MacInnes, Chair
Dr. Paul Isely, Vice Chair
Mr. Conan Smith
Mrs. Susan Licata Haroutunian
Mr. Ryan Dinkgrave

EXECUTIVE SUMMARY

PA 304 of 1982 established a separate proceeding that allows energy utilities to more quickly recover costs for power supply and purchased gas than they otherwise could in a full rate case. It further created the Utility Consumer Representation Fund (UCRF) to provide financial resources for customers who pay these costs to be represented in these utility cost recovery proceedings.

UCRF funds are collected by certain utilities in their rates. The UCRF funds collected are split between the Attorney General and the Utility Consumer Participation Board (UCPB). The Attorney General uses the funding to advocate on behalf of the interests of Michigan utility customers in general and the UCPB is responsible for granting funding to specific interest groups to advocate interests of the residential consumer groups they represent.

In 2012, Michigan's six largest investor-owned utilities that use cost recovery proceedings collected and remitted \$1,176,700 to the Utility Consumer Representation Fund. The Attorney General and the UCPB were each allocated \$558,933. The remaining 5% (\$58,834) was allocated for administrative costs.

The FY 2013 budget authorization for the Utility Consumer Participation Board (UCPB) was \$950,000. The request and authorization included the current year allocation plus unspent funds accrued from past years. Of that amount, \$902,500 was available for awarding FY2013 grants and \$47,500 was allocated for administrative costs.

Governor Rick Snyder appointed one new member to the UCPB in 2012, Ryan Dinkgrave replacing Jacqueline Jones.

In 2012, AY 2013 grants in the total amount of \$448,400 were awarded to the Residential Ratepayer Consortium (RRC), Michigan Environmental Council (MEC), Citizens Against Rate Excess (CARE), and the Michigan Community Action Association (MCAAAA). The board also awarded \$156,764 in grants from AY2012 to support on-going work. The membership and scope of these grantee organizations is geographically and demographically diverse. The cases selected for UCRF funding represent approximately 3 million residential natural gas customers and 3.5 million residential electric customers in the State of Michigan.

In 2012, UCRF funds helped Michigan citizen advocates achieved, directly and in collaboration with other parties, significant benefits for residential utility customers throughout the State of Michigan. Major areas of impact included reduction of coal plant capital costs and expenses, changes in Gas FPP programs, affiliate transactions, advocacy on transmission issues, PSCR plan and reconciliation adjustments and influence over capacity market auction design.

Among the measurable benefits of grantee funded intervention were disallowances, savings and credits of \$50.3 million and reduced rate increases of \$133.22 million.

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ATTACHMENT A

UCRF Grant Activity and Results for 2012 Calendar Year

ATTACHMENT B

UCRF 2012/13 Grantees Membership Scope and Description

Questions regarding this report should be addressed to:

Utility Consumer Participation Board
Department of Licensing and Regulatory Affairs
Attention: Ms. Robin C. Bennett
P.O. Box 30004
Lansing, Michigan 48909
Tel: (517) 373-3795, Fax: (517) 373-3621

1. INTRODUCTION

Public Act 304 of 1982, as amended (Act 304) provides for the establishment and implementation of gas and power supply cost recovery clauses in the rates and rate schedules of public utilities. The Utility Consumer Participation Board (UCPB) and the Utility Consumer Representation Fund (UCRF) were created by the Act to achieve equitable representation of interests of energy utility customers in energy cost recovery proceedings. The purpose of the UCPB is to make grants from the Act 304 Utility Consumer Representation Fund (UCRF) to qualified nonprofit organizations and local units of government to represent the interests of residential utility customers in energy cost recovery and reconciliation proceedings before the Michigan Public Service Commission.

This annual report to the Legislature, which is required under section 6m(22) of the Act, covers the activities of the Utility Consumer Participation Board for the 2012 calendar year.

From January 1, 2012-December 31, 2012, The Utility Consumer Participation Board awarded \$156,764 in grants from remaining AY2012 funds and \$448,400 in grants from AY2013 to consortia of several non-profit, consumer groups. Grant recipients in 2012 included the Residential Ratepayer Consortium (RRC), Michigan Environmental Council (MEC), Citizens Against Rate Excess (CARE), and the Michigan Community Action Agency Association (MCAAA). Combined, the grantees represent state-wide, nonprofit groups with over 400 member agencies and tens of thousands of individual members focused on issues related to energy costs, consumer protection, environmental, public health, and community action. The actions of these grantees influence utility costs for 3 million residential natural gas customers and 3.5 million residential electric customers in the State of Michigan.

In 2012, UCRF grant recipients participated in over 40 proceedings on behalf of residential customers of the State of Michigan. UCRF funds helped Michigan citizen advocates achieve, directly and in collaboration with other parties, significant benefits for residential utility customers throughout the State of Michigan. Major areas of impact include reduction and disallowance of coal plant capital expenditures and fossil/hydro operations & maintenance expenses, oversight and reduction of affiliate transaction costs, elimination of double-recovery of gas transportation costs, preservation of low-income assistance rate credit, oversight and disallowance of inappropriate PSCR costs in small and medium size utility cases, continued pressure to modify and improve fixed price purchasing guidelines of gas companies and influence over capacity market auction design.

Among the measurable benefits of grantee funded intervention, through direct effort and in combination with other parties, were disallowances, savings and credits of \$50.3 million and reduced rate increases of \$133.22 million. Other results, such as programmatic changes were also achieved. Results are summarized in Section 3. With details provided in Attachment A of this report. The board actively monitors participant activity and results.

The Attorney General's Office also receives UCRF funding for intervention on behalf of the utility ratepayers of Michigan. Coordination between the Attorney General, MPSC staff and other participants in UCRF funded cases is monitored by the board. Thorough review of grant applications, grant amendments, and regular reporting on case status and interventions by the UCPB continue to improve coordination of the grantees efforts with the Attorney General. This provides efficient use of resources and maximizes coverage of cases and issues without duplication of effort. The Attorney General's office is also consulted in its role as legal counsel to the board. Expenditures and results of the Attorney General's intervention are provided in a separate annual report submitted by their office to the Legislature.

2. UCPB MAJOR RESPONSIBILITIES

MCL 460.6l provides for the creation of a Utility Consumer Participation Board (UCPB), defines its membership, and prescribes its duties. MCL 460.6m creates the Utility Consumer Representation Fund (UCRF), establishes provisions for its generation, distribution and use, limits the beginning dates of cost recovery proceedings, and places reporting requirements on both fund recipients and the Board.

The duties and responsibilities of the Act under these two sections were discharged as described in sections 2.1 and 2.2.

2.1 UCPB Board Activities 2012

The Board approved and maintained a bimonthly meeting schedule in 2012. Regular meetings were held with a quorum present on February 6, April 9, June 4, August 6, August 27, October 1, and December 3. The board also held a special meeting focusing on board education on January 26, 2012. All meeting notices were published and held in compliance with the Open Meetings Act. Members of the public were present at all meetings and given opportunity for public comment. The 2013 UCRF Grant Announcement and Application were distributed on June 1, 2012. On June 6, 2012 a committee, consisting of members Isely and Haroutunian, was selected to review the board administrative and technical assistance contract and to formulate recommendations for the 2013 contract for full board consideration at the meeting scheduled August 6, 2012. Recommendations of the committee were made at the regular meeting on August 6, 2012 and an annual administrative support contract for the assistant to the UCPB in the total amount of \$23,925 was approved.

Amendments to FY2012 grants were approved on 2/6/2012, 4/9/2012, 6/4/2012, 8/6/2012, 10/1/2012, 12/3/2012. FY2013 grants were approved on 8/27/2012 and 12/3/2012. Amendments to FY2012 grants were approved on 10/1/2012 and 12/3/2012. The 2013 regular meeting schedule was approved on 12/3/2012. Ryan Dinkgrave was appointed in August 2013 to the UCPB by Governor Rick Snyder (replacing Jacqueline Jones). Transcripts are available for all meetings and the minutes are available on the web site www.michigan.gov/lara under "Agencies", "Utility Consumer Participation Board."

2.2 UCRF Grants (New Funds) and Contracts Awarded by UCPB in Calendar Year 2012

2/6/2012

A 2012 grant amendment of \$50,000 was approved for MEC intervention in additional Detroit Edison Renewable Energy Depreciation Case and the Detroit Edison Renewable Energy Plan Amendment Case on transfer price and depreciation.

4/9/2012

A 2012 grant amendment of \$64,764 was approved for RRC intervention in the 2011 GCR Reconciliation cases for CECo, SEMCO, MGU and MichCon.

A 2102 grant amendment of \$25,000 was approved for MCAA for participation in the GCR plan cases, MichCon U-16921 and CECo U-16924.

A 2012 grant amendment of \$17,000 was approved for CARE for participation in the 2011 PSCR reconciliation cases for the Upper Peninsula Case U-16421-R, and the Wisconsin Public Service Case U-16422-R.

8/6/2012

A 2012 contract amendment of \$950 was approved for UCPB Board Assistant.

A 2013 contract of \$23,925 was approved for UCPB Board Assistant.

8/27/2012

A 2013 grant of \$102,000 was approved for MCAA for the following cases: U-16434-R, the DECo PSCR Recon Case; U-16432-R, the CECo PSCR Recon Case; U-16999, the MichCon Rate Case; the new DECo PSCR plan case; and the new CECo PSCR plan case.

A 2013 grant of \$65,000 was approved for CARE for the PSCR plan cases for Alpena Power Co., Indiana Michigan Power Co., Northern States Power Co., Upper Peninsula Power Co., Wisconsin Power Co, Wisconsin Public Service Corp.

A 2013 grant of \$25,000 for CARE was approved for participation in the MISO committee meetings proceedings.

A 2013 grant of \$135,400 for MEC was approved for participation in the following cases: The new CECo PSCR plan; the new DECo PSCR plan; the CECo general rate case; and the DECo general rate case.

12/3/2012

A 2013 grant of \$90,000 for RRC was approved for intervention in the 2013 GCR plan cases for Consumers Energy, MichCon, SEMCO, and MGU.

A 2013 grant of \$25,000 was approved for MCAA for intervention in 2013 GCR plan cases for Consumers Energy and MichCon.

A 2013 grant of \$6,000 was approved for MCAA for participation in two MichCon appeals.

TOTAL AMOUNT OF 2012 UCRF Grant Funding Awarded in 2012 = \$156,764

TOTAL AMOUNT OF 2013 UCRF Grant Funding Awarded in 2012 = \$448,400

2.3 Resource Availability

The total UCRF funding requested by applicants in the initial 2013 authorization year grant cycle was: \$1,064,166.23, approximately 15% less than 2012. The UCRF authorization available for grants was \$902,500. The potential funding deficiency based on the proposals submitted was \$161,666.23. The board determined that grants would be prioritized and awarded in phases. This allowed the board to examine workplans for cases more closely and more proximate to the actual filing dates. This also allowed grantees to refine and modify grant requests prior to full consideration and approval.

The total 2013 amount initially granted by the board on 8/27/2012 was \$327,400. On 12/3/2012 the board awarded additional grants in the total amount of \$121,000. The total amount of UCRF funds granted by the board

in calendar year 2012 was \$605,164.

In addition to intervenor funds, the board approved an increase of \$950 to the 2012 administrative support contract and approved a 2013 administrative support contract in the total amount of \$23,925.

2.4 Resource Efficiency and Non-Duplication Due Diligence

To further resource efficiency, the board has modified its grant review process to consider and award grants in phases closer to the actual filing dates and has also made very conservative approvals based on the work plans presented by grantees. The board has encouraged grantees to use resources carefully but to also return to the board if developments in or demands of the case require additional resources. More detailed work plans based on the proceedings and expected results in the case can be provided and evaluated.

The UCRF grant application requires each applicant to provide a work plan specifying, among other things, the cases they intend to intervene in, the issues and strategies they intend to pursue and potential benefits to consumers. Individual board members, the UCRF board assistant, and attorney general staff review the proposals in advance and provide comments to the board. Any potential duplication among grantees or with the attorney general is identified and reviewed for purpose and justification. The board has not approved or reduced funding in some cases for unsupported duplication. When multiple grantees are approved for funding in the same case, grantees must report to the board on their distinct contributions and strategies in those cases. Bi-monthly case status reports are required from grantees and testimony reviewed in order to prevent or address any potential duplication of effort. The board does not discourage coordination of effort where it serves the interest of consumers.

2.5 Administrative Efficiency

The Board achieves administrative efficiency in the following ways:

1. Implemented a grant review process utilizing a rating and ranking system based on statutory guidelines.
2. Modified the grant review process to award grants in phases closer to the filing dates of actual cases.
3. Modified the grant review process to encourage more defined strategic focus areas by grantees.
4. Utilized the revised UCRF grant application designed by DELEG (now LARA) Purchasing and Grant Services and the Michigan Attorney General's Office.
5. Requested the opinion of the Attorney General's office during grant review regarding the legal compliance of the individual grant applications with the governing statute or case law prior to the approval of grants and whether there was any objection to either the approval or the submission of individual grants to the State Administrative Board.
6. Requested the opinion of utility representatives present during grant review as to concerns or objections regarding the legal compliance of the individual grant applications with the governing statute or case law prior to the approval of grants and whether there was any objection to either the approval or the submission of individual grants to the State Administrative Board.
7. Renewed contract with part-time contractor to assist the Board and coordinate efforts with other parties of interest.
8. Followed regular bi-monthly meeting schedule.
9. Implemented bi-monthly case status reports from grantees.

10. Formalized process of written grant amendments and documented board approval prior to submission to LARA.
11. Expanded regular board education sessions, held a board education retreat and attended Michigan Public Policy Forum and other events to study issues, policy and technology related to grant applications.
12. Revised annual report.
13. Posted information for convenient public access on a web site.

3. UCRF GRANT RECIPIENT RESULTS

3.1 Cost/Benefit Analysis and Discussion

In creating cost recovery mechanisms that allowed utilities to recover energy supply costs from ratepayers outside of a contested rate case, the Michigan Legislature assured that Michigan's residential energy customers would be effectively represented through the creation of the Utility Consumer Representation Fund (UCRF). UCRF funding is collected from assessments on utilities that use the cost recovery mechanism. This cost is paid by customers through their rates. Therefore, the revenue for the fund is generated from ratepayers and expended to assure their representation in utility cost recovery proceedings.

The PSCR and GCR cases have a "plan" and "reconciliation" phase. The plan cases for each utility set the framework and establish the cost of fuel recoverable from all customers. The reconciliation phase looks back at the assumptions and performance of the utility under the plan and "corrects" or "trues-up" the plan factors with reality. The differences are then passed through to customers through collections, credits or refunds. UCRF grant funded parties advocate for the interests of residential customers in this process.

There are many factors that impact assessment of effectiveness of UCRF funded intervention on behalf of residential customers including: 1) certain cases and proceedings span more than one grant year, 2) proceedings, through the appeal process, may remain pending for several years, 3) impact of a decision in one year often continues to benefit ratepayers in future years, 4) outcomes may result from multiple parties interventions and may be reported (in whole or part) by each party, 5) lack of a standardized reporting approach and validation method, and 6) indirect benefits not reflected in direct cost reductions.

UCRF funded intervention in cases decided in 2012 calendar year (based on actual orders issued) again yielded substantial benefits for residential utility customers. The following are highlights of measurable benefits and results achieved for residential customers by consumer advocates using UCRF grant funds. Details of UCRF Grant Activity and Results are provided in **Attachment A**:

1. MEC arguments in U-16356 helped achieve a commission decision that the Company should not be permitted to recover \$3,088,100 in capital costs and \$237,800 in carrying costs for company-owned wind energy systems that were incurred before the passage of PA 295 of 2008.
2. MEC arguments in U-16794 helped achieve a \$75 million lower rate increase (\$119 million out of \$195 million) than requested primarily related to reductions in coal plant capital expenditures and fossil/hydro O&M expenses.
3. MCAA arguments in U-16146-R contributed to a downward rate adjustment of \$1.42 million, related to Mich Con's gas purchases from its affiliate, the MGAT (Michigan Gas and Transportation Company) consistent with MCAA's position in previous cases (and positions of Staff, MCAA and other parties in this case).

4. MCAA participation in U-16999 settlement negotiations helped achieve a \$56.8 million lower rate increase (\$19.9 million out of \$76.7 million) subject to MPSC final decision. Approximately \$6 million in annual savings is directly attributable to MCAA arguments regarding exclusion of manufactured gas plant (MGP) working capital and expense costs and exclusion of the roll-in of the Saginaw Bay Pipeline. MCAA arguments also resulted in the MPSC position preventing double-recovery of certain gas transportation costs and preservation of a residential low income assistance rate credit.
5. CARE participation and testimony in settlement of Case U-16883 resulted in savings of \$64,945 for residential ratepayers.
6. CARE participation in Case U-15664-R resulted in disallowance for "coal not taken" of \$139,270.
7. CARE extensive discovery regarding the output of the Company's new Elm Road facility helped achieve a settlement saving residential ratepayers approx \$142,000.
8. CARE extensive discovery and testimony in Case U-16881 regarding unrealistic assumptions contributed to a settlement saving ratepayers \$3,000,000.
9. CARE extensive discovery and testimony in Case U-16882 challenging the inclusion of EPA compliance costs in 2012 contributed to a settlement saving ratepayers \$781,000.
10. CARE testimony in Case U-16424 contributed to the company agreement to remove costs associated with renewable energy credits with Wisconsin saving Michigan residential ratepayers \$208,896.
11. CARE discovery in Case U-16421-R contributed to a settlement disallowing an alleged uncollectible due to the bankruptcy of one of its customers saving residential ratepayers approx \$856,183.
12. CARE comments in FERC ER11-4081 et al contributed to the adoption of a voluntary as opposed to mandatory capacity market auction.
13. RRC testimony in Case U-16146-R resulted in the Commission affirming the performance of the FPP are relevant to the continued use of the guidelines in future GCR Plan cases and the Commission stated that it may issue warnings pursuant to MCL 460.6h(7) to address the poor performance of the Company's FPP guidelines in the future.
14. RRC testimony and participation in the settlement agreement in Case U-16147-R resulted in a credit of the Company's net over-recovery of \$488,834 inclusive of interest to the GCR customers and significant changes will further reduce the excess costs caused by the FPP guidelines.
15. RRC testimony in Case U-16481 encouraged MGUC to self-implement a moratorium on new GCC additions. RRC also supported a reservation charge for cost sharing by GCC customer for the cost of pipeline capacity, resulting in a \$1.5 million dollar savings for GCR customers.
16. RRC testimony in Case U-16482 helped limit the reduction of storage capacity for the GCR/GCC customers' proposed by the Company.
17. RRC testimony in Case U-16485 resulted in adoption of certain findings made by the Administrative Law Judge in the Proposal for Decision that supports future improvements in purchasing strategy and FPP guidelines and use and competitive bidding.
18. RRC testimony and evidence in Case U-16920 resulted in a settlement agreement reducing the requested GCR Factor of \$4.6475/Mcf to \$3.9353/Mcf resulting in savings of \$9.8 million. The parties also agreed to technical conferences in which sales forecasting methods and hedging strategy will be addressed.
19. RRC Testimony and evidence in Case U-16922 resulted in a settlement agreement reducing the requested GCR factor of \$4.8726/Dth to \$3.9996/Dth comprising a base Commodity Cost of \$3.2521/Dth and a Balancing and Demand Charge of \$0.7475/Dth. The reduced GCR factor results in a savings of \$30 million. SEMCO also agreed to include in its 2013-2014 GCR Plan an analysis providing justification for continuation of its hedging strategy.

4. FINANCIAL REPORTING AND GRANT ADMINISTRATION

4.1 Calendar Year 2012 Remittances

The following information is compiled and provided by the Michigan Department of Licensing and Regulatory Affairs (LARA) for purposes of the Annual Report.

Public Act 304 of 1982 requires annual remittances to the Utility Consumer Representation Fund from any regulated utility company serving at least 100,000 customers. The total size of the fund is set at \$500,000 multiplied by a factor "set by the Board at a level not to exceed the percentage increase in...The consumer price index for the Detroit standard metropolitan statistical area...between January 1981 and January of the year in which the payment is required to be made." Since enactment of Act 304, total remittances have been as follows:

1982	\$630,600	1998	\$851,728
1983	\$653,400	1999	\$864,600
1984	\$582,250	2000	\$899,000
1985	\$569,600	2001	\$930,650
1986	\$592,650	2002	\$946,150
1987	\$596,050	2003	\$981,150
1988	\$615,250	2004	\$988,350
1989	\$650,450	2005	\$1,013,299
1990	\$683,450	2006	\$1,052,150
1991	\$715,300	2007	\$1,069,450
1992	\$728,650	2008	\$1,096,950
1993	\$745,838	2009	\$1,088,750
1994	\$760,266	2010	\$1,103,851
1995	\$791,900	2011	\$1,125,700
1996	\$813,000	2012	\$1,176,700
1997	\$834,050		

Statutory Calculation of UCRF Funds

Remittances due from the six utilities serving at least 100,000 customers are calculated from the proportion of each "company's jurisdictional 1981 operating revenues...compared to the 1981 total operating revenues of all energy utility companies" contributing to the fund. This proportion, initially calculated in 1982 and recalculated in 1996, remains constant, and was applied to the six remitting utilities in the amounts shown in the following table.

UTILITY REMITTANCES AND REVENUE DISTRIBUTION

<u>Source of Calendar Year 2012 Remittance Revenue</u>		<u>Distribution of Calendar year 2012 Revenue</u>	
<u>Utility</u>	<u>Amount Contributed</u>	<u>Recipient Allocated</u>	
Consumers Energy	\$482,017	Attorney General (47.5%)	\$ 558,933
Detroit Edison Co.	333,806	Intervenor Grants (47.5%)	558,933
MichCon Gas Co.	295,218	Administration (5%)	<u>58,834</u>
Michigan Gas Utilities	25,493		\$1,176,700
SEMCO	28,719		
Indiana Michigan Power	<u>11,447</u>		
TOTAL	\$1,176,700		

Letters were sent to each utility on 4/07/12 and all remittances were made by 09/2012.

In addition to the calendar year 2012 utility fees, interest was earned for the Fiscal Year ending 9/30/13. This was allocated proportionately between the Attorney General and the intervenor grants. The intervenor proportion totaled \$1,375.

4.2 Fiscal Year 2012 Appropriation and Accrued Funds

Total funding available for awarding intervenor grants was \$902,500 for FY12 as shown below and \$902,500 FY13 authorization subject to budget approval.

Intervenor Grant Funding for fiscal year 2012:

Appropriation (Public Act 63 of 2011)	\$950,000
Less 5% for Administration	<u>(47,500)</u>
Appropriation Available for Intervenor Grants	\$ 902,500
New Revenue	\$558,993
Fiscal Year 2011 Unreserved Fund Balance	732,704
Fiscal Year Interest Earned from Common Cash Fund	<u>1,375</u>
Total Available if sufficient spending authorization	\$ 1,293,072

4.3 Notification of Readiness to Proceed

The Act requires that the Public Service Commission not act on "an application for an energy cost recovery proceeding...until 30 days after it has been notified by the Board or the director of the Energy Administration...that the Board or the director is ready to process grant applications, will transfer funds payable to the Attorney General immediately upon [their] receipt...and will within 30 days approve grants and remit funds to qualified grant applicants." Additionally, the Act requires that "in order to implement the gas [or power supply] cost recovery clause....a utility annually shall file...a complete gas [or power supply] cost recovery plan...The plan shall be filed not less than 3 months before the beginning of the 12-month period covered by the plan." The electric utilities

selected January 1 - December 31 as the 12-month plan period. Most of the gas utilities selected April 1 – March 31 as their 12 month period.

4.4 Scope of Work

Money from the UCRF, less administrative costs, "may be used only for participation in administrative and judicial proceedings under sections 6h, 6i, 6j, and 6k [of P.A. 304] and in federal administrative and judicial proceedings which directly affect the energy costs paid by Michigan energy utilities." The Attorney General has issued formal and informal opinions to guide the Board regarding cost matters that may be covered by Act 304 grants. The Act describes several kinds of proceedings. Cases required by statute are:

Gas supply and cost review
Gas cost reconciliation

Power supply and cost review
Power supply cost reconciliation

Decisions in any of these four proceedings may be appealed to the appropriate courts.

Grant proposals compliant with the provisions of the Act were solicited for intervention in on-going and new GCR Plan cases, GCR Reconciliation proceedings, PSCR Plan cases, PSCR Reconciliation proceedings and other cases eligible under Act 304.

4.5 Application and Selection Process

Act 304 limits eligibility for funding to non-profit organizations or local units of government in Michigan, places specific additional restrictions on applicants, and suggests criteria that could be used in the selection process.

Applications for grants were received from the Residential Ratepayer Consortium (RRC), the Michigan Environmental Council (MEC), Michigan Consumer Action Agency Association (MCAAA) and Citizens Against Rate Excess (CARE). The board followed a rating and ranking system based on the statutory guidelines of Act 304 to award grants. Based on board rankings following advance review of the proposals and presentation by the grantees, grants were awarded in full and in part to all grantees submitting applications. To the extent possible, full participation in supply and cost reviews and in cost reconciliation cases was desired by the Board.

5. UPDATE ON THE LEGISLATIVE REVIEW OF ACT 304

Section 6m(23) of Act 304 requires a three-year legislative review of the costs and benefits attributable to the Act. The most recent review was conducted in 1986 by the House Public Utilities Committee. The findings and results of that review are presented below.

1986 Legislative Review Findings

In the fall of 1986, the Michigan Public Service Commission sought to resolve some of issues identified in the public hearings by initiating a review of the various suggestions that were directed toward the Commission by the Board, intervenors, and the utilities. Recommendations resulting from this review were submitted to the Commission in the spring of 1987. The following discusses the issues identified by the Board and their current status.

ISSUE ONE: The Public Service Commission should refrain from dismembering Act 304 by holding separate

proceedings for certain energy cost issues. The shifting of these issues to non-Act 304 cases strains resources available for intervention on behalf of residential ratepayers. Intervenors may have difficulty getting status and funding in the non-Act 304 cases. If they are able to intervene, they may be required to duplicate prior Act 304 efforts in the new proceeding.

The Board is concerned that the wording of Section 6m(17) of Act 304 unduly limits the ability to award UCRF funds for non-Act 304 cases that have a direct impact on energy costs paid by residential electric and gas customers of Michigan utilities.

STATUS: While there has been improvement in the detail provided in the Commission's Notices of Hearing to alert the public that in the non-Act 304 cases, there may be issues that affect purchased gas or electric power supply costs, the Board remains restricted in its ability to grant funds outside of Act 304 cases. New options should be considered for protecting Michigan's residential customers in light of restructuring and escalating gas and electric rates. However, the restrictive language of this section restricts the Board's ability to solicit and award grants for innovative proposals. The urgency of this issue is heightened in 2007 with the energy legislation package under consideration in the Michigan Legislature. The effect of some aspects of this legislation will seriously compromise the ability for effective UCRF funded intervention on behalf of ratepayers.

ISSUE TWO: Numerous and lengthy delays in the Act 304 process were a serious problem up to 1991.

STATUS: The Commission has taken steps to reduce the delays with the goal of issuing orders within nine months of the filing. It has also initiated a staggered filing schedule for gas cost recovery cases. Since the Board cannot accept a utility's filing until 30 days after certification of readiness, early certification was needed to implement the staggered schedule. The Board supported the Commission's actions and in 1991, to allow for more staggering, the Board accelerated the entire grant award process by two months. Also in 1991, the Commission issued Proposed Guidelines for Completion of Cases (Order No. U-9832). In 1992, the Commission's new policy effectively solved the problem of delays in the Act 304 process. The Board commends the Commission for its actions.

ISSUE THREE: The Public Service Commission should adopt a more aggressive review of the utilities' five-year cost projections. Annual review of a utility's five-year forecast, as required by Act 304, is intended to provide an opportunity for future cost containment and increased efficiency.

STATUS: The Board encourages the Commission to continue to increase its scrutiny of the five-year forecasts and to create more rigorous filing requirements. Further the Board encourages the Commission to place greater emphasis on conservation and energy efficiency as part of reasonable and prudent supply planning, particularly in light of increasing energy prices and limited mitigation options for residential energy customers.

ISSUE FOUR: The Public Service Commission should disallow the recovery of costs that were not allowed prior to Act 304.

STATUS: This issue is resolved. Michigan courts have endorsed the Commission's designation of energy costs that may be recovered by electric and gas utilities under Act 304.

ISSUE FIVE: Information provided by the utilities should be standardized to reduce the time and effort required by

intervenors spent in obtaining information needed for presenting cases to the Public Service Commission.

STATUS: Filing of standardized information was recognized as an area of need during the Public Service Commission's review in 1987. However, the Commission has issued no formalized requirement for standardized information, and there has been no increase in voluntary compliance by the utilities. This issue was examined again during 1989, but final recommendations were not reached on this issue. The Board continues its support for standardized filings as a means of reducing intervention costs and improving time frames for hearing cases. Further, standardized filing will improve the Board's ability to independently analyze the impact of UCRF funded intervention in Act 304 proceedings.

ISSUE SIX: There is a need for increased intervenor funding. The amount of funding available for intervention has been limited to the annual appropriation less administrative and operating costs incurred. The board does not have the advantage of a large number of in-house experts during the plan and reconciliation case proceedings. Adequate funding is needed to secure technical assistance of expert witnesses to aid in the process of case investigation, analysis and cross-examination.

STATUS: Fees charged by the most prominent expert witnesses have increased at a faster rate than funds available for intervention, resulting in a net decrease in expert witness testimony on behalf of residential ratepayers. If the Attorney General is not participating in a case, and therefore not available to jointly sponsor an expert witness, the intervenors are often forced to reject bids from the most qualified expert consultants due to the lack of funds. Additionally, utilities are becoming more active in sponsoring rebuttal testimony. The intervenors' legal counsel continues to donate time for carry-over cases.

This need for increased resources is heightened by recent, dramatic structural changes in the electric and natural gas industries. Those changes have a profound effect on the energy costs paid by residential utility customers. Without additional funding to support interventions in the various forums in which key decisions about those costs are being made, there is a real danger that the interests of homeowners and renters will not be advocated and that they will ultimately bear an unreasonable share of those costs. The Board specifically requested an increase in the UCRF annual appropriation for the 2006-07 fiscal year. The annual appropriation for 2007 was increased substantially using accrued, unspent funds from previous years. Increasing the spending authorization will be effective until the reserve is depleted.

COMMENTS RECEIVED REGARDING SECTION 5. UPDATE ON THE LEGISLATIVE REVIEW OF ACT 304

Michigan Environmental Council (MEC) Legal Counsel Christopher M. Bzdok via email July 7, 2013, stating the opinions are his own –

Regarding ISSUE 2: Numerous and lengthy delays in the Act 304 process were a serious problem up to 1991 (p.10).

Bzdok Comments: "Delay in deciding plan cases continues to be a problem on the electric side. In Case U-16892, the Detroit Edison 2012 PSCR plan case, the Commission order was issued June 28, 2013 – almost seven months after the close of the plan year. In Case U-16890, the Consumers Energy 2012 PSCR case, the ALJ still has not issued a PFD. The primary results of these kinds of delays are:

- (a) The utilities are self-implementing their requested PSCR factors for the entire plan years; and
- (b) The parties to a case have no guidance from the Commission on similar or overlapping issues from the prior year's case, which leads to inefficient use of litigation time and resources.

Regarding ISSUE THREE: The Public Service Commission should adopt a more aggressive review of the utilities' five-year cost projections. Annual review of a utility's five-year forecast, as required by Act 304, is intended to provide an opportunity for future cost containment and increased efficiency. (p. 10)

Bzdok Comments: "We agree completely regarding the need for more aggressive review of the five-year plans. We discuss in detail some specific reasons why in the memo supporting our FY 14 grant applications, which we will be submitting in the next week."

Questions regarding this report should be addressed to:

Utility Consumer Participation Board
Department of Licensing and Regulatory Affairs
Attention: Ms. Robin C. Bennett
P.O. Box 30004
Lansing, Michigan 48909
(517) 335-5968 Fax: (517) 373-3621

ATTACHMENT A: UCRF Grant Activity and Results

The following are results in cases in which an ORDER(S) has been issued in the period January 1, 2012-December 31, 2012. Some of the cases in which UCRF grantees participate in 2012 will not conclude until subsequent years. Results for those cases will be reported in future annual reports. Results are reported by grantees and audited by UCPB board staff based on an independent review of the record and edited for purposes of this annual report. The annual report is distributed for a public comment period prior to final publication and submission to the Legislature. Any disputes or comments related to the results are noted in the report. Complete dockets related to the majority of cases are available through the Michigan Public Service Commission's Electronic Docket Filing System (eDocket) at www.michigan.gov/mpsc. Results for individual cases may be verified by reviewing the case docket. MPSC case numbers have been included for purposes of research and validation.

GRANTEE: MICHIGAN ENVIRONMENTAL COUNCIL (MEC)

Docket No.	Case Title	UCRF Grant No.	UCRF Grant Amt Awarded (as amended)	Balance (12/31/2012)	Other financial support (matching funds, pro bono support, etc.)
U-16356	Detroit Edison Renewable Energy Reconciliation (2010)	10-02	\$7,070.00	\$0.00* Funds depleted in 2011	Olson, Bzdok & Howard contributed \$1,565.95 in time and expenses.
Final order issued March 8, 2012. Order affirms PFD's recommendation that the Company should not be permitted to recover \$3,088,100 in capital costs and \$237,800 in carrying costs for company-owned wind energy systems that were incurred before the passage of PA 295 of 2008.					
U-16045-R	Consumers Energy PSCR Reconciliation (2012)	11-04	\$40,400.00	\$0.00	Olson, Bzdok & Howard contributed \$2,281.50 in time and expenses.
Commission order issued December 20, 2012. Commission ruled as follows on MEC's issues:					
<ol style="list-style-type: none"> 1. Overturned the PFD and found that the \$2.9 million SEMCO demand charge was an eligible PSCR expense, and not attributable to a capital cost to develop the utility's capability to transport fuel. 2. Declined to reduce Consumers' recovery of expense of gas management agent contract for Zeeland generating plant. The order did not comment on the PFD's statement at p 28 that "the Commission should be concerned that the company is unaware of or oblivious to the total cost of the agent agreements relative to the cost of gas...Information regarding the contributing factors to the company's total cost under the current agent contract would appear to be useful, if not necessary, to determine how best to solicit future bids and to evaluate alternatives." 3. Declined to rule that the Zeeland natural gas generating plant is under-utilized. The order did not comment on the PFD's statement at p 34 that "Given the importance to ratepayers of an accurate analysis, and the sensitivity of the results to the underlying assumptions, the company should expect to continually evaluate the appropriate bidding strategy to follow for the plant. The company should also expect to refine its analysis, to more accurately capture the costs and risks at issue in changing from one bid strategy to another, and to recognize that the decision can change from month to month, or perhaps week to week, and is not a one-time plan case decision." 					
U-16357	Detroit Edison Renewable Energy Reconciliation (2010)	11-04	\$19,190.00	\$0.00	Olson, Bzdok & Howard contributed \$7,917.07 in time and expenses.
Commission order issued July 13, 2012. Commission determined it was too soon to reduce the company's renewable energy surcharges, but left the door open to doing so in a future case.					
U-16670	Consumers Energy Energy Optimization Biennial Review	11-04	\$10,100.00	\$0.00* Funds depleted in 2011	Olson, Bzdok & Howard contributed \$1,246.24 in time and expenses.
Commission order issued April 17, 2012. MEC and partners argued against using a deemed net-to-gross (NTG) energy savings ratio of 0.9 for all energy optimization measures - meaning that for every 1 kWh of savings a measure generates, 90% is attributed to program investments, and the other 10% represents savings that would have occurred without the program, due to "free riders." The Commission authorized Consumers to implement the deemed 0.9 NTG for 2011 and 2012 only (the company had requested approval of a deemed 0.9 NTG through 2015). The Commission also directed that the EO Evaluation Collaborative created in Cases U-15805 and U-15806 reevaluate the EO financial incentive mechanism in light of our arguments.					

U-16794	Consumers Energy General Rate Case	12-01	\$33,299.70	\$8.83	Olson, Bzdok & Howard contributed \$5,845.53 in time and expenses.
Commission order issued March 30, 2012:					
<p>(1) Approved \$232 million out of \$403 million in coal plant capital expenditures requested in rate base, stating that more evidence is needed to justify major coal unit capital expenditures.</p> <p>(2) Approved \$22.5 million of the \$36.9 million requested for capital expenditures on the company's "7 classic" coal units, to reflect the December 2011 announcement that they were going to be mothballed in 2015.</p> <p>(3) Approved recovery of \$14.4 million of the \$21.8 million in planning costs that Consumers expended on its now-cancelled new coal plant, because only two-thirds of the power from the plant was going to be dedicated to Consumers' ratepayers.</p> <p>(4) Adopted the PFD's recommendation to reduce fossil/hydro base O&M expense by \$3.8 million, which was only \$500,000 less than we sought. Consumers did not contest the PFD's recommendation.</p>					
Total approved rate increase was \$119 million out of \$195 million requested.					

GRANTEE: MICHIGAN COMMUNITY ACTION AGENCY ASSOCIATION

Docket No.	Case Title	UCRF Grant No.	UCRF Grant Amt Awarded (as amended)	Balance (12/31/2012)	Other financial support (matching funds, pro bono support, etc.) ¹
I. GAS CASES					
U-15701-R	Mich Con 2010 GCR Reconciliation	11-03	\$20,150	\$0	\$1,674 pro bono
Status/Results \$3.3 million rate adjustment obtained MPSC Order 12/6/2011 MPSC Order Denying Rehearing 8/14/2012	<p>Michigan Consolidated Gas Company (Mich Con) filed its application in this case on June 29, 2010. MCAA filed its Petition to Intervene on August 19, 2010. On February 11, 2011, MCAA filed its expert testimony and exhibits. Evidentiary hearings were held on April 11, 2011. MCAA filed its Initial Brief on May 10, 2011 and its Reply Brief on May 24, 2011.</p> <p>MCAA advocated that Mich Con had not demonstrated that it had undertaken reasonable and prudent actions to minimize its costs with respect to affiliate transactions, and particularly with its affiliate, the Michigan Gathering Company (MGAT). MCAA presented in evidence and briefing a downward rate adjustment of \$3,453,356 relating to MGAT transactions. The Attorney General recommended a similar adjustment. MCAA also presented evidence and briefing in support of more effective regulatory remedies to curtail affiliated transaction abuses and cross-subsidization in advance, such as "ring-fencing" remedies implemented in some other states.</p> <p>The Administrative Law Judge (ALJ) issued a Proposal for Decision (PFD) on 7/14/2011. The PFD adopted a downward rate adjustment of \$3.3 million relative to the MGAT affiliate transactions. The PFD did not adopt the additional generic "ring fencing" remedies recommended by MCAA relative to all other affiliated transactions. The ALJ, however, agreed with MCAA that the MPSC possessed the jurisdiction to impose such remedies. MCAA filed Replies to Exceptions on August 18, 2011, opposing Mich Con's challenge to the ALJ's disallowance of \$3.3 million relative to Mich Con's gas purchases from its affiliate, MGAT.</p> <p>The Commission's Order was issued December 6, 2011. The MPSC Order adopted the downward rate adjustment of \$3.3 million related to Mich Con's MGAT transactions. MichCon thereupon filed a Petition for Rehearing challenging the Commission's order. The Commission issued its Order Denying Mich Con's Petition for Rehearing on 8/14/2012.</p> <p>MichCon thereafter filed an appeal of the Commission's orders in <i>Michigan Consolidated Gas Company v Michigan Public</i></p>				

¹ All pro bono amounts arise from time worked on cases by the Public Law Resource Center PLLC and retained expert witnesses which: (1) were commenced prior to an available UCPB meeting in which funds could be requested; (2) case issues that were the subject of prior work plans and case budgets approved by the UCPB but where the case budgets expired while the cases or issues remained ongoing; or (3) work on cases or issues, approved in advance by the MCAA, on cases or issues which affect residential customers, but have not been the subject of budget requests to the UCPB. At all times, the amounts expended and included in reimbursement requests to the UCPB are limited to only those case issues and work plans approved in advance by the UCPB.

	<i>Service Commission</i> , Michigan Court of Appeals, Docket No. 312296. MCAAA has filed a brief in that Court appeal to defend the MPSC Order adopting the downward rate adjustment.				
U-15704-R	CECo 2010 GCR Reconciliation	11-03	\$21,384	\$0	\$1,764 Pro bono
Status/Results MPSC Order 3/8/2012	<p>This case involved Consumers Energy Company's (CECo) GCR reconciliation case for the 12-months ending March 2010. CECo filed its case on June 30, 2010. MCAAA in 2011 engaged in discovery, and presented expert evidence at the March 15, 2011 hearing. On April 21, 2011, MCAAA filed its Initial Brief, and a Reply Brief on May 12, 2011.</p> <p>MCAAA, in its evidence and briefing, asserted that CECo had failed to establish that its transactions with affiliates were reasonable and prudent, and advocated proactive remedies to protect ratepayers from unreasonable and imprudent affiliated transactions, and from cross-subsidization of unregulated affiliates by way of increased costs to utility ratepayers. The MCAAA in briefing also supported a downward rate adjustment proposed by the Attorney General on a separate issue. The November 23, 2011 Proposal for Decision of the Administrative Law Judge, and the Commission's Order dated March 8, 2012 approved CECo's reconciliation case without adjustment.</p>				
U-16146-R	Mich Con 2011 GCR Reconciliation	11-03 12-02	\$ 3,089 \$19,506	\$0 \$0	\$936 pro bono
Status/Results MPSC Order 08/14/2012	<p>Mich Con filed its application and testimony on June 30, 2011. MCAAA filed its intervention on August 30, 2011. Hearings were held on February 28, 2012. MCAAA filed its initial brief on March 27, 2012, and its reply brief on April 10, 2012. The Administrative Law Judge issued his Proposal for Decision (PFD) on May 29, 2012 after which MCAAA filed replies to exceptions on July 3, 2012. The Commission's August 14, 2012 order adopted a downward rate adjustment of \$1.42 million, related to Mich Con's gas purchases from its affiliate, the MGAT (Michigan Gas and Transportation Company) consistent with MCAAA's position in previous cases (and positions of Staff, MCAAA and other parties in this case). This rate adjustment was based upon evidence and briefing establishing that MichCon had overpaid on its gas purchases from its MGAT Affiliate. Mich Con filed an appeal of this Commission order in the Michigan Court of Appeals in Docket 312305. MCAAA has filed a brief in that Court appeal in defense of the MPSC Order adopting the downward rate adjustment.</p>				
U-16149-R	CECo 2011 GCR Reconciliation	11-03 12-02	\$ 3,089 \$15,725	\$0 \$0	\$416 pro bono
Status/Results MPSC Order 09/11/2012	<p>CECo filed its application and testimony in this case on June 30, 2011. MCAAA filed its Petition to Intervene on August 30, 2011. MCAAA participated in the hearings held on April 11, 2012. MCAAA filed its initial brief on May 14, 2012 and its reply brief on June 7, 2012. The ALJ issued a Proposal for Decision on August 3, 2012. MCAAA filed Replies to Exceptions on August 27, 2012.</p> <p>The MCAAA supported a downward rate adjustment of approximately \$1 million proposed by the Attorney General to reflect a claimed unnecessary purchase of gas in September 2009 at an elevated price compared to stable and declining gas price trends. Ultimately, the MPSC in its order dated September 11, 2012, ruled in favor of CECo and rejected the downward adjustment.</p>				
U-16482	Mich Con GCR Plan case	11-03 12-02	\$16,160 \$ 0	\$0 \$0	\$7,210 pro bono \$2,754 pro bono
Status/Results Order 4/17/2012	<p>This case involved Mich Con's GCR plan for the 12 months ending March 31, 2012 and 5-year forecast. This case was filed by Mich Con on December 22, 2010.</p> <p>MCAAA intervened in this case on January 25, 2011. MCAAA participated in discovery and presented expert evidence at the June 7, 2011 hearings. MCAAA filed its Initial Brief on June 30, 2011, and its Reply Brief on July 25, 2011.</p> <p>The MCAAA in this case advocated the following issues and positions: (1) elimination of Mich Con's NYMEX based contingent mechanism; (2) recommended modifications to Mich Con's Variable Cost Averaging (VCA) fixed price gas purchasing plan; (3) recommended update of Mich Con's purchasing strategy to recognize projected changes in national gas markets caused in part by emerging shale gas production; (3) adoption of remedies to ensure that Mich Con's purchases from affiliates, including but not limited to the Michigan Gathering Company (MGAT), are equal to or less in cost than gas supplies available from non-affiliate suppliers, and (4) the adoption of regulatory "ring-fencing remedies," as adopted in some other states, to better ensure that Mich Con's ratepayers are not cross-subsidizing the unregulated affiliates of Mich Con's holding company system (comprised of DTE and its affiliates).</p>				

	The Administrative Law Judge issued a Proposal-for-Decision on February 29, 2012. MCAAA filed exceptions on March 21, 2012, and replies to exceptions on April 3, 2012. The Commission issued its order on April 17, 2012. The Commission Order did not adopt MCAAA's recommendations.				
U-16485	CECo GCR Plan Case	11-03 12-02	\$16,160 \$ 0	\$0 \$0	\$8,342 pro bono \$1,260 pro bono
Status/Results MPSC Order 03/08/2012	<p>This case involved the application of Consumers Energy Company (CECo) for approval of a GCR plan for the 12 month period ending March 2012.</p> <p>CECo filed its application on December 28, 2010. MCAAA intervened in the case on January 25, 2011, and participated in pre-hearing discovery and presented expert evidence in the hearings held on May 17-18, 2011. MCAAA filed its Initial Brief on June 15, 2011, and Reply Brief on July 6, 2011.</p> <p>The MCAAA pursued several issues and positions, as follows: (1) the recommended elimination of CECo's NYMEX contingent ceiling price adjustment mechanism; 2) recommending that CECo undertake a study to evaluate altering the timing of its gas purchases to take advantage of lower priced gas available during off-peak "valley months," and (3) recommending that the Commission adopt regulatory remedies to protect ratepayers from cross-subsidizing the unregulated affiliates of the CMS holding company system (i.e., CECo's parent company) and to shield ratepayers from the risks of past and ongoing transactions of the unregulated holding company system.</p> <p>The Proposal for Decision was issued on September 12, 2011. The MCAAA filed replies to exceptions on October 20, 2011. The Commission issued its Order on March 8, 2012. The Commission did not adopt the MCAAA's proposals.</p>				
U-16855	CECo Gas Rate Increase	N/A	\$ 0	\$0	\$24,385 Pro Bono
Status/Results MPSC Order 06/07/2012 approved settlement substantially reducing rate increase. MCAAA rate adjustment of \$2 million adopted. Adoption of MCAAA proposed provision to align rate relief with rate factors determined in CECo's Act 304 GCR case Low Income Assistance Rate Discount retained.	<p>CECo filed its application and testimony on September 2, 2011. MCAAA filed its Petition to Intervene on October 4, 2011. MCAAA filed its testimony on February 3, 2012. Hearings were held March 12, 2012 through March 16, 2012. MCAAA filed its initial brief on April 20, 2012 and its reply brief on May 11, 2012. On or about May 29, 2012, the parties, including the MCAAA, entered into a settlement agreement resolving the case issues, which was approved by a Commission order dated June 7, 2012. The settlement agreement, as adopted by the Commission order, approved a gas rate increase of \$16 million, in lieu of CECo's case request for \$49.3 million. The settlement provided for a rate increase of some \$7 million less than an interim increase implemented by CECo on March 1, 2012 (thereby also requiring refunds to customers of over \$1.58 million including interest, approved by a subsequent MPSC Order dated January 31, 2013). The Settlement Agreement incorporated MCAAA's specific provisions to remove from rate base unamortized balances relating to CECo's abandoned manufactured gas plants (comprising a rate decrease impact of approximately \$2 million annually) and provisions to align the rate relief with other rate issues and relief provided for in CECo's separate Act 304 GCR case, and to retain CECo's Low Income Assistance Rate Design Discount (a \$19 million program separate from the LIEEF program).</p>				
U-16999	MichCon Rate Increase	12-02 13-01	\$ 0 \$16,665	\$0 \$2,809	\$3,924 Pro Bono
Status/Results MPSC Order 12/20/2012 Settlement substantially reduced rate increase.	<p>This case involved an application by Michigan Consolidated Gas Company (MichCon) for an increase in its gas rates. Mich Con filed its application and testimony on April 20, 2012. MCAAA filed its intervention on May 16, 2012. MCAAA filed its testimony on September 20, 2012. Hearings were held on October 23 and 30, 2012. A stipulation of the parties was entered on November 29 and 30, 2012 to limit the issues for briefing and for Commission decision, as part of a settlement of other issues. On December 7, 2012, a partial settlement agreement of case issues was entered into by all parties including MCAAA, which was approved by a Commission order issued December 20, 2012. Pursuant to this partial settlement, Mich Con's requested rate increase of \$76.7 million was reduced to \$19.9 million, subject to a Commission decision on a single separate issue reserved for Commission decision following further briefing.</p>				

<p>Adoption of MCAAA rate adjustment of \$2 million.</p> <p>Adoption of MCAAA provision to prevent a double recovery of certain gas transportation costs via base rates and Act 304 charges.</p> <p>Adoption of MCAAA provision to exclude roll-in of Saginaw Bay Pipeline into MichCon, at annual savings of \$4 million to ratepayers.</p> <p>Adoption of MCAAA provision to continue residential low income assistance rate credit.</p>	<p>In addition to other issues which MCAAA focused upon in the case and in settlement discussions, the settlement included specific provisions advocated solely by MCAAA, which are described in the Commission's December 20, 2012 Order, in relevant part:</p> <p style="padding-left: 40px;">According to the terms of the partial settlement agreement, attached as Exhibit A, the parties agree that Mich Con should be authorized to increase its retail gas distribution rates to produce additional annual revenues of \$19.9 million, as set forth in Attachment 1 to the partial settlement agreement. The parties further agree that this rate increase is based on...</p> <p style="padding-left: 40px;">(2) the exclusion of the unamortized balance of manufactured gas plant clean-up costs from rate base working capital on a non-precedential basis, and no recovery of unaudited MGP expense amounts; (3) the inclusion of the operations and maintenance expense associated with the ANR transportation agreement used to serve the company's Alpena market and Mich Con's agreement that it shall take a position in future gas recovery reconciliation (GCR-R) proceedings that prevents double-recovery of this expense; (4) withdrawal of the company's request to transfer the Saginaw Bay Pipeline to Mich Con;... (8) a residential income assistance credit participation level of 120,000 customers....</p> <p>The adjustment referenced in the MPSC Order quoted as (2) above reduced Mich Con's rate increase for settlement purposes by approximately \$2 million annually. The provision referenced in the order as (3) above was included to prevent a double recovery of the referenced cost in both base rates and Act 304 GCR rates. The provision referenced in the Order as (4) above was consistent with MCAAA's position in Mich Con's last fully litigated base gas rate case (U-15985), adopted by the MPSC in its Order, that Mich Con's request to merge the Saginaw Bay Pipeline into Mich Con should be denied as it would increase Mich Con's base rate costs and would reduce its transportation revenues, resulting in increased rate impacts of approximately \$4 million annually. Item (4) above thus continued these savings to ratepayers. The provision referenced as (8) above was aimed at ensuring Mich Con's inclusion and preservation of a residential low income assistance rate credit program.</p>
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II. ELECTRIC CASES

U-16045-R	CECo 2010 PSCR Reconciliation	11-03 12-02	\$ 4,949 \$31,815	\$0 \$0	\$5,544 pro bono
<p>Status/Results</p> <p>MPSC Order 12/20/2012</p>	<p>CECo filed its application and testimony on March 31, 2011. MCAAA filed its Petition to Intervene on May 19, 2011. MCAAA filed its Testimony and Exhibits on December 8, 2011. Hearings were held in February 2012. An initial brief was filed by MCAAA on March 8, 2012, followed by a reply brief on March 22, 2012. The PFD was issued on June 22, 2012. MCAAA filed exceptions to the PFD on July 13, 2012 and a Reply to other parties' exceptions on July 27, 2012.</p> <p>MCAAA presented expert testimony and briefing in this case recommending a downward rate adjustment of \$2.295 million in demand charges paid by CECo under a contract to transport gas over a 7.5 mile pipeline interconnection between an interstate pipeline and CECo's Zeeland electric generating plant, which is fueled by natural gas. Because CECo's contract provided for CECo to acquire ownership of the interconnection pipeline for one (\$1) dollar as early as 2012, MCAAA asserted that the demand charges represented in part capital costs that are <u>not</u> reimbursable under Act 304's statutory provisions. Section 6j(13)(d) of Act 304, MCL 460.6j(13)(d), mandates in relevant part that the Commission in PSCR reconciliations shall... "disallow transportation costs attributable to capital investments to develop a utility's capability to transport fuel or relocate fuel at the utility's facilities...." The Proposal for Decision (PFD) of the Administrative Law Judge (ALJ) ruled in favor of MCAAA's position on this issue. The Commission's December 20, 2012 order reversed the PFD on this issue and rejected making the rate adjustment.</p> <p>MCAAA also asserted in evidence and briefing that CECo was paying a third party gas agent an excessive surcharge of \$0.30 per MMBtu as an agency fee for supplying gas to CECo for the Zeeland Plant, and that CECo failed to establish the reasonableness and prudence of the costs. The Commission's December 20, 2012 order rejected this argument.</p>				
U-16432	CECo 2011 PSCR Plan	11-03 12-02	\$24,745 \$ 0	\$0 \$0	\$12,734 Pro bono \$ 2,340 Pro bono
<p>Status/Results</p> <p>MPSC Order 07/13/2012</p> <p>Issues in this case</p>	<p>This case involved the PSCR Plan case for 2011 for Consumers Energy Company (CECo). CECo filed its case on September 30, 2010. MCAAA filed its intervention on November 23, 2010, and expert testimony on April 14, 2011. MCAAA also filed surrebuttal testimony on May 24, 2011. MCAAA participated in discovery and in hearings.</p> <p>MCAAA's testimony focused upon the fact that, while CECo sold its nuclear plants to Entergy in 2007, CECo retained the right to pursue its damage claims before the U.S. Court of Claims relative to the federal breach of the Standard Contract for SNF</p>				

<p>were further addressed in U-16191, U-16794, and U-16861.</p>	<p>disposal, and that CECo was engaged in negotiations with the federal government during the 2011 Plan case that related to SNF contract fees collected from ratepayers both for the period before 1983, and also collected under Act 304 for the period 1983 to 2007 (when CECo sold its nuclear facilities). MCAAA argued that these contract negotiations in 2011 were the subject of review as it related to the adequacy (reasonableness and prudence) of CECo's contract enforcement in <u>2011</u> (the Plan year).</p> <p>The ALJ disallowed the testimony of MCAAA's witness on this subject. MCAAA thereafter filed an appeal of this <u>procedural</u> ruling to the MPSC on May 27, 2011, which was denied by the Commission's Order dated July 12, 2011. The MPSC filed a Petition for Rehearing of this Order which the Commission denied on October 20, 2011. The MCAAA thereafter filed Exceptions to the PFD on November 2, 2011. The Commission issued orders dated September 11, 2012, and October 11, 2012, which affirmed the ALJ's ruling, and which did not rule on MCAAA's substantive issues. However, the same issues remained pending and subject to review in CECo's electric rate case, U-16191, and a special ancillary proceeding, U-16861, and also in CECo's electric rate case U-16794. MCAAA pursued a resolution of the SNF fee/contract breach issues (regarding CECo's lack of enforcement of its Standard Contract remedies to protect the SNF fees paid by ratepayers for SNF disposal or to obtain SNF disposal) in those dockets.</p>
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U-16472	DECo rate increase/ accounting approvals	11-03	\$41,309.00	\$0	\$28,115 Pro bono
		12-02	\$ 909.00	\$0	\$ 720 Pro bono
Status/Results	<p>This case involves a rate increase application by the Detroit Edison Company (DECo) filed on October 29, 2010. MCAAA filed its intervention on November 16, 2010. On April 1, 2011, MCAAA filed its expert testimony on a number of issues. MCAAA participated in the discovery process and in hearings held in May of 2011. MCAAA filed its Initial Brief on June 3, 2011, and its Reply Brief on June 22, 2011.</p>				
MPSC Order 10/20/2011	<p>The MCAAA pursued several issues in this case, including the following: (1) the need for the Commission to adopt ratemaking remedies to protect ratepayers with respect to SNF fee costs associated with DECo's Standard Contract for SNF disposal which the federal government has breached; (2) recommended enhanced measures to protect the utility and ratepayers from affiliated transaction abuses; (3) issues concerning the readjustment of nuclear decommissioning surcharges; (4) support for a line clearance reconciliation process to ensure that budgets included in rates for this reliability function are actually expended for the stated purpose, so as to reduce customer service outages, without defaulting to stockholder profits; and (5) recommending enhanced "ring-fencing" measures to protect ratepayers with respect to DECo's affiliated transactions.</p>				
Order Denying Rehearing 12/20/2011	<p>The ALJ issued his PFD on August 12, 2011. On August 26, 2011, MCAAA filed Exceptions to the PFD's rejection of these issues, including an issue regarding the setting of the base factor for the PSCR clause. The MCAAA filed replies to exceptions of other parties on September 7, 2011.</p>				
	<p>On October 20, 2011, the MPSC issued its final Order, rejecting MCAAA's remedies, including MCAAA's request that the Commission place ratepayer fee payments for SNF disposal in an escrow trust in light of the federal government's breach in performing its reciprocal SNF disposal obligations under the Standard Contract. The MPSC rejected a SNF fee trust for DECo. The MPSC distinguished DECo's situation from CECo (wherein a trust was ordered). The MCAAA (among other parties) filed Petitions for Rehearing on November 21, 2011, which the MPSC denied on December 20, 2011. The MCAAA filed an appeal of the Commission's Orders to the Michigan Court of Appeals in Court Docket 308154 on January 19, 2012.</p>				
	<p>All work on issues were pursuant to approved budgets under Grant 11-03, which expired September 30, 2011. Work in excess of budgets were completed on a pro bono basis.</p>				

U-16794	CECo electric rate increase	12-02	\$12,500	\$0	\$ 4,770 Pro bono
		13-01	\$ 0	\$0	\$26,451 Pro bono
Status/Results	<p>This case involved the June 10, 2011 application of Consumers Energy Company (CECo) to increase its electric rates.</p>				
MPSC Order 06/07/2012 08/14/2012	<p>MCAAA filed its intervention on July 11, 2011. MCAAA participated in discovery, and filed its expert direct testimony on November 15, 2011. MCAAA participated in hearings and conducted cross-examination during several days of evidentiary hearings held in December 2011.</p>				
	<p>The MCAAA's issues and positions presented in the evidence and briefing before the MPSC included the following: (1) recommending rejection of CECo's request to include in rates (and in rate base), 100% of the costs CECo incurred on a coal plant project which CECo abandoned; MCAAA recommended instead a less costly and fairer 10-year amortization of the costs (and exclusions of said costs from rate base) consistent with previous MPSC and court precedent; (2) proposing an "accountability mechanism" to ensure that amounts recognized in rates for forestry line clearing are actually expended for that</p>				

	<p>purpose so as to protect ratepayers and improve system reliability and reduce service outages; (3) recommending that the PSCR base factor should be established based upon CECo's actual historical test year costs, and not at the much higher level based upon CECo's speculative projected test year figures; (4) recommending that the Commission should adhere to its November 4, 2010 Order in CECo rate case U-16191 to establish a trust to receive and preserve the \$163 million in ratepayer-supplied funds for Spent Nuclear Fuel (SNF) disposal contract fees in light of federal court rulings holding that no obligation exists to pay said funds due to the federal government's breach of the SNF disposal contract; and (5) to adopt additional remedies to protect ratepayers relating to SNF fees paid in rates, and to protect against CECo's waivers of contract remedies that could otherwise have protected the fee funds.</p> <p>MCAAA filed its Initial Brief on January 24, 2012. The PFD was issued on March 30, 2012. MCAAA filed exceptions on April 13, 2012, and replies to exceptions on April 24, 2012. A Commission order was issued on June 7, 2012. The MCAAA filed a Petition for Rehearing on July 9, 2012. The Commission issued an order denying MCAAA's Petition for Rehearing on August 14, 2012. The MCAAA thereafter filed an appeal of the Commission's orders in MCAAA v MPSC, Michigan Court of Appeals Docket No. 312332, which remains pending.</p>				
U-16191 and U-168612	CECo Electric Rate Increase; ancillary SNF trust issues, and refunds of proceeds from CECo's SNF damages case	11-03 12-02	\$4,545 \$ 0	\$0 \$0	\$306 Pro bono (issues arise from previous cases subject to approved budgets in 11-03 and 12-02)
Status/Results MPSC Orders dated 11/04/2010, 03/17/2011, Continued defense of trust remedies for ratepayer supplied SNF fee funds Determination of \$23 million in rate refunds from CECo damages suit against federal government.	<p>On January 22, 2010, Consumers Energy Company (CECo) filed its application and prefiled testimony in this case seeking a substantial electric rate increase. MCAAA filed its Petition to Intervene on February 9, 2010. On June 10, 2010, MCAAA filed the testimony and exhibits of its expert witnesses. Evidentiary hearings in this case were held in July 2010. On August 26, 2010, MCAAA filed its Initial Brief. MCAAA filed its Reply Brief on September 16, 2010.</p> <p>Extensive evidentiary presentations were made in this case on behalf of MCAAA, including the testimony and exhibits of Ronald C. Callen and CPA William Peloquin. Major subjects of this testimony was to seek re-confirmation of the ratemaking treatment of the Spent Nuclear Fuel (SNF) issues as found by the Commission in its previous order, U-15645, applicable to CECo electric rates, including: (1) the removal from ratebase of the DOE Liability (i.e., accumulated funds collected from ratepayers for SNF disposal fees that CECo had not paid to the federal government, and that CECo did not legally have to pay given the federal government's breach of its contractual duties to undertake SNF disposal as so found by federal court rulings); (2) the removal from expense of any costs for a bank letter of credit and for annual interest cost related to the DOE Liability; (3) the recognition of the amount of the DOE Liability of \$163 million (collected by CECo from ratepayers for SNF disposal) in the cost of capital at zero cost and not at a positive cost; and (4) the implementation of a separate trust to receive the taxpayers supplied \$163 million in DOE Liability Funds as also adopted by the MPSC in U-15645, and recommendations as to conditions and provisions of the trust.</p> <p>The Commission issued its final order on November 4, 2010 adopting MCAAA's extensively litigated position that the Commission should: (1) reaffirm its decisions in CECo rate Case U-15645 that the \$163 million of ratepayer supplied funding associated with fees for the pre-April 7, 1983 nuclear generation under CECo's Standard Contract with the U.S. Department of Energy (10 C.F.R. Part 961 - Standard Contract for Disposal of Spent Nuclear Fuel and/or High-Level Radioactive Waste) should not be recognized in ratebase, should not be recognized <u>except as</u> zero (0) cost funds in the cost of capital, and that the annual interest accumulated on the funds should be removed from Operation and Maintenance Expenses, and that all costs related to a multi-million dollar bank letter of credit guarantee should also be removed from the cost of service for ratemaking purposes; (2) that CECo's proposal to pay to the DOE the \$163 million would be imprudent in light of the federal breach of its contract to dispose of CECo's Spent Nuclear Fuel (SNF); and (3) that the \$163 million of ratepayer paid SNF fee funds should be placed in an external trust regulated by the MPSC, and that CECo should implement the trust within six months of the order (or by May 4, 2011).</p> <p>On December 27, 2011, the MCAAA filed responsive pleadings in opposition to CECo's December 2010 Petition for Rehearing of the Commission's November 4, 2010 Order. On March 17, 2011, the MPSC issued its order denying CECo's Rehearing Petition, reaffirming its previous findings that the payment of the \$163 million to the federal government would be imprudent, but also clarifying that CECo could petition the MPSC to be relieved of the trust remedy.</p>				

2 MCAAA was awarded a grant under UCRF Grant 11-03 in the amount of \$26,058 for "SNF related cases" which included these dockets. That grant amount was expended and an additional \$29,911 of pro bono time was expended on the "SNF related cases" which included issues related to these dockets and also related to U-16794.

	<p>On May 25, 2011, CECo in U-16191 thereafter filed a motion seeking an extension relative to the Commission's Order requiring the establishment of the trust fund. On Jun 7, 2011, MCAAA filed a response opposing CECo's Motion for Extension. On July 14, 2011, CECo filed a Petition seeking to be relieved of the trust requirement, which MCAAA opposed by pleadings filed July 28, 2011. CECo nevertheless proceeded in July 2011 to pay the federal government the \$163 million of ratepayer collected funds for SNF disposal even though the federal government had in 2010 and 2011 repudiated its Standard Contract and disabled itself from being capable to dispose of SNF, and despite the MPSC's previous finding in its November 4, 2010 Order and March 17, 2011 Rehearing Order that such a payment would be imprudent, and also despite federal Court rulings that CECo had no legal obligation to make said payment in light of the federal contractual breach. In July 2011, CECo also entered into a settlement with the federal government of its damages suit against the federal government arising from the breach by the federal government of its obligations to dispose of CECo's SNF. Under the settlement, CECo agreed to pay, without advance MPSC authorization, the \$163 million of ratepayers-supplied funds for SNF disposal to the federal government despite the federal contractual breach. The CECo/federal government settlement also provided that the federal government would pay CECo \$120 million of its \$155 million damages claim.</p> <p>On September 9, 2011 (after CECo unilaterally paid the federal government the \$163 million discussed above), CECo filed an application in U-16861 seeking to be relieved of the SNF Trust requirement and proposing that \$23 million of the \$120 million damages settlement be refunded to ratepayers. This case (U-16861) comprised an ancillary docket to decide these issues (which the MPSC provided for in its orders in U-16191) to determine: (1) refunds arising from CECo's settlement of its damage suit against the federal government arising from the breach by the federal government of its SNF disposal contract, and (2) to review CECo's request to be relinquished of the Commission-ordered trust to receive \$163 million in SNF fee funds as determined in MPSC Cases U-15645 and U-16191.</p> <p>The MCAAA intervened in this ancillary case on October 20, 2011, filed testimony of two witnesses on February 14, 2012, and participated in hearings held on April 10, 2012. The MCAAA filed its initial brief on May 17, 2012 and its reply brief on May 30, 2012. The MCAAA advocated that the MPSC should maintain the trust requirement for the \$163 million collected from ratepayers for SNF disposal, and that a minimum of \$57-73 million of the damages settlement proceeds should be refunded to ratepayers, in lieu of the \$23 million refund proposed by CECo. The ALJ issued her Proposal for Decision on September 19, 2012, granting partial relief to MCAAA. The MCAAA filed Exceptions to the PFD on October 17, 2012, and Replies to Exceptions on October 31, 2012. The Commission subsequently issued its order of December 6, 2012, designated as combined Case No. U-16861/U-16191, approving CECo's application to be relieved of the trust requirement and providing for CECo to refund \$23 million of the proceeds from the damages case settlement (without recognizing the additional refunds established by MCAAA's evidence and briefing). MCAAA filed a Petition for Rehearing of the Commission's Order on January 4, 2013, which the Commission denied by its order of February 28, 2013. The MCAAA has filed an appeal of the MPSC's Orders in Court of Appeals Docket 315471.</p>				
U-16901	Northern States Power Company request for approval of a refund credit mechanism for DOE settlement payments relating to DOE's breach of its SNF disposal contracts, and request for accounting approvals		N/A (Continuation of previously funded case. No UCRF funding granted in 2012)	0	\$15,608 Pro Bono
Status/Results MPSC Order 06/26/2012 approving settlement Settlement obtained whereby utility agreed to disclose utility's damages case settlement agreement with	Northern States Power (NSP), which serves a portion of the western Upper Peninsula of Michigan, filed its application on October 4, 2011, to seek approval of a credit mechanism to refund to its Michigan ratepayers a pro rata share of proceeds obtained by NSP in its litigation against the federal government as damages arising from the federal government's breach of its contracts to dispose of spent nuclear fuel (SNF) associated with nuclear energy generation. Under utility contracts with the federal government, the federal government was contractually obligated to commence the removal and disposal of SNF at nuclear plant sites commencing in 1998, in exchange for the payment by utilities (and by its ratepayers as a pass-through cost in rates). The federal government delayed this contract performance for many years, and then, starting in 2009, ultimately repudiated its contract, and disabled its resources to carry out the disposal program, including cancelling all appropriations and dismantling the direct agency (the Congressionally established Office of Civilian Radioactive Waste Management) that was in charge of supervising the disposal program. Despite the contractual breach, the federal government continues to collect the quarterly contract fees from utilities (funded by ratepayers) as if it were performing its reciprocal obligations to dispose SNF. A number of utilities, including NSP, filed damage suits against the federal government for their increased costs resulting from				

<p>federal government and the calculations used to allocate the overall proceeds obtained by the parent holding company to its various utility subsidiaries, including NSP serving Michigan.</p>	<p>the federal contractual breach. NSP obtained certain damage awards from the federal government, and sought in this case to establish a mechanism to refund to ratepayers a portion of its damage awards on a continual basis (as it is expected that NSP will file damage actions for every six (6) year period of the continuing contractual default).</p> <p>MCAAA in this case did not oppose the mechanism proposed by NSP, and agreed that refunds should be rendered to ratepayers. However, MCAAA sought to obtain the underlying documentation to verify the calculations of the refunds, and the methods used to allocate the refunds as between NSP and its parent company, which serves several states, including Minnesota, Wisconsin, and Michigan. MCAAA also sought to obtain a copy of the settlement agreement reached between NSP and DOE.</p> <p>MCAAA filed its intervention on November 29, 2011. NSP initially opposed, without success, MCAAA's intervention in the case. MCAAA filed its testimony and exhibits on February 17, 2012. MCAAA also filed revised testimony on March 30, 2012. Hearings in the case were held on April 18 and 25, 2012. Thereafter, NSP and MCAAA entered into a settlement agreement on June 1, 2012, which provided for the relief MCAAA originally sought in the case, namely, a copy of the settlement agreement and the allocation calculations referenced above. In the meantime, the calculation of the ratepayer refunds was increased. On June 26, 2012, the Commission issued its Order approving the settlement agreement entered into by NSP and MCAAA resolving all issues in the case.</p>
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GRANTEE: PUBLIC INTEREST RESEARCH GROUP OF MICHIGAN

<p>MPSC Case U-15611</p> <p>MI Court of Appeals Docket No. 296853</p> <p>Michigan Supreme Court Docket No.144749</p>	<p>In the matter of the application of Consumers Energy Company for reconciliation of nuclear power plant decommissioning funds and expenditures for the Big Rock Point Nuclear Plant and for related relief</p> <p>In Re Application of Consumers Energy Co Re: Big Rock Point Plant</p> <p>In Re Application of Consumers Energy Co</p>	<p>10-05</p>	<p>\$17,353</p>	<p>0</p>	<p>\$3947 Pro Bono</p>
<p>Status / Results</p> <p>Michigan Court of Appeals Order issued 01/24/2012</p> <p>Michigan Supreme Court Order issued 06/25/2012</p> <p>MPSC Order issued 04/27/2010</p>	<p>On January 12, 2012, the Michigan Court of Appeals issued its decision <i>In re Application of Consumers Energy Co Re Big Rock Point Plant</i>, Michigan Court of Appeals 296853, which affirmed MPSC orders that ruled in favor of the litigated position of MEC and PIRGIM in MPSC Case U-15611. Counsel Keskey for MEC and PIRGIM under this grant defended the MPSC Orders in briefing and oral argument before the Court of Appeals. The Michigan Supreme Court subsequently denied CECo's Application for Review of the Court of Appeals decision in <i>In re Application of Consumers Energy Co Re Big Rock Point Plant</i>, Michigan Supreme Court Docket No. 144749 on June 25, 2012.</p> <p>This case involved carryover issues originated and litigated by Counsel Don Keskey and CPA Witness Peloquin on behalf of the Michigan Environmental Council and the Public Interest Research Group in Michigan (PIRGIM) in Case No. U-14992 in 2007 asserting that CECo had collected over \$99 million in surcharges for the Big Rock Nuclear Plant Decommissioning Trust Fund over the three year period 2001-2003 that CECo never deposited in the trust. The MPSC in its orders in that case (U-14992) deferred the issue to CECo's next rate case, U-15245, in which the issue was litigated again. The MPSC in its order in that case deferred the issue again, but ordered CECo to file a reconciliation in this case (U-15611) to deal with the issue. Complete evidence was again submitted in this case (U-15611) asserting that the \$99 million was not placed in trust, and requesting remedial relief. For the first time, the Attorney General and MPSC Staff in U-15611 presented supporting evidence to that originated on behalf of MEC and PIRGIM. In its order of February 8, 2010, the MPSC ruled that over \$99 million in surcharge collections, plus interest, minus a \$44 million shortfall to cover added decommissioning costs, or a net of \$86 million should be refunded to ratepayers. The MPSC order dated April 27, 2010, required this refund to be rendered to CECo customers via a negative surcharge on electric bills during the 7-month period of July 2010 through January 2011.</p> <p>In 2012, the Courts affirmed the MPSC order in its entirety.</p>				

GRANTEE: CITIZENS AGAINST RATE EXCESS (CARE)

Docket No.	Case Title	UCRF Grant No.	UCRF Grant Amt Awarded	Balance (12/31/2012)	Other financial support (matching funds, pro bono support, etc.)
U-16032-R	Wisconsin Public Service Corp PSCR Reconciliation Case	11-02	\$4,514.70	\$924.15	None Reported.
RESULTS Order 1/12/2012. After review and discovery, CARE agreed to settle the case as originally filed.					
U-16880	Alpena Power Company 2012 PSCR Plan Case	12-03	\$1,636.20	\$45.45	None Reported.
RESULTS Order 1/26/2012. After review and discovery, CARE agreed to settle the case as originally filed					
U-16883	Northern States Power Company 2012 Plan Case	12-03	\$4,363.20	\$0.00	None Reported.
RESULTS Order 2/15/2012. The case was settled after CARE filed testimony saving residential ratepayers \$64,945.					
U-15664-R	Wisconsin Electric Power Company 2009 Reconciliation Case	10-09	\$19,140.00	\$96.63	None Reported.
RESULTS Order 3/08/2012. Order agreed w CARE in saving ratepayers \$139,270 for disallowance of charges for "coal not taken."					
U-16884	Wisconsin Electric Power Company 2012 Plan Case	12-03	\$17,271.00	\$45.45	None Reported.
RESULTS Order 4/6/2012. After extensive discovery regarding the output of the Company's new Elm Road facility, a Settlement was reached saving residential ratepayers approx \$142,000 .					
U-16891	Indiana Michigan Power Company 2012 Plan Case	12-03	\$15,639.80	\$198.00	None Reported.
RESULTS Order 4/17/2012. Case was Settled after incorporating Order in general rate case U-16801					
U-16881	Upper Peninsula Power Company 2012 Plan Case	12-03	\$30,905.00	\$2,089.70	None Reported.
RESULTS Order 5/24/2012. CARE issued 5 rounds of discovery and filed testimony challenging many unrealistic company assumptions. The case was then settled saving ratepayers \$3,000,000 .					
U-16882	Wisconsin Public Service Corp 2012 Plan Case	12-03	\$30,906.00	\$2,454.30	None Reported.

RESULTS Order 5/24/2012. CARE issued 3 rounds of discovery and filed testimony challenging the inclusion of EPA compliance costs in 2012. The case was then settled saving ratepayers \$781,000 .					
U-16424	Wisconsin Electric Power Company 2011 Plan Case	11-02	\$22,725.00	\$42.93	None Reported.
RESULTS Order 9/26/2012. After CARE submitted testimony, Company agreed to remove costs associated with renewable energy credits with Wisconsin saving Michigan residential ratepayers \$208,896 .					
U-16423-R	Northern States Power 2011 Reconciliation Case	12-03	\$2,182.00	\$0.40	None Reported.
RESULTS Order 9/11/2012. After review and discovery, CARE agreed to settle the case as originally filed.					
U-16421-R	Upper Peninsula Power Company 2011 Reconciliation Case	12-03	\$27,270.00	\$1,454.40	None Reported.
RESULTS Order 9/11/2012. After extensive discovery a Settlement was reached saving residential ratepayers approx \$856,183 by disallowing a alleged uncollectible due to the bankruptcy of one of its customers.					
U-16420-R	Alpena Power Company 2011 Reconciliation Case	12-03	\$1,358.00	\$459.10	None Reported.
RESULTS. Order 10/11/2012. After review and discovery, CARE agreed to settle the case as originally filed.					
U-16433-R	Indiana Michigan Power Company 2011 Reconciliation	12-03	\$9,090.00	\$1,545.30	None Reported.
RESULTS . Order 10/31/2012. After review and discovery, CARE agreed to settle the case as originally filed.					
U-16422-R	Wisconsin Public Service Corp 2011 Reconciliation Case	12-03	\$6,900.00	\$37.05	None Reported.
RESULTS . Order 12/6/2012. After review and discovery, CARE agreed to settle the case as originally filed.					

FERC ER11-4081 et al	Capacity Market	12-03	\$31,714.00	\$14,564.20	None Reported
RESULTS. Order 6/11/2012. As background, given the extremely high cost of construction for a new power plant, the Federal Energy Regulatory Commission has encouraged capacity markets in an attempt to ensure that future demand for electricity is met. By creating a capacity market, generators would be assured of a revenue stream to get a return on their investment. In this case, FERC required the Midwest Independent System Operator (MISO) to propose a capacity market for the Midwest region (sometimes referred to as a Regional Transmission Organization or RTO or an Independent System Operator or ISO) that includes Michigan. CARE filed comments in this proceeding on Sept 11, 2011 as developed by its expert, Dr. Kenneth Rose. Essentially Dr. Rose alerted FERC that in the PJM RTO (includes heavily congested New Jersey eastern seaboard corridor), over \$7 billion was added to the cost of electricity on an annual basis throughout that region. If FERC allowed the Midwest ISO to have a similar mandatory auction in which all generators had to place their generation capacity into the market, the same adverse impact could be passed on to residential ratepayers. CARE's comments suggested that Michigan's ratepayers could see as much as \$100 million per year of increased costs. Residential ratepayer's portion of that increase could be about \$35 million per year. The actual "savings" is difficult to determine with information available as of 12/31/2012. MISO conducted its first auction in April 2013. Preliminary reports indicate that the capacity market charges will be significantly less than that conducted in the PJM region. CARE contends that the fact that FERC agreed with CARE regarding the voluntary nature of the market is a significant factor in these "savings."					

GRANTEE: RESIDENTIAL RATEPAYER CONSORTIUM

Docket No.	Case Title	UCRF Grant No.	UCRF Grant Amt Awarded	Balance (12/31/2012)	Other financial support (matching funds, pro bono support, etc.)
U-15704-R	Consumers Energy Company 2009-2010 GCR Reconciliation	10-01	\$38,178.00 (6-2-2011)		\$0.00
<p>RESULTS: MPSC Order - 3/8/2012</p> <p>The RRC presented testimony that: (1) Audited the financial results of CECO's fixed price purchase (FPP) program in the 2009-2010 GCR period and documented \$515.9 million in excess costs caused by the FPP in that period. If the Company had instead made these purchases at Index prices, GCR Costs would have been reduced by more than 30%. Per the MPSC's 12-21-2010 Order in Case No. U-16149, CECO's 2010-2011 GCR Plan, these results are germane to an evaluation of the FPP's "strengths and weaknesses" and to form the basis of proposals for "logical modifications based on experience" in the Company's next GCR Plan case. (2) Presented an analysis showing that use of NYMEX pricing to make FPP purchases does not reflect real market prices for natural gas. (3) Presented an analysis that shows that the FPP program has destroyed the economic benefit of gas in storage for GCR customers. (4) Critiqued the FPP program showing that it has caused a high GCR Factor and increased Gas Customer Choice participation, thereby shifting the cost of pipeline reservation charges for unused capacity to the GCR customers. In 2009-2010 those amounted to \$4.1 million. (5) Recommended a disallowance of \$1,613,000 for purchases made outside of the Company's approved quartile purchasing plan. (6) Recommended disallowances totaling \$2,517,600 for certain gas purchases that had excess basis adjustment costs. (7) Recommended a disallowance of \$1,994,812 for gas purchases that exceeded the NYMEX "High" on certain days. In its Order, the MPSC rejected the argument made by CECO and the MPSC Staff that the RRC's proposed disallowances should be dismissed because they could have been considered adequately in the 2009-2010 GCR Plan case. However, the MPSC declined adopting the RRC's proposed disallowances because it "was not persuaded" that CECO's gas purchasing decisions were unreasonable and imprudent. The MPSC approved CECO's application for reconciliation of its gas cost recovery plan for the period ended March 30, 2010.</p>					
U-16145-R	Michigan Gas Utilities Corp. 2010-2011 GCR Reconciliation	11-01	\$22,360.58	\$5,980.40	\$0.00
<p>RESULTS: MPSC Order - 12/6/2012</p> <p>The RRC audited MGUC's gas purchases, storage operations, peaking service and utilization of firm transportation in the 2010-2011 GCR period. In its testimony, the RRC: (1) Documented \$25.6 million in excess costs caused by the fixed price purchase (FPP) program in the 2010-2011 GCR year that equates to an increase of \$1.44/Dth for the average cost of gas. This confirmed that suspending the FPP Program for the 2012-2013 GCR year in the settlement agreement reached by the RRC with MGUC in Case No. U-15700 and engaging in collaborative meetings with MGUC during 2010 to make changes to the FPP that were included in the 2011-2012 GCR Plan were effective advocacy steps for the RRC to take on behalf of MGUC's GCR customers. (2) Analyzed the decisions underlying MGUC's daily intra-month spot and swing purchases and concluded that under the operational constraints faced by MGUC, those purchases were appropriate and had no negative cost consequences for the GCR customers. (3) Evaluated the bid process used by MGUC to solicit base load and swing supply, the reservation charge for swing supply, the Company's peak day estimate, its non-core sales and its monthly purchases and concluded they were acceptable. The MPSC approved MGUC's reconciliation of its gas costs for the 2010-2011 period and ordered that the Company's \$3,458,727 cumulative overrecovery be credited to the GCR customers in the 2011-2012 GCR Plan.</p>					
U-16146-R	Michigan Consolidated Gas Co. 2010-2011 GCR Reconciliation	11-01	\$25,451.17	\$3,962.41	\$0.00
<p>RESULTS: MPSC Order - 8/14/2012</p> <p>The RRC presented testimony that: (1) Revealed the financial results of MichCon's fixed price purchase (FPP) in the 2010-2011 GCR period and documented \$246.1 million in excess costs to the GCR customers caused by MichCon's FPP purchasing methodology. This translates to natural gas supplies that cost on average, \$3.13/Dth more than published Index prices in 2010-2011. For the GCR customers, this increased the average gas bill by more than \$200 per year. These audit results are crucial for making recommendations for changing the FPP in MichCon's subsequent GCR Plan cases where the results of the FPP are never presented by the Company. (2) Recommended disallowances totaling \$1,079,158 for the Company's failure to exercise reasonable and prudent discretion in the administering its FPP purchases that would have minimized the cost of gas for the GCR customers on certain supply purchases. (3) Recommended a disallowance of \$78,956 for a three-year gas supply purchase that violated the terms of MichCon's FPP guidelines. In its Order, the MPSC affirmed that the RRC's evidence and arguments regarding the performance of the FPP are relevant to the continued use of the guidelines in future GCR Plan cases and the Commission stated that it may issue warnings pursuant to MCL 460.6h(7) to address the poor performance of the Company's FPP guidelines in the future. Otherwise, the Commission declined to order the gas cost disallowances advocated by the RRC. The MPSC approved MichCon's reconciliation of its gas costs for the 2010-2011 period and ordered that the Company's \$5,689,360 net overrecovery be credited to the GCR customers in the 2011-2012 GCR Plan.</p>					
U-16147-R	SEMCO Energy Gas Co. 2010-2011 GCR Reconciliation	11-01	\$22,360.58	\$6,707.60	\$0.00

RESULTS: MPSC Order - 4/17/2012

The RRC audited SEMCO's gas purchases, peaking services, storage operations, pipeline utilization and capacity release results and actual peak days and supply. In its testimony, the RRC: (1) Documented \$17.6 million in excess costs caused by the fixed price purchase (FPP) program in the 2010-2011 GCR year that equates to \$0.57/Mcf of extra cost to the GCR customers. However, as SEMCO's testimony showed, the changes to the FPP that were advocated by the RRC in earlier GCR proceedings that were put in place for the 2010-2011 GCR year proved to be timely and avoided additional higher FPP cost. (2) Analyzed the Company's term purchases and concluded that based on the circumstances at the time they were made, they were prudent and justified, (3) Evaluated the Company's intra-month purchases and the bid methodology use to make them, the cost of SEMCO's peaking service and its utilization of those services and concluded they were acceptable. (4) Examined SEMCO's storage utilization and daily storage activity and concluded that those operations were reasonable. (5) Investigated the Company's pipeline utilization and capacity release credits and found that they were appropriate, but recommended a change in SEMCO's reporting of those activities to add transparency to the results. (7) Reviewed the Company's peak day and supply and discovered a disparity between the extrapolation of data shown on the Company's exhibits and the data in SEMCO's GCR Plan. The RRC recommended changes to address this issue. A settlement agreement was reached among the parties that was approved by the MPSC. In the settlement, SEMCO agreed: (a) to credit the Company's net overrecovery of \$488,834 inclusive of interest to the GCR customers in the 2011-2012 GCR Plan case, (b) to modify the FPP guidelines to end summer fixed price term purchases outside of the FPP guidelines in the 2012-2013 GCR Plan year, (c) to modify the FPP guidelines to make winter fixed price purchases only in the then current GCR year for the 2013-2014 GCR plan year, (d) and to continue to meet with the RRC, the AG and the MPSC Staff to discuss other changes and clarifications to the FPP guidelines. These changes will further reduce the excess costs caused by the FPP guidelines.

U-16149-R	Consumers Energy Company 2010-2011 GCR Reconciliation	11-01	\$25,451.17		\$2,689.81
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RESULTS: MPSC Order - 9/11/2012

The RRC: (1) Audited the financial results of CECO's FPP program in the 2010-2011 GCR period and in its testimony documented \$348.2 million in excess costs caused by the fixed price purchase (FPP) program in the 2010-2011 GCR year. If the Company had instead made these purchases at Index prices, GCR Costs would have been reduced by approximately 29% and the amount that GCR customers would have paid on their gas bills would have been reduced by \$1.96/Mcf. (2) Presented the data provided by the RRC in Case No. U-16149 to show that the critiques of CECO's FPP performance during 2010-2011 is not based on hindsight. (3) Analyzed CECO's gas purchases made in the 2010-2011 GCR year and concluded that the Company failed to exercise any discretion in the administration of its FPP guidelines and instead purchased the maximum amounts allowed without regard to market trends. (4) Examined the Company's application of the FPP guidelines and found an error in the projection of total gas purchase requirements for the GCR customers. A detailed analysis showed that it was unreasonable and imprudent for CECO to have made additional FPP in March and April 2010 for the 2010-2011 GCR year. On that basis, the RRC recommended a disallowance totaling \$9,718,000. Recognizing the continuing harm that CECO's FPP was inflicting on the GCR customers, the RRC included in its testimony an alternative "offer" to the Company that the RRC would withdraw the proposed disallowance if CECO would immediately cease all FPP pending the outcome of the 2012-2013 GCR Plan. The RRC's expert witness stated, "In my view, this action is warranted if it will stop the imposition of hundreds of millions of dollars of excessive, unnecessary gas costs on Consumers' GCR customers...." Consumers then ceased making additional FPP pending the outcome of the 2012-2013 GCR Plan case and the requested disallowance was withdrawn by the RRC. The MPSC approved Consumer's GCR reconciliation and ordered that the Company's \$5,805,901 overrecovery, inclusive of interest, be credited to the GCR customers in the 2011-2012 GCR Plan.

U-16481	Michigan Gas Utilities Corp. 2011-2012 GCR Plan	11-01	\$33,813.63 (8-22-11)		\$1,216.89
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RESULTS: MPSC Order - 1/26/2012

The RRC presented testimony that analyzed and critiqued MGUC's proposed Reservation Charge, the Company's Peak Day estimates, its planned storage operations, its fixed price purchases and the current estimates for delivered prices from all production areas. The RRC recommended that: (1) MGUC's proposed reservation charge needs to factor in a number of variables that were not addressed in the Company's testimony or exhibits including existing contractual obligations, load factors before and after Gas Customer Choice, Supplier of Last Resort obligations as they affect Peak Day analysis and load factor dynamics, the over/under collection of reservation charges, daily purchases and Call or Swing Demand Charges, capacity release credits and assignment. The RRC recommended approval of MGUC's Reservation Charge proposal, that the MPSC avoid the imposition of any true-up mechanism for possible over/under collection of reservation charges and that all capacity release charges be credited to the GCR customers. (2) MGUC immediately self-implement a moratorium on any new Gas Customer Choice (GCC) additions because the evidence shows the Company cannot provide safe and reliable service to the GCR customers at existing levels of GCC participation. (3) MGUC adjust its storage operations plan to change levels of service from ANR. (4) The Company's peak Day estimate and proposed hedging strategy to replace the current quartile FPP method be accepted. (5) Because all the RRC's prior recommendations regarding least cost pipeline utilization have been implemented by the Company, that aspect of MGUC's GCR Plan should be accepted. The MPSC approved a reservation charge for MGUC thereby reducing the GCR Factor that is billed to the GCR customers by \$.3953/Mcf. This represents a cost reduction to the GCR customers of \$1.5 million that the RRC together with other parties advocated in this case. Apart from the MPSC Order, MGUC did self-implement a moratorium on new GCC additions.

U-16482	Michigan Consolidated Gas Co. 2011-2012 GCR Plan	11-01	\$23,633.19 (8-22-11)		\$180.99
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RESULTS: MPSC Order - 4/17/2012

The RRC analyzed and critiqued MichCon's fixed price purchase (FPP) program, the projected storage utilization for 2011-2012 and the Company's proposal to reduce gas storage availability for GCR/GCC customers by 8.3 Bcf. In its testimony in this case, the RRC: (1) Documented more than \$1

billion in excess gas costs caused by MichCon's use of FPP over the preceding 5 years. (2) Analyzed MichCon's new VCA method of making FPP, providing extensive details on its shortcomings and showing why the Company is not implementing it the way it said it would when it was first introduced in Case No. U-16146. The testimony also showed that MichCon is the only Michigan gas utility company that is making FPP at a level of 75% of its supply requirements in spite of the change in natural gas supply/demand fundamentals that have occurred over the past years. (3) Recommended that MichCon be financially responsible for all excess costs resulting from use of the VCA method that exceed Index prices and that purchase levels under the VCA method be reduced to 50% for the 2012-2013 GCR year and to 30% for the following year. (4) Examined MichCon's proposal to reduce the GCR/GCC customers' allocation of storage capacity from 80 Bcf to 71.7 Bcf and presented a detailed analysis showing why it is unwarranted and recommended that it be rejected. In its Order the MPSC ignored the evidence of poor performance of FPP and the over \$1 billion of excess costs they cause GCR customers and chose to give the new VCA method of making FPP a pass stating that "the Commission expects that, in future GCR Plan case filings, the utility will include a review of the performance of the VCA method and current data to support whatever coverage ratio the company chooses to seek." With respect to the storage allocation issue, the Commission decided to authorize reduction of GCR/GCC reduction by 4.15 Bcf,-- half way between MichCon's proposal and the 8.3 Bcf that the RRC argued should be retained for the benefit of the GCR/GCC customers. In its Order, the MPSC cited no evidence from the record of this case that shows why 4.15 Bcf is an adequate storage level allocation to serve the needs of the GCR/GCC customers.

U-16485	Consumers Energy Company. 2011-2012 GCR Plan	11-01	\$24,542.14 (8-22-11)		\$180.94
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RESULTS: MPSC Order - 3/8/2012
 The RRC analyzed CECO's fixed price purchase (FPP) program and the Company's sales forecast for 2011-2012 and the basis for the Company's monthly distribution of sales. In its testimony in this case, the RRC: (1) Documented more than \$1.2 billion in excess gas costs caused by MichCon's use of FPP over the preceding 5 years. (2) Examined why making forward purchases using NYMEX projections yields gas costs for GCR customers that far exceed the market cost of natural gas at the time of delivery. (3) Acknowledged movement in the right direction by CECO in reducing the levels of FPP shown in its 2011-2012 GCR Plan. (4) Proposed reductions to the FPP caps for the second, third and fourth GCR years to further reduce the cost of gas to the GCR customers. (5) Recommended removal of all tiered fixed price purchases from CECO's supply portfolio. (6) Recommended that the Company move to soliciting a minimum of three basis bids from its natural gas suppliers. (7) Recommended that in future GCR plan filings, CECO change the way it shows its monthly sales allocations from year to year. The part of the MPSC's decision in this case that sets forth its order does not address any of the issues raised by the RRC in this case. The Order does, however, adopt certain findings made by the Administrative Law Judge in the Proposal for Decision including: (a) the Company's proposed tiered purchasing strategy "does not appear reasonable", (b) CECO is directed to continue evaluating its FPP in future GCR plan cases, (c) CECO is directed in future GCR Plan filings to provide its monthly forecasts using the current 11-year method that was advocated by the RRC together with any alternatives the company may propose to justify any change, and (d) CECO is cautioned to "ensure that it solicits a sufficient number of bids it intends to use competitive bidding to demonstrate it has received the best prices".

U-16920	Michigan Gas Utilities Corp. 2012-2013 GCR Plan	12-04	\$16,137.00 (10-1-12)		\$0.00
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RESULTS: MPSC Order - 8/28/2012
 The RRC analyzed MGUC's storage operations, use of Call and/or Swing Packages to meet peak Day requirements, colder-than-normal weather plan, utilization of least cost pipelines for supply, MGUC's current hedging plan and status to date, projected under-recovery of gas costs from the 2011-2012 GCR Year, proposed Base GCR Factor, sales estimates for GCR and GCC and estimated Peak Day. In its testimony in this case, the RRC: (1) Examined MGUC's hedging activity for 2012-2013 that shows a loss of approximately \$226,000 for 20% of the planned hedging activity for the 2012-2013 GCR year and recommended cessation of that activity because of the current stable price environment that is detailed in the testimony. (2) Identified errors in the Company's projections of gas cost underrecoveries for March 2012. (3) Identified reductions in gas costs revealed through the RRC's discovery that should reduce MGUC's GCR factor from \$4.6475 /Mcf to approximately \$3.97/Mcf. (4) Identified errors in MGUC's total sales estimates for GCR and GCC customers. (5) Endorsed the Company's Peak Day estimate and confirmed that the cost of Call or Swing reservations costs should be included in the actual true-up of the Reservation charge. This case resulted in a settlement agreement that was approved by the MPSC in which SEMCO's originally requested GCR Factor of \$4.6475/Mcf was reduced to \$3.9353/Mcf. This represents a \$9.8 million reduction in the gas costs MGUC sought in its original GCR Plan attributable to the RRC's advocacy in this case. The parties also agreed to technical conferences in which sales forecasting methods and the Company's 2013-2014 hedging strategy will be addressed. MGUC also agreed to include in its 2013-2014 GCR Plan an analysis providing justification for continuation of its hedging strategy.

U-16922	SEMCO Energy Gas Co. 2012-2013 GCR Plan	12-04	\$13,591.80 (10-1-12)		\$0.00
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RESULTS: MPSC Order - 8/28/2012
 The RRC analyzed SEMCO's fixed price purchasing (FPP) program, storage plans, base GCR factor, colder-than-normal weather plan, Design Day, peaking supply level and the Company's asset management contract with BP. In its testimony in this case, the RRC: (1) Projected an excess cost of \$10.3 million attributable to SEMCO's FPP for the 2012-2013 GCR year. (2) Recommended elimination of the Company's FPP program. (3) Endorsed SEMCO's new storage arrangements with BWGS and continuation of its proposed use of Eaton Rapids storage to improve supply reliability and minimize the cost of gas to the GCR customers. (4) Recommended reduction of the commodity cost portion of the GCR Factor from SEMCO's \$4.1115/Dth to \$3.2474/Dth to reflect updated gas cost information obtained by the RRC in discovery. (5) Recommended approval of SEMCO's Colder-Than - Normal Weather plan and Peak Day forecast. This case resulted in a settlement agreement that was approved by the MPSC in which SEMCO's originally requested GCR Factor of \$4.8726/Dth was reduced to \$3.9996/Dth comprising a base Commodity Cost of \$3.2521/Dth and a

Balancing and Demand Charge of \$0.7475/Dth. This represents a \$30 million reduction in the gas costs SEMCO sought in its original GCR Plan attributable to the RRC's advocacy in this case. SEMCO also agreed to include in its 2013-2014 GCR Plan an analysis providing justification for continuation of its hedging strategy.

RRC Response to informal UCPB Board Request for additional information on results from 2012 settlements (verbatim comments).

MEMORANDUM

June 6, 2013

To: Michelle Wilsey

From: David L. Shaltz

Re: **Additional Detail on RRC Cost Savings Reported for the UCPB's 2012 Annual Report**

The information presented below provides additional details about how the cost savings shown in the RRC's input to the UCPB's 2012 annual report were calculated. Please note that the amount shown below for MPSC Case No. U-16481 is *less than* the amount I provided earlier. That is because upon closer examination of the MPSC's Order in that case, I found that the reservation charge that causes decreased costs for the GCR customers in that case was implemented in only two months of the GCR period. The original estimate of savings that I provided was based on a full 12-month implementation of the reservation charge.

SEMCO Case No. U-16922, 2012-2013 GCR Plan - \$30 Million

- In its Application, SEMCO requested a GCR Factor of \$4.8726/Dth comprising a Balancing and Demand Charge of \$0.7611 per Dth and a Commodity Cost of \$4.1115 per Dth. The total cost of gas revenues to be generated by these charges is \$169,208,177 shown on Exhibit A-15, page 1 of 3, Line 43, TOTAL Column.
- On page 7 of his prefiled testimony, RRC witness Hollewa described Exhibit RRC-2 (FJH-2), SEMCO's response to an interrogatory submitted by the RRC. The information in that exhibit and Mr. Hollewa's testimony reflect updated data showing that SEMCO's total cost of gas declined by \$30 million since the time SEMCO filed its GCR Plan in December 2011. Mr. Hollewa testified that SEMCO's Balancing and Demand charge should be reduced to \$.7475 and the gas Commodity Cost should be reduced to \$3.2474 for a total GCR Factor of \$3.9949/Dth.
- SEMCO filed the rebuttal testimony of James Van Sickle in which he acknowledged Mr. Hollewa's testimony and stated that the Company was amenable to updating the proposed GCR factor to reflect the data shown in Exhibit RRC-2. He filed revised Exhibit A-17 which contains a new GCR Factor of \$3.9996 comprising a Balancing and Demand Charge of \$0.7475 and a Commodity Cost of \$3.2521 per Dth.
- Mr. Van Sickle also filed a revised Exhibit A-15 that shows the total cost of gas revenues revenue to be

generated by the reduced GCR Factor is \$139,206,475. This is a reduction of gas costs to the GCR customers of \$30,001,702 from the amount in the GCR Plan filed by SEMCO.

- The other parties to this case were the MPSC Staff and the Attorney General. The MPSC Staff did not file testimony in this case. The AG filed testimony that advocated a GCR factor of \$4.0287. The AG's witness reached this conclusion independent of the RRC through SEMCO's responses to interrogatories filed by the AG.
- The final GCR Factor of \$3.9996 was contained in a settlement agreement among the parties and approved by the MPSC on August 28, 2012.

MGUC Case No. U-16920, 2012-2013 GCR Plan - \$9.8 million

- In its Application, MGUC requested a GCR Factor of \$4.6475/Mcf comprising a commodity charge of \$3.9744/Mcf and a Reservation Charge of \$0.6731/Mcf. The total cost of gas revenues to be generated by these charges is \$66,925,870 shown on Exhibit A-13, page 2 of 8, Line 20.
- On page 9 of his prefiled testimony, RRC witness Hollewa described Exhibit RRC-2 (FJH-2), MGUC's response to an interrogatory submitted by the RRC. The information in that exhibit and Mr. Hollewa's testimony reflect updated data showing that MGUC's gas commodity cost should be reduced to \$3.30/Mcf resulting in a Base GCR Factor of \$3.97 per Mcf.
- MGUC filed the rebuttal testimony of Sarah R. Mead in which she acknowledged Mr. Hollewa's testimony recommending the use of updated pricing information. She also sponsored Revised Exhibit A-6 that contained data consistent with that used by Mr. Hollewa. MGUC witness David J. Tyler filed rebuttal testimony and Revised Exhibit A-9 that flowed these cost reductions through to a new GCR Factor of \$3.9353/Mcf comprising a commodity charge of \$3.2621/Mcf and a Reservation Charge of \$0.6731/Mcf. Mr. Tyler's Revised Exhibit A-13 showed that all the updated information resulted in total cost of gas revenues of \$57,064,734. This is a reduction of gas costs to the GCR customers of \$9,861,136 from the amount in the GCR Plan filed by MGUC.
- The other parties to this case were the MPSC Staff and the Attorney General. The MPSC Staff did not file testimony in this case. The AG filed testimony that advocated a GCR factor of \$3.3707/Mcf. The AG's witness reached this conclusion independent of the RRC through his own analysis of the Company's gas commodity costs, its GCR sales volumes, the projected underrecovery of GCR costs for the prior year and other adjustments.
- The final GCR Factor of \$3.9353 was contained in a settlement agreement among the parties that was approved by the MPSC on August 28, 2012.

MGUC Case No. U-16481, 2012-2013 GCR Plan - \$1.5 million

- The RRC filed testimony that supported MGUC's proposal to implement a reservation charge that would require Gas Customer Choice (GCC) customers to share the cost of pipeline capacity purchased by MGUC

to meet their needs. The testimony examined how MGUC's existing contractual obligations, the Company's Load Factors before and after GCC, the applicability of Supplier of Last Resort (SOLR) to MGUC's peak day analysis and load factor dynamics, the over/under collection of reservation charges, the daily purchases and call or swing demand charges, capacity release credits and capacity assignment affect the proposed reservation charge.

- The RRC supported the amount of the reservation charge sponsored by MGUC. The MPSC Staff, the Attorney General and the Michigan Gas Customer Choice Association supported alternative reservation charges but no party took exception to the Administrative Law Judge's recommendation that the Commission adopt the amount proposed by MGUC and supported by the RRC.
- In its January 12, 2012 Order in this case, the MPSC approved a GCR factor of \$6.6938 that includes a gas commodity charge of \$5.8924/Mcf and reservation charge of \$0.8014/Mcf. The Commission's ordered that MGUC start billing the reservation charge to GCC Customers in February 2012.
- The projected GCC volumes shown on Exhibit A-2 for February and March 2012 were 1,918,654 Mcf. This results in reservation charge revenues of \$1,537,609 – charges that are credited to and offset the capacity costs paid by MGUC's GCR Customers.

Please let me know if you need additional information about these reported results.

ATTACHMENT B: UCRF 2011 GRANTEES Membership Scope and Description

Residential Ratepayer Consortium (RRC) is comprised of The Area Agencies on Aging Association of Michigan (AAAAM) and the Michigan League for Public Policy (MLPP).

The Area Agencies on Aging Association of Michigan (AAAAM) www.mi-seniors.net. Nonprofit organization composed of 16 local area agencies on aging that serve Michigan citizens age 60 and older in all eighty-three Michigan counties. Based on 2010 census statistics, that represents 19.5% of the total state population. Local area agencies include:

- 1-A Detroit Agency on Aging
Serves Detroit, Hamtramck, Highland Park, Grosse Pointe, Grosse Pointe Park, Grosse Pointe Shores, Grosse Pointe Woods, Grosse Pointe Farms, and Harper Woods cities.
- 1-B Area Agency on Aging 1-B
Serves Livingston, Macomb, Monroe, Oakland, Washtenaw, and St. Clair Counties.
- 1-C The Senior Alliance, Inc
Serves Wayne County except areas served by 1-A
- 2 Region 2 Area Agency on Aging
Serves Jackson, Hillsdale, and Lenawee Counties.
- 3-A Region 3-A Area Agency on Aging
Serves Kalamazoo County.
- 3-B Region 3-B Area Agency on Aging (616) 966-2450
Serves Barry and Calhoun Counties.
- 3-C Region 3-C Area Agency on Aging
Serves Branch and St. Joseph Counties.
- 4 Region IV Area Agency on Aging
Serves Cass, Berrien, and Van Buren counties.
- 5 Valley Area Agency on Aging
Serves Genessee, Lapeer, and Shiawassee Counties.
- 6 Tri-County Office on Aging
Serves Clinton, Eaton, and Ingham Counties.
- 7 Region VII Area Agency on Aging
Serves Bay, Clair, Gladwin, Gratiot, Huron, Isabella, Midland, Saginaw, Sanilac, and Tuscola Counties.
- 8 Area Agency on Aging of Western Michigan, Inc.
Serves Allegan, Ionia, Kent, Lake, Mason, Mecosta, Montcalm, Newaygo, and Osceola Counties.
- 9 Region IX Area Agency on Aging
Serves Alcona, Arenac, Alpena, Cheboygan, Crawford, Iosco, Montmorency, Ogemaw, Oscoda, Otsego, Presque Isle, and Roscommon Counties.
- 10 Area Agency on Aging of Northwest Michigan
Serves Antrim, Benzie, Charlevoix, Emmet, Grand Traverse, Kalkaska, Leelanau, Manistee, Missaukee, and Wexford Counties.
- 11 U.P. Area Agency on Aging, UPCAP Services, Inc. Serves Alger, Baraga, Chippewa, Delta, Dickinson, Gogebic, Houghton, Iron, Keweenaw, Luce, Mackinac, Marquette, Menominee, Ontonagon, and Schoolcraft Counties.
- 14 Senior Resources of West Michigan
Serves Muskegon, Oceana, and Ottawa Counties.

Michigan League for Public Policy (MLPP) www.mlpp.org. Organization with nearly 2,000 dues paying members, including more than 300 organizational members, with many of the latter having statewide constituencies.

Michigan Environmental Council (MEC) www.environmentalcouncil.org. Statewide nonprofit public interest and environmental organization consisting of over 71 public health and environmental organizations, having over 200,000 members.

Michigan Community Action Agencies Association (MCAAA) www.mcaaa.org. Michigan nonprofit corporation established on a membership basis. Its constituent members are Community Action Agencies (“CAAs”) operating in each county in Michigan.

Citizens Against Rate Excess (CARE) www.utilityratelawatch.org. Michigan non-profit corporation that serves as a consumer watchdog group to focus on utility rates. They have members across the State of Michigan, mostly in outstate Michigan, including the Upper Peninsula. The goal of the organization is to seek grants from the UCPB and help the Board “maximize the number of hearings and proceedings with intervener participation” as provided by MCL 460.6m(18). For example, Intervener participation in PSCR cases of the electric utility companies that serve the upper peninsula have been rare and this

organization has filled that gap. The organization also sought to fill the void in the lack of Michigan residential ratepayer participation in federal proceedings “which directly affect the energy costs paid by Michigan utilities,” MCL 460.6m(17). The objective to participation in these federal proceedings is to prevent Michigan utilities and their Michigan residential ratepayers from being disproportionately allocated expenses (i.e. transmission, etc) that may benefit other states substantially more than Michigan.