RESIDENTIAL ENERGY BILL CHARGES

The following charges may appear on your Electric bill:

Distribution/Delivery Service

Delivery/Distribution charges are applicable to full-service and retail open access (electric choice) customers. Delivery service includes both customer-related and distribution services that are provided by the company.

Customer Charge (Availability Charge, Facilities Charge, Facility Charge, Monthly Charge, Monthly Service Charge System Access Charge, Service Charge)

A fixed monthly charge to recover the costs of metering, meter reading, billing, and other customer-related operating costs, exclusive of demand and energy consumption.

Distribution Charge (Delivery Services, Dist Energy Charge, Distribution Energy Charge, Energy Charge, KWH Charge, Power Distribution Charges)

A charge based on the amount of kilowatt-hours (kWh) used by a customer. This charge recovers costs for a utility plant to deliver electric energy from the transmission system to a customer’s premises, including expenses for operation and maintenance of distribution facilities.

Power Supply Charges

Power supply charges are applicable to company full-service customers only whose power supply (includes generation and transmission costs) service and delivery (includes customer-related and distribution costs) service come from the company.

Energy Charge (Electric Usage, KWH charge, Power Supply Energy Charge, Power Supply Charge,)

This charge is based on the quantity of electric energy or kilowatt-hours (kWh) used by a customer. Energy charges recover some of the costs of power production and fuel that are not collected through the capacity (or demand) or PSCR charge. Some rates separate the energy charge into on-peak and off-peak rates. Power supply costs are higher during the on-peak period than during the off-peak period.

Power Supply Cost Recovery (PSCR) Charge (Power Cost Adjustment, PSCR Adj., PSCR Adjustment, PSCR Factor, Pwr Supply Cost Rec., Wholesale Pwr Adj)

There is no mark-up or profit for electricity purchased by a utility for customers. The cost of fuel for generating the company's plants or purchasing electricity by outside sources is generally called the "Power Supply Cost Recovery" or PSCR, and is also charged by the volume you use.

Under 1982 Public Act 304, every year, utilities file a PSCR plan with the Commission explaining how it intends to meet its customers' supply needs for the next year, as well as what charges are needed to do so. The plan is reviewed, and evidence is presented at a hearing to support or refute the utility's plan. At the end of the hearing process, the Commission issues an order establishing a "cap" or limit on what the utility can charge customers for the coming year. The utility may charge the amount of the "cap", or less, if costs or customer use is lower than expected. At the end of the year, a reconciliation case is filed with the Commission to reconcile the actual cost of the electricity with what was charged. Any difference is rolled into next year's PSCR plan.

Other Surcharges/Riders

Other statutory requirements and Michigan Public Service Commission directives.

Energy Optimization Surcharge (MI Energy Optimization, EO – Surcharge, MI Energy Efficiency Charge, MI Energy Opt Chg, Energy Optimization Charge, Mich Energy Opt. Chg., Res Energy Optimization Srchg.)

With the passage of 2008 Public Act 295, the MPSC was directed by the legislature to establish formats, guidelines and procedures to review and approve renewable energy plans and energy optimization plans submitted by electric and natural gas providers. An "energy optimization" surcharge is mandated by the law and covers the cost of energy-efficiency programs.

The overall goal of an energy optimization plan is to save energy and thus reduce the future costs of providing gas and electric service to customers. Among other things, energy optimization plans must be designed to delay the need for constructing new electric generation facilities which will protect customers from incurring the costs of such construction.

Energy optimization plans will, among other things, propose a set of energy optimization programs that include offerings for each customer class, including low income residential; specify necessary funding levels; describe how energy optimization program costs will be recovered; and ensure that charges collected from a particular customer rate class are spent on energy optimization programs for that rate class. Examples include selling energy-efficient light bulbs, savings on winterization and insulation, and home energy audits to improve energy efficiency.

Enhanced Security Charge

The Customer Choice and Electricity Reliability Act, 1939 Public Act 3, as amended in 2003, allows for the recovery of reasonable and prudent costs of new and enhanced security measures required by state or federal law, including providing for reasonable security from an act of terrorism. The Nuclear Regulatory Commission issued orders to the electric industry after Sept. 11, 2001 dealing with facility access authorization, vehicle barrier systems, and other security enhancements. This charge is only applicable for companies that have a nuclear-generating facility.

I**nterim Rate Increase** (Electric Interim Surcharge) – subject to refund

Section 6a of 2008 Public Act 286 allows electric and gas utilities to implement the amount of their proposed rate increase prior to the MPSC issuing a final order. A self-implemented rate increase is effective on a temporary basis for service rendered prior to a hearing or after a hearing and before a final order is issued. Upon issuance of a final order in a general rate case, the Company will reconcile the amount collected during the interim period with the amount authorized by the MPSC in the final order. If the amount collected exceeds the amount authorized, a refund with interest will be issued to applicable customers.

Low Income Energy Assistance Fund (LIEAF) (LIEAF Factor, LIEAF Surcharge, MI Low Income Energy Fund, MI LOW INCOME ENERGY FUND)

Public Act 95 of 2013 created a monthly surcharge on each retail billing meter (capped at $1.00). Every customer receiving a retail distribution service from an electric utility, municipally owned electric utility, or cooperative electric utility that did not opt out – regardless of the identity of the customer's electric generation supplier – will receive this charge on one meter per residential site.

The Department of Human Services, in consultation with the MPSC, shall ensure that all money collected from the fund for a geographic area is returned, to the extent possible, to low-income customers seeking energy assistance in that area.

Nuclear Decommissioning Surcharge

A MPSC authorized charge that funds the external trust to pay for the decommissioning obligations of a utility's nuclear plants. Nuclear decommissioning refers to the costs involved with safely removing a nuclear power plant from service at the end of its life and restoring the site to a condition that allows for unrestricted use. Decommissioning includes costs of removing buildings and structures, as well as disposing of radioactive materials.

Rate Realignment Surcharge/Credit (Rate Realignment Adjustment)

Public Act 286 in 2008 provides guidance on "closing the gap," or charging cost-of-service-based rates. The Rate Realignment surcharge is a gradual adjustment of rates between residential, commercial, and industrial customer classes so that customers pay the real cost of providing service for their respective customer class.

Renewable Energy Plan Surcharge (Renewable Energy Charge)

The Clean, Renewable, and Efficient Energy Act, 2008 Public Act 295, mandates that by 2015, 10 percent of a utility's capacity is generated from renewable energies, such as solar or wind power. This surcharge offsets the company's efforts to harness these energy sources.

Sales Tax

The Michigan Department of Treasury requires utility companies to collect 4% sales tax from residential customers and 6% from business customers.

Securitization/Securitization Bond and Securitization Tax Charges

2000 Public Act 142 provides for the MPSC to issue financing orders authorizing the issuance of securitization bonds to recovery certain "qualified" costs as defined in the act. "Qualified" costs include, among other costs, taxes related to the recovery of securitization charges. As proceeds from the bonds are used to refinance higher cost debt, interest savings are realized by the Company and the Company's credit rating improves.

Uncollectible Expense True-up Mechanism (UETM) Surcharge

This surcharge was implemented to stabilize a company's losses from bad debt. A number of factors are responsible for current increased bad debt levels, including unemployment rates, the level of low-income funding, and general economic conditions. Each year, energy companies file an application with the MPSC comparing their actual uncollectible expense for the previous calendar year with their base level of uncollectible expense contained within the company's rates. With Commission approval, the company then collects from, or refunds to, customers a percent of the difference between those amounts. This is reviewed annually by the Commission to confirm the company is making adequate efforts to implement plans to reduce the amount of uncollectable expenses.