

STATE OF MICHIGAN

BEFORE THE MICHIGAN PUBLIC SERVICE COMMISSION

* * * * *

In the matter of the application of)
CONSUMERS ENERGY COMPANY and)
THE DETROIT EDISON COMPANY requesting)
accounting approval of depreciation practices for the)
Ludington Pumped Storage Plant.)
_____)

Case No. U-16055

At the November 10, 2011 meeting of the Michigan Public Service Commission in Lansing,
Michigan.

PRESENT: Hon. John D. Quackenbush, Chairman
Hon. Orjiakor N. Isiogu, Commissioner
Hon. Greg R. White, Commissioner

ORDER APPROVING SETTLEMENT AGREEMENT

On February 1, 2010, Consumers Energy Company (Consumers) and The Detroit Edison
Company (Detroit Edison) filed an application, with supporting testimony and exhibits, requesting
approval of revised depreciation rates for the Ludington Pumped Storage Plant (Ludington).

A prehearing conference was held on April 1, 2010 before Administrative Law Judge
Sharon L. Feldman (ALJ). Consumers, Detroit Edison, and the Commission Staff participated in
the proceedings. The ALJ granted intervenor status to the Association of Businesses Advocating
Tariff Equity. Subsequently, the parties submitted a settlement agreement resolving all issues in
the case.

According to the terms of the settlement agreement, attached as Exhibit A, the parties
recommend that the Commission approve the Ludington depreciation rates for each utility, as

shown on Attachment 1 to the settlement agreement. When applied to the 2008 depreciable plant balances, the Ludington depreciation rates represent an approximate \$274,000 decrease in annual depreciation expense for Consumers and an approximate \$301,000 decrease in annual depreciation expense for Detroit Edison. The new depreciation rates will become effective on the date of a final order approving the settlement agreement. In addition, Consumers and Detroit Edison should file the next depreciation case for Ludington five years from the date of a final order approving the settlement agreement.

The Commission finds that the settlement agreement is reasonable and in the public interest, and should be approved.

THEREFORE, IT IS ORDERED that:

- A. The settlement agreement, attached as Exhibit A, is approved.
- B. The revised depreciation rates shown on Attachment 1 to the settlement agreement shall become effective on the date of this order.

The Commission reserves jurisdiction and may issue further orders as necessary.

Any party desiring to appeal this order must do so in the appropriate court within 30 days after issuance and notice of this order, pursuant to MCL 462.26.

MICHIGAN PUBLIC SERVICE COMMISSION

John D. Quackenbush, Chairman

Orjiakor N. Isiogu, Commissioner

Greg R. White, Commissioner

By its action of November 10, 2011.

Mary Jo Kunkle, Executive Secretary

STATE OF MICHIGAN
BEFORE THE MICHIGAN PUBLIC SERVICE COMMISSION

In the matter of the application of)
CONSUMERS ENERGY COMPANY)
And The DETROIT EDISON COMPANY) Case No. U-16055
Requesting that the Commission Grant)
Accounting Approval of Depreciation Practices)
for the Ludington Pumped Storage Plant)
_____)

SETTLEMENT AGREEMENT

Pursuant to MCL 24.278 and Rule 333 of the Rules of Practice and Procedure before the Michigan Public Service Commission ("MPSC" or "Commission"), the undersigned parties agree as follows:

WHEREAS, on February 1, 2010 Consumers Energy Company ("Consumers Energy") and The Detroit Edison Company ("Detroit Edison") filed an application requesting approval of revised depreciation rates for the Ludington Pumped Storage Plant. Consumers Energy and Detroit Edison filed testimony and exhibits in support of its positions concurrently with its application.

WHEREAS, the initial prehearing conference in this proceeding was held on April 1, 2010. The parties to the case are Consumers Energy, Detroit Edison, the Commission Staff, and the Association of Businesses Advocating Tariff Equity ("ABATE").

NOW THEREFORE, for purposes of settlement of Case No. U-16055, the undersigned parties agree as follows:

1. The parties agree that the Commission should approve the depreciation rates shown on Attachment 1, column 6, to this Settlement Agreement. The Parties agree that, in

accordance with the depreciation rates identified on Attachment 1 to this Settlement Agreement, the depreciation rates will result in an annual Ludington Pumped Storage Plant depreciation expense allowance for Consumers Energy of \$5,439,696 based on 2008 depreciable plant balances of \$166,196,370, and will result in an annual Ludington Pumped Storage Plant depreciation expense allowance for Detroit Edison of \$5,803,423 based on 2008 depreciable plant balances of \$191,300,114. The Parties further agree that the new annual depreciation rates agreed to in this Settlement Agreement shall take effect for both Detroit Edison and Consumers Energy on the date of the final order approving this Settlement Agreement.

2. The parties agree that Consumers Energy and Detroit Edison shall file the next depreciation case for the Ludington Pumped Storage Plant five (5) years from the date of a final order approving this Settlement Agreement.

3. This settlement is entered into for the sole and express purpose of reaching a compromise among the parties. All offers of settlement and discussions relating to this settlement are, and shall be considered, privileged under MRE 408. If the Commission approves this Settlement Agreement without modification, neither the parties to this Settlement Agreement nor the Commission shall make any reference to, or use, this Settlement Agreement or the order approving it, as a reason, authority, rationale, or example for taking any action or position or making any subsequent decision in any other case or proceeding; provided, however, such references may be made to enforce or implement the provisions of this Settlement Agreement and the order approving it.

4. This Settlement Agreement is based on the facts and circumstances of this case and is intended for the final disposition of Case No. U-16055. So long as the Commission approves this Settlement Agreement without any modification, the parties agree not to appeal,

challenge, or otherwise contest the Commission order approving this Settlement Agreement. The parties agree and understand that this Settlement Agreement does not limit any party's right to take new and/or different positions on similar issues in other administrative proceedings, or appeals related thereto.

5. This Settlement is not severable. Each provision of the Settlement Agreement is dependent upon all other provisions of this Settlement Agreement. Failure to comply with any provision of this Settlement Agreement constitutes failure to comply with the entire Settlement Agreement. If the Commission rejects or modifies this Settlement Agreement or any provision of the Settlement Agreement, this Settlement Agreement shall be deemed to be withdrawn, shall not constitute any part of the record in this proceeding or be used for any other purpose, and shall be without prejudice to the pre-negotiation positions of the parties.

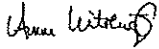
6. The parties agree that approval of this Settlement Agreement by the Commission would be reasonable and in the public interest.

7. The parties agree to waive Section 81 of the Administrative Procedures Act of 1969 (MCL 24.281), as it applies to the issues resolved in this Settlement Agreement, if the Commission approves this Settlement Agreement without modification.

8. This Settlement Agreement may be executed in multiple counterparts.

WHEREFORE, the undersigned parties respectfully request the Commission to approve this Settlement Agreement on an expeditious basis and to make it effective in accordance with its terms by final order.


MICHIGAN PUBLIC SERVICE
COMMISSION STAFF

By:  2011.10.13
15:21:27
-04'00'
Anne M. Uitvlugt (P71641)
Assistant Attorney General
Public Service Division
6545 Mercantile Way, Suite 15
Lansing, MI 48911

THE DETROIT EDISON COMPANY

By: Jon P. Christinidis
Digitally signed by Jon P. Christinidis
DN: cn=Jon P. Christinidis, o=DTE
Energy, ou=Legal-Regulatory Affairs,
mail=christinidis@dteenergy.com,
c=US
Date: 2011.10.14 10:26:54 -0400
Jon P. Christinidis (P47352)
Attorney for The Detroit
Edison Company
2000 Second Ave, Rm 688 WCB
Detroit, MI 48226-1203

CONSUMERS ENERGY COMPANY

By: 
Digitally signed by Jon R.
Robinson
Date: 2011.10.14 11:34:24 -04'00'
Jon R. Robinson (P27953)
Attorney for Consumers Energy
Company
One Energy Plaza
Jackson, MI 49201

ASSOCIATION OF BUSINESSES
ADVOCATING TARIFF EQUITY

By: Robert A.W. Strong
Digitally signed by: Robert A.
W. Strong
DN: CN = Robert A.W. Strong
C = US
Date: 2011.10.13 14:59:08 -
08'00'
Robert A.W. Strong (P27724)
Leland R. Rosier (P33827)
Clark Hill PLC
Attorneys for Association of
Businesses Advocating
Tariff Equity
151 S. Old Woodward Ave.
Suite 200
Birmingham, MI 48009-6103

CONSUMERS ENERGY COMPANY

Ludington Pumped Storage Facility

Comparison of Depreciation Rates

as of December 31, 2008

(1) Acct. No.	(2) Description	(3) Plant Balance	(4) Existing Rate	(5) Existing Expense	(6) Settlement Rate	(7) Settlement Expense	(8) Increase or (Decrease)
Hydro Production Plant							
331.0	Structures & Improvements	17,710,186	3.24%	573,810	3.33%	589,749	15,939
332.0	Reservoirs, Dams, Waterways	95,693,512	3.28%	3,138,747	3.04%	2,909,083	(229,664)
333.0	Waterwheels, Turbines, Gen	41,976,005	3.91%	1,641,262	3.75%	1,574,100	(67,162)
334.0	Accessory Electric Equip	7,347,107	3.28%	240,985	3.13%	229,964	(11,021)
335.0	Misc. Power Plant Equip	1,934,012	3.57%	69,044	4.62%	89,351	20,307
336.0	Roads, Railroads & Bridges	1,535,548	3.22%	49,445	3.09%	47,448	(1,996)
	Subtotal Str Prod Plt	166,196,370	3.44%	5,713,293	3.27%	5,439,696	(273,597)

DETROIT EDISON

Ludington Pumped Storage Facility

Comparison of Depreciation Rates

as of December 31, 2008

(1) Acct. No.	(2) Description	(3) Plant Balance	(4) Existing Rate	(5) Existing Expense	(6) Settlement Rate	(7) Settlement Expense	(8) Increase or (Decrease)
Hydro Production Plant							
331.0	Structures & Improvements	19,823,511	2.82%	559,023	3.03%	600,852	41,829
332.0	Reservoirs, Dams, Waterways	113,964,483	2.96%	3,373,349	2.81%	3,202,402	(170,947)
333.0	Waterwheels, Turbines, Gen	45,698,372	4.01%	1,832,505	3.48%	1,590,303	(242,201)
334.0	Accessory Electric Equip	7,943,440	2.86%	227,182	3.30%	262,134	34,951
335.0	Misc. Power Plant Equip	2,007,523	2.98%	59,824	4.78%	95,960	36,135
336.0	Roads, Railroads & Bridges	1,852,785	2.81%	52,344	2.79%	51,972	(373)
	Subtotal Str Prod Plt	191,300,114	3.19%	6,104,227	3.03%	5,803,423	(300,805)