

RESIDENTIAL ENERGY BILL CHARGES



The following charges may appear on your Electric bill:

Distribution/Delivery Service

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

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

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

Distribution Charge (Distribution Energy Charge, Delivery Distribution Charge, Distribution Energy Delivery Charge, Distribution Service Variable Distribution Charge, Distribution Delivery Charge, Energy Charge, Distribution Service, Distribution Variable Charge)

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

Power Supply Charges (Power Supply Service, Electric Supply Service)

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

Energy Charge (Power Supply Energy Charge, Supply Service Charge, Power Supply Service Energy Charge, Power Supply Charge)

This charge is based on the quantity of electric energy or kilowatt-hours (kWh) used by the 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.

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Power Supply Cost Recovery (PSCR) Charge

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

Every year, utilities file a PSCR plan with the Commission explaining how it intends to meet its customers' supply needs for the next year, and what it will need to charge 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, and the customers either receive a refund if the utility over-collected, or are charged more if the utility under collected.

Renewable Energy Plan Surcharge

The Clean, Renewable, and Efficient Energy Act, 2008 PA 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.

Other Surcharges/Riders

Other statutory requirements and Michigan Public Service Commission directives.

Choice Incentive Mechanism or Electric Choice Incentive Mechanism (CIM/ECIM)

The CIM/ECIM reconciles actual customer choice sales with the customer choice sales level used to set base rates through a surcharge or credit to full service customers. This is an attempt to avoid under-recovery or over-recovery due to volatile choice sales.

Electric Customer Choice Implementation Surcharge (Electric Restructuring Implementation Surcharge)

2000 PA 141, Section 10a (1) provides for full recovery by a utility of electric restructuring implementation costs as determined by the MPSC. The MPSC first approved the surcharge to recover costs incurred in implementing the Retail Open Access (Electric Customer Choice) program in 2004.

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Energy Optimization Surcharge (Energy Optimization Electric Program Surcharge, Energy Optimization Plan Surcharge, Energy Optimization Surcharge Rider)

With the passage of 2008 PA 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 provider 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 PA 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.

Implementation/Interim Surcharge

Pursuant to Public Act 286 of 2008, Section 6a, allows electric utilities to implement the amount of their proposed rate increase prior to the MPSC issuing a final order. For example, a utility may implement a rate increase to be collected from all customer classes for service rendered on a specific date. The Legislature allows the energy company to start billing at the higher rates with the understanding that if the rate increase is rejected or reduced by the MPSC, customers will receive a refund with interest.

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

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and restoring the site to a condition that allows for unrestricted use. Decommissioning includes costs of removing buildings and structures and of disposing of radioactive materials. For example, Consumers Energy had two nuclear power plants. Examples include the Palisades Plant, the Big Rock Point Plant, which was recently decommissioned and the Point Beach Nuclear Plant.

Palisades Plant Sales Proceeds - Consumers Energy customers only

Palisades Plant Sale Credit 1 and 3: refunds to customers for the remaining proceeds resulting from the Palisades Nuclear Plant sale in 2007. Palisades Plant Sale Credit 3 is effective from the January 2010 bill month through the June 2010 bill month.

Pension Equalization Mechanism (PEM) and Other Post Employment Benefit (OPEB) Surcharge

The PEM and OPEB Surcharge reconcile a utility's actual pension and other post employment benefits expenses with the amount authorized by the MPSC.

Regulatory Asset Recovery Surcharge

2000 Public Act 141, Section 10d(4), as amended on December 20, 2002, provides for recovery of certain investments and expenses that took place during the rate freeze and rate cap periods imposed by the law. The MPSC first approved this surcharge - applicable to company full-service customers over a period of five years - in 2005, allowing recovery primarily for clean air investments at our local coal-fired generating plants.

Sales Tax

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

Securitization/Securitization Bond and Securitization Tax Charges

2000 PA 142 provides for the MPSC to issue financing orders authorizing the issuance of securitization bonds to recover 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

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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.