STATE OF MICHIGAN

BEFORE THE MICHIGAN PUBLIC SERVICE COMMISSION

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In the matter of the application of **CONSUMERS ENERGY COMPANY** for authority to recover implementation costs, approval of a stranded cost true-up methodology, and other relief.	)	Case No. U-11955
In the matter of the application of **CONSUMERS ENERGY COMPANY** to recover implementation costs for the 12-month period ended December 31, 1999.	)	Case No. U-12358
In the matter of the application of **CONSUMERS ENERGY COMPANY** to recover electric restructuring implementation costs for the 12-month period ended December 31, 2000.	)	Case No. U-12891
In the matter of the application of **CONSUMERS ENERGY COMPANY** to recover electric restructuring implementation costs for the 12-month period ended December 31, 2001.	)	Case No. U-13340

At the June 3, 2004 meeting of the Michigan Public Service Commission in Lansing, Michigan.

PRESENT: Hon. J. Peter Lark, Chair
Hon. Robert B. Nelson, Commissioner
Hon. Laura Chappelle, Commissioner

ORDER AND NOTICE OF HEARING

In its July 11, 2001 order in Case No. U12358, the Commission approved recovery of $25,156,000 for expenditures made by Consumers Energy Company (Consumers) during the 12-

month period ended December 31, 1999 to implement a retail open access (ROA) program in accordance with previous orders of the Commission in Cases Nos. U-11290 et al. However, the Commission deferred immediate recovery of that amount by Consumers. In so doing, the Commission indicated that its July 11, 2001 determination was conditional and subject to additional review. Citing its October 24, 2000 order in Cases Nos. U-11955 and U-12956, the Commission held that recovery of implementation costs should be conditioned upon the success of the utility in implementing its ROA program. According to the Commission, the record in the case did not provide a basis for concluding that the utility's ROA program was sufficiently successful to merit full recovery of implementation costs.

Consumers appealed the July 11, 2001 order in Case No. U-12358 to the Michigan Court of Appeals. On April 1, 2004, the Court of Appeals found that the Commission should not have adopted a methodology that deferred determination of the amount to be recovered by Consumers indefinitely.[1] The Court of Appeals ordered the Commission to convene a hearing and to issue an order that provides for full recovery of Consumers' 1999 implementation costs. The procedure established by the Court for the remand proceeding allows for discovery by the Commission and the filing of data by Consumers that "Consumers believes is germane to the issue of its right to recover its implementation costs."[2] Slip decision, p. 4.

In an order in Case No. U-12358, issued on April 28, 2004, the Commission noted that in its June 2, 2003 order in Case No. U-13715, the Commission granted Consumers authority to securitize all $25,156,000 of the implementation costs that were reviewed and approved by the

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[1] Consumers Energy Co v Public Service Comm, ____ Mich App____; ____NW2d____(April 1, 2004, Docket No. 243360)

[2]In separate orders issued on May 6, 2004, the Court of Appeals remanded Consumers' 2000 implementation cost case (Case No. U-12891) and its 2001 implementation cost case (Case No. U-13340) to the Commission for similar treatment.

Commission's final order in Case No. U-12358, including carrying costs at 7%.[3] Given that the order in Case No. U-13715 postdated the July 11, 2001 order in Case No. U-12358 and predated the April 1, 2004 order of the Court of Appeals, the Commission found that Consumers should have the option of choosing whether it preferred to recover its implementation costs pursuant to the Commission's final order in Case No. U-13715 as part of its second securitization filing, or whether the company preferred to withdraw the implementation costs from consideration in Case No. U-13715 and have their recovery controlled by this proceeding. Consumers was directed to file its decision by May 7, 2004 in this docket. The April 28, 2004 order in Case No. U-12358 was served on all parties to that proceeding, none of which sought rehearing.

On May 7, 2004, Consumers filed its election, which was served on all parties to Cases Nos. U-12358 and U-13715. In so doing, Consumers elected to recover its implementation costs incurred for the years 1997-2001 through surcharges rather than through its securitization case (Case No. U-13715). Including carrying costs calculated at the rate of 7%, the total amount of previously approved implementation costs totals $87,633,000, as follows:

Determination of Recoverable Implementation Charges

Line No.	Year	1998	1999	2000	2001	2002	2003
1	1998	$15,376	$16,452	$17,604	$18,836	$20,155	$21,566
2	1999		25,156	26,917	28,801	30,817	32,974
3	2000			19,587	20,958	22,425	23,995
4	Sub-Total			64,108			78,535
5	2001				7,947	8,503	9,099
6	**Total Recoverable Implementation Charges**						**$87,633**

[3]The total amount of implementation costs approved for securitization by Consumers in the June 2, 2003 order was $64,108,000, which also includes Consumers' non-incremental implementation costs incurred for 1998 and 2000. The implementation costs for 1998 and 2000 were approved for deferred recovery in Cases Nos. U-11955 and U-12891, respectively.

Consumers proposes to recover the approved implementation costs through the use of per kilowatt-hour (kWh) surcharges on all customer classes (for both full service and retail open access customers) that begin, for large manufacturing and commercial customers, when the surcharges are approved, and for other rate classes at the expiration of the applicable rate caps. For purposes of calculation of surcharges, Consumers has assumed that recovery from large commercial and industrial customers will begin July 1, 2004. The proposed recovery period for each customer group is 36 months. Because the residential surcharge will not commence until January 1, 2006, the total recovery period will extend over 5 years. The proposed per kWh surcharges for the large commercial and industrial group, the small commercial and industrial group, and the residential customer group are equal except for an adjustment to reflect differences in carrying costs that occur based upon when collection begins and ends. This is done so that customers do not receive a benefit or suffer a detriment based upon when collection begins from their customer group. Consumers proposes that each customer group be separately reconciled through the filing of reconciliation filings after the three collection periods so that amounts collected can be reconciled with total implementation costs, including carrying costs, and so that customers will pay no more and no less than the recoverable costs. The development of the surcharges proposed by Consumers is set forth in Attachment A to this order.

The Court of Appeals' April 1, 2004 decision requires the Commission to conduct an evidentiary hearing and to make detailed fact findings. The Commission shall do so -- albeit on an expedited basis. Toward that end, copies of this order and notice of hearing shall be served on all parties to these four proceedings.[4] The Commission advises these parties that it intends to take official notice of all pleadings, testimony, and exhibits already contained in the records of the four

[4] Cases Nos. U-11955, U-12358, U-12891, and U-13340.

individually captioned proceedings so as to minimize the need of any party to present additional proofs. Although under no obligation to do so, parties to any of the four proceedings will have until June 11, 2004 to file additional testimony and/or exhibits relevant to the issues left open by the Court of Appeals' April 1, 2004 order or raised by Consumers' May 7, 2004 filing. In the event that additional testimony and/or exhibits are filed on June 11, 2004, parties may file responsive testimony and/or exhibits by June 18, 2004. An evidentiary hearing has been scheduled for 1:30 p.m. on June 22, 2004 to receive additional proofs, if any, that may be submitted by the parties. Thereafter, the parties shall have until June 25, 2004 to submit briefs to the Commission.

The Commission FINDS that:

a. Jurisdiction is pursuant to 1909 PA 106, as amended, MCL 460.551 et seq.; 1919 PA 419, as amended, MCL 460.51 et seq.; 1939 PA 3, as amended, MCL 460.1 et seq.; 1969 PA 306, as amended, MCL 24.201 et seq.; and the Commission's Rules of Practice and Procedure, as amended, 1999 AC, R 460.17101 et seq.

b. An expedited evidentiary proceeding should be conducted as required by the Court of Appeals' April 1, 2004 order before addressing Consumers' May 7, 2004 proposal for recovery of its approved implementation costs set forth in Attachment A.

THEREFORE, IT IS ORDERED that an expedited evidentiary proceeding shall be conducted as described in this order before addressing Consumers Energy Company's May 7, 2004 proposal for recovery of its approved implementation costs.

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

/s/ J. Peter Lark
Chair

(S E A L)

/s/ Robert B. Nelson
Commissioner

/s/ Laura Chappelle
Commissioner

By its action of June 3, 2004.

/s/ Mary Jo Kunkle
Its Executive Secretary

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

Chair

Commissioner

Commissioner

By its action of June 3, 2004.

Its Executive Secretary

CONSUMERS ENERGY COMPANY
Implementation Cost Recovery (\$000)
Determination of Recoverable Implementation Charges

Line No.	Year (a)	1998 (b)	1999 (c)	2000 (d)	2001 (e)	2002 (f)	2003 (g)
1	1998	**\$ 15,376**	\$ 16,452	\$ 17,604	\$ 18,836	\$ 20,155	\$ 21,566
2	1999		**25,156**	26,917	28,801	30,817	32,974
3	2000			**19,587**	20,958	22,425	23,995
4	Sub-Total			**64,108**			**78,535**
5	2001				**7,947**	8,503	9,099
6	Total Recoverable Implementation Charges						**\$87,633**

History:

7 Implementation costs for 1998-2001 are the MPSC approved amounts.

8 Carrying costs are calculated at the MPSC approved rate of 7.00%.

9 To calculate the effect of carrying costs, multiply the previous year amount by 1.07.
For example for 1998 Implementation Cost (Line 1), \$15,376 x 1.07 = \$16,452, \$16,452 x 1.07 = \$17,604

10 Implementation Costs of \$64,108,000 approved as Qualified Costs in Securitization Case No. U-13715. The amount includes approved amounts with carrying costs as of December 31, 2000. See Order dated June 2, 2003 at p.35. To reflect the carrying costs through December 31, 2003, \$14,427,000 must be added, for a total of \$78,535,000. See December 18, 2003 Order on Rehearing, Case No. U-13715, p. 5.

Source:
7.00% Carrying Cost Factor, Case U-11955, Final Order, page 11
1998 Case No. U-11955, Final Order issued October 24, 2000, page 14
1999 Case No. U-12358, Final Order issued July 11, 2001, page 12
2000 Case No. U-12891, Final Order issued November 7, 2002, page 9
2001 Case No. U-13340, Final Order issued June 16, 2003, page 6

CONSUMERS ENERGY COMPANY
Implementation Cost Recovery (\$000)
Determination of Recoverable Implementation Charges
and Associated Surcharge

Explanation:

A: Surcharges are designed to recover approved costs over 36-month collection periods

B: Interest needs to be recovered from the end of 2003 until the period when recovery begins.
To do this, multiply the amount to be recovered by number of months until recovery by .5833% (7%/12 months)

C: The Company proposes that reconciliation occur following the three collection periods.

Line No.	Description	Large Commercial & Industrial	Small Commercial & Industrial	Residential
1	Total Amount To Be Recovered as of December 31, 2003	$87,633	$87,633	$87,633
2	Allocation Factor (Page 4 of 4)	62.01%	4.07%	33.92%
3	Allocated Amount To Be Recovered as of December 31, 2003	$54,346	$3,566	$29,722
4	Assumed date that Collection Begins	01-Jul-04	01-Jan-05	01-Jan-06
5	Months between December 31, 2003 and date collection begins	6	12	24
6	Monthly Interest Rate	0.5833%	0.5833%	0.5833%
7	Total Interest Rate (Line 5 x Line 6)[1]	3.500%	7.000%	14.490%
8	Interest from December 31, 2003 to date collection begins	1,902	250	4,307
9	Total Amount To Be Recovered as of Beginning of Collection Period[2]	$56,248	$3,815	$34,029
10	Carrying Cost Over Recovery Period (Page 3 of 4)	$7,875	$534	$4,764
11	Total Amount To Be Recovered Through End Of Recovery Period[3]	$64,122	$4,350	$38,793
12	Total Jurisdictional Sales through 36-Month Period (page 4 of 4)	72,236,950	4,827,182	40,577,183
13	Surcharge (36-month collection period) $/kWh	$0.000888	$0.000901	$0.000956

NOTE:
[1] For Residential Customers, the Annual Rate is (1.07 x 1.07)-1 to account for annual compounding
[2] Line 1 + Line 8 (This assures that each group will pay appropriate carrying costs)
[3] Line 9 + Line 10

Large Commercial and Industrial customers are those customers with usage greater than or equal to 2,862 kwh/month
Small Commercial and Industrial customers are those customers with usage less than 2,862 kwh/month
Residential customers are those customers in rate classes A-1 through A-5

CONSUMERS ENERGY COMPANY
Implementation Cost Recovery ($000)
Determination of Carrying Costs Over Recovery Period

Line No.	Description		Year 1	Year 2	Year 3
	Large Commercial & Industrial Recoverable Cost				
1	Beginning Balance		$56,248	$37,499	$18,749
2	Amortization		18,749	18,749	18,749
3	Ending Balance		$37,499	$18,749	$0
4	Beginning Balance		$56,248	$37,499	$18,749
5	Interest Rate		7.00%	7.00%	7.00%
6	Carrying Cost		$3,937	$2,625	$1,312
7	Total Carrying Cost	$7,875			
	Small Commercial & Industrial Recoverable Cost				
8	Beginning Balance		$3,815	$2,544	$1,272
9	Amortization		1,272	1,272	1,272
10	Ending Balance		$2,544	$1,272	$0
11	Beginning Balance		$3,815	$2,544	$1,272
12	Interest Rate		7.00%	7.00%	7.00%
13	Carrying Cost		$267	$178	$89
14	Total Carrying Cost	$534			
	Residential Recoverable Cost				
15	Beginning Balance		$34,029	$22,686	$11,343
16	Amortization		11,343	11,343	11,343
17	Ending Balance		$22,686	$11,343	$0
18	Beginning Balance		$34,029	$22,686	$11,343
19	Interest Rate		7.00%	7.00%	7.00%
20	Carrying Cost		$2,382	$1,588	$794
21	Total Carrying Cost	$4,764			

CONSUMERS ENERGY COMPANY
Implementation Cost Recovery (\$000)
Determination of MWH Sales For Allocation and for Recovery

2004 Breakout For Allocation Purposes	Sales	% of Total
Large Commercial & Industrial	23,415,871	62.01%
Small Commercial & Industrial	1,536,377	4.07%
Residential	12,806,289	33.92%
Total	37,758,537	100.00%

Large Commercial and Industrial

	2004/2005 Fiscal Year	2005/2006 Fiscal Year	2006/2007 Fiscal Year
July	2,059,210	2,104,832	2,139,389
August	2,034,328	2,079,274	2,115,813
September	2,101,240	2,146,207	2,181,534
October	1,974,117	2,014,769	2,051,660
November	1,954,411	1,999,529	2,036,058
December	1,979,061	2,019,804	2,057,519
January	1,903,066	1,951,938	2,001,227
February	1,879,208	1,928,255	1,978,387
March	1,891,264	1,903,112	1,952,064
April	1,907,248	1,941,019	1,989,515
May	1,900,387	1,937,954	1,986,883
June	2,002,657	2,037,152	2,096,859
Total	23,586,197	24,063,845	24,586,908
Cumulative Total	72,236,950		

	2005	2006	2007	2008
Small Comm and Ind	1,582,070	1,608,571	1,636,541	
Cumulative Total	4,827,182			
Residential		13,266,075	13,511,861	13,799,247
Cumulative Total		40,577,183		

P R O O F O F S E R V I C E

STATE OF MICHIGAN)

Case No. U-12891

County of Ingham)

Anita M. Castilla being duly sworn, deposes and says that on June 3rd 2004, A.D. she served a copy of the attached Commission orders by first class mail, postage prepaid, or by inter-departmental mail, to the persons as shown on the attached service list.

Signature Not Verified

Anita M. Castilla

Digitally signed by Anita M. Castilla
DN: cn=Anita M. Castilla, o=MPSC, c=US
Date: 2004.06.10 10:34:03 -04'00'

Anita M. Castilla

Subscribed and sworn to before me
this 3rd day of June 2004

Sharron Allen

Digitally signed by Sharron Allen
DN: CN = Sharron Allen, C = US, O = MPSC, OU = Case Management
Location: Lansing, Michigan
Date: 2004.06.10 08:49:44 -04'00'

Notary Public, Ingham, County, Michigan
My Commission expires August 16, 2004

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- -

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