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 establish an optional program designed to encourage the use of renewable resources. | ) ) ) ) ) | Case No. U-13029 |

At the July 25, 2001 meeting of the Michigan Public Service Commission in Lansing, Michigan.

PRESENT: Hon. Laura Chappelle, Chairman
Hon. David A. Svanda, Commissioner
Hon. Robert B. Nelson, Commissioner

**ORDER APPROVING APPLICATION**

On July 23, 2001, Consumers Energy Company (Consumers) filed an application seeking authority to establish a voluntary program designed to encourage the use of renewable resources. Specifically, Consumers seeks approval of its Green Power Pilot Program (the program), which will encourage development of new, zero-emissions renewable resources located in Michigan.

According to the application, the program will be limited to 50 Megavolt-amperes of name-plate capacity from certified generators of electricity produced through use of wind, solar rays, or other acceptable forms of renewable energy resources. The program will be available to all of Consumers' residential, commercial, and industrial customers. Eligible service tariffs include all of Consumers' Commission-jurisdictional bundled tariffs with the exception of Rate F-1, Rate I, Rate CG, Rate L-1, Rate L-2, Rate L-3, Rate L-4, Rate R-1, Rate R-2, Rate R-3, and Rate UR.

Consumers' application included illustrative tariff provisions, which have been attached to this order as Exhibit A.

Participants may choose to purchase 100 percent, 50 percent, or 10 percent of their energy from certified generators. Commercial and industrial customers may exercise the additional option of nominating specific levels of monthly use as their participation levels.

Participants will be required to pay a green surcharge and administration fee that will vary in accordance with each customer's level of participation in the program. Consumers states that this fee will be $.032 per kilowatt-hour (kWh) for the 100 percent option, $.016 per kWh for the 50 percent option, and $.0032 per kWh for the 10 percent option. The energy cost component of the fee will be $.03 per kWh for the 100 percent option, $.015 per kWh for the 50 percent option, and $.003 to per kWh for the 10 percent option, which will be paid by Consumers to the suppliers of the green power.[1] Consumers will retain the balance of this fee, or $.002 per kWh for the 100 percent option, $.001 per kWh for the 50 percent option, and $.0002 per kWh for the 10 percent option as compensation for performing customer service, maintaining the program tracker account, and matching customer use with the output of certified generators. Further, although Consumers proposes that the program have a term of three years, it maintains that participating customers should be allowed to voluntarily contract to pay the applicable green surcharge and administrative fee for up to 17 years.

Consumers also proposes to utilize a tracking account to eliminate imbalances between revenues received from customers and compensation paid to certified generators. According to Consumers, it will eliminate positive balances by purchasing slightly more energy than

[1]Certified providers will be paid Consumers' hourly top incremental cost plus the energy cost component of the fee up to the contractual maximum. For deliveries in excess of their contractual maximums, providers will receive only Consumers' top incremental cost.

participating customers are projected to use and will eliminate negative balances by purchasing slightly less energy than customers require.

Additionally, Consumers states that it will use waiting lists to accommodate providers and customers on a first-come, first-served basis in the event that reaction to the program results in either excess supply or excess demand.

Consumers maintains that customers should be required to participate for an initial 12-month term. Thereafter, a customer would be allowed to cease participation in the program at any time. However, if the customer changes the level of participation, Consumers states that the customer should be required to remain on the program at the revised participation level for an additional 12 months.

Finally, because Consumers expects to incur computer reprogramming costs in association with revision of its billing systems to assess the green surcharge and administration fee, Consumers proposes that it should be authorized to treat all such reprogramming costs, up to $500,000, as a regulatory asset, with a return on the unrecovered balance at Consumers' last authorized pretax overall rate.

The Commission finds that the application is reasonable and in the public interest. It is the policy of this state to promote the development of new generation technologies. MCL 460.10b; MSA 22.13(10b). Additionally, MCL 460.10r(6); MSA 22.13(10r)(6), which obligates the Commission to establish renewable energy programs in Michigan, also encourages the promotion of renewable energy sources and the development of new facilities. Accordingly, the Commission is persuaded that Consumers' application should be approved.

The Commission FINDS that:

a. Jurisdiction is pursuant to 1909 PA 106, as amended, MCL 460.551 et seq.; MSA 22.151 et seq.; 1919 PA 419, as amended, MCL 460.51 et seq.; MSA 22.1 et seq.; 1939 PA 3, as amended, MCL 460.1 et seq.; MSA 22.13(1) et seq.; 1969 PA 306, as amended, MCL 24.201 et seq.; MSA 3.560(101) et seq.; and the Commission's Rules of Practice and Procedure, as amended, 1992 AACS, R 460.17101 et seq.

b. Consumers' application for authority to establish a program to encourage the use of renewable resources should be approved.

c. The language and terms in the proposed tariff sheets appear to be just, reasonable, and lawful, and they should be approved.

d. Consumers' proposal to open all of its Commission-jurisdictional tariffs to the program, with the exception of Rate F-1, Rate I, Rate CG, Rate L-1, Rate L-2, Rate L-3, Rate L-4, Rate R-1, Rate R-2, Rate R-3, and Rate UR is reasonable and should be approved.

e. Consumers' request to treat up to $500,000 of the reprogramming costs associated with the program as a regulatory asset with return at Consumers' last authorized pretax overall rate is reasonable and should be approved.

f. Consumers' proposal for determining the eligibility of potential providers of green energy and the conditions under which such providers will receive payments from the green surcharge and administration fee paid by customers is reasonable and should be approved.

THEREFORE, IT IS ORDERED that:

A. Consumers Energy Company's application for authority to establish its Green Power Pilot Program is approved.

B. The language and terms in the proposed tariff sheets, attached to this order as Exhibit A, are approved.

C. Consumers Energy Company's proposal to open all of its Commission-jurisdictional tariffs to the Green Power Pilot Program with the exception Rate F-1, Rate I, Rate CG, Rate L-1, Rate L-2, Rate L-3, Rate L-4, Rate R-1, Rate R-2, Rate R-3, and Rate UR is approved.

D. Consumers Energy Company's request to treat up to $500,000 of the reprogramming costs associated with the Green Power Pilot Program as a regulatory asset with return at the company's last authorized pretax overall rate is approved.

E. Consumers Energy Company's proposal for determining the eligibility of potential providers of green energy and the conditions under which such providers will receive payments from the green surcharge and administration fee paid by customers is approved.

F. Consumers Energy Company shall file, within 30 days, tariff sheets consistent with those approved by the Commission.

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; MSA 22.45.

MICHIGAN PUBLIC SERVICE COMMISSION

/s/ Laura Chappelle
Chairman

( S E A L)

/s/ David A. Svanda
Commissioner

/s/ Robert B. Nelson
Commissioner

By its action of July 25, 2001.

/s/ Dorothy Wideman
Its Executive Secretary

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MICHIGAN PUBLIC SERVICE COMMISSION

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Chairman

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By its action of July 25, 2001.

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Its Executive Secretary

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Suggested Minute:

"Adopt and issue order dated July 25, 2001 approving the application filed by Consumers Energy Company for authority to establish an optional program designed to encourage the use of renewable resources, as set forth in the order."