July 20, 2026

Ms. Lisa Felice
Executive Secretary
Michigan Public Service Commission
7109 W. Saginaw Hwy., 3rd Floor
Lansing, MI 48917

RE: Case No. U-21424 – In the matter of the application of CONSUMERS ENERGY COMPANY for reconciliation of its power supply cost recovery plan (Case No. U-21423) for the 12 months ending December 31, 2024.

Dear Ms. Felice:

Enclosed for electronic filing in the above captioned case please find the **Replies to Exceptions of Consumers Energy Company**. Also attached is a Proof of Service.

Sincerely,

Michael C. Rampe
Digitally signed by Michael C. Rampe
Date: 2026.07.20 13:45:11 -04'00'

Michael C. Rampe
Phone: 517-513-2434
Email: michel.rampe@cmsenergy.com

cc: Parties per Attachment 1 to the Proof of Service

S T A T E O F M I C H I G A N

BEFORE THE MICHIGAN PUBLIC SERVICE COMMISSION

In the matter of the application of **CONSUMERS ENERGY COMPANY** for reconciliation of its power supply cost recovery plan (Case No. U-21423) for the 12 months ended December 31, 2024.	))))))	Case No. U-21424

REPLIES TO EXCEPTIONS OF CONSUMERS ENERGY COMPANY

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BEFORE THE MICHIGAN PUBLIC SERVICE COMMISSION

In the matter of the application of **CONSUMERS ENERGY COMPANY** for reconciliation of its power supply cost recovery plan (Case No. U-21423) for the 12 months ended December 31, 2024.	))))))	Case No. U-21424

REPLIES TO EXCEPTIONS OF CONSUMERS ENERGY COMPANY

I. INTRODUCTION

Consumers Energy Company ("Consumers Energy" or the "Company") files these Replies to Exceptions to respond to the Exceptions to the Proposal for Decision ("PFD") filed by Attorney General Dana Nessel ("the Attorney General") in the instant proceeding.

Administrative Law Judge ("ALJ") Jacqueline Langwith's PFD provided a thorough and well-reasoned analysis of the law and evidence submitted in this case and correctly concluded that the Company's actions with respect to its Power Supply Cost Recovery ("PSCR") activities during the 2024 PSCR Plan year were reasonable and prudent. The PFD correctly recommended approval of Consumers Energy's 2024 PSCR reconciliation, a 2024 net under-recovery of $131,192,350, and a 2024 financial compensation mechanism ("FCM") over-recovery of $3,962,639 (including interest). PFD, page 42. The PFD also correctly recommended approval of the Company's requested 2027 FCM surcharge (effective January 1, 2027).

The PFD also appropriately recommended that the Michigan Public Service Commission ("MPSC" or the "Commission") reject the Attorney General's proposals to: (i) apply return on equity ("ROE") (instead of weighted average cost of capital ("WACC")) to FCM over-recoveries (PFD, page 41); (ii) allow in-year FCM surcharge adjustments (*id.*); (iii) disallow $908,063 in connection with an outage at J.H. Campbell Unit 1 (PFD, page 42); and (iv) disallow $705,000 in capacity payments made to the Fremont Digester (PFD, pages 32-33). Consumers Energy agrees with these recommendations.

With respect to the PFD's two recommendations related to Consumers Energy's power purchase agreement ("PPA") with the Fremont Community Digester LLC ("FCD") ("Fremont PPA"), Consumers Energy addressed those two issues in its own Exceptions, which it filed on July 6, 2026.

The Attorney General's Exceptions challenge certain of the PFD's recommendations, including the PFD's rejection of her proposed disallowances for the Campbell Unit 1 outage and the Fremont PPA capacity payments, as well as the PFD's rejection of her proposed changes to the FCM. As fully discussed below, the Commission should reject these exceptions.

On Campbell Unit 1, the record shows that the outage was caused by factors outside the Company's control. Regarding the Fremont PPA, the record shows that Consumers Energy made the disputed capacity payments under a Commission-approved contract, and the Attorney General's proposed disallowance ignores both the contract terms and the capacity value the Company received. On the FCM, the Attorney General's proposals conflict with the Commission's prior determinations, lack statutory support, and would not address the uncontrollable forecasting variables that drive FCM variances. The Attorney General's Exceptions therefore do not identify record evidence or legal authority sufficient to disturb the PFD's well-supported recommendations.

As a result, as fully discussed below, the Commission should reject the Exceptions filed by the Attorney General and should affirm the PFD submitted by the ALJ in this case.

II. REPLY TO THE ATTORNEY GENERAL

A. The ALJ Correctly Found that the Company Should Recover Its Replacement Power Costs for the Disputed Outage at Campbell Unit 1

The Attorney General recommended that the Commission disallow $908,063 in replacement power costs for one outage (Event No. 74) at Campbell Unit 1 that occurred during the PSCR Plan year. The Attorney General's recommendation is based on the testimony of her witness Sebastian Coppola who incorrectly claimed that Consumers Energy coworkers caused this outage despite contrary evidence. 2 TR 173-175. The outage was caused by factors outside the Company's reasonable control. The outage occurred when a large piece of tramp iron—a foreign metal object—found its way into the coal pile during mining, transport, or processing. Tramp iron can cause severe, costly damage to pulverizers, conveyors, and other equipment, which is why operators in the industry—the Company's operators included—use metal detectors and magnetic separators to remove these metal contaminants. Metal detectors and separators are ordinarily sufficient to remove tramp iron and protect the Company's coal handling equipment, ensuring smooth and safe operations at power plants and processing facilities. Although magnetic separators are usually effective, unwanted metal can sometimes escape detection. In this instance, a large piece of tramp iron (it was approximately six feet in length and two inches in diameter) was not separated from the pile, ultimately leading to the outage. 2 TR 104-105.

The ALJ was persuaded by the Company's testimony that it relied on long-standing procedures when transferring coal to the feeder, and she found it would be unreasonable to assume that Company coworkers should have seen the iron in the coal. PFD, page 25. This was the right finding, as was the ALJ's finding that the Company properly used the outage window to repair the main steam strainer pressure seal and repack the Boiler Circulating Water Pump stop check valves.

PFD, pages 25-26. The ALJ further correctly found that the Attorney General did not explain what the Company could have done differently to prevent the outage. PFD, page 25. The Attorney General filed Exceptions disputing these findings, see Attorney General's Exceptions, pages 4-8, but she cannot prevail given the overwhelming weight of the evidence. Indeed, she still treats the outage itself as proof of fault, even though the record shows that the outage occurred despite reasonable safeguards, not because the Company ignored a known risk or failed to exercise proper care.

Three facts in the record are particularly compelling: (1) the tramp iron entered the coal stream even though the Company used industry-standard magnetic separation equipment; (2) all magnetic separation equipment was in service and operating correctly; and (3) visual inspection would not have been a reasonable substitute. 2 TR 104-105. With no way to refute these facts, the Attorney General instead argues that the ALJ shifted the burden of proof by faulting the Attorney General for not identifying what the Company should have done differently. Attorney General's Exceptions, page 6. But the ALJ did not shift the burden; she recognized that the Company met it. Company witness Nathan J. Hoffman explained that tramp iron can become mixed with coal during mining, transport, or processing; that coal plant operators use metal detectors and magnetic separators as an industry best practice to remove these contaminants; and that this equipment was being used and operating correctly before the outage. 2 TR 104-105. What's more, Staff independently reviewed the Company's reported outages and found that the Company did not cause these outages or extend them. 2 TR 325-326.

The ALJ found that the Company's "actions related to outage event #74 were reasonable and prudent" and that the Attorney General "failed to identify what Consumers should have done to prevent the outage other than that its employees should have seen the 6-foot piece of steel."

PFD, page 25. Despite the Attorney General's contrary claim, by finding that the Company's actions were reasonable and prudent, the ALJ found that the Company met its burden of proof. The ALJ's separate finding that the Attorney General did not explain how the Company could have prevented the outage does not shift the burden of proof but goes to the weight of the Attorney General's evidence, which rested entirely on a single statement from the Attorney General's witness. Mr. Coppola said, "Company employees unloading coal into the feeder . . . did not use proper care to prevent this large foreign material from being introduced into the coal feeder." 2 TR 174. There was no evidence to support this statement, like what the Company could have done differently, which was all the ALJ was saying. PFD, page 25. The Company's evidence is simply more compelling than the Attorney General's evidence.

The Attorney General also disputed Mr. Hoffman's testimony about industry best practices, suggesting that he needed to have personally inspected other utilities' operations to testify about best practices. Attorney General's Exceptions, page 6. This is not the standard for expert testimony. See Company's Reply Brief, pages 4-5. Mr. Hoffman is the Company's Executive Director of Fossil Generation, is responsible for the safe and reliable operation of the fossil fleet, and has extensive Campbell and fossil-generation experience. 2 TR 67-68. Given this experience, he was qualified to testify that magnetic separation is an industry best practice and that it would be impractical and inefficient to visually inspect every piece of coal. 2 TR 104-105. The ALJ credited this practical point, finding it unreasonable to assume employees should have seen the tramp iron in the coal. PFD, page 25. The Attorney General identifies no contrary standard and no evidence that another method would have detected the tramp iron before it reached the feeder.

The Attorney General's fleet-wide outage statistics do not fill the evidentiary gap in her witness's testimony. She again points to the Company's 865 outages in 2024 and the roughly

11.9 million MWh of theoretical lost generation that year. Attorney General's Exceptions, pages 4-5. The prudence of any individual outage, however, does not hinge on the fleet's overall performance, and the ALJ properly focused on the outage at issue rather than treating system-wide statistics as a substitute for outage-specific proof. PFD, pages 25-26. In any event, Mr. Hoffman explained that 640 of the 865 total outages were River Hydro events driven largely by North American Electric Reliability Corporation's changed reporting guidance for insufficient river flows. 2 TR 82-83, 102. Excluding River Hydro outages, the Company had 225 outages in 2024 – fewer than the 282 non-River Hydro outages in 2023. Most importantly, in 2024, the Company's fleet still provided more than $331 million in customer value. 2 TR 103. None of those broader figures show that the Company was responsible for the outage at issue.

The Attorney General next argues that the later repair work should be treated as part of the tramp-iron failure because the outage report said that the feeder malfunction led to other failures. Attorney General's Exceptions, page 7. The ALJ correctly rejected that position and found that the Company reasonably extended the outage to perform other work while the unit was down. PFD, pages 25-26. The record supports this finding. After the Company addressed the tramp-iron issue, it was in the process of restarting Campbell Unit 1 on August 25, 2024, at approximately 1900 hours, when plant operations noticed a steam leak from the main steam strainer pressure seal and the Company aborted the restart. 2 TR 107. The restart would have taken six to eight hours, meaning the unit would have been back online no later than approximately 0300 hours on August 26, 2024 had the restart been completed. *Id*. The remaining outage time resulted from the decision to cool the unit and repair the pressure seal while the unit was already down. 2 TR 107-108.

The decision to complete other maintenance work was prudent. Mr. Hoffman testified that the Company repacked the 1C and 1D Boiler Circulating Water Pump stop check valves and repaired the main steam strainer pressure seal to prevent future forced outages. 2 TR 106. If the Company had not repacked the stop check valves or repaired the pressure seal, either condition could have caused a future forced outage. 2 TR 106-107. Although this work extended the outage by approximately eight days, it avoided the risk of a later outage that could have lasted up to 14 days. 2 TR 107. Using the existing outage window to avoid a potentially longer future outage was reasonable.

The Attorney General also challenged the Company's replacement power calculation because it accounts for unit responsiveness and random outage rates. Attorney General's Exceptions, page 8. The ALJ correctly found that this challenge was moot since she rejected the proposed disallowance. Yet, she also found that the Company's adjustments reflected the standard method it has used for many years to calculate replacement power costs in PSCR proceedings, and there was no reason to alter this practice. PFD, page 26. Company witness Sarah K. Seng's testimony supports this finding.

Ms. Seng explained that the purpose of calculating replacement power costs is to estimate the value of energy sales lost during a unit outage. 2 TR 151. To be accurate, the Company's production cost modeling accounts for expected production loss due to unavoidable derates, outages, and unit responsiveness. 2 TR 151-152. Ms. Seng testified that this is the standard method the Company uses when calculating replacement power costs and has used for several years. 2 TR 152. As the ALJ found, there was no reason to depart from that method here.

The Attorney General's requested $908,063 disallowance is also overbroad. Mr. Hoffman testified that only the first 14 hours of the outage, or $229,830 in replacement power costs, were attributable to the tramp iron. 2 TR 108. The remaining replacement power costs related to other work on the unit. 2 TR 106-108. Because no disallowance was warranted, as the ALJ found, the Commission does not need to decide the correct disallowance amount, but the record confirms that the Attorney General's requested $908,063 disallowance is overbroad.

In short, the ALJ got it right. By no fault of the Company's, a large piece of tramp iron passed through magnetic separation equipment that was in place and operating correctly. The Company then took advantage of the resulting outage to complete necessary work and avoid a potentially longer future forced outage. The ALJ correctly found that Consumers Energy's actions were reasonable and prudent, PFD, pages 25-26, and the Commission should adopt the ALJ's recommendation.

B. The PFD Correctly Recommended that the Commission Reject the Attorney General's Proposed Disallowance of Generate Fremont Digester Capacity Payments

Consumers Energy made capacity payments to FCD in 2024 in accordance with a Renewable PPA between the two companies, which the Commission approved with its Order dated October 13, 2009 in Case No. U-15805. The Company's total capacity payments to FCD in 2024 were $949,941 (Exhibit AG-2), of which $470,644 were treated as transfer price costs and recovered under the PSCR pursuant to the Company's renewable energy plan approved in Case No. U-21374. See Exhibit A-1 (ZSC-1) Revised, line 3, column (f).

Attorney General witness Coppola proposed that the Commission disallow $705,572 of the capacity payments that the Company made to FCD in 2024. 2 TR 175-178. Mr. Coppola noted that the Generate Fremont Digester experienced fuel supply and permitting issues that led it to exhaust its fuels and stop operating in March 2024. On that basis, he then contended that the Company should not have made any capacity payments to Generate Fremont after it ceased generation in March 2024. 2 TR 176.

The ALJ recommended that the Commission reject the Attorney General's proposed disallowance, stating:

> This PFD declines to adopt the Attorney General's recommended disallowance of the capacity payments made to the Fremont Community Digester, finding that Consumers was required by Section 7.1 of its PPA with Fremont to make the capacity payments and the Commission approved the PPA in Case No. U-15805 on October 13, 2009. It would be unreasonable for Consumers to violate the terms of the PPA. [PFD, pages 32-33.]

The Commission should adopt the PFD's conclusions on this issue.

The PFD correctly concluded that "Consumers was required by Section 7.1 of its PPA with Fremont to make the capacity payments" that the Attorney General disputes. Section 7.1 of the Fremont PPA provides in relevant part:

7.1 Capacity Payment.

> Commencing with the Commercial Operation date and continuing for the term of this Agreement, Buyer shall pay Seller the Capacity Purchase Price on Resource Adequacy Capacity during the Billing Month. Such payments shall be made on a monthly basis. [See Exhibit AG-2, page 21.]

Consumers Energy witness Raymond T. Scaife explained how the language of § 7.1 applied in this particular case. He testified that the monthly "Resource Adequacy Capacity," for which § 7.1 requires Consumers Energy to pay, is created by Midcontinent Independent System Operator, Inc. ("MISO") in the Seasonal Planning Resource Auction ("PRA"). 2 TR 138. See also PPA, Exhibit AG-2, page 11 (defining "Resource Adequacy Capacity" as established by MISO or other regulatory agency). Generate Fremont is a Behind the Meter Generation resource in MISO, and as such, must submit Generation Verification Test Capacity ("GVTC") results to MISO no later than October 31 prior to the next Planning Year. MISO uses the GVTC results to confirm the capacity of a generation resource for reliability planning, which is the basis on which

MISO awards Zonal Resource Credits ("ZRCs"). 2 TR 138-139. In this case, MISO established Generate Fremont's Resource Adequacy Capacity for 2024, which generated MISO ZRCs. Because Generate Fremont had Resource Adequacy Capacity in 2024, Consumers Energy had to make monthly capacity payments for the unit in accordance with Section 7.1 of the PPA.

The Attorney General claims that the Commission should disallow recovery of $694,789 in capacity payments that the Company made to FCD in 2024, which consists of the $705,572 in capacity payments that the Company made to FCD after March 2024, minus the $10,783 in ZRCs that the Company received from MISO in 2024. Attorney General's Exceptions, page 11. The Commission should reject the Attorney General's argument as without merit.

As an initial matter, Consumers Energy notes that Attorney General witness Coppola mis-identified the amount of post-March 2024 capacity payments that the Company requested to recover with its 2024 PSCR factors. Consumers Energy did make $705,572 in capacity payments to Generate Fremont after the digestor ceased operation in March 2024, but of that amount, it only recovered a portion via the transfer price as PSCR costs. 2 TR 25-27; Exhibit A-1 (ZSC-1) Revised, line 3, column (f). The Company will recover the remaining amount under its Renewable Energy Plan. As a result, even if Mr. Coppola's contention had a legal basis, which it does not, the amount at issue in this 2024 PSCR reconciliation would only be the portion recovered under the transfer price, not the entire $705,572.

Mr. Coppola's misidentification of the amount at issue in this PSCR reconciliation was only one of the problems with the Attorney General's position. The PFD, pages 32-33, correctly recommended that the Commission reject the Attorney General's proposed disallowance because the terms of the Fremont PPA required the Company to make the capacity payments that Mr. Coppola disputed. Section 7.1 of the Fremont PPA states that Consumers Energy "shall pay"

Seller the Capacity Purchase Price on Resource Adequacy Capacity supplied during the billing month. Exhibit AG-2, pages 21-22. MISO established Generate Fremont's Resource Adequacy Capacity for 2024, which generated MISO ZRCs. Because Generate Fremont had Resource Adequacy Capacity in 2024, the PFD correctly concluded that Consumers Energy had to make monthly capacity payments for the unit in accordance with Section 7.1 of the PPA.

The Attorney General, however, argues that the PFD provided "an incomplete analysis," citing three sections of the Fremont PPA in the course of her argument: (i) § 3.0, which required the Fremont unit to provide to the Company all Resource Adequacy Capacity that it supplied from the unit; (ii) § 7.1, which stated that "Resource Adequacy Capacity shall be deemed to be equal to the Resources Adequacy Capacity demonstrated by Seller to be available to Buyer's reasonable satisfaction during such period"; and (iii) § 3.2, which obligated the Seller to secure all licenses and permits required by law or ordinance for the generation and sale of energy and capacity, and maintain all such licenses and permits throughout the term of the contract. Attorney General's Exceptions, page 10. The Attorney General then asserts that "[i]t is clear that Fremont could not maintain the required permits to operate the plant and was in violation of this section of the contract. There appears to sufficient reasons for the Company not making capacity payments after it received notification in March 2024 that the plant was ceasing operations and the PFD does not explain why payments under the circumstances were reasonable." Attorney General's Exceptions, pages 10-11 (footnote omitted).

The Commission should reject the Attorney General's argument. The Attorney General's position does not square with the provisions of the Renewable PPA. As explained above, because Generate Fremont had Resource Adequacy Capacity for 2024, the PPA required the Company to make capacity payments in 2024 even if the unit did not deliver energy. The fact that the unit did not generate energy after March 2024 affected only the Company's energy payment obligations under § 7.2, but not its capacity payment obligations under § 7.1. As a result, the PFD correctly concluded (page 33) that "[i]t would be unreasonable for Consumers to violate the terms of the PPA."

The Commission should reject the Attorney General's assertion that "[i]t is clear that Fremont could not maintain the required permits to operate the plant and was in violation of this section of the contract." Attorney General's Exceptions, pages 10-11. The Attorney General's argument misplaces reliance on a discovery response from the Company that does not support her position. In that discovery response, admitted as Exhibit AG-2, page 1, the Company stated that the Fremont unit's fuel supply and Michigan Department of Environment, Great Lakes, and Energy ("EGLE") permit related issues "caused the plant to exhaust its fuels and cease operations in March of 2024." The response further stated that "[a]t the time of the 2024 planning resource auction, the Company did not know the plant would not operate for much of the year." While the Generate Fremont facility stopped fueling in 2024, the unit could have operated with fuel. The Company was aware that Upcycle, the parent company of Generate Fremont, was in dispute with EGLE licensing for the facility, but this dispute was resolved in 2025, not 2024. 2 TR 138.

Thus, the Attorney General cannot validly state that "[t]here appears to sufficient reasons for the Company not making capacity payments after it received notification in March 2024 that the plant was ceasing operations and the PFD does not explain why payments under the circumstances were reasonable." Attorney General's Exceptions, page 11. The record shows that Consumers Energy was aware of permit-related issues, but it did not have certainty in 2024 that the unit would not operate for much of the year or that the permit situation would remain unresolved throughout the planning year.

The Attorney General also argues (page 12) that "[w]hile the Attorney General disagrees that the Company's payments under the circumstances were reasonable or prudent, if the Commission determines that they were required under the PPA, that is a cost that should not be recoverable from ratepayers in this PSCR case." The Attorney General offers no legal basis for separating the Company's contractual obligation from cost recovery. If the PPA required the payments, which it did, then Consumers Energy acted reasonably and prudently in making them.

In sum, the Company correctly followed the terms of its Commission-approved PPA, and the PFD properly rejected the Attorney General's proposed disallowance of Generate Fremont PPA expenses. The Commission should do the same.

C. **The PFD Correctly Recommended that the Commission Reject the Attorney General's Proposed Changes to the Financial Compensation Mechanism**

The Attorney General argues that the PFD should have recommended adoption of two changes to Consumers Energy's FCM. Specifically, she argues that the Commission should: (i) apply the Company's ROE as the interest rate on over-recovered FCM balances; and (ii) implement intra-year, adjustable FCM surcharges. Attorney General's Exceptions, pages 13-16. As fully discussed below, the PFD correctly declined both proposals, and the Commission should do likewise.

The PFD recommended as follows:

> This PFD is not persuaded to adopt the Attorney General's recommendations to apply the Company's ROE to FCM over-recovery balances or to adjust the surcharge during the planning year. This PFD notes that the Commission's statement in Case No. U-20697 that the FCM recovery method was an issue of first impression and that it was amenable to adjusting the process in the future appears to be addressing whether to include the FCM as a standalone component of the PSCR and the timing of proceedings because immediately following that statement, the Commission states:

> The Commission does not anticipate that the timing of the FCM recovery will be an issue considering the solution set out by the Staff, but should Consumers find recovery timing to be problematic, it may propose and support an alternative proceeding in the future.

The Commission then goes on to address the carrying costs and agrees with the ALJ that the WACC should be applied to any FCM over-recovery.

> As for the Attorney General's proposal to allow an adjustment of the FCM surcharge throughout the year, this PFD agrees with Consumers that the Attorney General failed to identify a sufficient statutory authority that would allow such adjustments.
>
> Based on the foregoing, this PFD declines to adopt either of the Attorney General's proposals to modify the structure of the FCM. Additionally, while her witness recommended a limitation on the number of Company witnesses that can testify on the FCM, the Attorney General did not endorse or adopt this recommendation. Therefore, this PFD does not address it. [PFD, pages 40-41 (footnote omitted).]

The Commission should adopt the PFD's recommended disposition of these issues.

The Attorney General's proposal is contrary to prior Commission orders. Specifically, as the PFD noted, the Commission's December 17, 2020 Order in Case No. U-20697, page 212, explicitly determined that the Company's WACC should apply to over-recoveries—not the Company's ROE.

The Attorney General does not provide any valid reason for the Commission to depart from its prior decision. The Attorney General characterizes the PFD's application of the Commission's December 17, 2020 Order in Case No. U-20697 as "narrow," and that the order was not precedential, but instead subject to subsequent tweaking. Attorney General's Exceptions, pages 14-15. She then argues that "the evidence is now clear that the repeated over-recoveries require a different approach, and the application of the ROE rate may provide a disincentive to the Company billing and collecting excess FCM revenue, which is not fair or reasonable for ratepayers." Attorney General's Exceptions, page 14. The Commission should reject the Attorney General's position.

The theory that underlies the Attorney General's proposal lacks basis. Attorney General witness Coppola posited that applying the Company's ROE would incentivize the Company to reduce FCM over-recovery balances, 2 TR 179, and the Attorney General's Exceptions (pages 14-15) echo the contention, arguing that applying the Company's ROE would "disincentivize" over-recoveries. However, Company witness Laura M. Connolly refuted this assertion. She testified that forecasting FCM surcharges involves numerous uncontrollable factors, including sales variability, the uncertainty of future FCM amounts, and the timing of reconciliation orders. 2 TR 47-48. Therefore, Ms. Connolly explained, "[i]ncreasing the carrying cost will not improve forecasting accuracy or influence these factors." 2 TR 48. Not only would applying the Company's authorized ROE to FCM over-recoveries not accomplish Mr. Coppola's desired outcome, Ms. Connolly testified that it would be punitive, excessive, and inconsistent with that determination. 2 TR 47. Thus, the record does not support the Attorney General's premise that a higher carrying cost would improve FCM forecasting or reduce over-recoveries; instead, the record shows that the drivers of FCM variances are largely outside the Company's control and would not be affected by substituting ROE for WACC.

As a result, because the Commission has already determined WACC is the appropriate carrying cost for over-recoveries, and because the Attorney General's incentive theory is unsupported by the realities of FCM forecasting and would be punitive and excessive, the Commission should reject the proposal to substitute ROE for WACC.

The Attorney General also claims that the PFD erred in not agreeing with her position that the Commission should approve maximum FCM surcharges, but then allow the Company to reduce the maximum surcharges proportionally for all rate schedules to minimize or avoid over-recoveries. Attorney General's Exceptions, pages 15-16.

The Attorney General also argues that the PFD erred in concluding that the Attorney General failed to identify sufficient statutory authority to allow adjustments of the FCM surcharge throughout the year. Attorney General's Exceptions, page 15. The Attorney General states that the PFD's "claim that the Attorney General did not identify a sufficient statutory authority to all adjustments of the FCM surcharge throughout the year should be rejected." *Id*. The PFD did not err.

Attorney General witness Coppola asserted that the Commission may impose a utility's authorized rate of return on PSCR over-recoveries, although the statutory provision he cited was the provision governing Gas Cost Recovery clauses (MCL 460.6h(15)), rather than PSCR clauses. See 2 TR 180. But even MCL 460.6j(16), governing PSCR over-recoveries, had no application here. The Commission has previously made clear that, while the FCM reconciliation occurs during the PSCR reconciliation, the FCM is not a PSCR cost. Rather, the FCM is "an independent element of the PSCR proceeding," and most importantly, "would not be considered a power supply cost pursuant to MCL 460.6j . . . ." See December 17, 2020 Order in Case No. U-20697, page 212. Thus, neither MCL 460.6h(15) nor MCL 460.6j(16) supported the Attorney General's position.

The Attorney General's assertion on page 16 that "there is a logical connection between the PSCR and FCM processes" does not establish the statutory authority needed to support her proposal. Michigan statutory law contemplates that regulated utilities will obtain Commission approval for any adjustments to rates. MCL 460.6h and MCL 460.6j provide exceptions to the general rule for GCR and PSCR clauses. However, as described above, neither of those statutory provisions are applicable to FCM surcharges, and the Attorney General has not identified any authority that would allow the Commission to authorize Consumers Energy to adjust its FCM surcharges without MPSC approval. In the absence of any express authority, the PFD properly declined to accept the Attorney General's proposal.

Moreover, Company witness Connolly detailed the administrative complexity of the PSCR process: monthly updates to actual and forecast data, internal reviews, monthly tariff filings, and annual plan and reconciliation filings. 2 TR 48. As Ms. Connolly pointed out, while Consumers Energy manages over $1.8 billion in power supply costs, it manages far smaller amounts under its FCM. As a result, to implement a complicated monthly adjustment for the FCM surcharge would impose a disproportionate administrative burden relative to the scale of FCM dollars. *Id*. Simply put, the Attorney General's proposal would be unduly burdensome, and the Commission should reject it for that additional reason.

III. <u>CONCLUSION AND RELIEF REQUESTED</u>

Based on the record in this proceeding, together with the arguments in Consumers Energy's briefs, the Company requests that the Michigan Public Service Commission issue an order granting the following relief:

A. Approve the Company's 2024 PSCR Reconciliation as presented in the testimony and exhibits of the Company's witnesses and incorporate the Commission's determination of the total Purchased, Interchange, and Renewable Power costs related to the Biomass Merchant Plants;

B. Approve the Company's proposed method for reconciling its $131 million net under-recovery;

C. Approve the reconciliation of the FCM amounts collected in 2024 and the proposed 2027 FCM surcharges; and

D. Grant Consumers Energy any other relief that may be lawful and appropriate.

Respectfully submitted,

CONSUMERS ENERGY COMPANY

Dated: July 20, 2026

By: Michael C. R

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STATE OF MICHIGAN

BEFORE THE MICHIGAN PUBLIC SERVICE COMMISSION

In the matter of the application of **CONSUMERS ENERGY COMPANY** for reconciliation of its power supply cost recovery plan (Case No. U-21423) for the 12 months ended December 31, 2024.	))))))	Case No. U-21424

PROOF OF SERVICE

STATE OF MICHIGAN)
) SS
COUNTY OF JACKSON)

Crystal L. Chacon, being first duly sworn, deposes and says that she is employed in the Legal Department of Consumers Energy Company; that on July 20, 2026, she served an electronic copy of the **Replies to Exceptions of Consumers Energy Company** upon the persons listed in Attachment 1 hereto, at the e-mail addresses listed therein.

Crystal L. Chacon

Crystal L. Chacon

Subscribed and sworn to before me this 20th day of July 2026.

Melissa K. Harris

Melissa K. Harris, Notary Public
State of Michigan, County of Jackson
My Commission Expires: 06/11/2027
Acting in the County of Hillsdale

Party	Mailing Address	Email Address
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