Consumers Energy

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July 23, 2001

Ms. Dorothy Wideman
Executive Secretary
Michigan Public Service Commission
6545 Mercantile Way
P.O. Box 30221
Lansing, MI 48909

Re: Case No. U-13029

Dear Ms. Wideman:

Enclosed for filing in the above captioned case are an original and four copies of Consumers Energy Company's "Application". In addition, an electronic copy of this document is being filed with the Commission in the portable document format (PDF).

Sincerely,

John C. Shea

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STATE OF MICHIGAN

BEFORE THE MICHIGAN PUBLIC SERVICE COMMISSION

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.	)))))	MPSC Case No. U-13029

APPLICATION

NOW COMES Consumers Energy Company ("Consumers Energy") and hereby applies to the Michigan Public Service Commission (the "Commission") for an *ex parte* order approving Consumers Energy's request to establish an optional program designed to encourage the use of renewable resources, stating as follows:

1. Consumers Energy Company is an electric utility company with its principal offices located at 212 West Michigan Avenue, Jackson Michigan 48901. Consumers Energy is subject to the regulatory authority of the Commission.

2. Consumers Energy provides electric service to customers within its retail service territory pursuant to a schedule of rates approved from time to time by the Commission pursuant to its regulatory authority.

3. Customers of Consumers Energy have expressed an interest in obtaining electric service that is generated from nontraditional, renewable resources.

4. The Michigan Legislature has recognized that Michigan residents should be afforded the opportunity to secure electric service from nontraditional generation. See, e.g., MCL 460.10b(1); MSA §22.13(10b) ["The commission shall establish rates, terms, and conditions of electric service that promote and enhance the development of new generation,

transmission, and distribution technologies"]; MCL 460.10r(6); MSA §22.13(10r)(6) ["The commission shall establish the Michigan renewables energy program . . . . [which] shall be designed to promote the use of existing renewable energy sources and encourage the development of new facilities"].

5. In order to implement the above-referenced intent of the Legislature as well as respond to the concerns of its customers, Consumers Energy has formulated its optional "Green Power Pilot Program" (the "Program"). The Program will have a term of three years; but participating customers can voluntarily contract to pay the applicable "Green Surcharge and Administrative Fee," which is explained below, for up to 17 years.

6. For purposes of the Program Green Energy is defined as energy generated from new, zero-emissions renewable resources located in Michigan. It is anticipated that such generation will be wind, solar or other acceptable generation. The supplier has the responsibility to provide proof of certification to Consumers Energy using a reputable organization that meets national standards. The total nameplate capacity of certified generators under the Program is limited to 50 MVA.

7. The Program is available to customers of Consumers Energy who wish to voluntarily participate in the Program. Participants can choose to purchase 10 percent, 50 percent or 100 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.

8. In order to participate, a customer must agree to pay the charges specified in the "Green Power Pilot Program" section of the customer's service tariff. For illustrative purposes Consumers Energy has attached a representative Residential tariff and a representative

Commercial and Industrial tariff with the proposed "Green Power Pilot Program" section included. If the Commission approves this language, Consumers Energy will add an identical section to each eligible service tariff. Eligible service tariffs include all of Consumers Energy's 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. Also attached are two new tariff sheets explaining the terms and availability of the Program. Tariff sheet C-28.10 applies to Residential Customers, and tariff sheet D-9.50 applies to Commercial and Industrial Customers.

9. The proposed Green Surcharge and Administrative Fee ("Green Surcharge") compensates Consumers Energy for both the cost of purchasing electric energy from certified generators and the ongoing costs of administering the program. The component of the Green Surcharge paid to certified generators is $.03/kWh for the 100 percent option, $.015/kWh for the 50 percent option, and $.003/kWh for the 10 percent option. The administrative component of the Green Surcharge is $.002/kWh for the 100 percent option, $.001/kWh for the 50 percent option, and $.0002/kWh for the 10 percent option. This administrative component compensates Consumers Energy for the costs of customer service, maintaining a Program tracker account (explained below), and matching customer use with the output of certified generators.

10. Consumers Energy has designed the Program to operate as follows to insure revenue neutrality:

- Customers subscribe to the Program.
- Consumers Energy contracts with certified providers of green energy to deliver enough energy to meet subscriptions.
- Each month Consumers Energy pays hourly Top Incremental Cost ("TIC") to providers of green energy, plus the Green Surcharge per kWh for deliveries up to the contractual maximum (explained below).

- For deliveries in excess of their contractual maximums, green energy providers will receive only TIC.

11. Consumers Energy's contracts with certified providers of green energy will contain the following provisions:

- Each contract specifies that Consumers Energy pays the green energy provider hourly TIC for all energy delivered during a month.

- Each contract specifies a maximum amount of annual energy eligible for the Green Surcharge, based on the projected output of the generator. This maximum amount of energy can be changed annually, depending on the energy requirements of participating retail customers, the projected energy deliveries of other green providers, and any relevant Commission modifications to the Program.

- Green energy providers receive the Green Surcharge per kWh (minus the administrative component) for all kWh delivered up to the contractual annual ceiling.

12. Consumers Energy intends that the payments from customers who participate in the Program be used to compensate certified generators. Consumers Energy will place any differences between Green Surcharge revenues collected from customers and payments of such revenues to green energy providers in a tracking account. Consumers will endeavor to minimize any negative or positive balances in this account. Positive balances will be reduced or eliminated by purchasing slightly more energy than participating customers are projected to use; negative balances will be addressed by purchasing slightly less energy than customers require.

13. The proposed tariff language also addresses the possibility that under the Program customers may request more green energy than is available from certified generators. In that case, a waiting list will be maintained and customers will be able to participate on a first-come, first-served basis. Additionally, if sufficient certified generation ceases to be available, the Program will be terminated and customers will revert to paying the standard rates under their applicable service tariffs.

14. If providers of green energy wish to deliver more energy in aggregate than customer subscriptions support, then Consumers Energy will establish a providers' waiting list, and enroll providers on a first-come, first-served basis. A provider's position in the queue will be determined by the date on which the provider provides Consumers Energy with a viable business plan. Any additional energy subscriptions (or reductions in green energy from existing providers) will be served by the providers highest on the list until the additional subscriptions are met. While certification is not required to be included on the waiting list, all providers must secure certification before delivering energy. Any provider failing to secure this certification, or any provider whose certification is revoked, will not be eligible for Green Surcharge payments.

15. Customers must participate for an initial term of at least twelve months so that green energy providers can rely on a measurable stream of revenue, thus increasing the likelihood of their participation in the Program. After the initial one-year term, barring any changes in their levels of participation during this period, customers can terminate participation in the Program at any time. Any customer wishing to change the level of participation must commit to remaining on the Program at that level for an additional twelve months. Customers can contract to pay the Green Surcharge for up to seventeen years.

16. To assess the Green Surcharge Consumers Energy must reprogram its billing systems. The one-time cost of this effort is currently estimated to be $350,000. The actual reprogramming cost, up to $500,000, will be treated as a regulatory asset and recovered from retail customers, with a return on the unrecovered balance at Consumers Energy's last authorized pretax overall rate, after Consumers Energy's rate freeze expires. Consumers Energy requests Commission approval of the accounting necessary to establish and recover this cost as a regulatory asset.

17. Consumers Energy intends to purchase energy from certified generators only to the extent that customers are willing to purchase such energy under the terms of the Program.

WHEREFORE, Consumers Energy respectfully requests this Honorable Commission to issue an order on an *ex parte* basis providing as follows:

A. Approving Consumers Energy's optional Green Power Pilot Program;

B. Approving the proposed new tariff sheets C-28.10 and D-9.50, which explain the Program's terms and availability to Residential and Commercial and Industrial customers.

C. Approving the language in the "Green Power Pilot Program" section of the attached illustrative tariffs as just and reasonable and lawful;

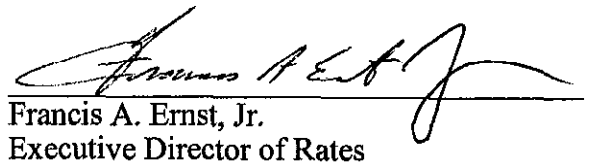
D. Approving the applicability of the Green Power Pilot Program to all of Consumers Energy's Commission jurisdictional tariffs with the exception of Rate F-1, Rate I, Rate CG, Rate L-1, Rate L-2, Rate L-3, Rate L-4, Rate R-1, Rate R-2, Rate R-3 and Rate UR.

E. Creating a regulatory asset with return at Consumers Energy's pretax authorized rate, with the appropriate accounting approval, for the up-front administrative costs associated with the Program, which are currently estimated to be $350,000, not to exceed $500,000;

F. Approving Consumers Energy's proposal for determining the eligibility of potential providers of green energy and the conditions under which they will receive the Green Surcharge.

Respectfully submitted,

CONSUMERS ENERGY COMPANY

Dated: July 23, 2001 By: 

Francis A. Ernst, Jr.
Executive Director of Rates
and Electric SBU Planning



Jon R. Robinson (P27953)
John C. Shea (P36854)
212 Michigan Avenue
Jackson, Michigan 49201
Attorneys for Consumers Energy Company
(517) 788-0698

VERIFICATION

STATE OF MICHIGAN)
) SS
COUNTY OF JACKSON)

Francis A. Ernst, Jr., being first duly sworn, deposes and says that he is Director of Rates and Electric SBU Planning of Consumers Energy Company; that he has executed the foregoing Application for and on behalf of Consumers Energy Company; that he has read the foregoing Application and is familiar with the contents thereof; that the facts contained therein are true, to the best of his knowledge and belief; and that he is duly authorized to execute such Application on behalf of Consumers Energy Company.

Francis A. Ernst, Jr.

Subscribed and sworn to before me this 23rd day of July, 2001.

Sammie B. Dalton
Notary Public, Jackson County, Michigan
My Commission Expires: 01/04/04

C8. GREEN POWER PILOT PROGRAM AVAILABILITY AND TERMS OF SERVICE

The nature and quality of the service under the Green Power Pilot Program is dependent on the continued availability of electric energy and capacity from new, zero-emission, Michigan-based, renewable resources. The total nameplate capacity of these approved renewable resources is capped at 50 MVA It may become necessary for the Company to serve fewer than all of those customers who desire to participate in the program. In the event that the program is oversubscribed, customers will be served on a first-come, first-served basis. Customers not able to participate will be maintained on a list and served as the ability to do so arises.

If sufficient certified generation cannot be procured to serve the program, the Company reserves the right to request the Commission to terminate or to reduce the Green Power Plot Program at any time, subject only to the requirement to provide 60 days' written notice to customers and to the Commission. In this event, the Company will return customers to the tariff or tariffs under which they took service immediately prior to participating in the program.

After a customer elects to take service under this program, or change the level of participation, the customer shall not be permitted to exit the program, or change the newly established level of participation, until at least 12 months have elapsed. The Company, dependent on the amount of green energy secured from new, zero-emission, Michigan-based, renewable energy providers, may refuse to allow a customer to increase the level of participation in the program. The number of customers allowed to participate in the program depends on the amount of energy the Company secures from new, zero-emission, Michigan-based, renewable energy providers. Unless renewed by the Commission, this program expires on December 31, 2004. Any customer may begin participation in the program at any time before the expiration of the program, and will receive a minimum of 12 months of service up to the 17-year maximum. Should the period extend past the expiration date of the program, the customer will continue to pay the combined Green Surcharge and the Administrative Fee, and receive energy from new, zero-emission, Michigan-based renewable resources.

RESIDENTIAL SERVICE RATE A-1

(Continued From Sheet No. E-9.00)

Daily Rate: (Contd)

Senior Citizen Service Provision:

This provision is available to the principal residence of any customer who is 65 years of age or older and head of household. For Senior Citizen service, the rate of $.0549 per kWh shall apply to the first 14 kWh per day. The rate of $.1277 per kWh shall apply to the next 6 kWh per day. The remaining energy will be billed at the otherwise applicable regular Rate A-1. A Senior Citizen customer is eligible for the Space Heating Service Provision and the Water Heating Service Provision as stated above. The Company reserves the right to verify the customer's eligibility for the Senior Citizen Service Provision.

Green Power Pilot Program:

This program is available to any customer currently taking service under this rate schedule who desires to purchase electricity generated by new, zero-emission, Michigan-based, renewable resources. In addition to the charges under this tariff, there will be a combined Green Surcharge and Administrative Fee per kWh based on the level of participation selected by the customer as follows:

100% of total monthly energy purchased from new, zero-emission, Michigan-based, renewable resources	*$.032 per kWh*
50% of total monthly energy purchased from new, zero-emission, Michigan-based, renewable resources	*$.016 per kWh*
10% of total monthly energy purchased from new, zero-emission, Michigan-based, renewable resources	*$.0032 per kWh*

The above charges apply to all of the energy used during the billing period.

Any customer who participates in this program is subject to the provisions contained on Sheet No. C-28.10.

Base Rate Adjustment:

This rate is subject to the Base Rate Adjustment shown on Sheet No. E-3.00.

Minimum Charge:

2 kWh per day, times the number of days billed times $.0768 per kWh plus the Base Rate Adjustment and applicable surcharges applied to the actual kWh consumed.

Due Date and Late Payment Charge:

The due date of the customer bill shall be 17 days from the date of transmittal. A late payment charge of 2% not compounded, of the unpaid balance, net of taxes, shall be assessed to any bill that is delinquent. A customer who participates in the Winter Protection Plan or who is 65 years of age or older shall be exempt from a late payment charge as described in Rule C-6.74.

Term and Form of Contract:

Service under this rate shall not require a written contract.

D7.2 Green Power Pilot Program Availability and Terms of Service

The nature and quality of the service under the Green Power Pilot Program is dependent on the continued availability of electric energy and capacity from new, zero-emission, Michigan-based, renewable resources. The total nameplate capacity of these approved renewable resources is capped at 50 MVA. It may become necessary for the Company to serve fewer than all of those customers who desire to participate in the program. In the event that the program is oversubscribed, customers will be served on a first-come, first-served basis. Customers not able to participate will be maintained on a list and served as the ability to do so arises.

A customer can participate in the Green Power Pilot Program at any one of the following levels of participation:

100% of total monthly energy purchased from new, zero-emission, Michigan-based, renewable resources
50% of total monthly energy purchased from new, zero-emission, Michigan-based, renewable resources
10% of total monthly energy purchased from new, zero-emission, Michigan-based, renewable resources
100% of monthly energy nominated by the customer purchased from new, zero-emission, Michigan-based, renewable resources

The specific amount of monthly energy nominated by the customer will serve as the maximum amount of energy that may be served under the Green Power Pilot Program. The Company, dependent upon the amount of energy secured from new, zero-emission, Michigan-based, renewable energy providers, may refuse to allow a customer to increase the specified nomination of energy and/or the level of participation in the program.

If sufficient certified generation cannot be procured to serve the program, the Company reserves the right to request the Commission to terminate or to reduce the Green Power Pilot Program at any time, subject only to the requirement to provide 60 days' written notice to customers and to the Commission. In this event, the Company will return customers to the tariff or tariffs under which they took service immediately prior to participating in the program.

After a customer elects to take service under this program, or change the level of participation, the customer shall not be permitted to exit the program, or change the newly established level of participation, until at least 12 months have elapsed. The number of customers allowed to participate in the program depends on the amount of energy the Company secures from new, zero-emission, Michigan-based, renewable energy providers. Unless renewed by the Commission, this program expires on December 31, 2004. Any customer may begin participation in the program at any time before the expiration of the program, and will receive a minimum of 12 months of service up to the 17-year maximum. Should the period extend past the expiration date of the program, the customer will continue to pay the combined Green Surcharge and Administrative Fee, and receive energy from new, zero-emission, Michigan-based renewable resources.

GENERAL SERVICE PRIMARY RATE D

(Continued From Sheet No. E-27.00)

Monthly Rate: (Contd)

On-Peak Billing Demand:

The on-peak billing demand shall be based on the highest on-peak demand created during the billing month, but never less than 60% of the highest on-peak billing demand of the preceding billing months of June through September, nor less than 25 kW.

The on-peak demand shall be the kilowatts (kW) supplied during the 15-minute period of maximum use during on-peak hours, as described in Rule D3., Provisions Governing the Application of On-Peak and Off-Peak Rates.

Substation Ownership Credit:

Where service is supplied at more than 25,000 volts through customer-owned equipment, a substation ownership credit may be applicable in accordance with Rule D5., Substation Ownership Credit.

Green Power Pilot Program:

This program is available to any customer currently taking service under this rate schedule who desires to purchase electricity generated by new, zero-emission, Michigan-based, renewable resources. In addition to the charges under this tariff, there will be a combined Green Surcharge and Administrative Fee per kWh based on the level of participation selected by the customer as follows:

100% of total monthly energy purchased from new, zero-emission, Michigan-based, renewable resources	*$.032 per kWh*
50% of total monthly energy purchased from new, zero-emission, Michigan-based, renewable resources	*$.016 per kWh*
10% of total monthly energy purchased from new, zero-emission, Michigan-based, renewable resources	*$.0032 per kWh*
100% of monthly energy nominated by the customer purchased from new, zero-emission, Michigan-based, renewable resources	*$.032 per kWh*

The above charges apply to all of the energy used during the billing period.

Any customer who participates in this program is subject to the provisions contained on Sheet No. D-9.50.

Base Rate Adjustment:

This rate is subject to the Base Rate Adjustment shown on Sheet No. E-3.00.

Minimum Charge:

The capacity charge plus the customer charge included in the rate.

Due Date and Late Payment Charge:

The due date of the customer bill shall be 21 days from the date of mailing. A late payment charge of 2% of the unpaid balance, net of taxes, shall be assessed to any bill which is not paid on or before the due date shown thereon.

(Continued on Sheet No. E-29.00)