

May 30, 2023

Lisa Felice
Executive Secretary
Michigan Public Service Commission
7109 West Saginaw Highway
Post Office Box 30221
Lansing, MI 48909

Re: Case No. U-21141: In the matter of the application of Consumers Energy Company for approval of a voluntary Carbon Offset Program.

Dear Ms. Felice:

Enclosed for electronic filing in the above-captioned case is **Consumers Energy Company's 2023 MI Clean Air Annual Report**. This is a paperless filing and is therefore being filed only in a PDF format.

Sincerely,

Anne M. Uitvlugt

cc: David Chislea, MPSC



CONSUMERS ENERGY

2023 MI Clean Air Annual Report

Case No. U-21141

May 31, 2023

Consumers Energy

Count on Us®

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Introduction

This MI Clean Air Annual report is consistent with the Michigan Public Service Commission's ("MPSC") February 10, 2022 Order in Case No. U-21141 requiring Consumers Energy to file an annual report detailing the program management of its MI Clean Air program. This annual report is to contain information on the current offset commitments with associated pricing, forward year expected demand, current expenditures and account balances, details on offset verification, as well as, the vintage and types of offsets purchased. Updates to this report will be filed by May 31 of each year in Case No. U-21141.

Reporting period: April 21, 2022 through December 31, 2022

Program Overview

Consumers Energy launched its MI Clean Air program on April 21, 2022 - just one year ago! By the end of 2022, nearly 500 residential and business enrolled in the program joining their neighbors in leaving the planet a better place – for generations to come. Their participation in the MI Clean Air program helped fund carbon abatement projects in Michigan that are actively removing greenhouse gases from the atmosphere and preserving the forests we Michiganders know, love, and enjoy.

It can be difficult to reduce your carbon footprint to zero on your own. So, we created the MI Clean Air Program to make it easier. The MI Clean Air program allows Consumers Energy natural gas customers to offset their carbon emissions by subscribing to carbon offsets. At a small, fixed cost per month, customers can offset a portion, or all, of their natural gas usage through carbon offsets either procured or developed on their behalf. Customers participating in MI Clean Air, are paying as little as \$2 a month to preserve forests in Michigan that offset the emissions of greenhouse gases.

By subscribing to MI Clean Air, customers help fund a project that actively removes greenhouse gases from the atmosphere. In fact, MI Clean Air is specifically sourcing carbon offsets from right here in Michigan. Through our agreement with Anew Environmental that began in 2021, customer subscriptions help support the East Branch Forestry Project in Michigan's Upper Peninsula. This project protects 3,700 acres of valuable forestland that lies just south of Lake Superior. The project is bordered by other protected forests which create a network of lands that provide critical habitat for the species and wildlife living there, including whitetail deer, black bears, moose, bald eagles, and more. In addition to our Michigan forestry offset supply, we work with brokers to procure other types of offsets based upon qualifying customer's volume and offset requirement needs.

We deeply appreciate the shared commitment of our customers to leave it better for future generations. The MI Clean Air program supports our Company's commitment to deliver net zero greenhouse gas emissions from our entire natural gas system by 2050 and a 20% reduction in customer emissions by 2030.

Program Metrics

Per the Michigan Public Service Commission's ("MPSC") February 10, 2022 Order in Case No. U-21141, Consumers Energy is providing the certain program metrics related to the Program's current offset commitments with associated pricing, forward year expected demand, current expenditures and account balances, details on offset verification, as well as, the vintage and types of offsets purchased.

Reporting Period
04/21/22 -12/31/22

1. Number of Enrollments & Program Size

Customer Enrollments	462
Average Subscription Level	50%
Total Metric Tons (CO2e)	463
Customer Subscription Payments	\$20,657
Carbon Offset Retired Inventory Costs ¹	\$3,987

2. Enrollments & Associated Pricing

Level	\$/Month	Enrollments
10%	\$2	58
20%	\$4	16
30%	\$6	128
40%	\$8	4
50%	\$10	128
60%	\$12	0
70%	\$14	4
80%	\$16	0
90%	\$18	0
100%	\$20	124

3. Cost of Marketing, Administration, and Research

The MI Clean Air program is a voluntary program and is financially backstopped by shareholders, thus ratepayers do not bear the costs of any financial shortfalls. In its first year, the program operated at a loss due to the costs associated with program launch (e.g. program billing architecture, web design, marketing, etc.). The program expects to break-even over time as revenue associated with enrollments offsets expenses.

Marketing, Administration, and Research	\$92,702
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Program Metrics

4. Quantity, Source, and Cost of Carbon Offsets Purchased

The MI Clean Air program purchased the below carbon offset inventory in the calendar year 2022. The below offsets were purchased from [Anew Environmental LLC](#), (formerly Bluesource LLC.), and are verified by the [American Carbon Registry \(ACR\)](#). Due to limited forestry offset projects available in Michigan and to ensure adequate local supply for our customers at the lowest cost possible, the Company chose to procure inventory in advance of demand. The Company expects to see demand increase over time as we continue to market and grow the program. Should demand not materialize as anticipated, the Company may choose to sell supply back into the market to mitigate financial risk to the program.

Project	ID	Type	Vintage	Quantity
East Branch Improved Forestry Management Project	ACR 569	Improved Forestry Management (IFM)	2020	26,680
			2021	26,244
			2021	26,566
			2022	26,133

5. Offset Certification

All carbon offsets procured by Consumers Energy and on behalf of our customers, meet the highest industry standards. We are committed to making purchases on behalf of customers from well-established and reputable offset vendors with strong track records in the industry. For this reason, we are committed to purchasing offsets that are verified to meet the standards of one or more of the following entities:

- [American Carbon Registry](#)
- [Climate Action Reserve](#)
- [Gold Standard](#)
- [Verra's Verified Carbon Standard](#)

6. Forecasted Demand

The Company used current year demand, as well as, forecasted demand from planned marketing campaigns to project expected demand for 2023.

	Reporting Period 01/01/23 -12/31/23
Forecasted Demand	
Metric Tons (CO2e)	5,000

7. Marketing Methods

Following its approval in February 2022, the program launched successfully just two months later in April. Succeeding its launch, the MI Clean Air program leveraged creative and low-cost marketing tactics like email, direct mail, and bill inserts to keep subscription prices low for subscribing customers. Through deliberate marketing tactics, the program was able to reach interested customers at half the cost per acquisition of similar programs, while achieving conversion rates at or above other legacy programs.

What's Next

In 2023, the MI Clean Air program continues to grow and reach customers, that like Consumers Energy, are committed to reducing their carbon footprint. Our focus in 2023 includes continued focus on leveraging tried and true marketing tactics to reach residential customers, as well as, reaching business customers seeking to reduce their carbon footprint. The Company is also seeking approval to expand our MI Clean Air program to offer Renewable Natural Gas (RNG) as another voluntary carbon abatement solution for our customers as proposed in Case No. U-21387 filed on April 3, 2023.

JOIN YOUR NEIGHBORS IN MAKING A DIFFERENCE

Subscribing to MI Clean Air is easy through our online enrollment form. Once enrolled, you will see your subscription amount added to your monthly bill. We'll manage your carbon offset transactions – you just sign up and we'll make sure all offsets meet the highest standards and represent a measurable reduction of carbon from the atmosphere.

Learn more and sign up by visiting www.consumersenergy.com/micleanair.

HAVE MORE QUESTIONS?

Email us at MiCleanAir@cmsenergy.com and we would be happy to help!