

STATE OF MICHIGAN

BEFORE THE MICHIGAN PUBLIC SERVICE COMMISSION

In the matter, of the application of )  
CONSUMERS ENERGY COMPANY )  
for *ex parte* approval of certain )  
amendments to Rate GPD. )  
\_\_\_\_\_ )

Case No. U-21859

COMMENTS OF  
MICROSOFT CORPORATION

Microsoft Corporation (“Microsoft”), by and through its attorneys, Fraser Trebilcock Davis Dunlap & Cavanaugh, P.C., hereby respectfully submits our feedback to Consumers Energy Company’s (“Consumers”) application for expedited, *ex parte* approval of a new data center provision within its Large General Service Primary Demand Rate GPD (“Rate GPD”). In these comments, Microsoft is submitting several recommendations and alternative approaches to Consumers' application that will continue to enable Michigan's pro-economic development agenda, ensure fair and equitable rates, and enable continued growth by businesses choosing to locate in Consumers service territory. Rather than an expedited, *ex parte* application, Microsoft recommends that the Commission direct a process that would permit interested stakeholders a meaningful opportunity to provide input.

Microsoft is a worldwide technology company. As a significant component of its business platform, Microsoft constructs, owns, and operates data centers around the world. When choosing where to invest in data centers, Microsoft considers a range of criteria, including proximity to population centers; a broad, reliable, and stable power source; multiple high-capacity network connections; a large pool of qualified labor; and affordable and clean energy. Reliable and resilient energy supply is a critical need for Microsoft’s datacenters and further enables local economic development opportunities. In fact, the largest operating costs for datacenters is electricity and the cost and formula used to calculate region-specific energy rates is a significant consideration associated with data center development and expansion. As a result, Microsoft’s ability to procure reliable, sustainable, and cost-effective energy for its operations is one of the key factors in selecting the location of data centers and other operations. Microsoft has purchased property in Michigan, and is keenly interested in the rates, terms, and conditions of service that would apply to a new data center.

Data centers support the creation of local jobs directly through construction and operations of the site, and indirectly through business transformation that increases competitiveness and growth. On average, Microsoft data centers provide 300-400 jobs annually depending on the size of campus and type of construction activity. Other jobs include roles in IT operations, electrical and mechanical engineering, and facility security and maintenance. Data centers are the foundation of the digital infrastructure on which modern society and economies are built.

Microsoft's data centers deliver world-class data security and privacy and expand access to the company's broadest range of Microsoft Azure cloud services.<sup>1</sup>

Microsoft's data centers are not mobile or transient but rather a significant capital-intensive investment in local economies and represent a long-term commitment to the community. Under Microsoft's Data Center Community Pledge, Microsoft pledges that its data centers will not only serve as the backbone of modern technology but also act as a force for good in the communities where they operate.<sup>2</sup> Additionally, Microsoft is committed to being carbon-negative by 2030.

Microsoft works with utility companies, grid operators, and regulators to develop electric rates. Microsoft is open to a variety of rate options and is not wedded to a one-size-fits-all approach. Microsoft's guiding principles for appropriate rates include transparent and robust grid capacity planning, capacity flexibility for customers, and fair cost allocation that ensures customers pay for the infrastructure required to serve their energy needs.

It is in that spirit that Microsoft offers support for and encourages the Commission to consider the following proposals pertaining to Consumers' application for expedited *ex parte* approval of the Rate GPD data center provision. Microsoft's proposals, detailed in Attachment A, balance the desire to protect Consumers and its ratepayers while establishing a business environment conducive to the development of extra-large load customers in Michigan.

***A. Focus on effectively integrating all new extra-large load customers, not on managing an industry***

Microsoft views proposals like Consumers' as providing preferential treatment to certain customers, as the terms in this proposal would not be imposed on any other industries or other non-data center Rate GPD customers. To ensure similarly situated customers are treated equally, Microsoft proposes any new provisions apply to all new customers with a projected load of 100 MW or more at one or more sites in Consumers' service territory.

***B. Provide transparency into proposed minimum billing demand charges***

Consumers has not shared analysis supporting their proposed Minimum Billing Demand charge for incremental infrastructure to serve new customers under this proposed schedule. Microsoft suggests that the Commission ask Consumers to share its basis for this proposal. Without such transparency, Microsoft is unable to support or suggest an evidence-based alternative.

***C. Provide reasonable accommodations for customer capacity adjustments while also protecting against stranded cost risk***

Microsoft recognizes that advanced notice of new load requests and adjustments is necessary for Consumers to be able to serve its customers reliably and cost effectively. However,

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<sup>1</sup> Microsoft datacenters, <https://datacenters.microsoft.com>

<sup>2</sup> Microsoft in your community, <https://local.microsoft.com>

while Consumers did not identify how they intend to serve this new load, as Rate GPD is proposed, Consumers would serve these new customers using its overall average generating portfolio. To best align the contract terms with the evolving and dynamic nature of Consumer's resource planning and procurement processes, Microsoft recommends that these new customers be permitted to reduce its Contract Capacity with at least a 36-month notice. Three years is a reasonable amount of time for Consumers to accommodate capacity reductions. Likewise, Microsoft recommends that the Commission also permit increases in Contract Capacity where the customer provides Consumers with at least a 12-month notice in advance of the relevant MISO planning period.

***D. Financial security requirements should reflect the risk to Consumers' presented by each individual customer***

Attempting to devise one-size fits all financial security provision is difficult and inflexible. Financial security should take into consideration the financial conditions of the customer. A customer with more credit risk should be required to post more financial security. Conversely, a customer with a strong credit rating and financial position should be able to avoid having to post additional financial security. Microsoft recommends that for customers with a credit rating of at least A- from S&P and A3 from Moody's, the Commission limit the financial security to the customer's minimum demand charges for the remaining months in the rate contract capped at 60 months. Further, the Commission should clarify that commercially reasonable forms of credit support will be acceptable, like a guaranty, letter of credit, cash escrow, pledged assets, or surety bonds. Consumers should not have authority to unilaterally limit the forms of acceptable credit support. Microsoft recognizes financial security requirements and exit fees are interrelated and puts forward a recommendation on exit fees below.

***E. Exit fees should reflect Consumers' ability and duty to mitigate harm from the loss of load***

Microsoft recognizes the importance of early termination fees for protecting other ratepayers. Microsoft supports reasonable early termination fees, but it should reflect and support the utility's ability and responsibility to mitigate harm from an early termination. In a theoretical termination event, Consumers should have an obligation to proactively re-purpose distribution equipment, shed transmission capacity, and shed generation capacity, if necessary to align its system resources with its then system demand. Microsoft recommends that the time frame that it would take for Consumers to re-align its resources with system demand is the relevant time period for determining Consumers' financial exposure, not the total term of the rate contract. Microsoft recommends that the Commission limit the exit fee to the customer's minimum demand charges for the remaining months in the rate contract capped at 60 months as of the date of contract termination.

***F. Administrative fees should be reconciled to Consumers' actual costs at the end of the interconnection review process***

Microsoft supports reasonable administrative fees designed to recover Consumers' costs to review and respond to interconnection requests. Microsoft also especially supports efforts to

reduce speculative interconnection requests so that all requests may be processed more efficiently and expeditiously.

In summary, Microsoft encourages the Commission to consider the importance of this tariff and the role it plays in continuing to expand Michigan's economy and business climate. Microsoft looks forward to the opportunity to transparently partner with Consumers, the Commission, and other stakeholders in further analyzing and developing a fair outcome. Microsoft again encourages that the Commission direct a process that would permit interested stakeholders a meaningful opportunity to provide input. If the Commission, however, finds that a new tariff provision must be put in place on an expedited basis, then Microsoft would respectfully request the Commission should make explicitly clear that any tariff approved is a stopgap measure to address Consumers' purported urgent need, and the Commission should direct Consumers to work with interested stakeholders to develop a standalone tariff suitable for extra-large load customers.

*Respectfully submitted,*

**FRASER TREBILCOCK DAVIS DUNLAP &  
CAVANAUGH, P.C.**  
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**RATE CATEGORIES AND PROVISIONS  
 (Continued From Sheet No. D-10.00)**

<u>Description</u>	<u>Full Service</u>	<u>Retail Open Access</u>
<b>GENERAL SERVICE PRIMARY RATE GP</b>		
Commercial (Customer Voltage Level 1, 2 or 3)	1200	2200
Industrial (Customer Voltage Level 1, 2 or 3)	1210	2210
<u>Provisions</u>		
Commercial (Customer Voltage Level 1, 2 or 3) Resale	Applicable	Applicable
Commercial (Customer Voltage Level 1, 2 or 3) With Educational Institution (GEI)	Applicable	Applicable
Commercial (Customer Voltage Level 1, 2 or 3) With Self-Generation (SG) **	1745	Not Applicable
Industrial (Customer Voltage Level 1, 2 or 3) With Self-Generation (SG) **	1750	Not Applicable
Net Metering Program	Applicable	Applicable
Distributed Generation Program	Applicable	Applicable
Demand Response Program	Applicable	Not Applicable
Green Generation Program ***	Applicable	Not Applicable
Renewable Energy Credit (REC) Programs	Applicable	Not Applicable
Non-Residential Electric Vehicle Programs	Applicable	Applicable
<b>LARGE GENERAL SERVICE PRIMARY DEMAND RATE GPD</b>		
Commercial (Customer Voltage Level 1, 2 or 3)	1220	2220
Industrial (Customer Voltage Level 1, 2 or 3)	1230	2230
<u>Provisions</u>		
Commercial (Customer Voltage Level 1, 2 or 3) Resale	Applicable	Applicable
Industrial (Customer Voltage Level 1, 2 or 3) Resale	Applicable	Applicable
Commercial (Customer Voltage Level 1, 2 or 3) With Aggregate Peak Demand (GAP) **	Applicable	Not Applicable
Industrial (Customer Voltage Level 1, 2 or 3) With Aggregate Peak Demand (GAP) **	Applicable	Not Applicable
Commercial (Customer Voltage Level 1, 2 or 3) With Educational Institution (GEI) **	Applicable	Applicable
Industrial (Customer Voltage Level 1, 2 or 3) With Educational Institution (GEI) **	Applicable	Applicable
Commercial (Customer Voltage Level 1, 2 or 3) With Interruptible (GI)	Applicable	Not Applicable
Industrial (Customer Voltage Level 1, 2 or 3) With Interruptible (GI)	Applicable	Not Applicable
Commercial (Customer Voltage Level 1, 2 or 3) With Self-Generation (SG) **	1755	Not Applicable
Industrial (Customer Voltage Level 1, 2 or 3) With Self-Generation (SG) **	1760	Not Applicable
<u>Industrial (Customer Voltage Level 1, 2, or 3) With Extra Large Customer Provision</u>	<u>Applicable</u>	<u>Not Applicable</u>
Net Metering Program	Applicable	Applicable
Distributed Generation Program	Applicable	Applicable
Demand Response Program	Applicable	Not Applicable
Green Generation Program ***	Applicable	Not Applicable
Renewable Energy Credit (REC) Programs	Applicable	Not Applicable
Non-Residential Electric Vehicle Programs	Not Applicable	Applicable
<b>GENERAL SERVICE PRIMARY TIME-OF-USE RATE GPTU</b>		
Commercial (Customer Voltage Level 1, 2, or 3)	1280	Not Applicable
Industrial (Customer Voltage Level 1, 2, or 3)	1285	Not Applicable
<u>Provisions</u>		
Commercial (Customer Voltage Level 1, 2 or 3) Resale	Applicable	Not Applicable
Industrial (Customer Voltage Level 1, 2 or 3) Resale	Applicable	Not Applicable
Commercial with Education Institution (GEI)	Applicable	Not Applicable
Industrial with Education Institution (GEI)	Applicable	Not Applicable
Commercial (Customer Voltage Level 1, 2 or 3) With Interruptible (GI)	Applicable	Not Applicable
Industrial (Customer Voltage Level 1, 2 or 3) With Interruptible (GI)	Applicable	Not Applicable
Commercial (Customer Voltage Level 1, 2 or 3) With Self-Generation (SG) **	1765	Not Applicable
Industrial (Customer Voltage Level 1, 2 or 3) With Self-Generation (SG) **	1770	Not Applicable
Net Metering Program	Applicable	Not Applicable
Distributed Generation Program	Applicable	Not Applicable
Demand Response Program	Applicable	Not Applicable
Green Generation Program ***	Applicable	Not Applicable
Renewable Energy Credit (REC) Programs	Applicable	Not Applicable
Non-Residential Electric Vehicle Programs	Applicable	Not Applicable

\*\* Provisions shall not be taken in conjunction with the Net Metering Program or Distributed Generation Program.

\*\*\* Closed to new customers, effective April 5, 2019.

**LARGE GENERAL SERVICE PRIMARY DEMAND RATE GPD**  
(Continued From Sheet No. D-66.00)

**Monthly Rate: (Contd)**

**Interruptible Service Provision – Market-Price Option (GI2) (Cont)**

**Conditions of Interruption**

The Company will notify the customer as to the amount of total load on this rider to be curtailed. Load identified as monthly firm service and billed on Rate GPD is not considered as interruptible and does not need to be curtailed under the terms of GI2. Although actual load at time of interruption may vary from contract capacity, the total measured load on this provision shall be subject to curtailment by the Company.

The Company shall provide the Customer at least thirty minutes advance notice of a required interruption, and if possible, a second notice. The notice will be communicated by telephone to the contact numbers provided by the Customer. The Customer shall confirm the receipt of such notice through the automated response process. Failure to acknowledge receipt of such notice shall not relieve the customer of the obligation for interruption under the GI Provision. The customer shall be informed, when possible, of the estimated duration of the interruption at the time of interruption. Within 30 minutes of receiving an interruption notice, the customer shall reduce their total load level by the amount of contracted interruptible capacity or have the total facility subject to interruption.

Any load designated as interruptible by the customer may require the installation and maintenance of equipment that allow the Company to remotely interrupt the customer's load. If the company determines it is required to install and maintain equipment at the customer's site to comply with any requirements associated with the GI service provision then it shall do so at the customer's expense. In addition, the customer shall also adhere to any advance notification requirements the Company deems are necessary to comply with its obligations to MISO under this provision.

Any load designated as interruptible by the customer is also subject to Midcontinent Independent System Operator's Inc. (MISO) requirements for Load Modifying Resources and the Company shall inform the Customer of such MISO requirements. Interruption under this provision may occur if MISO declares a Maximum Generation Emergency Event that requires deployment of Load Modifying Resources in accordance with the currently effective MISO Emergency Electrical Procedure or NERC Emergency Event Alert 2 notice indicating that MISO is experiencing or expects to experience a shortage of economic resources and the Company has declared Emergency Status. Participation in the GI provision does not limit the Company's ability to implement emergency electrical procedures as described in the Company's Electric Rate Book including interruption of service as required to maintain system integrity.

Under this provision, the customer shall be interrupted at any time, on-peak or off-peak, the Company deems it necessary to maintain system integrity. The Company shall provide notice in advance of probable interruption, and if possible, a second notice of positive interruption. The notice will be communicated by telephone to the contact numbers provided by the Customer. The Customer shall confirm the receipt of such notice through the automated response process. Failure to acknowledge receipt of such notice shall not relieve the Customer of the obligation for interruption under the GI2 provision. The customer shall be informed, when possible, of the estimated duration of the interruption at the time of interruption.

The Company shall not be liable for any loss or damage caused by or resulting from any interruption of service under this provision.

Interruptions beyond the Company's control, described in Rules C1.1, Character of Service, and C3., Emergency Electrical Procedures, of the Company's Electric Rate Book, shall not be considered as interruptions for purposes of this provision.

Should the Company be ordered by Governmental authority during a national emergency to supply firm instead of interruptible service, billing shall be made on an applicable firm power schedule.

**Cost of Customer Non-Interruption**

Failure by a customer to comply with a system integrity interruption order of the Company shall be considered as unauthorized use and billed at (i) the higher of the actual damages incurred by the Company or (ii) the rate of \$25.00 per kW for the highest 15-minute kW of Interruptible On-Peak Billing demand created during the interruption period, in addition to the prescribed monthly rate. In addition, the interruptible contract capacity of a customer who does not interrupt within one hour following notice shall be immediately reduced by the amount which the customer failed to interrupt, unless the customer demonstrates that failure to interrupt was beyond its control.

(Continued on Sheet No. D-~~68.00~~67.10)

**LARGE GENERAL SERVICE PRIMARY DEMAND RATE GPD**

*(Continued From Sheet No. D-67.00)*

**Monthly Rate: (Contd)**

**Extra Large Customer Provision:**

**Availability**

To receive electric service from Consumers Energy, a new customer with a projected Maximum Demand of 100 MW or more at a single site or aggregated among more than one site in the Company's service territory must agree to a rate contract term for an initial period of a minimum of fifteen (15) years from the initial service date for billing purposes. The minimum contract term shall include a ramp-up period, as negotiated by the parties. The ramp-up period will be specified at the time of contract execution and will be included in the contract terms.

Consumers Energy is authorized to require financial security from customers receiving service under this rate in amounts up to the projected Minimum Billing Demand for the remaining term of the rate contract, not to exceed 60 months. A customer with a credit rating of at least A- from S&P and A3 from Moody's and liquidity greater than ten times the financial security requirement shall be exempt from this financial security requirement. A customer that does not have a credit rating from S&P and Moody's but maintains liquidity greater than ten times the financial security requirement (evidence by providing quarterly financial statements and certification that on the date financial statements are provided that the customer's liquidity meets the ten times threshold) shall be exempt from 50 percent of the financial security requirement not to exceed an exemption of more than \$250 million. The financial security may be adjusted every five years. The authorization in this paragraph does not limit the Company's other authority to impose other financial security requirements from customers.

**Minimum Billing Demand**

The Company shall require a monthly Minimum Billing Demand of 80% of the Contract Capacity, defined as the amount of capacity reserved for the customer for the applicable time period of the rate contract term. The Minimum Billing Demand shall be applicable to both the Maximum Demand and On-Peak Billing Demand for the term of the rate contract. The customer's Maximum Demand and On-Peak Billing Demand shall not be less than the customer's Minimum Billing Demand, regardless of the customer's actual usage.

**Contract Capacity**

The customer shall specify the amount of capacity to be reserved for its use in each applicable time period in its rate contract with the Company, which is defined as the Contract Capacity.

The customer may reduce its Contract Capacity at any time by giving the Company 36 months written notice prior to the beginning of a MISO planning period. The Company may permit capacity reductions with less notice if the reduction will not result in cost increases for the Company or its other customers.

The customer may increase its Contract Capacity at any time by giving the Company 12 months written notice prior to the beginning of a MISO planning period. If the customer's usage exceeds the Contract Capacity by 1,000 kW or more, and if the Company determines it has the capacity to serve the additional load without negatively impacting other customers or the Company, the Company shall adjust the Contract Capacity. If the Company determines it does not have capacity to serve the additional load without negatively impacting other customers or the Company, it shall inform the customer that it must reduce its usage to its Contract Capacity. If the customer does not comply with the request to reduce its usage to its Contract Capacity, the Company is authorized to suspend service to the customer until the customer complies with the requirement to limit its usage to its Contract Capacity.

All Contract Capacity adjustments will be documented in an amendment to the rate contract. The customer will be responsible for any additional costs incurred due to changes in the Contract Capacity and usage above its Contract Capacity.

**Administrative Fee**

At the Company's discretion, an Administrative Fee may be imposed to cover the actual costs associated with providing project proposals to customers. This fee will be charged directly to the entity requesting the proposal and is subject to reconciliation. The Company will provide a final accounting to the customer. The administrative Fee shall be capped at \$100,000 per project proposal.

**Exit Fee**

In the event the customer terminates its rate contract prior to the end of the contract term, the Company shall be entitled to recover an Exit Fee from the customer. The Exit Fee shall be calculated by multiplying the Minimum Billing Demand by the number of months remaining in the rate contract term, not to exceed 60 months, as of the date of contract termination. The Company has a duty to mitigate any harm caused by the contract termination. The Exit Fee will be reduced to the extent that the loss of customer's load will not harm the Company or its other customers.

*(Continued on Sheet No. D-68.00)*

**LARGE GENERAL SERVICE PRIMARY DEMAND RATE GPD**  
(Continued From Sheet No. D-67.00~~10~~)

**Monthly Rate: (Contd)**

**Net Metering Program:**

The Net Metering Program is available to any eligible customer as described in Rule C11.2., Net Metering Program, who desires to generate a portion or all of their own retail electricity requirements using a Renewable Energy Resource as defined in Rule C11.2.B., Net Metering Definitions.

A customer who participates in the Net Metering Program is subject to the provisions contained in Rule C11.2., Net Metering Program.

**Distributed Generation Program:**

The Distributed Generation Program is available to any eligible customer as described in Rule C 11.3., Distributed Generation Program, who desires to generate a portion or all of their own retail electricity requirements using a Renewable Energy Resource as defined in Rule C 11.3.B., Distributed Generation Definitions.

A customer who participates in the Distributed Generation Program is subject to the provisions contained in Rule C 11.3., Distributed Generation Program.

**Green Generation Program:**

Customer contracts for participation in the Green Generation Program shall be available to any eligible customer as described in Rule C10.2, Green Generation Program.

A customer who participates in the Green Generation Program is subject to the provisions contained in Rule C10.2, Green Generation Program.

**Renewable Energy Credit (REC) Programs:**

These programs provide customers with the opportunity to subscribe to the environmental attribute of renewable energy by offering customers the ability to utilize renewable energy credits to match up to 100% of their total annual energy.

A customer that participates in one of the Renewable Energy Credit (REC) Programs is subject to the provisions contained in Rule C10.7., Renewable Energy Credits (REC) Programs.

**Non-Residential Electric Vehicle Programs:**

The Non-Residential Electric Vehicle Programs are available to any eligible customer as described in Rule C19.2., Non-Residential Electric Vehicle Programs.

**LARGE GENERAL SERVICE PRIMARY DEMAND RATE GPD**  
(Continued From Sheet No. D-68.00)

**Monthly Rate: (Contd)**

**Self-Generation (SG):**

To be eligible for Self-Generation, a Customer with a generating installation operating in parallel with the Company's system, must meet the requirements described in Rule C 11.1., Self-Generation.

**General Terms:**

This rate is subject to all general terms and conditions shown on Sheet No. D-1.00.

**Minimum Charge:**

The System Access Charge included in the rate, and applicable any non-consumption based surcharges. Customers served under the Extra Large Customer Provision shall also be required to meet the Minimum Billing Demand.

**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.

**Term and Form of Contract:**

For customers with monthly demands of 300 kW or more, all service under this rate may require a written contract with a minimum term of one year.

For customers with monthly demands of less than 300 kW, service under this rate shall not require a written contract except for: (i) service under the Resale Service Provision, (ii) service under the Green Generation Program, (iii) service under the Educational Institution Service Provision, (iv) service under the Aggregate Peak Demand Service Provision, (v) service under the Interruptible Service Provision, (vi) service under the Demand Response Program or (vii) at the option of the Company. If a contract is deemed necessary by the Company, the appropriate contract form shall be used and the contract shall require a minimum term of one year.

Customers participating in the Extra Large Customer Provision shall require a written rate contract with an initial term of at least fifteen years.

A new contract will not be required for existing customers who increase their demand requirements after initiating service, unless new or additional facilities are required or service provisions deem it necessary.

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