May 21, 2025

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

RE: Case No. U-21816 – In the matter of Consumers Energy Company's application for the regulatory reviews, revisions, determinations, and/or approvals necessary to fully comply with Public Act 295 of 2008, as amended by Public Act 235 of 2023.

Dear Ms. Felice:

Enclosed for electronic filing in the above-captioned case, please find **Consumers Energy Company's Brief in Support of its Application for Approval of its Amended Renewable Energy Plan**. This is a paperless filing and is therefore being filed only in PDF. Also included is a Proof of Service.

Sincerely,

Digitally signed by Anne M. Uitvlugt
Date: 2025.05.21 14:11:52 -04'00'

Anne M. Uitvlugt
Phone: 517-788-2112
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cc: Parties to Attachment 1 to Proof of Service

STATE OF MICHIGAN

BEFORE THE MICHIGAN PUBLIC SERVICE COMMISSION

In the matter of **CONSUMERS ENERGY COMPANY's** application for the regulatory reviews, revisions, determinations, and/or approvals necessary to fully comply with Public Act 295 of 2008, as amended by Public Act 235 of 2023.	)	Case No. U-21816

CONSUMERS ENERGY COMPANY'S BRIEF IN SUPPORT OF ITS APPLICATION FOR APPROVAL OF ITS AMENDED RENEWABLE ENERGY PLAN

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I. INTRODUCTION

On November 28, 2023, Public Act 235 of 2023 ("Act 235") was signed into law, becoming effective on February 27, 2024. Act 235 amended Public Act 295 of 2008 ("Act 295") to increase the renewable energy credit ("REC") portfolio standard ("REC Standard") for electric providers from 15% through 2029, to 50% in years 2030 through 2034, and 60% in 2035 and thereafter. MCL 460.1022(3) requires electric providers to file amended renewable energy plans ("RE Plan") with the Michigan Public Service Commission ("MPSC" or the "Commission") within one year of the effective date of Act 235. In Case No. U-21568, on February 8, 2024, the Commission issued an Order requiring Consumers Energy Company ("Consumers Energy" or the "Company") to file its Amended RE Plan no later than November 15, 2024. See MPSC Case No. U-21568, February 8, 2024 Order, page 4.

In accordance with the Commission's direction, Consumers Energy filed its Amended RE Plan on November 15, 2024. The Company's Application included the direct testimony and exhibits of Kenneth D. Johnston, Marc R. Bleckman, Eugene M. Breuring, Thomas P. Clark, Zachery S. Cole, and Chibuzo C. Obikwelu. A prehearing conference was held before

Administrative Law Judge ("ALJ") Jonathan F. Thoits on January 8, 2025. Other parties to this proceeding are the MPSC Staff ("Staff"); Cadillac Renewable Energy, LLC, Genesee Power Station Limited Partnership, Grayling Generating Station Limited Partnership, TES Filer City Station Limited Partnership, and National Energy of McBain, Inc (referred to collectively as the "BMPs"); the Michigan Environmental Council and Natural Resources Defense Council[1] (referred to collectively as "MEC"); the Michigan Attorney General; Hemlock Semiconductor Operations, LLC; Michigan Energy Innovation Business Council, The Institute For Energy Innovation, and Advanced Energy United (referred to collectively as "MEIU"); the Association of Businesses Advocating Tariff Equity ("ABATE"); the Ecology Center, Environmental Law and Policy Center, the Union of Concerned Scientists, and Vote Solar (referred to collectively as the Clean Energy Organizations or "CEOs"); and the Great Lakes Renewable Energy Association ("GLREA"). On January 21, 2025, the ALJ issued a protective order.

Evidentiary hearings began on April 21, 2025 and concluded on April 24, 2025. The transcript consists of 883 pages. Pursuant to the schedule established, Initial Briefs are due May 21, 2025, and Reply Briefs are due June 10, 2025. The Proposal for Decision target date is July 8, 2025. This schedule was set to allow the Commission to issue a final order within 300 days of the filing date of the Amended RE Plan. See MCL 460.1022(3). For the reasons discussed in this Initial Brief and presented on the record in this proceeding, Consumers Energy requests that the Commission approve the Company's Amended RE Plan.

II. STATUTORY FRAMEWORK FOR THE AMENDED RE PLAN

On October 6, 2008, Michigan enacted Act 295, which required certain electric providers, including Consumers Energy, to file proposed RE Plans with the Commission for its review and

[1] The Natural Resources Defense Council did not participate in the prehearing conference and was granted intervention out of time on January 30, 2025.

approval. These plans were required to include: (i) explanation of how the electric provider intends to meet the statutory renewable capacity and renewable energy targets; (ii) estimated costs associated with meeting those targets; and (iii) proposed cost recovery mechanisms, including a Transfer Price mechanism, to recover a portion of the total costs of implementing the RE Plan through the Power Supply Cost Recovery ("PSCR") process, and a 20-year levelized surcharge to recover the Incremental Cost of Compliance ("ICC"). Consistent with the requirements of Act 295, Consumers Energy submitted its 2009 RE Plan on February 17, 2009 in Case No. U-15805, which was originally approved in an Order issued May 26, 2009. The Company's RE Plan has subsequently been amended and reflects certain amendments that were previously approved by the Commission, most recently in Case No. U-21374.

Act 235 amended Sections 22 through 49 of Act 295 (as previously amended by 2016 PA 342) to increase the REC Standard for electric providers from 15% through 2029, to 50% in years 2030 through 2034, and 60% in 2035 and thereafter. See MCL 460.1028(1). Act 235 also requires the Commission to authorize an annual financial incentive, or financial compensation mechanism ("FCM"), for a rate-regulated electric provider that enters into a power purchase agreement ("PPA") for "renewable energy resources or a third-party contract for an energy storage system or clean energy system with an entity that is not an affiliate." MCL 460.1028(8). Act 235 also eliminates RECs associated with generation from tire-derived fuel ("TDF"), eliminates RECs from advanced cleaner energy systems, provides for the use of RECs from certain eligible customers, permits the purchase of RECs without the associated renewable energy or capacity for up to 5% of the RECs used annually to comply with the REC Standard, and adjusts the eligibility for Energy Waste Reduction ("EWR") credits that may be converted into RECs. See MCL 460.1011, 460.1028, 460.1029.

MCL 460.1022(3) requires electric providers to file with the Commission their respective amended RE Plans within one year of the effective date of Act 235, including a "forecast of the renewable energy resources needed to comply with the [REC] standard." For rate-regulated electric providers, amended RE Plans include a mechanism for the recovery of the ICC within the electric provider's rates. MCL 460.1022(2). After a contested case hearing, the Commission "shall approve, with any changes consented to by the electric provider, or reject the renewable energy plan." MCL 460.1022(3). The Commission is required to "review the projected costs of the renewable energy plan and approve, in whole or in part, the projected costs if the commission finds those projected costs, in whole or in part, to be reasonable and prudent," considering "whether projected costs in prior renewable energy plans were exceeded." MCL 460.1022(6). The Commission must approve amendments to the RE Plan if the Commission determines that the amendment is (i) reasonable and prudent, and (ii) consistent with the purpose under MCL 460.1001(2) and meets the REC Standard. MCL 460.1022(5).

In Case No. U-21568, on February 8, 2024, the Commission issued an Order requiring Consumers Energy to file its Amended RE Plan no later than November 15, 2024. See MPSC Case No. U-21568, February 8, 2024 Order, page 4. The Commission also approved Filing Requirements and Instructions for Renewable Energy Plans for Michigan Investor-Owned Retail Rate-Regulated Electric Utilities. See MPSC Case No. U-21568, May 23, 2024 Order, Exhibit A. Pursuant to these requirements, Consumers Energy filed its Amended RE Plan in this proceeding on November 15, 2024.

III. SUMMARY OF CONSUMERS ENERGY'S AMENDED RE PLAN

The Company developed a RE Plan amendment that complies with Act 235, while providing a reasonable and prudent path to safe, reliable, and affordable renewable energy for customers. 2 TR 41. Included in this amendment are the plans for adding new wind and solar

assets to support the Company's IRP and voluntary Renewable Energy Program, a proposal to cap the transfer price, a REC forecast through 2045 that complies with the new REC Standard, and a proposal to use the excess interconnection capacity with battery energy storage located at the Company's owned renewable asset sites. Additionally, the Company has taken the position of moving cost recovery of certain renewable energy projects from its electric rate cases to the RE Plan. 2 TR 42.

In Case No. U-21374, in its August 22, 2024 Order, the Commission approved certain proposed amendments to the Company's RE Plan. The Company's Amended RE Plan maintains the assumptions from that case, which includes:

- The approval of up to 100 MW of Company-owned solar energy consistent with the assumptions in Case No. U-18231;
- The approval of over 1,400 MW of new solar facilities, based on customer subscriptions, to support the Company's Renewable Energy Program growth as approved in Case No. U-21374; and
- The continued approval of up to 5.5 MW of Company-owned solar to serve the Company's Solar Gardens program. [See 2 TR 43.]

This Amended RE Plan builds on the previous amendment to the RE Plan and supports the following:

- The approval of up to 8,000 MW of both purchased and Company-owned solar energy resources supported by Mr. Cole and consistent with the Company's settlement agreement in its 2021 IRP Case No. U-21090;
- The approval of up to 2,800 MW of Company-owned wind energy resources to support the increasing levels of REC compliance in 2030 and 2035;
- The approval of the Company's projections for REC compliance considering the inclusion of calculation modifications for distributed generation ("DG") outflow, Voluntary Green Pricing ("VGP") program participation, procurement of Midcontinent Independent System Operator, Inc. ("MISO") generated RECs, and the removal of RECs associated with generation from TDF; and
- Maintaining 15% REC portfolio standard compliance ("REC compliance") through 2029; 50% REC compliance through 2034, and 60% REC compliance in 2035. [See 2 TR 43-44.]

Exhibit A-1 (KDJ-1) Revised presents the overall summary of the Company's Amended RE Plan.

As discussed by Company witness Johnston, the Company's proposals for the addition of wind and solar assets to comply with the 15% REC compliance through 2029; the 50% REC compliance through 2034, and the 60% REC compliance in 2035 and beyond will increase the total costs of the RE Plan compared to the total costs in the currently approved RE Plan. 2 TR 44. The addition of solar assets to support the Company's Renewable Energy Program (a VGP program), will have a negligible effect on the total costs of the RE Plan due to subscription revenue offsets of the levelized costs of energy. 2 TR 44.

Staff has reviewed the Company's RE Plan and indicated that the RE Plan meets the MPSC's filing requirements. Further, Staff overall recommends approval of the Company's RE Plan. 4 TR 792.

IV. CONSUMERS ENERGY'S AMENDED RE PLAN IS REASONABLE AND PRUDENT AND ACHIEVES ACT 235'S GOALS

A. RENEWABLE ENERGY CREDIT PORTFOLIO STANDARDS

MCL 460.1028(2)(b)(ii) outlines Consumers Energy's REC compliance standard. The statute provides that:

> (ii) The average number of megawatt hours of electricity sold by the electric provider annually during the previous 3 years to retail customers in this state, less the amount of sales attributable to customers participating in an electric provider's voluntary green pricing program under section 61 and the outflow from customers participating in the distributed generation program under section 173 for that year.

Therefore, the number of RECs necessary for compliance is determined by taking the Company's average sales of electricity for the prior three years and subtracting both the VGP sales and the DG outflow for the preceding year.

1. Eligible Sources of RECs

Consumers Energy is required to meet the REC Standard with RECs obtained by (i) generating electricity from renewable energy systems for sale to retail customers, (ii) purchasing or otherwise acquiring renewable energy and capacity, or (iii) purchasing or otherwise acquiring RECs without the associated renewable energy or capacity from within MISO, not to exceed 5% of the Company's RECs used annually to comply with the REC Standard. MCL 460.1028(5). "Renewable energy system" is defined as a "facility, electricity generation system, or set of electricity generation systems that use 1 or more renewable energy resources to generate electricity or steam," with the statute specifically including and excluding certain types of facilities. MCL 460.1011(i). "Renewable energy resource" is defined as a "resource that naturally replenishes over a human, not a geological, time frame and that is ultimately derived from solar power, water power, or wind power," with the statute excluding resources such as nuclear and TDF (among others). MCL 460.1011(g).

EWR credits may also be substituted for RECs to meet the REC Standard if Consumers Energy has achieved annual incremental energy savings of greater than 2% under an EWR plan, but not to exceed 10% of the REC Standard. MCL 460.1028(7). Consumers Energy is also permitted to use RECs owned by certain customers to meet the REC Standard if the customer chooses to report RECs to Consumers Energy as attributable to the customer's electric load. MCL 460.1029(4). However, in this filing, Consumers Energy has not forecasted that it will meet the REC Standard with any customer-provided RECs. 2 TR 53.

2. DG Forecast and REC Procurement

In accordance with MCL 460.1028(2)(b)(ii), the DG outflow is backed out of the Company's calculation for REC compliance. Exhibit A-3 (KDJ-3) presents the Company's projection for DG outflow - reflecting outflow from both the Company's legacy net metering

program and the Company's current DG program. 2 TR 51. The Company's forecast relies on the actual data for the two program types from 2022 and 2023 and essentially relies on the DG outflow increase for the two program types from 2022 to 2023. 2 TR 51. The amounts shown in the forecast only include the excess generation that is sent to the grid, as DG customer consumption is already reflected in the delivery forecast. 2 TR 51. Additionally, the Company's forecast does not project reaching the 10% DG cap provided for in MCL 460.1073(3). 2 TR 51. This forecast was utilized when determining the Company's REC compliance.

GLREA witness Robert Rafson argued that the Commission should require the Company to purchase RECs from DG and Public Utility Regulatory Policies Act of 1978 ("PURPA") projects before they purchase RECs out of state, as long as the cost is equal or less than out of state RECs. 4 TR 621. This dismisses the fact that the Company already has contracts in place to purchase PURPA RECs. Additionally, Consumers Energy maintains that when it purchases RECs to meet REC compliance it should purchase those RECs at the lowest possible cost to customers. 2 TR 121. Additionally, limiting the Company's ability to procure RECs from out of state providers could lead to dormant commerce clause concerns.

Since the passage of Act 235, the purchase of DG RECs does not provide value to the Company as the sales that form that basis for REC compliance backs out the generation from DG customers, which includes their outflow. 2 TR 121. This means that these RECs do not provide additional value to the Company in achieving REC compliance and the associated RECs should not be double counted. 2 TR 122. The only potential use for these RECs would be as a source for the Company's REC Program. But to the extent that these RECs were necessary, they would need to be competitively priced. 2 TR 122. Moreover, GLREA's proposal to purchase DG RECS are not ripe for consideration in this proceeding and will be addressed in the Company's VGP filing

this fall. See MPSC Case No. U-21374, August 22, 2024 Order. Accordingly, GLREA's argument should be rejected.

3. VGP Forecast

Like DG outflow, MCL 460.1028(2)(b)(ii) provides "the amount of sales attributable to customers participating in an electric provider's voluntary green pricing program under section 61…" should be removed from the REC compliance calculation. Exhibit A-32 (ZSC-9) is the Company's VGP subscription forecast. This forecast was utilized when determining the Company's REC compliance.

4. Landfill Gas

Act 235 added to the definition of "Renewable Energy System" to indicate that the definition includes a landfill gas generation facility "whose operator employs best practices for methane gas collection and control and emissions monitoring, as determined by the department of environment, Great Lakes, and energy." MCL 460.1011(i)(i). Given this new "best practices" determination needed for landfill gas generators, MEC witness Douglas B. Jester recommended that the Commission adopt practices in the administration of the Michigan Renewable Energy Certification System ("MIRECS") to ensure that all landfill gas generation RECs registered in that system "have documented certification by the Department of Environment, Great Lakes, and Energy that the landfill source follows best practices." 2 TR 401.

Consumers Energy had entered into contracts with landfill site owners prior to the effective date of Act 295, with those resources generating approximately 3% of the Company's REC Standard. 2 TR 251. For any new landfill generation, the Company would have the ability to include within those contracts a requirement that the facility is consistent with the definition at MCL 460.1011(i)(i). But Consumers Energy recommends that it be provided with the opportunity to collaborate with landfill site owners and to consider the options available under current contracts

before the Commission determines that the RECs associated with those facilities should not be used for REC compliance. 2 TR 251-252. The inability of the Company to use the RECs from current landfill contracts would present additional risk to the Company's ability to meet its REC Standard targets.

5. Incentive RECS

Certain RECs are granted an incentive under Act 295. Examples include (i) a 1/5 REC for each MWh of electricity generation from a renewable energy system, other than wind, at peak demand time as determined by the Commission (MCL 460.1039(2)(b)); and (ii) 1/5 REC for each MWh of electricity generated from a renewable energy system during off-peak hours, stored using an energy storage system or a hydroelectric pumped storage facility, and used during peak hours (MCL 460.1039(2)(c)).

MEC witness Eli K. Gold noted that in calculating incentive RECs under MCL 460.1039(2)(b), the Company uses the MISO definition of peak demand adopted by the Commission in its December 4, 2008 temporary order in Case No. U-15800 ("December 4 Order"). 2 TR 432. However, Mr. Gold argued that the temporary order is now 16 years old and that the Commission should reconsider the definition. *Id*. Mr. Gold recommended that for purposes of MCL 460.1039(2)(b), the Commission adopt a definition of "peak demand time" based on the times when non-wind renewable resources provide capacity value as accredited by MISO. 2 TR 433-434.

MEC witness Gold also noted that in calculating incentive RECs under MCL 460.1039(2)(c), the Company again uses the methodology adopted by the Commission in its December 4 Order. 2 TR 434. Under that methodology, if renewable energy is generated during off-peak periods while energy storage is occurring, it is presumed that the renewable energy is being stored. See Exhibit MEC-12, page 3. Mr. Gold argued that when the Ludington Pumped

Storage Plant pumps water to charge the system, the incremental load will be served by the next resource in the "economic dispatch sequence" and is not served by renewables unless renewable generation is curtailed at that time. 2 TR 435. Thus, Mr. Gold recommended that the Commission "should deem that electricity generated from a renewable energy system during off-peak hours is stored using an energy storage system or hydroelectric pumped storage facility only when renewable resources are marginal in merit-order dispatch and would have been curtailed in the absence of charging a storage resource." 2 TR 436.

The Commission should reject any change to the calculation of incentive RECs in this proceeding. The Company has calculated and presented its incentive RECs consistent with the Commission's direction from Case No. U-15800 in each of its renewable cost reconciliations since 2009. 2 TR 106. Any change to the definition of "peak demand time" that the Commission established in Case No. U-15800 would also have an impact on other electric providers in Michigan and their REC compliance obligations. See 2 TR 250. In addition, the actual electric energy that is used for pumping at the Ludington Pumped Storage facility is not tracked, and thus no determination can be made as to whether the facility is being charged by renewable energy sources. 2 TR 107. And since power flows in the path of least resistance, it is likely that when the Company's Lake Winds Energy Park in Ludington is generating and the Ludington Pumped Storage facility is being filled, the Lake Winds Energy Park is the source of that electric power. 2 TR 106.

To the extent the Commission determines that consideration of a change to the incentive REC methodology is warranted, the Company recommends establishment of an industry workgroup to obtain input from affected electric providers and other stakeholders. See 2 TR 250.

6. REC Market Purchases

MEC witness Gold argued that Consumers Energy's planned market purchases of RECs should be disallowed because of his contention that they are "both expensive and unnecessary." 2 TR 418. MEC's argument should be rejected.

MCL 460.1028(5)(c) allows electric providers to meet the REC Standard with RECs obtained from purchasing RECs without the associated renewable energy or capacity, with the only limitation being that the RECs (i) must be "produced within the territory of the regional transmission organization of which the electric provider is a member," (ii) must not "exceed 5% of an electric provider's [RECs] annually used to comply with the renewable energy standard," and (iii) cannot be used to comply with the REC Standard after 2035. Accordingly, the Company included these market purchases of RECs as part of its plan to meet the renewable energy targets consistent with the limitation in MCL 460.1028(5)(c). 2 TR 243.

Mr. Gold's argument that market purchases of RECs are "expensive" is based on his comparison of the Company's projected cost of $2 per REC for market purchases and "an average REC cost from Consumers-owned or PPA-purchased RECs of $.35." 2 TR 419. Mr. Gold's comparison is not valid. First, while it is not clear how Mr. Gold calculated an average REC cost of $0.35 for PPAs and Company-owned resources, it appears that it was based on Exhibit A-38 (CCO-6). 2 TR 248. However, the Company does not allocate any expense for RECs generated from Company-owned resources or a cost for incentive RECs as part of the average REC Cost calculation in Exhibit A-38 (CCO-6), so REC "costs" for Company-owned resources would not be considered in Mr. Gold's comparison. See 2 TR 248-249.

More importantly, the Company has identified several risks in meeting the REC Standard throughout the Company's RE Plan, including siting, tariffs, interconnection, sales uncertainty, price uncertainty, and tax credits. 2 TR 250. The Company's planned market purchases of RECs,

as authorized under MCL 460.1028(5)(c), is a cost-effective way for the Company to support its planned REC compliance. Building a larger REC bank through market purchases will mitigate some of the risks discussed above as the Company seeks to comply with the REC Standard. While the Company may adjust its REC purchase plans based on when renewable projects become operational and the actual cost of market RECs, the Company does not agree that it should wait to purchase these RECs until there is a potential shortfall because that would reduce the Company's flexibility to build the REC bank identified in the RE Plan. 2 TR 250.

MEC witness Gold also suggested that to the extent market RECs are purchased, they should be required to be Green-e certified. 2 TR 420. The Commission should also reject this recommendation because it is not necessary. The Company uses MIRECS to support its REC issuance, tracking, reporting, and retirements, and MIRECS incorporates several measures to prevent any double counting of RECs. 2 TR 249. These measures include unique serial numbers, transaction-based data structure, full audit trails, and exclusive tracking. *Id*. With a sophisticated tracking system like MIRECS, there is no need to also require Green-e certification for RECs that the Company will purchase from the market and use for the Company's REC compliance. *Id*.

7. Compliance Options for Qualifying Customers

Under Act 235, eligible customers have the option to supply their own RECs to meet the Company's REC standard. See MCL 460.1029(4)(a)&(b). These RECs must be produced in the continental United States and owned by the customers, who must report them to their electric provider. The electric provider will then apply these RECs to the customer's proportional share of the REC standard requirement. Qualifying customers who choose this compliance option are required to update their electric provider annually by December 1 with a five-year forecast and notify them of the expected amount of RECs to be used for compliance in the coming year. If the projected amount of RECs is less than forecasted, customers must notify the provider at least five

years before the compliance year. Eligible customers will not incur costs associated with REC compliance in their electric bills if they provide their proportional share of RECs. The electric provider must grant a cost-based rate credit against the cost of compliance if the provider's rates are regulated by the commission and the reported RECs are used for compliance. Eligible customers will not incur costs associated with REC standard compliance in their electric bills if they provide their proportional share of RECs. See MCL 460.1029(4)(a) & (b).

Consumers Energy calculates the proportional share of RECs for eligible customers based on their average full-service sales over the prior three years. 2 TR 52. The Company will ensure that these customers completely avoid any costs associated with the REC standard. The Company will provide a bill credit to offset increased PSCR costs for eligible customers to offset the increased PSCR costs as a result of the Company's compliance with the REC standard. 2 TR 52. The bill credit is calculated by comparing the total renewable energy resource cost transferred to the PSCR with the market price and providing a credit for the customer's prorated share of the increased amount. 2 TR 53. Additionally, if implemented, these customers would not be charged costs under the revenue recovery mechanism. 2 TR 54.

As part of the Company's renewable cost reconciliation, Consumers Energy would calculate the appropriate credit and apply it to the eligible customer. This credit would be funded from the cost of compliance. 2 TR 56. Exhibit A-2 (KDJ-2) provides an illustrative PSCR credit for eligible customers. However, the Company has not reflected the credit in its calculation of its incremental cost of compliance in this proceeding as to date no eligible customers have indicated its preference for compliance. 2 TR 52.

B. REC FORECAST

Consumers Energy witness Obikwelu presented the number of RECs needed to meet the REC compliance requirements of 15% through 2029, 50% for 2030 through 2034, and 60% for

2035 through 2045. 2 TR 240-241. Exhibit A-33 (CCO-1) illustrates the calculation of the Company's REC compliance targets. 2 TR 241. Pursuant to MCL 460.1028(2)(b)(ii), Consumers Energy calculated the REC portfolio obligation based on the average retail sales for the previous three years. 2 TR 240. Consumers Energy calculated the REC portfolio obligation by subtracting VGP sales and DG outflows from the average number of retails sales for the previous three years. *Id*. The Company then developed an estimate of the RECs expected to be received based on the amount of renewable energy forecasted to be either generated or acquired. 2 TR 241. Exhibit A-34 (CCO-2) Revised provides the REC forecast, including illustration of the asset technology mix and program type, estimated RECs to be generated from Renewable Energy Purchase Agreements ("REPAs") through 2045, and estimated RECs to be generated from Company-owned renewable energy systems through 2045. 2 TR 241.

Exhibit A-35 (CCO-3) Revised provides the forecast of RECs obtained from identified and proxy Company-owned and REPA resources. Exhibit A-36 (CCO-4) Revised provides the forecast of RECs for sales to jurisdictional and non-jurisdictional customers. Exhibit A-37 (CCO-5) Revised details the planned total RECs to be used for compliance and the cumulative RECs banked and carried over to the next year. As shown in these exhibits, Consumers Energy plans to meet the REC Standard requirements through a combination of (i) RECs produced by resources existing prior to enactment of Act 295, (ii) RECs provided by new renewable resources built, owned, and operated by the Company, (iii) RECs provided pursuant to REPAs, Experimental Advanced Renewable Program ("EARP")-Solar, and EARP-Anaerobic Digestion ("EARP-AD"), (iv) RECs resulting from the conversion of surplus EWR credits, and (v) RECs provided from market purchases of not more than 5% of RECs used annually to comply with the REC Standard. 2 TR 243. Ultimately, these exhibits demonstrate that the compliance obligations of 15% through

2029, 50% from 2030 through 2034, and 60% from 2035 through 2045 is projected to be achieved and maintained.

C. RESOURCE ADDITIONS

Under MCL 460.1029(1), renewable energy systems that provide RECs used to satisfy the REC standard can be located anywhere in Michigan. In addition, the renewable energy systems can be located outside of Michigan so long as the capacity from the renewable energy system is used to achieve the Company's resource adequacy obligation to MISO. Further, MCL 460.1029(2) states that the Company does not have to obtain firm transmission rights to ensure the deliverability of renewable energy resources to MISO resource adequacy Zone 7. It is through this lens that Consumers Energy developed the resource additions needed for its Amended RE Plan.

1. Purchased and Company-Owned Solar Energy Resources

The Company's Amended RE Plan includes a total of 8,104 MW of solar projects. Of that, 504 MW are solar projects already in the RE Plan and as discussed in further detail below, 690 MW are due to the moving of IRP assets into the plan. The remaining 6,910 MW are unnamed proxy solar projects, which include 1,060 MW of unnamed proxy solar VGP projects. 2 TR 328. The Company's RE Plan will also include all future renewable IRP projects. Recovery for these projects will be requested through the RE Plan and not as part of a general rate case. The Company is also proposing that all future renewable PPAs will be included in the RE Plan. 2 TR 328. For modeling purposes, the Company assumed that roughly 50% of all future VGP and RE Plan solicitations for solar energy resources will be supplied via PPAs and the other 50% supplied by Company-owned projects. The actual portfolio split may be different than the 50/50 split modeled in this case since the Company selects projects from VGP Request for Proposals ("RFPs") based on project economics. 2 TR 328.

The Company's modeling reflects a levelized cost of energy ("LCOE") of $70.31/MWh for solar energy resource additions with a January 1, 2028 commercial operation date ("COD"). The modeling reflects a 2% annual escalation or reduction for projects with CODs in subsequent or prior years, respectively. 2 TR 60. The LCOE is based upon an installation cost of $1,766/kW for installation, a weighted average cost of capital ("WACC") of 7.25%, a nominal capacity factor of 23.0%, an effective tax rate of 25.7%, and an annual operation and maintenance ("O&M") of $22.68/kW (escalated by 2% beyond 2028), a depreciable life of 30 years, and a useful life of 35 years.. 2 TR 60. The Company will update the LCOE targets for solar energy resources in each of its subsequent RE Plan amendments. 2 TR 365.

The Company's modeling for its solar build plan assumes on transmission connected facilities. GLREA witness John Richter raises concerns with this as transmission connected facilities are required to go through the MISO interconnect process, which presents scheduling risks. 4 TR 579. However, simply because the Company's modeling assumes an LCOE based on transmission connected facilities does not mean that Consumers Energy does not intend to acquire any distribution connected facilities. Company witness Cole explained that "the Company intends to continue to allow distribution connected facilities in its annual RFPs and will continue to consider them on the same basis as transmission connected projects. To the extent that distribution connected facilities can provide timely and economic renewable energy resources, they will be considered for selection." 2 TR 359.

2. <u>Company-Owned Wind Energy Resources</u>

The Company's Amended RE Plan includes approximately 4,000 MW of wind projects. Of that, 1,200 MW are existing wind projects already in the RE Plan and 2,800 MW are unnamed proxy wind projects. 2 TR 329. With respect to new wind energy additions, the Company's modeling in this filing reflects an LCOE of $55.44/MWh for wind resource additions with a

January 1, 2028 COD. The Company's modeling reflects a 2% annual escalation or reduction for projects with CODs in subsequent or prior years, respectively. 2 TR 60. The LCOE is based upon an installation cost of $1,843/kW for installation, a WACC of 7.25%, a nominal capacity factor of 29.0%, an effective tax rate of 25.7%, and an annual O&M expense of $30.45/kW (escalated by 2% beyond 2028). 2 TR 60. The Company will update the LCOE targets for wind energy resources in each of its subsequent RE Plan amendments. 2 TR 365.

While not opposing the Company's wind development, MEC witness Gold argued that the Company should solicit PPAs for wind generation inside and outside of MISO Zone 7. 2 TR 430. In general, the Company is not opposed to this proposal. While the Company modeled the wind resource additions as owned, this modeling was based upon recent VGP solicitation results as well as a worst-case scenario for the incremental costs of compliance. 2 TR 85. Company witness Johnston indicated that to the extent the Company can contract for economic wind assets, its ICC would be reduced, which is a benefit to customers. 2 TR 85. The Company believes that it should source new wind energy resources that provide the most economic value. When moving forward with a wind project, Company witness Johnston indicated that the Company would select the lowest cost resource. To the extent that a Company-owned project's LCOE was lower than that of a PPA + FCM, the Company should choose the Company-owned project. Conversely, if the cost of a PPA + FCM was lower than that of a Company-owned project, the Company should select the PPA. 2 TR 86.

MEUI built on MEC's request for some wind PPAs arguing that the Commission should condition approval of the wind resources on the extension of a 50/50 split between Company and third-party ownership. 4 TR 651. As the Company explained above, it believes that it should

source new wind energy resources that provide the most economic value. Imposing a strict ownership split requirement will not likely lead to the least cost renewable energy plan. 2 TR 88.

MEC witness Gold also recommended that the Company accelerate its acquisition of wind generation resources and spread them more evenly between the COD years of 2028 through 2035. 2 TR 438. Any acceleration of wind generation resources would require there to be cost competitive and viable wind projects available in relatively late stages of development. 2 TR 233. Based on recent Company solicitations, the availability of these types of projects is limited, and new wind projects will take several years to advance through development. *Id*. The Company's planned large increase in wind acquisition in the early 2030s reflects the expected timing on the availability for these projects. The Company will ultimately continue to seek wind projects through competitive solicitations and will acquire wind resources that are cost competitive, both through Company ownership and PPAs. *Id*.

3. LCOE Multiplier

The Company is requesting that the Commission allow the Company to receive ex parte approval for future projects for solar and wind renewable energy resources that have a LCOE which is up to 140% above the LCOE targets discussed above. For wind projects, this means that the Company would be able to request ex parte approval for projects with LCOEs of up to $77.62/MWh. For solar projects, this means the Company would be able to request ex parte approval for projects with LCOEs of up to $98.44/MWh. 2 TR 61.

The purpose of the 140% LCOE multiplier is to reflect the risks associated with the development of these projects. These risks include developers not passing along tax credits, developers pricing in the risk of tax credits being repealed, MISO interconnection queue delay risk, the Company's experience in its competitive solicitations that few MW (out of the 500 MW targets) are priced at or below the target LCOE, federal tariffs on solar panels and bids reflecting

those risks, increasing / inflating construction labor costs, and increasing / inflating cost of land acquisition. 2 TR 61.

The Company developed the 140% LCOE threshold based on what would happen if the federal tax credits were eliminated. Exhibit A-44 (KDJ-4) is a modified version of workpaper WP-KDJ-1, which reflected the development of the LCOE for solar energy resource additions. The only modification made to WP-KDJ-1 was the removal of tax credits. With the removal of the tax credits, the LCOE increases by 37%. 2 TR 98. Exhibit A-45 (KDJ-5) shows the impact the removal of the tax credits has on wind. Exhibit A-45 (KDJ-5) is a modified version of workpaper WP-KDJ-2, which shows the development of the LCOE for wind energy resource additions. The only modification made to the workpaper was the removal of the tax credits. Once the tax credits are removed, the wind project LCOE increases by 48%. 2 TR 98.

Contrary to the assertions of Attorney General witness Michael W. Deupree (2 TR 458), the Company's proposed ex parte approval of renewable energy additions up to 140% of the baseline does not shift development risks from developers to customers. Nor is the Company's proposal intended to avoid the rigid due diligence that is performed as part of each and every solicitation and simply execute contracts at almost any cost. 2 TR 100. Rather this proposal is intended to expedite the delivery of new renewable energy resources and the associated attainment of REC compliance. 2 TR 100. Rejection of the Company's proposed threshold would require the Company to seek approval of renewable energy projects in a contested case. This would unnecessarily hamper the Company's ability to achieve its REC compliance due to the delay in project approval and, as a result, project implementation. 2 TR 99.

While the Attorney General argued that this proposal would impact customer affordability (2 TR 458), the Company's proposal is not to simply execute every new contract at 140% of the

threshold baseline LCOE. Nor are the Company's baseline LCOE estimates higher than expected as the Attorney General claimed. 2 TR 458-459. The Company's competitive bid solicitations are run by an independent administrator ("IA"), and the Company has not received any proposals which are in the vicinity of the LCOEs discussed by Attorney General witness Deupree. 2 TR 101. The results of its solicitations are consistent with its projected LCOEs developed in this case. 2 TR 101. Moving forward with new contracts, Consumers Energy will still be undertaking third party administered competitive solicitations and reviewing proposals based on economics. The purpose of this proposal is to provide flexibility in regulatory approval. The Company is aware of the potential affordability impact of its Amended RE Plan on its customers and believes that its Amended RE Plan helps to balance those potential impacts by not imposing a revenue recovery mechanism. 2 TR 101.

MEC also recommended rejecting the 140% LCOE threshold for ex parte contract approval. 2 TR 413. This recommendation seems contrary to the other proposals made by MEC. While arguing to reject the 140% threshold LCOE, Mr. Jester also proposes to revise the transfer price calculation which would allow for an increase in the amount of cost transferred to the PSCR. This proposal would increase the level of costs transferred to the PSCR, which is what MEC argues against in proposing rejection of the 140% threshold. Additionally, MEC witness Gold proposed that the Company accelerate its buildout of wind energy renewable energy resources. But, rejecting the 140% LCOE threshold would accomplish just the opposite result. This would result in decelerating the Company's buildout of wind energy renewable energy resources due to the need to conduct a contested case prior to being able to move forward with project construction. As previously indicated, the Company is intending to expedite the delivery of new renewable

energy resources and the associated attainment of renewable energy credit compliance pursuant to Act 235.

GLREA witness Richter recommended that the Commission reject the Company's request to seek ex parte approval for battery energy storage systems with an LCOE of up to 140% of the Company's estimated cost. 4 TR 590. The Commission should reject this recommendation. First, there is significant uncertainty regarding the costs for battery storage system projects, with these systems relying heavily on imported components such as battery cells, modules, inverters, and transformers. 2 TR 230-231. Potential tariffs on these components and import risks result in significant uncertainty in future pricing, and there is a lack of domestic supply for these components. 2 TR 231.

Second, battery energy storage projects currently qualify for the Investment Tax Credit ("ITC"), which provides up to a 50% tax credit based on the initial capital investment needed to deliver a project. 2 TR 231. The tax credit is very important in delivering the expected LCOE for these projects. For example, for a typical 200 MW/800 MWh battery energy storage project, with a 30% ITC, the LCOE would increase by approximately 20% if the tax credit were entirely lost. Given the uncertainty as to tariffs, import risks, and tax credits, and the lack of domestic supply, it is reasonable for the Company to have the ability to seek ex parte approval of battery energy storage systems with an LCOE up to 140% of the estimated LCOE filed in this case.

The Company's proposed 140% LCOE multiplier is reasonable as it allows for the timely development of resources. The Company supports a continued reevaluation of the 140% LCOE threshold in the Company's next Amended RE Plan.

4. <u>Resource Additions Outside of Michigan</u>

The Company has modeled the assets for its Amended RE Plan to all be sourced within Michigan, MISO Zone 7. 2 TR 59. However, to the extent that the Company is able to identify

out of state renewable energy resources that are more financially viable than Michigan renewable energy resources due to factors such as construction cost or capacity factor, the Company will consider executing PPAs for those assets; however, the Company does not intend to own out of state renewable energy resources. 2 TR 60.

5. Transmission Studies

GLREA witness Rafson recommended that Consumers Energy work with MISO to "determine if transmission lines will support the proposed generation assets . . . and provide the results of that investigation." 4 TR 614. The Commission should reject this recommendation because it is unnecessary. Transmission connected generation is already required to be submitted to MISO, and it is studied by MISO through its Generator Interconnection Process ("GIP"). 2 TR 230. Through this process, MISO determines the Interconnection Facilities and Transmission Network Upgrades needed to support the proposed generation. This results in a Generator Interconnection Agreement ("GIA") which provides the requirements of the generation facility to interconnect to the transmission system, including any upgrades needed for the interconnection. *Id*. Accordingly, Consumers Energy already works with MISO through the MISO GIP as to transmission system requirements for connected generation.

6. Renewable Resource Acceleration

GLREA witness Richter recommended that the Commission order the Company to "propose the approval of projects for more than 500 MW per year, if the pricing is attractive and the project is expected to be in-service prior to the next bump in the RPS compliance percentage." 4 TR 590. The Commission should reject any requirement for the Company to pursue more than 500 MW of projects per year. The Company already currently performs competitive solicitations and receives project proposals without any limit on the number of projects or total capacity it accepts into the solicitation or awards. 2 TR 232. The Company will make an award to all projects

that are competitively priced and have limited risk through its due diligence review of risk, cost, schedule, and scope. *Id*., see also Confidential Exhibit A-46 (KDJ-6). Through this process, "front-loading" the development of additional renewable energy projects may be possible depending on cost and the ability to execute the projects. 2 TR 232.

D. SALES FORECAST

Company witness Breuring presented the Company's forecasted electric retail sales for 2024 through 2045 that were used in calculating the RE Plan compliance targets. 2 TR 203. As defined by the Commission in Case No. U-15800, these retail sales include bundled sales to residential, commercial, industrial, streetlighting, and inter-departmental classes, and exclude electric sales for wholesale, intersystem, and electric customer choice classes. 2 TR 203-204, Exhibit A-6 (EMB-1).

Attorney General witness Deupree recommended that any incremental load forecasted after the year 2028 for Industrial Large Economic Development ("LED") customers should be removed from the RE Plan and not be used to calculate REC compliance targets. 2 TR 471. As shown in Exhibit A-6 (EMB-1), the Company forecasted 3,792,124 MWh for Industrial LED customers in 2028, which increased to 8,667,407 MWh in 2045. Mr. Dupree's proposal would keep the forecast of Industrial LED sales static at 3,792,124 MWh for each year after 2028, which would result in a reduction in the REC compliance obligation. Mr. Deupree argued that it is premature to include forecasted incremental Industrial LED amounts after 2028 because "the Company cannot clarify how much of its additional load growth is associated with publicly announced projects versus private inquiries that are subject to change or outright cancellation." 2 TR 471. The Commission should reject the Attorney General's recommendation.

RE Plan filings are required to include "a forecast of the renewable energy resources needed to comply with the [REC] standard." MCL 460.1022(3). To develop this forecast of the

RECs and renewable energy resources needed, the Company must present a forecast of retail sales in the RE Plan. See MCL 460.1028(1) and (2). Consumers Energy did express concern in discovery that it was not able to identify which projects were "publicly announced" and which were related to private inquiries without also revealing anticipated individual customer consumption data contrary to the Company's Customer Data Privacy Tariff. See Exhibit AG-1.11, pages 1-2. But there is no requirement that planned customer load be "publicly announced" before it can be included in the retail sales forecast for purposes of the RE Plan.

The Company explained that the Industrial LED forecast represented the expected load resulting from either signed contracts or expected signed contracts based on discussions with customers. Exhibit CEO-5, page 2. The forecast includes four contracted projects that have been studied by the transmission provider and approved through MISO's Expedited Peer Review process. Two of these projects are in construction, one is scheduled to start construction in May 2025, and one is still in the engineering phase. Although one customer in the forecast is still pending commitment, that customer has also been through a study by the Company's transmission provider. *Id*.

The 2024-2045 retail sales forecast presented by the Company in this case was based on the best information available to the Company at the time of filing. Given Act 235's significant increase in the REC requirement from 15% through 2029 to 50% in 2030, the Company does not agree that it is prudent to reduce the sales forecast in this case, which would result in reducing the planned RECs and risk noncompliance with the REC Standard requirement. See 2 TR 93. While the Company will continue to monitor its electric supply requirements and will make adjustments in upcoming filings as needed based on any updated information, the retail sales forecast in this case does not result in a risk of overbuilding renewable energy resources. *Id*. Much of the

Company's amended RE Plan is based on the addition of 8,000 MW of solar resources from the Company's approved IRP, and there remains flexibility in the addition of wind resources if the projected sales do not materialize. 2 TR 93-94. With a build plan that extends beyond 2035, the Company can reduce its projected build plan if needed to respond to any future reduced sales forecast. 2 TR 94.

CEO witness Lee Shaver recommended that Consumers Energy be required to include in its next IRP a range of load growth scenarios that include both Consumers Energy's own data and a survey of publicly available data, MISO reporting, announced data center projects, and other reporting. 4 TR 703-704. The Company agrees that it should evaluate different load growth scenarios in an IRP, but this Amended RE Plan proceeding is not the proper venue to establish particular IRP modeling requirements. 2 TR 96. The Commission has approved IRP Filing Requirements and revisions to those requirements in Case No. U-18461. The Commission has also established Case No. U-21570 to consider updates to the Michigan Integrated Resource Planning Parameters and Integrated Resource Plan Filing Requirements in response to Act 235 and Public Act 231 of 2023. See MPSC Case No. U-21570, February 8, 2024 Order, pages 6-8. The Commission should not adopt separate IRP filing requirements in this case that only apply to Consumers Energy but should instead address IRP modeling requirements in the separate proceedings that the Commission has opened for that purpose. 2 TR 94-95.

E. TRANSFER PRICE

Each generation resource used to comply with Act 235 produces electric energy, electric capacity, and electric ancillary services that offset the provision of energy capacity and ancillary services from other conventional facilities. Each of these attributes has a cost that is currently included in each electric provider's rates. To the extent the new renewable resources offset the

cost incurred for energy, capacity, and ancillary services, the Commission's December 4 Order indicates that those costs are to be "transferred" to the electric provider's PSCR rates.

The Company's 2025 PSCR Plan proceeding includes costs associated with the implementation of the RE Plan. MCL 460.1047(2)(b)(iv) provides that the Renewable Energy costs included in the PSCR Plan shall be considered "a booked cost of purchased and net interchanged power transactions under section 6j of 1939 Public Act 3, MCL 460.6j." These costs are commonly referred to as the "Transfer Price" or the "Transfer Cost". 2 TR 332.

The transfer price concept was defined in the Commission's December 4 Order. On pages 25 and 26 of that Order, the Commission stated:

> 4. Calculation of the incremental cost of compliance via the transfer price to be recovered through the PSCR clause.
>
> A provider whose rates are regulated by the Commission shall include in its renewable energy plan an estimate over the 20-year plan-period of the revenues derived from the sale of energy and capacity generated by renewable energy systems owned by the provider. Energy and capacity produced by these systems may be sold into the wholesale market, or may be sold directly to the provider's customers.
>
> Section 47 requires the Commission to annually set the price per megawatt hour to be transferred to retail customers through the regulated provider's power supply cost recovery (PSCR) clause. Section 49 requires the transfer price to be established in the context of an annual renewable cost reconciliation proceeding. Because the 2009 renewable energy plan proceeding will precede the first annual renewable energy reconciliation, the plan filings will need to estimate the transfer prices over the 20-year plan period. All renewable engineering, procurement, and construction contracts, or contracts for renewable energy systems that have been developed by third parties for transfer of ownership to an electric provider, that have been reviewed and approved by the Commission in a particular year will have the transfer price established as a floor for the lifecycle of the project. Provider-owned projects will have transfer prices set in vintages. Doing so ensures that the economic viability of projects that have been committed to will not be jeopardized by transfer prices that change in future years.

> In a renewable energy plan, PSCR transfer revenues are subtracted from the total cost of compliance, as determined by Section 47(2)(a). The transfer price is a primary determinant of the incremental cost of compliance. The PSCR transfer price:
>
> (a) is unique to each provider;
>
> (b) reflects the value of long-term capacity and energy;
>
> (c) is not the current MISO market price of energy, but may use historical MISO prices as a starting point for a 20-year projection of the value of renewable energy and capacity;
>
> (d) need not be tied to the avoided price of a new conventional coal-fired facility; and
>
> (e) other factors determined relevant by the Commission.
>
> The transfer price may be separately calculated for differing renewable technologies to reflect availability and the value of capacity; e.g., the capacity value of a landfill gas facility may differ from the capacity value of a wind farm.
>
> The PSCR transfer price may be adjusted by an hourly distribution curve to yield an hourly price per megawatt hour for the 8,760 hours per year.

An estimate of projected actual transfer costs expected for renewable generation delivered through 2045 is shown in Exhibit A-27 (ZSC-4). Exhibit A-28 (ZSC-5) outlines the maximum amount of Transfer Cost that can be booked for each resource. To determine the transfer price, the Company calculated the total transfer costs during the period (as shown in column (dc) of Exhibit A-27 (ZSC-4)) and divided the transfer cost by the corresponding transfer price applicable renewable energy quantity (as shown in column (dc) of Exhibit A-26 (MJL-3)) delivered during the period. 2 TR 337. $72.67/MWh represents the total transfer price of the Amended RE Plan over the plant period. This total transfer price amount is based on the entire Amended RE Plan portfolio's transfer costs and cannot be attributed to any single transfer price schedule. Future resources are

assigned to transfer price schedules as they come online in annual renewable energy cost reconciliation cases. 2 TR 361.

There are several categories of Renewable Energy Systems that the Company expects will produce renewable generation through December 2045. These categories include:

- Provider-owned renewable energy systems;
- Purchases of energy, capacity, and RECs through REPAs;
- Renewable energy systems for which Commission authorization was previously obtained; and
- Additional provider-owned VGP renewable energy systems for which Commission authorization is being sought in this filing. 2 TR 326-327.

The transfer price is only applied to production from: (i) purchases of energy, capacity, and RECs through REPAs and PPAs; (ii) production from provider-owned renewable energy systems; and (iii) production from Commission-authorized renewable energy systems. 2 TR 327. In 2024, the Company anticipates costs associated with: (i) REPAs supplying energy, capacity, and RECs in accordance with MCL 460.1047; (ii) Provider-owned renewable energy resources supplying energy, capacity, and RECs constructed in accordance with MCL 460.1047; and (iii) Commission-authorized renewable energy systems that participate in either EARP-Solar or EARP-AD. 2 TR 327. Costs for Renewable Energy Systems for which recovery in electric rates was approved as of October 6, 2008 (the effective date of Act 295), are recovered as part of power supply costs and general rates. 2 TR 327.

In response to Act 235, which amended Act 295, the Company is proposing to expand the Company's Renewable Energy portfolio that utilize wind and solar technology. This plan includes a total of 8,104 MW of solar projects which would be recoverable via the transfer price mechanism. Of that, 504 MW are solar projects already in the RE Plan and 690 MW are due to the moving of four IRP assets into the RE Plan. 2 TR 328. The remaining 6,910 MW are unnamed proxy solar

projects, which includes 1,060 MW of unnamed proxy solar VGP projects. The additional 1,060 MW of proxy solar VGP projects combined with the existing 398 MW of named solar VGP projects and the 120 MW of named VGP wind projects brings the total VGP size to 1,578 MW. 2 TR 328.

Consumers Energy is proposing to move the recovery and reconciliation of all future renewable IRP projects from the general rate case into the RE Plan, including PPAs. 2 TR 328. The Company is not proposing to move any existing PPAs to the RE Plan – only future ones. For modeling purposes, the Company assumed that roughly 50% of all future VGP and RE Plan solicitations for solar energy resources will be supplied via PPAs and the other 50% supplied by Company-owned projects. 2 TR 328. The actual portfolio split may be different than the 50/50 split modeled since the Company selects projects from VGP RFPs based on project economics. 2 TR 328. Exhibits A-24 (ZSC-1) through A-29 (ZSC-6) provide more insight into the assumed projects to be added to the RE Plan through 2045.

Additionally, this plan includes a total of 2,800 MW of unnamed proxy wind projects and 1,200 MW of existing wind projects recoverable via the transfer price mechanism. 2 TR 329. Lastly, the Amended RE Plan includes 20 MW of existing resources which are not wind or solar technologies and are recoverable via the transfer price mechanism. 2 TR 329.

The Company's modeling does indicate that the original transfer price mechanism that was re-established in Case No. U-20483 needs to continue to remain in place to maintain a regulatory liability balance. 2 TR 337. Previously, the Company committed to returning to limiting the transfer price to the LCOE for Company-owned facilities when the risk of dipping into a regulatory asset position is low. 2 TR 337. As a result of Michigan's Act 235, the Company proposes to return to limiting the transfer price to the LCOE for Company-owned facilities starting in 2034

and continuing for the remainder of the plan period. 2 TR 337. The Company will continue to report on the status of the regulatory account balance in its annual renewable energy cost reconciliation proceedings. 2 TR 337.

GLREA disagreed with the continuance of the Commission's transfer price methodology arguing that it is unreasonable "to retain a methodology that might have encouraged renewable energy development and is not reasonable now that renewable energy generation is the lowest cost generation methodology. The transfer price of a generation asset should only cover the actual cost of construction of the generation." 4 TR 617-618. However, modifying the transfer price methodology is not appropriate at this time. Revisiting the use and purpose of the transfer price, as well as its calculation, is not unique to Consumers Energy. Any change to the methodology should be examined in a different venue where all utilities would be involved as it would be unreasonable to change the transfer price framework for Consumers Energy only. Accordingly, the Commission's transfer price methodology should be continued.

1. <u>Simplified Transfer Price</u>

As part of this proceeding, the Company is proposing a new Transfer Price schedule which would replace the existing Transfer Price schedules from Case Nos. U-15805 and U-16581. This would impact the following assets: Beebe Renewable Energy, Fremont Community Digester, Harvest II Windfarm, Heritage Garden Windfarm I (wind), Heritage Garden Windfarm I (solar), Heritage Garden Stoney Corners Windfarm I (Phase 2), Heritage Garden Stoney Corners Windfarm I (Phase 3), Michigan Wind 2, North American Natural Resources (Lennon), WM Renewable Energy (Northern Oaks), WM Renewable Energy (Pine Tree Acres), and EARP Solar Aggregate No. 5. Additionally, the Company is proposing to assign Lake Winds Energy Park, and Lake Winds Energy Park Repowered projects to its own unique Transfer Price schedule. 2 TR 338-339.

The Company is proposing new, simplified, Transfer Price schedules to reduce the administrative burden, and reduce potential errors, associated with the existing Transfer Price schedules approved in Case Nos. U-15805 and U-16581. The existing schedules are more detailed and included a monthly on-peak rate, monthly off-peak rate, and monthly capacity rate. More recently, the proposed Transfer Price schedules do not include a capacity rate and include only a yearly total $/MWh rate. 2 TR 339. The Company is proposing to align the new Transfer Price schedule structure with that of the current transfer price schedules. These schedules are shown on Exhibit A-30 (ZSC-7). The Company's proposed new, simplified transfer price schedules are based on the existing Transfer Price schedules in Case Nos. U-15805 and U-16581 and as such are not expected to increase the amount of expense which is transferred to the PSCR on an annual basis. 2 TR 68. The cost amounts transferred for each contract will remain capped at the total contract amount for the RE Plan Year. 2 TR 68. Additionally, the Company will allocate the costs for the contracts which utilize the simplified transfer price in the same manner that costs are allocated to energy and capacity for all other purchased power contracts. 2 TR 82. Staff reviewed the Company's proposed modification and agreed with the use of the simplified transfer price schedules as they allowed for a more transparent transfer price schedule. Accordingly, Consumers Energy recommends approval of its proposed simplified transfer price schedules associated with the existing Transfer Price schedules approved in Case Nos. U-15805 and U-16581.

2. Revised Transfer Price Method

MEC alleged that the transfer price calculations should be modified to include the costs associated with carbon capture and storage for a combined cycle gas plant. 2 TR 403. Mr. Jester opined that this is reasonable based on the Michigan Clean Energy Standards and the EPA Greenhouse Gas Emissions Rule arguing that it would not be prudent for a Michigan utility to

construct a new combined cycle gas plant without carbon capture and storage. 2 TR 403. Consumers Energy disagrees with MEC's resource update to the transfer price calculation.

In Case No. U-15800, the Commission indicated that "Transfer price schedules should be representative of what a Michigan electric provider would pay had it obtained the energy and capacity (the non-renewable market price component) through a long-term power purchase agreement for traditional fossil fuel electric generation." 2 TR 361. A combined cycle gas plant with carbon capture does not meet these requirements. Moreover, even if the Commission was interested in revisiting its previous interpretation, Staff raised some concerns regarding whether other transfer price proxy methodologies should be considered or if the current methodology would continue to be appropriate if future natural gas plants come online. 4 TR 804-807. Ultimately, the Company believes that it is premature to revisit the transfer price calculation. This is especially true if the revisions were to only be appliable to Consumers Energy.

While Consumers Energy does not agree that a change to the transfer price calculation is necessary at this time, if the Commission believes that a change should be made, it should not occur in a standalone case. 2 TR 362. Instead, the Company would support Staff's proposal to "convene a workgroup, including all rate-regulated utilities and interested parties, with the objective to review and potentially reevaluate the existing Staff transfer price methodology to determine if/how it should be updated…." 4 TR 807.

F. ICC

Included in the Company's RE Plan are the expected ICC with the renewable energy standards for a 20-year period. Consumers Energy witness Bleckman sponsored testimony regarding the calculation of the ICC for the RE Plan pursuant to Section 47 of Act 235, MCL 460.1047. Mr. Bleckman calculated the ICC in the same manner as it was calculated in the Company's 2023 RE Plan Amendment, which the MPSC approved in Case No. U-21374, with

one additional modification, the inclusion of the FCM in accordance with MCL 460.1047(2)(a)(v)(C). Consumers Energy's ICC has been calculated in accordance with Act 235 and is reasonable and prudent.

Exhibit A-4 (MRB-1) provides the Company's ICC projection. Mr. Bleckman calculated the ICC as the sum of the RE Plan costs less the sum of the cost offsets. 2 TR 176. This is achieved by summing the costs listed in lines 2 through 6 of Exhibit A-4 (MRB-1) and then subtracting the sum of the cost offsets in lines 8 through 13 and line 15. Mr. Bleckman presented some of the differences in costs and cost offsets between the RE Plan proposed in this proceeding and the Company's 2023 RE Plan amendment.

The costs associated with the ICC include the financing and capital costs, Return on Common Equity ("ROE") investment, depreciation expense, general taxes, and O&M expenses associated with the Company's investment in renewable energy systems. See Exhibit A-4 (MRB-1), line 2. For purposes of the Amended RE Plan, the Company has utilized the Company's prevailing ROE for all Company-owned renewable energy resources added to comply with the renewable energy standard of 50% in 2030 and the 60% renewable energy standard in 2035, as well as all Company-owned renewable energy resources added to support VGP subscriptions. 2 TR 48. For all renewable energy resources supporting the Company's compliance with the 15% REC standard, the Company has continued to employ the rate of return and debt-to-equity ratio that was in effect when its RE Plan was originally approved by the Commission. 2 TR 48.

The proposed Amended RE Plan includes the Company's plans to build, own, and operate approximately 3.8 GW of solar facilities and 2.8 GW of wind facilities. This includes four IRP solar projects – Muskegon Solar, Spring Creek, Washtenaw Solar, and Mustang Mile. 2 TR 179. The capital expenditures for the assets needs to comply with Act 235 is approximately $13 billion.

2 TR 180. This RE Plan also includes the Company's plans to build, own, and operate 1.1 GW of VGP solar facilities. The Plan assumes that these projects, once operational, will be 100% subscribed by VGP customers and will not have costs recovered through the transfer price. 2 TR 181. The Company also plans to continue adding assets for its community solar program, Solar Gardens, by building, owning, and operating an incremental 5.5 MW solar facilities. The RE Plan assumes that these projects, once operational, will be 100% subscribed by VGP customers and will not have costs recovered through the transfer price. 2 TR 181. The Amended RE Plan also includes the O&M expenses associated with the new renewable energy systems. 2 TR 182. The change in costs is primarily driven by the addition of wind and solar assets necessary to comply with the 50% REC standard in 2030 and the 60% REC standard in 2035. 2 TR 44.

Exhibit A-4 (MRB-1), line 4, includes the costs associated with contracts for renewable energy. This includes REPAs, costs from PPAs related to the Company's VGP program, and costs associated with the FCM applied to applicable PPAs. This also includes the costs associated with the return applied to the REC inventory balance. 2 TR 182-183. The fees required to access and utilize MIRECS are shown on line 5 of Exhibit A-4 (MRB-1). The Company's forecasted EARP-Solar and EARP-AD costs are included on line 6 of Exhibit A-4 (MRB-1).

These costs are offset by certain estimated revenues and credits. This includes the estimated revenues from potential sales of RECs, the estimated value of federal cash grants and tax credits designed to promote renewable energy development, a portion of total compliance costs included in the PSCR Plan cases (transfer price), projected revenue from wholesale renewable energy sales, and any additional revenue considered by the Commission to be attributable to Act 235 compliance including subscription payments from customers participating in a VGP program. See 2 TR 183-186. Potential future RE Plan-related revenues mistakenly recovered in general

rates, though no costs are included for the projected years, would also be included here. 2 TR 186. Additionally, the forecast of interest paid to customers on projected regulatory liability balances or Company return on projected regulatory asset balances is included as an offset. 2 TR 186. The total ICC for the 20-year period of this Amended RE Plan is shown on line 16 of Exhibit A-4 (MRB-1).

GLREA argued that no federal tax credits should be assumed for projects that reach commercial operation beyond 2032. This is because under the Inflation Reduction Act ("IRA"), renewable energy tax credits will "tail off" to zero starting in 2032. 2 TR 624. This assertion discounts the fact that the IRA establishes a phase out for the credits, by 25% annually from 100% to 0% in the latter of 2032 or the year in which Treasury determines that annual greenhouse gas emissions from the production of electricity in the U.S. are equal to or less than 25% of the annual greenhouse gas emissions for 2022. 2 TR 197. At this time, the Company is unaware of a published forecast of when annual greenhouse gas emissions from the production of electricity in the U.S. will be equal to or less than 25% of the annual greenhouse gas emissions for 2022. For this reason, it is reasonable to assume that tax credits will continue at 100% beyond 2032. Thus, the Company's projected ICC should not be modified at this time.

G. REGULATORY ASSET/LIABILITY BALANCE

Exhibit A-5 (MRB-2) calculates the regulatory asset balance. The projected regulatory balance for the Amended RE Plan is expected to transition from a liability position to an asset position, peaking at approximately $0.6 billion in the early 2030s. 2 TR 187. This shift is driven by the Company-owned portion of the REC compliance portfolio. By 2034, Consumers Energy plans to cap the PSCR transfer rates for its owned assets at the respective projects LCOEs, which is anticipated to lower the regulatory balance back into a liability position by the late 2030s. 2 TR 187. The regulatory liability is projected to peak at approximately $0.7 billion in the early 2040s

and is expected to be around $0.3 billion at the end of the RE Plan period. 2 TR 188. By utilizing this balanced approach, the Company aims to maintain a balanced regulatory position without implementing a revenue recovery mechanism, thereby minimizing upfront customer costs. 2 TR 188.

H. REVENUE RECOVERY MECHANISM

The Company has chosen not to implement a revenue recovery mechanism in conjunction with this RE Plan. While the Company's filing shows that the Company will experience ICC on an annual basis through 2034, the ICC turned decidedly negative in 2035 through 2041, resulting in a projected regulatory liability at the end of the 20-year RE Plan period. 2 TR 58. As such, a levelized revenue recovery mechanism, as provided for in MCL 460.1045(3), for the 20-year period is unnecessary.

MEC witness Jester supported the Company's intent to avoid "accumulation of a regulatory asset when they anticipate subsequent development of a regulatory liability." 2 TR 400. However, if the Commission adopts MEC's transfer price modification, Mr. Jester opined that "a build-up of regulatory asset will be greatly curtailed or eliminated and Consumers Energy's projected regulatory liability circa 2045 will be substantially larger." 2 TR 400. Under this scenario, MEC recommends that the Commission direct the Company to either eliminate the use of a regulatory liability or to early create an appropriate sur-credit to disburse the projected regulatory liability by 2045. 2 TR 400.

While the Company does not intend to implement a revenue recovery mechanism with this RE Plan, it also does not intend to build a large regulatory liability balance at the end of the plan period. If the regulatory liability balance persists, the Company will take measures to adjust the revenues and minimize the balance. 2 TR 59. This could mean a transfer price reduction or the

implementation of a surcharge/credit. 2 TR 59. With the regular filings of RE Plan amendments, the Company will be able to address any fluctuations as necessary in future plan proceedings.

I. COMPETITIVE BIDDING PROCESS

Resources for the Company's RE Plan are typically procured through competitive solicitation. MCL 460.1028(6) provides that the Commission should not approve a contract based on an unsolicited proposal unless the Commission determines that the unsolicited proposal provides opportunities that may not otherwise be available or commercially practical through a competitive bid process. Consumers Energy adheres to this standard.

The Company has substantial experience in implementing competitive solicitations. Consistent with prior solicitations for RE Plan assets, the Company follows the Commission's 2008 Guidelines for Competitive Request for Proposal for Renewable and Advanced Cleaner Energy which were issued as Attachment D in the December 4 Order. Additionally, the Company utilizes the Commission's Competitive Procurement Guidelines for Rate-Regulated Electric Utilities (Not for PURPA Compliance) approved on September 9, 2021, in Case No. U-20852.

An example of the process that the Company follows for its competitive solicitations is its recent July 3, 2024 solicitation. In that case, the Company's IA, Enel X, issued the 2024 Clean solicitation. The 2024 Clean solicitation solicited for up to 1,500 MW of clean generation to serve the Company's IRP, VGP, and the RE Plan. 2 TR 330. This solicitation was designed to allow the Company to be flexible when awarding projects. The Company could award a project to supply all customers, only VGP customers, or projects for both programs. After bids are received, the Company's IA provides a blind ranking of the results. Projects are ranked based primarily on economics. 2 TR 330. If a project meets all the requirements of a project fit for the IRP portion of the RFP, it will be given first consideration for award to the IRP and if not, then to VGP. Project awards will alternate between IRP and VGP when possible, to provide an even distribution of

project awards between IRP/VGP. This method also reduces the opportunity for VGP to be supplied with all the lowest priced projects. Following the performance of due diligence and negotiations, the Company targets executing contracts and filing them with the MPSC for approval in the second quarter of 2025. 2 TR 330. The Company intends to use the process outlined above for future solicitations.

After reviewing the Company's solicitation process and the Company's last IRP, Attorney General witness Deupree argued that the Commission should reiterate the Company's existing commitment that only 50% of renewable energy resources selected through future competitive solicitations be Company owned. 2 TR 459-461. Similarly, MEIU contended that 50/50 ownership split should be extended to all resources. 4 TR 640, 675. The Company disagrees. The June 23, 2022 settlement agreement in the Company's 2021 IRP did not provide that the Company should be restricted from owning 50% of all renewable resources – this is because only solar assets were reflected in the IRP's Proposed Course of Action. 2 TR 83.

The Company has continued to strive for a 50/50 split in its addition of solar assets. A review of Exhibit A-24 (ZSC-1) presents the future addition of an equal amount of solar assets through 2040. However, the Company does not agree that wind resources or future VGP solar resources should be based upon a 50/50 ownership split. While the Company modeled wind resources being owned, this was generally based on the recent VGP solicitation results as well as a worst-case scenario for the ICC. 2 TR 85. The Company believes that wind energy resources should be evaluated and determined primarily based on the economics of the proposal. 2 TR 86. Company witness Johnston testified that "To the extent that a Company-owned project's LCOE was lower than that of a PPA + FCM, the Company should choose the Company-owned project. Conversely, if the cost of a PPA + FCM was lower than that of a Company-owned project, the

Company should select the PPA." 2 TR 86. This is the same process that is now being utilized for VGP solar resources. This process is consistent with the MPSC's August 22, 2024 Order in the Company's VGP Biennial/Renewable Energy Plan, Case No. U-21374, which addressed the strict ownership split of VGP resources stating:

> ….the Commission does not support MEIU's proposal to require Consumers to achieve a certain ratio between third-party projects and company-owned projects in its solicitation of renewable energy for the REP. The Commission finds compelling the Staff's position that requiring a concrete ratio might result in inferior projects being selected just to satisfy a predetermined ratio. The Commission also notes that the goal of the competitive procurement guidelines is to find the best ratio for customers, which is not always a PPA or a company-owned project. Thus, the Commission finds that, particularly given the new FCM effective for PPAs for renewable energy sources entered into after June 30, 2024, Consumers should seriously consider PPAs in its solicitation process for the REP and the Commission will continue to evaluate whether the project selections made by Consumers are reasonable and prudent.

For these reasons, the Company does not believe a strict 50/50 ownership split in selecting assets from its competitive solicitations is appropriate.

GLREA witness Rafson argued that the Company only seeks "Build to Transfer solar" through its solicitation process "which is not the lowest cost option." 4 TR 618. This is simply incorrect. The Company runs annual solicitations to supply the IRP/RE Plan and VGP demand. IRP solicitations have historically allowed and continue to allow third-party owned PPAs. 2 TR 358. And as discussed above, roughly 50% of all future VGP and RE Plan solicitations for solar energy resources will be supplied via PPAs and the other 50% supplied by Company-owned projects. Until 2024, VGP solicitations had only allowed proposals in which the Company would eventually own the project (Build Transfer Agreements ("BTAs") and Development Acquisition Agreements); however, this is no longer the case. The 2024 Clean RFP (formerly VGP RFPs), discussed above, allowed both Company-owned and third-party owned PPA projects to bid. 2 TR

358. The Company intends to continue to evaluate third-party owned projects as part of its annual solicitation for VGP resources and select the best projects for customers.

GLREA witness Richter also requested that the Commission direct the Company to modify its competitive solicitations to allow bids with two prices: one that applies if the project qualifies for tax credits and another (higher) price if the tax credits are not available. 4 TR 590. While the Company does not believe that it is necessary to modify its competitive solicitation process, it should be noted that it offered its 140% LCOE proposal to account for the potential change in tax credits. Moreover, if there are challenges with the Company's solicitations, the Company offers stakeholder feedback sessions that would allow for discussions about potential process changes. 2 TR 359.

J. VOLUNTARY GREEN PRICING PROGRAMS

In the MPSC's August 22, 2024 Order in Case No. U-21374, the Company's 2023 RE Plan Amendment, the Commission removed the 1,000 MW limit on the addition of new wind and solar facilities to serve the Renewable Energy Program. Before adding new assets to the program, the Company must achieve subscriptions totaling 75% of the expected energy production. As part of this Amended RE Plan, Consumers Energy is proposing additional assets attributable to its VGP programs. The Company's Amended RE Plan shows that the Company intends to build, own, and operate nearly 1.1 GW of VGP solar facilities located in the state of Michigan. 731 MW are based on the following specifically identified projects:

- SunFish II Solar Project ("SunFish") is a 309 MW solar facility that is currently under construction with a projected COD of April 2026. Capital costs for SunFish are projected to be approximately $460 million. SunFish is projected to have a levelized cost of approximately $51/MWh.
- Karn Solar Energy Project ("Karn") is an up to 85 MW solar facility that is currently under construction with a projected COD of January 2027. Capital costs for Karn are

projected to be approximately $145 million. Karn is projected to have a levelized cost of approximately $59/MWh.

- A proxy 117 MW solar facility with a projected COD of January 2028. Capital costs for this facility are projected to be approximately $225 million with a projected levelized cost of approximately $60/MWh.
- A proxy 220 MW solar facility with a projected COD of January 2028. Capital costs for this facility are projected to be approximately $380 million with a projected levelized cost of approximately $59/MWh.

With the addition of residential customers in the Renewable Energy Program and the new Green Giving Program, the Company is projecting increased subscription rates for these new programs that would support renewable energy resources. 2 TR 67. The proposed VGP additions will allow the Company to satisfy both the existing and growing demand for its Renewable Energy Program participation.

GLREA raised concerns with the Company not building new energy resources for the Renewable Energy Program until subscriptions total at least 75% of expected energy production alleging that this will create an unreasonable burden on residential and small commercial customers. 2 TR 615. Additionally, GLREA's witness raises concerns with the "industrial part of the VGP program" and indicates his beliefs regarding the construction of renewable energy assets specifically for industrial customers and his beliefs regarding the imposition of costs on non-subscribing customers as a result of the "industrial VGP program." 2 TR 616. This fails to recognize that all customer types (residential, small business, commercial and industrial) participate in the Renewable Energy Program. These customers are served by a single resource pool of renewable energy facilities, and it's incorrect to state that the Renewable Energy Program

for any customer class offers them an advantage in price.[2] 2 TR 108-109. Therefore, GLREA's concerns are unwarranted and the 75% subscription level for new assets will be achieved through subscriptions from residential, small business, and commercial and industrial customers, and the residential customers are not negatively impacted.

The Company also plans to expand on the existing Solar Gardens Community Solar Program by building, owning, and operating an incremental 5.5 MW of solar facilities for this program. This is based on proxy facilities with a net capacity factor of 24%, capital costs of approximately $15 million, and a levelized cost of approximately $98/MWh. 2 TR 181. The Amended RE Plan assumes that the Solar Gardens expansion will consist of 2.5 MW in 2026 and an additional 3.0 MW in 2030. 2 TR 181. These additions are aimed at meeting customer demand. It should be noted that the growth in the Solar Gardens program is not an expansion on the size of the Commission approved program. The Company has existing renewable energy assets of 4.5 MW currently operational under the Program, which has a cap of 10 MW. 2 TR 116; see also Rule C10.5 of the Company's Electric Rate Book.

GLREA argued against the expansion of Solar Gardens. 4 TR 621. This, however, fails to recognize that the Company is not making any proposed changes to the program's size or LCOE. As explained above, Solar Gardens has an approved size of 10 MW. Additionally, the LCOE threshold for Solar Gardens projects was approved by the Commission in the Company's 2023 RE Plan in Case No. U-21374 on August 22, 2024. In that case, the Company modeled a LCOE of $113.91/MWh for Solar Gardens projects. The Company is moving forward with satisfying the future demand for the program with the March 14, 2025 filing of its Blackman Solar Project in

[2] It should be noted that non-subscribing customers are not harmed by participants in the Company's different VGP programs. As required by MCL 460.1061, VGP customers are required to pay for all costs associated with VGP programs. No subsidy exists between subscribing and non-subscribing customers.

Case No. U-15805. As of December 31, 2024, the Pilot Solar Gardens Program was 99.8% subscribed. Interested customers choose to participate in this program, and there are alternative programs available if the customer's primary interest is cost.

1. VGP Pricing

GLREA argued for modifications to the VGP program credits in this proceeding. 4 TR 584-488. A review of the VGP program credits is not reasonable in this proceeding. The Company is required to file its biannual VGP case in the fall, in a proceeding that the Commission has established to address topics such as VGP pricing. This issue is not relevant to the Company's Amended RE Plan. Moreover, it is unclear as to why a workgroup should be established to discuss and evaluate the various options for the structure of VGP pricing in the future. 2 TR 114. Each electric provider's VGP programs are unique to that electric provider and should be addressed in their own dedicated VGP proceedings.

2. Community Solar

GLREA argued that the Company should implement a community solar program. 4 TR 621. The Company has not proposed a community solar program in this case, nor does it believe that this is the proper venue for the proposal. The Company believes that it is more appropriate for a community solar program to be reviewed as part of its VGP cases. In fact, in its Settlement Agreement approved in Case No. U-21224, the Company provided a straw recommendation on community solar in its VGP Program. The Company subsequently filed a community solar proposal in Case No. U-21374 on September 22, 2023. Any changes to the Company's community solar program should be addressed in future VGP Program filings. Notably, the Company files its next VGP proceeding in the fall.

K. ENERGY STORAGE CO-LOCATED WITH RENEWABLES

Company witness Clark described energy storage as an "enabler of renewable energy" in that it "facilitates the penetration of large quantities of renewable energy into the grid by operating in coordination with renewable generation assets, like wind and solar, to smooth the inherent fluctuations caused by intermittency in renewable generation." 2 TR 213. As an example, storage can allow excess generation from a solar facility during the day to be shifted for use in the evening as solar generation lessens. Energy storage can also ramp up quickly to address reductions in renewable output caused by factors such as cloud cover and can also be used to reduce strain on the electric grid which reduces curtailment of renewable generation. *Id*.

The Company is planning to use energy storage to support the Company's RE Plan. For each MWh of electricity generated from a renewable energy system during off-peak hours, stored using advanced electric storage technology or a hydroelectric pumped storage facility, and used during peak hours, the generation earns 1 REC and 1/5 incentive REC. 2 TR 213-214; MCL 460.10139(2)(c). The use of storage incentive RECs directly contributes to the Company's RE Plan.

The Company intends to pursue surplus, hybrid, and co-located energy storage projects as part of the RE Plan only if they share a point of interconnection ("POI") with a renewable energy system. 2 TR 217. A co-located energy storage project shares a POI with another generating facility, with each facility participating in the market as separate resources. 2 TR 214. Surplus energy storage projects are co-located projects that use MISO's surplus interconnection process where the hosting project has already advanced through MISO's full GIP. *Id*. A hybrid energy storage project is a co-located project where all generation resources use the same full MISO interconnection application during development. 2 TR 215. The Company anticipates an LCOE of $143.54/MWh for energy storage resources with a COD of January 1, 2028. The Company

proposes to recover all costs of RE Plan energy storage projects through the RE Plan cost of compliance. 2 TR 218.

Consumers Energy intends to seek approval for up to 1,100 MW of energy storage projects that share an interconnection with a renewable energy system and requests the authority to seek ex parte approval for future energy storage projects that have an LCOE of up to 140% above the $143.54/MWh LCOE target. 2 TR 218.

Staff witness Jesse J. Harlow contended that storage costs should be recovered in base rates instead of in the RE Plan, arguing that storage is not listed as a renewable energy resource in Act 295 and that MCL 460.1101(4) provides for the recovery of costs for approved eligible storage contracts in base rates. 2 TR 793-794. While Mr. Harlow is correct that co-located energy storage is not expressly listed as a "renewable energy resource" in MCL 460.1011(g), Consumers Energy disagrees that this prevents the recovery of co-located energy storage costs in the RE Plan.

Pursuant to Act 295, electric providers must meet the REC standard with RECs obtained by, among other things, "generating electricity from renewable energy systems for sale to retail customers." MCL 460.1028(5)(a). "Renewable energy systems" are defined as a "facility, electricity generation system, or set of electricity generation systems that use 1 or more renewable energy resources to generate electricity or steam." MCL 460.1011(i). An energy storage system charged from a renewable resource falls within the definition of a "renewable energy system" because it is a facility that uses "1 or more renewable resources to generate electricity or steam."

The renewable energy resource will be used to charge the energy storage system, which will have the benefit of reducing curtailment of the renewable energy resource and improving the total energy output from the renewable energy resource, resulting in increased RECs. 2 TR 217. The energy storage system is using the associated renewable energy resource to inject that

generated renewable energy into the transmission or distribution system. See 2 TR 212. For example, for an energy storage system co-located with a solar photovoltaic ("PV") facility, whether the energy is being provided to the grid directly from the solar PV facility or from the energy storage system that has been charged from the solar PV facility, the energy is being generated from "solar and solar thermal energy," which are renewable energy resources under MCL 460.1011(g)(ii). In addition, energy storage resources are not listed as one of the exclusions from the definition of "renewable energy systems" under MCL 460.1011(j).

MCL 460.1101(4) also does not prohibit recovery of co-located energy storage resource costs through the RE Plan. MCL 460.1101(1) requires an electric provider to "construct or acquire eligible energy storage systems or enter into eligible energy storage contracts to meet its share of a statewide energy storage target of a combined capacity of at least 2,500 MW." MCL 460.1101(4) states that a rate-regulated electric provider "shall submit to the commission for review and approval eligible energy storage contracts entered into to meet its share of the statewide storage target," and if the Commission approves the eligible energy storage contracts, the Commission must "authorize the electric provider to recover the costs of the contract in the electric provider's base rates." The statewide storage target in MCL 460.1101 may be met by any storage systems that are "located within the local resource zone or the locational deliverability area . . . in which the electric provider is subject to capacity demonstration obligations pursuant to section 6w(8)(b) of 1939 PA 3, MCL 460.6w."

As indicated by these statutory provisions, the statewide storage target storage systems are not limited to those systems that are co-located with renewable energy resources, and the Company plans to meet its share of the statewide energy storage target excluding co-located storage. See 2 TR 91. So while MCL 460.1101 requires the Commission to authorize the recovery of eligible

energy storage contract costs in base rates where those contracts are meant to support the statewide storage target, this does not prevent the recovery in the RE Plan of co-located energy storage resources that support meeting the REC standard by reducing renewable energy curtailment, avoiding energy waste, and supporting the creation of additional RECs and incentive RECs. See 2 TR 91.

Staff witness Harlow also argued that "tying cost recovery of a co-located storage facility to that of the traditionally defined renewable energy resource it is co-located with could result in inefficient operation of that storage asset." 4 TR 794. Consumers Energy disagrees. Energy storage assets are optimized to best use the interconnection facilities and the traditional renewable energy facility by optimizing the size of the energy storage to maximize energy, capacity, and REC values for a given project. 2 TR 228. Through this optimization, the energy storage asset will act as a "renewable energy enabler" to improve the functionality of the traditional renewable generation facility and will not result in inefficient operation of the energy storage. 2 TR 228-229.

CEO witness Shaver recommended that Consumers Energy should be required to include in its next IRP modeling an estimate of the impact of curtailment, plans for meeting its storage requirements, and an analysis of how these plans address the risk of curtailment. 4 TR 694, 698. The Company agrees that it should, and will, model curtailment in its next IRP. 2 TR 94. But as discussed above in connection with the sales forecast, the Commission should not adopt separate IRP filing requirements in this case that would only apply to Consumers Energy, but should instead address IRP modeling requirements in the separate proceedings that the Commission has opened for that purpose. 2 TR 94-95. As to meeting the storage requirements, the Company has already executed contracts for the addition of 400 MW of battery storage projects, and these have been approved by the Commission. 2 TR 96. The Company agrees that it should, and will, model

storage in its next IRP. But again, this is not the correct proceeding to establish IRP modeling requirements. *Id*.

MEIU witness Matthew McDonnell recommended conditioning the ex parte approval of energy storage resources in the RE Plan on (i) competitive procurement that includes the use of an IA to oversee the competitive procurements, (ii) a 50/50 ownership split between third-party and Company-owned projects, and (iii) a process to update the LCOE target based on market conditions and to revisit whether a metric other than LCOE should be used to establish an energy storage cost threshold. 4 TR 638. The Commission should reject these recommendations.

Pursuant to MCL 460.1028(6), the Company already competitively bids contracts under the RE Plan but is permitted the possibility of an unsolicited proposal for "opportunities that may not otherwise be available or commercially practical through a competitive bid process." The Company is not required to use an IA to procure components or engineering, procurement, or construction ("EPC") services for energy storage resources, and an IA is not necessary. 2 TR 233-234. An IA is appropriate where the Company needs to fairly compare its own products or services with those of a third party. But the Company does not manufacture energy storage components and does not perform construction activities with its direct workforce, and thus requiring an IA for these solicitations would only add needless expense. 2 TR 234.

The Company is willing to contract with third parties for energy storage projects outside of the RE Plan depending on the economics. 2 TR 89. However, the Company should not be required to contract for third-party ownership of the energy storage proposed to be included in the RE Plan because all of the energy storage proposed is co-located, hybrid, or surplus energy storage installed at existing interconnections owned by the Company. 2 TR 234. The Company's understanding is that MISO does not allow multiple interconnection customer parties to a single

Interconnection Agreement, and as such a third-party interconnection customer could not interconnect under the Company's Interconnection Agreement. The surplus interconnection agreement can only be entered into with the interconnection customer from the primary Interconnection Agreement. 2 TR 234. Thus, it is not feasible for third parties to own and operate battery storage facilities that rely on Company-owned interconnections. *Id*. Requiring third-party owned battery storage projects at Company-owned facilities would also be ineffective to manage and could increase costs. 2 TR 89-90, 234-235. Additionally, the Company submits that the Commission has no authority to require third-party ownership of energy storage facilities.

The Commission should also reject any requirement to use something other than the LCOE to compare projects with one another. While standards other than LCOE may be effective, as long as the assumptions are consistent, the Company does not expect that a different metric will result in a materially different recommendation of which project to select. 2 TR 235. While the Company is not opposed to considering other metrics in future proceedings, the Company's current standard of using LCOE should not be changed at this time.

L. FINANCIAL COMPENSATION MECHANISM

MCL 460.1028(8) states that the Commission shall authorize an annual financial incentive for a utility that enters into PPAs for renewable energy resources or a third-party contract for an energy storage system or clean energy system for any contract entered into after June 30, 2024. Specifically, the statute provides:

> If an electric provider whose rates are regulated by the commission enters into a purchase power agreement for renewable energy resources or a third-party contract for an energy storage system or clean energy system with an entity that is not an affiliate, the commission shall authorize an annual financial incentive for the electric provider. The financial incentive shall be calculated as the product of contract payments in that year multiplied by the electric

> provider's pre-tax weighted average cost of permanent capital comprised of long-term debt obligations and equity of the electric provider's total capital structure as determined by the commission's final order in the electric provider's most recent general rate case. The pre-tax weighted average cost of permanent capital used to calculate the financial incentive shall not be fixed throughout the entire term of the contract at the pretax weighted average cost of capital applicable in the first year but shall be updated based on the commission's final order in each succeeding general rate case for the electric provider. The financial incentive shall apply to each contract described in this subsection from the date the contract is executed for the entire term of the contract. This subsection applies to any contract entered into after June 30, 2024.

The Company's Amended RE Plan includes an FCM for contracted renewable energy resources. The FCM is calculated using the pre-tax weighted average cost of permanent capital, as set forth in MCL 460.1028(8), to annual contract payments. Recovery of FCM costs related to eligible contracts will be included in Consumers Energy's PSCR mechanism. 2 TR 48. The Company will allocate the FCM in the same manner that the underlying purchased power contract costs are allocated to energy and capacity, which, currently, 17% of PPA costs are allocated to capacity. 2 TR 81.

The Attorney General recommended that the Commission direct the Company not to include an FCM for any new PPAs in the RE Plan. Attorney General witness Deupree pointed to the settlement language in the Company's 2021 IRP, Case No. U-21090, which restricted the Company from applying a FCM to new PPAs in the RE Plan. 2 TR 461-463. This argument fails to consider the IRP settlement as a whole. The FCM agreed to in Case No. U-21090 was permitted under Act 341 of 2016. This mechanism, which was part of the IRP process, permitted the Commission to consider authorizing "a financial incentive for that utility that does not exceed the utility's weighted average cost of capital." See former MCL 460.6t(15). The FCM established in

Act 341 of 2016 was generally applicable to contracts established pursuant to the Company's IRPs and was capped at the Company's WACC. Specifically, former MCL 460.6t(15) allowed the Commission to **consider** and authorize a FCM which could not exceed the Company's WACC. Further, it was not limited to renewable energy resources and it was applicable to all PPAs with non-affiliated companies. 2 TR 81. It was at that time that the Company agreed to not apply the IRP FCM to PPAs entered into under the RE Plan. The enactment of Act 235 changed the statutory framework.

Act 235 is important because it established language in the clean and renewable energy and EWR act to provide for a renewable FCM. MCL 460.1028, which is separate and distinct from the language in former MCL 460.6t(15), authorizes an annual financial incentive for a rate regulated electric provider, such as Consumers Energy. The eligibility of the FCM established in Act 235 is limited to PPAs for renewable energy resources or a third-party contract for an energy storage system or clean energy system with non-affiliated companies. Further, contrary to the contention of the Attorney General, the FCM calculation is not limited to the Company's prevailing WACC, and the Company's eligibility is not subject to Commission discretion. Thus, the Company's FCM should be authorized.

While not disagreeing with the Company's FCM incorporated into the RE Plan, ABATE disagreed with the Company's proposal to collect the FCM through the PSCR rather than the existing FCM surcharge. 4 TR 723. This ignores the fact that the FCM is a cost of the renewable energy contract, which makes it appropriate to collect through the PSCR. 2 TR 80. When developing its RE Plan, the Company considered trying to combine the two different FCMs for administrative ease. But the Company was concerned that the previously established methodology was not appropriate for the newly established FCM and would lead to a significant increase in the

surcharge based upon uncertain projections and carrying charges for both over-collections and under-collections. 2 TR 80. This is because the calculation methodology and resource type applicability for each of the FCMs are different. 2 TR 81. Accordingly, ABATE's proposal should be rejected.

M. APPROVAL OF SOLAR CONTRACTS

In the Company's rate case in Case No. U-21585, Consumers Energy included projected capital expenditures for the Mustang Mile, Washtenaw, Muskegon, and Spring Creek solar projects. Case No. U-21585, March 21, 2025 Order, page 158. Staff recommended removal of the projects from rates and including them in the Company's RE Plan. Consumers Energy agreed to include the projects in the RE Plan. *Id*. The Commission approved the removal of the expenditures from the rate case and the proposal for the Company to seek recovery of the four solar projects in this RE Plan case. *Id*. at 158-159.

Accordingly, the Company presented the costs for these four solar projects in this RE Plan. The Spring Creek Project is a 140 MW self-perform solar facility project located in Calhoun County and Barry County. 2 TR 220. The project was selected after a competitive solicitation through the use of an IA to administer the solicitation, including collecting and scoring proposals and producing scored shortlists. 2 TR 219. Associated with this project, the Company entered into (i) a Module Sale Agreement, (ii) an EPC Agreement, and (iii) a Substation Transformer Agreement. The Company requests Commission approval of these agreements, which are provided as Confidential Exhibits A-17 (TPC-11), A-19 (TPC-13), and A-21 (TPC-15). As shown on Exhibit A-22 (TPC-16), all major agreements have been executed and work toward delivery of the project is proceeding. 2 TR 220. The projected cost of the Spring Creek Solar Project is $253 million, with an LCOE of $56.55/MWh.

The Muskegon Solar Project is a 250 MW self-perform solar facility project located in Muskegon County. 2 TR 222. The project was selected after a competitive solicitation through the use of an IA to administer the solicitation, including collecting and scoring proposals and producing scored shortlists. 2 TR 221. Associated with this project, the Company entered into (i) a Module Sale Agreement, (ii) an EPC Agreement, and (iii) a Substation Transformer Agreement. The Company requests Commission approval of these agreements, which are provided as Confidential Exhibits A-7 (TPC-1), A-11 (TPC-5), and A-13 (TPC-7). As shown on Exhibit A-15 (TPC-9), all major agreements have been executed and work toward delivery of the project is proceeding, and the project will achieve COD on or before December 31, 2025. 2 TR 222. The projected cost of the Muskegon Solar Project is $354 million, with an LCOE of $51.51/MWh.

The Washtenaw Solar Project is a 150 MW solar facility project located in Washtenaw County. 2 TR 222. The project was selected and a BTA was executed after a competitive solicitation. 2 TR 223. While the project has secured land rights for more than 1,100 acres, changes to the Saline Township zoning ordinances enacted after execution of the BTA will require additional land rights in order to be sited locally or will need to rely on the state certification process. 2 TR 223-224. The Company is working with the developer of the project, Invenergy, on a revised schedule and cost for the project, and once completed, will present the agreement to the Commission for approval. 2 TR 224.

The Mustang Mile Solar Project is a 150 MW solar facility project located in Lenawee County. 2 TR 224. The project was selected and a BTA was executed after a competitive solicitation. 2 TR 224. While the project has secured all land rights and a special land use permit has been granted, legal challenges to the permit are currently being litigated in the Michigan Court

of Appeals. 2 TR 224-225. While the Company expects these challenges to ultimately fail, they have resulted in delays, and a revision to the original project schedule is required. The Company is working with Invenergy on a revised schedule and cost for the project and, once completed, will present the agreement to the Commission for approval. 2 TR 225.

Attorney General witness Deupree recommended removing costs associated with the Mustang Mile and Washtenaw solar projects from the Company's RE Plan because of the uncertainty related to the projects. 2 TR 456. The Commission should reject this recommendation. As will be discussed below, removal of these projects from the RE Plan would be contrary to Act 295 because it would make the planned costs and resources needed to comply with the renewable portfolio standard incomplete.

Consumers Energy is required to include in its RE Plan a "forecast of the renewable energy resources needed to comply with the renewable energy credit standard" (MCL 460.1022(3)), a "mechanism for the recovery of the incremental costs of compliance" MCL 460.1022(2)), and costs associated with the "renewable energy portfolio established to achieve compliance with the renewable energy standards" (MCL 460.1047(2)(a)(i)). Consistent with these requirements, the Company included the Washtenaw and Mustang Mile solar projects in the RE Plan because they represent renewable energy resources that the Company is planning to use for compliance. 2 TR 229. The Commission approved the Mustang Mile BTA in its April 8, 2021 Order in Case No. U-20165, and approved the Washtenaw BTA in its November 18, 2021 Order in Case No. U-20165. While there is some uncertainty as to when these projects will achieve commercial operation, both projects are the result of competitive solicitations that were conducted pursuant to a Commission-approved IRP. 2 TR 229.

The uncertainty of the COD of these projects has no bearing on whether the projects should be included within the RE Plan. The Company's RE Plan includes over 11,000 MW of new renewable energy facilities in order to comply with the REC Standard requirement from Act 235, and the vast majority of these projects have uncertainty. 2 TR 191. In fact, many of the projects included in the RE Plan are not yet in development and thus have greater uncertainty than the Mustang Mile and Washtenaw projects. *Id*. All renewable energy projects face schedule risks - the fact that these two projects have realized those risks does not prevent the project costs from being included in the RE Plan process, including the RE Plan Reconciliation. 2 TR 229.

If the projected costs for Mustang Mile and Washtenaw were excluded from this RE Plan, then the projected cost of compliance would be incomplete, which would then make the Company's regulatory balance projections inaccurate. 2 TR 192. If the Mustang Mile and Washtenaw projects are removed from the RE Plan, then the Company's plan will be insufficient to achieve compliance. *Id*. Removal of these projects from the RE Plan would result in under-projecting the costs of compliance and the PSCR transfer costs. 2 TR 193.

It is also important to note that there is no present customer rate impact as a result of including Mustang Mile, Washtenaw, or any projected renewable facility in the Company's RE Plan. 2 TR 193. When approved projects reach commercial operation, the PSCR transfer rates approved for each project will be multiplied by the actual generation of the project, and that total PSCR transfer cost will be moved out of the RE Plan and collected through the PSCR process. 2 TR 194. While any incremental costs beyond the PSCR transfer costs could require implementation of a surcharge to be collected, the Company has not proposed the need to implement a surcharge in this case. Absent a surcharge, incremental costs are reflected in the regulatory balance rather than affecting present customer rates. 2 TR 194. The regulatory balance

is used to manage volatility in costs and generation as the RE Plan develops, without affecting customer rates. 2 TR 194-195. Eliminating these projects, and their development costs, from the RE Plan would create significant inaccuracies and variances between the Amended RE Plan and the annual reconciliations. 2 TR 195.

To ensure that the Amended RE Plan accurately reflects the expected costs of compliance, the projected regulatory balance, and the actual planned resources to comply with the REC standard, the Commission should reject the removal of these projects and their projected costs from this Amended RE Plan.

N. OTHER ISSUES

1. BMP Resources

The BMPs asserted that Consumers Energy's Amended RE Plan fails to include a mix of all existing, indigenous Michigan renewable generation resources by not considering or entering into discussion with the BMPs about the possibility of including their generation in the Amended RE Plan beyond their current contract expiration dates. 2 TR 263. BMP witness Richard A. Polich argued that this is problematic, alleging that the Company's assumed solar capacity factor is overstated which negatively impacts the modeling for the Company's solar resource development. 2 TR 264. Mr. Polich contends that by allegedly overstating the capacity factor, the Company understated the LCOE for its solar projects. 2 TR 265. The BMPs further alleged that by failing to include the BMPs' generation mix in the Amended RE Plan, the Commission should determine that the RE Plan fails to satisfy the requirements of Act 235, and the Company should be required to conduct a RFP for biomass generation resources. 2 TR 266. This proposal should be rejected.

To start, Mr. Polich asserted that Consumers Energy's assumed solar capacity factor of 23% is unrealistic, citing historical capacity factors ranging between 18.1% and 21.2% for existing solar projects. 2 TR 265. This capacity factor, however, is consistent with the Company's 2021

IRP and is based on the limited data available from utility-scale solar projects in the Company's portfolio. 2 TR 349. In support of his argument, Mr. Polich relied on Exhibit BMP-5 (RAP-5). But this exhibit fails to present a full picture as Exhibit BMP-5 (RAP-5) includes data from projects that were not fully operational, were smaller projects or incorrectly listed, such as the Calhoun project, which did not meet its full capacity until partway through 2023. 2 TR 349-350. Additionally, Exhibit BMP-5 (RAP-5), page 2, is not historic generation data but rather a forecast. 2 TR 350. Therefore, the data used by Mr. Polich should not be considered reliable for altering capacity factor assumptions.

In order to further support the capacity factor utilized, Company witness Cole provided Company owned/contracted generation data for solar facilities 5 MW and larger which were in operation for the full 2024 calendar year. Exhibit A-40 (ZSC-10) shows that most of the Company's owned/contracted solar facilities that were online for all of calendar year 2024, and had nameplate capacities 5 MW or greater, had capacity factors above 19.4%. 2 TR 350. However, this exhibit only shows solar generation data for a single year and does not provide enough data to make changes to the Company's long-term solar capacity factor assumption. 2 TR 351. Company witness Cole further explained that long-term forecasting should not be based on a single year's generation values since solar production can vary year to year, and ultimately the dataset is relatively small, containing only 530 MW, in comparison to the total amount of solar included in this Amended RE Plan. 2 TR 351. Based on the information at hand, the Company believes that it is reasonable to use the same solar capacity factor as its last IRP. With that being said, the Company will be filing a new Amended RE Plan two years from the order in this case. At that time, the Company's long-term plan for REC compliance will be reevaluated, as will its utility-scale solar capacity factor assumptions. 2 TR 352.

Mr. Polich further claimed that Consumers Energy's LCOE calculation of $70.31/MWh is incorrect due to errors in the assumed project lifecycle and capacity factor. 2 TR 267. The section above explains the Company's disagreement with the BMPs' capacity factor. Additionally, Company witness Cole explained why a 35-year lifecycle assumption is utilized in the LCOE calculation as this number aligns with recent Company RFPs for solar resources. 2 TR 352. This was echoed by Company witness Johnston during cross-examination. See 2 TR 129. And this assumption is also present in the Company's solar RFPs. See Exhibit MEC-28. Mr. Polich's alternative LCOE of $84.36/MWh is based on unsupported assumptions and does not reflect the Company's actual modeling practices.

Mr. Polich concluded by arguing that excluding BMPs from the Amended RE Plan is imprudent as the inclusion of these plants could reduce costs significantly. 2 TR 287-288. However, Mr. Polich's cost savings calculations are flawed, as they fail to account for the costs associated with BMP contracts and incorrectly assume that BMPs can replace solar capacity on a one-to-one basis. 2 TR 352-353. While the cost savings offered by the BMPs are erroneous, it is difficult to assess the potential impact to ratepayers by including the BMPs in Consumers Energy's Amended RE Plan since the impact to customers is dependent upon a BMP $/MWh price assumption. 2 TR 354. Company witness Cole testified that if the Company used the BMPs' calculation methodology and value for BMP equivalent RECs of 1,394,193 annually, and if it is assumed that the BMPs' future $/MWh price is roughly equivalent to the BMPs' three-year historic average cost of $108.47/MWh, as shown in Exhibit A-42 (ZSC-12), then there are no cost savings by including the BMPs in the RE Plan. 2 TR 355. In fact, Exhibit A-43 (ZSC-13) shows that when comparing the costs of the BMPs to the cost of solar results in an estimated $53.2 million higher cost per year or an estimated $1.86 billion higher cost over the 35-year solar useful life.

2 TR 355. Similarly, as shown in Exhibit A-43 (ZSC-13), when comparing the costs of the BMPs to the cost of wind results in an estimated $73.9 million higher cost per year or an estimated $2.97 billion higher cost over the 30-year useful life of wind. 2 TR 355.

While the Company did not include the BMPs in the results of its Amended RE Plan, it should be noted that Consumers Energy undertakes Clean Energy solicitations, as well as all resource solicitations. This most recently occurred in 2024 where the Company solicited for up to 1,500 MW of clean generation to serve the Company's IRP, VGP, and the RE Plan. 2 TR 330. The non-affiliated BMPs are able to participate. Accordingly, the BMPs' positions should be rejected.

2. Length of the RE Plan

MCL 460.1022(3) requires electric providers to file with the Commission their respective amended RE Plans within one year of the effective date of Act 235, and also requires the filing of an amended RE Plan "within 2 years after the commission issues an order approving the electric provider's last amended renewable energy plan." As part of implementing the amended RE Plan, MCL 460.1045 requires the ICC to be "calculated for a 20-year period beginning with approval of the amended renewable energy plan and may be recovered on a levelized basis."

Staff witness Harlow requested Commission clarification as to whether this 20-year period is meant to have a finite end date or whether this 20-year period resets as of each amended RE Plan filing. See 4 TR 797-800. While Mr. Harlow stated that a fixed 20-year period makes sense to encourage a regulatory balance that is "as near to zero as possible in the out years," Staff stated that whether the 20-year period is fixed or not, Staff could still recommend modifications in annual reconciliations and biennial amended RE Plans to ensure that the regulatory liability remains relatively neutral in the future. 4 TR 800.

Consumers Energy's understanding of the statutory changes in Act 235 is that each amended RE Plan filing will be for a rolling 20-year period. See Exhibit S-1, page 15. As Staff witness Harlow pointed out, Act 235's amendment of Act 295 removed several references regarding the expiration and conclusion of the 20-year RE Plan period. 2 TR 797-799. Instead, under Act 235, Consumers Energy will file an amended RE Plan within two years after an order approving the last amended RE Plan, and each amended RE Plan will include a calculation of the ICC "for a 20-year period beginning with approval of the amended renewable energy plan." See MCL 460.1022(3), 460.1045. Thus, each amended RE Plan filing will include an updated 20-year plan period for calculating the ICC. Through these regular amended RE Plan filings, the Company will be able to make adjustments as needed to minimize the regulatory liability balance, including potentially reducing the transfer price and implementing a credit surcharge. 2 TR 59.

GLREA witness Rafson recommended that the Commission "look at only 1 or two years of the plan" and then ask for the RE Plan to be "reworked for submittal next year or the following year." 4 TR 613. The Commission should reject this recommendation. Under Act 295, Consumers Energy was required to file its amended RE Plan with a "forecast of the renewable energy resources needed to comply with the [REC] standard" and with a mechanism for the recovery of the ICC, calculated over a 20-year period, within the Company's rates. See MCL 460.1022(2) and (3); 460.1045. And the Commission is required to "approve, with any changes consented to by the electric provider, or reject the renewable energy plan." MCL 460.1022(3). GLREA witness Rafson's suggestion to only approve a year or two of the plan is not an option provided for under the statute. See 2 TR 119. However, pursuant to MCL 460.1022(3), Consumers Energy will be filing another amended RE Plan within two years of the Commission's order in this case.

3. Standing Offer Contracts

MEC proposed that the Commission should recommend that Consumers Energy provide for Standing Offer Contracts for projects under 5 MW that are located in settled areas where land parcel sizes are usually small, on brownfields, and for agrivoltaics projects. 2 TR 412. MEC contended that these Standing Offer Contracts are necessary for these projects because they are not likely to otherwise be available or commercially practical through a competitive bidding process. MEC recommended approval of these projects under MCL 460.1028(6) at prices based on the prices of projects selected in that year's RFP but adjusted for differences in line losses between the project location and the physical load served by the project versus line losses between large projects and the physical load they serve. 2 TR 412.

Consumers Energy disagrees with MEC's proposal. Smaller distribution connected facilities are able to participate in the Company's solicitations. The last three Company IRP RFPs (2022 IRP RFP, 2023 IRP RFP, 2024 IRP RFP) have required a minimum offer capacity of 0.15 MWac for PURPA qualified facilities ("QFs") and a minimum offer capacity of 1 MWac for non-PURPA QFs. The 2022 VGP RFP, the 2023 VGP RFP, and the 2024 Clean RFP had a minimum offer capacity of 1 MWac. 2 TR 359. Over the last three years, the Company has signed multiple PURPA contracts for resources less than 5 MW. 2 TR 362. Thus, the Company has options in place for these smaller projects and the use of a Standing Offer Contract is unnecessary.

4. Mid-Sized Procurement Carveout

Similar to MEC's Standing Offer Proposal, MEIU called for a procurement carveout of up to 10% for mid-size (1-5 MW) solar resources. 4 TR 675. This is based on the assertion that mid-size projects are large enough to leverage economies of scale enjoyed by utility-scale systems, so they can be developed at costs that are highly competitive. 4 TR 658. MEIU witness McDonnell claimed that mid-size projects can be flexibly located and can provide distributed

benefits including avoided transmission line losses, deferral of distribution infrastructure upgrades, and increased system resilience. He also contended that these projects have an opportunity to interconnect to medium-voltage (MV) distribution systems, the interconnection process also has the potential to be more streamlined and less expensive. 4 TR 658. For these reasons, MEIU recommended adoption of a procurement carveout for mid-size (1-5 MW) solar resources, with a target for mid-size projects to comprise 10% of total incremental solar resource additions over the relevant three-year period. 4 TR 659.

Like the Standing Offer Proposal, Consumers Energy believes that this is unnecessary. MEIU's reasoning for a procurement carveout seems to be based on the benefits of mid-sized resources. If this is true, then there would be no need to create a carveout specifically for mid-size (1-5 MW) resources in the Company's RFPs because these resources can participate, and based on this claim, should be economically competitive. 2 TR 364. The Company allows distribution connected projects to bid into RFPs and utilizes distribution specific assumptions for modeling the economics of distribution projects in RFPs. Additionally, the Company already has options in place for these smaller projects. Thus, the proposed mid-sized carveout is unnecessary.

5. Renewable Energy Plan Statutory Timeline and Contract Approval Process

As part of its testimony, GLREA mades misleading statements regarding the timeline and operation of the Company's Amended RE Plan. See 4 TR 613. As a point of clarification, and discussed in greater detail above, the Company is required to present for approval a RE Plan and calculate the ICC for a 20-year period. This amended RE Plan sets forth the Company's current plan to achieve the REC standard through 2045. And MCL 460.1022(3) requires the Commission to then approve or modify the RE Plan with any changes consented to by the Company or reject the Amended RE Plan. While MCL 460.1028(3) requires the Company to file another amended

RE Plan to demonstrate its compliance with the REC standard two years from the conclusion of this case, it does not allow for reviewing and approving only one or two years of the Company's Amended RE Plan.

Moreover, contrary to Mr. Rafson's assertion, RE Plan cost recovery is not traditionally made in a rate case[3]. The costs for complying with the REC standard have been, and will continue to be, presented in RE Plans and have been, and will continue to be, reconciled annually in renewable cost reconciliation cases. 2 TR 119. The Commission's approval of this Amended RE Plan is not explicitly approving cost recovery of projected costs. It approves the Company's plans for the addition of renewable energy resources and the projected costs associated with the Company's plan. Projects that are developed and whose levelized costs are below the LCOE thresholds approved in the plan will still require Commission approval, but that approval can be provided on an ex parte basis. Projects whose levelized costs are not below the LCOE thresholds are required to be filed for approval but will require a contested case proceeding prior to Commission approval. After costs are incurred, and on an annual basis, the Company files a renewable cost reconciliation, which is a contested case proceeding, where the Company must present its actual costs for review and approval. The renewable cost reconciliation is also a contested case proceeding. This process has been in place since the commencement of the RE Plan, has worked well, and should continue.

V. THE COMMISSION SHOULD APPROVE CONSUMERS ENERGY'S AMENDED RE PLAN

Consumers Energy's Amended RE Plan is reasonable and prudent and should be approved by the Commission. The Company has carefully determined its statutory requirements and crafted

[3] Act 235 has added an option for recovery of the ICC in base electric rates, however, the Company has chosen not to pursue this option.

an Amended RE Plan that achieves those requirements. Based on the evidence introduced into the record in this proceeding, together with the arguments set forth herein, Consumers Energy respectfully requests the Commission to issue an order:

A. Approving the Company's Amended Renewable Energy Plan and assumptions as compliant with 2008 PA 295, as amended by 2023 PA 235, and all other applicable law;

B. Approving and granting cost recovery of 690 MW of the solar energy resources related to Muskegon Solar, Spring Creek, Washtenaw Solar, and Mustang Mile projects;

C. Approving the Company's calculated incremental cost of compliance as consistent with 2008 PA 295, as amended by 2023 PA 235, and all other applicable law;

D. Approving the Company's continued recovery of the transfer price revenue through the PSCR, as permitted by Section 47(3) of Act 235, MCL 460.1047(3);

E. Approving the Company's proposed Financial Compensation Mechanism as consistent with Section 28(8) of Act 235, MCL 460.1028(8);

F. Approving the use of excess interconnection capacity with battery energy storage located at the Company's owned renewable asset sites;

G. Approving the Company's newly proposed simplified transfer price schedules which would replace the Company's transfer price schedules approved in Case Nos. U-15805 and U-16581; and

H. Granting any such further relief as it deems appropriate.

Respectfully submitted,

CONSUMERS ENERGY COMPANY

Dated: May 21, 2025 By: _____

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STATE OF MICHIGAN

BEFORE THE MICHIGAN PUBLIC SERVICE COMMISSION

In the matter of **CONSUMERS ENERGY COMPANY's** application for the regulatory reviews, revisions, determinations, and/or approvals necessary to fully comply with Public Act 295 of 2008, as amended by Public Act 235 of 2023.	)	Case No. U-21816

PROOF OF SERVICE

STATE OF MICHIGAN)
) SS
COUNTY OF JACKSON)

Melissa K. Harris, being first duly sworn, deposes and says that she is employed in the Legal Department of Consumers Energy Company; that on May 21, 2025 she served an electronic copy of **Consumers Energy Company's Brief in Support of its Application for Approval of its Amended Renewable Energy Plan** upon the persons listed in Attachment 1 hereto, at the e-mail addresses listed therein.

Melissa K. Harris

Subscribed and sworn to before me this 21st day of May, 2025.

Crystal L. Chacon

Crystal L. Chacon, Notary Public
State of Michigan, County of Eaton
My Commission Expires: 05/25/30
Acting in the County of Jackson

ATTACHMENT 1 TO CASE NO. U-21816

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ATTACHMENT 1 TO CASE NO. U-21816

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