

STATE OF MICHIGAN
BEFORE THE MICHIGAN PUBLIC SERVICE COMMISSION

In the matter of the application of
CONSUMERS ENERGY COMPANY
for authority to increase its rates for the
distribution of natural gas and for other
relief.

Case No. **U-21806**
(e-file paperless)

**MICHIGAN PUBLIC SERVICE COMMISSION STAFF'S
EXCEPTIONS TO THE PROPOSAL FOR DECISION**

**MICHIGAN PUBLIC SERVICE
COMMISSION STAFF**

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In accordance with the schedule established for this case, the Michigan Public Service Commission (MPSC or Commission) Staff (Staff) files the following Exceptions to the Proposal for Decision issued by the Administrative Law Judge (ALJ) in Consumers Energy Company's application for authority to increase its rates for the generation and distribution of natural gas and other relief.

I. Rate Base

A. Capital Expenditures

1. The Commission should adopt Staff's full disallowance of LMI project costs.

The Company's Low Moderate Income (LMI) Customer Support Enhancement project is designed to support low- and moderate-income customers in reducing their utility bills through a "streamlined, self-attestation workflow" that allows them to find and enroll in available income-qualified assistance programs. (4 TR 1095.) The Company's projected capital investments in this project total \$2,140,754 over the bridge period and projected test year and are divided between the IT-related Product Family Enhancements – Customer – Capital project (\$200,628 in the bridge period and \$40,126 in the test year) and the Customer Experience & Operations organization (\$1.9 million in the test year). (4 TR 764-765, 1082, 1095.) Staff recommended a full disallowance of all requested costs for the LMI project. The ALJ recommended disallowance of the IT capital costs in the amounts of \$200,628 in the bridge period and \$40,126 in the projected test year but

disagreed with Staff's recommended disallowance of the additional \$1.9 million in costs for this project. (PFD 192-193.)

Staff continues to have many concerns with this project. The Company's claimed benefits are nebulous and fail to justify the program's high costs. Staff maintains that a project that is anticipated to cost ratepayers over \$2 million should have more definitive benefits than a "better understanding of LMI customer needs, improved customer identification and targeting, increased program participation, and economies of scale with centralized enrollment." (4 TR 2633.) In essence, the Company did not provide Staff a fundamental, or comprehensive understanding of how the LMI project is meant to work, nor satisfactorily explain why an entirely separate project is needed to accomplish what apparently amounts to updates to the Company's website. (4 TR 2627.) Even when the Company was asked to provide a "roadmap" to demonstrate how the LMI project works, the results were still unclear.

Additionally, Staff recommends the Commission disallow cost recovery for this project because it will not "do anything to fix or prevent the root causes of customers either in or on the brink of crisis." (4 TR 2632.) Even if customers are able to enroll in a payment plan, select their payment due date, enroll in programs, etc., the LMI will not help reduce customers' energy burden or make energy usage more affordable. *Id.* Despite the Company stating that costs for this project are "concentrated at the front end" and "the return on investment is realized over time" through lower bills for those in need and by reducing uncollectible expense, there are no projected cost savings with this project. (4 TR 1119, 2633.)

There are four core functions of the LMI project: Simplified Enrollment, Proactive Communications and Program Awareness, New and Improved LMI Offerings, and Continuous Improvement and Feedback. (4 TR 2628-2632.) These functions are projected to cost \$1.9 million, yet the Company failed to explain, let alone justify, how and why these costs are necessary. *Id.* Everything that these functions are purported to accomplish are either already available via the Company's website (enrollment, communications and program awareness) or are too premature for a new project (new and improved offerings and continuous improvement and feedback). *Id.* As Staff has explained, nearly everything the Company wishes to achieve with the LMI project could instead be accomplished with an update to the Company's website. (4 TR 2628, 2630, 2632-2634.) For any improvements or updates for this project, the true costs are unknown as future maintenance and annual updates are anticipated, and those costs could easily spiral out of control. (4 TR 2631.)

The ALJ's PFD supported the projected, in part, stating that the LMI project "will serve an important role in removing barriers to identifying and enrolling in assistance programs" and that the project has "already demonstrated value by helping LMI customers more easily access needed support." (PFD, p 192.) While the ALJ's recommendation appears based on the Company's assertions that 55,000 customers have interacted with the LMI tool since its launch in December 2024, Staff points out that only 12,000 of those customers completed the flow and enrolled in a program offering. (4 TR 1109-1110.) That means that 78% of customers who

interacted with the LMI tool did not, in fact, enroll in any programs. Additionally, the Company did not demonstrate that those customers who did interact with the LMI tool would not have looked for and enrolled in applicable programs without using the tool. It appears the Company did not track customers' program browsing and therefore cannot definitively state that the LMI tool is the reason for any program enrollments.

Additionally, the ALJ stated that the LMI project will "benefit the broader customer base by reducing uncollectible expenses." (PFD 192.) While the Company argues that the LMI program will support "long-term household stability and improved payment behavior, which benefits the broader customer base by reducing uncollectible expenses," there is absolutely no guarantee that the program will indeed deliver those benefits and improve customers' ability to pay, thus reducing uncollectible expenses. (4 TR 1119.) Much like every other element of the LMI program, the benefits are speculative rather than assured and the magnitude of the program's costs are too great to burden ratepayers with such an investment in a program with so many unknowns.

The ALJ did recommend a disallowance of the IT-related costs for this project in the amount of \$200,628 in the bridge period and \$40,126 in the test year, reasoning that:

some costs could be avoided if this project were coordinated with the website redesign project that was previously approved by the Commission but has since been delayed. Indeed, Ms. Baker, testifying in support of the IT expenditures for this project, stated that much of the investment is being achieved through updates to the existing website. It is reasonable to conclude that those updates could also be

implemented through the website redesign project at little to no additional cost. [PFD, p 193.]

While Staff appreciates the ALJ's acknowledgement that some of the costs requested for the LMI project are redundant to those already requested and approved for the Company's website redesign project, Staff asserts that the ALJ's recommendation fails to capture the unreasonableness and imprudence of burdening ratepayers with these costs at this time. The Company failed to justify why the requested costs are necessary to achieve their stated goals for this project. When repeatedly asked by Staff to clarify the nebulous and vague aspects of the LMI project and explain the supposed necessity of the requested costs, Staff received basic responses that in no way made things clearer. It is the Company's burden to demonstrate that its requested expenditures are reasonable and prudent. The Company did not do so with respect to the LMI project costs.

Staff maintains its concerns regarding this program. Staff is concerned that the Company argues that it needs more than \$2.1 million to inform customers about offerings that are already available on the Company's website. Staff is also concerned that the Company has not yet dedicated the money approved for its website redesign to make their website more accessible and user-friendly so that customers can research the LMI offerings easily. These are questions that the Company has been unable to satisfactorily answer. Absent clear and precise justification, the requested program costs represent an unreasonable and imprudent burden on ratepayers. Therefore, Staff respectfully disagrees with the

ALJ's recommendation and recommends the Commission reject all proposed expenditures for the LMI Customer Support Enhancement project.

2. The Commission should adopt a full disallowance of all new device purchases related to ARP-WAM and ARP-FDAM projects.

Staff recommended a full disallowance of all new device purchases included in the ARP-WAM and ARP-FDAM projects due to a lack of supporting information provided by the Company for the method used to project these costs (4 TR 2712-2717.) The ALJ disagreed with Staff's recommendation to fully disallow all new purchases included in the ARP-WAM and ARP-FDAM projects, stating that the Company has shared that the projected costs are based on historical data, and thus Staff's argument is no longer relevant. (PFD p 158,161.)

While the ALJ addressed Staff's position on these issues as well as the Company's additional information included in its rebuttal, brief and reply brief, both the Company and the ALJ failed to address Exhibit A-22 (SHB-7) in arguing that these expenditures were demonstrated to be reasonable and prudent. In his exhibit the Company provided a breakdown of each device, the associated unit cost, the total number of each device being purchased and the total projected costs that are calculated based on this information. For both the ARP-WAM and ARP-FDAM project the specific new device unit name, total number of units projected, and the individual unit cost is included in Exhibit A-22 (SHB-7). Despite this, in its reply brief the Company stated that the projections for both projects were based on an annual amount informed by four years of historical actuals, and the total amount

informs the number of new purchases, instead of the other way around. (Consumers Reply Brief p 39.) The Company failed to address contradictory information provided in Exhibit A-22 and makes a conclusory assertion that Staff's view of how new purchase devices are projected is incorrect. However, Staff's understanding of how new device purchases are projected is based on the supporting information provided by the Company in Exhibit A-22. The information provided in this exhibit, and the Company's assertion regarding the correct projection methods for new device purchases are mutually different forms of projecting costs; both cannot be true. If new purchases are projected based on historical actuals, then the information included in Exhibit A-22, which provides a projected number of new devices, is not supporting evidence, but rather, arbitrary information calculated based off a total cost estimate. Staff finds it problematic that the ALJ and the Company did not address 1. the information provided in Exhibit A-22 (SHB-7), 2. why it was presented as supporting evidence, and 3. what that evidence actually means, given the pivot from stating that new purchases are based on People and Culture Hiring estimates to later stating it is a back-calculation based on historic expenditures. Further, Staff noted this discrepancy in its brief which was noted by the ALJ in the PFD. (Staff's Initial Brief pp 31-32, 35-36.) The ALJ did not address the contradictory information included in Exhibit A-22 and the new argument supplied by the Company. The ALJ apparently only relied on information provided by the Company in its Reply Brief, taking the Company's argument against Staff's position at face value. (PFD pp 158,161.)

Given the failure to recognize or discuss this exhibit, and the lack of further discussion regarding the supporting information for the method used to project new purchases provided in Exhibit A-22 (SHB-7), Staff maintains its position and recommends the Commission adopt its disallowance.

Additionally, Staff finds it problematic that the Company stated it is using historical actual costs from the ARP-WAM project for both the ARP-WAM and ARP-FDAM projects individually. The Company stated in rebuttal that the historical actuals for the ARP-WAM project historically included new device purchases for the ARP-FDAM project too. (4 TR 757,759.) Neither the Company nor the ALJ addressed the inherent issues here. Currently, the Company cannot accurately project new device purchases for either ARP project based on historical ARP-WAM costs, that include both projects, without sorting out the costs specifically associated with each project individually. This method undermines the reasonableness of the projected costs because this approach is inherently flawed and does not solely use historical information for each project individually. It is unclear how new device purchases are projected based off historical costs, when historical costs for the two projects were previously combined and now each have their own projections.

In summary, the ALJ's PFD simply stated that the Company provided how it projected the costs for new device purchases and therefore Staff's original recommendation for disallowance no longer has merit. The ALJ failed to consider other information presented by Staff regarding the underlying concerns with the contradictory information provided by the Company. The ALJ took information

presented by the Company at face value and failed to address all information included in the record, namely Exhibit A-22. The Company's methodology to use historical actuals based on a combined project for two individual projects and arrive at an accurate projection is erroneous. Additionally, the Company cannot use historical costs to project total costs and use individual units, their associated costs, and the number of units needed to calculate the total projected cost. In essence, the Company has presented two mutually exclusive ways of projecting total costs for new device purchases for the ARP-WAM and ARP-FDAM project in this case. It adheres to a method with inherent flaws that undermines its own exhibit included in its initial filing, which both the ALJ and the Company have failed to recognize or discuss on the record. Staff therefore recommends the Commission adopt its full disallowance of device purchases related to these projects.

B. Working Capital

1. Staff excepts to the PFD's analysis of working capital to clarify its position regarding the Company's methodology to project its test-year working capital cash balance.

The ALJ's PFD states that it "adopts the adjusted cash balance of \$23,130,000 proposed by Staff and accepted by Consumers, which is based upon the benchmark of 1% of projected revenues and which results in a total working capital balance of \$1.364 billion." (PFD, p 201.) Staff clarifies that it is not taking a position on the Company's methodology in developing its test-year working capital cash balance. In its Reply Brief, Staff sought to point out that it was merely correcting the math, rather than taking a position, stating "Staff clarifies in this

reply brief that it is not recommending the Company's 1% projection of cash be approved. Staff has merely corrected the Company's calculation and has not taken a position on the use of 1% cash for working capital." (Staff's Reply Brief, p 6.) The PFD appears to recognize this, providing "Staff's reply clarifies that it takes no position as to whether the Commission should accept the 1% benchmark proposed by Consumers and that Staff's proposed adjustment (accepted by the company) was merely meant to correct an error in calculations related to deriving the proper figure for the cash balance." (PFD, p 200.) Staff takes this opportunity to state that this analysis is correct: Staff does not take a position on whether the Company's methodology should be approved by the Commission.

II. Conclusion

Staff respectfully requests the Commission adopt Staff's exceptions to the ALJ's findings. Moreover, Staff urges the Commission to adopt Staff's position on all other issues related to this rate case that were detailed in Staff's testimony, exhibits, and briefs.

Respectfully submitted,

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_____ /

PROOF OF SERVICE

STATE OF MICHIGAN)
) ss
COUNTY OF EATON)

Cherie A. R. Shea, being first duly sworn, deposes and says that on **August 28, 2025**, she served a true copy of **Michigan Public Service Commission Staff's Exceptions to the Proposal for Decision** upon the parties on the attached Service List **via email only**:

Cherie A. R. Shea

Subscribed and sworn to before me
this **28th** day of **August, 2025**.

E. M. Fielder-Attia, Notary Public
State of Michigan, County of Jackson
Acting in the County of Eaton
My Commission Expires: 07-09-2031

Case No. U-21806
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