

October 21, 2025

Ms. Lisa Felice
Executive Secretary
Michigan Public Service Commission
7109 W. Saginaw Hwy., 3rd Floor
Lansing, MI 48917

Re: Case No. U-21870 – In the matter of the application of Consumers Energy Company for authority to increase its rates for the generation and distribution of electricity and for other relief.

Dear Ms. Felice:

Enclosed for electronic filing in the above-captioned case, please find **Consumers Energy Company's witness Laura M. Connolly's Rebuttal Testimony**. This testimony was unintentionally omitted from the previous filing with all of the Company's other witnesses.

Sincerely,

Gary A. Gensch Jr.
Phone: 517-788-0698
Email: gary.genschjr@cmsenergy.com

cc: Parties per Attachment 1 to the Proof of Service.

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 generation and distribution of)
electricity and for other relief.)
_____)

Case No. U-21870

REBUTTAL TESTIMONY

OF

LAURA M. CONNOLLY

ON BEHALF OF

CONSUMERS ENERGY COMPANY

October 2025

LAURA M. CONNOLLY
U-21870 REBUTTAL TESTIMONY

1 **Q. Please state your name and business address.**

2 A. My name is Laura M. Connolly, and my business address is One Energy Plaza, Jackson,
3 MI 49201.

4 **Q. Are you the same Laura M. Connolly who previously submitted testimony in this**
5 **case?**

6 A. Yes.

7 **Q. What is the purpose of your rebuttal testimony?**

8 A. The purpose of my rebuttal testimony is to rebut the direct testimony of Michigan Public
9 Service Commission (“MPSC” or the “Commission”) Staff (“Staff”) witness Kevin S.
10 Krause; Association of Businesses Advocating Tariff Equity (“ABATE”) witness James R.
11 Dauphinais; Michigan Environmental Council, Natural Resources Defense Council, Sierra
12 Club, and Citizens Utility Board of Michigan (collectively “MNSC”) witness Caroline
13 Palmer; Michigan Environmental Council and Natural Resources Defense Council
14 (collectively “MEC-NRDC”) witness Scott Reeves; Solar Technology LLC (“SLT”)
15 witness Michael P. Gorman; and Walmart Inc. (“Walmart”) witness Matthew T. Lyon.

16 **Q. Are you sponsoring any exhibits?**

17 A. No.

18 **Q. How is your rebuttal testimony organized?**

19 A. My rebuttal testimony is organized by the following topics:

20 I. Power Factor

21 II. Data Centers

22 III. Large Economic Development Rate

23 IV. EV Rates

1 V. Heat Pump Rates

2 **I. Power Factor**

3 **Q. Both ABATE witness Dauphinais, at pages 24 through 26, and SLT witness Gorman,**
4 **at pages 2 through 4, of their direct testimony agree with Consumers Energy**
5 **Company’s (“Consumers Energy” or the “Company”) proposal to add a power factor**
6 **adjustment to the Large Economic Development Rate (“LED R”) but recommend it**
7 **be equivalent to the power factor requirements approved for other primary rates.**
8 **How do you respond?**

9 A. After further review, the Company agrees with ABATE witness Dauphinais and SLT
10 witness Gorman on this issue. There remains concern that an extremely large customer
11 could influence the overall power factor. Power factor correction strategies must be
12 tailored to the scale and configuration of the customer’s electrical service. Large
13 customers, due to their substantial power demands and direct interconnection to the
14 transmission system, present unique challenges. However, the Company recognizes this
15 discussion may be premature and will address those concerns in a future filing.

16 **II. Data Centers**

17 **Q. At page 22 of her direct testimony, MNSC witness Palmer references an August 1,**
18 **2025 news release announcing the Company had reached an agreement with a new**
19 **data center. She states that given this announcement, the Commission and the**
20 **Company should prepare now for data center cost allocation. How do you respond?**

21 A. While the Company did announce an agreement with a new data center, the announcement
22 was based on a Letter Agreement. The Letter Agreement addressed internal system studies
23 necessary to serve the customer, however, it did not outline a load ramp schedule. Absent

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1 a signed rate contract for service to be provided in the test year, it would be premature to
2 start making decisions about cost allocation in the instant case.

3 **Q. What does MNSC witness Palmer recommend regarding potential data center load**
4 **and cost allocation?**

5 A. At page 23 of her direct testimony, MNSC witness Palmer recommends that the
6 Commission order the Company to demonstrate in its next rate case that its proposed cost
7 allocation methods satisfy the legislative requirement that residential customers will not
8 subsidize the costs incurred to provide electric service to a data center.

9 **Q. How do you respond?**

10 A. This is an unnecessary requirement as the Company must adhere to the approved cost
11 allocation principles which requires that electric rates are equal to the cost of providing
12 service to each customer class , as set forth in MCL 460.11.

13 **Q. What does MNSC witness Palmer recommend regarding data centers and Integrated**
14 **Resource Plan (“IRP”) modeling?**

15 A. At page 24 of her direct testimony, MNSC witness Palmer recommends that the
16 Commission order the Company to conduct sensitivity modeling runs in its next IRP with
17 and without data center load of magnitude that reasonably reflects the Company’s expected
18 data center load at the time.

19 **Q. How do you respond?**

20 A. This is an unnecessary requirement as the Company already includes various sensitivities
21 in the IRP, which includes scenarios based on the probability of new load coming onto the
22 system.

1 **III. Large Economic Development Rate**

2 **Q. At page 27 of her direct testimony, MNSC witness Palmer expresses concern that**
3 **LEDR customers may not be paying the marginal cost associated with higher demand**
4 **on the rest of the shared distribution system. Was LEDR set based on marginal**
5 **distribution costs?**

6 A. No. As established in Case No. U-21160, LEDR’s capacity charges are set based on the
7 marginal cost of capacity. However, the distribution charges for LEDR are the same as the
8 distribution charges set for the Company’s Large General Service Primary Demand Rate
9 (“GPD”). In addition, LEDR customers pay for investments made by the Company for
10 incremental distribution facilities required to serve them through a levelized incremental
11 distribution charge. Therefore, LEDR customers are paying the same distribution rates as
12 other customers paying embedded cost rates, in addition to the incremental costs associated
13 with their distribution facilities. Other similarly situated customers are afforded a
14 Contribution In Aid of Construction (“CIAC”) allowance to cover some or all of the
15 incremental costs of the distribution facilities to serve them. MNSC witness Palmer’s
16 notion that the Company must demonstrate that an LEDR customer will pay all its marginal
17 distribution costs in order to gain approval of a facilities allowance is flawed and not
18 consistent with the methodology approved by the Commission in approving the LEDR. As
19 stated in my direct testimony, the Company’s design of the proposed facilities allowance
20 is in accordance with the Order in Case No. U-21585 and should be approved in this filing.

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1 **Q. MNSC witness Palmer states, at page 29 of her direct testimony, that if approved, the**
2 **facilities allowance should not be applied retroactively to current LEDR customers**
3 **as the Company has already succeeded in attracting these customers. How do you**
4 **respond?**

5 A. While it is true that customers have already signed to take service under LEDR, part of the
6 negotiation with these customers was around potential for a future facilities allowance.
7 Their contracts contained language expressing the Company's intention to file a request to
8 amend this rate to allow LEDR customers to qualify for a CIAC credit. These customers
9 considered this language and potential for an allowance as part of their decision to locate
10 in the Company's service territory. Should the Commission approve the facilities
11 allowance, it should be applied to customers with express language in their contract around
12 the potential for an allowance.

13 **Q. At page 30 of her direct testimony, MNSC witness Palmer states that it does not**
14 **appear that the Company intends to true up the facilities allowance if the Company**
15 **initially overestimated a customer's expected annual revenues. She recommends the**
16 **Company reconcile any overestimated revenue from the provided facilities allowance**
17 **and recalculate the customer's incremental distribution charges accordingly. How**
18 **do you respond?**

19 A. The LEDR tariff states that this charge may be adjusted to contribute to the recovery of the
20 annual revenue requirement associated with investments made by the Company for
21 incremental distribution facilities. As part of this adjustment, the Company intends to
22 reconcile any differences in actual collections to proposed collections and would include
23 the facilities allowance in those calculations.

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1 **Q. At page 31 of her direct testimony, MNSC witness Palmer also recommends that the**
2 **Company raise the system contribution charge assessed to LEDR customers. How do**
3 **you respond?**

4 A. The Company recommends the Commission reject MNSC witness Palmer's proposal.
5 MNSC witness Palmer states that the Company did not base the charge on any cost basis
6 yet and does not provide an alternative solution other than to increase it. The system
7 contribution charge was approved as part of the Order in Case No. U-21160. Customer
8 contracts state that this charge is set for the term of the contract. If the Commission were
9 to order the Company to change the system contribution charge, it should be updated
10 consistent with the methodology used to develop the charge in Case No. U-21160.

11 **Q. At page 33 of her direct testimony, MNSC witness Palmer recommends the LEDR**
12 **“discount period” should be shortened from 15 to 20 years to a maximum of 7 years.**
13 **How do you respond?**

14 A. MNSC witness Palmer's recommendation should be rejected. There is no discount
15 associated with LEDR; it is based on cost of service. The Order in Case No. U-21160
16 states “The Commission further finds that the proposed LEDR complies with the Michigan
17 law, and is reasonable and in the public interest.” Characterizing LEDR as a discounted
18 rate implies that the Commission approved a rate that violates Michigan law. This
19 mischaracterization undermines the integrity of the Commission's review and approval
20 process in Case No. U-21160.

21 **Q What impact could shortening the contract length have on the rate?**

22 A. A shortened contract length could result in potential stranded assets should a customer
23 decide to cease taking service from the Company at the end of their contract term. LEDR

1 is available to customers using 35 MW or greater, which is a significant amount of load.
2 This could come with significant investment costs in infrastructure to serve that load. That
3 infrastructure could be stranded should a customer cease taking service from the Company
4 just seven years later.

5 **IV. Electric Vehicle Rates**

6 **Q. At page 4 of his direct testimony, Staff witness Krause proposes that the Company**
7 **introduce a new tariff for fast charging in its next rate case based on available fast**
8 **charging data and that this tariff be based on cost of service. How do you respond?**

9 A. The Company has limited data with which to develop a cost of service to support a fast
10 charging rate. To try to do so at this time would be premature.

11 **Q. Why is it premature?**

12 A. Currently, the Company is only able to identify fast charging customers which were rebated
13 under the PowerMIDrive program. The annual data from the 2025 Transportation
14 Electrification Program (“TEP”) report indicated that this is 84 Direct Current Fast
15 Charging (“DCFC”) customers. Of those 84 customers, the Company has not analyzed
16 how many have a full years’ worth of data, much less the standard three years of data that
17 is typically used to develop a cost-of-service study (“COSS”). In addition, this does not
18 account for a potentially sizable number of DCFC customers which are not separately
19 metered but rather aggregated in a customer’s total load.

20 **Q. Has the Commission addressed this issue in other proceedings?**

21 A. Yes, in Case No. U-21297, DTE Electric Company (“DTE Electric”) was ordered to
22 “conduct a separate COSS to allocate appropriate costs to fast charging and design and
23 propose rates for this specific class of customer in its next rate case” (page 342). DTE

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1 Electric did this in its next case, Case No. U-21534, utilizing data from 21 chargers of
2 approximately 68 known DCFC customers to develop an alternative COSS and rate design.
3 DTE Electric witness Aaron Willis recommended that their proposal should be used as a
4 starting point for discussion only and not as a rate to be implemented given the data
5 constraints and generally small customer set. The Commission agreed, stating in its order
6 that “there is not currently enough historical data to analyze given the small number of EV
7 DCFC and finds it premature to implement the company’s proposed alternative COSS and
8 rate design at this time.” The Company’s DCFC data is similarly constrained, and as such,
9 the Company should not be directed to develop a COSS and rate design in its next case.

10 **Q. Starting January 1, 2021, the Company closed General Service Primary Rate (“Rate**
11 **GP”) to new business other than for service to DCFC stations. On page 4 of his direct**
12 **testimony, Staff witness Krause recommends that the Commission close Rate GP to**
13 **new fast charging stations and move existing fast charging stations to the to-be-**
14 **created DCFC tariff. How do you respond?**

15 A. Mr. Krause’s proposal goes along with his proposal above to develop a DCFC COSS and
16 rate design for these customers to move to. Given the discussion above, this proposal
17 should be rejected.

18 **Q. Walmart witness Lyon also proposed the Company develop an electric vehicle (“EV”)**
19 **charging specific rate for third-party owned public EV DCFC stations. How do you**
20 **respond?**

21 A. For the same reasons addressed above, the Company recommends this proposal be rejected
22 until the Company has more data to base a rate on.

1 **V. Heat Pump Rate**

2 **Q. At page 10 of his direct testimony, MEC-NRDC witness Reeves proposes that the**
3 **Commission requires the Company to develop and propose an electric heat or heat**
4 **pump rate design. How do you respond?**

5 A. While not addressing the policy concerns of MEC-NRDC witness Reeves testimony, the
6 Company does not oppose exploring an electric heat/heat pump rate design. The Company
7 does not agree with the prescriptive approach as MEC-NRDC witness Reeves has outlined.

8 **Q. Please explain.**

9 A. MEC-NRDC witness Reeves suggests the Company be required to work with the
10 Commission and other stakeholders in the development of the rate and be required to
11 present the proposed rate for approval within 12 months of the order resolving this rate
12 case. MEC-NRDC witness Reeves further outlines several considerations for designing
13 the rate. The Company would prefer to address this issue in the context of a general rate
14 case and as such imposing a 12-month timeline may not be practical in relation to future
15 rate case filings. The Company can explore developing an electric heat pump rate in its
16 next general electric rate case. The general rate case process would allow all interested
17 intervenors to comment and critique the Company's proposal. The Company would
18 endeavor to hold a stakeholder session in advance of that filing to solicit ideas of interested
19 parties. As part of the contested case process, all parties would have the opportunity to
20 opine on the proposed electric heat/heat pump rate.

21 **Q. Does this conclude your rebuttal testimony?**

22 A. Yes.

STATE OF MICHIGAN

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for authority to increase its rates for)
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Case No. U-21870

PROOF OF SERVICE

STATE OF MICHIGAN)
) SS
COUNTY OF JACKSON)

Crystal L. Chacon, being first duly sworn, deposes and says that she is employed in the Legal Department of Consumers Energy Company; that on October 21, 2025, she served an electronic copy of **Consumers Energy Company’s witness Laura M. Connolly’s Rebuttal Testimony** upon the persons listed in Attachment 1 hereto, at the e-mail addresses listed therein.

Crystal L. Chacon

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

Melissa K. Harris, Notary Public
State of Michigan, County of Jackson
My Commission Expires: 06/11/2027
Acting in the County of Hillsdale

ATTACHMENT 1 TO CASE NO. U-21870

Party	Email Address
Administrative Law Judge	
Jonathan F. Thoits	thoitsj@michigan.gov
Counsel for Consumers Energy Company	
Gary A. Gensch, Jr., Esq. Bret A. Totoraitis, Esq. Anne M. Uitvlugt, Esq. Spencer A. Sattler, Esq. Evan B. Keimach, Esq. Mark R. Ruskiewicz, Esq.	gary.genschjr@cmsenergy.com bret.totoraitis@cmsenergy.com anne.uitvlugt@cmsenergy.com spencer.sattler@cmsenergy.com evan.keimach@cmsenergy.com mark.ruskiewicz@cmsenergy.com mpsc.filings@cmsenergy.com
Counsel for the Michigan Public Service Commission Staff	
*Amit B. Singh, Esq. *Michael J. Orris, Esq. *Adam M. Cozort, Esq. *Nicholas Q. Taylor, Esq. *Alena M. Clark, Esq. *Daniel E. Sonneveldt, Esq.	singha9@michigan.gov orrism@michigan.gov cozort1@michigan.gov taylorn10@michigan.gov clarkA55@michigan.gov sonneveldt@michigan.gov
Michigan Public Service Commission Staff	
*Mike Byrne *Bill Stosik *David Chislea *Bob Nichols *Nick Revere *Lori Mayabb	byrneM@michigan.gov stosikb@michigan.gov chislead@michigan.gov nicholsb1@michigan.gov reveren@michigan.gov mayabb1@michigan.gov
Counsel for Attorney General Dana Nessel	
*Lucas Wollenzien, Esq. *Celeste R. Gill, Esq. *Amanda Churchill	wollenzienl@michigan.gov gillc1@michigan.gov AG-ENRA-Spec-Lit@michigan.gov
Consultant for the Attorney General	
*Sebastian Coppola	sebpcoppola@corpalytics.com
Counsel for the Michigan Cable Telecommunications Association (“MCTA”)	
Sean P. Gallagher, Esq. Jon Austin	sgallagher@fraserlawfirm.com jaustin@fraserlawfirm.com
Counsel for the Michigan Environmental Council, Natural Resources Defense Council, Sierra Club, and Citizens Utility Board of Michigan (collectively “MNSC”)	
*Holly L. Hillyer, Esq. *Christopher M. Bzdok, Esq. *Tracy Jane Andrews, Esq. *Jackson Neme *Natasha Fowles *Tanya Stasio *Jordan Burt *Tyler Comings *Caroline Palmer *Rick Bunch *Julielyn Gibbons *Matt Bandyk *Sean Clark	holly@tropospherelegal.com chris@tropospherelegal.com tjandrews@tropospherelegal.com jackson@tropospherelegal.com natasha@tropospherelegal.com tanya.stasio@aeclinic.org jordan.burt@aeclinic.org Tyler.comings@aeclinic.org cpalmer@synapse-energy.com rbunch@5lakesenergy.com jgibbons@5lakesenergy.com mbandyk@synapse-energy.com sean@tropospherelegal.com
Counsel for the Citizens Utility Board of Michigan (“CUB”)	
John Liskey, Esq.	john@liskeypllc.com

* Receives Confidential Materials

ATTACHMENT 1 TO CASE NO. U-21870

Counsel for The Kroger Co. (“Kroger”)	
Kurt J. Boehm, Esq. Jody Kyler Cohn, Esq. Michael L. Kurtz, Esq.	kboehm@bkllawfirm.com jkylercohn@bkllawfirm.com mkurtz@bkllawfirm.com
Consultant for Kroger	
Justin Bieber	jbieber@energystrat.com
Counsel for Michigan Energy Innovation Business Council (“Michigan EIBC”), Institute for Energy Innovation (“IEI”), Advanced Energy United (“United”), Energy Michigan, Inc., and The Foundry Association of Michigan.	
*Timothy J. Lundgren, Esq. Laura A. Chappelle, Esq. *Justin K. Ooms, Esq.	tjlundgren@varnumlaw.com lachappelle@varnumlaw.com jkooms@varnumlaw.com
Counsel for The Ecology Center, The Environmental Law & Policy Center (“ELPC”), Union of Concerned Scientists (“USC”), and Vote Solar (Collectively referred to as “CEO”)	
*Daniel Abrams, Esq. *Katie Duckworth, Esq. *Alondra Estrada *Katie Toolan	dabrams@elpc.org kduckworth@elpc.org aestrada@elpc.org ktoolan@elpc.org mpscdockets@elpc.org
Counsel for Michigan Electric Transmission Company, LLC (“METC”)	
*Richard J. Aaron, Esq. *Olivia R.C.A. Flower, Esq. *Hannah Buzolits, Esq. *Courtney F. Kissel, Esq.	raaron@dykema.com oflower@dykema.com HBuzolits@dykema.com ckissel@dykema.com mpscfilings@dykema.com
Counsel for Urban Core Collective (“UCC”)	
*Mark Templeton, Esq. *Jacob R. Schuhardt, Esq. *Emma Young *Alexandria Miskho *Heidi Peng *Willow Perlick *Aashney Shah	templeton@uchicago.edu jschuhardt@uchicago.edu eyoung28@uchicago.edu amiskho@uchicago.edu hhpeng@lawclinic.uchicago.edu willowperlick@lawclinic.uchicago.edu aashney@lawclinic.uchicago.edu aelc_mpsc@lawclinic.uchicago.edu
Counsel for the Association of Businesses Advocating Tariff Equity (“ABATE”)	
*Stephen A. Campbell, Esq. *Michael J. Pattwell, Esq. *Benjamin J. Holwerda, Esq. Lauren Degnan	scampbell@clarkhill.com mpattwell@clarkhill.com bholwerda@clarkhill.com ldegan@clarkhill.com
Consultants for ABATE	
*James Dauphinais *Jessica York *Christina Hildebrandt	jdauphinais@consultbai.com jyork@consultbai.com childrebrandt@consultbai.com
Counsel for Hemlock Semiconductor Operations LLC (“HSC”) and Solar Technology LLC	
*Jennifer Utter Heston, Esq.	jheston@potomaclaw.com
Counsel for Great Lakes Renewable Energy Association (“GLREA”)	
Don L. Keskey, Esq.	donkeskey@publiclawresourcecenter.com
Counsel for Walmart, Inc. (“Walmart”)	
Melissa M. Horne, Esq.	mhorne@hcc-law.com

* Receives Confidential Materials