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VIA ELECTRONIC CASE FILING

December 5, 2025

Ms. Lisa Felice, Executive Secretary
Michigan Public Service Commission
7109 W. Saginaw Highway
Lansing, MI 48917

Re: Case No. U-21870

Dear Ms. Felice:

Please find attached the following for paperless filing in the above-captioned matter:

**The Initial Brief of The Kroger Co.; and
Proof of Service**

Please place this document(s) of file.

Very truly yours,

Kurt J. Boehm, Esq.
Jody Kyler Cohn, Esq.
Michael L. Kurtz, Esq., (Michigan #P67067)
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KJBkew
Attachment

STATE OF MICHIGAN
BEFORE THE PUBLIC UTILITIES 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
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INITIAL BRIEF OF THE KROGER CO.

I. INTRODUCTION

On May 28, 2025, Consumers Energy Company (“Consumers” or the “Company”) filed its Application with the Michigan Public Service Commission (“Commission”) requesting authority to increase its rates by approximately \$460 million. The Kroger Co. (“Kroger”) submits this Initial Brief in support of its recommendation regarding cost-of-service methodologies.

A. COST OF SERVICE

1. Kroger Recommends That the Commission Approve the Company’s Longstanding Method of Allocating Metering Equipment Based on a Weighted Customer Basis.

As in past proceedings, the Company uses a weighted customer allocation for metering equipment, including advanced metering infrastructure (“AMI”) meters. Under this method, the allocation factor for each rate schedule is determined by dividing the product of (1) customer count and (2) average meter cost for that rate schedule by the total cost of all meters. This

weighting appropriately assigns meter costs based on each rate schedule's relative contribution to total metering costs.¹

The weighted customer allocation method comports with traditional cost-causation principles that follow the logic that the utility should recover the costs associated with meters from the customer that uses the meter.² It is also consistent with MCL § 460.11(1), which provides that “*the commission shall ensure the establishment of electric rates equal to the cost of providing service to each customer class.*” A plain interpretation of MCL § 460.11(1) indicates that costs should be allocated based on cost-causation.

Michigan Environmental Council, Natural Resources Defense Council, Sierra Club, and Citizens Utility Board of Michigan (“MNSC”) witness Caroline Palmer recommends that the Commission instead allocate AMI meter costs using a composite customer, demand, and energy allocator based on projected “benefits” from the Company’s Smart Grid Program over the 2007–2032 period.³ Ms. Palmer proposes that AMI meters be allocated on a 36% energy-related, 17% demand-related, and 47% customer-related, explaining that AMI meters are part of a larger grid modernization that enables benefits such as reduced energy theft, reductions to peak demand, and reduced energy consumption.⁴ Ms. Palmer claims that the overall impact of benefits is tied to the use of AMI meters, and so the costs of AMI meters should be allocated based on the classification of benefits.⁵ MNSC’s recommendation represents a significant departure from traditional cost allocation practice of allocating costs based on *cost-causation* and should be rejected on that basis alone.⁶

¹ Rebuttal Testimony of Jared Robertson, pp. 3-4., Transcript Vol. 5, pp. 3414-3415.

² Rebuttal Testimony of Jared Robertson, pp. 3-4., Transcript Vol. 5, pp. 3414-3415.

³ Direct Testimony Caroline Palmer, p. 8., Transcript Vol. 6, pp. 4656.

⁴ Direct Testimony Caroline Palmer, p. 8., Transcript Vol. 6, pp. 4656.

⁵ Direct Testimony Caroline Palmer, p. 8., Transcript Vol. 6, pp. 4656.

⁶ Direct Testimony Caroline Palmer, p. 8., Transcript Vol. 6, pp. 4656.

Even if the Commission were inclined to consider an allocation based on projected benefits rather than cost-causation, Ms. Palmer's recommended approach remains unreasonable. She relies on the total achieved and projected benefits of the entire Smart Grid Program for 2007–2032, rather than the projected benefits attributable specifically to the AMI meters that she seeks to allocate. As Consumers witness Jason R. Coker explained in his Direct Testimony in MPSC Case No. U-21389, the Smart Grid Program's projected benefits stem from multiple components; including program metrics, smart meter installations, load-control switches, and system enhancements.⁷ Thus, Ms. Palmer's proposed allocators reflect estimated benefits of the *entire* Smart Grid Program, not just AMI infrastructure. This is not an appropriate basis for allocating AMI meter costs, particularly given that the methodology itself already departs from traditional cost-of-service principles.

Kroger therefore recommends that the Commission reject Ms. Palmer's proposal to classify and allocate AMI meter costs based on projected benefits rather than cost-causation. NMSC's recommendation departs from established practice and relies on an unsound methodology. Instead, Kroger supports the Company's proposed weighted-customer allocation methodology.

2. Consumers' Proposed COSS Is Reasonable With Respect to the Allocation of Costs Between Lower- and Higher-Voltage Customers.

As noted above, traditional cost-allocation principles assign costs to the customers who cause the utility to incur them. Accordingly, higher-voltage customers are generally not allocated costs for lower-voltage distribution facilities because they do not cause the utility to invest in such infrastructure. For example, primary-voltage customers do not cause Consumers to invest

⁷ *In the matter of the application for Consumers Energy Company for authority to increase its rates for the generation and distribution of electricity and for other relief.* Case No. U-21389, Direct Testimony of Jason R. Coker, p. 3.

in secondary distribution systems. The low-voltage distribution system exists to serve low-voltage customers and would not exist if the customer base consisted solely of high-voltage customers.⁸

MNSC witness Ms. Palmer disagrees with this longstanding practice, claiming that recent changes to the power system have resulted in bi-directional electricity flows between the high- and low-voltage sides of distribution assets. She argues that the growth of distributed energy resources (“DERs”) means electricity can flow from lower-voltage facilities to higher-voltage customers, creating alleged benefits for higher-voltage customers from the low-voltage system.⁹ She cites a discovery response in which the Company acknowledged that bi-directional flows *may* include flows from lower-voltage to higher-voltage equipment.¹⁰

However, the Company’s acknowledgment that such flows *may* occur does not constitute evidence that they *do* occur, nor does it establish that they occur with meaningful frequency or magnitude. Ms. Palmer presents no evidence quantifying the occurrence, scale, or operational significance of these alleged power flows, nor does she demonstrate any measurable benefit to higher-voltage customers.¹¹

Moreover, Ms. Palmer’s argument disregards the fact that bi-directional flows create operational challenges. In the same discovery response she cites, the Company states: “The referenced bullet points on p. 34 of Exhibit A-129 (MPK-19) indicate indirect challenges associated with customer technology adoption that the Company will have to address, including but not limited to bi-directional power flows and power quality issues.”¹² The Company must consider these issues to ensure any impact to the grid and the customers it serves are proactively

⁸ Direct Testimony of Jared Robertson, p. 11.

⁹ Direct Testimony of Caroline Palmer, pg. 15., Transcript Vol. 6, pp. 4663.

¹⁰ Direct Testimony of Caroline Palmer, pg. 15., Transcript Vol. 6, pp. 4663.

¹¹ Direct Testimony of Jared Robertson, p. 12.

¹² Consumers’ response to discovery, U21870-MNSC-CE-0222 (a).

mitigated. Thus, while Consumers acknowledges that bi-directional flows may occur, it explicitly recognizes them as challenges requiring mitigation; not as benefits to higher-voltage customers.¹³

Kroger recommends that the Commission approve Consumers' proposed allocation of distribution costs among voltage levels. MNSC's recommendation improperly seeks to assign low-voltage distribution costs to higher-voltage customers based on alleged, unsubstantiated benefits rather than cost-causation.

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December 5, 2025

¹³ Direct Testimony of Jared Robertson, p. 12.

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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 (E-file) ALJ Jonathan F. Thoits
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PROOF OF SERVICE

I, Kurt J. Boehm, being duly sworn, depose and say that on October 21, 2025, I served (via electronic mail) the INITIAL BRIEF OF THE KROGER CO; and its PROOF OF SERVICE upon the persons listed on the attached Certificate of Service.

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**CERTIFICATE OF SERVICE
CASE NO. U-21870**

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