

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**
(e-file paperless)

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

**MICHIGAN PUBLIC SERVICE
COMMISSION STAFF**

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I. Introduction

Staff files these exceptions in accordance with the January 29, 2026, issued Proposal for Decision (PFD) that established a February 17, 2026, due date for the parties to file exceptions.

II. Exceptions Concerning Rate Base

The following subsections cover a number of exceptions to items in the PFD that concern subjects that Staff originally addressed as part of the Rate Base section in its Initial Brief.

A. Staff's Exceptions Concerning the ARP-FDAM and ARP-WAM Projects

Staff recommended a full disallowance of all new device purchases included in the ARP-WAM and ARP-FDAM projects. Staff recommended this disallowance due to a lack of information provided by Consumers Energy Company (Consumers or the Company) through audit regarding the methods used to calculate the total projected cost for new device purchases in 2026 and 2027. (6 TR 4345-4349.) The Administrative Law Judge (ALJ) disagreed with Staff's recommendation to fully disallow all new purchases included in the ARP-WAM and ARP-FDAM projects. The ALJ stated that the use of a four-year historical average projection method is reasonable and prudent and notes this is the same decision the Commission came to in Case No. U-21806. (PFD, pp 318, 323.)

Staff's initial position for disallowance of new purchases was based on information provided by the Company in testimony and through Staff audit requests. Staff recommended a full disallowance of these costs for both the ARP-FDAM and ARP-WAM projects due to the lack of support for the chosen projection method, similar to information provided by the Company in Case No. U-21806. (6 TR 4345-4346, 4347-4348.) After new information was provided by the Company in rebuttal, Staff's reasoning for recommending this disallowance shifted to address the additional information. In rebuttal, the Company shared that, in accordance with the recommendation put forth by the Commission order in Case No. U-21806, the Company has now decided to use the four-year historical average as the annual projection for new device purchases. It stated that this method for projecting costs is more specific and addressed the Commission recommendation for including more specific cost projections in the future. (3 TR 765, 768.) Staff addressed this change in projection methods in its initial brief. (Staff Initial Brief, pp 52, 59.) Although the Company chose a clear way for projecting new device purchases, with supporting calculations and data, it failed to provide supporting information as to why this new projection method is valid. Selecting a clearer projection method does not automatically make it a valid way to project the costs for new device purchases. Furthermore, as addressed in Staff's initial brief, Staff attempted to gain more information from the Company through audit to better understand why this projection method is the best choice. Due to the lack of supporting information provided by the Company regarding hiring trends, Staff

continued to recommend a full disallowance of all new device purchases. (Staff Initial Brief, pp 52-55, 59-60.)

In the PFD, the ALJ addresses the progression of this disallowance throughout the case and acknowledges the Company's and Staff's positions have evolved with the introduction of new information. (PFD, pp 314-318, 321-323.) However, both the Company and the ALJ state that using a four-year historical actual projection method is supported by the Commission's order in Case No. U-21806. Staff does not agree. The Commission approved the ARP-FDAM and ARP-WAM projected costs for new device purchases for 2025 and 2026 in the previous gas case (Case No. U-21806) because the projection used by the Company, an annual amount informed by the four-year historical average, was sufficient in supporting these projected costs. The Company projected an annual amount and used the four-year average to *validate* this cost; it did not use the four-year historical average to calculate the annual cost. (MPSC Case No. U-21806, 9/30/2025 Order, pp 122, 124.) Furthermore, it noted a lack of specificity in cost projections for these two projects. Nowhere in the record for Case No. U-21806 was the use of a four-year historical average to project the new device purchases annual cost discussed.

It was not until this case, after Staff recommended a full disallowance for all new device purchases based on the original projection method—validating costs using the four-year historical average—that the Company committed to using the four-year average of historical costs as the new projection method. Within this

case, the Company changed its projection method from the one used in the previous gas case (Case No. U-21806) to a new method. (3 TR 768, 765.) Thus, the argument made by the Company and the ALJ that this projection method is supported by the Commission is false. The Company's projection method for new device purchases is different in this case, and thus Staff's reasoning for disallowance is also different.

Staff reiterated throughout the case that it understands the need for this project and that it does believe the Company will spend money on new device purchases. However, Staff does not believe the projected spend has been supported by the Company. While the new projection method is based on concrete data and calculations, the Company has not provided sufficient information to demonstrate that this new method is appropriate for these costs. It has not explained how an average of the past four years of new purchases informs the amount of new purchases needed in the projected test year, nor why this method is superior to any previous methods that have been used in the past. Staff continues to recommend a full disallowance of all new device purchases for the ARP-WAM and ARP-FDAM projects based on a lack of evidence in support of the Company's projection.

B. Staff's Exception Regarding the Digital-Infrastructure Automation Project

Staff recommended a full disallowance of the Digital-Infrastructure Automation project. Staff recommended this disallowance based on a lack of information provided by the Company to support the prudence of this project. The

Company failed to quantify reductions that the Company indicated would result from the implementation of this project, as detailed multiple times in its initial filing. (6 TR 4350.) The ALJ disagreed with Staff's recommendation to fully disallow this project, stating that although the Company did not quantify the anticipated avoided costs, it did justify the need for the project. (PFD, p 325.)

Consistent with Staff's testimony and brief, the Company stated the various supposed reasons this project is needed in multiple places within its direct and rebuttal testimony. One of these reasons being the avoidance, as corrected in its rebuttal testimony, of operational costs. Additionally, the Company claimed this project will "reduce the risk of major application failure due to security issues that arise in the infrastructure, optimize the deployment of infrastructure by reducing manual efforts by 80%, and reduce misconfigurations, rework, and time to deliver deployment of infrastructure." (3 TR 771.) Multiple aspects of this project correlate to a decrease, both in operational costs and manual efforts. Staff concluded that based on these decreases identified by the Company, some quantifiable cost savings should be seen, yet the Company failed to provide it. The Company simply changed the wording originally used in testimony, which did not negate Staff's position, and restated what the project would accomplish if completed. (Staff Initial Brief, pp 56-57.)

Although the ALJ addressed Staff's concerns regarding the lack of information provided by the Company regarding the expected cost reductions in the PFD, the decision to support this project was based on the other benefits of this

project. (PFD, p 325.) Staff understands and acknowledges that the cost reduction is only one part of this project, and that the other aspects discussed by the Company in rebuttal could be enough to support the need for this project now, but it failed to do so. If the Company was worried about a major application failure due to security issues in the infrastructure, it should have provided more supporting details in testimony or rebuttal regarding this concern. Simply stating a risk will be reduced, without quantifying how large the risk is now and how it will change as a result of the project, leaves this argument meaningless. There is no way to know how likely it is that these risks come to fruition or if a reduction is necessary, because the Company did not share any additional information regarding this aspect of the project. Staff would hope that, if the Company is facing an imminent risk in this area, then it would be addressed immediately and detailed in their filing. Again, Staff's main concern with the project is the lack of support to quantify cost savings that should result from various aspects of this project. Additionally, the claim of cost savings were referred to multiple times through the Company's testimony and rebuttal, yet it could not provide a correlated monetary reduction. (Staff Initial Brief, pp 56-57.) Staff believes that if a project is needed to address a current approach that is costly, and the alternative chosen will result in cost-efficiencies, it should be known what the monetary result will be and can be shown in a quantitative way. Staff continues to recommend a full disallowance of the Digital-Infrastructure Automation project.

C. Staff's Exception Concerning the ISIS Papyrus Project

Staff recommended a full disallowance of the ISIS Papyrus project. Staff recommended this disallowance based on the lack of information provided by the Company to support the prudence of this project at this time. The Company has not yet received a definitive end date from the vendor as to when all support and cyber security patches will stop being provided to users who have not upgraded to the newest version. (6 TR 4351-4352.) The ALJ disagreed with Staff's recommendation to fully disallow this project, stating that the application provides important functions and failing to upgrade will increase the risk of technological obsolescence and exposure to security vulnerabilities. (PFD, p 328.)

Consistent with Staff's position in brief, the Company stated in rebuttal that the vendor will continue providing cybersecurity patches, however they may only be applied to future releases. (3 TR 772, 773.) The Company did not provide definitive information that the vendor will no longer support older versions, and it failed to address anything related to general support. Staff still believes that any use of the word "may" indicates the Company has failed to provide enough proof of the immediate need for this project. Additionally, Staff noted in brief that the Company has been utilizing the current system for two years and has not reported any issues with receiving necessary support from the vendor. (Staff Initial Brief, pp 62-63.)

The ALJ states in the PFD that this project is necessary due to the functions this application provides and that outdated software increases the risk of technological obsolescence, and exposure to security vulnerabilities. (PFD, p 328.)

Staff understands the importance of this application and did not base its recommendations on its necessity. Staff believe this project could be prudent in the future if the Company can provide additional support regarding an officially announced end of support date for users who have not upgraded to the latest version. As of now, the Company has not received this type of information from the vendor, and thus the application does not present an immediate concern for technological obsolescence. If the Company knew of a more definitive end of support date this should have been made clear in testimony, audit, and/or subsequent filings by the Company. Staff has seen concrete timeframes for end of support, as indicated by the vendor, explicitly stated by the Company in testimony and audit responses for other projects. Given the lack of a definitive timeframe from the vendor regarding end of support, Staff does not see it as an immediate risk requiring action now. Staff continues to recommend a full disallowance of the ISIS Papyrus project.

D. Staff takes exception to the PFD's recommendation regarding the Make Ready Work investment category of the Asset Relocations program.

Staff takes exception to the PFD's conclusion to adopt Staff's initial disallowances to the Make Ready Work investment category under the Asset Relocations program. (PFD, p 115.) While Staff appreciates the ALJ's recognition of its adjustment methodology, Staff notes that the ALJ has erred in this decision, as Staff had conceded its adjustment in its Initial Brief. (Staff Initial Brief, p 24.) Staff concluded that the Company's cost projections for this category are indeed

accurate despite some misunderstandings between the total unit cost of work and net unit cost of work seen by the Company. (3 TR 2042-2043.) Therefore, the Commission should decline to adopt the PFD's proposal on this topic.

E. Staff's Exception to PFD Handling of the Low Moderate Income Customer Support Enhancement Project

Staff recommended reducing the capital expenditures for the Low Moderate Income (LMI) Customer Support Enhancements project by \$525,000 for the bridge period. This adjustment is located within the larger Product Family Enhancements—Customer—Capital project. Staff also recommended disallowance of an additional \$1,870,000 in capital expenditures for the LMI project for the test year. In the PFD, the ALJ disagreed with Staff's recommended disallowances for the LMI project, stating that Staff had previously raised the same issues with the project in Case No. U-21806. (PFD, p 351.) Staff maintains its recommendation for disallowing the requested expenditures for the LMI project as the Company has not demonstrated the reasonableness and prudence of those expenditures.

The LMI project was first presented in Case No. U-21806, where the Company requested capital expenditures of \$2.1 million to implement the project. MPSC Case No. U-21806, 4 TR 764-765, 1082, 1095. In the instant case, the Company is requesting costs for the same elements of the LMI that were presented in Case No. U-21806, namely the four core functions of the project: simplified program enrollment, proactive communication and program awareness, new and improved LMI offerings, and continuous improvement and feedback. (3 TR

967.35.) To be clear, these same functions were supported by the expenditures requested and received in Case No. U-21806. MPSC Case. No. U-21806, 4 TR 764-765, 1082, 1095. Staff continues to have reservations about the larger LMI project and the requested expenditures. The Company has not demonstrated how this project will actually assist customers who are identified as low or moderate income.

As stated in its testimony and brief, Staff continues to have many concerns with this project. The claimed benefits for this project are broad and vague and the Company has failed to justify the high costs for this project. Though the Company stated that the LMI project aims to ultimately enhance the overall customer experience and provide financial stability for LMI customers, nothing to date has proven that this project actually enhances customers' experiences and financial stability. (3 TR 967.27.) The aforementioned four main components of the LMI project simply condense readily available information on the Company's website to direct customers in learning about and enrolling in customer assistance programs. (6 TR 4332.) This project creates nothing new and the Company has never justified how and why the requested expenditures will be utilized.

Staff finds it troubling that the Company surveyed relatively few customers regarding the LMI project. Just 13 LMI customers conducted a diary study that was meant to generate broad LMI insights. (6 TR 4333.) Notably, none of those customers who completed the diary studies were the Company's own customers. (*Id.*) The Company also conducted just six usability tests with 104 participants, of whom only 54% were Michigan residents. (*Id.* at 4332-4333.) The Company missed

opportunities to connect with its own low-moderate income customers and seek impactful information from those customers about what would actually assist them with energy affordability.

In the same vein, the Company has no answer for why since the LMI project's launch in December 2024, just 25,000 of the 78,000 customers who have interacted with the LMI tool completed the enrollment flow. (3 TR 967.64.) The Company has not provided feedback or seemingly sought information from the 53,000 customers who did not complete the enrollment flow as to why they did not complete their enrollment. This is another missed opportunity by the Company to seek information from real LMI customers.

The ALJ declined to accept Staff's recommended disallowance for the LMI project due to the fact that Staff raised the same concerns in Case No. U-21806, yet the Commission found the projected spending to be reasonable and prudent, therefore he saw no reason to deviate from the Commission's previous decision. (PFD, p 351.) Respectfully, Staff disagrees with the ALJ's reasoning regarding this project; indeed, the fact that Staff raised the same concerns in the Company's most recent gas case and the Company has not been able to show real LMI customer adoption of the LMI tool, nor meaningful results from it, prove that the requested expenditures in the instant case are not reasonable or prudent.

The fact that the LMI tool shows low usage in and of itself is why continued support should not be provided for it. As the Company itself notes, 1 in every 3 of the Company's customers are low or moderate income. (3 TR 967.28-967.29.) That

means approximately 633,333 of the Company's 1.9 million residential electric customers are LMI. (2 TR 1329.) This demonstrates 12.32% of those LMI customers have interacted with the LMI tool. Besides the projected expenditures in the Company's most recent gas case being deemed prudent by the Commission, the ALJ provides no further reasoning for why the expenditures in this case should be deemed reasonable and prudent, in light of Staff's concerns with the Company's progress to meaningfully reach low or moderate income customers with this tool. This project has not proven its usefulness at this point and remains merely good for Company optics, without accomplishing meaningful results for LMI customers. For that reason, the requested expenditures for the LMI project should be disallowed.

F. The Commission should direct the Company to provide a thorough breakdown of inspection costs within the LVD Lines Demand Failures subprogram in the next rate case.

Staff takes partial exception to the PFD's conclusion to defer a breakdown of inspection costs across all capital programs/subprograms specified in the case. Staff does not contest that, as set forth in the PFD, it may be most appropriate to evaluate all of the Company's inspection cost capitalization policies in a separate proceeding, and that the Commission has indicated a specific proceeding to evaluate such policies is forthcoming in the near future. (PFD, p 108.) However, the PFD overlooks a potential specific subprogram cost classification error in this case that the Company conceded to address in the next rate case. As discussed by Staff in the testimony of Witness Schiller, (6 TR 4289-4291,) Staff remains

concerned about the categorization of Security Assessment Inspection Orders as capital instead of O&M in the LVD Lines Demand Failures subprogram and recommended the Commission direct the Company to:

1) provide a thorough breakdown of inspection costs applied across all capital programs/subprograms, 2) support why these costs are appropriately classified as capital instead of O&M with reference(s) to accounting guidance, and 3) amend the classification of these expenditures in the Company's next rate case, where necessary, based on the analysis. The Company should explain why section 2 under the Operating Expense Instructions of USOA is not appropriate and why section 3 under the Electric Plant Instructions of USOA is appropriate 3 under recommendation #2 above. [6 TR 4290-4291.]

The Company, in its rebuttal, agreed to review its capitalization policies "around line inspections and security assessment work on the distribution system" and to propose any necessary changes to the Commission. (3 TR 2044-2045.)

Respectfully, the ALJ's broad deferral of this specific policy review delays potential error discovery and remediation associated with a specific subprogram that should not be delayed. The ALJ also made no comment on the other components of Staff's recommendations beyond the inspection and capitalization policy review.

If the ALJ's recommendation to defer all utility capitalization policy review to a future proceeding or investigation is adopted by the Commission, Staff recommends that the Commission request the Company review its capitalization policies around line inspections and security assessment work in the LVD Lines Demand Failures subprogram on the distribution system in its next rate case, given the current consensus between Staff and Consumers to do so.

III. Exceptions Related to Capital Structure & Rate of Return

The following subsections cover a number of exceptions to items in the PFD that concern subjects that Staff originally addressed as part of the Capital Structure and Rate of Return section in its Initial Brief.

A. Staff's Exception Concerning Return on Equity

Staff is tempted to remain silent when an ALJ's return on equity (ROE) recommendation in the PFD is at or below Staff's recommendation. However, in this case, Staff disagrees with the ALJ's recommended 8.20% ROE as it falls below the Staff's range of reasonableness. In fact, the ALJ's recommended 8.20% ROE falls outside the ROE ranges of reasonableness of all the intervenors in this case. (3 TR 811.) Staff continues to support its 9.75% ROE recommendation. However, to the extent that the Commission agrees with some or all of the ALJ's findings and independent judgements that led to the ALJ's 8.2% ROE recommendation, then the Commission should consider the low end of the Staff range of 9.25% as a more reasonable ROE floor.

On page 542 of the PFD, the ALJ finds that the ROEs recommended by Staff, the AG, ABATE and Cub were reasonable while the Company's recommended 10.25% ROE was not. (PFD, p 542.) Nonetheless, instead of the ALJ recommending an ROE in the range of Staff's and the other intervenor's recommended ROEs of 9.22% - 9.80%, the ALJ recommended an ROE of 8.20%. (*Id.*) The ALJ's request is substantially below the 9.68% average ROE of electric utilities across the country in the first six months of 2025, well below the ROE

ranges of all the parties that submitted cost of equity estimates in this case and overlooks the Commission's request for gradualism and prudence in ROE recommendations. (Staff Initial Brief, pp 73 – 74.) The Commission should reject the ALJ's 8.20% ROE recommendation and adopt the Staff ROE recommendation of 9.75%. In the alternative, the Commission should consider the low end of the Staff range of reasonableness of 9.25% ROE as a more reasonable ROE floor.

B. Staff's Exception Concerning the Long-Term Debt Cost Rate

Staff takes exception to the PFD's long-term debt cost rate of 4.43%. This is the cost rate supported by Consumers after considering the actual cost rates of \$1.125 billion in debt the Company issued in May 2025. Staff recommended a long-term debt cost rate of 4.37%. (Staff Initial Brief, p 71.) Though the Company had ample time to update its case that included the actual May 2025 cost rates, it chose not to, and Staff provided the updated cost rates in its analysis of the Company's long-term debt schedule. Staff's recommended 4.37% cost rate is very similar to the AG's updated long-term debt cost rate recommendation of 4.39%. Therefore, the Company's unwarranted 4.43% cost rate should be rejected, and Staff's 4.37% should be adopted by the Commission.

C. Staff's Exception Concerning the Short-term Debt Facilities

Staff disagrees with the PFD's recommendation that the Scotiabank Revolver should be included in the Company's short-term debt cost rate in future rate cases. Staff recommended that the Commission disallow the costs associated

with the Scotiabank Revolver because that particular revolver was excessive, unused, and costly to ratepayers. (Staff Initial Brief, p 85.) Staff noted that disallowing the costs associated with the Scotiabank Revolver would save ratepayers approximately \$1 million per year. (*Id.*, pp 85-87.) Staff showed that the Company's short-term debt facilities were disproportionate, inefficiently used, and were \$250 million higher than the Company's primary competitor DTE Energy. The \$250 million higher amount coincides with the Scotiabank Revolver. (*Id.*) Even though the Company's short-term debt facilities were higher than DTE Energy, DTE had higher plant, property and equipment than Consumers. As Staff has shown, since the Company's revolvers are not being utilized, the excess costs of the \$250 million Scotiabank Revolver should be disallowed in future rate cases and that saves ratepayers over \$1 million in needless costs annually.

IV. Net Operating Income

The following subsections cover a number of exceptions to items in the PFD that concern subjects that Staff originally addressed as part of the Net Operating Income section in its Initial Brief.

A. Staff maintains that the Commission should approve Staff's recommendation to reduce generation O&M expense by \$2.849 million.

Staff's position regarding the reduction of \$2,849,000 in the Company's generation O&M expense related to the incremental increase in the Emergent Reliability Funding expense remains unchanged and Staff urges the Commission

to approve this negative adjustment of \$2,849,000 in its generation O&M expense.

Staff finds it noteworthy that the ALJ's PFD begins by stating:

This PFD finds that it is reasonable for Staff to be concerned that Consumers' projected total Generation O&M includes double-counted Emergent Reliability expense based on Consumers' statements that its total Generation O&M spending includes the future maintenance needs of each plant. [PFD, p 701.]

But, the PFD then goes on to state that:

Because this PFD finds that Consumers provided evidence that its projected spending on Emergent Reliability is reasonable and is not double counted in the test year, this PFD recommends the rejection of Staff's proposed \$2,849,000 disallowance for Generation O&M. However, as noted above, this PFD finds that Staff's concerns are reasonable and therefore this PFD recommends that the Commission require Consumers to provide a detailed explanation of how the funding allocated to Emergent Reliability was spent in each historical year. [PFD, pp 701-702.]

Staff disagrees with the PFD's analysis finding that the Emergent Reliability Funding expense of \$2,849,000 is reasonable and is not double counted in the test year. As stated in both testimony and initial brief, Staff had concerns with the \$5.279 million increase of the Admin/Generation Commons expense in the test year when compared to the respective amount in the historical year, but this was not the reason Staff recommended its adjustment. Staff's concerns merely prompted its investigation regarding the categorical breakdown of the Company's request. (6 TR 4470; Staff Initial Brief, p 116.) The Company provided Staff with the breakdown of the Admin/Generation Commons O&M expense. (*Id.*) Regarding the new Emergent Reliability Funding of \$2.849 million included in this expense breakdown, the Company stated:

Emergent Reliability Funding is not a new funding item; rather, it is budgeted annually and is necessary in the test year to fund emergent issues as they arise. **There are no actual costs in the historical year of 2024 because those funds, when spent, are allocated to specific plants/units upon investment in the Operations areas.** The amount of the Emergent Reliability Funding utilized for the prior three years (2022 through 2024) was \$6.094 million, \$3.246 million, and \$8.346 million respectively. [6 TR 4470 (Emphasis added).]

Furthermore, the Company confirmed that the emergent reliability funding expense of \$8.346 million is included in the 2024 historical expense, just not under the “emergent reliability funding” category. (6 TR 4470; Staff Initial Brief, p 117.) Based on the Company’s statements, Staff reiterates that the additional test year Emergent Reliability Funding expense of \$2,849,000 is already accounted for by the Company. The Company confirmed that there are no costs labeled “emergent reliability funding” in the historical year since these costs are allocated to specific plants/units when actually spent. Therefore, the test year request for this category is incremental to the Emergent Reliability Funding expense of \$8.346 million included in the 2024 historical O&M expense under each plant/unit, which is then used to make a projection recognizing inflation for the generation O&M expense for each individual plant in the test year. Finally, there is no assurance this additional incremental amount beyond historically inflated amounts is needed or will be spent in the test year. (6 TR 4470; Staff Initial Brief, p 117.)

For the reasons stated above, Staff maintains its position that the emergent reliability expense of each plant is already part of the total maintenance and operation expense for each plant; therefore, the historical “emergent reliability expense” is actually considered, although no longer labeled as such, when the

Company projects the future maintenance and operation expense for each plant. (Staff Initial Brief, pp 118-119.) Thus, since the projected test year is developed based on the historic maintenance and operational needs for each plant, and the historical emergent reliability expense for each plant was confirmed by the Company to be included in the 2024 historical O&M expense for the plants, it follows that these O&M costs are also included in the projection of the O&M expense for each plant in the test year, and do not require an additional incremental amount to be included under the generically labeled category of emergent reliability. (*Id.*)

Therefore, Staff's position is that the Emergent Reliability Funding expense of \$2.849 million is an incremental increase to the historical Emergent Reliability Fund expense of \$8.346 million already incorporated in the historical generation O&M expense for the plants and utilized to project with inflation the total generation O&M expense for each plant in the test year.

For these reasons, as well as those expressed in Staff's testimony and initial brief, Staff still recommends that the Company's generation O&M expenses should be reduced by \$2.849 million related to the Emergent Reliability Funding Expense included in the Admin/Generation Commons expense, as part of the Base O&M expense. This reduction recommended by Staff should be adopted by the Commission.

B. Staff takes exception to the PFD's recommendation declining 100% of canopy removal in the first zone

Staff takes exception to the PFD's rejection of Staff's recommendation for Consumers to clear 100% of tree canopy in the first zone because the ALJ agrees with the Company that the costs and benefits are currently unknown at this time. Staff takes exception to this because Staff believes that removing 100% of canopy in the first zone will help significantly decrease tree-caused outages for Consumers Energy's system. Staff understands the Company and PFD's concerns regarding costs, but the Company could survey other utilities like DTE to get more information on costs and benefits, as DTE clears 100% of tree canopy in the first zone. (6 TR 4391.) Staff requests that its exception be adopted and the Company be ordered to start clearing 100% of tree canopy in the first zone.

C. Staff takes exception to the PFD's recommendation, declining a new analysis of the costs and benefits of moving towards a four-year cycle with its next rate case

Staff takes exception to the PFD's decision to decline Staff's request that the Company file a new analysis of the costs and benefits of a four-year cycle with its next rate case. Staff takes exception to this decision because Staff believes it would be beneficial for the Company to complete a new analysis of shifting towards a four-year effective cycle. In the analysis, Staff would like the Company to provide an O&M exhibit sheet showing the costs of moving to a 4-year cycle, provide contractor costs associated with moving towards a 4-year effective cycle, provide detailed information on the availability and securing contracts for line clearing contractors with a four-year cycle, and cost savings associated with moving

towards a 4-year effective line clearing cycle. Staff disagrees with the ALJ's recommendation that the Company complete a new analysis of a four-year line clearing cycle after the Company has completed their five-year effective cycle. Under this proposal, it will take five or more years until the Commission will see the results of the new analysis. Staff believes the new analysis may show additional benefits like increased reliability which may warrant the Company moving towards a four-year effective cycle instead of a five-year effective cycle. Staff requests that its exception be adopted and the Company be ordered to complete a new four-year effective line clearing analysis.

D. Staff takes exception to the PFD's assertion that contractor costs could cause Consumers to fall behind on its line clearing ramp-up timeline.

Staff takes exception to the PFD's assertion that contractor costs could cause Consumers to fall behind on its line clearing ramp-up timeline. Staff disagrees with the ALJ's assertion because Staff did not express concerns on the costs of contracts the Company is trying to secure with line clearing contractors. (Staff Initial Brief, p 142.) Staff expressed concerns that the Company does not have enough contracts in place to secure enough contractors to complete the work a five-year line clearing cycle would require. (*Id.*, pp 142 – 144.) Staff is concerned that the Company may not be able to complete their five-year line clearing cycle by 2031 due to the lack of enough contracts secured in place with line clearing contractors. Staff requests that its exception be adopted.

E. Staff takes exception to the PFD’s recommendation that the Commission use the short-term debt rate it considers most reasonable for the return on the regulatory asset for line clearing.

Staff takes exception to the PFD’s recommendation that the Commission use the short-term debt rate it considers most reasonable until the Company has arranged for securitization of the Line Clearing Ramp-up costs. Staff recommends the Commission adopt the short-term debt rate of 4.92% for the test year for the Line Clearing Regulatory Asset. (Staff Initial Brief, p 72.)

V. Exceptions Concerning Cost of Service, Rate Design, and Tariff Issues

The following subsections cover a number of exceptions to items in the PFD that concern subjects that Staff originally addressed as part of the Cost of Service, Rate Design, and Tariff Issues section in its Initial Brief.

A. PFD Exceptions Concerning the Infrastructure Recovery Mechanism

1. Vulnerable Communities

On page 865 of the PFD, the ALJ made the following recommendation regarding the Vulnerable Communities Resiliency Plan (VCRP):

As to Staff’s recommendation to remove the VCRP from the IRP, this PFD declines to adopt this recommendation. This PFD agrees with Consumers that the VCRP aligns with the equity-related goals of the IRM and therefore recommends that the \$30 million proposed for the VCRP be recovered through the IRM. [PFD, p 865.]

Staff disagrees and takes exception. As stated on page 162 of its Initial Brief:

The Vulnerable Communities sub-program should be removed from the IRM and the associated \$30,000,000 of proposed IRM expenditures placed into rate base for the test year. On a systemwide basis, the Company's Environmental Justice (EJ) communities have comparatively good reliability, even though particular EJ communities do face reliability challenges. The Company should invest in these communities, but recovery of those expenditures does not need to occur through the IRM. [Staff Initial Brief, p 162.]

Staff maintains this position and asserts that the Commission should adopt it based on the preceding explanation. Staff respectfully requests the Commission remove the Vulnerable Communities sub-program and the associated \$30,000,000 of proposed IRM expenditures its final order.

2. Lower rate of return for IRM investments

On page 866 of the PFD, the ALJ did not agree with Staff's proposal to use a lower rate of return for the second year of the IRM:

If, however, the Commission extends the IRM for two years, this PFD would recommend applying the same return applied to all similar long-term capital investments as proposed by Consumers. This PFD does not find it appropriate to lower the rate of return based on Consumers' proposed investments in the 2010s. [PFD, p 866.]

Staff disagrees and takes its exception for the following reasons. As stated on pages 162-163 of its Initial Brief:

Staff recommends a lower ROR for the 2027-2029 IRM because, for numerous years, it appears the Company under-invested in its distribution system. (6 TR 4450 - 4451.) This is evident when comparing Company spending in the 2010s to the higher amounts it is projecting to spend now and over the next several years. (6 TR 4451 – 4452.) While Staff is not claiming the projections for the late 2020s are the correct amounts, they are probably closer in magnitude to what the distribution system requires than the amounts that were spent in the 2010s ... indicating past under-investment in the distribution system that the Company has only recently begun to turn around. (6 TR 4452.) [Staff Initial Brief, pp 162-163.]

Continuing, later on page 164 of its Initial Brief, Staff added the following concerning the lower rate of return for IRM investments:

The lower return is not permanent; again, once these investments are found to be prudent and reasonable for inclusion in base rates in a future rate case, the normal ROR would apply. [*Id.* at 164.]

Based on the preceding, Staff maintains its position and takes exception to the PFD, asking the Commission to adopt Staff's proposal to use a lower rate of return for the second year of the IRM.

B. There is no need for a workgroup to discuss an Electric Vehicle (EV) Fast Charging Tariff

In the PFD, the ALJ recommends that the Commission direct Consumers to convene a work group, including Staff and interested parties, as soon as possible and develop a consensus-based EV fast charging rate proposal that is based on cost of service. (PFD, p 830.) It is Staff's contention that the parties' various positions on a DC Fast Charging tariff are already substantially developed, mutually exclusive, and unyielding. (Staff Initial Brief, pp 157 – 161.) Therefore, a workgroup is likely to result in the airing of the same points that have been made previously and not result in any form of consensus. Because of this, Staff takes exception to the ALJ's proposal for an EV Fast Charging tariff workgroup.

VI. Exceptions Concerning Other Issues

The following represents Staff's single exception to items in the PFD concerning material contained within the Other Issues portion of its initial brief.

Specifically, Staff takes exception to the PFD's handling of the low-income assistance credits.

On pages 943 and 944 of the PFD, the ALJ addressed the Company's proposal to increase the low-income assistance credit (LIA) amount and enrollment. The ALJ's proposed decision on the matter was: "Apparently unopposed, this PFD recommends approval of the expanded LIA credit and cap, and the tariff change to facilitate the increases." (PFD, p 944.) Staff takes exception to the characterization that this issue was unopposed. While Staff did not expressly recommend its disallowance, Staff referenced the Company's proposal in its brief when responding to various proposals to reform or modify the energy assistance landscape. Staff points to pages 190-192 of Staff's initial brief in which Staff states:

Staff witness Elaina Braunschweig presented evidence in rebuttal testimony that the Commission requested energy assistance reform be effectuated through the MPSC Staff's energy affordability report process [...] Staff submitted its energy affordability report to MPSC Case No. U-20757 on September 10, 2025. Staff witness Braunschweig's rebuttal testimony stressed that the report includes many recommendations that could overlap, conflict, or agree with recommendations made in the instant case. (6 TR 4612.) Staff recommends the Commission consider all recommendations and dockets currently addressing energy assistance programming and funding as it comes to a decision in the instant case. [Staff Initial Brief, pp 191-192.]

Staff takes exception to the PFD not including all evidence as it pertains to the topic of energy assistance reform, especially since the Company's proposal is to modify one of its energy assistance programs, the low-income assistance credit. Staff reiterates its recommendation for the Commission to consider its decisions on

the Energy Affordability Report when reviewing this issue and consider not modifying energy assistance if not through the Energy Affordability Report.

VII. Conclusion

For the reasons stated in this Exceptions Brief, that is based on Staff's prior testimony and filings, Staff would request that the Commission's final order include adoption of Staff's exceptions.

Respectfully submitted,

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DATED: February 17, 2026

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**
(e-file paperless)

/

PROOF OF SERVICE

STATE OF MICHIGAN)
) ss
COUNTY OF EATON)

Cherie A. R. Shea, being first duly sworn, deposes and says that on **February 17, 2026**, 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 **17th** day of **February, 2026**.

De Ann M. Payne, Notary Public
State of Michigan, County of Eaton
Acting in the County of Eaton
My Commission Expires: 11-29-31

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