

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.

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Case No. **U-21870**  
**(e-file paperless)**

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

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COMMISSION STAFF**

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## **I. Introduction**

Staff files this brief in accordance with the January 29, 2026, issued Proposal for Decision (PFD) that established a February 26, 2026 due date for the parties to file replies to any exceptions.

## **II. Exceptions Concerning Rate Base**

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

### **A. The Commission should adopt the PFD's recommendations for the Zonal Health Investments category of the LVD Lines Reliability sub-program.**

The ALJ supported Staff's proposed bridge period disallowance for the Zonal Health Investments category, finding it to be the most reasonable approach (PFD, p 125). The ALJ further agreed with Staff on approving the Company's proposed test year spending for this category. (*Id.* at 125.)

In exceptions, the Company argued that this disallowance should not be adopted as the Company has provided clear evidence that different approaches are considered before proceeding with Zonal Health Improvement projects. (Company Exceptions, p 21.) Indeed, one of Staff's apprehensions regarding these projects did involve alternative solutions as they relate to Zonal Health Improvement projects. (6 TR 4372.) However, Staff also had apprehensions related to the lack of available historical project and spending data as this spending category was recently re-

labeled, which encouraged the Commission to adopt a disallowance to this category in the Company's most recent electric rate case, Case No. U-21585. (*Id.*)

The PFD was correct in adopting Staff's proposed bridge period disallowance, as the ALJ correctly noted the uncertainty around historical project selection by stating "This PFD finds the Company's presentation of the zones that were covered with the 2024 investments and the types of work units that were included in those zones to be lacking and unclear." (PFD, p 125.)

**B. The Commission should adopt the PFD's recommendations for the LVD Repetitive Outages sub-program.**

The ALJ supported Staff's proposed disallowances for the LVD Repetitive Outages sub-program, finding Staff's recommendation to be a reasonable compromise. (PFD, p 149.)

The Company took exception to the ALJ's proposal, stating that the Company is ramping up spending in this area as needed to reduce repetitive outages and meet Commission requirements. (Company Exceptions, p 24.) The Company reiterated arguments that Staff's approach to use spending in 2023 and 2024 to assume what amounts would be spent in the future is flawed. (PFD, p 142.)

The PFD was correct in adopting Staff's proposed disallowances to the LVD Repetitive Outages sub-program, as it is a reasonable compromise between Commission expectations and recent trends of underspending, as much as 54%, seen by the Company. (PFD, p 149.) Furthermore, Staff identified inconsistencies

in the Company's 2025 spending for this sub-program such that some months had historical spend as low as \$242,000 while other months had projected spend as high as \$1.795 million, creating doubt that the Company can achieve its proposed 2025 spending goals. (PFD, p 147.)

**C. The Commission should adopt the PFD's recommendation for the ROW Procurement investment category of the LVD Lines Reliability sub-program.**

The ALJ supported the Attorney General's disallowance to the test year for ROW procurements, finding that the Company has not adequately supported its ROW projections, and Staff had supported this approach as an alternative. (PFD, p 138.)

In exceptions, the Company requests the Commission reject the ALJ's proposal and instead approve the Company's original projection as it was reasonably projected. (Company Exceptions, p 23.) The Company provided support that the ROW projection is based on a percentage of Targeted Circuit Improvements spending (*Id.* 23).

The PFD was correct in adopting the AG's proposed disallowance, as the Company's methodology to project spending was not sufficient support for the expenditures. (PFD, p 138.) Furthermore, Staff specifically pointed to language in the Company's most recent electric rate case order, Case No. U-21585, where the Commission explicitly cites a lack of detail between projected costs and specific lines to address, the same issue present in this instant case. (6 TR 4378).

**D. The Commission should adopt the PFD’s recommendation related to the Self-Service Mobile Application.**

In its exceptions to the PFD, the Company takes issue with the ALJ’s recommendation to disallow the requested capital expenditures of \$1,056,334 for 2024 and \$1,305,671 for 2025 for the Self-Service Mobile Application (Mobile App or App). (PFD, p 338.) The Company argues in its exceptions that these expenditures should be allowed because they are necessary to maintain the App. (Company Exceptions, p 49.)

In its exceptions, the Company claims that it provided a “detailed list” of the enhancements that were to be made to the Mobile App. (*Id.*) This is not accurate. The Company indicates that this information was provided in Staff Exhibit S-10.2, but the information relating to the Mobile App in that exhibit was generic and did *not* include detailed information as to why the requested expenditures were necessary to maintain the App. (Exhibit S-10.2.) Indeed, the Company stated in Exhibit S-10.2 that the “enhancement backlog is dynamic and driven by customer feedback, planned features, and emergent needs.” (*Id.*) Using the Company’s own words, the costs requested for the App include those set aside for emergent work, which is the opposite of planned work. Additionally, by their nature, expenditures for enhancements are intended for quick fixes as issues arise and thus cannot always be planned. (Company Exceptions, p 48.)

The Company did not provide detailed examples of the work that was to be performed for the Mobile App and therefore the requested costs are akin to contingency expenses and cannot be evaluated for their reasonableness and

prudence. (Exhibit S-10.2.) Contrary to what the Company claims in its exceptions, the ALJ was correct in stating that the Company “has not truly established on what the Mobile App enhancements will be spent” and that those expenses are thus “too speculative.” (PFD, p 338.) The ALJ’s recommendation to disallow the costs requested for the Mobile App was well-reasoned and supported and therefore should be adopted by the Commission.

**E. The Commission should adopt the PFD’s recommendation related to Web Chat AI.**

In its exceptions to the PFD, the Company took issue with the ALJ’s recommendation to disallow \$157,574 for the partial bridge year ending April 30, 2026, and \$315,148 for the partial year ending December 31, 2026, in capital expenditures, as well as \$19,896 in O&M for the test year ending December 31, 2026, for the Web Chat AI. (PFD, p 355.) The Company states that Web Chat AI will enhance customer service by increasing customer access to assistance and programs and help customers self-serve better. (Company Exceptions, p 50.)

The Company’s claims in its exceptions, namely that the Web Chat AI project will “provide better service to customers, increase access to assistance and programs, and overall help customers self-service more effectively” are unsubstantiated and unsupported. (*Id.*) The Web Chat AI will simply aggregate general information that is already available on the Company’s website and will function as a Frequently Asked Questions page; any complex questions that customers have will have to wait to be answered until customer service

representatives are available during normal business hours. (6 TR 4335-4336.)

There is also no known cost savings associated with Web Chat AI. (*Id.*) The Company did not seek feedback or show support for a live chat option from its own customers, and it remains unclear which customers will actually be helped by this project. (PFD, p 353-354.)

In addition, in its Order in Case No. U-21806 the Commission stated it expected to see real progress by the Company on its website redesign before being asked to revisit the issue of the Web Chat AI in a subsequent rate case. Case No. U-21806, 9/30/2025 Order, p 137. In the instant case, no progress on the website redesign has been made and there has been no change in scope or purported benefits for the Web Chat AI. (PFD, p 354.) Therefore, the ALJ was correct in recommending disallowance of the requested expenditures for the Web Chat AI and that recommendation should be adopted by the Commission.

**F. Staff recommends reducing generation capital expenditures by \$12,908,000.**

**1. The ALJ correctly adopted Staff's \$5.453 million reduction to generation capital expenditures in the bridge period based on the updated Company forecast capital expenditures**

The Company took exception to the PFD's recommendation in adopting Staff's \$5.453 million reduction to generation capital expenditures in the bridge period based on the updated Company's forecast capital expenditures. (Company Exceptions, p 33-36.) The ALJ was correct to adopt Staff's adjustment based on the Company's updated projections for the bridge period.

In its exceptions, the Company begins by stating that “[c]ompany witness Richard T. Blumenstock agreed that Ms. Maio’s updated cost estimates reflected in Exhibit S-8.1 are appropriate and should be used to set rates in this case. The effect of these updates results in a reduction in the Company’s bridge period capital investments of \$5.453 million.” (Company Exceptions, p. 33.) But the Company then goes on to note that Staff’s adjustment failed to reflect all the updates shown in Exhibit S-8.0. (*Id.*) As explained in Staff’s Initial Brief, this exhibit provided and updated Exhibit A-12, Schedule B5.2, p 8, with actuals and updated projections for the generation capital projects originally filed in this case; however, the Company also included several new/additional projects, exceeding \$1 million, along with those projects initially filed in Exhibit A-12, Schedule B5.2, page 8. (Staff’s Initial Brief, p 29.) Consumers Energy also notes that:

Over the last few electric rate cases, Staff has adopted a routine practice of asking for these kinds of post-filing updates for all generation capital projects over \$1 million through discovery and then proposing an adjustment to reflect the Company’s updates. See MPSC Case Nos. U-21389 and U-21585. In Case Nos. U-21389 and U-21585, Staff recommended adjustments that reflected the net amount of both the increases and the decreases in the Company’s updated estimates since the filing of direct testimony.... However, in this case for the first time, Staff recommended an adjustment that reflected all of the cost reductions from the Company’s updated estimates but selectively disregarded the three projects discussed above that involved cost increases in the Company’s updated estimates. [Company Exceptions, p 34.]

Staff does not support the Company’s request related to the addition of these three new projects because this request was made after the original case had been filed. (Staff Initial Brief, p 29-30.) Staff disagrees with the Company’s statement that Staff selectively overlooked these three projects because they caused cost

increases in the Company's updated estimates. Based on the Company's updated Exhibit A-12, Schedule B5.2, p 8, with actuals and updated projections, Staff recommended a reduction in the steam projected generation expenditures by \$6.641 million, an increase in the hydro projected generation expenditures by \$1.780 million, and a reduction in the other projected generation expenditures by \$0.592 million. (Staff Initial Brief, p 28-37.) Staff recommended positive and negative adjustments; Staff's total adjustment is a \$5.453 million decrease to generation capital expenditures in the bridge period. Additionally, in case number U-21389, the Company provided actuals and updated projections for the generation capital projects originally filed as well as some additional projects over \$1 million to the capital projects initially requested. *See* MPSC Case No. U-21389, 3/1/2024 Order, p 52-54. With this data, Staff likewise only adjusted the projects over \$1 million initially filed with the respective actuals and updated projections provided by the Company. In this case (U-21870), the Company has accepted the Staff's positive and negative adjustments to the generation capital projects originally filed derived from Company's actuals and updated projections. In both cases, Staff's adjustments based on the Company's updated capital projections for the generation capital projects over \$1 million originally filed were calculated according to the actual and updated projections provided by the Company regardless of the direction of these updates, positive or negative.

In the PFD, the ALJ properly agrees with Staff's total negative adjustment of \$5.453 million, which revises the generation capital expenditures for the

individual projects greater than \$1 million, in the bridge period, identified on Exhibit A-12, Schedule B-5.2, page 8, according to Company's updated projections for the same projects. The ALJ also properly agrees with Staff's position of not supporting the Company's request related to the addition of three new projects after the original case had been filed. New requests in discovery or rebuttal are inappropriate as they do not provide interested parties with proper justification and notice. Staff's position aligns with the previous Commission order in Case No. U-21461. (Staff Initial Brief, p 30.) In this matter, ALJ stated that:

Staff is correct in its assertions that it is generally inappropriate for the Company to attempt to introduce new projects in discovery or rebuttal. The impropriety of attempting to expand the record in an advanced stage of the case has already been examined at length, and rejected, in relation to improper rebuttal testimony. [PFD, p 233.]

It is noteworthy that ALJ also stated that:

Furthermore, even considering the additional projects introduced in Mr. Blumenstock's rebuttal testimony, there is insufficient evidence to approve the requested spending.... Without a more complete presentation of evidence regarding the cost of these individual, in progress replacements, Consumers has not carried its burden of proof to allow the newly requested capital spending." [PFD, p 233-234.]

Therefore, the ALJ properly recognized that the timing and insufficient evidence in rebuttal prevents the Company recovering new project costs in this case.

For these reasons, the ALJ correctly adopted Staff's \$5.453 million reduction to generation capital expenditures related to the use of the Company's updated projections for capital projects greater than \$1 million in the bridge period.

**2. The ALJ correctly adopted Staff's \$7.455 million reduction to generation capital expenditures for 17 generation projects based on the updated class cost estimates.**

The Company continues to contest Staff's \$7.455 million reduction to generation capital expenditures for 17 total projects (13 steam projects, and 4 Ludington projects) in the test year based on the updated class cost estimates. (Company Exceptions, p 36-38.) The ALJ was correct to adopt Staff's adjustment based on the Company's class cost estimates.

In Company's Exceptions, the Company stated that "[Consumers Energy continues to urge the Commission to reconsider this issue, since it is almost certain to lead to under-recoveries due to the statistically improbable nature of all its estimates being at the lowest accuracy level rather than converging to the center. Nevertheless, given the Commission's prior decisions, these Exceptions will only focus on the ALJ's rejection of an alternative proposed by the Company." (Company Exceptions, p 36.)

In the PFD, the ALJ properly agrees with Staff's downward adjustment of \$7.455 million, which quantifies the uncertainty associated with the cost estimate of each of the 17 total projects, as well as with Staff's proposal of protecting ratepayers from the uncertainty associated with the cost estimate of a test year project while at the same time granting the Company the opportunity to request recovery in its next rate case if actual costs for each project are higher. In this regard, the ALJ states:

As for the reasons for disallowing the projected test year spending based on class cost estimates as recommended by Staff, the recommended disallowances are by no means geared towards every project. They are geared towards projects where the engineering costs are still unknown, and the projects are still in relatively early stages of planning with uncertain costs. Consumers can seek recovery of future amounts in future rate cases once projections are better documented, or costs are actually incurred, should the allowed amounts result in insufficient funding. Contrary to the Company's claims, the Company will not remain uncompensated for expenditures. However, over recovery is unlikely to ever make its way back into ratepayers' pockets. Indeed, the Commission specifically made note that Consumers could "request any reasonable and prudent spending above the approved project amounts in a future electric rate case" when finding Staff's proposed adjustments based on the same methodology to be reasonable and prudent in Case No. U-21585.982 This PFD recommends that the Commission adopt Staff's proposed disallowance in this case. [PFD, p 240-241.]

With respect to the Company's exception on the ALJ's rejection of an alternative proposed by the Company, the Company also stated that "[e]ven if the Commission is unwilling to reconsider the class cost estimate adjustment as a whole, it should, at the very least, avoid the double-counting that is currently occurring. The Commission should reverse the ALJ and require the class cost estimate adjustment to be reduced to account for the 5% contingency already removed from the total project estimates before inclusion in this rate case." (Company Exceptions, p 37-38.)

In this matter, the ALJ stated "[a]s the Commission has repeatedly found, while allowing for contingency may be appropriate in project planning, the inclusion of these uncertain costs in customer rates is unjust and unreasonable. For this reason, this PFD recommends against reintroducing a 5% contingency to offset Staff's proposed reduction." (PFD, p 240.)

Staff agrees with ALJ recommendation against reintroducing a 5% contingency to offset Staff's proposed reduction since Staff's adjustment for the class cost estimate is not associated or linked to any project's contingency. As explained in Staff's Initial Brief, the lower end of the accuracy range of the estimate, used to calculate this adjustment based on the class cost estimate, is a reasonable mechanism to evaluate and quantify the uncertainty associated with each project cost estimate. (Staff Initial Brief, p. 33.) Therefore, this mechanism adjusts the projects fairly for their inherent uncertainty that is built into the test year projections. As stated previously, Staff's position is that the further into the future a projected amount is estimated for a project, the more uncertainty in the cost estimate. (Staff's Initial Brief, p 33.) For this reason, Staff only adjusted 17 out of 22 projects over \$1 million in the test year for which the engineering costs are still unknown and uncertain. Furthermore, Staff did not adjust any projects under \$1 million in the test year as well as any projects over or under \$1 million in the bridge year. Staff gave the Company the benefit of the doubt for most of its generation capital expenditures and ultimately accepted the projections. Staff and the ALJ accepted the Company's projections as reasonable for most generation capital projects, except for those with more uncertainty built into the projections derived from unknown and uncertain engineering costs and relatively early stages of planning. Staff maintains that with large projects (>\$1.0 million) where the cost estimates are less clearly defined and the magnitude is greater, it is fair to adjust the projections for this uncertainty in setting reasonable and prudent rates.

For these reasons, the ALJ correctly adopted Staff's \$7.455 reduction to generation capital expenditures for 17 total projects in the test year based on the updated class cost estimates.

### **III. Net Operating Income**

Staff's reply to exceptions concerning issues originally covered in the Net Operating Income section of Staff's Initial Brief.

#### **A. The Commission Should Adopt Staff's Commercial Deliveries Adjustment**

In its exceptions to the PFD, the Company takes issue with the ALJ's adoption of Staff's sales forecast adjustment. (Consumers Exceptions, p 101-104.) The Company avers how only its method and model capture recent trends, and that even though Staff's model met or exceeded the Company's adjusted R-squared ( $R^2$ ) and mean absolute percentage error (MAPE) criteria, the adjustment made by Staff to its model output (outside of the regression equation) in order to remain consistent with the Company was unreasonable, and that "Staff's and the Company's models required different adjustments." (*Id.* at p 102.) The Company states that this adjustment skews Staff's model results, and that if the Commission does ultimately decide to adopt Staff's model, then it should only utilize the raw output with no external adjustment. (*Id.*)

Staff continues to support its recommended sales forecast adjustment in its entirety. The adjustment that the Company refers to in its replies to exceptions was addressed by Staff in direct testimony and Initial Brief, and Staff continues to

rely on those arguments that support adjustment to the model outputs. (6 TR 4280, Exhibit S-15.12, Staff Initial Brief, p 100.) The Company cautions against overreliance on regression model outputs and emphasizes manual adjustments when expertise and experience necessitate them. (3 TR 960-962, Consumers Initial Brief, p 303.) Beyond the cycle-billed to calendar deliveries adjustment that was already provided to Staff in rate case filing attachments, Staff requested but was given no explanation or directive as to how the external model adjustments should be derived. (6 TR 4280, Exhibit S-15.12.) Because the adjustments were not immaterial, and to avoid appearing arbitrary in modifying the regression model outputs, Staff elected to follow the Company's procedure and added the same amount of incremental load to its own model output. In future cases, the Company should provide a more detailed explanation of the adjustments made to the forecast as it exists in the Company's modeling software when it is compared to the Company's exhibits and filing attachments. (6 TR 4280-4281.) The Commission should adopt Staff's recommended forecast that is inclusive of these adjustments.

The Company then reiterates the same critiques of Staff's forecast that were brought up in rebuttal testimony. (3 TR 962, Consumers Exceptions pp 103-104). Staff responded to each of these criticisms in its Initial and Reply Briefs. (Staff Initial Brief, p 100-104, Staff Reply Brief, p 15-18.) Staff relies on the arguments made in those filings and is not compelled by the Company's continued insistence that Staff's model is unreasonable simply because it does not match the Company's expected outcomes. The principal difference between the Company's and Staff's

forecasts is that Staff places complete emphasis on a use per customer model whereas the Company combines the weighted outputs of a use per customer and aggregate load model in a seemingly arbitrary way. (6 TR 4275-4276, Exhibit S-15.6, Staff Initial Brief, p 97.) Staff recommends a commercial forecast adjustment because it was found that Staff's model is more accurate, demonstrated by lower mean absolute percentage error values on a test set of data spanning the period July 2024 to March 2025, (Exhibit S-15.11, p 2-3,) which in Staff's opinion, is the most important benchmark for reasonableness. The Commission should take heed of the ALJ's recommendation and set rates using the adjusted forecast recommended by Staff.

**B. Business Continuity – Program Management Tool Project**

The PFD agreed with Staff's recommendation for a full disallowance of the expenses associated with the Business Continuity – Program Management Tool project by stating that “[t]his PFD agrees with Staff that the Company has not shown the expenses for this project are necessary or otherwise prudent given the Company's failure to prioritize this project since adopting ICS standards in 2013, including when the Company implemented its current Riskonnect system in 2023 without adequately addressing its related incident management needs. In addition, this PFD questions whether the costs for this project will be incurred in the test year as planned, considering the change in implementation dates emphasized by Ms. Zichi and the fact that the Company has yet to select a vendor or a software solution.” (PFD, p 721.)

The Company disagreed with the PFD and again reiterates what this project is and the benefits it would gain after completion. (Company Exceptions, p 124-125.) Staff understands the project background and scope, which were never in question or part of the reasoning for Staff's disallowance. The Company states in its exceptions that Staff's disallowance is based on the Company not proposing a tool sooner. (Company Exceptions, p 125.) This is a broad and inaccurate conclusion of Staff's rationale for disallowance, which dismisses the three main points of Staff's concerns. Staff has explained in testimony, and again repeated in brief, that the Company provided new information to Staff in this case that contradicted the immediate need for this project, and furthermore failed to provide information supporting why it is important now. (Staff Initial Brief, p 124-125.) Staff does not believe this tool *should have* been introduced sooner, it believes that if meeting standards adopted by the Company in 2013 are so important to the Company, then it *would have* implemented an ICS tool, to meet this standard back in 2013. Additionally, when the Company had a second, logical, opportunity to implement a compliant tool in 2023 it again did not do so. Staff also noted that the start/end dates have continued to change across three rate cases. Finally, Staff learned that this project, which has been included in cases since mid-2024 still does not have a vendor selected for the new ICS tool. (*Id.*) These are, and continue to be, the reasons for Staff's disallowance, not simply that the Company did not propose this tool sooner.

Furthermore, in its exceptions to the PFD, the Company states this project will save 376 labor hours annually. While Staff can appreciate this claimed savings, it does not negate the other issues presented by Staff to support its disallowance. The Company believes that the reduction in labor and the expected benefits is enough to overlook past contradictory decisions and justify the need for this project now. (Company Exceptions, p 125.) Staff disagrees, and notes that these two aspects of the project have nothing to do with Staffs position and reasons for disallowance. Additionally, they do not provide any further supporting information addressing Staffs concerns. Staff sees this information as simply additional facts about this project, facts that do not help support the need for this project now. Additionally, the Company again states the reason for not implementing an ICS tool back in 2023, when the current tool, Riskconnect, was implemented. (*Id.*) Staff has addressed this information in its brief and continues to maintain its position. (Staff Initial Brief, p 125-126.)

The Company concludes its exceptions by noting that the ALJ questioned if the costs for this project would be incurred in the test year due to the continuous shift in implementation dates, noted by Staff. (Company Exceptions, p 126.) To address this concern, the Company states that the project start and end dates have been clearly laid out in Confidential Exhibit A-20 (SHB-5) and are “not likely to change again given the benefits the Company stands to gain once the project is completed.” (*Id.*) The Company’s argument is unsupported. The change in implementation date was only discussed because Staff noticed the inconsistency

through its analysis. The Company never addressed these changes in testimony. For these reasons, and those stated in brief, Staff continues to recommend the Commission adopt the ALJ's decision.

### **C. Campbell Plant AFUDC**

On pages 52-54 of its exceptions brief, the Attorney General (AG) discusses the Campbell plant and its operation pursuant to the emergency orders issued by the US Department of Energy. (AG Exceptions, p 52-54.) Staff is compelled to reply to this exception because the AG continues to carry forward through its analysis an inference that the Company updated the AFUDC offset for this project. That inference seems to stem from Company witness Blumenstock's rebuttal testimony where it appears to reference and imply that the AFUDC offset was updated. (6 TR 3603-04.) However, Staff maintains this is incorrect based on a review of Company Appendix C1, Line 14 from the Company's Initial Brief, in which the AFUDC amount was not changed from the Company's initial filing amount. (Company Initial Br, Appendix C1, line 14.) Based on that clear indication that the discussed adjustment never took place, Staff recommends the Commission, if it approves this project, update the AFUDC offset.

#### **IV. Exceptions Concerning Cost of Service, Rate Design, and Tariff Issues**

The following subsections cover 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. Service Connection Fee**

Regarding the Service Connection Fee, on page 843 of the PFD, the ALJ states:

This PFD acknowledges the Company's justification for a flat service connection fee; however, it concurs with Staff that a flat fee only, rather than a flat fee with a per foot charge after a certain distance, is not justified, and emphasizes efficiency over fairness. Therefore, this PFD recommends the Commission direct the Company to create a fee structure that covers the fixed costs but also reflects the variable costs – protecting the rate payers from subsidization and ensuring fairness. [PFD, p 843.]

On page 133 of its exceptions, the Company responded with the following:

The Commission should approve the Company's proposed updates to the service connection fees in this case and reject the requirement that the Company create a different fee structure. The Company's proposal to charge a flat fee is reasonable because a significant portion of installing a new service involves fixed costs associated with the crew being onsite for the work, and those fixed costs are included in the Company's proposed fee structure. 3 TR 2045. Flat fees also create billing efficiencies that allow the customer to complete payment earlier in the process rather than needing to wait for a full design to be developed. *Id.* Flat fees also prevent the need for rebilling if the actual footage differs from the original quote, improving the customer experience. 3 TR 2045-2046. [Company Exceptions, p 133.]

In response, Staff would incorporate by reference the following recommendations it made in its Initial Brief:

Staff agrees that the costs need to be updated, overhead service connections should require the customer or developer to pay a fee, and the Company can charge additional costs for alternate routes that are longer and more challenging. (6 TR 4454.) However, Staff does not agree with the flat fee structure, because it could lead to customers with short service connection lengths subsidizing customers with longer service connection lengths. (*Id.*) Therefore, Staff recommends the Company maintain the existing fee structure in which there is a per foot charge for each type of connection. (*Id.*) For installations of overhead service connections for residential and general service customers, which currently do not have fees, the Company should propose fees or contributions that include per-foot charges in its next rate case. (*Id.*) [Staff Initial Brief, p 166.]

A page later, in that same section, Staff further articulates the following for the consideration of the ALJ, stating:

Flat fees are not justified just because a significant portion of installing a new service involves fixed costs; not all costs are fixed, and the fee structure should reflect the variable costs to some degree. For new residential underground services, Staff is willing to accept a fee structure that has a fixed fee component, similar to the \$350 for the first 150 feet that is currently in place. However, there should be a per foot charge component that would apply past a certain distance. Staff is open to applying this structure to other types of services. This should help the Company capture at least some of the billing efficiencies it touts as a benefit; in general, though, Staff's opinion is that the Company's proposal puts too much emphasis on efficiency and not enough on fairness. [Staff Initial Brief, p. 167.]

Based on the preceding, Staff maintains its position and asks the Commission to adopt Staff's proposal regarding service connection fees.

**B. Staff also replies to exceptions taken concerning the distribution system planning and analysis.**

- 1. The Commission should adopt the PFD recommendation that any costs in future cases that cannot be reconciled or tracked between the planning efforts and the rate case be disallowed.**

The Commission should reject the Company's argument in its exceptions that the PFD's recommendation regarding unreconcilable or untrackable future costs should not be adopted. The Company states that:

"...an inability to "reconcile or track" the costs should not lead to an automatic disallowance when there may be situations where such costs are nonetheless reasonable and prudent and supported by the evidence in the case." [Company Exceptions, p 137.]

The Company's argument should be rejected because any costs that are "reasonable and prudent and supported by the evidence in the case" will be able to be reconciled and tracked to such reasonable decision making on the Company's part. The circular logic in the Company's statement renders it meaningless.

Staff maintains that the PFD recommendation on page 913 for presented distribution cost trackers between the DSP and the rate case is appropriate and should be adopted.

- 2. The Commission should adopt the PFD's recommendation to direct the Company to demonstrate a clear link between investments and quantifiable reliability improvements.**

The PFD recommended the Commission assess cost-effectiveness, affordability, and potential rate impact of any SAIDI performance forecasts related to the U-21305 order. (PFD, 913-914.) Staff replies to the Company's exceptions to

the above discussion on SAIDI forecasting and SAIDI ‘glidepaths’. The Company states that it is unclear what additional analysis the PFD is recommending and that the Commission should instead rely on recommendations between Case Nos U-20147 and U-21305. (Company Exceptions, p 137-138.)

Staff asserts that the Company’s exception fails as this case is fundamentally a different case than U-20147 and U-21305. Neither of those cases approve costs, and neither are contested cases. The issue in the extant case concerns the cost-effectiveness of the timelines in the Company’s SAIDI ‘glidepath’ model as it relates to future rates. In addition, the PFD notes that the Commission has shown no suggestion that the Company should abandon its SAIDI model and instead asked the Company to look at achieving SAIDI performance goals in a cost-effective manner. (PFD, p 915.) Staff maintains its analysis that the Company did not meaningfully examine whether the longer SAIDI ‘glidepaths’ would be more effective for customer affordability as suggested by case U-21305. (Staff Initial Brief, p 173-176.) The PFD’s recommendation for a rate impact analysis of the Company’s SAIDI ‘glidepaths’ on page 915 is appropriate and not mirrored by requirements in other cases.

- 3. The Commission should adopt the PFD’s recommendation to find any expenses in future cases based solely on avoiding financial penalties or gaining a financial incentive set by the Commission are imprudent.**

The PFD recommended “the Commission establish that any expenses in future rate cases based *solely* on avoiding financial penalties or gaining a financial

incentive set by the Commission are imprudent.” (PFD, p 915.) The Company’s exceptions state that the Commission should reject the recommendation as “it is a determination that the Commission does not need to make in this proceeding”. (Company Exceptions, p 138.) Staff disagrees. The determination is supported by the record in the case and establishes necessary and proper clarification. Staff’s original testimony, summarized in its initial brief, cites both Case U-21305 and prior Commission order seeking proposals for longer SAIDI timelines in support of affordability. (Staff Initial brief, p 173-176.) The Company cited, in its initial testimony, financial incentives and disincentives as support for continued expedited SAIDI ‘glidepaths’, which, as argued by Staff, are not sufficient proof of actual future SAIDI.

Staff maintains its analysis of the Company’s SAIDI modeling and believes the PFD’s recommendations are appropriate.

## **V. Conclusion**

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

Respectfully submitted,

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**DATED: February 26, 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    )

**Erin Fielder-Attia**, being first duly sworn, deposes and says that on **February 26, 2026**, she served a true copy of **Michigan Public Service Commission Staff's Replies to Exceptions to the Proposal for Decision** upon the parties on the attached service list **via email only**:

\_\_\_\_\_  
Erin Fielder-Attia

Subscribed and sworn to before me  
This **26<sup>th</sup>** 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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