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June 10, 2010

Ms. Mary Jo Kunkle
Executive Secretary
Michigan Public Service Commission
6545 Mercantile Way, Ste 7
Lansing, MI 48911

Re: MPSC Case No. U-16191

Dear Ms. Kunkle:

Enclosed herewith for filing in the above-referenced matter, please find the Direct Testimony and Exhibits of (1) James W. Collins, Jr., (2) Michael Gorman, and (3) David L. Stowe, and Certificate of Service with regard to same. If you have any questions, please feel free to contact my office. Thank you.

Very truly yours,

Fraser Trebilcock Davis & Dunlap, P.C.

Jennifer Utter Heston

Jennifer Heston
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JUH/cb
Enclosure

cc: All Parties of Interest

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-16191

CERTIFICATE OF SERVICE

Carolyn D. Biegalski hereby certifies that on the 10th day of June, 2010, she served the Direct Testimony and Exhibits of (1) James W. Collins, Jr., (2) Michael Gorman, and (3) David L. Stowe, and Certificate of Service in the above docket on the persons identified on the attached service list by electronic mail.

Carolyn D. Biegalski

Carolyn Biegalski

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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-16191**

Direct Testimony and Exhibits of

James W. Collins, Jr.

On behalf of

Hemlock Semiconductor Corporation

Project 9286
June 10, 2010

BRUBAKER & ASSOCIATES, INC.
CHESTERFIELD, MO 63017

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-16191**

Direct Testimony of James W. Collins, Jr.

Q PLEASE STATE YOUR NAME AND BUSINESS ADDRESS.

A James W. Collins, Jr. My business address is 16690 Swingley Ridge Road, Suite 140, Chesterfield, MO 63017.

Q WHAT IS YOUR OCCUPATION?

A I am a consultant in the field of public utility regulation with the firm of Brubaker & Associates, Inc. ("BAI"), energy, economic and regulatory consultants.

Q PLEASE DESCRIBE YOUR EDUCATIONAL BACKGROUND AND EXPERIENCE.

A This information is included in Appendix A to my testimony.

Q ON WHOSE BEHALF ARE YOU APPEARING IN THIS PROCEEDING?

A I am presenting testimony on behalf of Hemlock Semiconductor Corporation ("HSC"). HSC is a manufacturer of semiconductor grade polycrystalline silicon and related chemicals headquartered in Hemlock, Michigan [see Exhibit HSC-1 (JWC-1)]. HSC is a very large consumer of electric energy, and is Consumers Energy Company's

("Consumers" or "Company") largest single site customer. HSC is also the only customer taking service under Consumers' General Service Large Industrial Economic Development Rate E-1.

Q ARE YOU SPONSORING ANY EXHIBITS AS PART OF YOUR DIRECT TESTIMONY?

A Yes. As part of my direct testimony, I am sponsoring Exhibit HSC-1 (JWC-1) through Exhibit HSC-5 (JWC-5).

Q WHAT IS THE SUBJECT OF YOUR TESTIMONY?

A My testimony addresses Consumers' proposed delivery and power supply rate design for the Rate GPD and GSG-2 service classes. In order to make my presentation consistent with the revenue levels requested by Consumers, I have, in many instances, used its numbers for revenues under proposed rates. Use of those numbers should not be interpreted as an endorsement of them for purposes of determining the total dollar amount of rate increase authorized for Consumers.

Q PLEASE SUMMARIZE YOUR CONCLUSIONS AND RECOMMENDATIONS.

A The conclusions and recommendations in my testimony are summarized as follows:

1. Consumers' proposed Rate GPD distribution rate design results in a revenue responsibility that is in excess of the actual costs to serve Voltage Level 1 and Voltage Level 2 customers. Additionally, Consumers' proposed Rate GPD distribution rate design under-recovers its costs to serve Voltage Level 3 customers. As a result, Consumers' proposed Rate GPD distribution rate design continues to impose intraclass rate subsidies between the three delivery voltage rate groups within the GPD rate class.

2. In the Michigan Public Service Commission's ("Commission") Order in Consumers' last rate proceeding, the Commission stated that the Rate GPD voltage group class subsidies would be addressed in Consumers' next rate proceeding.

3. Consumers' proposed Rate GPD distribution rate design should be revised to reflect the actual costs to serve each voltage class.

4. Consumers' Rate GPD power supply rate design produces rates for the Voltage Level 1 customers that are excessive. Consumers has provided no support for its proposed Rate GPD voltage level production allocation. Therefore, any production cost increase for Rate GPD should be allocated across-the-board to each voltage class.

5. Rate GSG-2 distribution rates should be set at the same level as Rate GPD distribution rates, consistent with historical precedent.

Rate GPD Delivery Rate Design

Q DID CONSUMERS PRESENT A SEPARATE COST OF SERVICE STUDY IDENTIFYING THE REVENUE REQUIREMENT BY VOLTAGE LEVEL FOR THE GENERAL PRIMARY DEMAND ("GPD") SERVICE CLASS?

A Yes. In the Final Order in Consumers' last rate case, Case No. U-15645, Consumers was ordered to treat each Rate GPD voltage class as a separate rate group in the cost of service filing in its next rate proceeding. This cost of service analysis is attached as Exhibit A-21 (EJK-3) to the direct testimony of Consumers' witness Mr. Eric Keaton.

Q DO YOU HAVE ANY COMMENTS REGARDING MR. KEATON'S EXHIBIT A-21 (EJK-3)?

A Yes. To derive the adjusted total delivery revenue requirement for Rate GPD customers, Mr. Keaton adds the revenue credit of $4.973 million (Line 95) to the established revenue requirement figure of $123.242 million (Line 91) to produce an adjusted Rate GPD delivery revenue requirement of $128.215 million (Line 99). This calculation is in error.

Mr. Keaton should have subtracted the revenue credit of $4.973 million from the established revenue requirement of $123.242 million to derive an adjusted total Rate GPD delivery revenue requirement figure of $118.269 million. This adjustment is appropriate since the revenue credit results in additional revenue, which reduces a class's revenue requirement. The corrected analysis is shown as Exhibit HSC-2 (JWC-2).

Q WHY WAS CONSUMERS INSTRUCTED TO TREAT EACH RATE GPD VOLTAGE CLASS AS A SEPARATE RATE GROUP IN ITS NEXT COST OF SERVICE FILING?

A The Association of Businesses Advocating Tariff Equity ("ABATE") in Consumers' last rate proceeding, Case No. U-15645, presented an analysis showing that within the Rate GPD service class, Voltage Level 1 (Transmission or High Voltage Subtransmission) and Voltage Level 2 (Subtransmission) customers' distribution rates were subsidizing the distribution rates of Voltage Level 3 (Primary) customers. Based on ABATE's analysis, the Commission ordered that 25% of the distribution subsidies should be eliminated and the remainder of the subsidy to be addressed in this case. In addition, Consumers was instructed to separate each GPD voltage class into separate rate groups to identify the revenue requirement of each group.

Q WHAT ARE THE CURRENT AND PROPOSED DISTRIBUTION RATES OF EACH INDIVIDUAL RATE GPD VOLTAGE LEVEL CUSTOMER?

A Consumers' current and proposed distribution rates by voltage level for Rate GPD are shown in Table 1.

TABLE 1

Consumers' Current and Proposed Rate GPD Distribution Charges

Description	Maximum Demand Charge ($/MW)	Energy Charge ($/kWh)	System Access Charge (Per Month)
Current Rates:			
Full Service Customers:			
Voltage Level 1	$0.90	$0.008027	$400
Voltage Level 2	$1.57	$0.008027	$400
Voltage Level 3	$2.09	$0.008027	$400
ROA Customers:			
Voltage Level 1	$0.90	$0.004038	$400
Voltage Level 2	$1.57	$0.004038	$400
Voltage Level 3	$2.09	$0.004038	$400
Proposed Rates:			
Full Service Customers:			
Voltage Level 1	$0.90	$0.007648	$400
Voltage Level 2	$1.55	$0.007648	$400
Voltage Level 3	$2.05	$0.007648	$400
ROA Customers:			
Voltage Level 1	$0.90	$0.004239	$400
Voltage Level 2	$1.55	$0.004239	$400
Voltage Level 3	$2.05	$0.004239	$400

Source: Case No. U-16191, Exhibit A-11 (HWM-4), Schedule F-3, Page 6 & 7.

Comparing current Rate GPD distribution rates by voltage level with Consumers' proposed Rate GPD distribution rates by voltage level reveals that Consumers has not reduced or eliminated the subsidies provided by Voltage Level 1 and Voltage Level 2 customers to Voltage Level 3 customers.

Q IS CONSUMERS' PROPOSED DISTRIBUTION VOLTAGE LEVEL RATE DESIGN FOR THE GPD RATE CLASS REASONABLE?

A No. Consumers' proposed GPD distribution delivery rates for the various voltage levels do not reflect Consumers' actual cost of service. Consumers' proposed distribution rate design continues to over-collect revenues from Voltage Level 1 and Voltage Level 2 customers, and under-collect revenues from Voltage Level 3 customers.

The proposed delivery rates or charges for Voltage Level 1 and Voltage Level 2 customers are overstated and if not corrected will result in continued subsidies to Voltage Level 3 customers.

Q HAVE YOU PERFORMED AN ANALYSIS TO DETERMINE THE ACTUAL DELIVERY VOLTAGE REVENUE REQUIREMENT TO SERVE EACH VOLTAGE CLASS WITHIN RATE GPD?

A Yes, the results of my analysis are shown on Exhibit HSC-2 (JWC-2). This information was taken directly from Mr. Keaton's Exhibit A-21 (EJK-3) and includes the correction for the treatment of the revenue credits.

Exhibit HSC-2 (JWC-2) identifies the total revenue requirement for each voltage level. The total distribution revenue requirement based on Consumers' cost of service study is $118.269 million. Of that amount, $4.006 million, or 3.4%, is related to serving Voltage Level 1 customers, $16.301 million, or 13.8%, is related to serving Voltage Level 2 customers and the remaining $97.962 million, or 82.8%, is needed to serve Voltage Level 3 customers.

It should be noted that HSC witness David Stowe is submitting testimony in support of several class allocation adjustments, which result in a lower delivery

revenue requirement for Rate GPD customers. Should the Commission accept Mr. Stowe's proposed cost of service adjustments, Mr. Keaton's Exhibit A-21 (EJK-3) and similarly Exhibit HSC-2 (JWC-2) will need to be updated.

Q PLEASE EXPLAIN HOW YOU CALCULATED THE TOTAL REVENUE REQUIREMENT ASSOCIATED WITH EACH RATE GPD VOLTAGE LEVEL CUSTOMER CLASS.

A The information from Mr. Keaton's Exhibit A-21 (EJK-3) identified the total revenue requirement associated with Rate GPD customers broken down by function (i.e., High Voltage Subtransmission, Subtransmission and Primary). To determine the revenue requirement by voltage level, I utilized the maximum billing demands by voltage level as shown in Mr. Hubert Miller's workpaper WP-HWM-3. Using this information, I was able to allocate to each voltage class its appropriate share of the high voltage subtransmission distribution revenue requirement, the subtransmission distribution revenue requirement and the primary distribution revenue requirement. This is shown on lines 104 through 114 of Exhibit HSC-2 (JWC-2), page 3. Mr. Miller's workpaper WP-HWM-3, is included as Exhibit HSC-2 (JWC-2), page 4.

Q WHAT IS THE TOTAL GPD DISTRIBUTION REVENUES THAT CONSUMERS IS PROPOSING TO COLLECT FROM EACH RATE GPD VOLTAGE CLASS?

A Using the demand and energy billing detriments for the full service and ROA customers from the exhibits and workpapers of Consumers' witness, Mr. Hubert Miller, I calculated the following revenue responsibility for each voltage level. This is shown in Table 2.

TABLE 2

Consumers' Proposed GPD Delivery Revenue by Voltage Level ($000)

Rate Class	Proposed Demand Delivery Revenue	Proposed Energy Delivery Revenue	Proposed System Access Revenue	Subsidy Contribution	Total Revenue Excluding Subsidies	%
Voltage Level 1	$ 5,910	$20,342	$ 197	($ 8,345)	$ 18,104	15.2%
Voltage Level 2	14,041	26,846	1,085	(10,038)	31,634	26.5%
Voltage Level 3	32,827	46,343	9,686	(19,317)	69,539	58.3%
Total	$52,778	$93,532	$10,968	($38,000)	$119,278	100.0%

Source: Workpaper HSC-3 (JWC-3).

Q THE RESULTS OF CONSUMERS' COST OF SERVICE ANALYSIS, CORRECTED FOR THE TREATMENT OF REVENUE CREDITS, INDICATES THAT THE TOTAL DISTRIBUTION REVENUE REQUIREMENT IS $118.269 MILLION. THE RESULTS OF YOUR ANALYSIS SHOWN IN TABLE 2 INDICATE THAT THE REVENUE REQUIREMENT EXCLUDING SUBSIDIES IS $119.278 MILLION. WOULD YOU PLEASE EXPLAIN THE DIFFERENCE?

A The difference is caused by the allocation of federal income taxes. Because the rates are designed to recover the revenue deficiency as adjusted for the elimination of subsidies and credits, the total amount collected from the GPD customers is consistent with Consumers' request. Therefore, to avoid any controversy regarding this issue, I have developed the Rate GPD distribution rates to recover Consumers' revenue target of $119.278 million. However, if the Commission reduces Consumers'

proposed Rate GPD distribution-related revenue requirement, this will lower the revenue target.

Q HOW DOES THE PERCENT OF REVENUES CONSUMERS PROPOSES TO COLLECT FROM EACH VOLTAGE CLASS, EXCLUSIVE OF THE SUBSIDIES, COMPARE WITH THE RESULTS OF CONSUMERS' PROPOSED COST OF SERVICE STUDY?

A Table 3 shows a comparison of the revenue requirement by voltage level with Consumers' proposed revenue collection by voltage level.

TABLE 3

Percent of Revenues Provided by Rate GPD Voltage Levels

Voltage Level	Consumers' Cost of Service	Consumers' Proposed Rate Design
Voltage Level 1	3.4%	15.2%
Voltage Level 2	13.8%	26.5%
Voltage Level 3	82.8%	58.3 %

As shown in Table 3, Consumers' proposed Voltage Level 1 and Voltage Level 2 rates produce significantly more revenue than the cost to serve these customers. Voltage Level 3 charges, on the other hand, will not fully recover Consumers' cost to serve this customer group.

Specifically, Consumers' cost of service study indicates that approximately 3.4% of total GPD distribution-related costs were incurred by the Voltage Level 1 customer class. However, Consumers proposes to recover 15.2% of the total Rate

GPD distribution-related revenue requirement from the Voltage Level 1 customer class.

Q WHAT IS YOUR RECOMMENDATION REGARDING THE VOLTAGE LEVEL RATE DESIGN FOR THE GPD CUSTOMER CLASS?

A I recommend that the distribution charges by voltage level should reflect cost of service. That is, the voltage level rates, excluding the subsidy charges and credits, should be designed to collect 3.4% of the GPD distribution revenues from Voltage Level 1 customers, 13.8% from Voltage Level 2 customers and 82.8% from Voltage Level 3 customers.

Q DOES THE COMMISSION'S ORDER IN CONSUMERS' LAST RATE CASE, CASE NO. U-15645, SUPPORT YOUR PROPOSED MOVEMENT TO COST-BASED RATES BY VOLTAGE LEVEL IN THIS PROCEEDING?

A Yes. In Case No. U-15645, the Commission agreed with the Administrative Law Judge to eliminate only 25% of the voltage subsidies between Rate GPD customers and stated that "the remainder of the differential would be addressed in the Company's next rate case, where each voltage level would be treated as a separate rate group in the COSS."

Q HAVE YOU DEVELOPED COST-BASED RATES BY VOLTAGE CLASS FOR RATE GPD?

A Yes. Exhibit HSC-3 (JWC-3) shows the development of my proposed rate design for GPD customers. My proposed rates are summarized in Table 4.

TABLE 4

Comparison of Consumers' Current and Proposed Rate GPD Distribution Charges and HSC's Proposed Rate GPD Distribution Charges

Description	Maximum Demand Charge ($/MW)	Energy Charge ($/kWh)	System Access Charge (Per Month)
Current Rates:			
Full Service Customers:			
Voltage Level 1	$0.90	$0.008027	$400
Voltage Level 2	$1.57	$0.008027	$400
Voltage Level 3	$2.09	$0.008027	$400
ROA Customers:			
Voltage Level 1	$0.90	$0.004038	$400
Voltage Level 2	$1.57	$0.004038	$400
Voltage Level 3	$2.09	$0.004038	$400
Consumers' Proposed Rates:			
Full Service Customers:			
Voltage Level 1	$0.90	$0.007648	$400
Voltage Level 2	$1.55	$0.007648	$400
Voltage Level 3	$2.05	$0.007648	$400
ROA Customers:			
Voltage Level 1	$0.90	$0.004239	$400
Voltage Level 2	$1.55	$0.004239	$400
Voltage Level 3	$2.05	$0.004239	$400
HSC's Proposed Rates:			
Full Service Customers:			
Voltage Level 1	$0.212	$0.004059	$400
Voltage Level 2	$1.263	$0.004059	$400
Voltage Level 3	$5.235	$0.004059	$400
ROA Customers:			
Voltage Level 1	$0.212	$0.002250	$400
Voltage Level 2	$1.263	$0.002250	$400
Voltage Level 3	$5.235	$0.002250	$400

This rate design moves rates to cost of service by voltage level. I have developed my distribution rates to recover Consumers' Rate GPD delivery revenue target of $119.278 million. However, if the Commission adjusts Consumers' proposed distribution-related revenue requirement or the revenue requirement for the Rate GPD class as a whole, as supported by the direct testimony of HSC's witness David Stowe, the rates will need to be adjusted to produce the revised revenue target.

This process results in an interclass shift of revenue requirement from Voltage Level 1 and Voltage Level 2 customers to Voltage Level 3 customers.

Rate GPD Power Supply Rate Design

Q DID CONSUMERS PRESENT A SEPARATE ANALYSIS IDENTIFYING THE PRODUCTION REVENUE REQUIREMENT BY VOLTAGE LEVEL FOR THE GPD CUSTOMER CLASS?

A No. In response to 16191-HSC-CE-213, attached as Exhibit HSC-4 (JWC-4), the Company stated that a voltage level analysis for the Rate GPD production revenue requirement does not exist.

Q DID THE FINAL ORDER IN CONSUMERS' LAST RATE PROCEEDING, CASE NO. U-15645, STATE THAT EACH RATE GPD VOLTAGE LEVEL CUSTOMER WOULD BE TREATED AS A SEPARATE RATE GROUP IN THE RATE GPD CLASS IN CONSUMERS' NEXT COST OF SERVICE STUDY?

A Yes. However, Consumers has not fully complied with this request. Consumers only performed a separate voltage level rate group analysis with regard to the allocation of

distribution-related costs. Consumers did not perform a separate voltage level rate group analysis with respect to the allocation of production-related costs.

Q IS CONSUMERS PROPOSING AN INCREASE IN PRODUCTION-RELATED COSTS FOR RATE GPD CUSTOMERS?

A Yes. Table 5 below shows Consumers' present and proposed production revenue by voltage level excluding power factor and economic development adjustments and PSCR costs. Consumers' proposal increases total Rate GPD power supply revenue by 5.6%. Voltage Level 2 and 3 customers are assigned a 5.0% and 5.4% production rate increase, respectively, while Voltage Level 1 customers are assigned a 7.1% production rate increase.

TABLE 5

Percent of Power Supply Revenues Provided by Various Voltage Classes ($000)

Voltage Level	Present Revenue	Consumer Proposed Rate Design	Percent Increase
Voltage Level 1	$150,014	$160,702	7.1%
Voltage Level 2	209,403	219,891	5.0%
Voltage Level 3	421,833	444,749	5.4%
Total	$781,250	$825,342	5.6%

Source/Notes:

(1) Exhibit A-11 (HWM-4), Schedule F-3, page 6 of 11.

(2) Excludes Power Factor Adjustment, Economic Development Adjustment and PSCR Factor.

Q HAS CONSUMERS PROVIDED ANY SUPPORT AS TO WHY VOLTAGE LEVEL 1 CUSTOMERS ARE ASSIGNED A LARGER PORTION OF THE REQUESTED RATE GPD PRODUCTION-RELATED COST INCREASE?

A No. Consumers has not provided an analysis or discussion stating why Voltage Level 1 customers are assigned a larger portion of the requested Rate GPD production-related cost increase.

Q HAVE YOU IDENTIFIED WHAT PART OF CONSUMERS' PROPOSED RATE DESIGN IS CAUSING THE HIGHER THAN AVERAGE RATE GPD ALLOCATION OF THE REQUESTED PRODUCTION-RELATED COST INCREASE TO BE ALLOCATED TO VOLTAGE LEVEL 1 CUSTOMERS?

A Yes. The increased allocation to Voltage Level 1 customers appears to be largely associated with Consumers' proposed rate spread, between Voltage Level 1 customers and Voltage Level 2 and 3 customers associated with the summer and winter production capacity charges. Table 6 identifies the current and proposed spread between voltage level customers.

As shown in the table, under both the summer and winter rate design proposal, Consumers is proposing to reduce the rate spread between Voltage Level 1 and Voltage Level 2 and 3 customers.

TABLE 6

Consumers' Current and Proposed Power Supply Capacity Charges

Description	Present Rate ($/MW)	Present Spread ($/MW)	Proposed Rate ($/MW)	Proposed Spread ($/MW)
Summer (June-Sept):				
Voltage Level 1	$12.96	---	$13.72	---
Voltage Level 2	$13.91	$0.95	$14.49	$0.77
Voltage Level 3	$14.82	$1.86	$15.18	$1.46
Winter:				
Voltage Level 1	$ 9.73	---	$10.43	---
Voltage Level 2	$10.95	$1.22	$11.44	$1.01
Voltage Level 3	$11.98	$2.25	$12.24	$1.81

Source: Exhibit A-11 (HWM-4), Schedule F-3, page 6 of 11.

Q DO YOU AGREE WITH CONSUMERS' PROPOSAL TO REDUCE THE CURRENT PRODUCTION CAPACITY COST RATE SPREAD BETWEEN VOLTAGE LEVEL 1 AND VOLTAGE LEVEL 2 AND 3 CUSTOMERS BY ALLOCATING A LARGER PORTION OF THE REQUESTED POWER SUPPLY INCREASE TO VOLTAGE LEVEL 1 CUSTOMERS?

A No. As I mentioned above, Consumers has provided no support for why Voltage Level 1 customers should be allocated a larger portion of the requested production-related cost rate increase. Given this lack of support, I propose that any Rate GPD production-related cost rate increase be allocated to all voltage level customers on an equal percent basis.

Rate GSG-2

Q IS THE COMPANY PROPOSING TO MAKE RATE DESIGN AND TARIFF CHANGES TO ITS STANDBY SERVICE RATE GSG-2?

A Yes. Consumers is proposing multiple tariff language changes as identified on pages 61 through 64 of Exhibit A-11 (HWM-8). The most significant of these changes is the proposal to limit the availability of Rate GSG-2 to customers with a generating installation greater than 550 kW. Currently, Rate GSG-2 is open to all primary voltage level customers irrespective of their generating installation capacity.

Further, Consumers is proposing to replace Revenue Sufficiency Guarantee ("RSG") adjustments, associated with load balancing in the wholesale market, with a fixed market settlement fee of 2 mills per kWh. Lastly, as identified on Mr. Miller's Exhibit A-11 (HWM-4), Consumers is proposing revised distribution service rates, which are identical to Rate GPD distribution rates.

Q WHAT IS A STANDBY SERVICE RATE?

A This rate is designed for customers with their own generation, to buy back-up generation service in the event their own generation is out of service, or when the customer's consumption exceeds the generator's capacity.

Q WHAT IS CONSUMERS' COST ASSOCIATED WITH PROVIDING THIS STANDBY SERVICE?

A There are two major components of Consumers' self-generation service charges: Power Supply Standby Charges and Delivery Standby Charges. The Power Supply Standby Charges are the cost of market power and transmission service if and when

the customer purchases back-up power from Consumers. The Delivery Standby Charges are for Consumers' distribution and customer costs.

Q WHAT ENERGY SUPPLY CHARGES DO RATE GSG-2 CUSTOMERS PAY WHEN THEY REQUIRE POWER SUPPLY SERVICE?

A When standby service is utilized, the customer pays the MISO Real Time Locational Market Price ("LMP") for Consumers' load node plus all incurred transmission and ancillary service charges.

Q HAS CONSUMERS CONDUCTED A COST OF SERVICE STUDY IDENTIFYING THE TOTAL COST OF PROVIDING DISTRIBUTION SERVICE TO RATE GSG-2 CUSTOMERS?

A Yes. The workpapers of Consumers' witness Eric Keaton identify a distribution only revenue requirement associated with providing delivery service to Rate GSG-2 customers. I am attaching the summary pages from this analysis as Exhibit HSC-5 (JWC-5). Mr. Keaton's analysis shows that based on total distribution rate revenue of $2.8 million, the GSG-2 rate is producing a significant revenue surplus of $3.433 million.

Q WHAT IS CONSUMERS' PROPOSAL WITH REGARD TO RATE GSG-2 DISTRIBUTION RATE DESIGN?

A As shown on Mr. Miller's Exhibit A-11 (HWM-4), Schedule F-3, Consumers is proposing the same distribution rates for Rate GSG-2 customers as it proposed for Rate GPD customers. This approach is consistent with Consumers' historical practice of setting Rate GSG-2 distribution rates.

Q WHAT IS YOUR PROPOSAL WITH REGARD TO THE DEVELOPMENT OF RATE GSG-2 DISTRIBUTION RATES?

A The Commission should continue to utilize Consumers' standard of setting Rate GSG-2 distribution rates at the same level as Rate GPD distribution rates. My proposed Rate GPD distribution rate levels are shown on Exhibit HSC-3 (JWC-3).

Q WOULD USING THE RATE GPD DISTRIBUTION RATE LEVELS FOR RATE GSG-2 DISTRIBUTION RATES ELIMINATE CONSUMERS' IDENTIFIED $3.4 MILLION RATE GSG-2 REVENUE SURPLUS?

A No, not entirely. Rate GSG-2 would continue to subsidize other rates.

Q WHY ARE YOU PROPOSING A RATE THAT DOES NOT COMPLETELY ELIMINATE THE RATE GSG-2 REVENUE SURPLUS IN THIS PROCEEDING?

A While eliminating the entire Rate GSG-2 revenue surplus should be a goal, there is a long-standing practice of maintaining consistency in distribution rates between standby rates and the customers' otherwise applicable full service firm rate schedule.

Conclusions and Recommendations

Q PLEASE SUMMARIZE YOUR CONCLUSIONS AND RECOMMENDATIONS.

A My specific recommendations and conclusions are as follows:

1. Consumers' proposed Rate GPD distribution rate design results in a revenue responsibility that is in excess of the actual costs to serve Voltage Level 1 and Voltage Level 2 customers. Additionally, Consumers' proposed Rate GPD distribution rate design under-recovers its costs to serve Voltage Level 3 customers. As a result, Consumers' proposed Rate GPD distribution rate design continues to impose intraclass rate subsidies between the three delivery voltage rate groups within the GPD rate class.

2. In the Michigan Public Service Commission's ("Commission") Order in Consumers' last rate proceeding, the Commission stated that the Rate GPD

voltage group class subsidies would be addressed in Consumers' next rate proceeding.

3. Consumers' proposed Rate GPD distribution rate design should be revised to reflect the actual costs to serve each voltage class.

4. Consumers' Rate GPD power supply rate design produces rates for the Voltage Level 1 customers that are excessive. Consumers has provided no support for its proposed Rate GPD voltage level production allocation. Therefore, any production cost increase for Rate GPD should be allocated across-the-board to each voltage class.

5. Rate GSG-2 distribution rates should be set at the same level as Rate GPD distribution rates, consistent with historical precedent.

Q DOES THIS CONCLUDE YOUR DIRECT TESTIMONY?

A Yes, it does.

Qualifications of James W. Collins, Jr.

Q PLEASE STATE YOUR NAME AND BUSINESS ADDRESS.

A James W. Collins Jr. My business address is 16690 Swingley Ridge Road, Suite 140, Chesterfield, MO 63017.

Q PLEASE STATE YOUR OCCUPATION.

A I am a consultant in the field of public utility regulation with the firm of Brubaker & Associates, Inc. ("BAI"), energy, economic and regulatory consultants.

Q PLEASE STATE YOUR EDUCATIONAL BACKGROUND AND PROFESSIONAL EMPLOYMENT EXPERIENCE.

A I graduated magna cum laude from the University of Missouri-St. Louis in 2002 where I received a Bachelor of Science degree in Business Administration with a Finance Emphasis. Upon graduation, I accepted a position with Brubaker & Associates, Inc. Since that time, I have participated in numerous rate cases involving regulated and competitive electricity, natural gas and water related issues. From January 2000 to August 2001, I was employed by Edward Jones as an Operations Specialist.

In May 2007, I completed a Master of Business Administration degree from the University of Missouri-St. Louis.

The firm Brubaker & Associates, Inc. provides consulting services in the field of energy procurement and public utility regulation to many clients including industrial and institutional customers, some utilities and, on occasion, state regulatory agencies.

More specifically, we provide analysis of energy procurement options based on consideration of prices and reliability as related to the needs of the client; prepare rate, feasibility, economic, and cost of service studies relating to energy and utility services; prepare depreciation and feasibility studies relating to utility service; assist in contract negotiations for utility services, and provide technical support to legislative activities.

In addition to our main office in St. Louis, the firm also has branch offices in Phoenix, Arizona and Corpus Christi, Texas.

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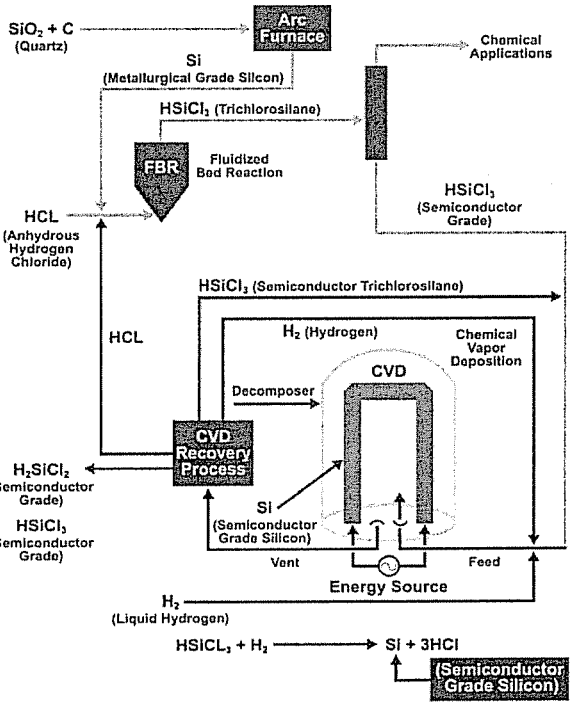
Manufacturing Process
> Manufacturing Overview
> Sizing/Packaging
Semiconductor
> HSC Products
> Market Overview
> Applications
Solar
> HSC Products
> Market Overview
> Applications
Semiconductor-Grade Chemicals
> HSC Products
> Market Overview
Other Markets
> Market Overview
Contact Information
> Contact Us/Products

From quartz rock to electronic circuits

The process that begins with quartz rock and ends with solar cells and the boundless range of electronic devices, such as computers, cell phones, and game consoles, is complex, involving a number of manufacturers and processes. Hemlock Semiconductor manufactures the high-purity polycrystalline silicon feedstock critical to the manufacture of solar and semiconductor products.

HSC's manufacturing process begins with the silicon-based chemical trichlorosilane, which we convert into high-purity polysilicon using a chemical vapor deposition (CVD) reactor technology process. Polycrystalline silicon is manufactured up to 99.999999999% purity level in U-rod form in a process that is clean, safe, and in strict compliance with environmental laws. Beyond the polysilicon deposition process, HSC process technology captures and recycles all chemical by-products.



Using the Siemens process, polycrystalline silicon is "grown" from trichlorosilane silicon source chemicals.

Naturally occurring high-purity quartz rock is a key source of silicon.

High quality polysilicon is the essential building block that enables our computer-driven, high-technology world.

Consumers Energy Company
General Primary Demand Distribution Revenue Requirement Study
Consumers Proposed Cost of Service Study
(thousands of dollars)

Line	Description	Rate GPD	Rate GPD GEI	Total	Allocation % Rate GPD Percent	Allocation % GEI Percent	Allocation % Total Rate GPD
		(1)	(2)	(3)	(4)	(5)	
	Rate Base Development						
	Plant in Service						
1	High Voltage Subtransmission (VL1)	$ 140,212	$ 6,226	$ 146,438	***24.4%***	***13.3%***	***23.6%***
2	Subtransmission (VL2)	180,560	14,714	195,274	***31.4%***	***31.5%***	***31.4%***
3	Primary (VL3)	253,703	25,760	279,463	***44.2%***	***55.2%***	***45.0%***
4	Total	$ 574,475	$ 46,701	$ 621,176	***100.0%***	***100.0%***	***100.0%***
	Depreciation Reserve						
5	High Voltage Subtransmission (VL1)	$ 25,357	$ 1,399	$ 26,757			
6	Subtransmission (VL2)	34,152	3,450	37,601			
7	Primary (VL3)	130,716	11,062	141,777			
8	Total	$ 190,224	$ 15,910	$ 206,135			
	CWIP						
9	High Voltage Subtransmission (VL1)	$ 3,773	$ 374	$ 4,147			
10	Subtransmission (VL2)	-	-	-			
11	Primary (VL3)	8,286	848	9,134			
12	Total	$ 12,059	$ 1,222	$ 13,281			
	Future Use						
13	High Voltage Subtransmission (VL1)	$ -	$ -	$ -			
14	Subtransmission (VL2)	-	-	-			
15	Primary (VL3)	4,269	231	4,499			
16	Total	$ 4,269	$ 231	$ 4,499			
	PHFFU Depreciation Reserve						
17	High Voltage Subtransmission (VL1)	$ -	$ -	$ -			
18	Subtransmission (VL2)	-	-	-			
19	Primary (VL3)	(1)	-	(1)			
20	Total	$ (1)	$ -	$ (1)			
	Total Net Plant						
21	High Voltage Subtransmission (VL1)	$ 118,628	$ 5,201	$ 123,829			
22	Subtransmission (VL2)	146,408	11,265	157,673			
23	Primary (VL3)	135,541	15,777	151,318			
24	Total	$ 400,577	$ 32,243	$ 432,820			
25	**Working Capital**	**$ 13,917**	**$ 773**	**$ 14,690**			
	(Allocation of Working Capital - Plant in Service)						
26	High Voltage Subtransmission (VL1)	$ 3,397	$ 103	$ 3,500			
27	Subtransmission (VL2)	$ 4,374	$ 244	$ 4,618			
28	Primary (VL3)	$ 6,146	$ 426	$ 6,573			
29	**General Plant**	**$ 15,390**	**$ 1,385**	**$ 16,775**			
	(Allocation of General Plant - Dist. O&M Expense)						
30	High Voltage Subtransmission (VL1)	$ 619	$ 25	$ 644			
31	Subtransmission (VL2)	$ 3,117	$ 249	$ 3,367			
32	Primary (VL3)	$ 11,654	$ 1,111	$ 12,765			
33	**Adjustments to Rate Base**	**$ (5,704)**	**$ (464)**	**$ (6,168)**			
	(Allocation of Adjustments - Dist. O&M Expense)						
34	High Voltage Subtransmission (VL1)	$ (229)	$ (19)	$ (248)			
35	Subtransmission (VL2)	$ (1,155)	$ (94)	$ (1,249)			
36	Primary (VL3)	$ (4,320)	$ (351)	$ (4,671)			
	Total Rate Base						
37	High Voltage Subtransmission (VL1)	$ 122,414	$ 5,310	$ 127,725			
38	Subtransmission (VL2)	152,744	11,664	164,408			
39	Primary (VL3)	149,022	16,963	165,985			
40	Total	**$ 424,180**	**$ 33,937**	**$ 458,118**			
41	Pre-Tax Rate of Return	**9.850%**	**9.850%**				
	Rate Base Revenue Requirement						
42	High Voltage Subtransmission (VL1)	**$ 12,057**	**$ 523**	**$ 12,580**			
43	Subtransmission (VL2)	**15,045**	**1,149**	**16,194**			
44	Primary (VL3)	**14,678**	**1,671**	**16,349**			
45	Total	**$ 41,781**	**$ 3,343**	**$ 45,123**			

Consumers Energy Company
General Primary Demand Distribution Revenue Requirement Study
Consumers Proposed Cost of Service Study
(thousands of dollars)

Line	Description	Rate GPD	Rate GPD GEI	Total	Allocation % Rate GPD Percent	Allocation % GEI Percent	Allocation % Total Rate GPD
		(1)	(2)	(3)	(4)	(5)	
	Development of Expenses						
	Distribution O&M						
46	High Voltage Subtransmission (VL1)	$ 843	$ 35	$ 877	*4.0%*	*1.8%*	*3.8%*
47	Subtransmission (VL2)	4,243	351	4,594	*20.3%*	*18.0%*	*20.1%*
48	Primary (VL3)	15,864	1,561	17,425	*75.7%*	*80.2%*	*76.1%*
49	Total	$ 20,950	$ 1,947	$ 22,897	*100.0%*	*100.0%*	*100.0%*
	Other O&M Expense						
50	586 - Metering Expense	$ 507	$ 81	$ 588			
51	597 Meters	312	50	362			
52	Customer Account	51	9	60			
53	Customer Services	9,008	693	9,701			
54	A&G	9,401	844	10,245			
55	O&M Adjustments	(676)	(54)	(730)			
56	**Total Other O&M Adjustments**	**$ 18,604**	**$ 1,622**	**$ 20,226**			
	(Allocation of Other O&M Expense - Dist. O&M Expense)						
57	High Voltage Subtransmission (VL1)	$ 748	$ 29	$ 777			
58	Subtransmission (VL2)	$ 3,768	$ 292	$ 4,060			
59	Primary (VL3)	$ 14,088	$ 1,301	$ 15,389			
	Total O&M Expense						
60	High Voltage Subtransmission (VL1)	**$ 1,591**	**$ 64**	**$ 1,655**			
61	Subtransmission (VL2)	**8,011**	**643**	**8,654**			
62	Primary (VL3)	**29,951**	**2,862**	**32,814**			
63	Total	**$ 39,554**	**$ 3,569**	**$ 43,123**			
	Depreciation						
64	High Voltage Subtransmission (VL1)	$ 1,820	$ 98	$ 1,918			
65	Subtransmission (VL2)	1,055	105	1,159			
66	Primary (VL3)	10,015	856	10,871			
67	Total	$ 12,890	$ 1,059	$ 13,948			
68	**Test Year Depreciation Expense**	**$ 17,978**	**$ 1,525**	**$ 19,503**			
	(Allocation of Dep. Expense - Known Dep. Expense)						
69	High Voltage Subtransmission (VL1)	$ 2,538	$ 142	$ 2,680			
70	Subtransmission (VL2)	$ 1,471	$ 151	$ 1,622			
71	Primary (VL3)	$ 13,969	$ 1,232	$ 15,201			
	Other Taxes - Part 1						
72	Total R&PP Taxes	$ 10,512	$ 904	$ 11,415			
73	Michigan Single Business Tax	1,682	70	1,752			
74	Total to Allocate on Plant	**$ 12,194**	**$ 973**	**$ 13,167**			
	(Allocation of Other Taxes on Plant)						
75	High Voltage Subtransmission (VL1)	$ 2,976	$ 130	$ 3,106			
76	Subtransmission (VL2)	$ 3,833	$ 307	$ 4,139			
77	Primary (VL3)	$ 5,385	$ 537	$ 5,922			
	Other Taxes - Part 2						
78	Total Payroll/Miscellaneous Taxes	$ 1,399	$ 121	$ 1,521			
79	MPSC Assessment Fee	747	58	805			
80	Total to Allocate on Dist. O&M	**$ 2,146**	**$ 179**	**$ 2,325**			
	(Allocation of Other Taxes on Dist. O&M Expense)						
81	High Voltage Subtransmission (VL1)	$ 86	$ 3	$ 90			
82	Subtransmission (VL2)	$ 435	$ 32	$ 467			
83	Primary (VL3)	$ 1,625	$ 143	$ 1,769			
	Total Other Taxes						
84	High Voltage Subtransmission (VL1)	**$ 3,062**	**$ 133**	**$ 3,195**			
85	Subtransmission (VL2)	**4,267**	**339**	**4,606**			
86	Primary (VL3)	**7,011**	**680**	**7,691**			
87	Total	**$ 14,340**	**$ 1,152**	**$ 15,493**			

Consumers Energy Company
General Primary Demand Distribution Revenue Requirement Study
Consumers Proposed Cost of Service Study
(thousands of dollars)

Line	Description	Rate GPD	Rate GPD GEI	Total	Allocation % Rate GPD Percent	Allocation % GEI Percent	Allocation % Total Rate GPD
		(1)	(2)	(3)	(4)	(5)	
	Total Revenue Requirement						
88	High Voltage Subtransmission (VL1)	$ 19,249	$ 862	$ 20,111	*16.9%*	*9.0%*	*16.3%*
89	Subtransmission (VL2)	28,795	2,281	31,076	*25.3%*	*23.8%*	*25.2%*
90	Primary (VL3)	65,609	6,446	72,055	*57.7%*	*67.2%*	*58.5%*
91	Total	$ 113,653	$ 9,589	$ 123,242	*100.0%*	*100.0%*	*100.0%*
	Less: Revenue Credit (Allocated on Total Rev)						
92	High Voltage Subtransmission (VL1)	$ 776	$ 35	$ 811			
93	Subtransmission (VL2)	1,161	93	1,254			
94	Primary (VL3)	2,645	263	2,908			
95	Total	$ 4,582	$ 391	$ 4,973			
	Adjusted Total Revenue Requirement						
96	High Voltage Subtransmission (VL1)	$ 18,473	$ 827	$ 19,299			
97	Subtransmission (VL2)	27,634	2,188	29,822			
98	Primary (VL3)	62,964	6,183	69,147			
99	Total	$ 109,071	$ 9,198	$ 118,269			

	Maximum Demand Matrix (MW) [2]	High Voltage (Voltage 1)	Subtrans. (Voltage 2)	Primary (Voltage 3)	Total
100	High Voltage Subtransmission (VL1)	6,567	9,059	16,013	31,639
101	Subtransmission (VL2)		9,059	16,013	25,072
102	Primary (VL3)			16,013	16,013
103	Total	6,567	18,118	48,039	72,724

	Assignment of Distribution Revenue Requirement	High Voltage (Voltage 1)	Subtrans. (Voltage 2)	Primary (Voltage 3)	Total
	High Voltage Subtransmission				
104	Total Revenue Requirement [3]				$ 19,299
105	Voltage Level Allocation [4]	20.8%	28.6%	50.6%	100.0%
106	Assignment of Revenue Requirement by Voltage Level	$ 4,006	$ 5,526	$ 9,768	$ 19,299
	Subtransmission				
107	Total Revenue Requirement [5]				$ 29,822
108	Voltage Level Allocation [6]	0.0%	36.1%	63.9%	100.0%
109	Assignment of Revenue Requirement by Voltage Level	$ -	$ 10,775	$ 19,047	$ 29,822
	Primary				
110	Total Revenue Requirement [7]				$ 69,147
111	Voltage Level Allocation [8]	0.0%	0.0%	100.0%	100.0%
112	Assignment of Revenue Requirement by Voltage Level	$ -	$ -	$ 69,147	$ 69,147
113	Total Revenue Requirement by Voltage Level [9]	$ 4,006	$ 16,301	$ 97,962	$ 118,269
114	Percent of Total Distribution Related Cost of Service	3.4%	13.8%	82.8%	100.0%

Source/Notes:

[1] All information contained on Lines 1 through Line 99 is from Exhibit A-21 (EJK-3).
[2] Workpaper WP-HWM-3
[3] Total of Line 96
[4] Allocation of Line 100 by voltage level
[5] Total of Line 97
[6] Allocation of Line 101 by voltage level
[7] Total of Line 98
[8] Allocation of Line 102 by voltage level
[9] Total of Line 106 + Line 109 + Line 112

WP-HWM-3

Michigan Public Service Commission
Consumers Energy Company
2010 Test-year Billing Determinants Workpaper

Primary Billing Determinants

Line No.	Rate Schedule	Service	Customers (monthly)	Bills (annual)	Summer Onpeak Demand (MWs)	Summer Onpeak Energy (MWhs)	Summer Offpeak Energy (MWhs)	Summer All Energy (MWhs)	Winter Onpeak Demand (MWs)	Winter Onpeak Energy (MWhs)	Winter Offpeak Energy (MWhs)	Winter All Energy (MWhs)	Maximum Demand (MWs)	Substation Ownership (MWs)	Substation Ownership (MWhs)	Annual Onpeak Demand (MWs)	Annual Energy (MWhs)
1	GP	Bundled	1,273	15,276	0	0	0	392,774	0	0	0	721,399	0	280	33,219	0	1,114,173
2	GP-GMP	Bundled	335	4,020	0	0	0	27,890	0	0	0	43,414	0	0	0	0	71,304
3	GP-GEI	Bundled	45	540	0	0	0	7,251	0	0	0	17,662	0	0	0	0	24,913
4	Total GP		1,653	19,836	0	0	0	427,915	0	0	0	782,475	0	280	33,219	0	1,210,390
5	GPD-VL1	Bundled	28	336	838	111,161	352,619	463,780	1,791	216,374	680,092	896,466	2,983	588	0	2,629	1,360,246
6	GPD-VL2	Bundled	169	2,028	1,458	193,832	545,680	739,512	2,813	356,395	1,005,420	1,361,815	4,707	772	0	4,271	2,101,327
7	GPD-VL3	Bundled	1,553	18,636	3,764	517,674	1,293,359	1,811,033	6,926	935,573	2,397,025	3,332,598	12,390	0	0	10,690	5,143,631
8	GPD-VL1-GEI	Bundled	1	12	8	1,038	2,585	3,623	14	1,752	4,469	6,221	26	0	0	22	9,844
9	GPD-VL2-GEI	Bundled	6	72	133	11,286	24,223	35,509	243	18,590	39,665	58,255	553	0	0	376	93,764
10	GPD-VL3-GEI	Bundled	240	2,880	495	53,454	120,285	173,739	966	111,545	247,681	359,226	1,781	0	0	1,461	532,965
11	GPD-VL1-GI	Bundled	4	48	620	82,528	192,595	275,123	1,097	165,646	386,510	552,156	2,075		0	1,717	827,279
12	GPD-VL2-GI	Bundled	8	96	440	51,963	139,912	191,875	843	110,370	297,173	407,543	1,459	0	0	1,283	599,418
13	GPD-VL3-GI	Bundled	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0
14	GPD-VL1-GFM	Bundled	4	48	79	8,498	84,891	93,389	159	17,750	179,668	197,418	809	489	0	238	290,807
15	GPD-VL2-GFM	Bundled	10	120	89	8,180	22,399	30,579	179	15,908	43,521	59,429	268	70	0	268	90,008
16	GPD-VL3-GFM	Bundled	5	60	12	742	1,898	2,640	24	1,625	4,178	5,803	36	0	0	36	8,443
17	GPD-VL1-GMP	Bundled	1	12	15	2,180	7,054	9,234	22	2,427	7,603	10,030	47	0	0	37	19,264
18	GPD-VL2-GMP	Bundled	19	228	149	18,472	63,794	82,266	268	32,888	106,742	139,630	639	27	0	417	221,896
19	GPD-VL3-GMP	Bundled	84	1,008	84	9,636	32,091	41,727	164	18,540	59,133	77,673	380	0	0	248	119,400
20	Total GPD		2,132	25,584	8,184	1,070,644	2,883,385	3,954,029	15,509	2,005,383	5,458,880	7,464,263	28,153	1,946	0	23,693	11,418,292
21	E-1	Bundled	1	12	0	0	0	319,180	0	0	0	623,746	0	0	0	0	942,926
22	GSG1	Bundled	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0
23	GSG2-VL1	Bundled	7	84	0	2,421	6,638	9,059	0	307	1,007	1,314	1,273	138	0	0	10,373
24	GSG2-VL2	Bundled	5	60	0	9,593	2,290	11,883	0	23,222	12,151	35,373	871	122	0	0	47,256
25	GSG2-VL3	Bundled	1	12	0	0	0	0	0	0	0	0	12	0	0	0	0
26	Total GSG		13	156	0	12,014	8,928	20,942	0	23,529	13,158	36,687	2,156	260	0	0	57,629
27	Total Bundled Service		3,799	45,588	8,184	1,082,658	2,892,313	4,722,066	15,509	2,028,912	5,472,038	8,907,171	30,309	2,486	33,219	23,693	13,629,237
28	GP	ROA	11	132	0	0	0	4,682	0	0	0	10,851	0	0	0	0	15,533
29	GP-GMP	ROA	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0
30	GP-GEI	ROA	6	72	0	0	0	1,321	0	0	0	3,233	0	0	0	0	4,554
31	Total GP		17	204	0	0	0	6,003	0	0	0	14,084	0	0	0	0	20,087
32	GPD-VL1	ROA	2	24	0	0	0	106,141	0	0	0	165,294	610	0	0	0	271,435
33	GPD-VL2	ROA	11	132	0	0	0	211,310	0	0	0	418,179	1,199	120	0	0	629,489
34	GPD-VL3	ROA	54	648	0	0	0	100,854	0	0	0	175,118	762	0	0	0	275,972
35	GPD-VL1-GEI	ROA	1	12	0	0	0	1,128	0	0	0	2,318	17	0	0	0	3,446
36	GPD-VL2-GEI	ROA	3	36	0	0	0	32,760	0	0	0	66,308	234	0	0	0	99,068
37	GPD-VL3-GEI	ROA	81	972	0	0	0	57,110	0	0	0	124,336	655	0	0	0	181,446
38	GPD-VL1-GFM	ROA	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0
39	GPD-VL2-GFM	ROA	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0
40	GPD-VL3-GFM	ROA	1	12	0	0	0	878	0	0	0	1,936	9	0	0	0	2,814
41	GPD-VL1-GMP	ROA	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0
42	GPD-VL2-GMP	ROA	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0
43	GPD-VL3-GMP	ROA	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0
44	Total GPD		153	1,836	0	0	0	510,181	0	0	0	953,489	3,486	120	0	0	1,463,670
45	Total ROA Service		170	2,040	0	0	0	516,184	0	0	0	967,573	3,486	120	0	0	1,483,757
46	Total Pri. Service		3,969	47,628	8,184	1,082,658	2,892,313	5,238,250	15,509	2,028,912	5,472,038	9,874,744	33,795	2,606	33,219	23,693	15,112,994

Consumer Energy Company

Development of GPD Rates to Produce Adjusted Delivery Revenue Requirement by Voltage Level

($000)

Line	Rate Schedule	GPD Voltage Level 1			GPD Voltage Level 2			GPD Voltage Level 3			Total GPD
		Full Service	ROA	Total	Full Service	ROA	Total	Full Service	ROA	Total	
		(1)	(2)	(3)	(4)	(5)	(6)	(7)	(8)	(9)	
1	**Total Demand (MW) [1]**	5,940	627	6,567	7,626	1,433	9,059	14,587	1,426	16,013	
2	**Total Energy (MWh) [1]**	2,507,440	274,881	2,782,321	3,106,413	728,557	3,834,970	5,804,439	460,232	6,264,671	
3	**Number of Bills [1]**			492			2,712			24,216	
	Consumers Proposed Delivery Rates										
4	**Demand Charge ($/KW) [1]**			**$ 0.900**			**$ 1.550**			**$ 2.050**	
5	**Energy Charge ($/MWh) [1]**	**$ 7.648**	**$ 4.239**		**$ 7.648**	**$ 4.239**		**$ 7.648**	**$ 4.239**		
6	**Subsidy Contribution ($/MWh) [1]**	**$ (3.328)**	**$ -**		**$ (3.328)**	**$ -**		**$ (3.328)**	**$ -**		
7	**Customer Charge [1]**			**$ 400**			**$ 400**			**$ 400**	
8	Demand Revenue			$ 5,910			$ 14,041			$ 32,827	
9	Energy Revenue			20,342			26,846			46,343	
10	Subsidy Contribution Credit			(8,345)			(10,338)			(19,317)	
11	Customer Charge			197			1,085			9,686	
12	Total Revenue			**$ 18,104**			**$ 31,634**			**$ 69,539**	**$ 119,278**
13	Percent of Revenue Requirement			**15.2%**			**26.5%**			**58.3%**	
	Adjusted Proposed Delivery Rates										
14	**Demand Charge ($/KW)**			**$ 0.212**			**$ 1.263**			**$ 5.235**	
15	**Energy Charge ($/MWh)**	**$ 4.059**	**$ 2.250**		**$ 4.059**	**$ 2.250**		**$ 4.059**	**$ 2.250**		
16	**Subsidy Contribution ($/MWh)**	**$ (3.328)**	**$ -**		**$ (3.328)**	**$ -**		**$ (3.328)**	**$ -**		
17	**Customer Charge**			**$ 400**			**$ 400**			**$ 400**	
18	Demand Revenue			$ 1,391			$ 11,444			$ 83,831	
19	Energy Revenue			10,797			14,249			24,598	
20	Subsidy Contribution Credit			(8,345)			(10,338)			(19,317)	
21	Customer Revenue			197			1,085			9,686	
22	Total Revenue			**$ 4,040**			**$ 16,440**			**$ 98,798**	**$ 119,278**
23	Percent of Revenue Requirement			**3.4%**			**13.8%**			**82.8%**	

Source/Notes:

[1] Workpaper HSC-3 (JWC-3)

16191-HSC-CE-213

Question:

HSC-CE-035

213. With regard to Exhibit A-21 (EJK-3), identifying the Rate GPD distribution revenue requirement by voltage level, please provide a similar analysis in electronic format for the Rate GPD production revenue requirement.

Responses:

213. An analysis of production revenue requirement by distribution voltage level does not exist.

Eric J. Keaton
April 30, 2010

Consumers Energy Company
Distribution Cost of Service Analysis

Consumers Energy Company
Test Year Ending June 2011 Electric Cost-of-Service Study
12 CP 50/25/25
(thousands of dollars)
Summary

		Alloc	Total Electric	Total Jurisdictional Electric	Total Residential	Total Secondary	Total Primary	Total Lighting & Unmetered	Rate GSG	Total Non Jurisdictional
			(a)	(b)	(c)	(d)	(e)	(f)	(g)	(h)
1	Rate Base		3,553,402	3,550,586	1,975,953	949,094	559,343	64,540	1,657	2,816
2	Total Rate Revenue		913,942	913,942	434,898	265,655	186,252	24,335	2,802	0
3	Total Revenue Credits		40,270	40,244	22,361	11,033	6,134	684	31	27
4	Total Revenue		954,212	954,185	457,259	276,688	192,386	25,019	2,833	27
5	Expenses:									
6	Fuel and P&I Expense		0	0	0	0	0	0	0	0
7	Transmission Expense		0	0	0	0	0	0	0	0
8	Other O & M Expense		408,454	408,037	251,176	93,709	52,502	10,504	147	416
9	Depreciation & Amortization Expense		181,713	181,608	101,889	47,516	24,003	8,143	58	105
10	Other Taxes		97,288	97,230	50,901	25,511	18,574	2,132	112	59
11	Federal Income Taxes		31,201	31,266	6,234	12,861	11,382	496	294	(65)
12	Total Expenses		718,656	718,141	410,199	179,596	106,460	21,275	611	515
13	Net Operating Income		235,555	236,044	47,060	97,092	85,926	3,744	2,222	(489)
14	Other Income Adjustments		0	0	0	0	0	0	0	0
15	Adjusted Net Operating Income		235,555	236,044	47,060	97,092	85,926	3,744	2,222	(489)
16	Return on Rate Base @ 7.16%		254,451	254,249	141,493	67,962	40,053	4,622	119	202
17	Income Deficiency (Sufficiency)		18,895	18,205	94,433	(29,130)	(45,873)	877	(2,103)	690
18	Revenue Deficiency (Sufficiency)		30,843	29,716	154,143	(47,548)	(74,878)	1,432	(3,433)	1,127
19	Revenue Requirement/Total Cost of Service		985,054	983,901	611,402	229,140	117,508	26,451	(600)	1,153
20	Less: Revenue Credits		40,270	40,244	22,361	11,033	6,134	684	31	27
21	Proposed Rate Design Revenue		944,784	943,657	589,041	218,107	111,374	25,767	(631)	1,127
22	Production: Capacity Related Cost		1,594,487	1,583,253	650,288	360,117	560,416	10,424	2,008	11,234
23	Production: Energy Related Cost		1,084,589	1,081,033	409,391	243,600	417,825	8,534	1,682	3,556
24	Distribution Related Cost		745,245	744,462	451,255	176,652	92,842	24,408	(695)	783
25	Customer Related Cost		199,539	199,195	137,786	41,455	18,531	1,359	64	343
26	Full Service MWH Sales		34,829,929	34,489,996	12,897,366	7,685,252	13,571,605	278,144	57,629	339,933
27	ROA MWH Sales		1,713,498	1,713,498	-	229,740	1,483,758	-	-	-
28	MWH Sales		36,543,427	36,203,494	12,897,366	7,914,992	15,055,363	278,144	57,629	339,933
29	Customers		1,792,142	1,792,140	1,568,503	211,819	3,955	7,850	13	2

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Consumers Energy Company
Distribution Cost of Service Analysis

Consumers Energy Company
Test Year Ending June 2011 Electric Cost-of-Service Study
12 CP 50/25/25
(thousands of dollars)
Residential/Secondary

		Alloc	Rate RS	Rate RT	Not Used	Total Residential	Rate GS	Rate GSD	Rate GS GEI	Rate GSD GEI	Total Secondary
			(a)	(b)	-	(c)	(d)	(e)	(f)	(g)	(h)
1	Rate Base		1,970,252	5,700	-	1,975,953	470,770	439,025	13,647	25,651	949,094
2	Total Rate Revenue		433,548	1,350	-	434,898	138,719	117,963	3,683	5,290	265,655
3	Total Revenue Credits		22,300	61	-	22,361	5,706	4,881	156	290	11,033
4	Total Revenue		455,848	1,411	-	457,259	144,425	122,844	3,839	5,580	276,688
5	Expenses:										
6	Fuel and P&I Expense		0	0	-	0	0	0	0	0	0
7	Transmission Expense		0	0	-	0	0	0	0	0	0
8	Other O & M Expense		250,580	595	-	251,176	51,995	38,218	1,226	2,270	93,709
9	Depreciation & Amortization Expense		101,605	284	-	101,889	24,429	21,149	674	1,264	47,516
10	Other Taxes		50,753	147	-	50,901	12,631	11,811	379	690	25,511
11	Federal Income Taxes		6,189	45	-	6,234	6,476	6,043	182	159	12,861
12	Total Expenses		409,127	1,072	-	410,199	95,531	77,221	2,462	4,382	179,596
13	Net Operating Income		46,721	340	-	47,060	48,894	45,623	1,377	1,198	97,092
14	Other Income Adjustments		0	0	-	0	0	0	0	0	0
15	Adjusted Net Operating Income		46,721	340	-	47,060	48,894	45,623	1,377	1,198	97,092
16	Return on Rate Base @ 7.16%		141,085	408	-	141,493	33,711	31,438	977	1,837	67,962
17	Income Deficiency (Sufficiency)		94,365	69	-	94,433	(15,183)	(14,185)	(400)	639	(29,130)
18	Revenue Deficiency (Sufficiency)		154,031	112	-	154,143	(24,783)	(23,155)	(653)	1,043	(47,548)
19	Revenue Requirement/Total Cost of Service		609,879	1,523	-	611,402	119,642	99,689	3,186	6,623	229,140
20	Less: Revenue Credits		22,300	61	-	22,361	5,706	4,881	156	290	11,033
21	Proposed Rate Design Revenue		587,579	1,462	-	589,041	113,936	94,808	3,030	6,333	218,107
22	Production: Capacity Related Cost		648,282	2,006	-	650,288	142,960	203,144	4,439	9,574	360,117
23	Production: Energy Related Cost		407,960	1,431	-	409,391	94,209	137,822	3,547	8,023	243,600
24	Distribution Related Cost		450,050	1,205	-	451,255	83,713	84,421	2,695	5,823	176,652
25	Customer Related Cost		137,529	257	-	137,786	30,223	10,387	335	510	41,455
26	Full Service MWH Sales		12,852,269	45,098		12,897,366	2,866,960	4,476,694	104,831	236,768	7,685,252
27	ROA MWH Sales		-	-		-	11,056	125,420	22,893	70,370	229,740
28	MWH Sales		12,852,269	45,098	0	12,897,366	2,878,016	4,602,113	127,724	307,138	7,914,992
29	Customers		1,566,920	1,583	-	1,568,503	183,838	25,797	1,333	851	211,819

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Consumers Energy Company
Distribution Cost of Service Analysis

Consumers Energy Company
Test Year Ending June 2011 Electric Cost-of-Service Study
12 CP 50/25/25
(thousands of dollars)
Primary/Lighting/Other

		Alloc	Rate GP	Rate GPD	Rate GP GEI	Rate GPD GEI	Not Used	Rate E-1	Total Primary	Rate GML	Rate GUL	Rate GU	Total Lighting & Unmetered
			(a)	(b)	(c)	(d)	-	(e)	(f)	(g)	(h)	(i)	(j)
1	Rate Base		94,144	424,180	1,359	33,937	-	5,722	559,343	1,150	57,659	5,731	64,540
2	Total Rate Revenue		31,580	145,047	554	9,070	-	0	186,252	266	23,115	953	24,335
3	Total Revenue Credits		1,076	4,582	17	391	-	68	6,134	12	607	65	684
4	Total Revenue		32,656	149,629	571	9,461	-	68	192,386	278	23,722	1,019	25,019
5	Expenses:												
6	Fuel and P&I Expense		0	0	0	0	-	0	0	0	0	0	0
7	Transmission Expense		0	0	0	0	-	0	0	0	0	0	0
8	Other O & M Expense		9,111	39,554	155	3,569	-	113	52,502	153	9,830	521	10,504
9	Depreciation & Amortization Expense		4,278	17,978	63	1,525	-	159	24,003	97	7,775	272	8,143
10	Other Taxes		2,950	14,340	42	1,152	-	90	18,574	33	1,954	145	2,132
11	Federal Income Taxes		1,909	9,095	37	376	-	(34)	11,382	(0)	487	9	496
12	Total Expenses		18,248	80,967	295	6,622	-	328	106,460	281	20,046	947	21,275
13	Net Operating Income		14,409	68,662	276	2,839	-	(260)	85,926	(3)	3,676	71	3,744
14	Other Income Adjustments		0	0	0	0	-	0	0	0	0	0	0
15	Adjusted Net Operating Income		14,409	68,662	276	2,839	-	(260)	85,926	(3)	3,676	71	3,744
16	Return on Rate Base @ 7.16%		6,741	30,375	97	2,430	-	410	40,053	82	4,129	410	4,622
17	Income Deficiency (Sufficiency)		(7,668)	(38,288)	(178)	(409)	-	669	(45,873)	85	453	339	877
18	Revenue Deficiency (Sufficiency)		(12,516)	(62,497)	(291)	(667)	-	1,093	(74,878)	139	739	553	1,432
19	Revenue Requirement/Total Cost of Service		20,141	87,133	280	8,794	-	1,161	117,508	418	24,462	1,572	26,451
20	Less: Revenue Credits		1,076	4,582	17	391	-	68	6,134	12	607	65	684
21	Proposed Rate Design Revenue		19,064	82,551	263	8,403	-	1,093	111,374	406	23,855	1,507	25,767
22	Production: Capacity Related Cost		50,711	449,511	943	26,278	-	32,973	560,416	261	5,582	4,580	10,424
23	Production: Energy Related Cost		37,451	331,478	787	20,076	-	28,033	417,825	217	4,531	3,787	8,534
24	Distribution Related Cost		16,538	67,878	193	7,140	-	1,093	92,842	384	22,659	1,365	24,408
25	Customer Related Cost		2,527	14,672	70	1,263	-	-	18,531	22	1,196	142	1,359
26	Full Service MWH Sales		1,185,477	10,781,719	24,912	636,571	-	942,926	13,571,605	7,276	152,169	118,699	278,144
27	ROA MWH Sales		15,533	1,179,711	4,554	283,961	-	-	1,483,758	-	-	-	-
28	MWH Sales		1,201,010	11,961,430	29,466	920,532	0	942,926	15,055,363	7,276	152,169	118,699	278,144
29	Customers		1,619	1,953	51	332	-	-	3,955	261	7,088	501	7,850

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