Consumers Energy
Count on Us

A CMS Energy Company

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November 16, 2011

Ms. Mary Jo Kunkle
Executive Secretary
Michigan Public Service Commission
6545 Mercantile Way
P.O. Box 30221
Lansing, MI 48909

Re: Case No. U-16929 – In the matter of the application of CONSUMERS ENERGY COMPANY for approval of Uncollectible Expense True-up Mechanisms for calendar 2012.

Dear Ms. Kunkle:

Enclosed for electronic filing is **"Consumers Energy Company's Application, Direct Testimony of Marsha A. Perry and Direct Testimony and Exhibit of Michael H. Ross"** in the above-captioned case. This is a paperless filing and is therefore being filed only in a PDF format.

Sincerely,

Digitally signed by Eric V. Luoma
Date: 2011.11.16 15:50:50 -05'00'

Eric V. Luoma

STATE OF MICHIGAN

BEFORE THE MICHIGAN PUBLIC SERVICE COMMISSION

In the matter of the application of CONSUMERS ENERGY COMPANY for approval of Residential Uncollectible Expense True-up Mechanisms for calendar 2012	)))))	Case No. U-16929

APPLICATION OF CONSUMERS ENERGY COMPANY FOR *EX PARTE* APPROVAL OF UNCOLLECTIBLE EXPENSE TRUE-UP MECHANISMS FOR CALENDAR YEAR 2012

Consumers Energy Company ("Consumers Energy" or "Company") respectfully requests that the Michigan Public Service Commission ("Commission" or "MPSC") enter an *ex parte* order approving (i) a temporary waiver until April 1, 2012 to allow flexibility of the downpayment and reenrollment provisions of the Shut-off-Protection ("SPP") tariff Sections 5.4A and 5.4B, (ii) electric and gas Residential uncollectible expense true-up mechanisms ("UETM"s) for the calendar year 2012, and (iii) accounting approval for the use of regulatory assets or regulatory liabilities related to each UETM and allowing various program expenses to be classified as uncollectible expenses. In support of this Application, Consumers Energy states as follows:

1. Consumers Energy is, among other things, engaged as a public utility in the business of generating, purchasing, distributing, and/or selling electricity to approximately 1.8 million retail customers and natural gas to approximately 1.7 million retail customers in the State of Michigan.

2. Consumers Energy's retail natural gas and electric businesses are subject to the jurisdiction of the Commission pursuant to various provisions of 1909 PA 106, as amended, MCL 460.551 et seq., 1919 PA 419, as amended, MCL 460.51 et seq., and 1939 PA 3, as amended, MCL 460.1, et seq. Pursuant to these statutory provisions, the Commission has power and jurisdiction to regulate Consumers Energy's retail electric and gas rates.

3. Significant economic factors, anticipated reductions in the federal Low Income Home Energy Assistance Program ("LIHEAP") funding, and uncertainty of availability of the state Low Income And Energy Efficiency Fund ("LIEEF") are contributing to the strong likelihood of our most vulnerable customers being considerably challenged this heating season. The amount of overall assistance available for Consumers Energy's Residential customers is being significantly reduced. This application seeks to address some of the impacts of the reductions in LIHEAP and LIEEF energy bill payment assistance.

4. Consumers Energy serves 8 of the 10 most impoverished counties in the State with just under 390,000 low-income customers of record. Consumers Energy has close to 130,000 participants currently enrolled in shut-off protection plans, reflecting a 237% increase since 2008. With many participating customers living in combination service territories and nearly 100,000 electric space heating customers, it is evident that the issues and impacts being faced are not specific to gas only customers.

5. Consumers Energy requests a temporary waiver until April 1, 2012 to allow flexibility in the down payment and re-enrollment provisions of the Shut-off-Protection ("SPP") tariff rule, Sections 5.4A and 5.4B. Specifically, Consumers Energy requests that it be granted flexibility regarding the percentage amount of down payment

required to enroll and also be allowed to permit residential customers to re-enroll up to two additional times.

6. Consumers Energy seeks approval of electric and gas residential uncollectible expense true-up mechanisms (“UETM”) for the calendar year 2012. The UETMs would be structured around the “base uncollectible level” included in rates for the Company’s gas and electric utility businesses. Both the gas and electric UETMs would incorporate a +/- 5% deadband or neutral zone relative to the base uncollectible level. If actual total uncollectible expense is within this neutral zone then no adjustment would be made. If the actual annual total uncollectible expense amount is greater than the deadband threshold, then the Company would propose to collect any under-collection amount in excess of the deadband and refund any over-collection in excess of the deadband threshold from residential customers.

7. The Company asks approval to reconcile the UETMs by filing a single application for reconciliation within 90 days of year end 2012 that would reconcile both the gas and electric UETMs following notice, hearing and approval by the Commission. The reconciliation proceeding would determine the amount of the uncollectible expense outside of the deadband and the time period over which the adjustment would be applied.

8. Consumers Energy also requests approval to utilize regulatory asset and regulatory liability accounting treatment for each UETM and to allow various program expenses to be classified as uncollectible expenses.

9. This Application is supported by the Direct Testimony and Exhibit of Michael H. Ross and Marsha A. Perry filed herewith. Mr. Ross is in the Rates and Business Support Department of Consumers Energy. His testimony describes the electric and gas Residential uncollectible expense true-up mechanism (“UETM”) for the calendar year 2012, a temporary waiver for the downpayment and enrollment provisions of the Shut-off-

Protection ("SPP") tariff rule Sections 5.4A and 5.4B and the requested accounting approval for the use of regulatory assets or regulatory liabilities related to each UETM and the request to allow various program expenses to be classified as uncollectible expenses. Ms. Perry is Revenue Operations Manager for Consumers Energy. Her testimony describes background information concerning the LIHEAP and LIEEF programs, as well as the operation of the Company's Shut-off Protection Plan ("SPP") and the PeopleCare Program.

10. Approval of the relief requested in this application will not increase rates or charges for any customer. Consumers Energy respectfully requests that the Commission approve the relief sought by Consumers energy on an *ex parte* basis, without the time and expense of a public hearing.

11. The heating season began November 1st, and time is of the essence. Expedited implementation of the Company's proposed assistance program enhancements make additional customer protection available immediately. This offers the vulnerable customer protections that the unique circumstances of this heating season call for. It also enables DHS and other non-profit agencies to utilize whatever scarce funding resources are available in the most efficient and effective manner possible.

WHEREFORE, Consumers Energy Company respectfully requests the Commission to issue an *ex parte* order providing as follows:

A. Granting a temporary waiver until April 1, 2012 of the down payment and reenrollment provisions of the Shut-off-Protection ("SPP") tariff rule Sections 5.4A and 5.4B;

B. Approving electric and gas Residential uncollectible expense true-up mechanisms ("UETM"s) for the calendar year 2012;

C. Giving accounting approval for the use of regulatory assets or regulatory liabilities related to each UETM and their associated costs and allowing various program expenses to be classified as uncollectible expenses;

D. Approving a reconciliation of the UETMs by the filing of a single application for reconciliation within 90 days of year end 2012 that would reconcile both the gas and electric UETMs following notice, hearing and approval by the Commission.

E. Granting such other and further relief as may be lawful and necessary;

Respectfully submitted,

CONSUMERS ENERGY COMPANY

Digitally signed by Ronn J. Rasmussen
Date: 2011.11.16 15:54:36 -05'00'

Dated: November 16, 2011

By______________________
Ronn J. Rasmussen
Vice President Rates and Regulatory Affairs

Digitally signed by Eric V. Luoma
Date: 2011.11.16 15:57:44 -05'00'

____

Eric V. Luoma (P42678)
One Energy Plaza
Jackson, Michigan 49201
Attorney for Consumers Energy Company
(517) 788-0980

S T A T E   O F   M I C H I G A N

BEFORE THE MICHIGAN PUBLIC SERVICE COMMISSION

In the matter of the application of)
CONSUMERS ENERGY COMPANY)
for approval of Residential Uncollectible)
Expense True-up Mechanisms for calendar 2012)
____) Case No. U-16929

VERIFICATION

Ronn J. Rasmussen, states that he is Vice President Rates and Regulation of Consumers Energy Company; that he has executed the foregoing Application for and on behalf of Consumers Energy Company; that he has read the foregoing Application and is familiar with the contents thereof; that the facts contained therein are true, to the best of his knowledge and belief; and that he is duly authorized to execute such Application on behalf of Consumers Energy Company.

Dated: November 16, 2011

Ronn J Rasmussen

Digitally signed by Ronn J. Rasmussen
Date: 2011.11.16 16:01:56 -05'00'

Ronn J. Rasmussen
Vice President Rates and Regulation
Consumers Energy Company

S T A T E   O F   M I C H I G A N

BEFORE THE MICHIGAN PUBLIC SERVICE COMMISSION

In the matter of the application of	)	
CONSUMERS ENERGY COMPANY	)	
for approval of Residential Uncollectible	)	
Expense True-up Mechanisms for calendar 2012	)	
______________________________________	)	Case No. U-16929

DIRECT TESTIMONY

OF

MARSHA A. PERRY

ON BEHALF OF

CONSUMERS ENERGY COMPANY

November 2011

ts111611-map

MARSHA A. PERRY
DIRECT TESTIMONY

Q. Please state your name and business address.

A. Marsha A. Perry, One Energy Plaza, Jackson, Michigan 49201.

Q. By whom are you employed?

A. Consumers Energy Company.

Q. What is your position at Consumers Energy?

A. I am the Revenue Operations Manager in the Customer Experience and Operations Department of Consumers Energy.

Q. Please state your educational background and work experience.

A. I graduated from Purdue University in 1988 with a Bachelor of Science in Electrical Engineering. In addition, I received a Master of Management Degree from Aquinas College in 1992. I joined Consumers Energy in January 1988, working in their Southern Region Marketing department as a Marketing Engineer. My responsibilities included providing Industrial and Commercial Customers with energy information, energy efficiency opportunities and billing and metering information specific to their business.

In 1992, I accepted a position in our Corporate Marketing Department. My primary responsibility was to develop marketing programs to help our customers reduce energy. In 1995, I joined the newly formed CMS Energy Company, Marketing Sales and Trading. My duties were to develop marketing proposals for industrial customers and research energy trends in the United States and other Countries. In April 1999, I re-joined Consumers Energy as a Customer Billing Supervisor. My responsibilities included management of the energy billing exceptions process and non-energy billing for the Southern and Northwestern Regions of the state. I was also responsible for Sarbanes-Oxley auditing for Customer Operations. In December 2004, I accepted the Billing Team

Lead position for Consumers Energy's Create, Evolve, Adapt project. My responsibilities increased to Project Manager during the project. I led a team responsible for the design, development and implementation of the energy metering, billing, invoicing and bill print processes, as well as the non-energy billing processes for the 2008 release of SAP. In August 2008, I accepted the position of Customer Care and Services Portfolio Manager in the Company's newly formed Business Technology Services (BTS) organization. I was responsible for the technology systems that support our Customer Operations; including billing, metering, meter reading, invoicing, credit, collections, call center operations and marketing. In May 2010, I accepted the position of Business Relationship Manager for Customer Operations. I led a team responsible for all of the technology systems that support Consumers Energy's Customer Operations organization. In October 2011, I accepted the position of Revenue Operations Manager for our Customer Experience and Operations organization. I am responsible for the Credit, Assistance, Payment Offices, Customer Billing, Claims, Theft and Bankruptcy departments.

Q. What is the purpose of your testimony in this proceeding?

A. The purpose of my testimony is to discuss proposed changes to the Shutoff Protection Plan ("SPP") and the PeopleCare Program for the 2011-2012 heating season.

Q. Are you sponsoring any exhibits?

A. No.

Q. Why are changes needed for SPP and PeopleCare Program?

A. The challenges facing Michigan's vulnerable citizens are significant. Concerns are compounded given the proposed Federal assistance funding cuts, and the current uncertainty of State assistance funding. Currently a $1 billion cut to the Federal Low Income Home Energy Assistance Program ("LIHEAP") funding appropriations is very likely, which will result in a minimum $55-$60 million impact to Michigan. In addition, there is still uncertainty around availability of the State Low Income and Energy Efficiency Fund ("LIEEF") funding. In addition to the LIHEAP and LIEEF funding impacts, as of October 1, 2011, the Department of Human Services has announced that Michigan's State Emergency Relief funds have been reduced and caps on the amount of annual household relief available have decreased from $850 to $450 per energy. Historically, Low Income customers have relied on both Federal LIHEAP funds and State LIEEF funds to assist them in resolving their energy crisis. Coupled with current economic circumstances, our most vulnerable customers are at considerable risk. This is a very extraordinary heating season environment for all stakeholders, making extraordinary measures necessary.

Consumers Energy serves 8 of the 10 most impoverished counties in the State with just under 390,000 low-income customers of record. Consumers Energy has close to 130,000 participants currently enrolled in shut-off protection plans, reflecting a 237% increase since 2008. With many participating customers living in combination service territories and nearly 100,000 electric space heating customers, it is evident that the issues and impacts being faced are not specific to gas only customers. Consumers Energy believes that a proactive operational response plan is critical to mitigating the impacts anticipated. In support of its operational response plans, Consumers Energy is seeking flexibility in administering the SPP and believes that enhancements to its PeopleCare low income program are warranted.

Q. Describe the existing SPP program.

A. The SPP was approved by the Michigan Public Service Commission ("MPSC") in December 2009, pursuant to the Commission's Consumer Standards and Billing Practices. Those rules (R 460.148(10)) provide that a utility may offer an optional shutoff protection program to its customers with the approval of the MPSC, provided that the optional shutoff protection program offers eligibility and shutoff protection that meets or exceeds the eligibility criteria and customer protections contained in the Winter Protection Program ("WPP") provided for in R 460.148.(1) of the billing rules. Consumers Energy proposed the SPP to offer its customers 1) a longer time period over which arrearages could be paid compared to the WPP, 2) allow greater eligibility for participation in the payment plan compared to WPP, and 3) allow customers to re-enroll in the program after the customer had previously been removed from SPP due to default. The SPP program is a payment plan designed to assist eligible customers who need to pay their arrearage over time to avoid service interruptions when they are unable to pay their electric or gas bill. The terms of the approved programs are found in the Electric and the Gas Rate Book under tariff Sections C5.4A and C5.4B.

Any residential customer whose income is at or below 200% of the federal poverty level, and who is not currently enrolled in Consumers Energy's direct pay plan, recurring credit card payment plan or on an installment plan and who does not have an existing down payment request, security deposit request or theft or fraud activity within the last nine months, is eligible to enroll in SPP at their primary residence. A customer can enroll with a 10% down payment of their total energy balance at the time of enrollment. After one default, a customer can re-enroll with a 20% down payment. The monthly energy payment amount calculated at enrollment is equal to 1/18 of the total overdue energy balance plus 1/12 of the estimated cost of their annual energy usage. Annual energy usage is calculated by utilizing the past 12 months of consumption information for the customer's premise.

Q. Describe the proposed changes to the SPP program for which the Company is seeking a temporary waiver.

A. In order to make it easier for customers to enroll in the SPP program with limited assistance funds, Consumers Energy requests a waiver to allow more flexible down payment and re-enrollment terms that would be effective for the 2011-2012 heating season. We propose to maintain the SPP program's current enrollment eligibility, estimated annual energy usage and 18 month arrearage payment structure.

Q. What revised enrollment and re-enrollment terms does Consumers Energy propose?

A. Approval of Consumers Energy's waiver request would allow for increased flexibility to provide a payment plan option to enable eligible Low Income Customers in crisis to enroll with less than the current requirement of a 10% down payment of their total energy balance. In addition, we request approval to allow customers to re-enroll after one or two defaults, with less than a 20% down payment of their total energy balance. These changes enable maximum customer protection and minimize the dollars required from the already limited funding that may be available.

Q. For what time period does Consumers Energy request this waiver?

A. The waiver is requested for this heating season. The waiver would expire on April 1, 2012.

Q. Describe the current PeopleCare Program.

A. The PeopleCare Program has been in existence for 29 years. Consumers Energy's residential and commercial customers are solicited biannually during the October and April bill months by means of a bill message to join our employees in making one-time or repeating contributions to PeopleCare. Charitable funds raised through pledges and checks go directly to the Salvation Army for distribution through their regular screening process to meet emergency needs for food, medical care, transportation and heat for households. Recipients of PeopleCare funds do not need to be a customer of Consumers Energy, and many are not. In addition, Consumers Energy has also provided funds directly to the Salvation Army each year beginning on December 1 to be used strictly for Consumers Energy bill payment assistance for people deemed eligible through the Salvation Army screening process. The funds have traditionally included both matching funds and energy bill credits which do not require matching agency payments.

Q. Describe the changes you are proposing to the PeopleCare Program.

A. Consumers Energy proposes to increase its Company contribution and expand its PeopleCare partnership to additional assistance agencies beyond just The Salvation Army. This expansion would enable Consumers Energy to provide customer assistance matching funds to both state and private agencies that are clearly in the best position to assess critical need and reach the most vulnerable of households. Most importantly, the increase in funding for the PeopleCare program is being proposed because it will leverage total emergency assistance dollars available. The funding assistance customers will realize exceeds the costs of the proposed PeopleCare Program enhancements, which ultimately benefits all Michigan citizens. While the PeopleCare Program costs will be accounted for as an uncollectible expense, it is anticipated that by leveraging agency funding through matching payments, there will an overall decrease in uncollectible expenses that will exceed the increased PeopleCare Program costs.

Q. Describe additional Consumers Energy Low Income energy assistance fundraising and special projects.

A. Consumers Energy will provide additional funding to sponsor targeted agency fundraising events for energy assistance. In addition, we believe there is value in gaining further understanding of the specific needs of various customer segments, including our low income customer segment. Our intent is to further evaluate and implement best practices in the industry, leading to the initiation of special projects that will enhance customer access to assistance with the goal of reducing the affordability gap. This filing represents a proposed short term solution leading to the longer term vision of helping customers move toward self-sufficiency.

Q. Does Consumers Energy seek to have any of this additional funding incurred for sponsorship fundraising and special projects included as an uncollectible expense?

A. No.

Q. Does this conclude your testimony?

A. Yes.

S T A T E   O F   M I C H I G A N

BEFORE THE MICHIGAN PUBLIC SERVICE COMMISSION

In the matter of the application of CONSUMERS ENERGY COMPANY for approval of Residential Uncollectible Expense True-up Mechanisms for calendar 2012	)))))	Case No. U-16929

DIRECT TESTIMONY

OF

MICHAEL H. ROSS

ON BEHALF OF

CONSUMERS ENERGY COMPANY

November 2011

Ts111611-mhr

Q. Please state your name and business address.

A. Michael H. Ross, One Energy Plaza, Jackson, Michigan 49201.

Q. By whom are you employed?

A. Consumers Energy Company.

Q. What is your position at Consumers Energy?

A. I am a Senior Rate Analyst in the Rates and Business Support Department of Consumers Energy.

Q. Please state your educational background and work experience.

A. I graduated from the University of Michigan in August 1993 with a Bachelor of Fine Arts Degree. In addition, I received both a Bachelor of Accountancy Degree from New Mexico State University in August 1997 and a Master of Accountancy degree in December 1998. I joined PricewaterhouseCoopers in January 1999, working within their Middle Market and International Tax departments. My responsibilities included the calculation of Foreign Sales Corporation tax exempt income, calculation of foreign earned income, fulfilling corporate and partnership compliance filing requirements, and tax research and planning.

In June 2001, I accepted a position with Consumers Energy in the General Accounting area, where my primary responsibility was accounting and external reporting related to Consumers Energy's transmission subsidiary Michigan Electric Transmission Company ("METC"). Subsequent to Consumers Energy's sale of METC, I transferred to General Accounting's Electric Fuel and Reconciliation area where my duties included the accounting for electric generation and power supply expenses, electric revenue analysis and gross margin analysis. In September 2003, my responsibilities within the General

Accounting department were redirected toward external financial reporting, earnings variance analysis, corporate cost analysis, and accounting and external reporting for Consumers Funding LLC. In September 2005, I accepted a position in the Gas Fuel and Reconciliation Accounting section of the General Accounting Department. My duties included the accounting for the cost of gas and the analysis of gas revenues and costs, and the associated gas cost over- or under-recoveries. In October 2009 I accepted a position in the Rates and Business Support Department of Consumers Energy. In this role I assist in the preparation of studies relating to the Company's overall profitability for its business units as well as aid in the development of analyses related to the Company's revenue requirements and the preparation of electric and gas rate case filings at the Michigan Public Service Commission ("MPSC" or the "Commission").

Q. Are you a member of any professional organizations?

A. I am a Certified Management Accountant and a member of the Institute of Management Accountants.

Q. Have you previously filed testimony with the Commission?

A. Yes. I filed testimony in Case Numbers U-14403-R, U-14716-R, U-15041-R, U-15454-R, U-16247, U-16418, and U-16761.

Q. What is the purpose of your testimony in this proceeding?

A. The purpose of my testimony is to discuss the necessity for separate electric and gas Residential uncollectible expense true up mechanisms ("UETM"s) for the calendar year 2012. In addition, I am presenting testimony proposing how these mechanisms would be structured and have outlined a procedure for reconciliation. I am also requesting a temporary waiver for the Shutoff Protection Plan ("SPP") downpayment and reenrollment provisions of the tariffs, Sections C5.4A and C5.4B. Lastly, I am requesting accounting approval for the use of regulatory assets or regulatory liabilities related to each UETM and their associated costs along with approval to allow various program expenses to be classified as uncollectible expenses.

Q. Are you sponsoring any exhibits?

A. Yes. I am sponsoring Exhibit A-1 (MHR-1).

Q. Was this exhibit prepared by your or under your supervision?

A. Yes.

Q. Please describe Exhibit A-1 (MHR-1).

A. Exhibit A-1 (MHR-1) illustrates the mechanics of the residential UETM calculations relevant to both electric and gas UETMs. The concepts illustrated in this example are discussed in more detail later in my testimony.

Q. Please discuss why Consumers Energy is proposing the adoption of separate electric and gas Residential UETMs for calendar year 2012.

A. Consumers Energy is proposing single year, electric and gas UETMs in this case, in conjunction with modifications to the Customer Assistance Programs (PeopleCare Program) described in the direct testimony of Company witness Marsha Perry. Temporary modifications to these programs are appropriate in 2012 due to the anticipated reduction in the Low Income Home Energy Assistance Program ("LIHEAP"), the Low Income And Energy Efficiency Fund ("LIEEF"), and reductions in State Benefit programs for welfare, unemployment, and food assistance. Significant reductions in funding levels for these programs will negatively impact the Company's residential customers and will impact Consumers' uncollectible expense in a manner that cannot be predicted with reasonable accuracy.

Q. Why is Consumers proposed residential UETMs and Customer Assistance modifications limited to the 2012 calendar year?

A. The Company is aware of a State Legislative workgroup tasked with developing a more efficient way to administer state emergency relief, the low-income home energy assistance program, and weatherization. At the time of this filing, it does not appear, however, that this effort will result in any legislative action that will have much impact prior to late 2012. The Company is thus proposing actions that will provide some short-term relief.

Q. When is the Company requesting approval of this application?

A. The Company requests Commission approval as soon as possible before year-end 2011. Without expedited Commission action on this application, the Company would be unable to fully implement the described steps.

Q. How would the proposed Residential UETMs be structured?

A. There would be separate Residential UETMs for the Company's electric business and gas business. Both electric and gas UETMs would be structured around a "base uncollectible level" that would be determined during a reconciliation proceeding. The Company proposes to create a +/- 5% deadband or neutral zone relative to the base uncollectible level. If actual total uncollectible expenses are within this range then no ratemaking adjustment would be made. If the actual annual total uncollectible expense amount is greater than the deadband threshold, then the Company would propose to collect any under-collection outside of the deadband and refund any over-collection less than the deadband threshold to the residential customer class. The Company proposes to adjust rates prospectively to collect or refund the amount of the variance outside of the deadband to residential customers. For example, if the actual uncollectible expense is 110% in relation to the baseline then the 5% in excess of the deadband threshold would be collected through a surcharge to residential customers. Conversely, if the actual uncollectible expense is 90% of the baseline, then the 5% below the deadband threshold would be refunded to residential customers through a negative surcharge. An example calculation is shown in my Exhibit A-1 (MHR-1).

Q. How would self-implemented rates fit with the UETM reconciliations and how is the "base uncollectible level" calculated?

A. The "base uncollectible level" would be calculated using residential revenues for the 2012 time periods before and after self-implementation, (or a final order if no self-implementation date exists), in effect prorating the various rate imposed base uncollectible expense amounts. For example, assume Consumers self-implements revised rates for electric customers effective July 1, 2012 and the revised rates include the Company's proposed test year uncollectible expense amount. Also assume total electric residential revenues for the period before this self-implementation date equate to 55% of total year residential electric calendar revenues. If the Company has self-implemented $32.3M of proposed test year uncollectible expense, the composite electric base uncollectible expense for UETM purposes would be $24.4M ((current base: $17.9M*55%)+(self-implemented base: $32.3M*45%)=$24.4M). If self-implementation or a final order is received mid-month, that months residential sales revenues would be allocated pre and post periods based on relevant days.

Q. The Commission's most recent UETM structure approved for Consumers Energy provided only an 80% recovery of under-collected expense. Why is the Company proposing a different recovery percentage?

A. The Company's last electric UETM was approved in Case No. U-15645 and later terminated in the subsequent general rate proceeding, Case No. U-16191. In the U-15645 order, the Commission stated that making 20% of the variance unrecoverable was meant to incentivize Consumers Energy to minimize its uncollectible expense levels. While the Company is committed to minimizing its uncollectible expense, it is proposing additional customer aid through modifications to Customer Assistance Programs (PeopleCare) in response to LIHEAP, LIEEF, and State benefit program reductions that will impact uncollectible expense in a manner that cannot be predicted with reasonable accuracy. Given the short term nature of these UETM proposals, the disincentive that only an 80% recovery would provide Consumers and the uncertain magnitude of customer need, the UETM proposals described in my testimony provide a better alignment of customer, Company, and shareholder interests within the narrow context of this application.

Q. When would the Residential UETMs be reconciled?

A. The Company proposes to reconcile the UETMs by filing a reconciliation application within 90 days of year end 2012. The reconciliation proceeding would then determine the amount of the uncollectible gas and electric expense outside of the deadband and the time period over which the adjustment would be applied. Appropriate rate adjustments would take place following notice, hearing and approval by the Commission.

Q. Why is the Company requesting temporary waivers related to certain SPP provisions?

A. The Company is specifically requesting temporary waivers for sections C5.4A & C5.4B of the approved rules and regulations relating to SPP down payment and reenrollment policies. The temporary waiver would terminate on April 1, 2012 and would temporarily afford the Company greater discretion to enroll customers in the SPP program that otherwise would not qualify. These program changes are described in greater detail in the direct testimony of Company witness Marsha Perry.

Q. Does the implementation of UETMs require any specific accounting approvals?

A. Yes. The UETMs would result in deferred debits or credits until any under-recovery or over-recovery is fully collected or refunded. The Company requests Commission approval to use account 182.3 Other Regulatory Asset, to record a deferred under-recovery and account 254 Other Regulatory Liabilities, to record a deferred over-recovery in relation to the proposed UETMs.

Q. How will the costs of the PeopleCare Progam be accounted for?

A. The costs of the PeopleCare Program will be classified as uncollectible expenses. As more fully explained by Company witness Marsha Perry, it is anticipated that by leveraging agency funding there will an overall decrease in uncollectible expenses that will exceed the increased PeopleCare Program costs. Thus it is appropriate for program costs to be classified as an uncollectible expense.

Q. Will the costs incurred to Sponsor Agency Fundraising and Special Projects as discussed by Company witness Perry be classified as an uncollectible expense?

A. No. These initiatives, while designed to aid customers and ultimately reduce the Company's bad debt levels, will not be recorded as uncollectible expense.

Q. Would any outstanding regulatory asset or liability associated with a UETM, accrue interest?

A. Yes. Any outstanding regulatory asset or liability associated with these mechanisms would accrue interest at the Company's short-term borrowing rate.

Q, Can the request for a UETM be resolved in the Company's pending electric and gas general rate cases?

A. Time is of the essence. The winter heating season has arrived. A final order is not expected in our pending electric rate case U-16794 until June 2012 and in our pending gas rate case U-16855 not until September 2012.

Q. Why is a UETM necessary under Public Act 286 of 2008 ("PA 286") that permits the Company to self-implement rates and use projected test years?

A. PA 286 provides certainty related to the timing of a general rate order but does not change the unpredictable and volatile nature of certain expenses like uncollectible accounts expense. It also does not provide for the self-implementation of mechanisms like the UETM.

Q. What is the nature of uncollectible accounts expense?

A. Uncollectible accounts expense is a significant dollar item that is volatile, difficult to project and for the most part beyond the control of the Company. PA 286 did not change the nature of uncollectible accounts expense. In order to provide for a timely solution to the low income assistance problem this winter the UETMs I've described should be adopted. The UETMs are fair to customers and the Company as they allows for the certainty of a mechanism that permits the after the fact review of actual costs.

Q. Does this conclude your testimony?

A. Yes.

S T A T E O F M I C H I G A N

BEFORE THE MICHIGAN PUBLIC SERVICE COMMISSION

In the matter of the application of	)	
CONSUMERS ENERGY COMPANY	)	
for approval of Residential Uncollectible	)	
Expense True-up Mechanisms for calendar 2012	)	
____	)	Case No. U-16929

EXHIBIT

OF

MICHAEL H. ROSS

ON BEHALF OF

CONSUMERS ENERGY COMPANY

November 2011

Consumers Energy
Example Calculation of 2012 Residential UETM
Electric Residential UETM

U-16929
Exhibit: A-1 (MHR-1)
Witness: MHRoss
Date: Nov. 2011

Line		Under-Recovery Scenario	Over-Recovery Scenario	No Adjustment Scenario
L1	Total Electric Actual Uncollectible Expense - 2012	$ 40.0	$ 24.6	$ 33.0
L2	Base Uncollectible Expense in Rates-Elect. - 2012*	32.3	32.3	32.3
L3=L1-L2	Under/(Over) Recovery of Uncollectible Expense	7.7	(7.7)	0.7
L4=L2*-5%	+ or – 5% Deadband	(1.6)	(1.6)	(1.6)
L5=L3 + or- L4	Total Elect Uncollectible Expense over(under) collection	$ 6.1	$ (6.1)	$ -

*Proposed in U-16794 (will be adjusted as outlined in MHRoss testimony)