Consumers Energy
Count on Us

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August 6, 2013

Ms. Mary Jo Kunkle
Executive Secretary
Michigan Public Service Commission
4300 West Saginaw
Lansing, MI 48917

Re: Case No. U-17453 – In the Matter of the Application of Consumers Energy Company for Accounting Approval Associated With Its Investment in Certain Generating Units

Dear Ms. Kunkle:

Enclosed for electronic filing is **"Consumers Energy's Application for Accounting Approval and Testimony of Company Witnesses Jan C. Anderson and David B. Kehoe"** in the above-captioned cases. This is a paperless filing and is therefore being filed only in a PDF format. I have enclosed a Proof of Service showing electronic service upon the parties.

Sincerely,

Bret Totoraitis
Digitally signed by Bret A. Totoraitis
Date: 2013.08.06 15:29:39 -04'00'

Bret A. Totoraitis

cc: Parties per Attachment 1 to Proof of Service

fl0813-1-229

STATE OF MICHIGAN

BEFORE THE MICHIGAN PUBLIC SERVICE COMMISSION

In the matter of the application of CONSUMERS ENERGY COMPANY for accounting approval associated with its investment in certain generating units.	))))))	Case No. U-17453

CONSUMERS ENERGY'S APPLICATION FOR ACCOUNTING APPROVAL

Consumers Energy Company ("Consumers Energy" or "the Company") respectfully requests that the Michigan Public Service Commission ("MPSC" or the "Commission") provide: (i) advanced approval of accounting treatment for the remaining undepreciated book value of the Company's generating units Cobb 1-5, Weadock 7-8 and Whiting 1-3 ("the Referenced Units"), associated demolition costs, and other costs of removal in the event the Referenced Units are retired earlier than previously planned and (ii) assurance that the Commission will, in future rate proceedings, afford the Company ratemaking treatment consistent with that accounting. 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 selling electric energy to approximately 1.8 million retail customers in the State of Michigan. The retail electric system of Consumers Energy is operated as a single utility system, within which uniform retail utility rates are charged.

2. Consumers Energy's retail electric business is subject to the jurisdiction of the Commission pursuant to various provisions of 1909 PA 300, as amended, MCL 462.2;

1909 PA 106, as amended, MCL 460.551 *et seq*., 1919 PA 419, as amended, MCL 460.54 *et seq*., and 1939 PA 3, as amended, MCL 460.1, *et seq*. Pursuant to these statutory provisions, the Commission has the power and jurisdiction to regulate Consumers Energy's retail electric rates, including the establishment of regulated utility accounting procedures.

3. Consumers Energy suspended operations of Cobb units 1-3 in January 2009 due to safety concerns. Original repair estimates exceeded $10 million and the Company suspended operation of the units with the intent of monitoring future market conditions. The Company filed appropriate documentation with MISO, which MISO approved, supporting the suspension of operations for those units. Since that time, market conditions have not warranted the investment needed to return these units to service.

4. On April 24, 2013 the U.S. Environmental Protection Agency ("EPA") issued the Mercury and Air Toxics Standards ("MATS") rule. The MATS rule, originally proposed as the Electric Generating Unit Maximum Achievable Control Technology Rule, is designed to reduce hazardous air pollutants from coal and oil fired electric generating units. The final rule includes stringent emission limits for mercury, particulate matter, and hydrochloric acid. The initial compliance date for the MATS rule is April 16, 2015.

5. Consumers Energy has determined that it may be uneconomic to install the pollution controls necessary to achieve compliance with MATS on Cobb units 4&5, Weadock units 7&8, and Whiting units 1-3. Accordingly, in 2012, the Company sought approval from MISO to suspend operation of those units. Consumers Energy also sought an extension of the April 16, 2015 compliance date from the Michigan Department of Environmental Quality ("MDEQ"). The MDEQ granted an extension to April 16, 2016. MISO subsequently approved the Company's request to suspend operation of these units as of April 16, 2016. Therefore,

Consumers Energy anticipates that, as of April 16, 2016, operations will be suspended for all of the Referenced Units.

6. The Referenced Units are currently scheduled for retirement in 2025 in accordance with the Commission's depreciation order in Case No. U-16054. However, based on current projections of future capacity prices, Consumers Energy believes that it is likely that future operations of these plants beyond April 15, 2016 would be uneconomical. In addition, on July 12, 2013 Consumers Energy filed an Application seeking a Certificate of Necessity ("CON") pursuant to MCL 460.6s in connection with the construction of a new natural gas combined cycle plant at the Company's Thetford site in Genesee County, Michigan. As set forth in the Company's filing in that case, the Thetford project is a more economical alternative to continuing to operate the Referenced Units, and the Company is therefore seeking a CON to proceed with the construction of that project. Although uncertainties regarding future market conditions, future regulatory actions, and system stability issues exist that could require the Company to restart the Referenced Units at some future time that possibility is highly unlikely. It is more likely that the Company may elect to retire the Referenced Units before 2025 – perhaps as early as April 15, 2016.

7. As a result of the uncertainty surrounding the future operation and status of the Referenced Units, Consumers Energy is filing this Application to request the Commission's advanced approval regarding the correct accounting procedure the Company will use in the event of early retirement of the Referenced Units. Consumers Energy proposes to use standard utility plant retirement accounting principles for the Referenced Units in the event of early retirement. More specifically, Consumers Energy is proposing to account for the historical plant cost on the Company's books such that the unrecovered portion of these units will remain in the Company's

steam plant reserve and be allocated over the remaining lives of the surviving steam plants in the account. This accounting procedure is required by FERC Uniform System of Accounts, Electric Plant Instructions, #10 Additions and Retirements of Electric Plant, B(2).[1] The Commission has consistently approved this accounting treatment in connection with the retirement of Consumers Energy's generating units in the past, including the Saginaw River Steam Plant, Kalamazoo River Steam Plant, and the 1990 retirement of the BC Cobb units 1-3.

8. Although Consumers Energy is not asking for any depreciation rate adjustments at this time, the Company is requesting the Commission to provide confirmation that it will follow ratemaking treatment that matches the accounting described in this Application and the accompanying testimony for the Referenced Units. Specifically, the Company is requesting the Commission to provide assurance that the full amount of the Referenced Units' undepreciated investment, demolition costs, and cost of removal, including a return on those assets, will, upon their retirement, be accounted for as described above, and recovered through retail electric rates.

9. Assuming the Commission grants the Company's request in Case No. U-17429 for a CON to build the Thetford plant, the Company would need assurance of the accounting treatment of the unrecovered book balance of the Referenced Units and of the corresponding rate treatment in order to proceed with construction. A Commission decision in this case is vital to afford the Company the certainty it needs to prudently align and coordinate its strategy for MATS compliance, construction of the Thetford plant, and the operation and disposition of existing elements of the Company's fleet in a financially responsible way. In order to facilitate that goal, Consumers Energy is requesting that the Commission render its final order in this case no later than nine months from the date of the Company's Application.

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[1] Rule 1 of the Commission's Uniform System of Accounts for Major and Nonmajor Electric Utilities adopts FERC's Uniform System of Accounts by reference. 2011 AACS; R 460.9002.

10. Accompanying this Application is testimony in support of the relief requested. The relief described in the attached testimony is hereby incorporated into this Application.

WHEREFORE, Consumers Energy Company respectfully requests that the Commission grant the following relief:

A. Accept this Application for filing and expeditiously commence a contested case proceeding with instructions to the Administrative Law Judge that proceedings in this case should be completed on a schedule designed to arrive at a final Commission order within nine months of the Company's filing date.

B. Issue an order within nine months granting the Company's request for advanced approval of the accounting practices described in the Application and related testimony in the event of the early retirement of Consumers Energy's generating units Cobb 1-5, Weadock 7-8 and Whiting 1-3.

C. Issue an order within nine months assuring Consumers Energy that the full undepreciated book value, demolition costs and costs of removal associated with Consumers Energy's generating units Cobb 1-5, Weadock 7-8 and Whiting 1-3, including a return on those assets, will be recovered through rates.

D. Grant Consumers Energy such other and further relief as is lawful and appropriate.

Respectfully Submitted,

CONSUMERS ENERGY COMPANY

Glenn P. Barba
Digitally signed by Glenn P Barba
Date: 2013.08.06 15:33:33 -04'00'

Dated: August 6, 2013

By: ______________________________

Glenn P. Barba
Vice President, Controller & Chief
Accounting Officer
Consumers Energy Company
One Energy Plaza
Jackson, MI 49201

Bret Totoraitis
Digitally signed by Bret A. Totoraitis
Date: 2013.08.06 15:31:16 -04'00'

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Jon Robinson (P27953)
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One Energy Plaza
Jackson, MI 49201
Attorneys for Consumers Energy Company
(517) 788-0835

STATE OF MICHIGAN

BEFORE THE MICHIGAN PUBLIC SERVICE COMMISSION

In the matter of the application of CONSUMERS ENERGY COMPANY for accounting approval associated with its investment in certain generating units.	))))))	Case No. U-17453

VERIFICATION

Glenn P. Barba states that he is Vice President – Controller & Chief Accounting Officer 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.

Digitally signed by Glenn P Barba
Date: 2013.08.06 15:35:46 -04'00'

Dated: August 6, 2013

Glenn P. Barba

STATE OF MICHIGAN

BEFORE THE MICHIGAN PUBLIC SERVICE COMMISSION

In the matter of the application of	)	
CONSUMERS ENERGY COMPANY	)	
for accounting approval associated with	)	Case No. U-17453
its investment in certain generating	)	
units.	)	
	)	

DIRECT TESTIMONY

OF

JAN C. ANDERSON

ON BEHALF OF

CONSUMERS ENERGY COMPANY

August 2013

Q. Please state your name and business address.

A. Jan C. Anderson, One Energy Plaza, Jackson, Michigan.

Q. By whom are you employed, and in what capacity?

A. I am the Manager of Depreciation Accounting and Regulatory Filings for Consumers Energy Company ("Consumers Energy" or the "Company") in the Corporate Property Accounting Department.

Q. What are your responsibilities as Manager of Depreciation Accounting and Regulatory Filings?

A. My primary responsibilities are to manage all aspects of depreciation and asset retirement obligations, including the preparation of related accounting and depreciation rate filings.

Q. Please summarize your educational background and experience.

A. I have a Bachelors degree with honors from Michigan State University and a Masters in Business Administration from Spring Arbor University.

Q. Are you a Certified Public Accountant ("CPA")?

A. Yes. I became a CPA in 1992.

Q. Please summarize your prior professional experience at Consumers Energy before becoming the Manager of Depreciation Accounting and Regulatory Filings.

A. I began my career with Consumers Energy in the Tax Department in 2003 as a contract employee and worked extensively on the Sarbanes Oxley implementation. In 2004, I accepted a position of Senior Controls Analyst in the Internal Controls Department. I began my current position in 2005 as the Manager of Depreciation and Decommissioning in the Corporate Tax Department. This department was transitioned to the Consumers

Energy Property Accounting Department and I assumed additional responsibilities and my title was changed to Manager of Depreciation Accounting and Regulatory Filings.

Q. Have you testified previously before the Michigan Public Service Commission ("MPSC" or the "Commission")?

A. Yes. I have sponsored testimony in the following MPSC cases: Case No. U-15629 for approval of revised depreciation rates for gas property; Case No. U-15611, the reconciliation of the Big Rock Nuclear Plant decommissioning funding; Case No. U-15986 for approval of revised natural gas rates; and Case No. U-16054 for approval of revised depreciation rates for electric property.

PURPOSE

Q. What is the purpose of your testimony?

A. The purpose of my testimony is to: 1) provide an overview of this filing, 2) discuss the prior ratemaking treatment of the generating units Cobb 1-5, Weadock 7&8, and Whiting 1-3 ("the Referenced Units"), 3) describe the requested retirement accounting, and 4) request approval for the described accounting and ratemaking treatment.

Q. Are you sponsoring any exhibits in this proceeding?

A. No.

OVERVIEW

Q. What is the purpose of this filing?

A. The purpose of this filing is to obtain Commission confirmation that it is appropriate to use standard utility plant retirement accounting principles in the event that circumstances require early retirement of the Referenced Units and assurance that the Commission will follow ratemaking practices that are consistent with the accounting for the Referenced Units when they are retired from service.

Q. What is the book value of these generating units?

A. At December 31, 2012, the book value of Cobb 1-5 was $160,926,008; Weadock 7&8 was $114,567,066, and Whiting 1-3 was $99,250,967. The total for the ten units was $374,744,041.

Q. What is meant by book value?

A. Book value is the difference between the recorded historical plant cost and the accumulated provision for depreciation account. The accumulated provision for depreciation account is a summation of the recorded depreciation expense, salvage received, and cost of asset retirements (cost of removal) expenditures. In utility accounting when the book cost is more than the corresponding accumulated depreciation, the book value is the amount of the unrecovered investment.

Q. What is the expected retirement date of these units?

A. The current retirement date for the Referenced Units is 2025 as established in Case No. U-16054, the Company's most recent Electric & Common Plant Depreciation Rate Case. As explained by Mr. Kehoe, a change from the currently approved retirement date of 2025 for these units may be necessary, but has not been determined.

Q. Why is a request being made for the accounting and ratemaking treatment for the unrecovered investment in the Referenced Units prior to a determination of revised retirement dates?

A. As explained by Mr. Kehoe, there are many factors that must be considered when determining the optimal time to retire these generating plants. Consumers Energy is simply seeking assurance that the unrecovered costs on Cobb 1-5, Weadock 7&8, and Whiting 1-3 will be included in future depreciation rates.

PRIOR RATEMAKING EXPERIENCE

Q. Does the current unrecovered book value of the Referenced Units reflect the use and benefit that Consumers Energy's customers have derived from these units to date?

A. No. The Company experienced a 15-year delay in filing a revised depreciation rate case from 1995 to 2010. In 2000 Public Act 141, the State Legislature established a rate freeze and cap for retail electric customers that was effective through December 31, 2005. As a practical matter, because depreciation is recovered through customer rates, the rate freeze precluded Consumers Energy from filing to update its electric depreciation rates during the period 2000-2005. Additionally, in 2004, the Commission established a proceeding to review various accounting matters related to the retirement of long-lived assets. Because this case could have changed the methods, procedures, and techniques used for depreciation rate determination, Consumers Energy did not file an electric plant depreciation case during this period. In June 2007, the Commission ended the accounting matter case and ordered Consumers Energy to file its next electric depreciation rate case by August 2009. Due to this long delay between depreciation rate cases, the Company's authorized depreciation rates for the Referenced Units were not updated to reflect new circumstances that would likely have resulted in different rates. As a result, the current unrecovered book value of the Referenced Units does not reflect the use and benefit that Consumers Energy's customers have derived from these units to date.

Q. What was the effect of the 2009 Electric & Common Plant Rate Case filing on the Referenced Units?

A. In the 2009 Electric & Common Plant Rate Case filing, Case No. U-16054, Consumers Energy proposed to extend the life of the Referenced Units from 2008 to 2025. At the time the Company was preparing that case, it believed that the Referenced Units could remain in service through 2025 so long as they were not required to be modified to meet new environmental standards. This retirement date extension was approved by the Commission. Therefore, if these units were to remain in plant in service until 2025, the amount of unrecovered investment would be minimized.

REQUESTED ACCOUNTING TREATMENT

Q. Please describe the requested accounting for the future retirements of the Referenced Units.

A. Consumers Energy is requesting the use of standard retirement accounting that will remove the historical plant cost from the plant in service account and charge the depreciation reserve account. The result is that the unrecovered portion of these plants will remain in the steam plant reserve and be allocated over the remaining lives of the surviving steam plants. In addition, the cost to remove the units net of salvage will be charged to the depreciation reserve account.

Q. Is the Company’s proposed accounting treatment the correct treatment according to the Uniform System of Accounts?

A. Yes. The FERC Uniform System of Accounts, Electric Plant Instructions, #10 Additions and Retirements of Electric Plant, B(2), describes when depreciable plant is retired from service, that the book cost is charged to the accumulated provision for depreciation. The cost of removal and salvage shall be charged and credited to such depreciation account.

Q. Has the Commission approved the allocation of over- or under-recovery of asset investment to the other members of the steam depreciation reserve?

A. Yes. The Commission has consistently approved the use of the remaining-life technique for Consumers Energy's calculations of depreciation accruals and rates in its depreciation rate cases. The estimated remaining life for the steam plants is re-adjusted when changes in plant retirement dates are approved by the Commission. Therefore, the remaining-life technique includes an asset group's over- or under-recoveries in the calculation of the annual depreciation accrual and those differences are spread over the remaining life of the surviving assets in the steam plant account.

Q. Is this the accounting treatment that the Company has consistently used for plant retirements?

A. Yes. Consumers Energy used this accounting treatment when it retired the following steam plants from service: Saginaw River Steam Plant, Kalamazoo River Steam Plant, and the 1990 retirement of the BC Cobb units 1-3. In all instances, the difference between the units' historical cost and its depreciation provision balance remained in the steam reserve account and was allocated over the surviving members.

Q. If Cobb 1-3 was retired in 1990 why is it included in the generating units discussed in this filing?

A. Cobb 1-3 was brought back out of retirement and repowered as a gas fired unit in 1999/2000. The costs to repower this plant were included in the last depreciation rate case filing.

Q. Is there any change in accounting treatment when operation of generating units is suspended as described by Mr. Kehoe?

A. No. When the Company suspends the operation of generating units, the units remain in plant and service and are depreciated using the currently approved rates.

REQUESTED RATEMAKING TREATMENT

Q. If the above-described accounting treatment is followed, what ratemaking treatment is the Company seeking?

A. At this time, Consumers Energy is not asking for any depreciation rate adjustments. In this case, Consumers Energy is requesting the Commission to provide confirmation that it will follow ratemaking treatment that matches the accounting I have described above for the Referenced Units. This would mean that the full amount of the retired units under-recovered investment, demolition costs, and cost of removal, including a return on those assets, will be recovered through retail electric rates.

Q. Will these units be included in future electric depreciation rate cases?

A. Yes. Consumers Energy was ordered to file its next electric plant depreciation rate case in June 2014 and will include the Referenced Units in that filing.

CONCLUSION

Q. Does this conclude your testimony?

A. Yes, it does.

STATE OF MICHIGAN

BEFORE THE MICHIGAN PUBLIC SERVICE COMMISSION

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CONSUMERS ENERGY COMPANY	)	
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its investment in certain generating	)	
units.	)	
	)	

DIRECT TESTIMONY

OF

DAVID B. KEHOE

ON BEHALF OF

CONSUMERS ENERGY COMPANY

August 2013

Q. Please state your name and business address.

A. David B. Kehoe, 1945 W. Parnall Road, Jackson, Michigan.

Q. By whom are you employed and in what capacity?

A. I am employed by Consumers Energy Company ("Consumers Energy" or the "Company") as Director of Staff, Electric Generation.

Q. Please describe your educational background.

A. I received a Bachelor of Science (Chemistry) degree in December 1977 from the University of Michigan. I also received a Masters degree (Business Administration) in May 1982 from the University of Detroit.

Q. Please describe your business experience.

A. In 1978 I began working as an Associate Engineer for The Detroit Edison Company ("Detroit Edison"). In this capacity I worked at Detroit Edison's Engineering Research Department largely serving as an analytical chemist specializing in instrumental analytical chemistry. From mid-1982 to September 1989 I held the position of Fuels Engineer, and was responsible for both the operation of Detroit Edison's fuels laboratory as well as for consulting with the operating power plants on fuel and combustion product impacts. Additionally, from 1985 until 1989 I was in charge of the Polychlorinated Biphenyls ("PCB") analysis laboratory. This laboratory analyzed soil and oil samples for the presence of PCBs and was part of Detroit Edison's program to remove PCBs from existing equipment and to verify the absence of PCBs from soil samples that came from remediation of transformer-oil spills. While at Detroit Edison, I was also a member of the American Chemical Society, the ASTM Committee on Corrosion and Deposits from Combustion Gasses, and ASTM D-5 Committee.

In 1989 I left the position of Senior Engineer at Detroit Edison and went to CQ Inc., a subsidiary of the Electric Power Research Institute. While at CQ Inc. I held the position of Project Manager, and consulted with utilities, coal companies, and engineering firms on fuel selection and fuel impacts. Additionally, I served on the Department of Energy coal research project peer review panel.

In 1998, I left CQ Inc. and joined CMS Generation, a subsidiary of CMS Energy, as a Plant Support Manager. My responsibilities included negotiation of Long-Term Service Agreements, Power Purchase Agreements, Operation and Maintenance Agreements for new and existing power plants, providing operations review and cost estimates in development of new power plants, and providing technical assistance to existing power generating assets. In 2000, I became the Asset Manager for the Jorf Lasfar Energy Company in Morocco, and was responsible for representing CMS Energy's interests in that project. In that capacity I also served on the Management Committee of Jorf Lasfar, which functioned as that project's board of directors. As such, I was responsible for dividend declarations, cash management policy, setting annual goals and objectives, reviewing performance and establishing salary bonus structure for the project management. In addition, I also served in a similar capacity for the GasAtacama project in northern Chile. In April of 2004, I accepted the position of Director of Staff, Electric Generation for Consumers Energy.

Q. What are your responsibilities as Director of Staff, Electric Generation?

A. As Director of Staff, Electric Generation, I am responsible for strategic planning for the electric generation business of Consumers Energy. This function includes air quality and regulatory oversight as well as financial planning and budgeting.

Q. Have you previously testified before the Michigan Public Service Commission ("MPSC" or the "Commission")?

A. Yes. I sponsored testimony in the following cases: Case Nos. U-13917 and U-13917-R (2004 Power Supply Cost Recovery ("PSCR") Plan and Reconciliation cases); Case Nos. U-14274 and U-14274-R (2005 PSCR Plan and Reconciliation cases); Case Nos. U-14701 and U-14701-R (2006 PSCR Plan and Reconciliation cases); Case No. U-14347 (2006 Electric Rate case); Case Nos. U-15001 and U-15001-R (2007 PSCR Plan and Reconciliation cases); Case Nos. U-15415 and U-15415-R (2008 PSCR Plan and Reconciliation cases); Case No. U-15245 (2008 Electric Rate case); Case Nos. U-15675 and U-15675-R (2009 PSCR Plan and Reconciliation case); Case No. U-15645 (2009 Electric Rate case); Case No. U-16113 (2009 Show Cause Order); Case No. U-16054 (2009 Depreciation Practices for Electric and Common Utility Plant); Case No. U-16055 (2010 Depreciation Practices for Ludington Pumped Storage Plant); Case No. U-16045 and U-16045-R (2010 PSCR Plan and Reconciliation cases); Case No. U-16191 (2010 Electric Rate case); Case Nos. U-16432 and U-16432-R (2011 PSCR Plan and Reconciliation cases); Case No. U-16536 (2011 Depreciation Practices for Other Production - Wind Plant); Case No. U-16794 (2011 Electric Rate case); Case Nos. U-16890 and U-16890-R (2012 PSCR Plan and Reconciliation cases); Case No. U-17087 (2013 Electric Rate case) and Case No. U-17095 (2013 PSCR Plan case).

<u>PURPOSE OF TESTIMONY</u>

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

A. The purpose of my testimony is to: 1) describe the current status of Cobb units 1-5, Weadock unit 7&8 and Whiting units 1-3 (the "Referenced Units"), 2) discuss the uncertainties impacting the Company's plans regarding the timing of the retirement of the Referenced Units; 3) discuss the Company's reasons for seeking Commission assurance regarding the appropriate accounting practices relative to the unrecovered book balance for the Referenced Units, 4) identify the proposed capital investments that are planned at the Cobb, Weadock and Whiting sites through 2016, and 5) discuss the Company's current calculations regarding the costs of demolition and asset removal for the Referenced Units.

Q. Does your testimony address any Company-owned generation assets other than the Cobb, Weadock and Whiting units identified above?

A. No. Any depreciation adjustments to other generation assets will be addressed in the next Electric & Common Plant Depreciation Rate Case to be filed in June 2014.

Q. Are you sponsoring any exhibits?

A. No.

CURRENT STATUS OF REFERENCED UNITS

Q. What is the current status of the Referenced Units?

A. Consumers Energy suspended operation of Cobb units 1-3 in January 2009 due to safety concerns. Original repair estimates exceeded $10 million and the Company suspended operation of the units with the intent of monitoring future market conditions. The Company filed appropriate documentation with MISO, which MISO approved, supporting the suspension of operations for those units. Since that time, market conditions have not warranted the investment needed to return these 65-year-old, small (183 MW combined operating capacity) and relatively less efficient units to service.

Cobb units 4&5, Weadock units 7&8, and Whiting units 1-3 are currently operational. In 2012, Consumers Energy filed documents with MISO declaring the Company's intent to suspend operation of these units on April 16, 2015. MISO returned a letter approving the Company's plan to suspend operation of these units, provided a series of network upgrades were done, establishing these units as System Stability Resources. Based on the MISO approval, the Company sought from the Michigan Department of Environmental Quality ("MDEQ"), and was granted, a one-year extension to its Mercury and Air Toxics Standards ("MATS") compliance date. The Company subsequently filed documents with MISO declaring its intention to suspend operation of these units on April 16, 2016. MISO responded with approval without requiring any prerequisite network upgrades.

Q. What is the current official retirement date for the Referenced Units?

A. The current official retirement date for the Referenced Units is 2025.

Q. Has the Commission reviewed the 2025 retirement date for these plants?

A. Yes. The Commission approved depreciation rates in Case No. U-16054, the Company's most recent Electric & Common Plant Depreciation Rate Case, based on retirement of the Referenced Units in 2025.

Q. Does Consumers Energy plan to alter the official approved retirement dates for these units?

A. Not at this time. However, because of the increased costs associated with compliance with the upcoming MATS and the uncertainty in the capacity market, Consumers Energy plans to suspend operations of Cobb 4&5, Weadock 7&8, and Whiting 1-3 on April 15,

2016. As noted above, Consumers Energy suspended operations of Cobb 1-3 effective in January 2009.

Q. Please explain the MATS rule.

A. The MATS rule, originally proposed as the Electric Generating Unit Maximum Achievable Control Technology rule on May 3, 2011, was published in the Federal Register on February 16, 2012. The final rule became effective on April 24, 2013. MATS is designed to reduce hazardous air pollutants from coal and oil fired electric generating units. The final rule includes stringent emission limits for mercury, particulate matter, and hydrochloric acid. The initial compliance date for the MATS rule is April 16, 2015, which, as noted above, has been extended by the MDEQ for the Cobb 4&5, Weadock 7&8, and Whiting 1-3 units to April 15, 2016.

Q. Does the Company's MISO filing indicate that the Company plans to retire these units?

A. No. The MISO filing assumes the units will be returned to service. However, the Company has concluded that continued operation of these units past April 16, 2016 would be uneconomical, based on our current projections of future capacity prices.

Operations of those seven electric generating units are being suspended because modifications to comply with MATS, which becomes effective for these units in April 2016, will be more costly than the net value of the energy and capacity those units are likely to produce between April 2016 and their planned retirement date of 2025. This is discussed in more detail in the testimony submitted with the recent Application for a Certificate of Necessity ("CON") for the new Thetford gas combined-cycle plant ("Thetford Plant") in Case No. U-17429.

Q. How much more costly are those modifications than the net value of energy and capacity those units are likely to produce between 2016 and their planned retirement date?

A. The Company estimates that on a net present value basis the modifications will be approximately $156 million more costly than the net value of the energy and capacity those units are likely to produce between 2016 and their planned retirement date. Furthermore, when combined with the addition of lower cost generating units such as the Thetford Plant, the modifications are expected to be as much as $462 million more costly than other alternatives.

Q. Is it possible that the Company would choose to continue operation of the Referenced Units?

A. It is possible but highly unlikely. Future capacity prices, estimates of the number of installed megawatts of coal fired capacity that will retire over the next several years, and the extent to which MISO may elect to request some resources to continue operation for a time while network upgrades are performed to assure system stability are all factors that could cause the Company to reevaluate its plans with respect to these units. The analysis described above, however, indicates that there would have to be a significant change in circumstances to warrant the additional investment in these units that would be required to keep them operational beyond April 2016.

Q. If the Company has not decided to retire these units, why is it seeking Commission confirmation of the proper accounting treatment for retirement of the Referenced Units now?

A. There are two reasons: First, the Company obviously continues to monitor the situation in MISO regarding generating plant retirements, capacity market prices, and general economic conditions. If the Company's current expectations regarding these matters do not materially change, the Company could make the decision to proceed to retire the Referenced Units in the near future. Second, assuming the Commission grants the Company's request for a CON in Case No. U-17429, the Company needs assurance of the accounting and ratemaking treatment of the unrecovered book balance of the Referenced Units in order to make the financial commitment to proceed with construction of the Thetford Plant. The Company believes it would need to carefully evaluate the financial prudence of making additional investment in new generating assets if recovery of existing prudent generating investments were considered to be in jeopardy.

CAPITAL INVESTMENTS

Q. Have the capital dollars invested in these plants been prudently invested?

A. Yes. All of the Company's investments in the Referenced Units were necessary to maintain the safe and reliable operation of those units for the benefit of Consumers Energy's customers. The Company has described and successfully supported recovery of the investment in the Referenced Units in numerous rate proceedings since the 1950s, when these plants were constructed and initially included in rate base. The Commission has consistently found the Company's investments in the Referenced Units to be prudent and reasonable since that time and has consistently included those investments in the Company's rate base.

Q. Please identify each of the rate proceedings in which the Commission has reviewed and approved the prudency of the Company's investments in the Referenced Units.

A. The Commission has reviewed and approved the prudency of the Company's investments in the Referenced Units in a number of depreciation rate cases and electric general rate cases as follows: depreciation rate case filings (oldest to most recent) include Case Nos. D-875 (September 6, 1951), D-875-55.1 (January 14, 1955), U-100 (February 28, 1963), U-101 (January 21, 1960), U-1780 (February 23, 1967), F-105 (November 22, 1971), F-665 (January 13, 1975), U-6041 (January 26, 1979 and January 28, 1980), U-7803 (March 11, 1986), U-9493 (May 7, 1991), U-10754 (November 14, 1996 and April 10, 1997), and U-16054 (June 28, 2011); electric general rate case filings (oldest to most recent) include Case Nos. D-2916 (January 4, 1950 and May 22, 1959), U-2028 (July 1, 1965), U-2443 (June 23, 1966), U-3179 (September 29, 1969), U-3749 (December 14, 1971), U-4174 (November 24, 1972), U-4332 (January 18, 1974), U-4576 (January 23, 1975), U-4840 (April 12, 1976), U-5331 (July 31, 1978), U-5979 (August 8, 1980), U-6923 (May 18, 1983), U-7830 (August 17, 1984; July 16, 1987; and May 7, 1991), U-9346 (May 7, 1991), U-10335 (May 10, 1994), U-10685 (November 14, 1996), U-14347 (December 22, 2005), U-15245 (June 19, 2008), U-15645 (November 12, 2009), U-16191 (November 4, 2010), U-16794 (June 7, 2012) and U-17087 (May 15, 2013).

Q. Does Consumers Energy plan to continue investing capital dollars in the Referenced Units even though the Company intends to suspend operation of these plants on April 16, 2016?

A. Yes, Consumers Energy will continue to invest some small amount of capital in these units until 2015. These expenditures would be limited to amounts that are required for safety, regulatory, and environmental compliance and/or to proceed with the discontinuation of operation at these sites. Examples of this type of work would include ash field closure and asbestos removal. In addition, these capital dollars include very small expenditures on small tools and valves.

Q. How much capital does Consumers Energy plan to invest at the Cobb, Weadock and Whiting sites for the years 2013 through 2015?

A. As summarized in the table below, the forecasted capital investments for Cobb would be $2.587 million, Weadock would be $2.035 million and Whiting would be $3.723 million.

Line Number	**Units**	**Planned Capital Investment**
1	Cobb 4-5	$2,587,000
2	Weadock 7-8	$2,035,000
3	Whiting 1-3	$3,723,000

Q. How do the Company's planned investments between 2013 and 2015 compare to the three years prior?

A. During 2010 through 2012, the Company spent the amounts shown in the table below, with the great majority of that spending occurring in 2010 and 2011. The comparison of the table above to the table below demonstrates the significant reduction in the capital spending on these units after the publication of the MATS rule in 2012.

Line Number	**Units**	**Planned Capital Investment**
1	Cobb 4-5	$11,659,718
2	Weadock 7-8	$9,727,050
3	Whiting 1-3	$25,396,368

DEMOLITION COSTS

Q. Have demolition costs for the Cobb, Weadock and Whiting sites changed since Case No. U-16054?

A. Yes, the 2016 demolition costs have been estimated to be $14.4 million, $33.8 million, and $21.4 million - respectively.

Q. How were these demolition costs calculated?

A. The above demolition costs were calculated by escalating the amounts that were negotiated and approved by the Commission in Case No. U-16054 to 2016 dollars.

COST OF REMOVAL

Q. What are the estimated costs of asset removal for the Cobb, Weadock and Whiting sites for the years 2013 through 2015?

A. As summarized in the table below, the forecasted cost of removal for Cobb would be $0, Weadock would be $0.30 million and Whiting would be $0.45 million. This cost of removal is for work that is routinely completed at the site - such as asbestos removal during boiler tube outages/repairs or ash pond work. This is not to be confused with the cost to remove the Referenced Units at their end of life.

Line Number	**Units**	Planned Cost of Removal
1	Cobb 4-5	$-0-
2	Weadock 7-8	$296,000
3	Whiting 1-3	$449,000

CONCLUSION

Q. Does this conclude your testimony?

A. Yes, it does.

STATE OF MICHIGAN

BEFORE THE MICHIGAN PUBLIC SERVICE COMMISSION

In the matter of the application of CONSUMERS ENERGY COMPANY for accounting approval associated with its investment in certain generating units.	))))))	Case No. U-17453

PROOF OF SERVICE

STATE OF MICHIGAN)
) SS
COUNTY OF JACKSON)

Dorothy H. Wright, being first duly sworn, deposes and says that she is employed in the Legal Department of Consumers Energy Company; that on August 6, 2013, she served an electronic copy of **"Consumers Energy's Application for Accounting Approval and Testimony of Company Witnesses Jan C. Anderson and David B. Kehoe"** upon the persons listed in Attachment 1 hereto, at the e-mail addresses listed therein.

Digitally signed by Dorothy H. Wright
Date: 2013.08.06 15:39:32 -04'00'

Dorothy H. Wright

Subscribed and sworn to before me this 6th day of August, 2013.

Digitally signed by Debra S. Weirich
Date: 2013.08.06 15:43:37 -04'00'

Debra S. Weirich, Notary Public
State of Michigan, County of Jackson
My Commission Expires: 10/31/18
Acting in the County of Jackson

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