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May 24, 2013

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

Dear Ms. Kunkle:

Re: MPSC Case No. U-17087

I am enclosing for filing the Attorney General's Reply Brief. In addition, a copy of this filing is being submitted electronically pursuant to the instructions in the Commission's notice of hearing.

Sincerely,

Michael E. Moody
Assistant Attorney General

c All Parties

PROOF OF SERVICE - U-17087

The undersigned certifies that a copy of the *Attorney General's Reply Brief* was served upon the parties listed below by e-mailing the same to them at their respective e-mail addresses on the 24th day of May, 2013.

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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
distribution of electricity and for other relief

MPSC Case No. U-17087

ATTORNEY GENERAL REPLY BRIEF

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Dated: May 24, 2013

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ARGUMENT

I. Response to MPSC Staff

At page 6 of its Initial Brief, Staff states that it prefers the Company's cost-benefit analysis because it is over the life of the project from the customer's perspective and cites the transcript at 1882. The benefits discussed at this page of the transcript deal with reading the meters more efficiently, bill accuracy, theft detection, outage detection, and efficiency in energy usage. It is unclear how these benefits are from the customer's perspective since the only one that really pertains to the customer is bill accuracy. It is also unclear why this customer's perspective approach is preferred over the Attorney General's cost/benefit analysis that examined the actual financial impact on customers versus claims of potential benefits. Staff claims that there are a number of additional benefits that cannot be quantified but there are also a number of costs that also cannot be qualified such as the increased internet security costs that Consumers Energy will pass along to customers as a result of this Smart Grid containing the usage patterns of all of its customers.

Finally, Staff suggests that suspending the AMI program will contravene prior Commission orders. As stated in the Attorney General's Initial Brief, there are a number of Commission orders that state the Company must continue to show the benefits exceed the costs and that the program is reasonable. In fact the Staff's own guidelines that were adopted by the Commission in U-16191 provided that there would no guarantee cost recovery of future expenditures, that Consumers would remain responsible to support individual expenditures for reasonableness and prudence, that the project risk is borne by stockholders, and that there is ensurance that customers can obtain savings to offset the cost of Smart Grid infrastructure. (U-16191, November 4, 2010 Order, p 17).

The Staff did not provide any analysis in the record to challenge the Attorney General's cost/benefit analysis and its Initial Brief does not demonstrate why the Commission should reject this cost/benefit analysis other than the above preference for a customer's perspective approach that has no real meaning. Accordingly, the Attorney General reiterates its argument that the Commission should suspend the Company's AMI program until such time it can show that the benefits outweigh the costs to its customers.

II. Response to Consumers Energy

Consumers Energy provided a summary of its testimony and arguments in its Initial Brief. Similar to the Staff, the Company simply cites to general "societal benefits" rather than attempt to challenge the Attorney General's cost/benefit analysis. (Consumers Energy's Initial Brief, p 8). Because the actual costs of the AMI program will exceed the benefits to customers, it is reasonable to suspend this project – as the Commission would do for any project that does not make financial sense.

RELIEF SOUGHT

For the reasons stated above and in the Attorney General's Initial Brief, The Attorney General recommends that the Commission adopt the Attorney General's recommendations regarding the suspension of AMI/Smart Grid program. In the alternative, assuming the Commission rejects the Attorney General's recommendation regarding AMI/Smart Grid , the Attorney General recommends that the Commission adopt the recommended opt-out fees for smart meter discussed above in this brief.

Respectfully submitted,

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