

VAPS Annual Report  
2018 Financial Summary  
-CONFIDENTIAL-

Attachment 1

Line	Description	2018	ASP	BCTS	OSEE	Gas T&S	VEE Energy Manager	Allconnect Mover Program	Appliance Repair (Non ASP)	Customer Requested Fuel Lines	Gas Fuel Line Maint Contracts	Lab Services
	(a)	(b)	(c)	(d)	(e)	(f)	(g)	(i)	(j)	(k)	(l)	(l)
<b>Revenue</b>												
<b>Plan Gross Revenues</b>												
1	Revenues	\$ 85,904,465	\$ 72,131,120	\$ 9,060,993	\$ 1,497,343	\$ 401,000	\$ 198,735	\$ 1,019,703	\$ 88,851	\$ 51	\$ 50,594	\$ 1,456,075
2	Free Month Incentive Revenue	\$ (252,806)	\$ (252,806)	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
3	<b>Net Revenues (RDS)</b>	<b>\$ 85,651,659</b>	<b>\$ 71,878,314</b>	<b>\$ 9,060,993</b>	<b>\$ 1,497,343</b>	<b>\$ 401,000</b>	<b>\$ 198,735</b>	<b>\$ 1,019,703</b>	<b>\$ 88,851</b>	<b>\$ 51</b>	<b>\$ 50,594</b>	<b>\$ 1,456,075</b>
<b>Expenses:</b>												
<b>Cost of Goods Sold</b>												
4	Material & labor (including labor overheads)	37,753,646	27,865,042	7,092,249	618,548	193,183	382,671	23,525	91,879	194	192,148	1,294,207
5	ACAP Expense	5,065,868	5,065,868	-	-	-	-	-	-	-	-	-
6	Field Expense (Payout)	-	-	-	-	-	-	-	-	-	-	-
7	<b>Total Cost of Goods Sold</b>	<b>42,819,514</b>	<b>32,930,910</b>	<b>7,092,249</b>	<b>618,548</b>	<b>193,183</b>	<b>382,671</b>	<b>23,525</b>	<b>91,879</b>	<b>194</b>	<b>192,148</b>	<b>1,294,207</b>
8	<b>Gross Margin</b>	<b>42,832,145</b>	<b>38,947,404</b>	<b>1,968,744</b>	<b>878,795</b>	<b>207,817</b>	<b>(183,936)</b>	<b>996,178</b>	<b>(3,028)</b>	<b>(143)</b>	<b>(141,554)</b>	<b>161,868</b>
<b>Operational Expense</b>												
9	Schedule, Control & Dispatch	770,430	388,388	-	-	-	335,993	46,049	-	-	-	-
10	Solution Center Costs	2,882,081	2,882,081	-	-	-	-	-	-	-	-	-
11	Org & Office Admin	3,075,537	1,741,462	989,088	79,608	47,480	217,899	-	-	-	-	-
12	Program Amendments	203,119	203,119	-	-	-	-	-	-	-	-	-
13	<b>Total Operational Expense</b>	<b>6,931,167</b>	<b>5,215,050</b>	<b>989,088</b>	<b>79,608</b>	<b>47,480</b>	<b>553,892</b>	<b>46,049</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>
<b>Marketing Expense</b>												
14	Promotional Program & Research	4,483,185	4,483,185	-	-	-	-	-	-	-	-	-
15	Marketing Supervision	842,716	842,716	-	-	-	-	-	-	-	-	-
16	Print Plus	453,161	453,161	-	-	-	-	-	-	-	-	-
17	Direct Mail	1,920,831	1,920,831	-	-	-	-	-	-	-	-	-
18	<b>Total Marketing Expense</b>	<b>7,699,893</b>	<b>7,699,893</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>
19	<b>Total Expenses</b>	<b>57,450,574</b>	<b>45,845,853</b>	<b>8,081,337</b>	<b>698,156</b>	<b>240,663</b>	<b>936,563</b>	<b>69,574</b>	<b>91,879</b>	<b>194</b>	<b>192,148</b>	<b>1,294,207</b>
20	Bad Debt - Uncollectibles	2,175,911	2,164,103	-	-	-	-	-	9,800	-	2,008	-
21	<b>Total Expenses including UA's</b>	<b>59,626,485</b>	<b>48,009,956</b>	<b>8,081,337</b>	<b>698,156</b>	<b>240,663</b>	<b>936,563</b>	<b>69,574</b>	<b>101,679</b>	<b>194</b>	<b>194,156</b>	<b>1,294,207</b>
22	<b>Margin</b>	<b>26,025,174</b>	<b>23,868,358</b>	<b>979,656</b>	<b>799,187</b>	<b>160,337</b>	<b>(737,828)</b>	<b>950,129</b>	<b>(12,828)</b>	<b>(143)</b>	<b>(143,562)</b>	<b>161,868</b>
<b>Indirect Expenses:</b>												
<b>Indirect Operational Expense</b>												
	Small Tools	28,048	28,048	-	-	-	-	-	-	-	-	-
	Training	546,201	546,201	-	-	-	-	-	-	-	-	-
	Complaints	32,805	32,805	-	-	-	-	-	-	-	-	-
	<b>Total Indirect Operational Expense</b>	<b>607,054</b>	<b>607,054</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>
<b>Indirect Admin Expense</b>												
	Billing	240,989	240,380	31	59	2	15	1	64	-	56	380
	Payment Processing	231,720	231,134	30	56	2	14	1	62	-	54	366
	<b>Total Indirect Admin Expense</b>	<b>472,708</b>	<b>471,514</b>	<b>61</b>	<b>115</b>	<b>4</b>	<b>29</b>	<b>2</b>	<b>126</b>	<b>-</b>	<b>111</b>	<b>746</b>
<b>Indirect IT/Infrastructure Expense</b>												
	SAP	37,112	15,807	10,309	6,873	687	3,436	-	-	-	-	-
	MDSI	-	-	-	-	-	-	-	-	-	-	-
	Radio & Telephone	-	-	-	-	-	-	-	-	-	-	-
	<b>Total Indirect IT/Infrastructure Expense</b>	<b>37,112</b>	<b>15,807</b>	<b>10,309</b>	<b>6,873</b>	<b>687</b>	<b>3,436</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>
<b>Indirect Overhead/Corporate Expense</b>												
	Labor Related	3,766,259	3,272,725	-	-	-	-	-	-	-	-	493,534
	Other Corporate Related	2,427,516	2,427,516	-	-	-	-	-	-	-	-	-
	<b>Total Indirect Overhead/Corporate Expense</b>	<b>6,193,775</b>	<b>5,700,241</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>493,534</b>
	<b>Total Indirect Expenses</b>	<b>7,310,649</b>	<b>6,794,616</b>	<b>10,370</b>	<b>6,988</b>	<b>691</b>	<b>3,465</b>	<b>2</b>	<b>126</b>	<b>-</b>	<b>111</b>	<b>494,280</b>
	VAPS Indirect Margin	18,714,525	17,073,742	969,286	792,199	159,646	(741,293)	950,127	(12,954)	(143)	(143,673)	(332,412)

Notes to Attachment 4

- Note 1 Future year revenues, expenses and margin are expected to remain flat and be consistent with 2018 results
- Note 2 A separate Balance Sheet, Income Statement, Trial Balance or General Ledger is not available for VAPS programs

VAPS Annual Report  
 2018 Code of Conduct Complaint Summary  
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Attachment 2

Item	Complaint Number	Complaint Filed By	Complaint Date	Complaint Type	Complaint Description	Section of Code of Conduct	Resolution/Result Summary
1	18-F-065	MCL	6/27/18	Formal	Possible Billing Rules Violation - Appliance program still billing while on Care Plan.	Complaint did not involve application of the Code of Conduct but did involve an unregulated program. Customer did not give consent for a partial payment to be applied for the unregulated service (ie. ASP) before being applied first to the bill for regulated service (utility).	Credited customer for ASP charges.

1 Total Complaints 2018

# Redaction Log

Total Number of Redactions in Document: 1

## Redaction Reasons by Page

Page	Reason	Description	Occurrences
1	MCL 15.243(1)(a)	(4)(a) Information of a personal nature if public disclosure of the information would constitute a clearly unwarranted invasion of an individual's privacy	1

## Redaction Log

### Redaction Reasons by Exemption

Reason	Description	Pages (Count)
MCL 15.243(1)(a)	(4)(a) Information of a personal nature if public disclosure of the information would constitute a clearly unwarranted invasion of an individual's privacy	1(1)

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**COMPLAINTS**

2018 Study	
2017 Total Utility Complaints	4556
2017 Total Customer Care Spend - Labor	\$ 726,726.62
2017 Total Customer Care Spend - Non-Labor	\$ 47,683.58
<b>Cost Per Complaint - Labor</b>	<b>\$ 159.51</b>
<b>Cost Per Complaint - Non-Labor</b>	<b>\$ 10.47</b>

	BCTS	OSEE	Gas T&S	VEE	ASP	Allconnect	Appliance Repair	Gas Fuel Lines
<i>2018 Complaints</i>	0	0	0	0	193	0	0	0
<i>Labor Allocation</i>	\$ -	\$ -	\$ -	\$ -	\$ 30,785	\$ -	\$ -	\$ -
<i>Non-Labor Allocation</i>	\$ -	\$ -	\$ -	\$ -	\$ 2,020	\$ -	\$ -	\$ -
<i>Total</i>	\$ -	\$ -	\$ -	\$ -	\$ 32,805	\$ -	\$ -	\$ -

Source Information	
Department: Customer Care	
Report: Customer Complaints by area	

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**PAYMENT PROCESSING**

Cost Per Payment Processed - Labor	\$ -
Cost Per Payment Processed - Non-Labor	\$ 0.10

	BCTS	OSEE	Gas T&S	VEE	ASP	Allconnect	Appliance Repair	Gas Fuel Lines
<i>2018 Contracts/Jobs Sold</i>	299	47	15	12	192,612	12	617	719
<i>Labor Allocation</i>	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
<i>Non-Labor Allocation</i>	\$ 29.90	\$ 56.40	\$ 1.50	\$ 14.40	\$ 231,134.40	\$ 1.20	\$ 61.70	\$ 71.90

<b>Source Information</b>	
Name:	MCL 15.243(1)(a)
Department:	Billing Services/Treasury

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**BILLING**

ASP Cost/Bill - Per MPSC ruling	\$ 0.104

	BCTS	OSEE	Gas T&S	VEE	ASP	Allconnect	Appliance Repair	Gas Fuel Lines
<i>2018 Contracts/Jobs Sold</i>	299	47	15	12	192,612	12	617	719
<i>Labor Allocation</i>	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
<i>Non-Labor Allocation</i>	\$ 31.10	\$ 58.66	\$ 1.56	\$ 14.98	\$ 240,380	\$ 1.25	\$ 64.17	\$ 74.78

Source Information	
Name:	MCL 15.243(1)(a)
Department: Billing Services/Treasury	

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**TRAINING**

2018 Study		
Gas ASP Training costs are captured in three cost centers that are classified as Gas Utility Training O&M expense within the DCO. All costs within these cost centers are specific to ASP.		
ASP Training Cost Centers:		
120266		
120048		
120133		
Internal Orders for Gas ASP Training:		Settlement to ASP Training CCs
6501630	Gas Certification Committee	10%
6603002	BAY CITY HQ	100%
6603005	SAGINAW HQ	100%
6603008	FLINT HQ	100%
6603010	HOWELL HQ	100%
6603011	LIVONIA HQ	100%
6603012	MACOMB HQ	100%
6603014	PONTIAC HQ	100%
6603015	ROYAL OAK HQ	100%
6603018	LANSING HQ	100%
6603021	KALAMAZOO HQ	100%

2018 ASP Training Costs	\$	546,201.49
Labor Allocation	\$	546,201.49

Source Information	
Report: BI Cost Center Reporting - See cost centers listed above	



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**TOOLS**

2018 Study		
Gas ASP Tools costs are captured in a cost center that is classified as Gas Utility Tools O&M expense within the DCO. All costs within this cost center are specific to ASP.		
ASP Tools Cost Center:		
121609		

<i>2018 ASP Tools Costs</i>	\$	28,047.61
<i>Labor Allocation</i>	\$	-
<i>Non-Labor Allocation</i>	\$	28,047.61

Source Information	
Report: BI Cost Center Reporting - See cost centers listed above	

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**CORPORATE**

2018 Study	
<b>2018 Intercompany Overhead Rates</b>	
Pensions & Benefits	22.30%
Payroll Tax	8.30%
Other Comp & Benefits	2.70%
Administrative & General Salaries	7.10%
Office Supplies & Expenses	2.20%
Outside Services	3.60%
GO Property Insurance	0.00%
Injuries & Damages	0.20%
Miscellaneous General Expense	0.80%
GO Rents	0.20%
GO Maintenance of General Plant	1.00%
Depreciation	4.40%
GO Property Tax	1.80%
Return on Investment	3.40%
<b>Labor-Related Corporate Loadings</b>	<b>33.30%</b>
<b>Other Corporate Loadings</b>	<b>24.70%</b>
2018 Intercompany OH Rate	58.00%

<i>2018 ASP Labor Expense</i>	\$ 9,828,002.00
<b><i>Labor-Related Corporate Loadings</i></b>	<b>\$ 3,272,724.67</b>
<b><i>Other Corporate Loadings</i></b>	<b>\$ 2,427,516.49</b>

Source Information	
Name:	MCL 15.243(1)(a)
Department:	General Accounting

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**TECHNOLOGY**

		Cost	Directory ID's	Cost per person	Total Cost Per Person
2018	<b>Core SAP</b>	\$ 5,790,099.74	11,549	\$ 501	\$ 687
2018	<b>Oracle</b>	\$ 2,146,988.77	11,549	\$ 186	

Headcount	2018
ASP	23
Tech Services	15
OSEE	10
Gas T&S	1
VEE	5

	BCTS	OSEE	Gas T&S	VEE	Misc ES Services	ASP	Allconnect	Appliance Repair	Gas Fuel Lines
<i>2018 Headcount</i>	15	10	1	5	0	23	0	0	0
<i>Technology Expense</i>	\$ 10,308.80	\$ 6,872.53	\$ 687.25	\$ 3,436.27	\$ -	\$ 15,806.83	\$ -	\$ -	\$ -

Misc Es Services, Allconnect, Appliance Repair and Gas Field Fuel lines - there were never employees who directly worked for these organizations.

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**LAB SERVICES**

Labor Allocations for Standard Administrative and Overhead Functions													
Employee	Internal Labor Allocations (%)							Commercial Allocations (%)					
	Metallurgy	C&IS	Chem	NDT	EPTS	RCTS	SS	C&IS	NDT/Mat	Chem	Total Comm		
MCL 15.243(1)	5	15	15	35	5	5	5	11	2	2	15	Shared Services Department employees	
	5	15	15	35	5	5	5	11	2	2	15	Labor allocated out to billable	
	5	15	15	35	5	5	5	11	2	2	15	departments at a split of 85% Internal	
	5	15	15	40	5	5		11	2	2	15	and 15% Commercial	
	5	15	15	40	5	5		11	2	2	15		
	5	15	15	40	5	5		11	2	2	15	Lab Manager - Labor allocated to billable	
			60						40			40	C&IS Leadership - Standard labor
			60						40			40	allocations based on % of time
			60						40			40	dedicated to Internal or Commercial
			70						30			30	services
			70						30			30	
			60						40			40	C&IS Administrative Employees -
		60						40			40	Standard labor allocations based on % of	
		60						40			40	time dedicated to Internal or	
Standard allocations derived based on % of workload dedicated to supporting value added commercial operations for overhead and administrative functions. Direct labor and expenses associated with commercial operations are directly charged through SAP. \$1,294,207 in total commercial expenses in 2018, of which \$493,534 derived from standard labor allocations.								Allocated Admin & OH Labor:		\$312,363			
								Applied InterCompany OH Rate:		58%			
								Total Allocated Admin & OH Labor:		\$493,534			

# Redaction Log

Total Number of Redactions in Document: 5

## Redaction Reasons by Page

Page	Reason	Description	Occurrences
2			1
2	MCL 15.243(1)(a)	(4)(a) Information of a personal nature if public disclosure of the information would constitute a clearly unwarranted invasion of an individual's privacy	1
3	MCL 15.243(1)(a)	(4)(a) Information of a personal nature if public disclosure of the information would constitute a clearly unwarranted invasion of an individual's privacy	1
6	MCL 15.243(1)(a)	(4)(a) Information of a personal nature if public disclosure of the information would constitute a clearly unwarranted invasion of an individual's privacy	1
8	MCL 15.243(1)(a)	(4)(a) Information of a personal nature if public disclosure of the information would constitute a clearly unwarranted invasion of an individual's privacy	1

# Redaction Log

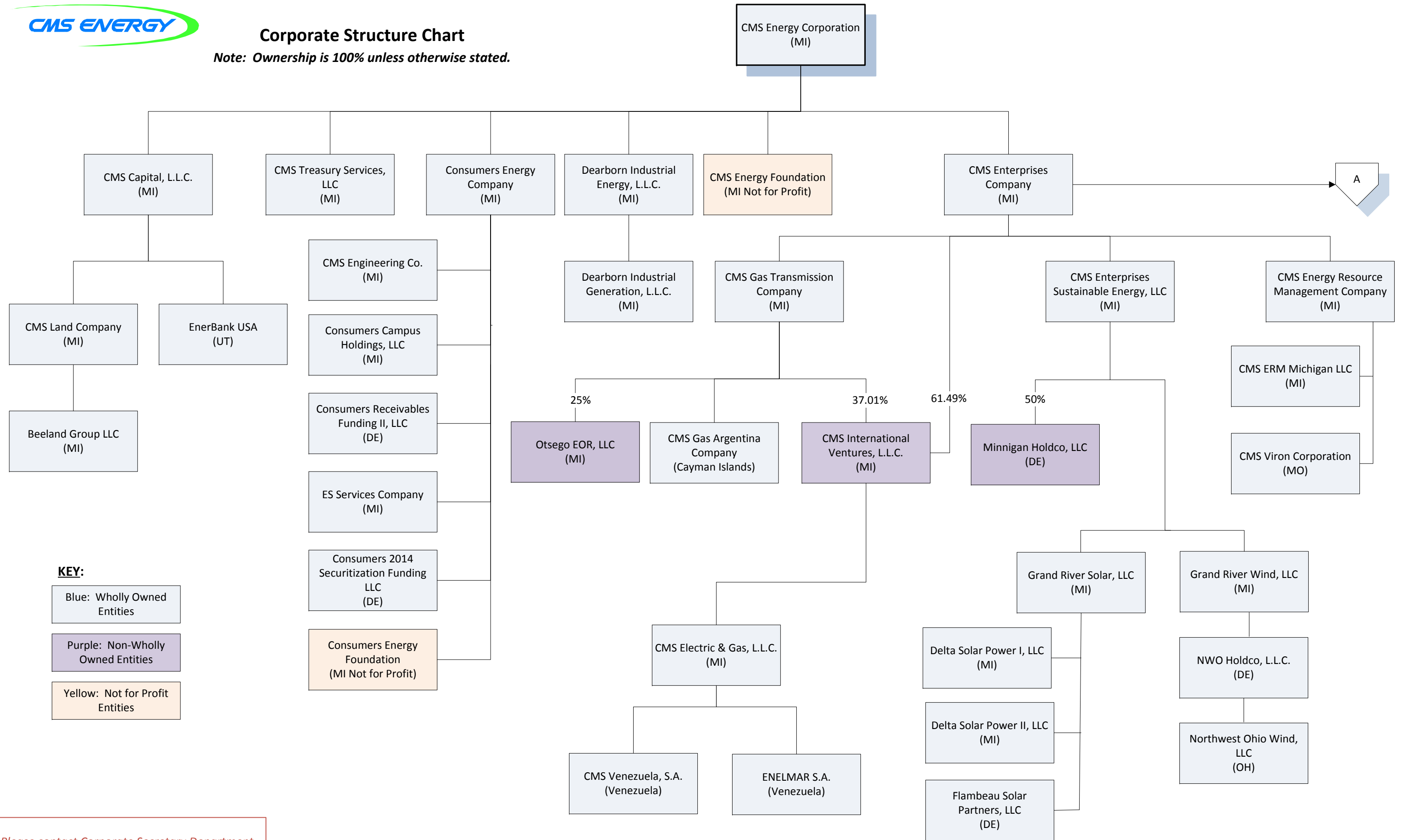
## Redaction Reasons by Exemption

Reason	Description	Pages (Count)
		2(1)
MCL 15.243(1)(a)	(4)(a) Information of a personal nature if public disclosure of the information would constitute a clearly unwarranted invasion of an individual's privacy	3(1) 6(1) 8(1) 2(1)



### Corporate Structure Chart

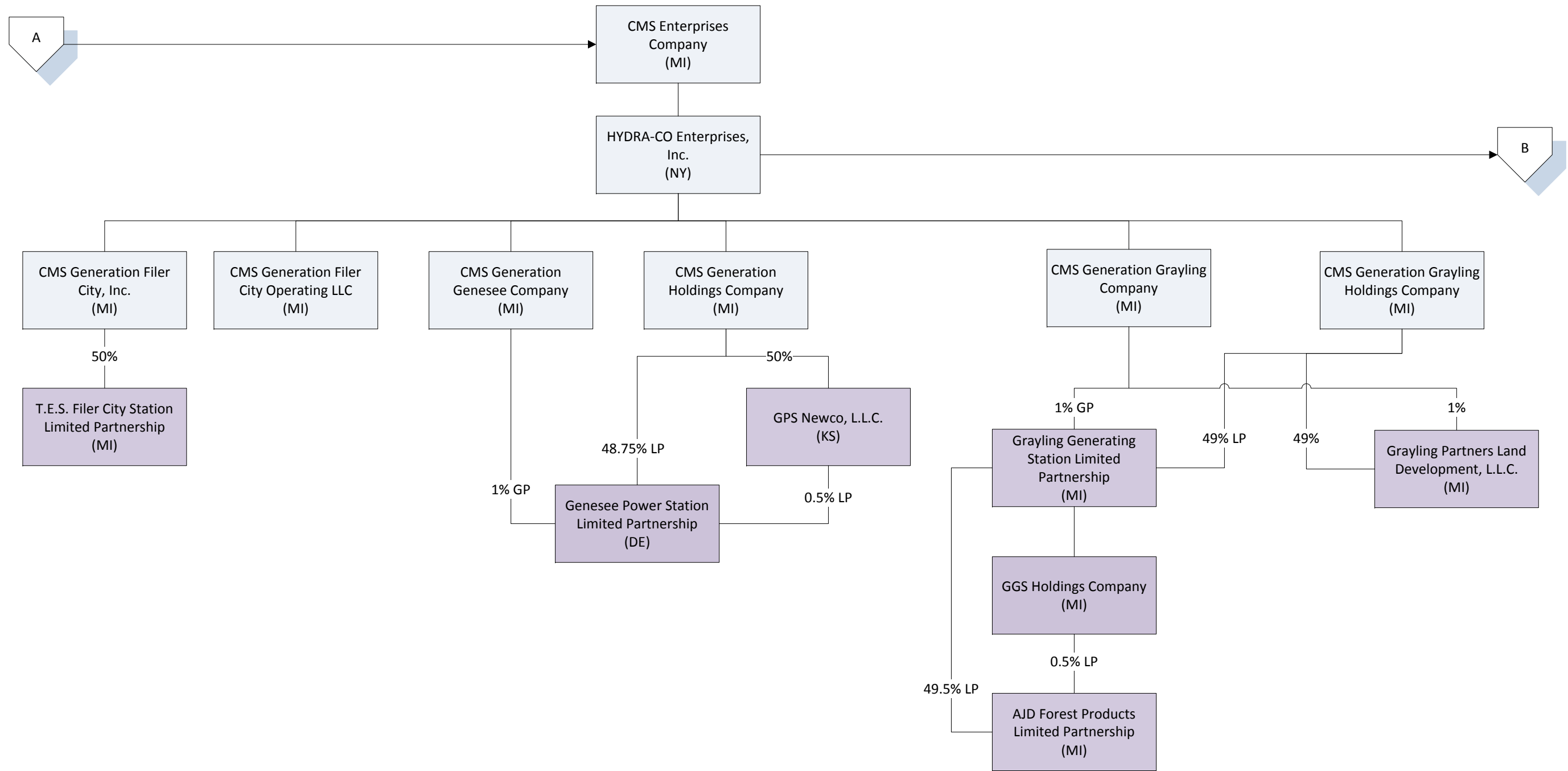
Note: Ownership is 100% unless otherwise stated.



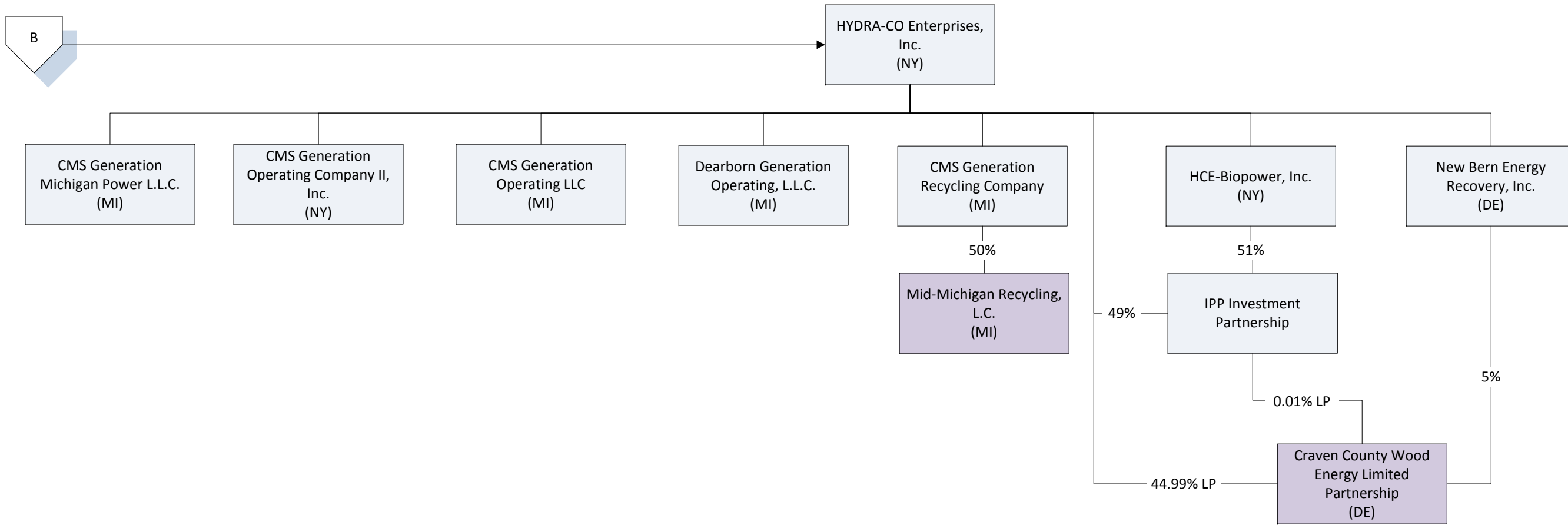
**KEY:**

- Blue: Wholly Owned Entities
- Purple: Non-Wholly Owned Entities
- Yellow: Not for Profit Entities

Please contact Corporate Secretary Department regarding any questions or changes.







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2018 Information Sharing  
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Department	Date Requested	Date Completed	Title	Data Elements
ASP Marketing	1/2/2018	1/8/2018	New Calling list for Outbound Calling - New Acquisition	Standard scrub (dunning <20, no WPP, no SPP, no TOV, no DNS, etc) for ASP
ASP Marketing	1/26/2018	1/29/2018	ASP Eligible Customer Base for Heat Map	Eligible customers by county
ASP Marketing	2/1/2018	2/1/2018	New Calling list for Outbound Calling - New Acquisition	Acc Status,Contract Acct,Bus Partner,Cust Class,Cust First Name/Company Name,Cust Last Name,House Number,Street,Apt Number,City,State,Zip Code,Mailing Address,Mailing City,Mailing State,Mailing Zip Code,Telephone Number, Dunning Level, Do Not Solicit, Threats of Violence, Electric Payment Plan, Gas Payment Plan,Premise Number
ASP Marketing	3/1/2018	3/1/2018	New Calling list for Outbound Calling - New Acquisition	Acc Status,Contract Acct,Bus Partner,Cust Class,Cust First Name/Company Name,Cust Last Name,House Number,Street,Apt Number,City,State,Zip Code,Mailing Address,Mailing City,Mailing State,Mailing Zip Code,Telephone Number, Dunning Level, Do Not Solicit, Threats of Violence, Electric Payment Plan, Gas Payment Plan,Premise Number
ASP Marketing	4/2/2018	4/2/2018	New Calling list for Outbound Calling - New Acquisition	Acc Status,Contract Acct,Bus Partner,Cust Class,Cust First Name/Company Name,Cust Last Name,House Number,Street,Apt Number,City,State,Zip Code,Mailing Address,Mailing City,Mailing State,Mailing Zip Code,Telephone Number, Dunning Level, Do Not Solicit, Threats of Violence, Electric Payment Plan, Gas Payment Plan,Premise Number
ASP Marketing	5/1/2018	5/1/2018	New Calling list for Outbound Calling - New Acquisition	Acc Status,Contract Acct,Bus Partner,Cust Class,Cust First Name/Company Name,Cust Last Name,House Number,Street,Apt Number,City,State,Zip Code,Mailing Address,Mailing City,Mailing State,Mailing Zip Code,Telephone Number, Dunning Level, Do Not Solicit, Threats of Violence, Electric Payment Plan, Gas Payment Plan,Premise Number
ASP Marketing	3/1/2018	5/3/2018	ASP Spring Direct Mail Campaign	BPNUMBER,CONTRACTACCT,FNAME,LNAME,SERVICE_ADDRESS,SERVICE_CITY,SERVICE_STATE,SERVICE_ZIP,MAIL_ADDRESS,MAIL_CITY,MAIL_STATE,MAIL_ZIP,ZIP4,DLVPNT,CHKDGT,CRRT,LOTNO,LOTORD,COUNTY,APTIND,RRIND,ZIPFLG,GENDER,COA_MOVTYP,COA_DLVCOD,COA_MOVDAT,LAC_RECTYP,COA_FTNTS,Z4EWS,DPV_VACANT,DPV_FLAG,DPV_CMRA,DPV_NOSTAT,OPT_FLAG,S.STATUS,DPV_FTNTS,COA_RTNCDC,STE_RTNCDC,Plan,Promo Code
ASP Marketing	5/22/2018	5/25/2018	ASP Scoring File	BPNUMBER,ContractAcct, Fname, Lname, Concatenated Address, City, ST, Zip, Phone, Personix code, personix description.
ASP Marketing	6/1/2018	6/1/2018	New Calling list for Outbound Calling - New Acquisition	Acc Status,Contract Acct,Bus Partner,Cust Class,Cust First Name/Company Name,Cust Last Name,House Number,Street,Apt Number,City,State,Zip Code,Mailing Address,Mailing City,Mailing State,Mailing Zip Code,Telephone Number, Dunning Level, Do Not Solicit, Threats of Violence, Electric Payment Plan, Gas Payment Plan,Premise Number
ASP Marketing	7/1/2018	7/1/2018	New Calling list for Outbound Calling - New Acquisition	Acc Status,Contract Acct,Bus Partner,Cust Class,Cust First Name/Company Name,Cust Last Name,House Number,Street,Apt Number,City,State,Zip Code,Mailing Address,Mailing City,Mailing State,Mailing Zip Code,Telephone Number, Dunning Level, Do Not Solicit, Threats of Violence, Electric Payment Plan, Gas Payment Plan,Premise Number
ASP Marketing	7/1/2018	7/30/2018	ASP Summer E-Mail Campaign 8/5 Deployment	Contract Acct, FNAME, LNAME, Email Address, Cell
ASP Marketing	8/1/2018	8/1/2018	New Calling list for Outbound Calling - New Acquisition	Acc Status,Contract Acct,Bus Partner,Cust Class,Cust First Name/Company Name,Cust Last Name,House Number,Street,Apt Number,City,State,Zip Code,Mailing Address,Mailing City,Mailing State,Mailing Zip Code,Telephone Number, Dunning Level, Do Not Solicit, Threats of Violence, Electric Payment Plan, Gas Payment Plan,Premise Number
ASP Marketing	7/9/2018	8/21/2018	ASP Fall Direct Mail Campaign	BPNUMBER,CONTRACTACCT,FNAME,LNAME,SERVICE_ADDRESS,SERVICE_CITY,SERVICE_STATE,SERVICE_ZIP,MAIL_ADDRESS,MAIL_CITY,MAIL_STATE,MAIL_ZIP,ZIP4,DLVPNT,CHKDGT,CRRT,LOTNO,LOTORD,COUNTY,APTIND,RRIND,ZIPFLG,GENDER,COA_MOVTYP,COA_DLVCOD,COA_MOVDAT,LAC_RECTYP,COA_FTNTS,Z4EWS,DPV_VACANT,DPV_FLAG,DPV_CMRA,DPV_NOSTAT,OPT_FLAG,S.STATUS,DPV_FTNTS,COA_RTNCDC,STE_RTNCDC,Plan,Promo Code
ASP Marketing	7/31/2018	8/22/2018	ASP Fall Digital Display Campaign	Email Address
ASP Marketing	7/31/2018	8/22/2018	ASP Fall Online Display (Banner Ad) Campaign	Cust First Name/Company Name,Cust Last Name,Email Address,CountyName,Zip Code
ASP Marketing	9/3/2018	9/3/2018	New Calling list for Outbound Calling - New Acquisition	Acc Status,Contract Acct,Bus Partner,Cust Class,Cust First Name/Company Name,Cust Last Name,House Number,Street,Apt Number,City,State,Zip Code,Mailing Address,Mailing City,Mailing State,Mailing Zip Code,Telephone Number, Dunning Level, Do Not Solicit, Threats of Violence, Electric Payment Plan, Gas Payment Plan,Premise Number
ASP Marketing	10/1/2018	10/1/2018	New Calling list for Outbound Calling - New Acquisition	Acc Status,Contract Acct,Bus Partner,Cust Class,Cust First Name/Company Name,Cust Last Name,House Number,Street,Apt Number,City,State,Zip Code,Mailing Address,Mailing City,Mailing State,Mailing Zip Code,Telephone Number, Dunning Level, Do Not Solicit, Threats of Violence, Electric Payment Plan, Gas Payment Plan,Premise Number
ASP Marketing	11/1/2018	11/1/2018	New Calling list for Outbound Calling - New Acquisition	Acc Status,Contract Acct,Bus Partner,Cust Class,Cust First Name/Company Name,Cust Last Name,House Number,Street,Apt Number,City,State,Zip Code,Mailing Address,Mailing City,Mailing State,Mailing Zip Code,Telephone Number, Dunning Level, Do Not Solicit, Threats of Violence, Electric Payment Plan, Gas Payment Plan,Premise Number
ASP Marketing	10/22/2018	11/29/2018	ASP Winter Direct Mail Campaign	BPNUMBER,CONTRACTACCT,FNAME,LNAME,SERVICE_ADDRESS,SERVICE_CITY,SERVICE_STATE,SERVICE_ZIP,MAIL_ADDRESS,MAIL_CITY,MAIL_STATE,MAIL_ZIP,ZIP4,DLVPNT,CHKDGT,CRRT,LOTNO,LOTORD,COUNTY,APTIND,RRIND,ZIPFLG,GENDER,COA_MOVTYP,COA_DLVCOD,COA_MOVDAT,LAC_RECTYP,COA_FTNTS,Z4EWS,DPV_VACANT,DPV_FLAG,DPV_CMRA,DPV_NOSTAT,OPT_FLAG,S.STATUS,DPV_FTNTS,COA_RTNCDC,STE_RTNCDC,Plan,Promo Code
ASP Marketing	12/3/2018	12/3/2018	New Calling list for Outbound Calling - New Acquisition	Acc Status,Contract Acct,Bus Partner,Cust Class,Cust First Name/Company Name,Cust Last Name,House Number,Street,Apt Number,City,State,Zip Code,Mailing Address,Mailing City,Mailing State,Mailing Zip Code,Telephone Number, Dunning Level, Do Not Solicit, Threats of Violence, Electric Payment Plan, Gas Payment Plan,Premise Number



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April 30, 2019

Ms. Kavita Kale
Executive Secretary
Michigan Public Service Commission
7109 West Saginaw Highway
Post Office Box 30221
Lansing, MI 48909

Re: Filing of 2018 annual report for Value Added Programs & Services offered by Consumers Energy Company

Dear Ms. Kale:

Enclosed on disk for filing under seal with the Michigan Public Service Commission ("Commission") in the above-captioned case, please find the Confidential Attachments to the "2018 Annual Report of Consumers Energy Value Added Programs & Services. as required by MCL 460.10ee and the Commission's March 28, 2017 Order in Case No. U-18326.

Sincerely,

Digitally signed by
Anne M. Uitvlugt
Date: 2019.04.30
15:58:51 -04'00'
Anne M. Uitvlugt

# Consumers Energy Company

2018 Annual Report of Value Added Programs &  
Services

April 30, 2019



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## 1. EXECUTIVE SUMMARY

Consumers Energy Company (“Consumers Energy” or the “Company”) strives to deliver energy at low costs, while also ensuring reliability to its customers. Under MCL 460.10ee(2), Consumers Energy is permitted to offer its customers Value-Added Programs and Services (“VAPS”). The Company’s current VAPS in place include the Appliance Service Plan (“ASP”), Allconnect Mover Program, Virtual Energy Engineer (“VEE”) Energy Manager, Business Customer Technical Services (“BCTS”), Onsite Energy Engineer (“OSEE”), Gas Transportation and Storage Third Party Services (“Gas T&S”), Customer Requested Fuel Lines, Appliance Repair Non-ASP/Tune-Ups, Underground Customer-Owned Fuel Line Maintenance Contracts, and Laboratory Services.

The Company’s offered VAPS provide valued services and increased customer satisfaction on a continual basis for Consumer Energy customers. The Company is able to provide services that meet the diverse needs of our customers. Thousands of customers annually rely on our ASP program to protect them from high unexpected out of pocket repair bills in the middle of a cold winter night and the Company is honored customers chose us to provide that piece of mind. Allconnect Program provides an easier process for customers who move to a new home, setting up services and eliminating unnecessary stress.

The Company also provides electric equipment, construction and maintenance services to businesses on their side of the meter. Often times, these services are provided in emergency situations which gets the customer back in business as soon as possible. Our OEE offering helps customers identify ways to reduce energy waste in manufacturing facilities helping them reduce costs and become more competitive in their industry and in Michigan.

Our customers rely on these programs to meet their personal and business needs and look to the Company as a trusted resource. Additionally, the margins from these programs are currently used to help offset utility revenue requirements in gas and electric rate cases.

As required by MCL 460.10ee(15) and directed by the Michigan Public Service Commission’s (“MPSC” or the “Commission”) March 28, 2017 Order, in Case No. U-18326, a utility who offers VAPS is required to provide the Commission with annual report regarding its program offering. MCL 460.10ee(15) states that the annual report must “provide a list of its offered value-added programs and services, the estimated market share occupied by each value-added program and service offered by the utility, and a detailed accounting of how the costs for the value-added programs and services were apportioned between the utility and the value-added programs and services. The utility shall certify to the commission that it is complying with the requirements of this section.” Additionally, the annual report shall show to what extent the utility’s rates were affected by the allocations. MCL 460.10ee6(c). The MPSC’s Code of Conduct rules also provide further guidance on the annual report’s requirements. See Mich Admin Code R 460.10112.

The information presented in the 2018 Annual Report of VAPS complies with these requirements. As part of this report, the Company has included: Confidential Attachment 1 - 2018 Financial Summary, Confidential Attachment 2 – 2018 Code of Conduct Complaints, Confidential Attachment 3 – 2018 Financial Allocations: (i) showing how all of the utility’s costs associated with the unregulated VAPS were allocated to the unregulated program or service, and (ii) to what extent the utility’s rates were affected by the allocations, Confidential Attachment 4 provides an organizational chart of CMS Energy showing all regulated entities and affiliates, Confidential Attachment 5 – 2018 Information Sharing, and Confidential Attachment 6 – 2018 Report of 2018 Internal Audits. In submitting this report, Consumers Energy certifies that it is in compliance

with the requirements.

## 2. OVERVIEW OF VAPS

### 2.1 ASP

#### **Description of Program/Service Offering:**

ASP contracts provide repair service for residential heating and cooling equipment as well as major kitchen and laundry appliances. Customers can enter into a year-long contract, which can be paid in advance, or they can elect to pay a fixed monthly fee that is added to their utility bill. Covered repairs are provided at no additional charge for service calls, parts, or labor.

**Primary Customer Category:** Residential – State of Michigan

### 2.2 Allconnect

#### **Description of Program/Service Offering:**

Allconnect is a third party provider contracted to offer one-stop shopping for customers who have moved. Allconnect provides a single point of contact to assist customers with transferring services such as cable television service, internet service, and waste management services. Customers agree to speak with an Allconnect representative regarding these service offerings and in exchange the Company receives a commission.

**Primary Customer Category:** Residential – State of Michigan

### 2.3 Appliance Repair Non-ASP / Tune-ups

#### **Description of Program/Service Offering:**

The Company provides time and material services for Heating, Ventilation, Air Conditioning (“HVAC”); water heater; and appliances. Additionally, through this program, the Company provides carbon monoxide investigation and HVAC tune-ups.

**Primary Customer Category:** Residential - State of Michigan

### 2.4 Customer Requested Fuel Lines

#### **Description of Program/Service Offering:**

The Company provides gas fuel line construction and repair services to residential and commercial customers who require fuel line work on customer owned lines. This service was discontinued in August 2018 due to low volume.

**Primary Customer Category:** Residential & Commercial – State of Michigan

### 2.5 BCTS

#### **Description of Program/Service Offering:**

BCTS provides customers with construction services beyond the meter. These services include a portfolio of services to include the following:

- Indoor and outdoor lighting services (including LED lighting)
- Construction and project management services
- Electric material sales
- Electrical equipment repairs and preventative maintenance
- Billing services

- Generator installation
- Energy audit and consulting services
- Power quality

These services are requested by the customer and competitively bid. All installation work is completed by a network of third party contractors that install the work for and on behalf of Consumers Energy.

**Primary Customer Category:** Commercial – State of Michigan

## **2.6 OSEE**

### **Description of Program/Service Offering:**

The Company currently offers commercial customers OSEE. This service provides customers with a Certified Energy Manager to provide consultation, research, and project management in optimizing and understanding how energy impacts their daily business.

**Primary Customer Category:** Commercial – State of Michigan

## **2.7 VEE Energy Manager**

### **Description of Program/Service Offering:**

The VEE Energy Manager is a service intended to provide our customers with a holistic approach that integrates traditional energy management techniques, facility health assessments, and process controls into a single virtual platform that provides customers with the ability to monitor and manage their energy use.

**Primary Customer Category:** Commercial – State of Michigan

## **2.8 Gas T&S Third Party Services**

### **Description of Program/Service Offering:**

The Company provides planned maintenance, emergent repairs, and construction services to third party gas producers or large gas consumers that have interconnection agreements with the Company's Gas Transportation and Storage infrastructure.

**Primary Customer Category:** Third-party gas producing companies that have interconnection agreements with Consumers Energy – State of Michigan

## **2.9 Underground Customer-Owned Fuel Line Maintenance Contracts**

### **Description of Program/Service Offering:**

The Company provides Customer-Owned Fuel Line Maintenance Contracts in cases where there is a single meter, connected to customer-owned piping that then attaches to buildings on the customer's premises.

**Primary Customer Category:** Commercial – State of Michigan

## **2.10 Laboratory Services**

### **Description of Program/Service Offering:**

The Company provides laboratory services (Calibration and Instrumentation Services ("C&IS"), Metallurgy, Analytical Chemistry, and Nondestructive Testing) to various industries.

**Primary Customer Category:** Commercial – State of Michigan



### 3. ESTIMATED MARKET SHARE FOR STATE OF MICHIGAN

#### 3.1. ASP

Based on Navigant Market Assessment of (VAPS)<sup>1</sup>, ASP represents a market size of \$1,233 million (in Michigan), of which Consumers Energy controls approximately 5.8% (\$71.9M). There are several channels of competition for ASP-like programs inside Michigan, including: other regulated utilities, utility affiliates, and non-utility affiliated vendors.

#### 3.2. Allconnect

Consumers Energy has not completed market studies for this offering. This is a complementary service provided to customers. However, the Company estimates that the market share is low based on the low number of customers participating in the program.

#### 3.3. Appliance Repair Non-Asp / Tune-Ups

Consumers Energy has not completed market studies for this offering. This is a complementary service provided to customers. However, the Company estimates that the market share is low based on the low number of customers participating in the program.

#### 3.4. Customer Requested Fuel Line Installations

Consumers Energy has not completed market studies for this offering. This is a complementary provided to customers. However, the Company estimates that the market share is low based on the low number of customers participating in the program. This service was discontinued in August 2018 due to low volume.

#### 3.5. Business Customer Technical Services (BCTS)

Based on Navigant Market Assessment of (VAPS)<sup>1</sup>, LED lighting represents a Commercial and Industrial (“C&I”) market size of \$115 million (in Michigan), of which Consumers Energy currently controls only 1-2%. The Company is uniquely positioned as a technology agnostic trusted advisor to its customers. The LED Lighting market is highly fragmented and competitive.

Other than in the area of LED lighting, the Company has not completed market studies for this offering but is providing the customer with a complementary service. However, the Company estimates that the market share is low based on the low number of customers participating in the program.

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<sup>1</sup> Navigant Consulting, Inc. (February 8, 2017) *Market Assessment of Value Added Products & Services (VAPS) Final Report – Revision 2.0*

### **3.6. OSEE**

Consumers Energy has not completed market studies for this offering. This is a complementary service provided to customers. However, the Company estimates that the market share is low based on the low number of customers participating.

### **3.7. VEE Energy Manager**

Based on Navigant Market Assessment of VAPS<sup>1</sup>, VEE represents a C&I market size of \$131 million (in Michigan). Consumers Energy is positioned to address customer needs with a unique offering, but faces strong competition and competing products/services.

### **3.8. Gas T&S Third Party Services**

Consumers Energy has not completed market studies for this offering. This is a complementary service provided to customers. However, the Company estimates that the market share is low based on the low number of customers participating in the program.

### **3.9. Underground Customer-Owned Fuel Line Maintenance Contracts**

Consumers Energy has not completed market studies for this offering. This is a complementary service provided to customers. However, the Company estimates that the market share is low based on the low number of customers participating.

### **3.10. Laboratory Services**

The majority of Laboratory Services' commercial work resides within the Calibration Services Department. These services are roughly 50% in-state. In 2018, Laboratory Services generated \$1,456,075 in total revenue, of which \$1,276,754 or 88% was generated through C&IS.

The Calibration Services industry represents roughly \$20 million within the state of Michigan, and accounts for no more than 3% of the market share within the state. The three other departments combined represent the remaining 12% of the \$1.5 million in Lab Services revenue and account for well below 1% of the market share within the state of Michigan within their respective industries.

#### 4. STATEMENT OF COMPLIANCE

The Company has verified all Customer Services employees have had annual compliance training, all compliance reports have been submitted to the MPSC and existing documents are reflective of the regulatory requirements.

Dated: April 30, 2019

Respectfully submitted,

A handwritten signature in cursive script that reads "Lauren Youngdahl Snyder".

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Lauren Youngdahl Snyder  
Vice President, Customer Experience  
Consumers Energy Company