

On March 31, 2017, Consumers Energy filed an application with the Michigan Public Service Commission seeking an annual rate increase in its electric generation and distribution rates of \$173 million based on a 12-month test year ending September 30, 2018. On October 1, 2017, the Company self-implemented a \$130 million rate increase under the provisions of 2008 PA 286 and on November 1, 2017 the Company filed its Brief position requesting a jurisdictional rate increase of \$148 million. On March 29, 2018 a final order was issued by the Michigan Public Service Commission. The order reflected an increase to Consumers' base electric rates of \$66 million effective April 1, 2018 based on a 10.0% ROE. On June 28, 2018 the Commission issued an order addressing the petition for rehearing filed by the Company. This order provided increased final rate relief of \$72 million. The variance between Consumers' revised (Brief) position and the final order adjusted for the rehearing decision for \$6 million is detailed below.

<u>Item</u>	<u>Company Brief</u> (mils)	<u>Final Order</u> <u>(Rehearing)</u> (mils)	<u>B/(W)</u> (mils)	<u>Explanation of Variance</u>
1. Investment	\$ 35	\$ 26	\$(9)	Distribution: \$(5) Contingency: \$(2) Other: \$(2)
2. O&M	43	12	(31)	Pension/OPEB: \$(10) Forestry: \$(15) Environmental Expense: \$(4) Incentive Compensation: \$(2)
3. Sales/Revenue	42	41	(1)	Increase in Residential Revenue: \$(1)
4. Cost of Capital	<u>28</u>	<u>(7)</u>	<u>(35)</u>	ROE 10.0% vs. 10.5%: \$(35)
5. Total	<u>\$ 148</u>	<u>\$ 72</u>	<u>\$(76)</u>	

<u>Ratemaking Capital Structure %</u>	<u>Existing</u> <u>(U-17990)</u>	<u>Final Order</u>
Long Term Debt	36.07%	36.55%
Short Term Debt	1.10	1.00
Preferred Stock	0.25	0.23
Common Equity	40.75 ⁽¹⁾	40.89 ⁽²⁾
Deferred FIT	21.48	20.76
JDITC/Other	<u>0.35</u>	<u>0.57</u>
	<u>100%</u>	<u>100%</u>

<u>Rate Base and Return Percentage</u>	<u>Existing</u> <u>(U-17990)</u>	<u>Final Order</u>
Rate Base (billion) ⁽³⁾	\$10.16	\$10.20
Return on Rate Base (%)	5.94	5.89
Return on Equity (%)	10.1	10.0

⁽¹⁾Equivalent to 52.87% on a financial basis.

⁽²⁾Equivalent to 52.64% on a financial basis.

⁽³⁾Excludes Renewables, \$0.5 billion.