

GAS RATE CASE U-20322*

On November 30, 2018, Consumers Energy filed an application with the Michigan Public Service Commission seeking an increase in its gas delivery and transportation rates of \$229 million based on a 12-month test year ending September 2020. The request seeks authority to recover new investment that will allow Consumers Energy to strengthen infrastructure and improve system capacity and deliverability. The filing also seeks approval a revenue decoupling mechanism. On June 7, 2019, the Company filed its Brief position requesting a revenue increase of \$204 million, which takes into consideration the impacts of Federal Tax Reform. On June 25, 2019, the MPSC Staff filed its reply position recommending a revenue increase of \$146 million, which included a 9.65% ROE. On August 1, 2019, the Administrative Law Judge issued a proposal for decision recommending a revenue increase of \$144 million with a 9.80% ROE. Both the MPSC Staff and the ALJ supported the revenue decoupling mechanism. The variance between Consumers' filed Brief position and the ALJ's position is detailed below.

<u>Item</u>	<u>Company Brief</u> (MM)	<u>MPSC Staff Brief</u> (MM)	<u>ALJ PFD</u> (MM)	<u>Explanation of Variance</u>
1. Investment	\$142	\$139	\$134	Contingency: \$(1), Distribution: \$(7)
2. O&M	76	66	62	Information Technology: \$(4), Customer Experience: \$(3), Incentive Compensation: \$(2), Pipeline Integrity: (5)
3. Cost of Capital	27	(18)	(11)	ROE 9.8% vs. 10.75%: \$(35), Capital Structure: \$(3)
4. Gross Margin	(28)	(28)	(28)	
5. Subtotal	<u>\$217</u>	<u>\$159</u>	<u>\$157</u>	
6. Federal Tax Reform	(13)	(13)	(13)	Amortization of Excess Deferred Tax (Calc. C)
7. Total	<u>\$204</u>	<u>\$146^(a)</u>	<u>\$144^(a)</u>	

<u>Ratemaking Capital Structure %</u>	<u>Existing (U-18424)</u>	<u>Consumers Brief</u>	<u>MPSC Staff Brief</u>	<u>ALJ</u>
Long Term Debt	36.79%	38.00%	38.30%	38.30%
Short Term Debt	1.12	0.81	0.82	0.82
Preferred Stock	0.23	0.20	0.20	0.20
Common Equity	40.91 ⁽¹⁾	42.23 ⁽²⁾	41.78 ⁽³⁾	41.78 ⁽³⁾
Deferred FIT	20.34	18.13	18.27	18.27
JDITC/Other	<u>0.61</u>	<u>0.63</u>	<u>0.63</u>	<u>0.63</u>
	<u>100%</u>	<u>100%</u>	<u>100%</u>	<u>100%</u>

<u>Rate Base and Return Percentage</u>	<u>Existing (U-18424)</u>	<u>Consumers Brief</u>	<u>MPSC Staff Brief</u>	<u>ALJ</u>
Rate Base (billion)	\$5.24	\$6.50	\$6.46	\$6.43
Return on Rate Base (%)	5.86	6.23	5.73	5.80
Return on Equity (%)	10.00	10.75	9.65	9.80

^(a)Excludes New Power Generator Tariff contingent on outcome in separate docket, which assumes a \$13 million deficiency in Staff's position.

⁽¹⁾Equivalent to 52.49% on financial basis.

⁽²⁾Equivalent to 52.50% on financial basis.

⁽³⁾Equivalent to 52.05% on financial basis.

GAS RATE CASE SCHEDULE

Commission order	Not later than Monday, September 30, 2019
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*Gas Rate Case U-20322 can be accessed at the Michigan Public Service Commission's website.

<http://www.michigan.gov/mpsc>