

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 of 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 September 26, a final order was issued by the Michigan Public Service Commission. The order reflects an increase to Consumers' base gas rates of \$144 million effective October 1, 2019 based on a 9.9% ROE. The variance between Consumers' revised brief, and the final order is detailed below.

<u>Item</u>	<u>Company Brief</u> (MM)	<u>Final Order</u> (MM)	<u>B/(W)</u> (MM)	<u>Explanation of Variance</u>
1. Investment	\$142	\$133	\$(9)	Vintage Service Replacements \$(2), Contingency \$(1), Well Rehab \$(1), New Business \$(1), Fleet \$(1), Pipeline Integrity \$(1), Mid-Michigan Pipeline \$(1), Other \$(1)
2. O&M	76	59	(17)	Customer Experience: \$(6), Pipeline Integrity: \$(5), Information Technology: \$(4), Incentive Compensation: \$(2)
3. Cost of Capital	27	(7)	(34)	ROE 9.9% vs. 10.75%: \$(31), Capital Structure: \$(3)
4. Gross Margin	(28)	(28)	-	
5. Subtotal	<u>\$217</u>	<u>\$157</u>	<u>\$(60)</u>	
6. Federal Tax Reform	(13)	(13)	-	Amortization of Excess Deferred Tax (Calc. C)
7. Total	<u>\$204</u>	<u>\$144</u>	<u>\$(60)</u>	
<u>Ratemaking Capital Structure %</u>	<u>Existing</u> <u>(U-18424)</u>	<u>Final</u> <u>Order</u>		
Long Term Debt	36.79%	38.30%		
Short Term Debt	1.12	0.82		
Preferred Stock	0.23	0.20		
Common Equity	40.91 ⁽¹⁾	41.78 ⁽²⁾		
Deferred FIT	20.34	18.27		
JDITC/Other	<u>0.61</u>	<u>0.63</u>		
	<u>100%</u>	<u>100%</u>		
<u>Rate Base and Return Percentage</u>	<u>Existing</u> <u>(U-18424)</u>	<u>Final</u> <u>Order</u>		
Rate Base (billion)	\$5.24	\$6.43		
Return on Rate Base (%)	5.86	5.84		
Return on Equity (%)	10.00	9.90		

⁽¹⁾Equivalent to 52.50% on financial basis.

⁽²⁾Equivalent to 52.05% on financial basis.