

GAS RATE CASE U-20650*

On December 16, 2019, Consumers Energy filed an application with the Michigan Public Service Commission seeking an increase in its gas delivery and transportation rates of \$245 million based on a 12-month test year ending September 2021. The filing requested authority to recover new investment that would allow Consumers Energy to strengthen infrastructure and improve system safety and reliability. In addition, the filing also requested to continue the revenue decoupling mechanism. On August 20, 2020 a settlement agreement entered into by Consumers Energy and various intervenors was filed with the MPSC. The settlement agreement will maintain the current equity ratio of 52.05%, a return on equity of 9.9%, and the revenue decoupling mechanism. Under the settlement agreement, the Company has agreed not to file its next gas rate case until December 1, 2021 and between October 1, 2021 and September 30, 2022, the Company will accelerate the amortization of tax liabilities in an amount forecasted to be approximately \$84.5 million. The variance between Consumers' brief position and the assumed figures in the settlement agreement are detailed below. On September 10, 2020, the MPSC issued an order that approved the settlement.

Ratemaking	Existing	Company	Company
<u>Capital Structure %</u>	<u>(U-20322)</u>	<u>Brief</u>	<u>Assumption</u>
			<u>Under Settlement</u>
Long Term Debt	38.30%	38.60%	38.96%
Short Term Debt	0.82	0.66	0.66
Preferred Stock	0.20	0.18	0.18
Common Equity	41.78 ⁽¹⁾	42.85 ⁽²⁾	42.49 ⁽³⁾
Deferred FIT	18.27	17.11	17.11
JDITC/Other	<u>0.63</u>	<u>0.60</u>	<u>0.60</u>
	<u>100%</u>	<u>100%</u>	<u>100%</u>

Rate Base and	Existing	Company	Company
<u>Return Percentage</u>	<u>(U-20322)</u>	<u>Brief</u>	<u>Assumption</u>
			<u>Under Settlement</u>
Rate Base (billion)	\$6.43	\$7.61	\$7.42
Return on Rate Base (%)	5.84	6.09	5.82
Return on Equity (%)	9.9	10.5	9.9

⁽¹⁾Equivalent to 52.05% on financial basis.

⁽²⁾Equivalent to 52.50% on financial basis.

⁽³⁾Equivalent to 52.05% on financial basis.

*Gas Rate Case U-20650 can be accessed at the Michigan Public Service Commission's website: <http://www.michigan.gov/mpsc>.