

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 two rate adjustment mechanisms: an investment recovery mechanism and a revenue decoupling mechanism. investment recovery mechanism proposed by the Company would operate through an annual surcharge that supports an \$11 million annual increase effective October 1, 2020 and an additional \$11 million effective October 1, 2021 until rates are changed in a subsequent rate case. The revenue decoupling mechanism would reconcile annually Consumers’ actual nonfuel revenues with the revenues approved by the MPSC.

<u>Item</u>	<u>Company</u> (mils)	<u>Remarks</u>
1. Investment	\$148	Gas Infrastructure: \$91, Depreciation: \$25, Property Tax: \$16, Working Capital/Manufactured Gas Plant: \$11, Income Taxes, AFUDC, Other: \$5
2. O&M	81	Pipeline Integrity: \$22, Gas Operations: \$20, Customer Experience: \$13, Value Added Program Expense: \$11, Corporate & Other: \$9, Information Technology: \$5, Compensation and Benefits: \$2, LAUF and Company Use Gas: \$(1)
3. Gross Margin	(28)	Sales/Revenue \$(11), Value Added Program Revenue \$(13), Other Operating Revenue \$(4)
4. Cost of Capital	<u>28</u>	ROE 10.75% Versus Authorized 10.0%: \$22, Other Capital Changes: \$6
5. Total	<u>\$ 229</u>	

<u>Ratemaking</u> <u>Capital Structure %</u>	<u>Existing</u> <u>(U-18424)</u>	<u>As Filed</u> <u>Percent of Total</u>	<u>Annual Cost</u>	<u>After-Tax</u> <u>Weighted Costs</u>
Long Term Debt	36.79%	37.95%	4.28%	1.63%
Short Term Debt	1.12	0.81	4.84	0.04
Preferred Stock	0.23	0.20	4.50	0.01
Common Equity	40.91 <sup>(1)</sup>	42.18 <sup>(2)</sup>	10.75	4.53
Deferred FIT	20.34	18.24	0.00	0.00
JDITC/Other	<u>0.61</u>	<u>0.62</u>		<u>0.05</u>
	<u>100%</u>	<u>100%</u>		<u>6.26%</u> <sup>(3)</sup>

<u>Rate Base and</u> <u>Return Percentage</u>	<u>Existing</u> <u>(U-18124)</u>	<u>As Filed</u>
Rate Base (billion)	\$5.24	\$6.54
Return on Rate Base (%)	5.86	6.26
Return on Equity (%)	10.00	10.75

<sup>(1)</sup>Equivalent to 52.49% on a financial basis.

<sup>(2)</sup>Equivalent to 52.50% on a financial basis.

<sup>(3)</sup>Equivalent to 7.81% pre-tax basis.

Staff & Intervenor Filing	April 5, 2019
Rebuttal	April 29, 2019
Cross-Examination	May 13-22, 2019
Initial Briefs	June 7, 2019
Reply Briefs	June 25, 2019
Proposal for Decision	July 29, 2019
Final Order	By September 30, 2019