

On August 1, 2016, Consumers Energy filed an application with the Michigan Public Service Commission (MPSC) seeking an annual rate increase in its retail natural gas rates of \$90 million based on a 12 month ending December 31, 2017 test year. On January 29, 2017, the Company self-implemented a \$20 million rate increase under the provisions of 2008 PA 286. On July 31, a final order was issued by the Michigan Public Service Commission. The order reflects an increase to Consumers' base gas rates of \$29 million effective August 7, 2017 based on a 10.1% ROE. The Commission also approved an infrastructure recovery mechanism for a limited number of capital spending programs. The IRM would allow for recovery beginning in 2018 of \$18 million in annual revenue requirements, and would collect an additional \$18 million in 2019, until rates are reset in a subsequent general rate case, with a reconciliation process at the end of 2018 and 2019. The variance between Consumers' revised (brief) and the final order is detailed below.

<b>Item</b>	<b>Company Brief (mils)</b>	<b>Final Order (mils)</b>	<b>B/(W) (mils)</b>	<b>Explanation of Variance</b>
1. Investment	\$66	\$53	\$(13)	Contingency Expenditures: \$(4), Material Condition Non-modeled Program: \$(4), Gas Compression and Other: \$(3), Transmission Enhancement: \$(2)
2. O&M	10	(12)	(22)	Business Technology Solutions: \$(8), Incentive Comp: \$(6), Active Healthcare: \$(2), Economic Development: \$(2), SERP: \$(2), Other: \$(2)
3. Cost of Capital	11	(4)	(15)	ROE 10.1% vs. 10.6%
4. Gross Margin	<u>(7)</u>	<u>(8)</u>	<u>(1)</u>	Residential Customer Assistance Programs
5. Total	<u>\$80</u>	<u>\$29</u>	<u>\$(51)</u>	

<b>Rate-making Capital Structure %</b>	<b>Existing (U-17882)<sup>(1)</sup></b>	<b>Final Order (U-18124)</b>
Long Term Debt	36.71%	36.21%
Short Term Debt	1.19	1.13
Preferred Stock	0.26	0.24
Common Equity	40.22 <sup>(2)</sup>	41.27 <sup>(3)</sup>
Deferred FIT	20.84	20.46
JDITC/Other	<u>0.78</u>	<u>0.69</u>
	<u>100%</u>	<u>100%</u>

<b>Rate Base and Return Percentage</b>	<b>Existing (U-17882)<sup>(1)</sup></b>	<b>Final Order (U-18124)</b>
Rate Base (billion)	\$4.06	\$4.30
Return on Rate Base (%)	6.06	5.97
Return on Equity (%)	10.3	10.1

<sup>(1)</sup> Assumed. Final order was a result of a settlement agreement which did not specifically identify these items.

<sup>(2)</sup> Equivalent to 52.10% on financial basis.

<sup>(3)</sup> Equivalent to 53.10% on financial basis.

\*Gas Rate Case U-18124 can be accessed at the Michigan Public Service Commission's website:  
<http://efile.mpsc.state.mi.us/efile/viewcase.php?casenum=18124&submit.x=0&submit.y=0>