

On December 5, 2014, Consumers Energy filed an application with the Michigan Public Service Commission (MPSC) seeking an increase in its electric generation and distribution rates based on a May 2016 test year. On June 4, the Company self-implemented a \$110 million rate increase under the provisions of 2008 PA 286. On November 19, a final order was issued by the MPSC. The order reflects an increase to Consumers' base electric rates of \$165 million effective December 1, 2015 based on a 10.3% ROE. Rate relief is reduced to \$126 million effective April 15, 2016 with the retirement of the Classic 7 power plants. The MPSC did not approve revenue decoupling or the investment recovery mechanism. Consumers is required to reconcile the revenue amounts it would have collected under final rates to amounts collected during the self-implementation period, and refund to customers any excess including interest. The self-implementation reconciliation filing is due February 19, 2016.

<u>Item</u>	<u>Company Self-Imp</u> (mils)	<u>Final Order</u> (mils)	<u>(B/W)</u> (mils)	<u>Explanation of Variance</u>
1. Investment	\$ 150	\$ 211	\$ 61	Jackson Plant: \$26, Depreciation: \$35
2. Gross Margin	(30)	(30)	-	
3. O&M	(2)	6	8	Jackson Plant: \$9, Other: \$(1)
4. Cost of Capital	<u>(8)</u>	<u>(22)</u>	<u>(14)</u>	Capital Structure: \$(11), Lower Long-term Debt Cost: \$(3)
Subtotal	\$110	\$165	\$55	
5. Classic 7	<u>0</u>	<u>(39)</u>	<u>(39)</u>	Remove from Rates April 15, 2016
6. Total	<u>\$ 110</u>	<u>\$ 126</u>	<u>\$ 16</u>	

<u>Ratemaking Capital Structure %</u>	<u>Existing (U-17087)</u>	<u>Final Order (U-17735)</u>
Long Term Debt	38.52%	37.30%
Short Term Debt	1.80	1.63
Preferred Stock	0.38	0.28
Common Equity	41.19 ⁽¹⁾	41.50 ⁽²⁾
Deferred FIT	17.70	18.99
JDITC/Other	<u>0.41</u>	<u>0.30</u>
	<u>100%</u>	<u>100%</u>

<u>Rate Base and Return Percentage</u>	<u>Existing (U-17087)</u>	<u>Final Order (U-17735)</u>
Rate Base (billion) ⁽³⁾	\$8.2	\$9.3
Return on Rate Base	6.41%	6.18%
Return on Equity	10.30%	10.30%

⁽¹⁾Equivalent to 51.43% on a financial basis.

⁽²⁾Equivalent to 52.48% on a financial basis.

⁽³⁾Excludes Renewables, amount \$0.5 billion.