

FINAL ELECTRIC RATE CASE U-16191*

On November 4, 2010, the Michigan Public Service Commission (MPSC) authorized Consumers Energy to increase its base electric rates by \$146 million annually with an authorized ROE of 10.7%. The Order approved guidelines for cost recovery of Smart Grid expenditures, required the pre-1983 Department of Energy liability funds to be placed into an external trust within six months, made no changes to the current electric revenue decoupling mechanism, and terminated the uncollectibles expense tracker as of Nov. 30th, and the forestry tracker immediately. In July, the Company self implemented a \$150 million annual rate increase. As a result of the final order, the \$4 million reduction from the annual self implemented rates will be refunded to customers in early 2011 after final refund amounts are determined and authorized by Commission order. Overall, customer rates will increase 4.2% versus rates set in the last electric case (U-15645).

<u>Item</u>	<u>Consumers Self Implemented (Mils)</u>	<u>MPSC Final Order (Mils)</u>	<u>MPSC Final Order B/(W) (Mils)</u>	<u>Remarks</u>
1. O&M	\$ 21	\$ 25	\$ 4	Final order O&M level greater than amount self-implemented: \$4
2. Gross Margin	5	19	14	Recovery of Rate E-1 economic development discount on higher sales: \$11 Misc. revenue: \$3
3. Investment	106	102	(4)	Net plant: \$(6) Working capital: \$(6) Taxes: \$2 AFUDC: \$6
4. Cost of Capital	<u>18</u>	<u>0</u>	<u>(18)</u>	Lower return on equity of 10.7% vs. 11%: \$(12) Cost rates & capital structure: \$(6)
Total	<u>\$150</u>	<u>\$146</u>	<u>\$ (4)</u>	

<u>Ratemaking Capital Structure %</u>	<u>Existing (U-15645)</u>	<u>Consumers Self Implemented</u>	<u>MPSC Final Order</u>
Long Term Debt	44.80%	41.77%	40.62%
Short Term Debt	0.78	1.51	1.51
Preferred Stock	0.48	0.44	0.44
Common Equity	40.51 ⁽¹⁾	41.49 ⁽²⁾	41.59 ⁽³⁾
Deferred FIT	12.80	14.26	15.30
JDITC/Other	0.63	0.53	0.54
	<u>100.00%</u>	<u>100.00%</u>	<u>100.00%</u>

<u>Rate Base and Return Percentage</u>	<u>Existing (U-15645)</u>	<u>Consumers Self Implemented</u>	<u>MPSC Final Order</u>
Rate Base – Jurisdictional (\$ billions)	\$6.16	\$6.97	\$6.87
Return on Rate Base	6.98%	7.16%	6.98%
Return on Equity	10.70%	11.00%	10.70%

⁽¹⁾Equivalent to 47.23% on a financial basis

⁽²⁾Equivalent to 49.57% on a financial basis

⁽³⁾Equivalent to 50.32% on a financial basis