

On May 17, 2010, the Michigan Public Service Commission (MPSC) issued its final order in Consumers Energy's Gas Rate Case U-15986, authorizing Consumers to increase its base gas rates by \$66 million annually with an authorized ROE of 10.55%. The MPSC approved a sales decoupling mechanism, but did not approve trackers for uncollectibles expense or pension and OPEB expenses. On November 19, 2009, the Company self implemented an \$89 million annual rate increase. As a result of the final order, the \$23 million annual reduction will be refunded to customers later this year. Compared to rates that were implemented last November, the revenue decrease will reduce the residential class rates by 1.2%. A typical residential customer's average monthly winter bill will be reduced by about \$1 per month.

Item	Company Self Implement (mils)	MPSC Final Order (mils)	B/W Than Self Implement (mils)	Explanation of Variance
1. O&M	\$17	\$13	\$(4)	Uncollectible accounts expense: \$(4) Standard retirement units: \$7 Corporate: \$(3); outside services Manufactured gas plant (MGP) amortization: \$(4) (shift from O&M to capital)
2. Sales	41	28	(13)	Higher throughput: \$(11); (283 Bcf vs. 272 Bcf) Miscellaneous revenues: \$(2)
3. Investment	23	27	4	Net Plant: \$(2); (reduced AMI investment) Depreciation expense and taxes: \$2 MGP amortization: \$4
4. Cost of Capital	8	(2)	(10)	Lower return on equity: \$(8); (10.55% vs. 11.00%) Lower debt costs: \$(2)
Total	<u>\$ 89</u>	<u>\$66</u>	<u>\$(23)</u>	

Ratemaking Capital Structure	Existing (U-15506)	Company Self Implement	MPSC Final Order
Long Term Debt	42.71%	43.43%	43.58%
Short Term Debt	0.66	0.58	0.59
Preferred Stock	0.49	0.46	0.46
Common Equity	41.78	41.07 ⁽¹⁾	40.78 ⁽²⁾
Deferred Taxes	12.94	13.17	13.30
JDITC/Other	1.42	1.29	1.29
	100.00%	100.00%	100.00%

Rate Base and Return Percentage	Existing (U-15506)	Company Self Implement	MPSC Final Order
Rate Base (\$ billions)	\$2.52	\$2.76	\$2.74
Return on Rate Base	7.03%	7.28%	7.02%
Return on Equity	10.55%	11.00%	10.55%

⁽¹⁾ Equivalent to 48.34% on a financial basis.

⁽²⁾ Equivalent to 48.07% on a financial basis.