

On July 1, 2014, Consumers Energy filed an application with the Michigan Public Service Commission seeking an increase in its gas delivery and transportation rates of \$88 million with a 10.70% authorized return on equity. On December 31, a settlement agreement entered into by Consumers Energy and various interveners to this case was filed with the MPSC. On January 2, 2015, the Company self-implemented the settlement amount of \$45 million. The settlement agreement does not specify how the \$45 million was determined. Assumptions have been made as to the settled expenses, revenues, capital and capital structure. The variance between Consumers' filed position and the assumed figures in the settlement agreement are detailed below. The Investment Recovery Mechanism was not approved. A final MPSC order approving the settlement agreement is required before revised rates become effective. MPSC approval is expected in late January.

<u>Item</u>	<u>Company Filing</u> (mils)	<u>Assumed Under Settlement</u> (mils)	<u>B/(W)</u> (mils)	<u>Explanation of Variance</u>
1. Investment	\$124	\$122	\$(2)	Reduced capital expenditure for EIRP and MGP: \$(1); Depreciation and amortization expense: \$(1)
2. Working Capital	(31)	(32)	(1)	Reduced temporary cash investments and lower gas inventory prices: \$(1)
3. Cost of Capital	2	(13)	(15)	ROE 10.3% vs. 10.7%: \$(10); Capital structure: \$(2); Lower debt costs: \$(3)
4. O&M	8	(18)	(26)	Reduced O&M: \$(16); Compensation: \$(8); LAUF and Company Use: \$(2)
5. Gross Margin	<u>(15)</u>	<u>(14)</u>	<u>1</u>	Miscellaneous revenues to GCR: \$1
6. Total	<u>\$88</u>	<u>\$45</u>	<u>\$(43)</u>	

<u>Ratemaking Capital Structure %</u>	<u>Existing (U-16855)</u>	<u>Company Filing</u>	<u>Assumed Under Settlement</u>
Long Term Debt	39.37%	37.51%	38.34%
Short Term Debt	1.71	2.21	1.78
Preferred Stock	0.40	0.29	0.28
Common Equity	41.34 ⁽¹⁾	41.70 ⁽²⁾	41.47 ⁽³⁾
Deferred FIT	16.24	17.48	17.39
JDITC/Other	<u>0.94</u>	<u>0.81</u>	<u>0.74</u>
	<u>100%</u>	<u>100%</u>	<u>100%</u>

<u>Rate Base and Return Percentage</u>	<u>Existing (U-16855)</u>	<u>Company Filing</u>	<u>Assumed Under Settlement</u>
Rate Base (billion)	\$3.14	\$3.65	\$3.63
Return on Rate Base	6.59%	6.53%	6.26%
Return on Equity	10.3%	10.7%	10.3%

⁽¹⁾ Equivalent to 50.96% on financial basis.

⁽²⁾ Equivalent to 52.46% on financial basis.

⁽³⁾ Equivalent to 51.78% on financial basis.