

On October 31, 2017, Consumers Energy filed an application with the Michigan Public Service Commission seeking an increase in its gas delivery and transportation rates of \$178 million based on a 12-month test year ending June 2019. The filing also requested approval of two rate adjustment mechanisms: an investment recovery mechanism and a revenue decoupling mechanism. On July 27, 2018, the Company filed its exceptions to the proposal for decision (PFD) requesting a rate increase of \$60 million which takes into consideration the current tax expense impact of the Federal Tax Cuts and Jobs Act and a 10.0% ROE. On August 2, 2018, a settlement agreement entered into by Consumers Energy and various intervenors to this case was filed with the MPSC. The settlement agreement does not specify how the \$10.6 million rate increase was determined but does indicate that tax expense was adjusted to include the impact of the Federal Tax Cuts and Jobs Act. In addition, the settlement has a stated 10.0% ROE and a 52.5% common equity ratio. The settlement agreement also provides for an investment recovery mechanism of \$9.4 million and a revenue decoupling mechanism. Assumptions have been made as to the settled capital structure. The variance between Consumers' exceptions to the PFD position and the assumed figures in the settlement agreement are detailed below. On August 28, 2018 the MPSC approved the settlement.

<b><u>Ratemaking Capital Structure %</u></b>	<b><u>Existing (U-18124)</u></b>	<b><u>Consumers Exceptions</u></b>	<b><u>Company Assumption Under Settlement</u></b>
Long Term Debt	36.21%	36.79%	36.79%
Short Term Debt	1.13	1.12	1.12
Preferred Stock	0.24	0.23	0.23
Common Equity	41.27 <sup>(1)</sup>	40.91 <sup>(2)</sup>	40.91 <sup>(3)</sup>
Deferred FIT	20.46	20.34	20.34
JDITC/Other	<u>0.69</u>	<u>0.61</u>	<u>0.61</u>
	<u>100%</u>	<u>100%</u>	<u>100%</u>

<b><u>Rate Base and Return Percentage</u></b>	<b><u>Existing (U-18424)</u></b>	<b><u>Consumers Exceptions</u></b>	<b><u>Company Assumption Under Settlement</u></b>
Rate Base (billion)	\$4.30	\$5.44	\$5.24
Return on Rate Base	5.97%	5.86%	5.86%
Return on Equity	10.1%	10.0%	10.0%

<sup>(1)</sup> Equivalent to 53.1% on financial basis.

<sup>(2)</sup> Equivalent to 52.5% on financial basis.

<sup>(3)</sup> Equivalent to 52.5% on financial basis.

\*Gas Rate Case U-18424 can be accessed at the Michigan Public Service Commission's website.

<https://mi-psc.force.com/s/case/500t0000008eg3fAAA/in-the-matter-of-the-application-of-consumers-energy-company-for-authority-to-increase-its-rates-for-the-distribution-of-natural-gas-and-for-other-relief>