

ELECTRIC RATE CASE U-20697*

On February 27, 2020, Consumers Energy filed an application with the Michigan Public Service Commission seeking an increase in its electric generation and distribution rates of \$244 million based on a test year ending December 2021. The request sought recovery of new investment primarily in distribution system reliability and technology enhancements. In addition, the request sought approval of a surcharge for the recovery of \$12.6 million incurred in 2019 and 2020 related to certain distribution investments above U-20134 rate levels. On August 27, 2020, the Company revised its request to \$230 million. On December 17, a final order was issued by the Michigan Public Service Commission authorizing an increase to Consumers' electric base rates of \$90 million effective January 1, 2021, based on a 9.9% ROE. The order also approves the recovery of the \$12.6 million distribution investment deferral. The variance between Consumers' revised position and the final order is detailed below.

<u>Item</u>	<u>Company Brief</u> (MM)	<u>Final Order</u> (MM)	<u>B/(W)</u> (MM)	<u>Explanation of Variance</u>
1. Investment	\$180	\$151	\$(29)	Distribution: \$(8), Fleet: \$(5), Information Technology: \$(5), Generation: \$(4), Facilities: \$(3), Contingencies: \$(2), Customer Experience: \$(2)
2. O&M	97	44	(53)	Distribution: \$(24), Information Technology: \$(14), Benefits: \$(6), Customer Experience: \$(5), Corporate/Other: \$(4)
3. Gross Margin	(31)	(31)	--	
4. Cost of Capital	<u>20</u>	<u>(38)</u>	<u>(58)</u>	ROE 9.9% vs. 10.5%: \$(39), Capital Structure: \$(19)
5. Subtotal	<u>\$266</u>	<u>\$126</u>	<u>\$(140)</u>	
6. Federal Tax Reform	(36)	(36)	--	
7. Total	<u>\$230</u>	<u>\$90^a</u>	<u>\$(140)</u>	

^aExcludes \$10 MM of non-jurisdictional deficiency.

<u>Ratemaking Capital Structure %</u>	<u>Existing (U-20134)</u>	<u>Final Order</u>
Long Term Debt	37.71%	39.53%
Short Term Debt	0.87	0.67
Preferred Stock	0.21	0.18
Common Equity	41.90 ⁽¹⁾	41.50 ⁽²⁾
Deferred FIT	18.71	17.66
JDITC/Other	<u>0.60</u>	<u>0.46</u>
	<u>100%</u>	<u>100%</u>
<u>Rate Base and Return Percentage</u>	<u>Existing (U-20134)</u>	<u>Final Order</u>
Rate Base (billion) ⁽³⁾	\$10.60	\$11.66
Return on Rate Base (%)	5.96	5.67
Return on Equity (%)	10.0	9.9

⁽¹⁾Equivalent to 52.50% on a financial basis.

⁽²⁾Equivalent to 51.11% on a financial basis.

⁽³⁾Excludes RPS Renewables, existing assumes ~\$0.6 billion and ~\$1.0 billion year-ended 2021.

*Electric Rate Case U-20697 can be accessed at the Michigan Public Service Commission's website: <https://mi-psc.force.com/s/>