

On March 1, 2021, Consumers Energy filed an application with the Michigan Public Service Commission seeking an increase in its electric generation and distribution rates based on a test year ending December 2022. The request seeks authority to recover new infrastructure investments related to the Company's approved Integrated Resource Plan in 2019, distribution system reliability and technology enhancements. The proposed overall rate of return is based on a 10.50% authorized return on equity. The \$225 million request is detailed below.

<u>Item</u>	<u>Company Filing</u> (MM)	<u>Explanations</u> (MM)
1. Investment	\$121	Distribution: \$74, Solar: \$18, Facilities: \$8, Fleet: \$8, Working Capital: \$13, Demand Response: \$4, Taxes/Other: \$(4)
2. O&M	76	Distribution: \$48, Information Technology: \$10, Customer Experience: \$9, Corporate and Other: \$9, Demand Response: \$6, Compensation/Benefits: \$(6)
3. Gross Margin	(25)	Increased margin: \$(25)
4. Cost of Capital	<u>53</u>	ROE 10.50% Versus Authorized 9.9%: \$45, Capital Structure: \$8
5. Total	<u>\$225</u>	

<u>Ratemaking Capital Structure %</u>	<u>Existing (U-20697)</u>	<u>As Filed</u>	<u>Annual Cost</u>	<u>After-Tax Weighted Costs</u>
Long Term Debt	39.53%	39.34%	3.55%	1.40%
Short Term Debt	0.67	0.87	1.15	0.01
Preferred Stock	0.18	0.16	4.50	0.01
Common Equity	41.50 ⁽¹⁾	42.80 ⁽²⁾	10.50	4.49
Deferred FIT	17.66	16.27	0.00	0.00
JDITC/Other	<u>0.46</u>	<u>0.56</u>	8.93	<u>0.04</u>
	<u>100%</u>	<u>100%</u>		<u>5.95%</u> ⁽³⁾

<u>Rate Base and Return Percentage</u>	<u>Existing (U-20697)</u>	<u>As Filed</u>
Rate Base (billion)	\$11.66	\$12.91 ⁽⁴⁾
Return on Rate Base (%)	5.67	5.95
Return on Equity (%)	9.90	10.50

⁽¹⁾Equivalent to 51.11% on a financial basis.

⁽²⁾Equivalent to 52.00% on a financial basis.

⁽³⁾Equivalent to 7.48% pre-tax basis.

⁽⁴⁾Excludes RPS renewables of ~\$1.2 billion.

*Electric Rate Case U-20963 can be accessed at the Michigan Public Service Commission's website:

<https://mi-psc.force.com/s/>