

## ELECTRIC RATE CASE U-20963\*

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 Integrated Resource Plan approved 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. On June 22, 2021, the MPSC Staff filed their position recommending a rate increase of \$85 million based on a 9.70% ROE. The variance between Consumers' filed position and the MPSC Staff's position is detailed below.

<u>Item</u>	<u>Company</u> (MM)	<u>MPSC Staff</u> (MM)	<u>MPSC Staff</u> <u>B/(W)</u> (MM)	<u>Explanation of Variance</u>
1. Investment	121	94	(27)	Fleet: \$(9), Information Technology: \$(7), Distribution: \$(3), Contingency: \$(3), Generation: \$(2), Customer Experience: \$(2), Operations Support: \$(1)
2. O&M	76	35	(41)	Distribution: \$(11), Customer Experience: \$(11), Inflation: \$(7), Compensation/Benefits: \$(4), Demand Response: \$(4), Information Technology: \$(3), Corporate and Other: \$(1)
3. Gross Margin	(25)	(25)	(-)	
4. Cost of Capital	<u>53</u>	<u>(19)</u>	<u>(72)</u>	ROE 10.50% Versus 9.7%: \$(58), Capital Structure: \$(14)
5. Total	<u>\$225</u>	<u>\$85</u>	<u>\$(140)</u>	

<u>Ratemaking</u> <u>Capital Structure %</u>	<u>Existing</u> <u>(U-20697)</u>	<u>Company</u> <u>Filing</u>	<u>MPSC</u> <u>Staff Filing</u>
Long Term Debt	39.53%	39.34%	40.01%
Short Term Debt	0.67	0.87	0.88
Preferred Stock	0.18	0.16	0.16
Common Equity	41.50 <sup>(1)</sup>	42.80 <sup>(2)</sup>	41.84 <sup>(3)</sup>
Deferred FIT	17.66	16.27	16.54
JDITC/Other	<u>0.46</u>	<u>0.56</u>	<u>0.57</u>
	<u>100%</u>	<u>100%</u>	<u>100%</u>
<u>Rate Base and</u> <u>Return Percentage</u>	<u>Existing</u> <u>(U-20697)</u>	<u>Company</u> <u>Filing</u>	<u>MPSC</u> <u>Staff Filing</u>
Rate Base (billion) <sup>(4)</sup>	\$11.66	\$12.91 <sup>(4)</sup>	\$12.76
Return on Rate Base (%)	5.67	5.95	5.53
Return on Equity (%)	9.90	10.50	9.70

<sup>(1)</sup>Equivalent to 51.11% on a financial basis.

<sup>(2)</sup>Equivalent to 52.00% on a financial basis.

<sup>(3)</sup>Equivalent to 51.02% on a financial basis.

<sup>(4)</sup>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/>

<u>Cross of All Witnesses</u>	July 23 – August 3, 2021	<u>Proposal for Decision</u>	By October 13, 2021
<u>Initial Briefs</u>	August 20, 2021	<u>Commission Order</u>	By December 22, 2021
<u>Reply Briefs</u>	September 8, 2021		