

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 sought authority to recover new infrastructure investments related to the Company's Integrated Resource Plan approved in 2019, distribution system reliability and technology enhancements. On December 22, 2021, a final order was issued by the Michigan Public Service Commission authorizing an increase to Consumers' electric base rates of \$27 million effective January 1, 2022, based on a 9.9% ROE. The variance between Consumers' revised brief 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	\$114	\$61	\$(53)	Fleet: \$(9), Information Technology: \$(9), Distribution: \$(21), Generation: \$(10), Customer Experience: \$(1), Operations Support: \$(3)
2. O&M	60	22	(38)	Distribution: \$(19), Customer Experience: \$(6), Compensation/Benefits: \$(6), Inflation: \$(5), Information Technology: \$(3), Corporate and Other: \$(5), Fleet: \$6
3. Gross Margin	(26)	(26)	0	
4. Cost of Capital	53	(3)	(56)	ROE 10.5% vs. 9.9%: \$(42), Capital Structure: \$(14)
5. Subtotal	<u>201</u>	<u>54</u>	<u>(147)</u>	
6. Depreciation	NA	(27)	(27)	
7. Total	<u>\$201</u>	<u>\$27</u>	<u>\$(174)</u>	

<u>Ratemaking</u> <u>Capital Structure %</u>	<u>Existing</u> <u>(U-20697)</u>	<u>Final</u> <u>Order</u>
Long Term Debt	39.53%	40.00%
Short Term Debt	0.67	0.88
Preferred Stock	0.18	0.16
Common Equity	41.50 ⁽¹⁾	41.84 ⁽²⁾
Deferred FIT	17.66	16.54
JDITC/Other	<u>0.46</u>	<u>0.57</u>
	<u>100%</u>	<u>100%</u>
<u>Rate Base and</u> <u>Return Percentage</u>	<u>Existing</u> <u>(U-20697)</u>	<u>Final</u> <u>Order</u>
Rate Base (billion) ⁽³⁾	\$11.66	\$12.43
Return on Rate Base (%)	5.67	5.62
Return on Equity (%)	9.90	9.90

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

⁽²⁾Equivalent to 51.02% on a financial basis.

⁽³⁾ 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/>