

On April 28, 2022, Consumers Energy filed an application with the Michigan Public Service Commission seeking an increase in its electric generation and distribution rates of \$266 million based on a projected test year for the 12-month period ending December 31, 2023 and a 10.25% return on equity. The request sought authority to recover costs related to new infrastructure investment primarily in distribution system reliability and cleaner energy resources. Consumers Energy also sought recovery through a surcharge of \$6 million incurred in 2021 related to certain distribution investments above U-20697 rate levels. In September 2022, the Company revised its request to \$287 million plus the \$6 million distribution deferral surcharge. On December 22, 2022, an uncontested settlement agreement entered into by Consumers Energy and several parties was filed with the MPSC. The settlement agreement maintained the current return on equity of 9.9%, assumed an equity ratio of 50.75%, and included a \$161 million revenue increase, which includes the \$6 million distribution deferral surcharge. On January 19, 2023, the MPSC issued an order that approved the settlement effective January 20, 2023. The variance between Consumers' revised position and the assumed figures in the settlement agreement are detailed below.

<u>Ratemaking Capital Structure %</u>	<u>Existing (U-20963)</u>	<u>As filed</u>	<u>Company Assumption Under Settlement</u>
Long Term Debt	40.00%	39.57%	40.18%
Short Term Debt	0.88	0.88	0.88
Preferred Stock	0.16	0.15	0.15
Common Equity	41.84 ⁽¹⁾	42.18 ⁽²⁾	41.57 ⁽³⁾
Deferred FIT	16.54	16.71	16.71
JDITC/Other	<u>0.58</u>	<u>0.51</u>	<u>0.51</u>
	<u>100%</u>	<u>100%</u>	<u>100%</u>

<u>Rate Base and Return Percentage</u>	<u>Existing (U-20963)</u>	<u>Company Revised Position</u>	<u>Company Assumption Under Settlement</u>
Rate Base (billion)	\$12.43	\$13.75 ⁽⁴⁾	\$13.38 ⁽⁴⁾
Return on Rate Base (%)	5.62	5.84	5.66 ⁽⁵⁾
Return on Equity (%)	9.90	10.25	9.90

⁽¹⁾ Equivalent to 51.02% on a financial basis.

⁽²⁾ Equivalent to 51.50% on a financial basis.

⁽³⁾ Equivalent to 50.75% on a financial basis.

⁽⁴⁾ Excludes RPS renewables of ~\$1.3 billion.

⁽⁵⁾ Equivalent to 7.06% pre-tax basis.

*Electric Rate Case No. U-21224 can be accessed at the Michigan Public Service Commission's website: <http://www.michigan.gov/mpsc>