



ELECTRIC RATE CASE U-21389*

On May 1, 2023, 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 February 28, 2025. The request sought authority to recover costs related to new infrastructure investment primarily in distribution system reliability and cleaner energy resources. On March 1, 2024, a final order was issued by the Michigan Public Service Commission authorizing an increase to Consumers' electric base rates of \$92 million effective March 15, 2024 based on a 9.9% ROE. The final order approved an Investment Recovery Mechanism (IRM) for distribution reliability projects totaling \$99 million over two years. The variance between Consumers' revised position and the final order is detailed below, including the IRM.

<u>Item</u>	<u>Company Brief (MM)</u>	<u>Final Order (MM)</u>	<u>B/(W) (MM)</u>	<u>Explanation of Variance</u>
1. Investment	\$101	\$88	\$(13)	Distribution: \$(7), Generation: \$(4), Facilities: \$(1), Information Technology: \$(1)
2. O&M	(14)	(28)	(14)	Distribution: \$(5), Corporate: \$(5), Uncollectibles: \$(3), Compensation/Benefits: \$(1)
3. Gross Margin	(4)	(6)	(2)	Low Income Credit: \$(2)
4. Cost of Capital	<u>77</u>	<u>29</u>	<u>(48)</u>	ROE 10.25% vs. 9.9%: \$(27), Capital Structure: \$(21)
5. Subtotal	<u>160</u>	<u>83</u>	<u>(77)</u>	
6. Deferral surcharge	9	9	0	
7. Total	<u>\$169</u>	<u>\$92</u>	<u>\$(77)</u>	

<u>Ratemaking Capital Structure %</u>	<u>Existing (U-21224)⁽¹⁾</u>	<u>Final Order</u>
Long Term Debt	40.18%	40.95%
Short Term Debt	0.88	1.11
Preferred Stock	0.15	0.14
Common Equity	41.56 ⁽²⁾	41.13 ⁽³⁾
Deferred FIT	17.66	16.18
JDITC/Other	<u>0.46</u>	<u>0.49</u>
	<u>100%</u>	<u>100%</u>

<u>Rate Base and Return Percentage</u>	<u>Existing (U-21224)</u>	<u>Final Order</u>
Rate Base (billion) ⁽⁴⁾	\$11.66	\$13.67
Return on Rate Base (%)	5.67	5.86
Return on Equity (%)	9.90	9.90

⁽¹⁾ Assumed. The outcome of Case No. U-21224 was a Commission-approved settlement agreement, which did not detail these items.

⁽²⁾ Equivalent to 50.75% on a financial basis.

⁽³⁾ Equivalent to 50.02% on a financial basis.

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

*Electric Rate Case U-21389 can be accessed at the Michigan Public Service Commission's website: <https://mi-psc.force.com/s/>