

GAS RATE CASE U-21490*

On December 15, 2023, Consumers Energy filed an application with the Michigan Public Service Commission seeking an increase in its rates for the distribution of natural gas of \$136 million based on a projected test year for the 12-month period ending September 30, 2025. The request seeks authority to recover costs related to new investment that will allow Consumers Energy to fund critical capital infrastructure and key financial and operational items necessary to implement the Company's Natural Gas Delivery Plan. This plan reflects the Company's commitment to providing a safe, reliable, affordable, and increasingly clean natural gas system for its customers. The proposed overall rate of return is based on a 10.25% authorized return on equity. The \$136 million total request is detailed below.

<u>Item</u>	<u>Company Filing (M)</u>	<u>Explanations⁽¹⁾ (M)</u>
1. Investment	\$75	Distribution: \$42, Transmission: \$14, Storage: \$13, Working Capital: \$7, IT, Facilities, Other: \$(1)
2. O&M	(14)	Distribution: \$(10), Storage: \$(5), Customer Experience: \$(5), Transmission: \$4, Corporate/Other: \$2
3. Cost of Capital	45	ROE: \$22, Debt Rates: \$13, Capital Structure: \$10
4. Sales/Gross Margin	<u>30</u>	
5. Total	<u>\$136</u>	

<u>Ratemaking Capital Structure %</u>	<u>Existing (U-21308)⁽¹⁾</u>	<u>As Filed</u>	<u>Annual Cost</u>	<u>After-Tax Weighted Costs</u>
Long Term Debt	40.42%	40.10%	4.31%	1.73%
Short Term Debt	1.21	1.01	5.16	0.05
Preferred Stock	0.14	0.13	4.50	0.01
Common Equity	41.79 ⁽²⁾	42.73 ⁽³⁾	10.25	4.38
Deferred FIT	15.98	15.61	0.00	0.00
JDITC/Other	<u>0.46</u>	<u>0.42</u>		<u>0.03</u>
	<u>100%</u>	<u>100%</u>		6.20% ⁽⁴⁾

<u>Rate Base and Return Percentage</u>	<u>Existing (U-21308)⁽¹⁾</u>	<u>As Filed</u>
Rate Base (billion)	\$10.16	\$10.97
Return on Rate Base (%)	5.89	6.20
Return on Equity (%)	9.90	10.25

⁽¹⁾ Assumed. The outcome of Case No. U-21308 was a Commission-approved settlement agreement which did not specifically identify these items.

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

⁽³⁾ Equivalent to 51.50% on a financial basis.

⁽⁴⁾ Equivalent to 7.69% pre-tax basis.

*Gas Rate Case No. U-21490 can be accessed at the Michigan Public Service Commission's website: <https://mi-psc.force.com/s/>

Staff/Intervenor Testimony	April 22, 2024
Rebuttal Testimony	May 17, 2024
Cross-Exam	June 3, 2024 through June 6, 2024
Initial Briefs	June 27, 2024
Reply Briefs	July 22, 2024
Commission Order	By October 15, 2024