

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 based on a test year ending December 2023. The request seeks authority to recover costs related to new infrastructure investment primarily in distribution system reliability and cleaner energy resources. The proposed overall rate of return is based on a 10.25% authorized return on equity. In addition, Consumers is requesting recovery through a surcharge of \$6 million incurred in 2021 related to certain distribution investments above U-20697 rate levels. The \$272 million total request is detailed below.

<u>Item</u>	<u>Company Filing (MM)</u>	<u>Explanations (MM)</u>
1. Investment	\$120	Distribution: \$76, Generation: \$22, Working Capital: \$13, Regulatory Assets: \$11, Other: \$(2)
2. O&M	55	Distribution: \$54, Demand Response: \$8, Corporate and Other: \$2, Compensation/Benefits: \$(9)
3. Gross Margin	49	Migration: \$27, Sales Mix: \$8, Miscellaneous: \$14
4. Cost of Capital	<u>42</u>	ROE 10.25% Versus Authorized 9.9%: \$27, Capital Structure: \$15
5. Total before surcharge	\$266	
6. Deferral Surcharge	<u>6</u>	
7. Total	<u>\$272</u>	

<u>Ratemaking Capital Structure %</u>	<u>Existing (U-20963)</u>	<u>As Filed</u>	<u>Annual Cost</u>	<u>After-Tax Weighted Costs</u>
Long Term Debt	40.00%	39.57%	3.69%	1.46%
Short Term Debt	0.88	0.88	2.05	0.02
Preferred Stock	0.16	0.15	4.50	0.01
Common Equity	41.84 ⁽¹⁾	42.18 ⁽²⁾	10.25	4.32
Deferred FIT	16.54	16.71	0.00	0.00
JDITC/Other	<u>0.58</u>	<u>0.51</u>		<u>0.03</u>
	<u>100%</u>	<u>100%</u>		<u>5.84%</u> ⁽³⁾

<u>Rate Base and Return Percentage</u>	<u>Existing (U-20963)</u>	<u>As Filed</u>
Rate Base (billion)	\$12.43	\$13.75 ⁽⁴⁾
Return on Rate Base (%)	5.62	5.84
Return on Equity (%)	9.90	10.25

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

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

⁽³⁾Equivalent to 7.32% pre-tax basis.

⁽⁴⁾Excludes RPS renewables of ~\$1.1 billion.

*Electric Rate Case U-21224 can be accessed at the Michigan Public Service Commission's website:

<https://mi-psc.force.com/s/>

Staff/Intervenor Testimony	August 24, 2022	Reply Briefs	November 14, 2022
Rebuttal Testimony	September 15, 2022	Proposal for Decision	December 16, 2022
Cross-Exam	Sept. 28 – October 4, 2022	Commission Order	By February 28, 2023
Initial Briefs	October 26, 2022		