

On March 31, 2017, Consumers Energy filed an application with the Michigan Public Service Commission seeking an increase in its electric generation and distribution rates based on a 12-month test year ending September 2018. The request seeks authority to recover new investment in system reliability, environmental compliance, and technology enhancements. The proposed overall rate of return is based on a 10.50% authorized return on equity. The \$173 million request is detailed below.

Item	\$ Millions	Remarks
1. Investment	\$47	Net Plant (Distribution & Generation Reliability, Environmental Compliance, Technology): \$20, Property Tax: \$4, Depreciation Expense and Other: \$23
2. Working Capital	(9)	Benefits: \$(4), Fuel Stock: \$(3), Accrued Taxes: \$(2)
3. O&M	56	Forestry: \$18, Compensation: \$14, Benefits: \$11, Customer Payment Options: \$4, Customer Experience and Other: \$9
4. Gross Margin	42	Energy Waste Reduction and Lower Demand Revenue: \$42
5. Cost of Capital	<u>37</u>	ROE 10.5% Versus Authorized 10.1%: \$28, Other Capital Changes: \$9
6. Total	<u>\$ 173</u>	

Ratemaking Capital Structure %	Existing (U-17990)	As Filed Percent of Total	Annual Cost	After-Tax Weighted Costs
Long Term Debt	36.07%	36.39%	4.82%	1.75%
Short Term Debt	1.10	1.00	3.55	0.04
Preferred Stock	0.25	0.23	4.50	0.01
Common Equity	40.75 <sup>(1)</sup>	41.14 <sup>(2)</sup>	10.50	4.32
Deferred FIT	21.48	20.67	0.00	0.00
JDITC/Other	0.35	0.57	7.81	0.04
	<u>100.00%</u>	<u>100.00%</u>		<u>6.16%<sup>(3)</sup></u>

Rate Base and Return Percentage	Existing (U-17990)	As Filed
Rate Base (billion) <sup>(4)</sup>	\$10.16	\$10.29
Return on Rate Base	5.94%	6.16%
Return on Equity	10.10%	10.50%

<sup>(1)</sup>Equivalent to 52.87% on a financial basis.

<sup>(2)</sup>Equivalent to 52.91% on a financial basis.

<sup>(3)</sup>Equivalent to 8.94% pre-tax basis.

<sup>(4)</sup>Excludes Renewables, \$0.5 billion

\*Electric Rate Case U-18322 can be accessed at the Michigan Public Service Commission's website:

<http://efile.mpasc.state.mi.us/efile/>