

On September 19, 2012, Consumers Energy filed an application with the Michigan Public Service Commission (MPSC) seeking an increase in its electric generation and distribution rates based on a 2013 test year. On March 19, the Company self-implemented a \$110 million rate increase under the provisions of 2008 PA 286. On May 7, a settlement agreement entered into by Consumers Energy and various interveners to this case was filed with the MPSC. The agreement reflects an increase to Consumers' base electric rates of \$89 million annually with an authorized ROE of 10.3%. The agreement does not include any expense, revenue or investment recovery mechanisms. The settlement agreement leaves issues related to the Company's AMI program to the Commission for final determination. Consumers will reconcile the revenue amounts it would have collected under final rates to amounts collected during the self-implementation period, and refund to customers any excess including interest. A final MPSC order approving the settlement agreement is required before revised rates become effective.

Item	Company Self Imp (Mils)	Assumed Under Settlement (Mils)	B/(W) (Mils)	Explanation of Variance
1. Rate Base	\$ 80	\$ 70	\$(10)	Reduced working capital – elimination of cash equivalents
2. Depreciation/ Property Taxes	43	43	-	
3. Gross Margin	(9)	(9)	-	
4. O&M	24	13	(11)	Reduced Distribution, Smart Grid, Corporate and Uncollectible Accounts expense \$(11)
5. Cost of Capital	<u>(28)</u>	<u>(28)</u>	-	
6. Total	<u>\$110</u>	<u>\$89</u>	<u>\$(21)</u>	

Rate-making Capital Structure %	Existing (U-16794)	Assumed Under Settlement
Long Term Debt	39.39%	38.52%
Short Term Debt	1.75	1.80
Preferred Stock	0.42	0.38
Common Equity	42.07 <sup>(1)</sup>	41.19 <sup>(2)</sup>
Deferred FIT	15.89	17.70
JDITC/Other	0.48	0.41
	<u>100.00%</u>	<u>100.00%</u>

Rate Base and Return Percentage	Existing (U-16794)	Assumed Under Settlement
Rate Base (billion)	\$7.40	\$8.20
Return on Rate Base	6.70%	6.41%
Return on Equity	10.30%	10.30%

<sup>(1)</sup>Equivalent to 51.38% on a financial basis.

<sup>(2)</sup>Equivalent to 51.43% on a financial basis.

**REMAINING ELECTRIC RATE CASE SCHEDULE**

Initial Briefs on AMI Program	May 10, 2013
Reply Briefs on AMI Program	May 24, 2013
Proposal for Decision on AMI Program	July 9, 2013
Commission Order on AMI Program	By September 18, 2013