



ELECTRIC RATE CASE U-21585*

On May 31, 2024, Consumers Energy filed an application with the Michigan Public Service Commission seeking an increase in its electric generation and distribution rates of \$303 million based on a test year ending February 28, 2026. 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 \$22 million incurred in 2023 related to certain distribution investments above the levels approved in cases No. U-21124 and U-21389. On September 27, 2024, the MPSC Staff filed their position recommending a rate increase of \$148 million based on a 9.85% ROE. The MPSC Staff also supported the additional \$22 million recovery of certain distribution investments. The variance between Consumers' filed position and the MPSC Staff's position is detailed below.

<u>Item</u>	<u>Company</u>	<u>MPSC Staff</u>	<u>MPSC Staff B/(W)</u>	<u>Explanation of Variance</u>
	(MM)	(MM)	(MM)	
1. Investment	180	115	(65)	Distribution: \$(37), Generation: \$(26), Information Technology & Other: \$(2)
2. O&M	14	8	(6)	Generation: \$(3) Compensation & Benefits: \$(1), Information Technology & Other: \$(2)
3. Gross Margin	41	11	(30)	Sales & Customer Count: \$(30)
4. Cost of Capital	<u>68</u>	<u>14</u>	<u>(54)</u>	ROE 10.25% Versus 9.85%: \$(33), Capital Structure: \$(11), Debt Rates: \$(10)
5. Total Before Surcharge	<u>\$303</u>	<u>\$148</u>	<u>\$(155)</u>	
6. Deferral Surcharge	<u>22</u>	<u>22</u>	<u>0</u>	
7. Total	<u>\$325</u>	<u>\$170</u>	<u>\$(155)</u>	

<u>Ratemaking Capital Structure %</u>	<u>Existing (U-21389)</u>	<u>Company Filing</u>	<u>MPSC Staff Filing</u>
Long Term Debt	40.95%	40.97%	41.55%
Short Term Debt	1.11	0.96	0.98
Preferred Stock	0.14	0.13	0.13
Common Equity	41.13 ⁽¹⁾	42.36 ⁽²⁾	41.55 ⁽³⁾
Deferred FIT	16.18	15.18	15.39
JDITC/Other	<u>0.49</u>	<u>0.40</u>	<u>0.40</u>
	<u>100%</u>	<u>100%</u>	<u>100%</u>

<u>Rate Base and Return Percentage</u>	<u>Existing (U-21389)</u>	<u>Company Filing</u>	<u>MPSC Staff Filing</u>
Rate Base (billion) ⁽⁴⁾	\$13.67	\$15.57	\$14.81
Return on Rate Base (%)	5.86	6.21	5.93
Return on Equity (%)	9.90	10.25	9.85

⁽¹⁾ Equivalent to 50.02% on a financial basis.

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

⁽³⁾ Equivalent to 49.92% on a financial basis.

⁽⁴⁾ Excludes RPS renewables of ~\$1.4 billion.

*Electric Rate Case U-21585 can be accessed at the Michigan Public Service Commission's website: <https://mi-psc.my.site.com/s/>

Rebuttal Testimony	October 18, 2024	Reply Briefs	December 17, 2024
Cross-Exam	October 30 – November 4, 2024	Proposal for Decision	January 27, 2025
Initial Briefs	December 3, 2024	Commission Order	By March 31, 2025