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April 27, 2023

**VIA ELECTRONIC CASE FILING**

Executive Secretary  
Michigan Public Service Commission  
7109 W. Saginaw Highway  
Lansing, Michigan 48917

**Re: Case No. U-21308 – In the matter of the application of Consumers Energy Company for authority to increase its rates for the distribution of natural gas and for other relief.**

Dear Executive Secretary:

Enclosed for filing please find the **Association of Businesses Advocating Tariff Equity's Errata Pages 51 and 52 of the Direct Testimony of Billie S. LaConte**, corresponding **Errata Exhibit AB-10**, and **Proof of Service** for the same. The referenced errata pages and exhibit reflect revised proxy group company equity ratios.

Should you have any questions or comments regarding this matter, please do not hesitate to contact my office.

Sincerely,

**CLARK HILL PLC**  
Stephen A. Campbell  
Campbell  
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SAC/lkd  
cc: Parties of Record

1 **Q WHY IS CONSUMERS RECOMMENDING A 51.5% COMMON EQUITY RATIO?**

2 A Consumers is recommending a 51.5% common equity ratio for several reasons. First,  
3 Consumers' capital structure witness, Mr. Bleckman, maintains that on an adjusted  
4 basis Consumers' proposed capital structure is less than balanced.<sup>53</sup> Second, Mr.  
5 Bleckman claims that a lower equity ratio will negatively affect Consumers' credit  
6 metrics, thereby lowering its credit ratings.<sup>54</sup> Finally, Mr. Bleckman compared  
7 Consumers' common equity ratio with those of "peer" companies as a reason for a  
8 higher common equity ratio.<sup>55</sup>

9 **Q HAVE YOU REVIEWED THE COMMON EQUITY RATIOS PRESENTED BY MR.**  
10 **BLECKMAN?**

11 A Yes. The common equity ratios cited by Mr. Bleckman are not for companies in the  
12 proxy group used by Mr. Wehner, but are instead for a group of companies identified  
13 by Mr. Bleckman as peers.<sup>56</sup> This is incorrect and the common equity ratios of the  
14 companies in my ROE proxy group should be used as a proper comparison.

15 **Q WHAT ARE THE AUTHORIZED COMMON EQUITY RATIOS FOR THE**  
16 **COMPANIES IN YOUR PROXY GROUP?**

17 A The authorized common equity ratios are shown in **Exhibit AB-10**, for the period 2021  
18 through 2023 YTD. The average authorized common equity ratio is 51.732.22%.  
19 However, the average authorized ROE, which is used to determine the weighted  
20 average cost of equity, is 9.6158%, significantly below Mr. Wehner's proposed 10.25%

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<sup>53</sup> Direct Testimony of Marc R. Bleckman at 27.

<sup>54</sup> *Id.* at 18.

<sup>55</sup> *Id.*, Exhibit A-29 (MRB-10).

<sup>56</sup> *Id.* at 19.

1 ROE. On a weighted average basis, the cost of common equity for the proxy group is  
2 ~~4.975-00%~~ (5~~1.732-22%~~ x 9.6~~158%~~), compared to Consumers proposed 5.28%  
3 (51.5% x 10.25%).

4 **Q WHAT IS THE WEIGHTED AVERAGE COST OF EQUITY USING YOUR**  
5 **RECOMMENDED ROE AND COMMON EQUITY RATIO?**

6 A The weighted cost is 4.87% (9.6% x 50.75%). Although this is below the average,  
7 there are several companies in the proxy group that have similar weighted average  
8 costs of equity, such as Columbia Gas-Kentucky, 4.92%, Southwest Gas Corporation-  
9 Nevada, 4.89%, CenterPoint Energy Resources Corporation-Minnesota, 4.79%, and  
10 Black Hills Corporation: Nebraska, 4.75%; Arkansas; 4.32%; Iowa, 4.80%; Colorado,  
11 4.77%. Only two companies have a weighted average cost of common equity that is  
12 at or above Consumers proposed 5.28%.

13 **Q DO YOU AGREE WITH MR. BLECKMAN'S OPINION THAT A LOWER COMMON**  
14 **EQUITY RATIO WILL NEGATIVELY AFFECT CONSUMERS' CREDIT RATING?**

15 A No. A lower common equity ratio, combined with a lower ROE, will not negatively  
16 affect Consumers' credit rating. S&P reviewed Consumers' credit rating in July 2022  
17 and stated that a credit downgrade could occur if Consumers' FFO-to-Debt ratio  
18 weakens to *consistently* below 15%.<sup>57</sup> In addition, Moody's reviewed Consumers'  
19 credit rating in May 2022 and stated that a credit downgrade could be considered if  
20 the FFO-to-Debt ratio declines below 18% on a sustained basis.<sup>58</sup>

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<sup>57</sup> S&P Global Ratings, RatingsDirect, *Consumers Energy Co.* at 2 (July 25, 2022).

<sup>58</sup> Moody's, Credit Opinion, Consumers Energy Company, *Update to Credit Analysis* at 2 (May 24, 2022)

**CONSUMERS ENERGY GAS**  
ABATE Proxy Group Weighted Average Cost of Equity

<u>Line</u>	<u>Utility</u>	<u>Authorized</u>		
		<u>Common Equity Ratio</u>	<u>Return On Common Equity</u>	<u>Weighted Average Cost of Equity</u>
1	Atmos Energy Kentucky	54.50%	9.23%	5.03%
<del>2</del>	<del>Black Hills Colorado</del>	<del>50.26%</del>	<del>9.50%</del>	<del>4.77%</del>
3	Black Hills Iowa	50.01%	9.60%	4.80%
4	Black Hills Nebraska	50.00%	9.50%	4.75%
5	Black Hills Arkansas	45.00%	9.60%	4.32%
6	Indiana Gas Company	55.62%	9.80%	5.45%
7	Centerpoint Energy Company	51.00%	9.39%	4.79%
8	Columbia Gas of Kentucky	52.64%	9.35%	4.92%
9	Columbia Gas of Maryland	<del>52.95%</del> <b>52.97%</b>	9.65%	5.11%
10	Columbia Gas of Pennsylvania	54.19%	9.86%	5.34%
11	Columbia Gas of Ohio	50.60%	9.60%	4.86%
12	Oklahoma Natural Gas Company	<del>58.55%</del> <b>53.37%</b>	<del>9.40%</del> <b>9.50%</b>	<del>5.50%</del> <b>5.07%</b>
13	New Jersey Natural Gas Company	54.00%	9.60%	5.18%
<del>14</del>	<del>Spire Missouri</del>	<del>54.28%</del>	<del>9.37%</del>	<del>5.09%</del>
15	Spire Mississippi	50.00%	10.04%	5.02%
16	Southwest Gas California	52.00%	10.00%	5.20%
17	Southwest Gas Nevada	<del>52.07%</del> <b>50.00%</b>	9.40%	<del>4.89%</del> <b>4.70%</b>
18	Average	<del>52.22%</del> <b>51.73%</b>	<del>9.58%</del> <b>9.61%</b>	<del>5.00%</del> <b>4.97%</b>
19	Consumers Proposed	51.50%	10.25%	5.28%
20	ABATE Proposed	50.75%	9.60%	4.87%

Black Hills Colorado- used 2020 data. More recent data not available.  
 Columbia Gas of Maryland- common equity ratio was incorrect.  
 Oklahoma Natural Gas Company-used 2020 instead of 2021 data.  
 Spire Missouri - used 2020 data, more recent data not available.  
 Southwest Gas Nevada - common equity ratio was incorrect.

STATE OF MICHIGAN

BEFORE THE MICHIGAN PUBLIC SERVICE COMMISSION

\* \* \* \* \*

In the matter of the application of	)	
<b>CONSUMERS ENERGY COMPANY</b>	)	Case No. U-21308
for authority to increase its rates for the	)	
distribution of natural gas and for other relief	)	ALJ Jonathan Thoits
_____	)	

**PROOF OF SERVICE**

STATE OF MICHIGAN     )  
   ) ss  
 COUNTY OF WAYNE     )

Stephen A. Campbell, being first duly sworn, deposes and says that on April 27, 2023, he did cause to be served the *Association of Businesses Advocating Tariff Equity's Errata of the Direct Testimony of Billie S. LaConte, Errata Exhibit AB-10*, as well as this *Proof of Service*, in the above docket, via electronic mail, to the persons identified on the attached service list.

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\_\_\_\_\_  
Stephen A. Campbell

**SERVICE LIST**  
**MPSC Case No. U-21308**

<p><b>Administrative Law Judge</b>  Hon. Jonathan Thoits  Administrative Law Judge  Michigan Public Service Commission  7109 W. Saginaw Hwy., 3rd Floor  Lansing, Michigan 48917  <b>Email:</b> <a href="mailto:thoitsj@michigan.gov">thoitsj@michigan.gov</a></p>	<p><b>Counsel for Dept. of Attorney General</b>  Celeste Gill  <b>Email:</b> <a href="mailto:GillC1@michigan.gov">GillC1@michigan.gov</a>  <a href="mailto:ag-enra-spec-lit@michigan.gov">ag-enra-spec-lit@michigan.gov</a></p>
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