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MPSC approves rate increases for natural gas customers of Consumers Energy Co., Michigan Gas Utilities Corp.

The Michigan Public Service Commission today approved settlement agreements permitting rate increases for natural gas customers of Consumers Energy Co. and Michigan Gas Utilities Corp. (MGU).

Consumers Energy

The Commission approved a settlement agreement permitting Consumers Energy to raise rates by \$95 million, a more than 55% reduction from the initial \$212 million increase the Jackson-based utility had sought ([Case No. U-21308](#)), to address capital infrastructure improvements, investment in technology and operational efficiency, and increased financing costs. The agreement approves an authorized return on common equity of 9.9% and a common equity ratio of 50.75%.

The rate increase will take effect Oct. 1, 2023. A typical residential customer using 100 ccf of natural gas monthly will see an increase of \$4.20 on their bill, a 4.2% increase.

The settlement agreement was signed by Consumers Energy, the office of Attorney General Dana Nessel, MPSC Staff, and several intervenors in the case: Retail Energy Supply Association (RESA), Michigan State University, Residential Customer Group, and Citizens Utility Board of Michigan (CUB). Additional intervenors — Association of Businesses Advocating Tariff Equity (ABATE), Energy Michigan Inc. and Lansing Board of Water and Light — signed a statement of non-objection.

Other terms of the agreement:

- The company is authorized to spend \$214 million on its Enhanced Infrastructure Replacement Program on a minimum of 110.8 miles of installed main replacement through Sept. 30, 2024. The company agrees to work with MPSC Staff and other interested parties to provide information on the program's costs in support of potentially reducing future unit costs.
- Consumers is authorized to implement a pension and other post-employment benefits (OPEB) volatility mechanism that will defer for future recovery or refund of pension expense above or below \$29,547,000 and OPEB expense above or below \$31,142,000 beginning Oct. 1, 2023.

- Monthly customer charges will be maintained for residential, A-1, and GS-1 service classes.
- The company will provide a cost-of-service study that shows allocation of Other Distribution Plant by Federal Energy Regulatory Commission account and calculates impact of using average and excess allocation and allocating between high pressure and non-high pressure.
- The company will conduct a workgroup to discuss their Group Transportation Service Pilot program, including good faith attempts to address reasonable concerns from gas suppliers.

Consumers' most recent gas rate increase of \$170 million was approved in July 2022.

Michigan Gas Utilities

The Commission also approved a settlement agreement permitting MGU to raise its natural gas base rate \$9.9 million ([Case No. U-21366](#)). That amount is more than 48% lower than the \$19.1 million increase sought by the utility to fund safety and reliability upgrades and cover increasing costs for materials and labor and the impact of higher interest rates and inflation.

The rate increase will be effective Jan. 1, 2024. A typical residential customer using 100 ccf of natural gas monthly will see an increase of \$5.10 on their bill, a 6.6% increase.

The settlement agreement was reached by MGU, Michigan Attorney General Dana Nessel's office, MPSC Staff, and intervenors in the case: RESA, ABATE and CUB.

The settlement agreement approves an authorized rate of return on common equity of 9.8% and a common equity ratio of 51%. Under the agreement, the company also is approved to:

- Treat its digitization project as a \$1.75 million regulatory asset to be amortized over 15 years beginning Jan. 1, 2024.
- Maintain its current demand response pilot program.
- Maintain, with some revisions, the utility's residential income allowance, low-income allowance and senior bill assistance programs.
- Continue its main replacement program through 2027, with surcharges paused Jan. 1-Dec. 31, 2024.
- Maintain a waiver of meter testing requirements until Dec. 31, 2028.

MGU, which serves about 183,000 customers across the western and southern Lower Peninsula, was last approved for a rate increase of \$9.25 million in September 2021.

To look up cases from today's meeting, access the [MPSC's E-Dockets filing system](#). Watch recordings of the MPSC's meetings on the [MPSC's YouTube channel](#).

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