

December 11, 2024

Ms. Lisa Felice
Executive Secretary
Michigan Public Service Commission
7109 West Saginaw Highway
Post Office Box 30221
Lansing, MI 48909

RE: MPSC Case No. U-21806 – 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 Ms. Felice:

Enclosed for electronic filing in the above captioned case please find **Consumers Energy Company's Filing Summary**. This is a paperless filing and is therefore being filed only in a PDF format. I have also included a Proof of Service showing electronic service upon the parties to Case Nos. U-21308 and U-21490.

Sincerely,

Anne M. Uitvlugt
Phone: 517-788-2112
Email: anne.uitvlugt@cmsenergy.com

cc: Parties per Attachment 1 to Proof of Service

STATE OF MICHIGAN

BEFORE THE MICHIGAN PUBLIC SERVICE COMMISSION

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.)
_____)

Case No. U-21806

CONSUMERS ENERGY COMPANY’S RATE CASE SUMMARY

In accordance with the Michigan Public Service Commission’s (“MPSC” or the “Commission”) July 31, 2017 Order in Case No. U-18238, as amended and updated by its July 25, 2024 Order, Consumers Energy Company (“Consumers Energy” or the “Company”) submits its required Rate Case Summary. The Company’s Rate Case Summary is being provided for informational purposes only, and in filing this summary, Consumers Energy states that modifications may be made to its upcoming rate case filing that could impact the information contained herein.

The Company’s most recent gas rate case, Case No. U-21490, was primarily driven by the Company’s infrastructure investment. In Case No. U-21490, Consumers Energy requested that the Commission authorize an adjustment to the Company’s retail natural gas distribution rates to provide additional revenue in the amount of approximately \$136 million, with a customer credit of approximately \$14 million resulting from the sale of the Company’s unregulated Home Energy Products Program, for an adjusted total annual rate relief of \$122 million. This request was based on the utilization of a projected 12-month test year ending September 30, 2025. The Company later reduced its request to increase its natural gas rates to provide additional revenue in the amount of \$112.8 million with a customer credit of approximately \$14 million for the unregulated Home Energy Products Program, for an adjusted total annual rate relief of \$99 million.

In its July 23, 2024 Order Approving Settlement Agreement in Case No. U-21490, the Commission authorized Consumers Energy to increase its retail natural gas distribution rates by \$35 million annually, with a Return on Equity of 9.90%. Additionally, the Order Approving Settlement Agreement addressed Consumers Energy's sale of its unregulated Home Energy Products Program to an unaffiliated third-party buyer for a net upfront gain of approximately \$110 million. Under the settlement agreement, Consumers Energy agreed to share 100% of the net upfront gain, without interest, in the following manner: "\$27.5 million, or one fourth of the net upfront gain, shall be used as an offset to the revenue deficiency in lieu of additional rate relief during the test year. The remaining three fourths of the net upfront gain, approximately \$82.5 million, will be credited back to customers, through the Home Products Credit over a three-year period starting with the test year" MPSC Case No. U-21490, Order Approving Settlement Agreement, Settlement Agreement, pages 2-3. Consumers Energy implemented the approved rates on October 1, 2024.

The Company's upcoming gas rate case filing, Case No. U-21806, continues to be driven by the Company's natural gas system infrastructure investment as set forth in its upcoming filing and its Natural Gas Delivery Plan. Based on the evidentiary support provided in its upcoming filing, Consumers Energy requests that the Commission authorize the Company to adjust its retail natural gas distribution rates to provide additional revenue in the amount of approximately \$248 million annually based on a projected 12-month test year ending October 31, 2026. The Company is requesting a Return on Equity of 10.25%, with an equity ratio of 50.75%. The upcoming filing uses inflation factors of 3.2% for 2024, 2.4% for 2025, and 2.5% for 2026, as forecasted by S&P Global and reported in the June 2024 edition of their publication *U.S. Economic Outlook*.

The Company is initiating this proceeding to request rate relief that will fund critical capital infrastructure investments and key financial and operational items necessary to continue to provide customers safe, reliable, affordable, and increasingly clean natural gas service. Significant natural gas investments included in the Company's rate request are the Enhanced Infrastructure Replacement Program, Material Conditions Program, Compression and Storage Program, Well Rehabilitation Program, Regulatory Compliance Programs, Capacity/Deliverability Programs, and Technology Programs. These continued investments in natural gas infrastructure reflect the Company's commitment to identify and replace at-risk natural gas distribution pipe across the state and respond to customer-initiated requests.

Consistent with the Commission's rate case filing requirements established in Case No. U-18238, the Company is sponsoring two primary versions of the cost-of-service study ("COSS"). The first (Version 1) employs the methodologies previously adopted by the Commission in Case No. U-20650, updated to reflect financial information and supporting data consistent with Company witnesses. The second COSS (Version 2) starts with the Version 1 COSS and incorporates three Company proposals that are responsive to issues or topics raised in Case No. U-21490. In addition to COSS Version 1 and COSS Version 2, the Company is presenting an additional COSS for informational purposes as agreed upon in the Company's settlement agreement in Case No. U-21490. This additional COSS replaces the Average & Peak method with Average & Excess method. The Company is not advocating that the Commission adopt this method in its final COSS in this case but recommends adoption of COSS Version 2 for setting rates in this case.

The Company is not proposing any significant changes to its rate design for the majority of its rate classes. A change is being proposed to its Transmission Only Transportation Service

Rate. Under the Transmission Only Transportation Rate, the Company is proposing to offer four rate options (STT, LTT, XLTT, XXLTT) that consist of both a Customer Charge and a volumetric Transmission Charge.

The Company's upcoming gas rate case filing is also requesting continuation of its Defined Benefit ("DB") Pension/Other Post-Employment Benefit ("OPEB") Volatility Mechanism. DB Pension and OPEB expenses are sensitive to changes in asset returns or other assumptions which create the significant potential for large variability in future expenses. This requested mechanism would allow the Company to defer annually the difference between the DB Pension/OPEB expense included in rates versus the actual annual DB Pension/OPEB expense recorded by the Company pursuant to accounting requirements. Accounting approval is needed for use of a regulatory asset or regulatory liability, as needed, for the DB Pension/OPEB Volatility Mechanism.

The Company is also requesting approval of certain cost deferrals associated with operation costs. First, during the test year, the Company anticipates that the Pipeline and Hazardous Materials Safety Administration ("PHMSA") will adopt proposed regulatory amendments, otherwise referred to as the Leak Detection and Repair Rules, that will implement congressional mandates in the *Protecting the Infrastructure of Pipelines and Enhancing Safety Act of 2020* ("PIPES ACT"). Due to the current compliance timeline of the proposed rules, the Company is requesting the Commission approve the ability to defer any test year O&M expense that occurs as a result of the requirements of the final rules that are above the Company's requested funding level in this case. Next, the Company is requesting it be allowed to defer for refund or recovery any O&M expenses for its Staking and Locating Program that are below, or above, amounts included in rates for the test year. This is due to the increase in staking volumes. Lastly, Consumers Energy is undertaking the SAP S/4HANA Implementation Project ("SAP Project"). This project will

modernize the Company’s current Enterprise Resource Planning SAP solution that will reach the end of mainstream vendor maintenance on December 31, 2027. Consumers Energy is requesting to defer the associated O&M expense for the SAP project and amortize it over 15 years consistent with the life of the assets.

In addition to the requests described above, Consumers Energy will be seeking Commission approval of an additional accounting request. Based on Federal Energy Regulatory Commission (“FERC”) guidance, the Company is requesting approval to capitalize first-time and one-time retesting costs incurred due to PHMSA’s final rule that addressed, among other items, the safety of gas transmission pipelines, including actions an operator must take to reconfirm the Maximum Allowable Operating Pressure (“MAOP”) of natural gas pipelines not yet tested using the new federal safety regulations.

For the projected test year, the Company’s average overall rate increase is approximately 10.8%. The Company’s proposed rate increase/decrease by rate class and rate schedule is as follows:

<u>Line</u> <u>No.</u>	<u>Description</u>	Total Increase/ (Decrease) %
Residential Service		
1	Single Family Dwelling A	12.1
2	Multifamily Dwelling A-1	<u>7.3</u>
3	Total Residential Service	12.0
General Service		
4	Small Service GS-1	5.9
5	Medium Service GS-2	3.3
6	Large Service GS-3	1.9
7	Outdoor Lighting GL	<u>NA</u>
8	Total General Service	4.5
9	Total Gas Sales ⁽¹⁾	10.1

	Transportation	
10	Small Transport ST	33.9
11	Large Transport LT	28.5
12	Extremely Large Transport XLT	26.2
	Extra Extremely Large Transport	
13	XXLT	<u>0.9</u>
14	Total Transportation	26.9
15	Total Service (Delivery & Fuel)	<u><u>10.8</u></u>

Notes

(1) Includes aggregate billed transportation accounts.

The key drivers associated with the Company's revenue requirement are:

Key Drivers: Revenue Requirement	
Drivers	Revenue Requirement Impact
	<i>(In Millions)</i>
a. Infrastructure investment and related costs	\$ 132
b. Working capital	3
c. Cost of capital	44
d. ASP Gain Previously Used to Offset Revenue Requirement ¹	27
e. Operating expenses	42
f. Total revenue requirement impact	\$ 248

¹ Pursuant to the approved settlement agreement in Case No. U-21490, \$27.5 million of the gain on the sale of the unregulated ASP business was used to reduce the required revenue requirement for that case. This base rate reduction does not carry forward to the test year of this case.

The revenue requirement associated with rate base is as follows:

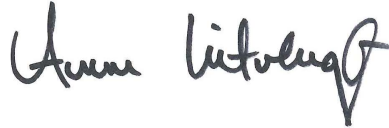
Key Drivers: Rate Base (In Thousands)		
Drivers	Rate Base Impact (Rate Base 13-Month Average)	Revenue Requirement Impact (Return on, Return of, and Property Tax)
a. Rate base from settlement agreement ²	\$ 10,851,279	\$ 1,318,789
b. Utility plant	\$ 1,160,168	\$ 155,170
c. Depreciation reserve	\$ (309,642)	\$ (22,703)
d. Working capital	\$ 48,934	\$ 3,588
e. Requested rate base	\$ 11,750,740	\$ 1,454,844
f. Rate base increase from settlement agreement	\$ 899,460	\$ 136,055

² Assumed rate base amount from the last rate case (Case No. U-21490). The Company's last rate case proceeding resulted in a Settlement Agreement which did not specifically identify total rate base.

Consumers Energy intends to file its upcoming gas rate case on December 16, 2024, which will allow for new rates to be effective October 1, 2026.

Respectfully submitted,

CONSUMERS ENERGY COMPANY



Dated: December 11, 2024

By:

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Case No. U-21806

PROOF OF SERVICE

STATE OF MICHIGAN)
) SS
COUNTY OF JACKSON)

Melissa K. Harris, being first duly sworn, deposes and says that she is employed in the Legal Department of Consumers Energy Company; that on December 11, 2024, she served an electronic copy of **Consumers Energy Company's Filing Summary** upon the persons listed in Attachment 1 hereto, at the e-mail addresses listed therein.



Melissa K. Harris

Subscribed and sworn to before me this 11th day of December, 2024.



Crystal L. Chacon, Notary Public
State of Michigan, County of Ingham
My Commission Expires: 05/25/30
Acting in the County of Eaton

ATTACHMENT 1 TO CASE NO. U-21806
(Including Parties to Case Nos. U-21308 and U-21490)

Party	Mailing Address	Email Address
Counsel for Consumers Energy Company		
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Counsel for the Lansing Board of Water & Light (“LBWL”) and Michigan State University (“MSU”)		
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* Receives Confidential Materials

ATTACHMENT 1 TO CASE NO. U-21806
(Including Parties to Case Nos. U-21308 and U-21490)

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