

CMS ENERGY CORP
Form 10-K
February 14, 2018
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UNITED STATES SECURITIES AND EXCHANGE COMMISSION

Washington, D.C. 20549

FORM 10-K

x ANNUAL REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934

For the fiscal year ended December 31, 2017

OR

o TRANSITION REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934

For the transition period from ____ to ____

Commission File Number 1-9513	Registrant; State of Incorporation; Address; and Telephone Number CMS ENERGY CORPORATION (A Michigan Corporation) One Energy Plaza, Jackson, Michigan 49201 (517) 788-0550	IRS Employer Identification No. 38-2726431
1-5611	CONSUMERS ENERGY COMPANY (A Michigan Corporation) One Energy Plaza, Jackson, Michigan 49201 (517) 788-0550	38-0442310

Securities registered pursuant to Section 12(b) of the Act:

Registrant	Title of Class	Name of Each Exchange on Which Registered
CMS Energy Corporation	Common Stock, \$0.01 par value	New York Stock Exchange
Consumers Energy Company	Cumulative Preferred Stock, \$100 par value: \$4.50 Series	New York Stock Exchange

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Securities registered pursuant to Section 12(g) of the Act: None

Indicate by check mark if the registrant is a well-known seasoned issuer, as defined in Rule 405 of the Securities Act.

CMS Energy Corporation: Yes No

Consumers Energy Company: Yes No

Indicate by check mark if the registrant is not required to file reports pursuant to Section 13 or Section 15(d) of the Act.

CMS Energy Corporation: Yes No

Consumers Energy Company: Yes No

Indicate by check mark whether the registrant (1) has filed all reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 during the preceding 12 months (or for such shorter period that the Registrant was required to file such reports), and (2) has been subject to such filing requirements for the past 90 days.

CMS Energy Corporation: Yes No

Consumers Energy Company: Yes No

Indicate by check mark whether the registrant has submitted electronically and posted on its corporate Web site, if any, every Interactive Data file required to be submitted and posted pursuant to Rule 405 of Regulation S-T (§232.405 of this chapter) during the preceding 12 months (or for such shorter period that the registrant was required to submit and post such files).

CMS Energy Corporation: Yes No

Consumers Energy Company: Yes No

Indicate by check mark if disclosure of delinquent filers pursuant to Item 405 of Regulation S-K is not contained herein, and will not be contained, to the best of registrant's knowledge, in definitive proxy or information statements incorporated by reference in Part III of this Form 10-K or any amendment to this Form 10-K.

Indicate by check mark whether the registrant is a large accelerated filer, an accelerated filer, a non-accelerated filer, smaller reporting company, or an emerging growth company. See the definitions of large accelerated filer, accelerated filer, smaller reporting company, and emerging growth company in Rule 12b-2 of the Exchange Act.

CMS Energy Corporation:

Large accelerated filer

Accelerated filer

Non-Accelerated filer (Do not check if a smaller reporting company)

Smaller reporting company

Emerging growth company

Consumers Energy Company:

Large accelerated filer

Accelerated filer

Non-Accelerated filer (Do not check if a smaller reporting company)

Smaller reporting company

Emerging growth company

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If an emerging growth company, indicate by check mark if the registrant has elected not to use the extended transition period for complying with any new or revised financial accounting standards provided pursuant to Section 13(a) of the Exchange Act.

CMS Energy Corporation:

Consumers Energy Company:

Indicate by check mark whether the registrant is a shell company (as defined in Rule 12b-2 of the Exchange Act).

CMS Energy Corporation: Yes No

Consumers Energy Company: Yes No

The aggregate market value of CMS Energy voting and non-voting common equity held by non-affiliates was \$12.948 billion for the 279,964,146 CMS Energy Common Stock shares outstanding on June 30, 2017 based on the closing sale price of \$46.25 for CMS Energy Common Stock, as reported by the New York Stock Exchange on such date. There were no shares of Consumers common equity held by non-affiliates as of June 30, 2017.

There were 282,420,406 shares of CMS Energy Common Stock outstanding on January 31, 2018, including 20,316 shares owned by Consumers Energy Company. On January 31, 2018, CMS Energy held all 84,108,789 outstanding shares of common equity of Consumers.

Documents incorporated by reference in Part III: CMS Energy's and Consumers' proxy statement relating to their 2018 Annual Meetings of Shareholders to be held May 4, 2018.

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CMS Energy Corporation

Consumers Energy Company

Annual Reports on Form 10-K to the Securities and Exchange Commission for the Year Ended December 31, 2017

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GLOSSARY

Certain terms used in the text and financial statements are defined below.

2016 Energy Law

Comprehensive energy reform package enacted in Michigan in 2016

ABATE

Association of Businesses Advocating Tariff Equity

ABO

Accumulated benefit obligation; the liabilities of a pension plan based on service and pay to date, which differs from the PBO in that it does not reflect expected future salary increases

AFUDC

Allowance for borrowed and equity funds used during construction

AOI

Accumulated other comprehensive income (loss)

ARO

Asset retirement obligation

ASC 715

Financial Accounting Standards Board Accounting Standards Codification Topic 715, Retirement Benefits

ASC 740

Financial Accounting Standards Board Accounting Standards Codification Topic 740, Income Taxes

ASU

Financial Accounting Standards Board Accounting Standards Update

Bay Harbor

A residential/commercial real estate area located near Petoskey, Michigan, in which CMS Energy sold its interest in 2002

bcf

Billion cubic feet

Cantera Gas Company

Cantera Gas Company LLC, a non-affiliated company, formerly known as CMS Field Services

Cantera Natural Gas, Inc.

Cantera Natural Gas, Inc., a non-affiliated company that purchased CMS Field Services

CAO

Chief Accounting Officer

CCR

Coal combustion residual

CEO

Chief Executive Officer

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CERCLA

Comprehensive Environmental Response, Compensation, and Liability Act of 1980

CFO

Chief Financial Officer

city-gate contract

An arrangement made for the point at which a local distribution company physically receives gas from a supplier or pipeline

Clean Air Act

Federal Clean Air Act of 1963, as amended

Clean Water Act

Federal Water Pollution Control Act of 1972, as amended

CMS Capital

CMS Capital, L.L.C., a wholly owned subsidiary of CMS Energy

CMS Energy

CMS Energy Corporation and its consolidated subsidiaries, unless otherwise noted; the parent of Consumers and CMS Enterprises

CMS Enterprises

CMS Enterprises Company, a wholly owned subsidiary of CMS Energy

CMS ERM

CMS Energy Resource Management Company, formerly known as CMS MST, a wholly owned subsidiary of CMS Enterprises

CMS Field Services

CMS Field Services, Inc., a former wholly owned subsidiary of CMS Gas Transmission

CMS Gas Transmission

CMS Gas Transmission Company, a wholly owned subsidiary of CMS Enterprises

CMS Land

CMS Land Company, a wholly owned subsidiary of CMS Capital

CMS MST

CMS Marketing, Services and Trading Company, a wholly owned subsidiary of CMS Enterprises, whose name was changed to CMS ERM in 2004

Consumers

Consumers Energy Company and its consolidated subsidiaries, unless otherwise noted; a wholly owned subsidiary of CMS Energy

Consumers 2014 Securitization Funding

Consumers 2014 Securitization Funding LLC, a wholly owned consolidated bankruptcy-remote subsidiary of Consumers and special-purpose entity organized for the sole purpose of purchasing and owning securitization property, issuing securitization bonds, and pledging its interest in securitization property to a trustee to collateralize the securitization bonds

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Craven

Craven County Wood Energy Limited Partnership, a variable interest entity in which HYDRA-CO Enterprises, Inc., a wholly owned subsidiary of CMS Enterprises, has a 50-percent interest

CSAPR

The Cross-State Air Pollution Rule

DB Pension Plan A

Defined benefit pension plan of CMS Energy and Consumers, including certain present and former affiliates and subsidiaries, created as of December 31, 2017 for active employees who were covered under the defined benefit pension plan that closed in 2005

DB Pension Plan B

Defined benefit pension plan of CMS Energy and Consumers, including certain present and former affiliates and subsidiaries, amended as of December 31, 2017 to include only retired and former employees who were covered under the defined benefit pension plan that closed in 2005

DB Pension Plans

Defined benefit pension plans of CMS Energy and Consumers, comprising DB Pension Plan A and DB Pension Plan B

DB SERP

Defined Benefit Supplemental Executive Retirement Plan

DCCP

Defined Company Contribution Plan

DC SERP

Defined Contribution Supplemental Executive Retirement Plan

DIG

Dearborn Industrial Generation, L.L.C., a wholly owned subsidiary of Dearborn Industrial Energy, L.L.C., a wholly owned subsidiary of CMS Energy

Dodd-Frank Act

Dodd-Frank Wall Street Reform and Consumer Protection Act of 2010

DTE Electric

DTE Electric Company, a non-affiliated company

DTE Gas

DTE Gas Company, a non-affiliated company

EBITDA

Earnings before interest, taxes, depreciation, and amortization

EEI

Edison Electric Institute, an association representing all U.S. investor-owned electric companies

EnerBank

EnerBank USA, a wholly owned subsidiary of CMS Capital

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energy waste reduction

The reduction of energy consumption through energy efficiency and demand-side energy conservation, as established under the 2016 Energy Law

Entergy

Entergy Corporation, a non-affiliated company

EPA

U.S. Environmental Protection Agency

EPS

Earnings per share

Exchange Act

Securities Exchange Act of 1934

FDIC

Federal Deposit Insurance Corporation

FERC

The Federal Energy Regulatory Commission

First Mortgage Bond Indenture

The indenture dated as of September 1, 1945 between Consumers and The Bank of New York Mellon, as Trustee, as amended and supplemented

FLI Liquidating Trust

Trust formed in Missouri bankruptcy court to accomplish the liquidation of Farmland Industries, Inc., a non-affiliated entity

Forsite

Forsite Development, Inc. and its subsidiaries, each a non-affiliated company

FTR

Financial transmission right

GAAP

U.S. Generally Accepted Accounting Principles

Gas AMR

Consumers gas automated meter reading project, which involves the installation of communication modules to allow drive-by meter reading

GCC

Gas Customer Choice, which allows gas customers to purchase gas from alternative suppliers

GCR

Gas cost recovery

Genesee

Genesee Power Station Limited Partnership, a variable interest entity in which HYDRA-CO Enterprises, Inc., a wholly owned subsidiary of CMS Enterprises, has a 50-percent interest

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Grayling

Grayling Generating Station Limited Partnership, a variable interest entity in which HYDRA-CO Enterprises, Inc., a wholly owned subsidiary of CMS Enterprises, has a 50-percent interest

GWh

Gigawatt-hour, a unit of energy equal to one billion watt-hours

IRS

Internal Revenue Service

kilovolts

Thousand volts, a unit used to measure the difference in electrical pressure along a current

kVA

Thousand volt-amperes, a unit used to reflect the electrical power capacity rating of equipment or a system

kWh

Kilowatt-hour, a unit of energy equal to one thousand watt-hours

LIBOR

The London Interbank Offered Rate

Ludington

Ludington pumped-storage plant, jointly owned by Consumers and DTE Electric

MATS

Mercury and Air Toxics Standards, which limit mercury, acid gases, and other toxic pollution from coal-fueled and oil-fueled power plants

mcf

Thousand cubic feet

MCV Facility

A 1,647 MW natural gas-fueled, combined-cycle cogeneration facility operated by the MCV Partnership

MCV Partnership

Midland Cogeneration Venture Limited Partnership

MCV PPA

PPA between Consumers and the MCV Partnership

MDEQ

Michigan Department of Environmental Quality

METC

Michigan Electric Transmission Company, LLC, a non-affiliated company

MGP

Manufactured gas plant

Michigan Mercury Rule

Michigan Air Pollution Control Rules, Part 15, Emission Limitations and Prohibitions - Mercury, addressing mercury emissions from coal-fueled electric generating units

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MISO

Midcontinent Independent System Operator, Inc.

mothball

To place a generating unit into a state of extended reserve shutdown in which the unit is inactive and unavailable for service for a specified period, during which the unit can be brought back into service after receiving appropriate notification and completing any necessary maintenance or other work; generation owners in MISO must request approval to mothball a unit, and MISO then evaluates the request for reliability impacts

MPSC

Michigan Public Service Commission

MRV

Market-related value of plan assets

MW

Megawatt, a unit of power equal to one million watts

MWh

Megawatt-hour, a unit of energy equal to one million watt-hours

NAAQS

National Ambient Air Quality Standards

NERC

The North American Electric Reliability Corporation, a non-affiliated company responsible for developing and enforcing reliability standards, monitoring the bulk power system, and educating and certifying industry personnel

NPDES

National Pollutant Discharge Elimination System, a permit system for regulating point sources of pollution under the Clean Water Act

NREPA

Part 201 of the Michigan Natural Resources and Environmental Protection Act, a statute that covers environmental activities including remediation

NSR

New Source Review, a construction-permitting program under the Clean Air Act

OPEB

Other Post-Employment Benefits

OPEB Plan

Postretirement health care and life insurance plans of CMS Energy and Consumers, including certain present and former affiliates and subsidiaries

Palisades

Palisades nuclear power plant, sold by Consumers to Entergy in 2007

PBO

Projected benefit obligation

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PCB	Polychlorinated biphenyl
PHMSA	The U.S. Department of Transportation's Pipeline and Hazardous Materials Safety Administration
PISP	Performance Incentive Stock Plan
PPA	Power purchase agreement
PSCR	Power supply cost recovery
PURPA	The Public Utility Regulatory Policies Act of 1978
RCRA	The Federal Resource Conservation and Recovery Act of 1976
REC	Renewable energy credit
ROA	Retail Open Access, which allows electric generation customers to choose alternative electric suppliers pursuant to a Michigan statute enacted in 2000, as amended
S&P	Standard & Poor's Financial Services LLC

SEC

U.S. Securities and Exchange Commission

securitization

A financing method authorized by statute and approved by the MPSC which allows a utility to sell its right to receive a portion of the rate payments received from its customers for the repayment of securitization bonds issued by a special-purpose entity affiliated with such utility

Smart Energy

Consumers Smart Energy grid modernization project, which includes the installation of smart meters that transmit and receive data, a two-way communications network, and modifications to Consumers existing information technology system to manage the data and enable changes to key business processes

TCJA

P.L. 115-97, commonly referred to as the Tax Cuts and Jobs Act

T.E.S. Filer City

T.E.S. Filer City Station Limited Partnership, a variable interest entity in which HYDRA-CO Enterprises, Inc., a wholly owned subsidiary of CMS Enterprises, has a 50-percent interest

USW

United Steel, Paper and Forestry, Rubber, Manufacturing, Energy, Allied Industrial and Service Workers International Union, AFL-CIO-CLC

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UWUA

Utility Workers Union of America, AFL-CIO

VEBA trust

Voluntary employees beneficiary association trusts accounts established specifically to set aside employer-contributed assets to pay for future expenses of the OPEB Plan

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FILING FORMAT

This combined Form 10-K is separately filed by CMS Energy and Consumers. Information in this combined Form 10-K relating to each individual registrant is filed by such registrant on its own behalf. Consumers makes no representation regarding information relating to any other companies affiliated with CMS Energy other than its own subsidiaries. None of CMS Energy, CMS Enterprises, nor any of CMS Energy's other subsidiaries (other than Consumers) has any obligation in respect of Consumers' debt securities and holders of such debt securities should not consider the financial resources or results of operations of CMS Energy, CMS Enterprises, nor any of CMS Energy's other subsidiaries (other than Consumers and its own subsidiaries (in relevant circumstances)) in making a decision with respect to Consumers' debt securities. Similarly, neither Consumers nor any other subsidiary of CMS Energy has any obligation in respect of debt securities of CMS Energy.

FORWARD-LOOKING STATEMENTS AND INFORMATION

This Form 10-K and other CMS Energy and Consumers disclosures may contain forward-looking statements as defined by the Private Securities Litigation Reform Act of 1995. The use of might, may, could, should, anticipates, believes, estimates, expects, intends, plans, predicts, assumes, and other similar words is intended to identify forward-looking statements that involve risk and uncertainty. This discussion of potential risks and uncertainties is designed to highlight important factors that may impact CMS Energy's and Consumers' businesses and financial outlook. CMS Energy and Consumers have no obligation to update or revise forward-looking statements regardless of whether new information, future events, or any other factors affect the information contained in the statements. These forward-looking statements are subject to various factors that could cause CMS Energy's and Consumers' actual results to differ materially from the results anticipated in these statements. These factors include, but are not limited to, the following, all of which are potentially significant:

- the impact of new regulation by the MPSC, FERC, and other applicable governmental proceedings and regulations, including any associated impact on electric or gas rates or rate structures
- potentially adverse regulatory treatment or failure to receive timely regulatory orders affecting Consumers that are or could come before the MPSC, FERC, or other governmental authorities
- changes in the performance of or regulations applicable to MISO, METC, pipelines, railroads, vessels, or other service providers that CMS Energy, Consumers, or any of their affiliates rely on to serve their customers
- the adoption of federal or state laws or regulations or challenges to federal or state laws or regulations, or changes in applicable laws, rules, regulations, principles, or practices, or in their interpretation, such as those related to energy policy and ROA, infrastructure integrity or security, gas pipeline safety, gas pipeline capacity, energy waste reduction, the environment, regulation or deregulation, reliability, health care reforms (including comprehensive health care reform enacted in 2010), taxes, accounting matters, climate change, air emissions, renewable energy, potential effects of the Dodd-Frank Act, and other business issues that could have an impact on CMS Energy's, Consumers', or any of their affiliates' businesses or financial results

- factors affecting operations, such as costs and availability of personnel, equipment, and materials; weather conditions; natural disasters; catastrophic weather-related damage; scheduled or unscheduled equipment outages; maintenance or repairs; environmental incidents; failures of equipment or materials; and electric transmission and distribution or gas pipeline system constraints

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- increases in demand for renewable energy by customers seeking to meet sustainability goals
- the ability of Consumers to execute its cost-reduction strategies
- potentially adverse regulatory or legal interpretations or decisions regarding environmental matters, or delayed regulatory treatment or permitting decisions that are or could come before the MDEQ, EPA, and/or U.S. Army Corps of Engineers, and potential environmental remediation costs associated with these interpretations or decisions, including those that may affect Bay Harbor or Consumers' routine maintenance, repair, and replacement classification under NSR regulations
- changes in energy markets, including availability and price of electric capacity and the timing and extent of changes in commodity prices and availability and deliverability of coal, natural gas, natural gas liquids, electricity, oil, and certain related products
- the price of CMS Energy common stock, the credit ratings of CMS Energy and Consumers, capital and financial market conditions, and the effect of these market conditions on CMS Energy's and Consumers' interest costs and access to the capital markets, including availability of financing to CMS Energy, Consumers, or any of their affiliates
- the investment performance of the assets of CMS Energy's and Consumers' pension and benefit plans, the discount rates used in calculating the plans' obligations, and the resulting impact on future funding requirements
- the impact of the economy, particularly in Michigan, and potential future volatility in the financial and credit markets on CMS Energy's, Consumers', or any of their affiliates' revenues, ability to collect accounts receivable from customers, or cost and availability of capital
- changes in the economic and financial viability of CMS Energy's and Consumers' suppliers, customers, and other counterparties and the continued ability of these third parties, including those in bankruptcy, to meet their obligations to CMS Energy and Consumers
- population changes in the geographic areas where CMS Energy and Consumers conduct business
- national, regional, and local economic, competitive, and regulatory policies, conditions, and developments

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- loss of customer demand for electric generation supply to alternative electric suppliers, increased use of distributed generation, or energy waste reduction
- federal regulation of electric sales and transmission of electricity, including periodic re-examination by federal regulators of CMS Energy's and Consumers' market-based sales authorizations
- the impact of credit markets, economic conditions, and any new banking and consumer protection regulations on EnerBank
- the availability, cost, coverage, and terms of insurance, the stability of insurance providers, and the ability of Consumers to recover the costs of any insurance from customers
- the effectiveness of CMS Energy's and Consumers' risk management policies, procedures, and strategies, including strategies to hedge risk related to future prices of electricity, natural gas, and other energy-related commodities

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- factors affecting development of electric generation projects and gas and electric transmission and distribution infrastructure replacement, conversion, and expansion projects, including factors related to project site identification, construction material pricing, schedule delays, availability of qualified construction personnel, permitting, acquisition of property rights, and government approvals
- potential disruption to, interruption of, or other impacts on facilities, utility infrastructure, operations, or backup systems due to accidents, explosions, physical disasters, cyber incidents, vandalism, war, or terrorism, and the ability to obtain or maintain insurance coverage for these events
- changes or disruption in fuel supply, including but not limited to supplier bankruptcy and delivery disruptions
- potential costs, lost revenues, or other consequences resulting from misappropriation of assets or sensitive information, corruption of data, or operational disruption in connection with a cyber attack or other cyber incident
- potential disruption to, interruption or failure of, or other impacts on information technology backup or disaster recovery systems
- technological developments in energy production, storage, delivery, usage, and metering
- the ability to implement technology successfully
- the impact of CMS Energy's and Consumers' integrated business software system and its effects on their operations, including utility customer billing and collections
- adverse consequences resulting from any past, present, or future assertion of indemnity or warranty claims associated with assets and businesses previously owned by CMS Energy or Consumers, including claims resulting from attempts by foreign or domestic governments to assess taxes on or to impose environmental liability associated with past operations or transactions
- the outcome, cost, and other effects of any legal or administrative claims, proceedings, investigations, or settlements
- the reputational impact on CMS Energy and Consumers of operational incidents, violations of corporate policies, regulatory violations, inappropriate use of social media, and other events

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- restrictions imposed by various financing arrangements and regulatory requirements on the ability of Consumers and other subsidiaries of CMS Energy to transfer funds to CMS Energy in the form of cash dividends, loans, or advances
- earnings volatility resulting from the application of fair value accounting to certain energy commodity contracts or interest rate contracts
- changes in financial or regulatory accounting principles or policies
- other matters that may be disclosed from time to time in CMS Energy's and Consumers' SEC filings, or in other public documents

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All forward-looking statements should be considered in the context of the risk and other factors described above and as detailed from time to time in CMS Energy's and Consumers' SEC filings. For additional details regarding these and other uncertainties, see Item 1A. Risk Factors; Item 7. Management's Discussion and Analysis of Financial Condition and Results of Operations - Outlook; and Item 8. Financial Statements and Supplementary Data - Notes to the Consolidated Financial Statements - Note 3, Regulatory Matters and Note 4, Contingencies and Commitments.

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Part I

Item 1. Business

GENERAL

CMS Energy

CMS Energy was formed as a corporation in Michigan in 1987 and is an energy company operating primarily in Michigan. It is the parent holding company of several subsidiaries, including Consumers, an electric and gas utility, and CMS Enterprises, primarily a domestic independent power producer. Consumers serves individuals and businesses operating in the alternative energy, automotive, chemical, metal, and food products industries, as well as a diversified group of other industries. CMS Enterprises, through its subsidiaries and equity investments, is engaged in domestic independent power production, the marketing of independent power production, and the development of renewable generation.

CMS Energy manages its businesses by the nature of services each provides, and operates principally in three business segments: electric utility, gas utility, and enterprises, its non-utility operations and investments. Consumers' consolidated operations account for the substantial majority of CMS Energy's total assets, income, and operating revenue. CMS Energy's consolidated operating revenue was \$6.6 billion in 2017, \$6.4 billion in 2016, and \$6.5 billion in 2015.

For further information about operating revenue, income, and assets and liabilities attributable to all of CMS Energy's business segments and operations, see Item 6. Selected Financial Data and Item 8. Financial Statements and Supplementary Data CMS Energy Consolidated Financial Statements and Notes to the Consolidated Financial Statements.

Consumers

Consumers has served Michigan customers since 1886. Consumers was incorporated in Maine in 1910 and became a Michigan corporation in 1968. Consumers owns and operates electric generation, transmission, and distribution facilities and gas transmission, storage, and distribution facilities. It provides electricity and/or natural gas to 6.7 million of Michigan's 10 million residents. Consumers' rates and certain other aspects of its business are subject to the jurisdiction of the MPSC and FERC, as well as to NERC reliability standards, as described in Item 1.

Business CMS Energy and Consumers Regulation.

Consumers' consolidated operating revenue was \$6.2 billion in 2017, \$6.1 billion in 2016, and \$6.2 billion in 2015. For further information about operating revenue, income, and assets and liabilities attributable to Consumers' electric and gas utility operations, see Item 6. Selected Financial Data and Item 8. Financial Statements and Supplementary Data. Consumers' Consolidated Financial Statements and Notes to the Consolidated Financial Statements.

Consumers owns its principal properties in fee, except that most electric lines and gas mains are located below or adjacent to public roads or on land owned by others and are accessed by Consumers through easements and other rights. Almost all of Consumers' properties are subject to the lien of its First Mortgage Bond Indenture. For additional information on Consumers' properties, see Item 1. Business. Business Segments. Consumers Electric Utility. Electric Utility Properties and Consumers Gas Utility. Gas Utility Properties.

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In 2017, Consumers served 1.8 million electric customers and 1.8 million gas customers in Michigan's Lower Peninsula. Presented in the following map are Consumers' service territories:

Electric Service Territory

Gas Service Territory

Combination Electric and
Gas Service Territory

Electric Generation Facilities

CMS Energy and Consumers' The Triple Bottom Line

CMS Energy is an energy company operating primarily in Michigan. It is the parent holding company of several subsidiaries, including Consumers, an electric and gas utility, and CMS Enterprises, primarily a domestic independent power producer. Consumers' electric utility operations include the generation, purchase, transmission, distribution, and sale of electricity, and Consumers' gas utility operations include the purchase, transmission, storage, distribution, and sale of natural gas. Consumers' customer base consists of a mix of residential, commercial, and diversified industrial customers. CMS Enterprises, through its subsidiaries and equity investments, is engaged in domestic independent power production, the marketing of independent power production, and the development of renewable generation.

CMS Energy and Consumers manage their businesses by the nature of services each provides. CMS Energy operates principally in three business segments: electric utility; gas utility; and enterprises, its non-utility operations and investments. Consumers operates principally in two business segments: electric utility and gas utility. CMS Energy's and Consumers' businesses are affected primarily by:

- regulation and regulatory matters
- state and federal legislation
- economic conditions
- weather
- energy commodity prices
- interest rates
- their securities credit ratings

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The Triple Bottom Line

CMS Energy's and Consumers' purpose is to achieve world class performance while delivering hometown service. In support of this purpose, the companies employ the Consumers Energy Way, a lean operating model designed to improve safety, quality, cost, delivery, and employee morale.

CMS Energy and Consumers measure their progress toward the purpose by considering their impact on the triple bottom line of people, planet, and profit, which is underpinned by performance; this consideration takes into account not only the economic value that the companies create for customers and investors, but also their responsibility to social and environmental goals. The triple bottom line balances the interests of the companies' employees, customers, suppliers, regulators, creditors, Michigan's residents, the investment community, and other stakeholders, and it reflects the broader societal impacts of the companies' activities.

Consumers' 2017 Sustainability Report, which is available to the public, describes the company's commitment to world class performance and to the triple bottom line and discusses its progress in the areas of safety, environmental stewardship, social responsibility, and economic development.

People: The people element of the triple bottom line represents CMS Energy's and Consumers' commitment to their employees, their customers, the residents of local communities in which the companies do business, and other stakeholders.

The safety of employees, customers, and the general public is a priority of CMS Energy and Consumers. Accordingly, CMS Energy and Consumers have worked to integrate a set of safety principles into their business operations and culture. These principles include complying with applicable safety, health, and security regulations and implementing programs and processes aimed at continually improving safety and security conditions. The number of recordable safety incidents in 2017 was 65, compared with 73 in 2016 and 106 in 2015. The number of recordable safety incidents in 2017 was the lowest in Consumers' history, and Consumers is on track to have the best safety results of its EEI peer group, as it did in 2016.

CMS Energy and Consumers also place a high priority on customer value and on providing a hometown customer experience. Consumers' customer-driven investment program is aimed at improving safety and increasing electric and gas reliability, which has resulted in measureable improvements in customer satisfaction.

Central to Consumers' commitment to its customers are the initiatives it has undertaken to keep electricity and natural gas affordable. These initiatives include the adoption of its lean operating model that is focused on completing work safely and correctly the first time, thus minimizing rework and waste, while delivering services on time. Other cost-saving initiatives undertaken by Consumers include:

- replacement of coal-fueled generation with cleaner and more efficient gas-fueled generation, renewable energy, and energy waste reduction and demand response programs
- targeted infrastructure investment, including the installation of smart meters
- information and control system efficiencies
- employee and retiree health care cost sharing
- workforce productivity enhancements

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In addition, Consumers' gas commodity costs declined by 60 percent from 2007 through 2017, due not only to a decrease in market prices but also to Consumers' improvements to its gas infrastructure and optimization of its gas purchasing and storage strategy. These gas commodity savings are passed on to customers.

Planet: The planet element of the triple bottom line represents CMS Energy's and Consumers' commitment to protect the environment; this commitment extends beyond complying with the various state and federal environmental and health and safety laws and regulations to which CMS Energy and Consumers are subject. Consideration of climate change risk and other environmental risks is embedded in the companies' strategy, business planning, and enterprise risk management processes.

CMS Energy and Consumers continue to focus on opportunities to reduce their carbon footprint by replacing coal-fueled generation with gas-fueled generation and renewable energy. In 2016, Consumers retired seven of its coal-fueled electric generating units, representing 33 percent of its owned coal-fueled generating capacity. As a result of these retirements and other actions taken by CMS Energy and Consumers, the companies' combined percentage of electric supply (self-generated and purchased) from coal has decreased by 16 percentage points since 2015. Presented in the following illustration are CMS Energy's, including Consumers', sources of electric supply during 2017:

Gas (38%)
Coal (26%)
Nuclear (17%)
Renewables (9%)
Pumped Storage (2%)
Net interchange power and other (8%)

Additionally, over the last 20 years, Consumers has reduced its sulfur dioxide emissions by 80 percent, its nitrogen oxide emissions by 90 percent, and its particulate matter emissions by 80 percent. Over the last ten years, Consumers has reduced its mercury emissions by 70 percent.

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Going forward, Consumers will continue to invest in renewable generation and energy waste reduction programs in order to meet the requirements set by the 2016 Energy Law and to fulfill customer demand beyond the renewable energy standard. CMS Energy will continue to pursue further opportunities for the development of renewable generation projects through its non-utility businesses.

The 2016 Energy Law aligns with Consumers' clean and lean strategy, which focuses on increasing its generation of renewable energy, helping its customers use less energy, and offering demand response programs to reduce demand during critical peak times. Among other things, the 2016 Energy Law:

- raised the renewable energy standard from the present ten-percent requirement to 12.5 percent by 2019 and 15 percent by 2021
- established a goal of 35 percent combined renewable energy and energy waste reduction by 2025
- authorized incentives for demand response programs and expanded existing incentives for energy efficiency programs, referring to the combined initiatives as energy waste reduction programs

In a further effort to advance its environmental stewardship and to meet the requirements of present and future regulations, Consumers has adopted the following voluntary goals for air emissions, water use, and waste reduction:

- Committed to a 20-percent reduction of carbon dioxide emissions intensity (pounds of carbon dioxide per MWh generated) by 2025 from a 2008 baseline. In 2016, Consumers achieved a reduction in total tons of carbon dioxide emitted of over 30 percent compared to 2008.
- Committed to a 20-percent reduction in water usage (gallons per MWh generated) by 2020, and surpassed that goal in 2017 with a 35-percent reduction in water used to generate electricity.
- Committed to a cumulative waste reduction goal of one million cubic yards of landfill space avoided by 2019, and met that goal in 2017.

CMS Energy and Consumers are monitoring numerous legislative and regulatory initiatives, including those to regulate greenhouse gases, and related litigation. They are also monitoring potential changes in policies under the Trump administration. While CMS Energy and Consumers cannot predict the outcome of these matters, which could have a material effect on the companies, they intend to continue to move forward with their clean energy plan, their carbon reduction goals, and their emphasis on supply diversity.

Profit: The profit element of the triple bottom line represents CMS Energy's and Consumers' commitment to meeting financial objectives and providing economic development opportunities and benefits in the communities in which they do business. CMS Energy's and Consumers' financial strength allows them to maintain solid investment-grade credit ratings and thereby reduce funding costs for the benefit of customers and investors, to preserve and create jobs, and to reinvest in the communities they serve.

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BUSINESS SEGMENTS

Consumers Electric Utility

Electric Utility Operations: Consumers' electric utility operations, which include the generation, purchase, transmission, distribution, and sale of electricity, generated operating revenue of \$4.4 billion in 2017, \$4.4 billion in 2016, and \$4.2 billion in 2015. Consumers' electric utility customer base consists of a mix of primarily residential, commercial, and diversified industrial customers in Michigan's Lower Peninsula.

Presented in the following illustration is Consumers' 2017 electric utility operating revenue of \$4.4 billion by customer class:

Residential (43%)

Commercial (34%)

Industrial (17%)

Other (6%)

Consumers' electric utility operations are not dependent on a single customer, or even a few customers, and the loss of any one or even a few of Consumers' largest customers is not reasonably likely to have a material adverse effect on Consumers' financial condition.

In 2017, Consumers' electric deliveries were 37 billion kWh, which included ROA deliveries of three billion kWh, resulting in net bundled sales of 34 billion kWh. In 2016, Consumers' electric deliveries were 38 billion kWh, which included ROA deliveries of four billion kWh, resulting in net bundled sales of 34 billion kWh.

Consumers electric utility operations are seasonal. The consumption of electric energy typically increases in the summer months, due primarily to the use of air conditioners and other cooling equipment.

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Presented in the following illustration are Consumers' monthly weather-adjusted electric deliveries (deliveries adjusted to reflect normal weather conditions) to its customers, including ROA deliveries, during 2017 and 2016:

Consumers' 2017 summer peak demand was 7,634 MW, which included ROA demand of 577 MW. For the 2016-2017 winter season, Consumers' peak demand was 5,924 MW, which included ROA demand of 475 MW. As required by MISO reserve margin requirements, Consumers owns or controls, through long-term PPAs and short-term capacity purchases, all of the capacity required to supply its projected firm peak load and necessary reserve margin for summer 2018.

Electric Utility Properties: Consumers owns and operates generation, transmission, and distribution facilities. For details about Consumers' electric generation facilities, see the Electric Utility Generation and Supply Mix section that follows this Electric Utility Properties section. Consumers' transmission and distribution systems consist of:

- 214 miles of transmission overhead lines operating at 138 kilovolts
- 188 miles of high-voltage distribution overhead lines operating at 138 kilovolts
- 4 miles of high-voltage distribution underground lines operating at 138 kilovolts
- 4,431 miles of high-voltage distribution overhead lines operating at 46 kilovolts and 69 kilovolts

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- 19 miles of high-voltage distribution underground lines operating at 46 kilovolts
- 56,098 miles of electric distribution overhead lines
- 10,665 miles of underground distribution lines
- substations with an aggregate transformer capacity of 25 million kVA

Consumers is interconnected to the interstate high-voltage electric transmission system owned by METC and operated by MISO. Consumers is also interconnected to neighboring utilities and to other transmission systems.

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Electric Utility Generation and Supply Mix: Presented in the following table are details about Consumers 2017 electric generation and supply mix:

Name and Location (Michigan)	Number of Units and Year Entered Service	2017 Generation Capacity ¹ (MW)	2017 Electric Supply (GWh)
<i>Coal steam generation</i>			
J.H. Campbell 1 & 2 West Olive	2 Units, 1962-1967	607	2,162
J.H. Campbell 3 West Olive ²	1 Unit, 1980	780	5,400
D.E. Karn 1 & 2 Essexville	2 Units, 1959-1961	515	2,536
		1,902	10,098
<i>Oil/Gas steam generation</i>			
D.E. Karn 3 & 4 Essexville	2 Units, 1975-1977	1,208	96
<i>Hydroelectric</i>			
Ludington Ludington	6 Units, 1973	1,100 ³	(290) ⁴
Conventional hydro generation various locations	35 Units, 1906-1949	75	479
		1,175	189
<i>Gas combined cycle</i>			
Jackson Jackson	1 Unit, 2002	542	1,890
Zeeland Zeeland	3 Units, 2002	527	3,051
		1,069	4,941
<i>Gas/Oil combustion turbine</i>			
Zeeland (simple cycle) Zeeland	2 Units, 2001	316	164
Various plants various locations ⁵	8 Units, 1966-1971	52	1
		368	165
<i>Wind generation</i>			
Cross Winds® Energy Park Tuscola County	62 Turbines, 2014	18	336
Lake Winds® Energy Park Mason County	56 Turbines, 2012	17	257
		35	593
<i>Solar generation</i>			
Solar Gardens Allendale and Kalamazoo	15,100 Panels, 2016	2	6
Total owned generation		5,759	16,088
<i>Purchased power⁶</i>			
Coal generation primarily Filer City		60	491
Gas generation MCV Facility ⁷		1,240	4,355
Other gas generation various locations		371	1,166
Nuclear generation Palisades ⁷		764	6,780
Wind generation various locations		53	951
Other renewable generation various locations		208	1,337
		2,696	15,080
Net interchange power ⁸		-	4,384
Total purchased and interchange power		2,696	19,464
Total supply		8,455	35,552
Less generation and transmission use/loss			1,938
Total net bundled sales			33,614

¹ Represents generation capacity during the summer months. For wind and solar generation, the amount represents the effective load-carrying capability.

2 Represents Consumers share of the capacity of the J.H. Campbell 3 unit, net of the 6.69-percent ownership interest of the Michigan Public Power Agency and Wolverine Power Supply Cooperative, Inc.

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- 3 Represents Consumers 51-percent share of the capacity of Ludington. DTE Electric holds the remaining 49-percent ownership interest.
- 4 Represents Consumers share of net pumped-storage generation. The pumped-storage facility consumes electricity to pump water during off-peak hours for storage in order to generate electricity later during peak-demand hours.
- 5 Includes units that were mothballed beginning on various dates between October 2010 and October 2014.
- 6 Represents purchases under long-term PPAs.
- 7 For information about Consumers long-term PPAs related to the MCV Facility and Palisades, see Item 8. Financial Statements and Supplementary Data Note 4, Contingencies and Commitments Contractual Commitments.
- 8 Represents purchases from the MISO capacity and energy markets.

Consumers generation capacity is a measure of the maximum electric output that Consumers has available to meet peak load requirements. As shown in the following illustration, Consumers 2017 generation capacity of 8,455 MW, including purchased capacity of 2,696 MW, relied on a variety of fuel sources:

Gas (40%)

Coal (23%)

Pumped Storage (13%)

Oil (10%)

Nuclear (9%)

Renewables (5%)

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Presented in the following table are the sources of Consumers' electric supply for the last three years:

Years Ended December 31	2017	2016	GWh 2015
<i>Owned generation</i>			
Coal	10,098	9,739	15,833
Gas	5,190	6,194	3,601
Renewable energy	1,078	1,083	1,056
Oil	12	8	-
Net pumped storage ¹	(290)	(316)	(186)
Total owned generation	16,088	16,708	20,304
<i>Purchased power²</i>			
Gas generation	5,521	6,139	4,301
Nuclear generation	6,780	6,927	6,909
Renewable energy generation	2,288	2,229	2,163
Coal generation	491	512	510
Net interchange power ³	4,384	3,688	1,327
Total purchased and interchange power	19,464	19,495	15,210
Total supply	35,552	36,203	35,514

¹ Represents Consumers' share of net pumped-storage generation. During 2017, the pumped-storage facility consumed 997 GWh of electricity to pump water during off-peak hours for storage in order to generate 707 GWh of electricity later during peak-demand hours.

² Represents purchases under long-term PPAs.

³ Represents purchases from the MISO energy market.

During 2017, Consumers acquired 55 percent of the electricity it provided to customers through long-term PPAs and the MISO energy market. Consumers offers its generation into the MISO energy market on a day-ahead and real-time basis and bids for power in the market to serve the demand of its customers. Consumers is a net purchaser of power and supplements its generation capability with purchases from the MISO energy market to meet its customers' needs during peak demand periods.

At December 31, 2017, Consumers had unrecognized future commitments (amounts for which, in accordance with GAAP, liabilities have not been recorded on its balance sheet) to purchase capacity and energy under long-term PPAs with various generating plants. These contracts require monthly capacity payments based on the plants' availability or deliverability. The payments for 2018 through 2036 are estimated to total \$9 billion and, for each of the next five years, \$1 billion annually. These amounts may vary depending on plant availability and fuel costs. For further information about Consumers' future capacity and energy purchase obligations, see Item 7. Management's Discussion and Analysis of Financial Condition and Results of Operations' Capital Resources and Liquidity and Item 8. Financial Statements and Supplementary Data' Note 4, Contingencies and Commitments' Contractual Commitments.

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During 2017, 28 percent of the energy Consumers provided to customers was generated by its coal-fueled generating units, which burned six million tons of coal and produced a combined total of 10,098 GWh of electricity.

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In order to obtain the coal it needs, Consumers enters into physical coal supply contracts. At December 31, 2017, Consumers had contracts to purchase coal through December 2019; payment obligations under these contracts totaled \$82 million. Most of Consumers' rail-supplied coal contracts have fixed prices, although some contain market-based pricing. Consumers' vessel-supplied coal contracts have fixed base prices that are adjusted monthly to reflect changes to the fuel cost of vessel transportation. At December 31, 2017, Consumers had 79 percent of its 2018 expected coal requirements under contract, as well as a 53-day supply of coal on hand.

In conjunction with its coal supply contracts, Consumers leases a fleet of railcars and has transportation contracts with various companies to provide rail and vessel services for delivery of purchased coal to Consumers' generating facilities. Consumers' coal transportation contracts expire on various dates through December 2019; payment obligations under these contracts totaled \$294 million at December 31, 2017.

During 2017, 15 percent of the energy Consumers provided to customers was generated by its natural gas-fueled generating units, which burned 39 bcf of natural gas and produced a combined total of 5,190 GWh of electricity.

In order to obtain the gas it needs for electric generation fuel, Consumers' electric utility purchases gas from the market near the time of consumption, at prices that allow it to compete in the electric wholesale market. For units 3 and 4 of D.E. Karn and for the Jackson and Zeeland plants, Consumers utilizes an agent that owns firm transportation rights to each plant to purchase gas from the market and transport the gas to the facilities. For its smaller combustion turbines, Consumers' electric utility purchases and transports gas to its facilities as a bundled-rate tariff customer of either the gas utility or DTE Gas.

Electric Utility Competition: Consumers' electric utility business is subject to actual and potential competition from many sources, in both the wholesale and retail markets, as well as in electric generation, electric delivery, and retail services.

Under Michigan law, electric customers in Consumers' service territory are allowed to buy electric generation service from alternative electric suppliers in an aggregate amount up to ten percent of Consumers' weather-adjusted retail sales for the preceding calendar year. At December 31, 2017, electric deliveries under the ROA program were at the ten-percent limit. Of Consumers' 1.8 million electric customers, 287 customers, or 0.02 percent, purchased generation service under the ROA program. For additional information see Item 7. Management's Discussion and Analysis of Financial Condition and Results of Operations Outlook Consumers Electric Utility Outlook and Uncertainties.

Consumers also faces competition or potential competition associated with industrial customers relocating all or a portion of their production capacity outside of Consumers' service territory for economic reasons; municipalities owning or operating competing electric delivery systems; and customer self-generation. Consumers addresses this competition in various ways, including:

- aggressively controlling operating, maintenance, and fuel costs and passing savings on to customers
- providing renewable energy options
- providing competitive rate-design options, particularly for large energy-intensive customers

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- offering tariff-based incentives that support economic development
- providing non-energy services and value to customers
- monitoring activity in adjacent geographical areas

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Consumers Gas Utility

Gas Utility Operations: Consumers' gas utility operations, which include the purchase, transmission, storage, distribution, and sale of natural gas, generated operating revenue of \$1.8 billion in 2017, \$1.7 billion in 2016, and \$1.9 billion in 2015. Consumers' gas utility customer base consists of a mix of primarily residential, commercial, and diversified industrial customers in Michigan's Lower Peninsula.

Presented in the following illustration is Consumers' 2017 gas utility operating revenue of \$1.8 billion by customer class:

Residential (58%)

GCC (19%)

Commercial (13%)

Industrial (4%)

Other (6%)

Consumers' gas utility operations are not dependent on a single customer, or even a few customers, and the loss of any one or even a few of Consumers' largest customers is not reasonably likely to have a material adverse effect on Consumers' financial condition.

In 2017, deliveries of natural gas through Consumers' pipeline and distribution network, including off-system transportation deliveries, totaled 352 bcf, which included GCC deliveries of 42 bcf. In 2016, deliveries of natural gas, including off-system transportation deliveries, through Consumers' pipeline and distribution network, totaled 358 bcf, which included GCC deliveries of 46 bcf. Consumers' gas utility operations are seasonal. The consumption of natural gas typically increases in the winter, due primarily to colder temperatures and the resulting use of natural gas as a heating fuel. Consumers injects natural gas into storage during the summer months for use during the winter months. During 2017, 47 percent of the natural gas supplied to all customers during the winter months was supplied from storage.

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Presented in the following illustration are Consumers' monthly weather-adjusted natural gas deliveries (deliveries adjusted to reflect normal weather conditions) to its customers, including GCC deliveries, during 2017 and 2016:

Gas Utility Properties: Consumers' gas transmission, storage, and distribution system consists of:

- 1,672 miles of transmission lines
- 15 gas storage fields with a total storage capacity of 309 bcf and a working gas volume of 151 bcf
- 28,194 miles of distribution mains
- eight compressor stations with a total of 181,814 installed and available horsepower

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Gas Utility Supply: In 2017, Consumers purchased 80 percent of the gas it delivered from U.S. producers and two percent from Canadian producers. The remaining 18 percent was purchased from authorized GCC suppliers and delivered by Consumers to customers in the GCC program. Presented in the following illustration are the supply arrangements for the gas Consumers delivered to GCC and GCR customers during 2017:

GCR firm city-gate
contracts (43%)
GCR firm gas transportation
contracts (39%)
GCC suppliers (18%)

Firm gas transportation or firm city-gate contracts are those that define a fixed amount, price, and delivery time frame. Consumers' firm gas transportation contracts are with Panhandle Eastern Pipe Line Company and Trunkline Gas Company, LLC, each a non-affiliated company. Under these contracts, Consumers purchases and transports gas to Michigan for ultimate delivery to its customers. Consumers' firm gas transportation contracts expire on various dates through 2023 and provide for the delivery of 37 percent of Consumers' total gas supply requirements in 2018. Consumers purchases the balance of its required gas supply under firm city-gate contracts and through authorized suppliers under the GCC program.

Gas Utility Competition: Competition exists in various aspects of Consumers' gas utility business. Competition comes from GCC and from alternative fuels and energy sources, such as propane, oil, and electricity.

Enterprises Segment Non-Utility Operations and Investments

CMS Energy's enterprises segment, through various subsidiaries and certain equity investments, is engaged in domestic independent power production, the marketing of independent power production, and the development of renewable generation. The enterprises segment's operating revenue was \$229 million in 2017, \$215 million in 2016, and \$190 million in 2015.

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Independent Power Production: Presented in the following table is information about the independent power plants in which CMS Energy had an ownership interest at December 31, 2017:

Location	Ownership Interest (%)	Primary Fuel Type	Gross Capacity ¹ (MW)	2017 Net Generation (GWh)
Dearborn, Michigan	100	Natural gas	770	4,463
Gaylord, Michigan	100	Natural gas	156	7
Comstock, Michigan	100	Natural gas	73	6
Phillips, Wisconsin	100	Solar	3	3
Filer City, Michigan	50	Coal	73	487
New Bern, North Carolina	50	Wood waste	50	375
Flint, Michigan	50	Wood waste	40	98
Grayling, Michigan	50	Wood waste	38	160
Total			1,203	5,599

¹ Represents the intended full-load sustained output of each plant. The amount of capacity relating to CMS Energy's ownership interest was 1,102 MW at December 31, 2017.

The operating revenue from independent power production was \$16 million in 2017, \$16 million in 2016, and \$17 million in 2015.

Energy Resource Management: CMS ERM purchases and sells energy commodities in support of CMS Energy's generating facilities with a focus on optimizing CMS Energy's independent power production portfolio. In 2017, CMS ERM marketed six bcf of natural gas and 4,954 GWh of electricity. Electricity marketed by CMS ERM was generated by independent power production of the enterprises segment and by unrelated third parties. CMS ERM's operating revenue was \$213 million in 2017, \$199 million in 2016, and \$173 million in 2015.

Enterprises Segment Competition: The enterprises segment competes with other independent power producers. The needs of this market are driven by electric demand and the generation available.

Other Businesses

EnerBank: EnerBank is a Utah state-chartered, FDIC-insured industrial bank providing unsecured consumer installment loans for financing home improvements. EnerBank's operating revenue was \$132 million in 2017, \$120 million in 2016, and \$101 million in 2015.

CMS ENERGY AND CONSUMERS REGULATION

CMS Energy, Consumers, and their subsidiaries are subject to regulation by various federal, state, and local governmental agencies, including those described in the following sections.

FERC and NERC

FERC has exercised limited jurisdiction over several independent power plants and exempt wholesale generators in which CMS Enterprises has ownership interests, as well as over CMS ERM, CMS Gas Transmission, and DIG. FERC's jurisdiction includes, among other things, acquisitions, operations, disposals of certain assets and facilities, services provided and rates charged, and conduct among affiliates. FERC also has limited jurisdiction over holding company matters with respect to CMS Energy. FERC, in connection with NERC and with regional reliability organizations, also regulates generation and

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transmission owners and operators, load serving entities, purchase and sale entities, and others with regard to reliability of the bulk power system.

FERC regulates limited aspects of Consumers' gas business, principally compliance with FERC capacity release rules, shipping rules, the prohibition against certain buy/sell transactions, and the price-reporting rule.

FERC also regulates certain aspects of Consumers' electric operations, including compliance with FERC accounting rules, wholesale and transmission rates, operation of licensed hydroelectric generating plants, transfers of certain facilities, corporate mergers, and issuances of securities.

MPSC

Consumers is subject to the jurisdiction of the MPSC, which regulates public utilities in Michigan with respect to retail utility rates, accounting, utility services, certain facilities, certain asset transfers, corporate mergers, and other matters.

The Michigan Attorney General, ABATE, the MPSC Staff, and certain other parties typically participate in MPSC proceedings concerning Consumers. These parties often challenge various aspects of those proceedings, including the prudence of Consumers' policies and practices, and seek cost disallowances and other relief. The parties also have appealed significant MPSC orders.

Rate Proceedings: For information regarding open rate proceedings, see Item 7. Management's Discussion and Analysis of Financial Condition and Results of Operations Outlook and Item 8. Financial Statements and Supplementary Data Notes to the Consolidated Financial Statements Note 3, Regulatory Matters.

Other Regulation

The U.S. Secretary of Energy regulates imports and exports of natural gas and has delegated various aspects of this jurisdiction to FERC and the U.S. Department of Energy's Office of Fossil Fuels.

The U.S. Department of Transportation Office of Pipeline Safety regulates the safety and security of gas pipelines through the Natural Gas Pipeline Safety Act of 1968 and subsequent laws.

EnerBank is regulated by the Utah Department of Financial Institutions and the FDIC.

Energy Legislation

In December 2016, Michigan's governor signed the 2016 Energy Law, which became effective in April 2017. Among other things, the 2016 Energy Law:

- raised the renewable energy standard from the present ten-percent requirement to 12.5 percent by 2019 and 15 percent by 2021
- established a goal of 35 percent combined renewable energy and energy waste reduction by 2025
- authorized incentives for demand response programs and expanded existing incentives for energy efficiency programs, referring to the combined initiatives as energy waste reduction programs
- authorized incentives for new PPAs with non-affiliates
- established an integrated planning process for new generation resources
- shortened from twelve months to ten months the time by which the MPSC must issue a final order in general rate cases, but prohibited electric and gas utilities from filing general rate cases for increases in rates more often than once every twelve months

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- eliminated utilities' self-implementation of rates in general rate cases filed after the effective date of the 2016 Energy Law
- required the MPSC to implement equitable cost-of-service rates for customers participating in a net metering program

The 2016 Energy Law also established a path to ensure that forward capacity is secured for all electric customers in Michigan, including customers served by alternative electric suppliers under ROA. Under Michigan law, electric customers in Consumers' service territory are allowed to buy electric generation service from alternative electric suppliers in an aggregate amount up to ten percent of Consumers' weather-adjusted retail sales for the preceding calendar year. For additional information see Item 7. Management's Discussion and Analysis of Financial Condition and Results of Operations' Outlook' Consumers Electric Utility Outlook and Uncertainties.

CMS ENERGY AND CONSUMERS ENVIRONMENTAL STRATEGY

CMS Energy and Consumers are committed to protecting the environment; this commitment extends beyond compliance with applicable laws and regulations. In 2017, Consumers was ranked as the top company in Michigan, and the ninth in the nation, in Newsweek's annual Green Rankings, a survey that ranks the 500 largest publicly traded companies in the U.S. on environmental performance and considers such factors as support for clean energy, reduction of carbon emissions, and efforts to reduce and divert waste. CMS Energy and Consumers continue to focus on opportunities to reduce their carbon footprint in electric generation. In 2016, Consumers retired 33 percent of its owned coal-fueled generating capacity and presently provides ten percent of its electricity from renewable sources. Consumers has opened two solar generation facilities in Michigan, and CMS Energy is developing two more that are scheduled to begin operations in 2018. In addition, Consumers is expanding its Cross Winds® Energy Park. For additional information on stewardship goals, see Item 7. Management's Discussion and Analysis of Financial Condition and Results of Operations' Executive Overview.

CMS Energy, Consumers, and their subsidiaries are subject to various federal, state, and local environmental regulations for air and water quality, solid waste management, and other matters. Consumers expects to recover costs to comply with environmental regulations in customer rates, but cannot guarantee this result. For additional information concerning environmental matters, see Item 1A. Risk Factors, Item 7. Management's Discussion and Analysis of Financial Condition and Results of Operations' Outlook, and Item 8. Financial Statements and Supplementary Data' Notes to the Consolidated Financial Statements' Note 4, Contingencies and Commitments.

CMS Energy has recorded a \$48 million liability for its subsidiaries' obligations associated with Bay Harbor and Consumers has recorded an \$88 million liability for its obligations at a number of MGP sites. For additional information, see Item 1A. Risk Factors and Item 8. Financial Statements and Supplementary Data' Notes to the Consolidated Financial Statements' Note 4, Contingencies and Commitments.

Solid Waste Disposal: Costs related to the construction, operation, and closure of solid waste disposal facilities for coal ash are significant. Consumers' solid waste disposal areas are regulated under Michigan's solid waste rules. In 2015, the EPA published a final rule regulating CCRs, such as coal ash, under RCRA. The final rule adopts minimum standards for beneficially reusing and disposing of non-hazardous CCRs. The rule establishes new minimum requirements for site location, groundwater monitoring, flood protection, storm water design, fugitive dust control, and public disclosure of information. The rule also sets out conditions under which CCR units would be forced to cease receiving CCR and non-CCR waste and initiate closure based on the inability to achieve minimum safety standards, meet a location standard, or meet minimum groundwater standards. Consumers has converted all of its fly ash handling systems to dry systems to minimize applicable requirements. In addition, all of Consumers' ash facilities have programs designed to protect the environment and are subject to quarterly MDEQ

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inspections. Consumers' preliminary estimate of capital and cost of removal expenditures to comply with regulations relating to ash disposal is \$215 million from 2018 through 2022.

Water: Consumers uses substantial amounts of water to operate and cool its electric generating plants. Water discharge quality is regulated and administered by the MDEQ under the federal NPDES program. To comply with such regulation, Consumers' facilities have discharge monitoring programs. The EPA issued final regulations for wastewater discharges from electric generating plants in 2015 and amended them in September 2017. Consumers' preliminary estimate of capital expenditures to comply with these regulations as presently promulgated is \$49 million from 2018 through 2022.

In 2014, the EPA finalized its cooling water intake rule, which requires Consumers to evaluate the biological impact of its cooling water intake systems and ensure that it is using the best technology available to minimize adverse environmental impacts. Consumers' preliminary estimate of capital expenditures to comply with these regulations is \$89 million from 2018 through 2022.

Air: Consumers is subject to federal and state environmental regulations that require extensive reductions in nitrogen oxides, sulfur dioxides, particulate matter, and mercury emissions. To comply with these regulations, Consumers has invested in emissions control equipment at its electric generating plants. Consumers' preliminary estimate of additional capital expenditures to comply with these regulations is \$14 million from 2018 through 2022.

Consumers' future costs to comply with solid waste disposal, water, and air environmental regulations may vary depending on future legislation, litigation, or rulemaking.

For further information concerning estimated capital expenditures related to solid waste disposal, water, and air, see Item 7. Management's Discussion and Analysis of Financial Condition and Results of Operations Outlook Consumers Electric Utility Outlook and Uncertainties Electric Environmental Outlook.

INSURANCE

CMS Energy and its subsidiaries, including Consumers, maintain insurance coverage generally similar to comparable companies in the same lines of business. The insurance policies are subject to terms, conditions, limitations, and exclusions that might not fully compensate CMS Energy or Consumers for all losses. A portion of each loss is generally assumed by CMS Energy or Consumers in the form of deductibles and self-insured retentions that, in some cases, are substantial. As CMS Energy or Consumers renews its policies, it is possible that some of the present insurance coverage may not be renewed or obtainable on commercially reasonable terms due to restrictive insurance markets.

CMS Energy's and Consumers' present insurance program may not entirely cover the risks of certain environmental costs, such as the cleanup of sites owned by CMS Energy or Consumers, claims for the long-term storage or disposal of pollutants, or claims related to air pollution.

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Presented in the following table are the number of employees of CMS Energy and Consumers:

December 31	2017	2016	2015
CMS Energy, including Consumers¹			
Full-time employees	7,822	7,699	7,711
Seasonal employees ²	74	52	39
Part-time employees	56	49	54
Total employees	7,952	7,800	7,804
Consumers¹			
Full-time employees	7,408	7,301	7,339
Seasonal employees ²	74	52	39
Part-time employees	14	13	16
Total employees	7,496	7,366	7,394

¹ For information about CMS Energy's and Consumers' collective bargaining agreements, see Item 8. Financial Statements and Supplementary Data Notes to the Consolidated Financial Statements Note 12, Retirement Benefits.

² Consumers' seasonal workforce peaked at 598 employees during 2017, 522 employees during 2016, and 477 employees during 2015. Seasonal employees work primarily during the construction season and are subject to yearly layoffs.

CMS ENERGY AND CONSUMERS EXECUTIVE OFFICERS

Presented in the following table are the company positions held during the last five years for each of CMS Energy's and Consumers' executive officers as of February 1, 2018:

Name, Age, Position(s)	Period	
Patricia K. Poppe (age 49)		
<i>CMS Energy</i>		
President and CEO	7/2016	Present
Director	5/2016	Present
Senior Vice President	3/2015	7/2016
<i>Consumers</i>		
President and CEO	7/2016	Present
Director	5/2016	Present
Senior Vice President	3/2015	7/2016

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Vice President <i>CMS Enterprises</i>	1/2011	3/2015
Chairman of the Board, CEO, and Director President	7/2016	Present
Rejji P. Hayes (age 43) ¹ <i>CMS Energy</i>	7/2016	9/2017
Executive Vice President and CFO <i>Consumers</i>	5/2017	Present
Executive Vice President and CFO <i>CMS Enterprises</i>	5/2017	Present
Executive Vice President, CFO, and Director	5/2017	Present

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Name, Age, Position(s)	Period	
Jean-Francois Brossoit (age 50) ²		
<i>CMS Energy</i>		
Senior Vice President	4/2017	Present
Vice President	11/2016	4/2017
<i>Consumers</i>		
Senior Vice President	4/2017	Present
Vice President	11/2016	4/2017
Catherine A. Hendrian (age 49)		
<i>CMS Energy</i>		
Senior Vice President	4/2017	Present
Vice President	3/2015	4/2017
Director of Human Resources	10/2012	3/2015
<i>Consumers</i>		
Senior Vice President	4/2017	Present
Vice President	3/2015	4/2017
Director of Human Resources	10/2012	3/2015
Brandon J. Hofmeister (age 41) ³		
<i>CMS Energy</i>		
Senior Vice President	7/2017	Present
<i>Consumers</i>		
Senior Vice President	7/2017	Present
Vice President	7/2016	7/2017
Executive Director, Policy Research, Analysis, and Public Affairs	6/2015	7/2016
Executive Director, Policy Research and Analysis	9/2013	6/2015
<i>CMS Enterprises</i>		
Senior Vice President	9/2017	Present
Venkat Dhenuvakonda Rao (age 47)		
<i>CMS Energy</i>		
Senior Vice President	9/2016	Present
Vice President	7/2012	9/2016
<i>Consumers</i>		
Senior Vice President	9/2016	Present
Vice President	7/2012	9/2016
<i>CMS Enterprises</i>		
Director	11/2017	Present
Senior Vice President	9/2016	Present
Vice President	7/2012	9/2016
Catherine M. Reynolds (age 60)		
<i>CMS Energy</i>		
Senior Vice President and General Counsel	10/2013	Present
Vice President, Deputy General Counsel, and Corporate Secretary	1/2012	10/2013
<i>Consumers</i>		
Senior Vice President and General Counsel	10/2013	Present
Vice President, Deputy General Counsel, and Corporate Secretary	1/2012	10/2013
<i>CMS Enterprises</i>		
Senior Vice President, General Counsel, and Director	1/2014	Present
Vice President and Secretary	9/2006	1/2014

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Name, Age, Position(s)	Period	
Brian F. Rich (age 43) ⁴		
<i>CMS Energy</i>		
Senior Vice President and Chief Information Officer	7/2016	Present
Vice President and Chief Information Officer	7/2014	7/2016
<i>Consumers</i>		
Senior Vice President and Chief Information Officer	7/2016	Present
Vice President and Chief Information Officer	7/2014	7/2016
Garrick J. Rochow (age 43)		
<i>CMS Energy</i>		
Senior Vice President	7/2016	Present
Vice President	3/2015	7/2016
<i>Consumers</i>		
Senior Vice President	7/2016	Present
Vice President	10/2010	7/2016
Glenn P. Barba (age 52)		
<i>CMS Energy</i>		
Vice President, Controller, and CAO	2/2003	Present
<i>Consumers</i>		
Vice President, Controller, and CAO	1/2003	Present
<i>CMS Enterprises</i>		
Vice President, Controller, and CAO	11/2007	Present

1 Prior to joining CMS Energy and Consumers, Mr. Hayes was executive vice president and CFO for ITC Holdings Corp., a non-affiliated company, from May 2014 through November 2016. Mr. Hayes started with ITC Holdings Corp. in 2012 as vice president of finance and treasurer.

2 Prior to joining CMS Energy and Consumers, Mr. Brossoit was vice president of manufacturing operations for United Technologies Corp., a non-affiliated company. Mr. Brossoit started with United Technologies Corp. in 2006.

3 Prior to joining CMS Energy and Consumers, Mr. Hofmeister was an assistant professor of law at Wayne State University, a non-affiliated organization. Mr. Hofmeister started with Wayne State University in 2010.

4 Prior to joining CMS Energy and Consumers, Mr. Rich was vice president of business technology for Pacific Gas and Electric Company, a non-affiliated company. Mr. Rich started with Pacific Gas and Electric Company in 2010.

There are no family relationships among executive officers and directors of CMS Energy or Consumers. The list of directors and their biographies are included in CMS Energy's and Consumers' definitive proxy statement for their 2018 Annual Meetings of Shareholders to be held May 4, 2018. The term of office of each of the executive officers extends to the first meeting of the Board of Directors of CMS Energy and Consumers after the next annual election of Directors of CMS Energy and Consumers (to be held on May 4, 2018).

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AVAILABLE INFORMATION

CMS Energy's internet address is www.cmsenergy.com. CMS Energy routinely posts important information on its website and considers the Investor Relations section, www.cmsenergy.com/investor-relations, a channel of distribution. Information contained on CMS Energy's website is not incorporated herein. CMS Energy's and Consumers' annual reports on Form 10-K, quarterly reports on Form 10-Q, current reports on Form 8-K, and any amendments to those reports filed pursuant to Section 13(a) or 15(d) of the Exchange Act are accessible free of charge on CMS Energy's website. These reports are available soon after they are electronically filed with the SEC. Also on CMS Energy's website are:

- Corporate Governance Principles
- Articles of Incorporation
- Bylaws
- Charters and Codes of Conduct (including the Charters of the Audit Committee, Compensation and Human Resources Committee, Finance Committee, and Governance, Sustainability and Public Responsibility Committee, as well as the Employee, Boards of Directors, EnerBank, and Third Party Codes of Conduct)

CMS Energy will provide this information in print to any stockholder who requests it.

Any materials CMS Energy files with the SEC may also be read and copied at the SEC's Public Reference Room at 100 F Street, N.E., Washington, D.C. 20549. Information on the operation of the Public Reference Room may be obtained by calling the SEC at 1-800-SEC-0330. The SEC also maintains an internet site that contains reports, proxy and information statements, and other information regarding issuers that file electronically with the SEC. The address is www.sec.gov.

Item 1A. Risk Factors

Actual results in future periods for CMS Energy and Consumers could differ materially from historical results and the forward-looking statements contained in this report. Factors that might cause or contribute to these differences include those discussed in the following sections. CMS Energy's and Consumers' businesses are influenced by many factors that are difficult to predict, that involve uncertainties that may materially affect results, and that are often beyond their control. Additional risks and uncertainties not presently known or that management believes to be immaterial may also adversely affect CMS Energy or Consumers. The risk factors described in the following sections, as well as the other information included in this report and in other documents filed with the SEC, should be considered carefully before making an investment in securities of CMS Energy or Consumers. Risk factors of Consumers are also risk factors of CMS Energy. All of these risk factors are potentially significant.

CMS Energy depends on dividends from its subsidiaries to meet its debt service obligations.

Due to its holding company structure, CMS Energy depends on dividends from its subsidiaries to meet its debt service and other payment obligations. If sufficient dividends were not paid to CMS Energy by its subsidiaries, CMS Energy might not be able to generate the funds necessary to fulfill its payment obligations, which could have a material adverse effect on CMS Energy's liquidity and financial condition.

Consumers' ability to pay dividends or acquire its own stock from CMS Energy is limited by restrictions contained in Consumers' preferred stock provisions and potentially by other legal restrictions, such as certain terms in its articles of incorporation and FERC requirements.

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CMS Energy has indebtedness that could limit its financial flexibility and its ability to meet its debt service obligations.

The level of CMS Energy's present and future indebtedness could have several important effects on its future operations, including, among others, that:

- a significant portion of CMS Energy's cash flow from operations could be dedicated to the payment of principal and interest on its indebtedness and would not be available for other purposes
- covenants contained in CMS Energy's existing debt arrangements, which require it to meet certain financial tests, could affect its flexibility in planning for, and reacting to, changes in its business
- CMS Energy's ability to obtain additional financing for working capital, capital expenditures, acquisitions, and general corporate and other purposes could become limited
- CMS Energy could be placed at a competitive disadvantage to its competitors that are less leveraged
- CMS Energy's vulnerability to adverse economic and industry conditions could increase
- CMS Energy's future credit ratings could fluctuate

CMS Energy's ability to meet its debt service obligations and to reduce its total indebtedness will depend on its future performance, which will be subject to general economic conditions, industry cycles, changes in laws or regulatory decisions, and financial, business, and other factors affecting its operations, many of which are beyond its control. CMS Energy cannot make assurances that its businesses will continue to generate sufficient cash flow from operations to service its indebtedness. If CMS Energy were unable to generate sufficient cash flows from operations, it could be required to sell assets or obtain additional financing.

CMS Energy and Consumers have financing needs and could be unable to obtain bank financing or access the capital markets.

CMS Energy and Consumers may be subject to liquidity demands under commercial commitments, guarantees, indemnities, letters of credit, and other contingent liabilities. Consumers' capital requirements are expected to be substantial over the next several years as it decommissions older facilities and invests in electric grid modernization technology, construction or acquisition of power generation, environmental controls, conversions and expansions, and other electric and gas infrastructure to upgrade delivery systems. Those requirements may increase if additional laws or regulations are adopted or implemented.

CMS Energy and Consumers rely on the capital markets, particularly for publicly offered debt, as well as on bank syndications, to meet their financial commitments and short-term liquidity needs if sufficient internal funds are not available from Consumers' operations and, in the case of CMS Energy, from dividends paid by Consumers and its other subsidiaries. CMS Energy and Consumers also use letters of credit issued under certain of their revolving credit facilities to support certain operations and investments.

Disruptions in the capital and credit markets as a result of uncertainty, changing or increased regulation, reduced alternatives, or failures of significant financial institutions could adversely affect CMS Energy's and Consumers' access to liquidity needed for their businesses. Consumers' inability to obtain prior FERC authorization for any securities issuances, including publicly offered debt, as is required under the Federal Power Act, could adversely affect Consumers' access to liquidity. Any liquidity disruption could require CMS Energy and Consumers to take measures to conserve cash. These measures could include, but are not limited to, deferring capital expenditures, changing CMS Energy's and Consumers' commodity purchasing strategy to avoid collateral-posting requirements, and reducing or eliminating future share repurchases, dividend payments, or other discretionary uses of cash.

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CMS Energy continues to explore financing opportunities to supplement its financial strategy. These potential opportunities include refinancing and/or issuing new debt, preferred stock and/or common equity, commercial paper, and bank financing. Similarly, Consumers may seek funds through the capital markets, commercial lenders, and leasing arrangements. Entering into new financings is subject in part to capital market receptivity to utility industry securities in general and to CMS Energy's and Consumers' securities in particular. CMS Energy and Consumers cannot guarantee the capital markets' acceptance of their securities or predict the impact of factors beyond their control, such as actions of rating agencies.

Certain of CMS Energy's and Consumers' securities and those of their affiliates are rated by various credit rating agencies. Any reduction or withdrawal of one or more of its credit ratings could have a material adverse impact on CMS Energy's or Consumers' ability to access capital on acceptable terms and maintain commodity lines of credit, could increase its cost of borrowing, and could cause CMS Energy or Consumers to reduce capital expenditures. If it were unable to maintain commodity lines of credit, CMS Energy or Consumers might have to post collateral or make prepayments to certain suppliers under existing contracts. Further, since Consumers provides dividends to CMS Energy, any adverse developments affecting Consumers that result in a lowering of its credit ratings could have an adverse effect on CMS Energy's credit ratings. CMS Energy and Consumers cannot guarantee that any of their present ratings will remain in effect for any given period of time or that a rating will not be lowered or withdrawn entirely by a rating agency.

If CMS Energy or Consumers were unable to obtain bank financing or access the capital markets to incur or refinance indebtedness, or were unable to obtain commercially reasonable terms for any financing, this could have a material adverse effect on its liquidity, financial condition, and results of operations.

There are risks associated with Consumers' substantial capital investment program planned for the next five years.

Consumers' planned investments include the construction or acquisition of power generation, electric and gas infrastructure, conversions and expansions, environmental controls, electric grid modernization technology, and other electric and gas investments to upgrade delivery systems, as well as decommissioning of older facilities. The success of these capital investments depends on or could be affected by a variety of factors that include, but are not limited to:

- effective pre-acquisition evaluation of asset values, future operating costs, potential environmental and other liabilities, and other factors beyond Consumers' control
- effective cost and schedule management of new capital projects
- availability of qualified construction personnel
- changes in commodity and other prices
- governmental approvals and permitting
- operational performance
- changes in environmental, legislative, and regulatory requirements

- regulatory cost recovery

It is possible that adverse events associated with these factors could have a material adverse effect on Consumers' liquidity, financial condition, and results of operations.

Changes to ROA could have a material adverse effect on CMS Energy's and Consumers' businesses.

The 2016 Energy Law allows electric customers in Consumers' service territory to buy electric generation service from alternative electric suppliers in an aggregate amount capped at ten percent, with certain exceptions, of Consumers' weather-adjusted retail sales of the preceding calendar year. Lower natural gas prices due to a large supply of natural gas on the market, coupled with low capacity prices in the electric

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supply market, are placing increasing competitive pressure on the cost of Consumers' electric supply. Presently, Consumers' electric rates are above the Midwest average, while the ROA level on Consumers' system is at the ten-percent limit and the proportion of Consumers' electric deliveries under the ROA program and on the ROA waiting list is 24 percent. If the ROA limit were increased or if electric generation service in Michigan were deregulated, it could have a material adverse effect on Consumers' financial results and operations.

CMS Energy and Consumers are subject to rate regulation, which could have an adverse effect on financial results.

CMS Energy and Consumers are subject to rate regulation. Consumers' electric and gas retail rates are set by the MPSC and cannot be changed without regulatory authorization. If rate regulators fail to provide adequate rate relief, it could have a material adverse effect on Consumers' or Consumers' plans for making significant capital investments. Regulators seeking to avoid or minimize rate increases could resist raising customer rates sufficiently to permit Consumers to recover the full cost of these investments. In addition, because there are statutory requirements mandating that regulators allow Consumers to recover from customers certain costs, such as resource additions to meet Michigan's renewable resource standard, energy waste reduction, and environmental compliance, regulators could be more inclined to oppose rate increases for other requested items and investments. Rate regulators could also face pressure to avoid or limit rate increases for a number of reasons, including an economic downturn in the state or diminishment of Consumers' customer base. Additionally, future orders of the MPSC related to Consumers' remeasurement of its deferred income taxes as a result of the TCJA could require accelerated customer refunds. In addition to its potential effects on Consumers' investment program, any limitation of cost recovery through rates or any acceleration of customer refunds could have a material adverse effect on Consumers' liquidity, financial condition, and results of operations.

Orders of the MPSC could limit recovery of costs of providing service including, but not limited to, environmental and safety related expenditures for coal-fueled plants and other utility properties, regulatory assets, power supply and natural gas supply costs, operating and maintenance expenses, additional utility-based investments, sunk investment in mothballed or retired generating plants, costs associated with the proposed retirement and decommissioning of facilities, depreciation expense, MISO energy and transmission costs, costs associated with energy waste reduction investments and state or federally mandated renewable resource standards, or expenditures subject to tracking mechanisms. These orders could also result in adverse regulatory treatment of other matters. For example, MPSC orders could prevent or curtail Consumers' from shutting off non-paying customers, could prevent or curtail the implementation of a gas revenue mechanism, or could require Consumers to refund previously self-implemented rates.

FERC authorizes certain subsidiaries of CMS Energy to sell electricity at market-based rates. Failure of these subsidiaries to maintain this FERC authority could have a material adverse effect on CMS Energy's and Consumers' liquidity, financial condition, and results of operations. Transmission rates are also set by FERC. FERC orders related to transmission costs could have a material adverse effect on Consumers' liquidity, financial condition, and results of operations.

The various risks associated with the MPSC and FERC regulation of CMS Energy's and Consumers' businesses, which include the risk of adverse decisions in any number of rate or regulatory proceedings before either agency, as well as judicial proceedings challenging any agency decisions, could have a material adverse effect on CMS Energy's and Consumers' liquidity, financial condition, investment plans, and results of operations.

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Utility regulation, state or federal legislation, and compliance could have a material adverse effect on CMS Energy's and Consumers businesses.

CMS Energy and Consumers are subject to, or affected by, extensive utility regulation and state and federal legislation. CMS Energy and Consumers believe that they comply with applicable laws and regulations. If it were determined that they failed to comply, CMS Energy or Consumers could become subject to fines, penalties, or disallowed costs, or be required to implement additional compliance, cleanup, or remediation programs, the cost of which could be material. Adoption of new laws, rules, regulations, principles, or practices by federal or state agencies, or challenges or changes to present laws, rules, regulations, principles, or practices and the interpretation of any adoption or change, could have a material adverse effect on CMS Energy's and Consumers' liquidity, financial condition, and results of operations. Furthermore, any state or federal legislation concerning CMS Energy's or Consumers' operations could have a similar effect.

Utility regulation could be impacted by various matters, such as electric industry restructuring, hydro relicensing, asset reclassification, gas pipeline capacity and gas storage, new generation facilities or investments, transmission charges, environmental controls, climate change, air emissions, renewable energy, energy policy and ROA, regulation or deregulation, energy capacity standards or markets, reliability, and safety. CMS Energy and Consumers cannot predict the impact of these matters on their liquidity, financial condition, and results of operations.

FERC, through NERC, oversees reliability of certain portions of the electric grid. FERC orders regarding electric system reliability could have a material adverse effect on CMS Energy's or Consumers' liquidity, financial condition, and results of operations.

Government-mandated power purchases from renewable energy projects may have an adverse effect on CMS Energy's and Consumers businesses.

PURPA requires Consumers to purchase power from qualifying cogeneration and small power production facilities at a price approved by the MPSC that is meant to represent Consumers' avoided cost of generating power or purchasing power from another source. In November 2017, the MPSC issued an order establishing a new avoided-cost formula to determine the price that Consumers must pay to purchase power under PURPA. Among other things, the MPSC's order changes the basis of Consumers' avoided cost from the cost of coal-fueled generating units to that of natural gas-fueled generating units. The MPSC order also assigns more capacity value to qualifying facilities that are consistently able to generate electricity during peak times. The MPSC order could result in mandated purchases of generation, potentially at above-market prices, and reduce Consumers' need for new owned generation. This in turn could have a material adverse effect on Consumers' capital investment plan, the affordability of future customer rates, and CMS Energy's and Consumers' liquidity, financial condition, investment plans, and results of operations.

CMS Energy and Consumers could incur substantial costs to comply with environmental requirements.

CMS Energy and Consumers are subject to costly and stringent environmental regulations that will likely require additional significant capital expenditures for emissions control equipment, CCR disposal and storage, cooling water intake equipment, effluent treatment, and PCB remediation. Present and reasonably anticipated state and federal environmental statutes and regulations, including but not limited to the Clean Air Act, the Clean Water Act, RCRA, CERCLA, and NREPA, will continue to have a material effect on CMS Energy and Consumers.

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CMS Energy and Consumers have interests in fossil-fuel-fired power plants and other types of power plants that produce greenhouse gases. Federal and state environmental laws and rules, as well as international accords and treaties, could require CMS Energy and Consumers to install additional equipment for emission controls, purchase carbon emissions allowances, curtail operations, invest in generating capacity with fewer carbon dioxide emissions, or take other significant steps to manage or lower the emission of greenhouse gases. In 2015, the EPA published final rules pursuant to Section 111(d) of the Clean Air Act to limit carbon dioxide emissions from existing electric generating units, calling the rules the Clean Power Plan. The rules, which are being challenged in court, required a 32-percent nationwide reduction in carbon emissions from existing power plants by 2030 (based on 2005 levels). In October 2017, the EPA published a proposal to repeal the Clean Power Plan. The EPA has also announced that it intends to begin the rulemaking process for a replacement that conforms to the new legal interpretation set forth in the published proposed repeal of the Clean Power Plan. It is expected that the EPA will propose a replacement rule in 2018.

The following risks related to climate change, emissions, and environmental regulations could also have a material adverse impact on CMS Energy's and Consumers' liquidity, financial condition, and results of operations:

- litigation originated by third parties against CMS Energy or Consumers due to CMS Energy's or Consumers' greenhouse gas or other emissions or CCR disposal and storage
- impairment of CMS Energy's or Consumers' reputation due to their greenhouse gas or other emissions and public perception of their response to potential environmental regulations, rules, and legislation
- extreme weather conditions, such as severe storms, that may affect customer demand, company operations, or assets

Consumers retired seven smaller coal-fueled electric generating units in 2016. Consumers may encounter previously unknown environmental conditions that will need to be addressed in a timely fashion with state and federal environmental regulators as facilities and equipment on these sites are taken out of service.

Consumers expects to collect fully from its customers, through the ratemaking process, expenditures incurred to comply with environmental regulations, but cannot guarantee this outcome. If Consumers were unable to recover these expenditures from customers in rates, it could negatively affect CMS Energy's and/or Consumers' liquidity, results of operations, and financial condition and CMS Energy and/or Consumers could be required to seek significant additional financing to fund these expenditures.

For additional information regarding compliance with environmental regulations, see Item 1. Business - CMS Energy and Consumers Environmental Strategy and Item 7. Management's Discussion and Analysis of Financial Condition and Results of Operations - Outlook - Consumers Electric Utility Outlook and Uncertainties.

CMS Energy's and Consumers' businesses could be affected adversely by any delay in meeting environmental requirements.

A delay or failure by CMS Energy or Consumers to obtain or maintain any necessary environmental permits or approvals to satisfy any applicable environmental regulatory requirements or install emission control equipment could:

- prevent the construction of new facilities
- prevent the continued operation and sale of energy from existing facilities
- prevent the suspension of operations at existing facilities

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- prevent the modification of existing facilities
- result in significant additional costs that could have a material adverse effect on their liquidity, financial condition, and results of operations

CMS Energy and Consumers expect to incur additional substantial costs related to remediation of legacy environmental sites.

Consumers expects to incur additional substantial costs related to the remediation of its former MGP sites. Based upon prior MPSC orders, Consumers expects to be able to recover the costs of these cleanup activities through its gas rates, but cannot guarantee that outcome.

Consumers also expects to incur remediation and other response activity costs at a number of other sites under NREPA and CERCLA. Consumers believes these costs should be recoverable in rates, but cannot guarantee that outcome.

In addition, certain CMS Energy subsidiaries retained environmental remediation obligations for the collection, treatment, and discharge of leachate at Bay Harbor after selling their interests in the development in 2002. Leachate is produced when water enters into cement kiln dust piles left over from former cement plant operations at the site. Certain CMS Energy subsidiaries have signed agreements with the EPA and the MDEQ relating to Bay Harbor. If these CMS Energy subsidiaries were unable to meet their commitments under these agreements, or if unanticipated events occurred, these CMS Energy subsidiaries could incur additional material costs relating to their Bay Harbor remediation obligations.

CMS Energy and Consumers could be affected adversely by legacy litigation and retained liabilities.

CMS Energy, CMS MST, CMS Field Services, Cantera Natural Gas, Inc., and Cantera Gas Company were named as defendants in various lawsuits arising as a result of alleged inaccurate natural gas price reporting. Remaining allegations include price-fixing conspiracies, restraint of trade, and artificial inflation of natural gas retail prices in Kansas and Wisconsin. CMS Energy cannot predict the outcome of these lawsuits or the amount of damages for which CMS Energy may be liable. It is possible that the outcome of the lawsuits could have a material adverse effect on CMS Energy's liquidity, financial condition, and results of operations.

The agreements that CMS Energy and Consumers enter into for the sale of assets customarily include provisions whereby they are required to:

- retain specified preexisting liabilities, such as for taxes, pensions, or environmental conditions
- indemnify the buyers against specified risks, including the inaccuracy of representations and warranties that CMS Energy and Consumers make

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- make payments to the buyers depending on the outcome of post-closing adjustments, litigation, audits, or other reviews, including claims resulting from attempts by foreign or domestic governments to assess taxes on past operations or transactions

Many of these contingent liabilities can remain open for extended periods of time after the sales are closed. Depending on the extent to which the buyers might ultimately seek to enforce their rights under these contractual provisions, and the resolution of any disputes concerning them, there could be a material adverse effect on CMS Energy's or Consumers' liquidity, financial condition, and results of operations.

In 2002, CMS Energy sold its oil, gas, and methanol investments in Equatorial Guinea. The government of Equatorial Guinea claims that CMS Energy owes \$152 million in taxes, plus significant penalties and interest, in connection with the sale. In 2015, the matter was proceeding to formal arbitration; however, since then the government of Equatorial Guinea has stopped communicating. CMS Energy will continue

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to contest the claim, but cannot predict the financial impact or outcome of the matter. An unfavorable outcome could have a material adverse effect on CMS Energy's liquidity, financial condition, and results of operations.

CMS Energy's and Consumers' energy sales and operations are affected by seasonal factors and varying weather conditions from year to year.

CMS Energy's and Consumers' utility operations are seasonal. The consumption of electric energy typically increases in the summer months, due primarily to the use of air conditioners and other cooling equipment, while peak demand for natural gas occurs in the winter due to colder temperatures and the resulting use of natural gas as heating fuel. In addition, Consumers' electric rates, which follow a seasonal rate design, are higher in the summer months than in the remaining months of the year. Accordingly, CMS Energy's and Consumers' overall results may fluctuate substantially on a seasonal basis. Mild temperatures during the summer cooling season and winter heating season as well as the impact of extreme weather events on Consumers' system could have a material adverse effect on CMS Energy's and Consumers' liquidity, financial condition, and results of operations.

Consumers is exposed to risks related to general economic conditions in its service territories.

Consumers' electric and gas utility businesses are affected by the economic conditions impacting the customers they serve. If the Michigan economy becomes sluggish or declines, Consumers could experience reduced demand for electricity or natural gas that could result in decreased earnings and cash flow. In addition, economic conditions in Consumers' service territory affect its collections of accounts receivable and levels of lost or stolen gas, which in turn impact its liquidity, financial condition, and results of operations.

CMS Energy and Consumers are subject to information security risks, risks of unauthorized access to their systems, and technology failures.

In the regular course of business, CMS Energy and Consumers handle a range of sensitive security and customer information. CMS Energy and Consumers are subject to laws and rules issued by various agencies concerning safeguarding and maintaining the confidentiality of this information. A security breach of CMS Energy's and Consumers' information or control systems could involve theft or the inappropriate release of certain types of information, such as confidential customer information or, separately, system operating information. These events could disrupt operations, subject CMS Energy and Consumers to possible financial liability, damage their reputation and diminish the confidence of customers, and have a material adverse effect on CMS Energy's and Consumers' liquidity, financial conditions, and results of operations.

CMS Energy and Consumers operate in a highly regulated industry that requires the continued operation of sophisticated information and control technology systems and network infrastructure. Despite implementation of security measures, technology systems, including disaster recovery and backup systems, are vulnerable to failure, cyber crime, unauthorized access, and being disabled. These events could impact the reliability of electric generation and electric and gas delivery and also subject CMS Energy and Consumers to financial harm. Cyber crime, which includes the use of malware, computer viruses, and other means for disruption or unauthorized access against companies, including CMS Energy and Consumers, has increased in frequency, scope, and potential impact in recent years. While CMS Energy and Consumers have not been subject to cyber crime incidents that have had a material impact on their operations to date, their security measures in place may be insufficient to prevent a major cyber incident in the future. If technology systems, including disaster recovery and backup systems, were to fail

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or be breached, CMS Energy and Consumers might not be able to fulfill critical business functions, and sensitive confidential and proprietary data could be compromised, which could have a material adverse effect on CMS Energy's and Consumers' liquidity, financial condition, and results of operations. In addition, because CMS Energy's and Consumers' generation, transmission, and

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distribution systems are part of an interconnected system, a disruption caused by a cyber incident at another utility, electric generator, system operator, or commodity supplier could also adversely affect CMS Energy's or Consumers' businesses, financial condition, and results of operations.

A variety of technological tools and systems, including both company-owned information technology and technological services provided by outside parties, support critical functions. The failure of these technologies, including backup systems, or the inability of CMS Energy and Consumers to have these technologies supported, updated, expanded, or integrated into other technologies, could hinder their business operations and materially adversely affect their liquidity, financial condition, and results of operations. A breach or failure of technology, including disaster recovery or backup systems, could also have a negative impact on CMS Energy's banking subsidiary, EnerBank.

CMS Energy's and Consumers' businesses have liability risks.

Consumers' electric and gas delivery systems, power plants, gas infrastructure including storage facilities, wind energy or solar equipment, energy products, and the independent power plants owned in whole or in part by CMS Energy could be involved in incidents, failures, or accidents that result in injury, loss of life, or property loss to customers, employees, or the public. Although CMS Energy and Consumers have insurance coverage for many potential incidents (subject to deductibles and self-insurance amounts that could be material), depending upon the nature or severity of any incident, failure, or accident, CMS Energy or Consumers could suffer financial loss, reputational damage, and negative repercussions from regulatory agencies or other public authorities.

CMS Energy's and Consumers' revenues and results of operations are subject to risks that are beyond their control, including but not limited to natural disasters, terrorist attacks and related acts of war, cyber incidents, vandalism, and other catastrophic events.

The impact of natural disasters, severe weather, wars, terrorist acts, vandalism, cyber incidents, pandemics, and other catastrophic events on the facilities and operations of CMS Energy and Consumers could have a material adverse effect on CMS Energy's and Consumers' liquidity, financial condition, and results of operations. These events could result in severe damage to CMS Energy's and Consumers' assets beyond what could be recovered through insurance policies, could require CMS Energy and Consumers to incur significant upfront costs, and could severely disrupt operations, resulting in loss of service to customers. There is also a risk that regulators could, after the fact, conclude that Consumers' preparedness or response to such an event was inadequate and take adverse actions as a result.

CMS Energy and Consumers are exposed to significant reputational risks.

CMS Energy and Consumers could suffer negative impacts to their reputations as a result of operational incidents, violations of corporate policies, regulatory violations, inappropriate use of social media, or other events. Reputational damage could have a material adverse effect on CMS Energy's and Consumers' liquidity, financial condition, and results of operations. It could also result in negative customer perception and increased regulatory oversight.

Consumers is exposed to changes in customer usage that could impact financial results.

Distributed electricity generation: Technology advances, government incentives and subsidies, and recent regulatory decisions could increase the cost effectiveness of customer-owned methods of producing electricity, such as fuel cells, microturbines, wind turbines, and solar photovoltaics, resulting in reduced load, cross subsidization, and increased costs. This could have a material adverse effect on CMS Energy's and Consumers' liquidity, financial condition, and results of operations.

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Energy waste reduction: Customers could reduce their consumption through demand-side energy conservation and energy waste reduction programs. These reductions could have a material adverse effect on CMS Energy's and Consumers' liquidity, financial condition, and results of operations.

Energy risk management strategies might not be effective in managing fuel and electricity pricing risks, which could result in unanticipated liabilities to CMS Energy and Consumers or increased volatility in their earnings.

Consumers is exposed to changes in market prices for natural gas, coal, electric capacity, electric energy, emission allowances, gasoline, diesel fuel, and RECs. Prices for these commodities may fluctuate substantially over relatively short periods of time and expose Consumers to price risk. A substantial portion of Consumers' operating expenses for its electric generating plants and vehicle fleet consists of the costs of obtaining these commodities. The contracts associated with Consumers' fuel and purchased power costs are executed in conjunction with the PSCR mechanism, which is designed to allow Consumers to recover prudently incurred costs associated with those positions. If the MPSC determined that any of these contracts or related contracting policies were imprudent, recovery of these costs could be disallowed. Consumers manages commodity price risk using established policies and procedures, and it may use various contracts to manage this risk, including swaps, options, futures, and forward contracts. No assurance can be made that these strategies will be successful in managing Consumers' pricing risk or that they will not result in net liabilities to Consumers as a result of future volatility in these markets.

Natural gas prices in particular have been historically volatile. Consumers routinely enters into contracts to mitigate exposure to the risks of demand, market effects of weather, and changes in commodity prices associated with its gas distribution business. These contracts are executed in conjunction with the GCR mechanism, which is designed to allow Consumers to recover prudently incurred costs associated with those positions. If the MPSC determined that any of these contracts or related contracting policies were imprudent, recovery of these costs could be disallowed. Consumers does not always hedge the entire exposure of its operations from commodity price volatility. Furthermore, the ability to hedge exposure to commodity price volatility depends on liquid commodity markets. As a result, to the extent the commodity markets are illiquid, Consumers might not be able to execute its risk management strategies, which could result in larger unhedged positions than preferred at a given time. To the extent that unhedged positions exist, fluctuating commodity prices could have a negative effect on CMS Energy's and Consumers' liquidity, financial condition, and results of operations. Changes in laws that limit Consumers' ability to hedge could also have a negative effect on CMS Energy's and Consumers' liquidity, financial condition, and results of operations.

CMS Energy and Consumers are exposed to counterparty risk.

Adverse economic conditions or financial difficulties experienced by counterparties with whom CMS Energy and Consumers do business could impair the ability of these counterparties to pay for CMS Energy's and Consumers' services and/or fulfill their contractual obligations, including performance and payment of damages. CMS Energy and Consumers depend on these counterparties to remit payments and perform contracted services in a timely fashion. Any delay or default in payment or performance of contractual obligations could have a material adverse effect on CMS Energy's and Consumers' liquidity, financial condition, and results of operations.

Volatility and disruptions in capital and credit markets could have a negative impact on CMS Energy's and Consumers' lenders, vendors, contractors, suppliers, customers, and other counterparties, causing them to fail to meet their obligations. Adverse economic conditions could also have a negative impact on the loan portfolio of CMS Energy's banking subsidiary, EnerBank.

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Consumers might not be able to obtain an adequate supply of natural gas or coal, which could limit its ability to operate its electric generation facilities or serve its natural gas customers.

Consumers has natural gas and coal supply and transportation contracts in place for the natural gas and coal it requires for its electric generating capacity. Consumers also has interstate transportation and supply agreements in place to facilitate delivery of natural gas to its customers. Apart from the contractual and monetary remedies available to Consumers in the event of a counterparty's failure to perform under any of these contracts, there can be no assurances that the counterparties to these contracts will fulfill their obligations to provide natural gas or coal to Consumers. The counterparties under the agreements could experience financial or operational problems that inhibit their ability to fulfill their obligations to Consumers. In addition, counterparties under these contracts might not be required to supply natural gas or coal to Consumers under certain circumstances, such as in the event of a natural disaster or severe weather.

If, for its electric generating capacity, Consumers were unable to obtain its natural gas or coal requirements under existing or future natural gas and coal supply and transportation contracts, or to obtain resources under existing or future PPAs, it could be required to purchase natural gas or coal at higher prices or forced to purchase electricity from higher-cost generating resources in the MISO energy market. If, for natural gas delivery to its customers, Consumers were unable to obtain its natural gas supply requirements under existing or future natural gas supply and transportation contracts, it could be required to purchase natural gas at higher prices from other sources or implement its natural gas curtailment program filed with the MPSC. These alternatives could increase Consumers' working capital requirements and could decrease its revenues.

Market performance and other changes could decrease the value of employee benefit plan assets, which then could require substantial funding.

The performance of the capital markets affects the value of assets that are held in trust to satisfy future obligations under CMS Energy's and Consumers' pension and postretirement benefit plans. CMS Energy and Consumers have significant obligations under these plans and hold significant assets in these trusts. These assets are subject to market fluctuations and will yield uncertain returns, which could fall below CMS Energy's and Consumers' forecasted return rates. A decline in the market value of the assets or a change in the level of interest rates used to measure the required minimum funding levels could significantly increase the funding requirements of these obligations. Also, changes in demographics, including an increased number of retirements or changes in life expectancy assumptions, could significantly increase the funding requirements of the obligations related to the pension and postretirement benefit plans. If CMS Energy and Consumers were unable to manage their pension and postretirement plan assets successfully, it could have a material adverse effect on their liquidity, financial condition, and results of operations.

A work interruption or other union actions could adversely affect Consumers.

Unions represent 40 percent of Consumers' employees. Consumers' union agreements expire in 2020. If these employees were to engage in a strike, work stoppage, or other slowdown, Consumers could experience a significant disruption in its operations and higher ongoing labor costs.

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Failure to attract and retain an appropriately qualified workforce could adversely impact CMS Energy's and Consumers' results of operations.

The workforce of CMS Energy and Consumers is aging and a number of employees will become eligible to retire within the next few years. If CMS Energy and Consumers were unable to match skill sets to future needs, they could encounter operating challenges and increased costs. These challenges could include a lack of resources, loss of knowledge, and delays in skill development. Additionally, higher costs could result from the use of contractors to replace employees, loss of productivity, and safety incidents. Failing to train replacement employees adequately and to transfer internal knowledge and expertise could adversely affect CMS Energy's and Consumers' ability to manage and operate their businesses. If CMS Energy and Consumers were unable to attract and retain an appropriately qualified workforce, their financial condition and results of operations could be affected negatively.

Unplanned power plant outages could be costly for Consumers.

Unforeseen maintenance of Consumers' power plants may be required for many reasons, including catastrophic events such as fires, explosions, extreme weather, floods or other acts of God, failures of equipment or materials, operator error, or the need to comply with environmental or safety regulations. When unplanned maintenance work is required on power plants or other equipment, Consumers will not only incur unexpected maintenance expenses, but it may also have to make spot market purchases of replacement electricity that exceed Consumers' costs of generation or be forced to retire a given unit if the cost or timing of the maintenance is not reasonable and prudent. Additionally, unplanned maintenance work could reduce the capacity credit Consumers receives from MISO and could cause Consumers to incur additional capacity costs in future years. If Consumers were unable to recover any of these increased costs in rates, it could have a material adverse effect on Consumers' liquidity, financial condition, and results of operations.

Changes in taxation as well as the inherent difficulty in quantifying potential tax effects of business decisions could negatively impact CMS Energy and Consumers.

CMS Energy and Consumers are required to make judgments regarding the potential tax effects of various financial transactions and results of operations in order to estimate their obligations to taxing authorities. The tax obligations include income, real estate, sales and use taxes, employment-related taxes, and ongoing issues related to these tax matters. The judgments include determining reserves for potential adverse outcomes regarding tax positions that have been taken and may be subject to challenge by the IRS and/or other taxing authorities. Unfavorable settlements of any of the issues related to these reserves or other tax matters at CMS Energy or Consumers could have a material adverse effect on their liquidity, financial condition, and results of operations.

CMS Energy and Consumers are subject to changing tax laws. Changes in federal, state, or local tax rates or other changes in tax laws could have adverse impacts on their liquidity, financial condition, and results of operations.

In December 2017, President Trump signed the TCJA, which changed existing federal tax law and included numerous provisions that affect businesses. CMS Energy and Consumers have made reasonable estimates in measuring and accounting for the effects of the TCJA, which have been reflected in the December 31, 2017 financial statements. Given expected changes to U.S. Treasury regulations, interpretations of the TCJA by the U.S. Treasury, interpretations of the application of ASC 740, and the companies' analysis of their historical records, the final transition

impacts of the TCJA may differ from the estimates provided elsewhere in this report.

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CMS Energy and its subsidiaries, including Consumers and EnerBank, must comply with the Dodd-Frank Act and its related regulations, which are subject to change and could involve material costs or affect operations.

Regulations that are intended to implement the Dodd-Frank Act have been and are still being adopted by the appropriate agencies. The Dodd-Frank Act added a new Section 13 to the Bank Holding Company Act. Known as the Volcker Rule, it generally restricts certain banking entities (such as EnerBank) and their subsidiaries or affiliates from engaging in proprietary trading activities and from owning equity in or sponsoring any private equity or hedge fund. Under the statute, the activities of CMS Energy and its subsidiaries (including EnerBank) are not expected to be materially affected; however, they will be restricted from engaging in proprietary trading, investing in third-party hedge or private equity funds, and sponsoring these funds in the future unless CMS Energy qualifies for an exemption from the rule. CMS Energy and its subsidiaries are also subject to certain ongoing compliance requirements pursuant to the regulations. CMS Energy cannot predict the full impact of the Volcker Rule on CMS Energy's or EnerBank's operations or financial condition.

All companies that directly or indirectly control an FDIC-insured bank are required to serve as a source of financial strength for that institution. As a result, CMS Energy could be called upon by the FDIC to infuse additional capital into EnerBank to the extent that EnerBank fails to satisfy its capital requirements. In addition, CMS Energy is contractually required (i) to make cash capital contributions to EnerBank in the event that EnerBank does not maintain required minimum capital ratios and (ii) to provide EnerBank financial support, in an amount and duration as may be necessary for EnerBank to meet the cash needs of its depositors and other operations. EnerBank has exceeded these requirements historically and exceeds them as of February 2018.

In addition, the Dodd-Frank Act provides for regulation by the Commodity Futures Trading Commission of certain commodity-related contracts. Although CMS Energy, Consumers, and CMS ERM qualify for an end-user exception from mandatory clearing of commodity-related swaps, these regulations could affect the ability of these entities to participate in these markets and could add additional regulatory oversight over their contracting activities.

Item 1B. Unresolved Staff Comments

None.

Item 2. Properties

Descriptions of CMS Energy's and Consumers' properties are found in the following sections of Item 1. Business, all of which are incorporated by reference in this Item 2:

- General CMS Energy

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- General Consumers
- Business Segments Consumers Electric Utility Electric Utility Properties
- Business Segments Consumers Gas Utility Gas Utility Properties
- Business Segments Enterprises Segment Non-Utility Operations and Investments Independent Power Production

Table of Contents**Item 3. Legal Proceedings**

For information regarding CMS Energy's and Consumers' significant pending administrative and judicial proceedings involving regulatory, operating, transactional, environmental, and other matters, see Item 8. Financial Statements and Supplementary Data Notes to the Consolidated Financial Statements Note 3, Regulatory Matters and Note 4, Contingencies and Commitments.

CMS Energy, Consumers, and certain of their affiliates are also parties to routine lawsuits and administrative proceedings incidental to their businesses involving, for example, claims for personal injury and property damage, contractual matters, various taxes, and rates and licensing.

Item 4. Mine Safety Disclosures

Not applicable.

Part II**Item 5. Market For Registrant's Common Equity, Related Stockholder Matters and Issuer Purchases of Equity Securities****CMS ENERGY**

CMS Energy's common stock is traded on the New York Stock Exchange under the symbol CMS. Market prices for CMS Energy's common stock and related security holder matters are contained in Item 6. Selected Financial Data and Item 8. Financial Statements and Supplementary Data Notes to the Consolidated Financial Statements Note 21, Quarterly Financial and Common Stock Information (Unaudited), which are incorporated by reference herein. At January 31, 2018, the number of registered holders of CMS Energy's common stock totaled 30,736, based on the number of record holders. Presented in the following table are CMS Energy's dividends on its common stock:

Period	February	May	August	<i>Per Share</i> November
2017	\$ 0.3325	\$ 0.3325	\$ 0.3325	\$ 0.3325

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2016 0.3100 0.3100 0.3100 0.3100

For additional information regarding securities authorized for issuance under equity compensation plans, see Item 8. Financial Statements and Supplementary Data Notes to the Consolidated Financial Statements Note 13, Stock-Based Compensation and Item 12. Security Ownership of Certain Beneficial Owners and Management and Related Stockholder Matters. For additional information regarding dividends and dividend restrictions, see Item 8. Financial Statements and Supplementary Data Notes to the Consolidated Financial Statements Note 5, Financings and Capitalization.

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Comparison of Five-Year Cumulative Total Return

Company/Index	Five-Year Cumulative Total Return					
	2012	2013	2014	2015	2016	2017
CMS Energy	\$ 100	\$ 114	\$ 153	\$ 165	\$ 196	\$ 229
S&P 500 Index	100	132	150	153	171	208
Dow Jones Utility Index	100	113	147	143	169	191
S&P 400 Utilities Index	100	127	151	142	181	201

These cumulative total returns assume reinvestments of dividends.

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Consumers' common stock is privately held by its parent, CMS Energy, and does not trade in the public market. Presented in the following table are Consumers' cash dividends on its common stock:

Period	February	May	August	<i>In Millions</i> November
2017	\$ 148	\$ 88	\$ 111	\$ 175
2016	155	58	148	138

For additional information regarding dividends and dividend restrictions, see Item 8. Financial Statements and Supplementary Data Notes to the Consolidated Financial Statements Note 5, Financings and Capitalization.

ISSUER REPURCHASES OF EQUITY SECURITIES

Presented in the following table are CMS Energy's repurchases of equity securities for the three months ended December 31, 2017:

Period	Total Number of Shares Purchased ¹	Average Price Paid per Share	Total Number of Shares Purchased as Part of Publicly Announced Plans or Programs	Maximum Number of Shares That May Yet Be Purchased Under Publicly Announced Plans or Programs
October 1, 2017 to				
October 31, 2017	2,176	\$ 47.26	-	-
November 1, 2017 to				
November 30, 2017	6,148	48.11	-	-
December 1, 2017 to				
December 31, 2017	2,646	49.74	-	-
Total	10,970	\$ 48.33	-	-

¹ All of the common shares were repurchased to satisfy the minimum statutory income tax withholding obligation for common shares that have vested under the PISP. The value of shares repurchased is based on the market price on the vesting date.

UNREGISTERED SALES OF EQUITY SECURITIES

None.

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		2017	2016	2015	2014	2013	
Operating revenue (in millions)	(\$)	6,583	6,399	6,456	7,179	6,566	
Income from equity method investees (in millions)	(\$)	15	13	14	15	13	
Net income (in millions) ¹	(\$)	462	553	525	479	454	
Net income available to common stockholders (in millions)	(\$)	460	551	523	477	452	
Average common shares outstanding (in thousands)		280,025	277,851	275,600	270,580	264,511	
Earnings per average common share							
CMS Energy	Basic	(\$)	1.64	1.99	1.90	1.76	1.71
	Diluted	(\$)	1.64	1.98	1.89	1.74	1.66
Cash provided by operations (in millions)	(\$)	1,705	1,629	1,640	1,481	1,448	
Capital expenditures, excluding assets placed under capital lease (in millions)	(\$)	1,665	1,672	1,564	1,577	1,325	
Total assets (in millions)	(\$)	23,050	21,622	20,299	19,143	17,249	
Long-term debt, excluding current portion (in millions)	(\$)	9,123	8,640	8,400	7,974	7,060	
Non-current portion of capital leases and financing obligation (in millions)	(\$)	91	110	118	123	138	
Cash dividends declared per common share	(\$)	1.33	1.24	1.16	1.08	1.02	
Market price of common stock at year-end	(\$)	47.30	41.62	36.08	34.75	26.77	
Book value per common share at year-end	(\$)	15.77	15.23	14.21	13.33	12.98	
Total employees at year-end		7,952	7,800	7,804	7,747	7,781	
Electric Utility Statistics							
Sales (billions of kWh)		37	38	37	38	37	
Customers (in thousands)		1,826	1,805	1,803	1,793	1,793	
Average sales rate per kWh	(¢)	11.98	11.63	11.39	12.04	11.52	

Gas Utility Statistics

Sales and transportation deliveries (bcf)	352	358	356	373	352
Customers (in thousands) ²	1,776	1,772	1,741	1,733	1,724
Average sales rate per mcf	(\$) 7.51	7.31	7.89	8.83	8.51

1 Includes income attributable to noncontrolling interests of \$2 million in each period.

2 Excludes off-system transportation customers.

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Consumers Energy Company

		2017	2016	2015	2014	2013
Operating revenue (in millions)	(\$)	6,222	6,064	6,165	6,800	6,321
Net income (in millions)	(\$)	632	616	594	567	534
Net income available to common stockholder (in millions)	(\$)	630	614	592	565	532
Cash provided by operations (in millions)	(\$)	1,715	1,681	1,794	1,354	1,375
Capital expenditures, excluding assets placed under capital lease (in millions)	(\$)	1,632	1,656	1,537	1,573	1,320
Total assets (in millions)	(\$)	21,099	19,946	18,635	17,824	16,157
Long-term debt, excluding current portion (in millions)	(\$)	5,561	5,253	5,183	5,131	4,557
Non-current portion of capital leases and financing obligation (in millions)	(\$)	91	110	118	123	138
Total preferred stock (in millions)	(\$)	37	37	37	37	37
Number of preferred stockholders at year-end		1,056	1,095	1,156	1,191	1,248
Total employees at year-end		7,496	7,366	7,394	7,388	7,435
Electric Utility Statistics						
Sales (billions of kWh)		37	38	37	38	37
Customers (in thousands)		1,826	1,805	1,803	1,793	1,793
Average sales rate per kWh	(¢)	11.98	11.63	11.39	12.04	11.52
Gas Utility Statistics						
Sales and transportation deliveries (bcf)		352	358	356	373	352
Customers (in thousands) ¹		1,776	1,772	1,741	1,733	1,724
Average sales rate per mcf	(\$)	7.51	7.31	7.89	8.83	8.51

1 Excludes off-system transportation customers.

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Item 7. Management's Discussion and Analysis of Financial Condition and Results of Operations

This Management's Discussion and Analysis of Financial Condition and Results of Operations is a combined report of CMS Energy and Consumers.

EXECUTIVE OVERVIEW

CMS Energy is an energy company operating primarily in Michigan. It is the parent holding company of several subsidiaries, including Consumers, an electric and gas utility, and CMS Enterprises, primarily a domestic independent power producer. Consumers' electric utility operations include the generation, purchase, transmission, distribution, and sale of electricity, and Consumers' gas utility operations include the purchase, transmission, storage, distribution, and sale of natural gas. Consumers' customer base consists of a mix of residential, commercial, and diversified industrial customers. CMS Enterprises, through its subsidiaries and equity investments, is engaged in domestic independent power production, the marketing of independent power production, and the development of renewable generation.

CMS Energy and Consumers manage their businesses by the nature of services each provides. CMS Energy operates principally in three business segments: electric utility; gas utility; and enterprises, its non-utility operations and investments. Consumers operates principally in two business segments: electric utility and gas utility. CMS Energy's and Consumers' businesses are affected primarily by:

- regulation and regulatory matters
- state and federal legislation
- economic conditions
- weather
- energy commodity prices
- interest rates
- their securities' credit ratings

The Triple Bottom Line

CMS Energy's and Consumers' purpose is to achieve world class performance while delivering hometown service. In support of this purpose, the companies employ the Consumers Energy Way, a lean operating model designed to improve safety, quality, cost, delivery, and employee morale.

CMS Energy and Consumers measure their progress toward the purpose by considering their impact on the triple bottom line of people, planet, and profit, which is underpinned by performance; this consideration takes into account not only the economic value that the companies create for customers and investors, but also their responsibility to social and environmental goals. The triple bottom line balances the interests of the companies' employees, customers, suppliers, regulators, creditors, Michigan's residents, the investment community, and other stakeholders, and it reflects the broader societal impacts of the companies' activities.

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Consumers' 2017 Sustainability Report, which is available to the public, describes the company's commitment to world class performance and to the triple bottom line and discusses its progress in the areas of safety, environmental stewardship, social responsibility, and economic development.

People: The people element of the triple bottom line represents CMS Energy's and Consumers' commitment to their employees, their customers, the residents of local communities in which the companies do business, and other stakeholders.

The safety of employees, customers, and the general public is a priority of CMS Energy and Consumers. Accordingly, CMS Energy and Consumers have worked to integrate a set of safety principles into their business operations and culture. These principles include complying with applicable safety, health, and security regulations and implementing programs and processes aimed at continually improving safety and security conditions. The number of recordable safety incidents in 2017 was 65, compared with 73 in 2016 and 106 in 2015. The number of recordable safety incidents in 2017 was the lowest in Consumers' history, and Consumers is on track to have the best safety results of its EEI peer group, as it did in 2016.

CMS Energy and Consumers also place a high priority on customer value and on providing a hometown customer experience. Consumers' customer-driven investment program is aimed at improving safety and increasing electric and gas reliability, which has resulted in measureable improvements in customer satisfaction.

Central to Consumers' commitment to its customers are the initiatives it has undertaken to keep electricity and natural gas affordable. These initiatives include the adoption of its lean operating model that is focused on completing work safely and correctly the first time, thus minimizing rework and waste, while delivering services on time. Other cost-saving initiatives undertaken by Consumers include:

- replacement of coal-fueled generation with cleaner and more efficient gas-fueled generation, renewable energy, and energy waste reduction and demand response programs
- targeted infrastructure investment, including the installation of smart meters
- information and control system efficiencies
- employee and retiree health care cost sharing
- workforce productivity enhancements

In addition, Consumers' gas commodity costs declined by 60 percent from 2007 through 2017, due not only to a decrease in market prices but also to Consumers' improvements to its gas infrastructure and optimization of its gas purchasing and storage strategy. These gas commodity savings are passed on to customers.

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Planet: The planet element of the triple bottom line represents CMS Energy's and Consumers' commitment to protect the environment; this commitment extends beyond complying with the various state and federal environmental and health and safety laws and regulations to which CMS Energy and Consumers are subject. Consideration of climate change risk and other environmental risks is embedded in the companies' strategy, business planning, and enterprise risk management processes.

CMS Energy and Consumers continue to focus on opportunities to reduce their carbon footprint by replacing coal-fueled generation with gas-fueled generation and renewable energy. In 2016, Consumers retired seven of its coal-fueled electric generating units, representing 33 percent of its owned coal-fueled generating capacity. As a result of these retirements and other actions taken by CMS Energy and Consumers, the companies' combined percentage of electric supply (self-generated and purchased) from coal has decreased by 16 percentage points since 2015.

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Additionally, over the last 20 years, Consumers has reduced its sulfur dioxide emissions by 80 percent, its nitrogen oxide emissions by 90 percent, and its particulate matter emissions by 80 percent. Over the last ten years, Consumers has reduced its mercury emissions by 70 percent.

Going forward, Consumers will continue to invest in renewable generation and energy waste reduction programs in order to meet the requirements set by the 2016 Energy Law and to fulfill customer demand beyond the renewable energy standard. CMS Energy will continue to pursue further opportunities for the development of renewable generation projects through its non-utility businesses.

The 2016 Energy Law aligns with Consumers' clean and lean strategy, which focuses on increasing its generation of renewable energy, helping its customers use less energy, and offering demand response programs to reduce demand during critical peak times. Among other things, the 2016 Energy Law:

- raised the renewable energy standard from the present ten-percent requirement to 12.5 percent by 2019 and 15 percent by 2021
- established a goal of 35 percent combined renewable energy and energy waste reduction by 2025
- authorized incentives for demand response programs and expanded existing incentives for energy efficiency programs, referring to the combined initiatives as energy waste reduction programs

In a further effort to advance its environmental stewardship and to meet the requirements of present and future regulations, Consumers has adopted the following voluntary goals for air emissions, water use, and waste reduction:

- Committed to a 20-percent reduction of carbon dioxide emissions intensity (pounds of carbon dioxide per MWh generated) by 2025 from a 2008 baseline. In 2016, Consumers achieved a reduction in total tons of carbon dioxide emitted of over 30 percent compared to 2008.
- Committed to a 20-percent reduction in water usage (gallons per MWh generated) by 2020, and surpassed that goal in 2017 with a 35-percent reduction in water used to generate electricity.
- Committed to a cumulative waste reduction goal of one million cubic yards of landfill space avoided by 2019, and met that goal in 2017.

CMS Energy and Consumers are monitoring numerous legislative and regulatory initiatives, including those to regulate greenhouse gases, and related litigation. They are also monitoring potential changes in policies under the Trump administration. While CMS Energy and Consumers cannot predict the outcome of these matters, which could have a material effect on the companies, they intend to continue to move forward with their clean energy plan, their carbon reduction goals, and their emphasis on supply diversity.

Profit: The profit element of the triple bottom line represents CMS Energy's and Consumers' commitment to meeting financial objectives and providing economic development opportunities and benefits in the communities in which they do business. CMS Energy's and Consumers' financial strength allows them to maintain solid investment-grade credit ratings and thereby reduce funding costs for the benefit of customers and investors, to preserve and create jobs, and to reinvest in the communities they serve.

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In 2017, CMS Energy's net income available to common stockholders was \$460 million, and diluted EPS were \$1.64. This compares with net income available to common stockholders of \$551 million and diluted EPS of \$1.98 in 2016. In 2017, benefits from electric and gas rate increases and higher weather-adjusted electric and gas deliveries were more than offset by the impacts of the TCJA and by higher depreciation on increased plant in service. A more detailed discussion of the factors affecting CMS Energy's and Consumers' performance can be found in the Results of Operations section that follows this Executive Overview.

Consumers projects that its total electric deliveries will remain stable or increase slightly through 2022, and that its gas deliveries will remain stable in 2018 and increase moderately through 2022. This outlook reflects growth in electric demand offset partially by energy waste reduction programs, and growth in gas demand offset partially by energy efficiency and conservation.

Performance: Impacting the Triple Bottom Line

During 2017, CMS Energy's and Consumers' commitment to achieving world class performance while delivering hometown service resulted in the companies' best-ever performance in the areas of safety, service, and customer satisfaction. Leveraging the Consumers Energy Way, the companies met record-breaking goals in the areas of:

- lowering recordable safety incidents
- improving customer satisfaction scores
- decreasing the duration of customer outages
- responding faster to customer calls
- achieving on-time delivery commitments
- reading more meters monthly
- improving the accuracy of customer bills
- delivering energy efficiency solutions to customers

CMS Energy and Consumers will continue to utilize the Consumers Energy Way to enable them to achieve world class performance and positively impact the triple bottom line. Consumers' investment plan and the regulatory environment in which it operates also drive its ability to impact the triple bottom line.

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Investment Plan: Consumers expects to make significant expenditures on infrastructure upgrades and replacements and electric supply projects from 2018 through 2027. While it has a large number of potential investment opportunities that would add customer value, Consumers has prioritized its spending based on the criteria of enhancing public safety, increasing reliability, maintaining affordability for its customers, and advancing its environmental stewardship. Consumers' investment program is expected to result in annual rate-base growth of six to eight percent. This rate-base growth, together with cost-control initiatives, should allow Consumers to maintain sustainable customer base rate increases (excluding PSCR and GCR charges) at or below the rate of inflation.

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Presented in the following illustration are planned capital expenditures of \$10.1 billion that Consumers expects to make from 2018 through 2022:

Gas infrastructure
(\$4.9 billion)

Electric distribution
(\$3.5 billion)

Electric supply (\$1.7 billion)

Consumers plans to spend \$8.4 billion over the next five years to maintain and upgrade its gas infrastructure and electric distribution systems in order to enhance reliability, improve customer satisfaction, and reduce energy waste on those systems. The gas infrastructure projects comprise \$4.9 billion to sustain deliverability and enhance pipeline integrity and safety. These projects, which involve replacement of mains and services and enhancement of transmission and storage systems, should reduce the minor quantity of methane emissions released as gas is transported. The electric distribution projects comprise \$3.5 billion to strengthen circuits and substations and replace poles. Consumers also expects to spend \$1.7 billion on electric supply projects, representing new generation, including renewable generation, and environmental investments needed to comply with state and federal laws and regulations.

Regulation: Regulatory matters are a key aspect of Consumers' business, particularly rate cases and regulatory proceedings before the MPSC, which permit recovery of new investments while helping to ensure that customer rates are fair and affordable. Important regulatory events and developments are summarized below.

- **Tax Cuts and Jobs Act:** In December 2017, President Trump signed the TCJA, which changed existing federal tax law and included numerous provisions that affect businesses. Subsequently, the MPSC ordered all rate-regulated utilities in Michigan to report the impact that the new federal tax law will have on their customers. Consumers filed its response to the MPSC in January 2018, indicating that the TCJA reduces its annual electric revenue requirement by an estimated \$116 million, and reduces its annual gas revenue requirement by an estimated \$49 million. These amounts exclude potential refunds associated with Consumers' remeasurement of its deferred income taxes, which Consumers has proposed addressing in a future filing. In the January 2018 filing, Consumers recommended that the income tax benefits be provided to customers through a bill credit by the end of 2018. The timing and amortization period of any future rate adjustments or refunds are subject to change based on MPSC orders.

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- **Electric Rate Case:** In March 2017, Consumers filed an application with the MPSC seeking an annual rate increase of \$173 million, based on a 10.5 percent authorized return on equity. The filing requested authority to recover new investment in system reliability, environmental compliance, and technology enhancements. In September 2017, Consumers reduced its requested annual rate increase to \$148 million. In October 2017, Consumers self-implemented an annual rate increase of \$130 million, subject to refund with interest and potential penalties. A final order is expected by the end of March 2018.

- **Gas Rate Case:** In October 2017, Consumers filed an application with the MPSC seeking an annual rate increase of \$178 million, based on a 10.5 percent authorized return on equity. The largest component of the request is an annual revenue requirement of \$162 million related to infrastructure investment and related costs that will allow Consumers to improve system safety, capacity, and deliverability.

The filing also seeks approval of two rate adjustment mechanisms: a revenue decoupling mechanism and an investment recovery mechanism. The revenue decoupling mechanism would annually reconcile Consumers' actual weather-adjusted nonfuel revenues with the revenues approved by the MPSC. The investment recovery mechanism would provide for additional annual rate increases of \$39 million beginning in July 2019 and another \$39 million beginning in July 2020 for incremental investments that Consumers plans to make in those years, subject to reconciliation. These future investments are intended to help ensure adequate system capacity and deliverability. The MPSC previously approved an investment recovery mechanism in July 2017 that will be in effect until rates are changed in the pending proceeding.

- **State Reliability Mechanism:** In November 2017, the MPSC issued an order establishing a state reliability mechanism for Consumers, as directed by the 2016 Energy Law, which required that forward capacity be secured for all electric customers in Michigan, including customers served by alternative electric suppliers under ROA. Under Michigan law, electric customers in Consumers' service territory are allowed to buy electric generation service from alternative electric suppliers in an aggregate amount up to ten percent of Consumers' weather-adjusted retail sales for the preceding calendar year. Under the mechanism approved by the MPSC, beginning June 1, 2018, if an alternative electric supplier does not demonstrate that it has procured its capacity requirements for the four-year forward period, its customers will pay a set charge to the utility for capacity that is not provided by the alternative electric supplier.

Looking Forward

CMS Energy and Consumers will continue to consider the impact on the triple bottom line of people, planet, and profit in their daily operations as well as in their long-term strategic decisions. Consumers will continue to seek fair and timely regulatory treatment that will support its customer-driven investment plan, while pursuing cost-control initiatives that will allow it to maintain sustainable customer base rates. The Consumers Energy Way is an important means of realizing CMS Energy's and Consumers' purpose of achieving world class performance while delivering hometown service.

Table of Contents**RESULTS OF OPERATIONS****CMS Energy Consolidated Results of Operations**

Years Ended December 31	<i>In Millions, Except Per Share Amounts</i>		
	2017	2016	2015
Net Income Available to Common Stockholders	\$ 460	\$ 551	\$ 523
Basic Earnings Per Average Common Share	\$ 1.64	\$ 1.99	\$ 1.90
Diluted Earnings Per Average Common Share	\$ 1.64	\$ 1.98	\$ 1.89

Years Ended December 31	2017			2016			2015			<i>In Millions</i> Change
			Change			Change			Change	
Electric utility	\$ 455	\$ 458	\$ (3)	\$ 458	\$ 437	\$ 21				21
Gas utility	173	155	18	155	154	1				1
Enterprises	(27)	17	(44)	17	4	13				13
Corporate interest and other	(141)	(79)	(62)	(79)	(72)	(7)				(7)
Net Income Available to Common Stockholders	\$ 460	\$ 551	\$ (91)	\$ 551	\$ 523	\$ 28				28

Presented in the following table are specific after-tax changes to net income available to common stockholders:

Reasons for the change	2017 better/(worse) than 2016		2016 better/(worse) than 2015		<i>In Millions</i>
<i>Consumers electric utility and gas utility</i>					
<i>Electric sales</i>					
Weather	\$ (38)		\$ 29		
Non-weather	23	\$ (15)	(23)	\$ 6	
<i>Gas sales</i>					
Weather	3		(29)		
Non-weather	11	14	8	(21)	
Electric rate increase		50		66	
Gas rate increase		16		24	
State income tax benefit in 2017		15		-	
Retirement of coal-fueled power plants in 2016		12		16	
Voluntary separation program costs in 2016		7		(7)	
Employee benefit costs		1		23	
Depreciation and amortization		(42)		(36)	
TCJA impacts		(34)		-	
Donations		(8)		(28)	
Other		(1)	\$ 15	(21)	\$ 22
<i>Enterprises</i>					

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TCJA impacts	(57)	-	
Subsidiary earnings	13	17	
Other	-	(44)	13
<i>Corporate interest and other</i>			
TCJA impacts	(57)	-	
Other tax-related items	(5)		11
Early extinguishment of debt in 2016	-		(11)
Other	-		(7)
Total change	\$ (91)	\$	28

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1 CMS Energy and Consumers have reclassified certain prior-period amounts to conform to the presentation in the current period.

Consumers Electric Utility Results of Operations

Years Ended December 31	2017	2016	Change	2016	2015	<i>In Millions</i> Change
Net Income Available to Common Stockholders	\$ 455	\$ 458	\$ (3)	\$ 458	\$ 437	21
<i>Reasons for the change</i>						
Electric deliveries and rate increases		\$ 55			\$ 122	
Power supply costs and related revenue			3			(3)
Maintenance and other operating expenses			(7)			5
Depreciation and amortization			(51)			(36)
General taxes			6			(15)
Other income, net of expenses			(4)			(11)
Interest charges			(6)			(19)
Income taxes			1			(22)
Total change		\$ (3)			\$ 21	

Following is a discussion of significant changes to net income available to common stockholders for 2017 versus 2016 and for 2016 versus 2015.

Electric Deliveries and Rate Increases: For 2017, electric delivery revenues increased \$55 million compared with 2016. This change reflected \$82 million from a March 2017 rate increase and from an October 2017 self-implemented rate increase. Also contributing to the change were \$13 million in higher revenues associated with the energy waste reduction program and a \$10 million increase in the financial incentive associated with energy waste reduction performance standards. These increases were offset partially by a \$45 million decrease in sales due primarily to mild weather and a \$5 million reduction in other revenues. Deliveries to end-use customers were 37.4 billion kWh in 2017 and 37.9 billion kWh in 2016.

For 2016, electric delivery revenues increased \$122 million compared with 2015. This change reflected \$91 million from a December 2015 rate increase and from a September 2016 self-implemented rate increase, and a \$62 million increase in sales due primarily to favorable weather. These increases were offset partially by a \$25 million net decrease in securitization revenue, reflecting the conclusion in October 2015 of Consumers' 2001 securitization program, and a \$6 million decrease in other revenues. Deliveries to end-use customers were 37.9 billion kWh in 2016 and 37.3 billion kWh in 2015.

Maintenance and Other Operating Expenses: For 2017, maintenance and other operating expenses increased \$7 million compared with 2016. This change reflected increases of \$15 million in service restoration costs following severe storms, \$13 million in energy waste reduction program costs, \$8 million in information technology expenses, \$6 million in demand response program costs, and \$3 million in other operating

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and maintenance expenses. Also contributing to the change was the absence, in 2017, of a \$4 million benefit associated with a Michigan use tax settlement in 2016. These increases were offset partially by \$19 million in lower costs at Consumers' coal-fueled electric generating plants, due in part to the retirement of seven electric generating units in April 2016. Also contributing to the change were a \$10 million reduction in postretirement benefit costs, a \$7 million reduction in meter reading expense reflecting the implementation of smart meters, and an absence in 2017 of a \$6 million charge associated with a 2016 voluntary separation program.

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For 2016, maintenance and other operating expenses decreased \$5 million compared with 2015. This change reflected a \$27 million reduction in expenses at the seven coal-fueled electric generating units that Consumers retired in April 2016. Also contributing to the change were a \$13 million reduction in uncollectible accounts expense due primarily to the successful implementation of new collection practices and a \$4 million benefit associated with a Michigan use tax settlement. These decreases were offset partially by increases of \$14 million in forestry expenses, \$9 million of expenses related to the Jackson plant acquired in December 2015, an \$8 million increase in postretirement benefit costs, a \$6 million charge associated with a 2016 voluntary separation program, and a \$2 million increase in other operating and maintenance expenses.

Depreciation and Amortization: For 2017, depreciation and amortization expense increased \$51 million compared with 2016, due primarily to increased plant in service.

For 2016, depreciation and amortization expense increased \$36 million compared with 2015. This change reflected a \$94 million increase in depreciation expense related to increased plant in service and an increase in depreciation rates that became effective in December 2015, offset partially by a \$58 million decrease in amortization of securitized assets, reflecting the conclusion in October 2015 of Consumers' 2001 securitization program.

General Taxes: For 2017, general taxes decreased \$6 million compared with 2016. This change was due to a \$10 million benefit from the settlement of a property tax appeal related to Consumers' Zeeland plant, offset partially by a \$4 million increase in property taxes, reflecting higher capital spending.

For 2016, general taxes increased \$15 million compared with 2015. This change was due primarily to increased property taxes, reflecting higher capital spending, and the absence, in 2016, of a benefit associated with a Michigan use tax settlement reached in 2015.

Other Income, Net of Expenses: For 2017, other income, net of expenses, decreased \$4 million compared with 2016. This change was due to a \$15 million reduction in nonoperating retirement benefits credits, offset partially by the \$6 million impact of benefit plan changes. Also contributing to the change was a \$10 million increase in donations in 2017. These changes were offset partially by a \$9 million gain on the donation of CMS Energy stock by Consumers, which was eliminated on CMS Energy's consolidated statements of income, and a \$6 million increase in other income, net of expenses.

For 2016, other income, net of expenses, decreased \$11 million compared with 2015. This change was due primarily to a \$30 million increase in donations and a \$2 million increase in other expenses. This change also reflected the absence, in 2016, of a \$6 million benefit related to a Michigan use tax settlement reached in 2015, and a \$6 million gain on a donation of CMS Energy stock by Consumers. The gain was eliminated on CMS Energy's consolidated statements of income. These changes were offset partially by a \$33 million increase in nonoperating retirement benefits credits, attributable primarily to a change in the discount-rate methodology used to calculate postretirement benefit costs.

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Interest Charges: For 2017, interest charges increased \$6 million compared with 2016, reflecting \$2 million in higher PSCR interest expenses and a \$4 million increase in other interest charges.

For 2016, interest charges increased \$19 million compared with 2015. This change was due to the absence, in 2016, of a \$12 million benefit associated with a Michigan use tax settlement reached in 2015. The change also reflected \$7 million attributable primarily to higher average debt levels.

Income Taxes: For 2017, income taxes decreased \$1 million compared with 2016. This change reflected the \$11 million impact of a reduction in Consumers' effective state income tax rate. For additional details on this reduction in Consumers' effective state income tax rate, see Item 8. Financial Statements and Supplementary Data Notes to the Consolidated Financial Statements Note 14, Income Taxes. Also contributing to the change were a \$10 million decrease associated with lower non-deductible donations, a \$3 million reduction due to lower electric utility earnings, and a \$2 million decrease in other income taxes. These decreases were offset partially by a \$25 million increase to recognize the impacts of the TCJA. For additional details on the TCJA, see Item 8. Financial Statements and Supplementary Data Notes to the Consolidated Financial Statements Note 14, Income Taxes.

For 2016, income taxes increased \$22 million compared with 2015. This change reflected \$17 million attributable to higher electric utility earnings, a \$6 million increase due to higher non-deductible donations, and \$3 million of other tax-related items. These increases were offset partially by a \$4 million decrease due to a change in the treatment of excess tax benefits on restricted stock awards as a result of the early adoption of a new accounting standard.

Consumers Gas Utility Results of Operations

Years Ended December 31	2017	2016	Change	2016	2015	<i>In Millions</i> Change
Net Income Available to Common Stockholders	\$ 173	\$ 155	\$ 18	\$ 155	\$ 154	1
<i>Reasons for the change</i>						
Gas deliveries and rate increases		\$	51		\$	15
Maintenance and other operating expenses			21			2
Depreciation and amortization			(18)			(23)
General taxes			(5)			(7)
Other income, net of expenses			(8)			11
Interest charges			(2)			(1)
Income taxes			(21)			4
Total change		\$	18		\$	1

Following is a discussion of significant changes to net income available to common stockholders for 2017 versus 2016 and for 2016 versus 2015.

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Gas Deliveries and Rate Increases: For 2017, gas delivery revenues increased \$51 million compared with 2016. This change reflected a \$27 million rate increase and a \$20 million increase in sales due primarily to higher deliveries. Also contributing to the change were a \$3 million increase in financial incentive associated with energy waste reduction performance standards and a \$6 million increase in other revenues. These increases were offset partially by a \$5 million reduction in revenues associated with the energy waste reduction program. Total deliveries to end-use customers were 287 bcf in 2017 and 282 bcf in 2016.

For 2016, gas delivery revenues increased \$15 million compared with 2015. This change reflected \$33 million from a January 2016 rate increase, offset partially by an \$18 million decrease in sales due

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primarily to milder winter weather. Deliveries to end-use customers were 282 bcf in 2016 and 299 bcf in 2015.

Maintenance and Other Operating Expenses: For 2017, maintenance and other operating expenses decreased \$21 million compared with 2016. This change reflected an \$8 million decrease in postretirement benefit costs, \$5 million in lower energy waste reduction program costs, the absence of a \$4 million charge associated with a 2016 voluntary separation plan, and a \$4 million decrease in other gas operating and maintenance expenses.

For 2016, maintenance and other operating expenses decreased \$2 million compared with 2015. This change was due to an \$8 million reduction in pipeline integrity expenses and a \$7 million decrease in uncollectible accounts expense due primarily to the successful implementation of new collection practices. These decreases were offset partially by a \$6 million increase in postretirement benefit costs, a \$4 million charge associated with a 2016 voluntary separation program, and a \$3 million increase in other gas operating and maintenance expenses.

Depreciation and Amortization: For 2017, depreciation and amortization expense increased \$18 million compared with 2016, and for 2016, depreciation and amortization expense increased \$23 million compared with 2015. Both increases were due primarily to higher depreciation expense from increased plant in service.

General Taxes: For 2017, general taxes increased \$5 million compared with 2016, and for 2016, general taxes increased \$7 million compared with 2015. Both increases were due to increased property taxes, reflecting higher capital spending.

Other Income, Net of Expenses: For 2017, other income, net of expenses, decreased \$8 million compared with 2016. This change was due to an \$11 million reduction in nonoperating retirement benefits credits, offset partially by the \$4 million impact of benefit plan changes. Also contributing to the change were \$3 million in higher donations and \$3 million in other expenses. These changes were offset partially by a \$5 million gain on the donation of CMS Energy stock by Consumers, which was eliminated on CMS Energy's consolidated statements of income.

For 2016, other income, net of expenses, increased \$11 million compared with 2015. This change was due to a \$21 million increase in nonoperating retirement benefits credits and a \$1 million decrease in other expenses. The increase in postretirement benefit credits was attributable primarily to a change in the discount-rate methodology used to calculate postretirement benefit costs. These changes were offset partially by an \$8 million increase in donations and by the absence, in 2016, of a \$3 million gain on a donation of CMS Energy stock by Consumers. The gain was eliminated on CMS Energy's consolidated statements of income.

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Income Taxes: For 2017, income taxes increased \$21 million compared with 2016. This change reflected increases of \$15 million due to higher utility earnings, a \$9 million increase to recognize the impacts of the TCJA, and \$1 million in other income taxes. These changes were offset partially by the \$4 million impact of a reduction in Consumers effective state income tax rate. For additional details on the TCJA and on the reduction in Consumers effective state income tax rate, see Item 8. Financial Statements and Supplementary Data Notes to the Consolidated Financial Statements Note 14, Income Taxes.

For 2016, income taxes decreased \$4 million compared with 2015. This reduction was due primarily to a change in the treatment of excess tax benefits on restricted stock awards as a result of the early adoption of a new accounting standard.

Enterprises Results of Operations

Years Ended December 31	2017	2016	Change	2016	2015	<i>In Millions</i> Change
Net Income (Loss) Available to Common Stockholders	\$ (27)	\$ 17	\$ (44)	\$ 17	\$ 4	\$ 13

For 2017, net income of the enterprises segment decreased \$44 million compared with 2016, due primarily to \$57 million in higher income taxes due to the impacts of the TCJA, offset partially by a \$13 million increase due primarily to higher prices for capacity and demand revenue from DIG. For additional details on the TCJA, see Item 8. Financial Statements and Supplementary Data Notes to the Consolidated Financial Statements Note 14, Income Taxes.

For 2016, net income of the enterprises segment increased \$13 million compared with 2015, due primarily to higher prices for capacity and demand revenue from DIG.

Corporate Interest and Other Results of Operations

Years Ended December 31	2017	2016	Change	2016	2015	<i>In Millions</i> Change
Net Loss Available to Common Stockholders	\$ (141)	\$ (79)	\$ (62)	\$ (79)	\$ (72)	\$ (7)

For 2017, corporate interest and other net expenses increased \$62 million compared with 2016. This increase was due primarily to \$57 million in higher income taxes due to the impacts of the TCJA, and the absence, in 2017, of a settlement reached with the Michigan Department of Treasury that resulted in a \$2 million after-tax reduction in general taxes and a \$3 million reduction in income tax expense. For additional details on the TCJA, see Item 8. Financial Statements and Supplementary Data Notes to the Consolidated Financial Statements Note 14, Income Taxes.

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In addition, corporate interest and other net expenses also reflected the elimination in consolidation of a \$9 million after-tax intercompany gain resulting from the donation of CMS Energy stock at Consumers. These changes were offset partially by lower fixed charges of \$4 million, increases of \$3 million at EnerBank, and lower administrative and other expenses of \$2 million. In both 2017 and 2016, CMS Energy incurred an after-tax loss of \$11 million on the early extinguishment of debt.

For 2016, corporate interest and other net expenses increased \$7 million compared with 2015. This increase was due primarily to an \$11 million after-tax loss on the early extinguishment of debt and \$8 million of higher interest expense, reflecting higher debt levels. These increases were offset partially by a settlement reached with the Michigan Department of Treasury that resulted in a \$2 million after-tax reduction in general taxes and a \$3 million reduction in income tax expense, and by \$1 million of higher earnings at EnerBank. Also contributing to the change were the absence, in 2016, of \$6 million of

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additional income tax expense attributable to higher Michigan Corporate Income Tax and to the establishment of a valuation allowance for certain tax credits.

CASH POSITION, INVESTING, AND FINANCING

At December 31, 2017, CMS Energy had \$204 million of consolidated cash and cash equivalents, which included \$22 million of restricted cash and cash equivalents. At December 31, 2017, Consumers had \$65 million of consolidated cash and cash equivalents, which included \$21 million of restricted cash and cash equivalents.

Operating Activities

Presented in the following table are specific components of net cash provided by operating activities for 2017, 2016, and 2015:

Years Ended December 31	2017	2016	Change	2016	2015	<i>In Millions</i> Change
CMS Energy, including Consumers						
Net income	\$ 462	\$ 553	\$ (91)	\$ 553	\$ 525	\$ 28
Non-cash transactions ¹	1,429	1,177	252	1,177	1,155	22
Postretirement benefits contributions	(12)	(108)	96	(108)	(262)	154
Changes in core working capital ²	(63)	50	(113)	50	241	(191)
Changes in other assets and liabilities, net	(111)	(43)	(68)	(43)	(19)	(24)
Net cash provided by operating activities	\$ 1,705	\$ 1,629	\$ 76	\$ 1,629	\$ 1,640	\$ (11)
Consumers						
Net income	\$ 632	\$ 616	\$ 16	\$ 616	\$ 594	\$ 22
Non-cash transactions ¹	1,123	1,148	(25)	1,148	1,096	52
Postretirement benefits contributions	(8)	(98)	90	(98)	(243)	145
Changes in core working capital ²	(65)	64	(129)	64	226	(162)
Changes in other assets and liabilities, net	33	(49)	82	(49)	121	(170)
Net cash provided by operating activities	\$ 1,715	\$ 1,681	\$ 34	\$ 1,681	\$ 1,794	\$ (113)

¹ Non-cash transactions comprise depreciation and amortization, changes in deferred income taxes, bad debt expense, and other non-cash operating activities and reconciling adjustments.

2 Core working capital comprises accounts receivable, notes receivable, accrued revenue, inventories, accounts payable, and accrued rate refunds.

For 2017, net cash provided by operating activities at CMS Energy increased \$76 million compared with 2016 and net cash provided by operating activities at Consumers increased \$34 million compared with 2016. These increases were due primarily to higher net income, net of non-cash transactions, which included the impacts of the TCJA. Also contributing to the increases were lower postretirement benefit contributions and higher collections from customers. These changes were offset partially by gas purchased at higher prices and increased spending on environmental remediation activities. The increase at Consumers also reflected lower tax payments to CMS Energy.

For 2016, net cash provided by operating activities at CMS Energy decreased \$11 million compared with 2015 and net cash provided by operating activities at Consumers decreased \$113 million compared with 2015. These changes were due primarily to lower customer collections, reflecting lower gas prices and sales volumes, offset partially by lower postretirement benefits contributions and higher net income. At Consumers, higher income tax payments to CMS Energy also contributed to the decrease in net cash provided by operating activities in 2016.

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Investing Activities

Presented in the following table are specific components of net cash used in investing activities for 2017, 2016, and 2015:

Years Ended December 31	2017	2016	Change	2016	2015	<i>In Millions</i> Change
CMS Energy, including Consumers						
Capital expenditures	\$ (1,665)	\$ (1,672)	\$ 7	\$ (1,672)	\$ (1,564)	(108)
Increase in EnerBank notes receivable	(138)	(136)	(2)	(136)	(279)	143
Proceeds from the sale of EnerBank notes receivable	50	-	50	-	48	(48)
DB SERP fund contribution	(7)	-	(7)	-	(25)	25
Jackson plant acquisition	-	-	-	-	(154)	154
Costs to retire property and other	(108)	(107)	(1)	(107)	(90)	(17)
Net cash used in investing activities	\$ (1,868)	\$ (1,915)	\$ 47	\$ (1,915)	\$ (2,064)	149
Consumers						
Capital expenditures	\$ (1,632)	\$ (1,656)	\$ 24	\$ (1,656)	\$ (1,537)	(119)
DB SERP fund contribution	(6)	-	(6)	-	(17)	17
Jackson plant acquisition	-	-	-	-	(154)	154
Costs to retire property and other	(113)	(112)	(1)	(112)	(93)	(19)
Net cash used in investing activities	\$ (1,751)	\$ (1,768)	\$ 17	\$ (1,768)	\$ (1,801)	33

For 2017, net cash used in investing activities at CMS Energy decreased \$47 million compared with 2016 and net cash used in investing activities at Consumers decreased \$17 million compared with 2016. At CMS Energy, the change was due to the sale of EnerBank notes receivable. At Consumers, the change was due to lower capital expenditures.

For 2016, net cash used in investing activities at CMS Energy decreased \$149 million compared with 2015 and net cash used in investing activities at Consumers decreased \$33 million compared with 2015. The changes were due primarily to the absence, in 2016, of the acquisition of the Jackson power plant and, at CMS Energy, decreased growth in EnerBank consumer lending. These changes were offset partially by increased capital expenditures.

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Financing Activities

Presented in the following table are specific components of net cash provided by (used in) financing activities for 2017, 2016, and 2015:

Years Ended December 31	2017	2016	Change	2016	2015	<i>In Millions</i> Change
CMS Energy, including Consumers						
Issuance of debt	\$ 1,633	\$ 1,049	\$ 584	\$ 1,049	\$ 599	\$ 450
Net increase in EnerBank certificates of deposit	47	100	(53)	100	214	(114)
Issuance of common stock	83	72	11	72	43	29
Retirement of debt	(980)	(728)	(252)	(728)	(224)	(504)
Debt prepayment costs	(22)	(18)	(4)	(18)	-	(18)
Payment of dividends on common and preferred stock	(377)	(347)	(30)	(347)	(322)	(25)
Change in notes payable	(228)	149	(377)	149	189	(40)
Other financing activities	(46)	(22)	(24)	(22)	(36)	14
Net cash provided by financing activities	\$ 110	\$ 255	\$ (145)	\$ 255	\$ 463	\$ (208)
Consumers						
Issuance of debt	\$ 834	\$ 446	\$ 388	\$ 446	\$ 250	\$ 196
Stockholder contribution from CMS Energy	450	275	175	275	150	125
Payment of dividends on common and preferred stock	(524)	(501)	(23)	(501)	(476)	(25)
Retirement of debt	(555)	(198)	(357)	(198)	(124)	(74)
Debt prepayment costs	(4)	-	(4)	-	-	-
Change in notes payable	(228)	149	(377)	149	189	(40)
Other financing activities	(24)	(3)	(21)	(3)	(23)	20
Net cash provided by (used in) financing activities	\$ (51)	\$ 168	\$ (219)	\$ 168	\$ (34)	\$ 202

For 2017, net cash provided by financing activities at CMS Energy decreased \$145 million compared with 2016 and net cash provided by financing activities at Consumers decreased \$219 million compared with 2016. These changes were due primarily to higher repayments under Consumers commercial paper program, an increase in debt retirements, and, at CMS Energy, lower issuances of certificates of deposit at EnerBank. These decreases were offset partially by higher debt issuances and, at Consumers, a higher stockholder contribution from CMS Energy.

For 2016, net cash provided by financing activities at CMS Energy decreased \$208 million compared with 2015 and net cash provided by financing activities at Consumers increased \$202 million compared with 2015. At CMS Energy, this change was due primarily to an increase in debt retirements and lower issuances of certificates of deposit at EnerBank, offset partially by higher debt issuances and higher repayments under Consumers commercial paper program. At Consumers, a higher stockholder contribution from CMS Energy and an increase in debt issuances, offset partially by debt retirements, contributed to the increase in net cash provided by financing activities in 2016 at Consumers.

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CAPITAL RESOURCES AND LIQUIDITY

CMS Energy uses dividends and tax-sharing payments from its subsidiaries and external financing and capital transactions to invest in its utility and non-utility businesses, retire debt, pay dividends, and fund its other obligations. The ability of CMS Energy's subsidiaries, including Consumers, to pay dividends to CMS Energy depends upon each subsidiary's revenues, earnings, cash needs, and other factors. In addition, Consumers' ability to pay dividends is restricted by certain terms included in its debt covenants and articles of incorporation and potentially by FERC requirements and provisions under the Federal Power Act and the Natural Gas Act. For additional details on Consumers' dividend restrictions, see Item 8. Financial Statements and Supplementary Data Notes to the Consolidated Financial Statements Note 5, Financings and Capitalization Dividend Restrictions. For the year ended December 31, 2017, Consumers paid \$522 million in dividends on its common stock to CMS Energy.

As a result of a provision in the TCJA, CMS Energy is required to recover all alternative minimum tax credits over the next four years through offsets of regular tax and through cash refunds. CMS Energy expects to be able to offset regular tax through the use of federal net operating loss carryforwards and, accordingly, receive alternative minimum tax credit refunds through 2021. Another provision in the TCJA excludes rate-regulated utilities from 100 percent cost expensing of certain property after September 27, 2017. This provision will cause Consumers to make higher tax-sharing payments to CMS Energy during that period, which in turn might permit CMS Energy to maintain lower levels of debt in order to invest in its businesses, pay dividends, and fund its general obligations. To the extent that Consumers will be required to issue refunds to customers or reduce future customer rates as a result of the TCJA, Consumers expects to have sufficient funding sources available to meet this requirement.

In March 2017, CMS Energy entered into an updated continuous equity offering program. Under this program, CMS Energy may sell, from time to time in the market offerings, common stock having an aggregate sales price of up to \$100 million. In June 2017, CMS Energy issued common stock under this program and received net proceeds of \$70 million.

Consumers uses cash flows generated from operations and external financing transactions, as well as stockholder contributions from CMS Energy, to fund capital expenditures, retire debt, pay dividends, contribute to its employee benefit plans, and fund its other obligations. Accelerated pension funding in prior years and several initiatives to reduce costs have helped improve cash flows from operating activities. Consumers anticipates continued strong cash flows from operating activities for 2018 and beyond.

Access to the financial and capital markets depends on CMS Energy's and Consumers' credit ratings and on market conditions. As evidenced by past financing transactions, CMS Energy and Consumers have had ready access to these markets. Barring major market dislocations or disruptions, CMS Energy and Consumers expect to continue to have ready access to the financial and capital markets. If access to these markets were to diminish or otherwise become restricted, CMS Energy and Consumers would implement contingency plans to address debt maturities, which could include reduced capital spending.

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At December 31, 2017, CMS Energy had \$544 million of its secured revolving credit facility available and Consumers had \$873 million available. CMS Energy and Consumers use these credit facilities for general working capital purposes and to issue letters of credit. An additional source of liquidity is Consumers' commercial paper program, which allows Consumers to issue, in one or more placements, up to \$500 million in the aggregate in commercial paper notes with maturities of up to 365 days and that bear interest at fixed or floating rates. These issuances are supported by Consumers' revolving credit facilities. While the amount of outstanding commercial paper does not reduce the available capacity of the revolving credit facilities, Consumers does not intend to issue commercial paper in an amount exceeding the available capacity. At December 31, 2017, \$170 million of commercial paper notes were outstanding under this program. For additional details on CMS Energy's and Consumers' secured revolving credit facilities and commercial paper program, see Item 8. Financial Statements and Supplementary Data Notes to the Consolidated Financial Statements Note 5, Financings and Capitalization.

Certain of CMS Energy's and Consumers' credit agreements, debt indentures, and other facilities contain covenants that require CMS Energy and Consumers to maintain certain financial ratios, as defined therein. At December 31, 2017, no default had occurred with respect to any financial covenants contained in CMS Energy's and Consumers' credit agreements, debt indentures, or other facilities. CMS Energy and Consumers were each in compliance with these covenants as of December 31, 2017, as presented in the following table:

Credit Agreement, Indenture, or Facility	December 31, 2017	
	Limit	Actual
CMS Energy, parent only		
Debt to EBITDA ¹	≤ 6.0 to 1.0	4.3 to 1.0
Consumers		
Debt to Capital ²	≤ 0.65 to 1.0	0.47 to 1.0

¹ Applies to CMS Energy's \$550 million revolving credit agreement and \$225 million and \$180 million term loan agreements.

² Applies to Consumers' \$650 million and \$250 million revolving credit agreements and its \$68 million, \$35 million, and \$30 million reimbursement agreements.

Components of CMS Energy's and Consumers' cash management plan include controlling operating expenses and capital expenditures and evaluating market conditions for financing and refinancing opportunities. CMS Energy's and Consumers' present level of cash and expected cash flows from operating activities, together with access to sources of liquidity, are anticipated to be sufficient to fund the companies' contractual obligations for 2018 and beyond.

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Contractual Obligations: Presented in the following table are CMS Energy's and Consumers' contractual obligations. The table excludes all amounts classified as current liabilities on CMS Energy's and Consumers' consolidated balance sheets, other than the current portion of long-term debt, capital leases, and financing obligation.

December 31, 2017	<i>In Millions</i>				
	Total	Less Than One Year	Payments Due One to Three Years	Three to Five Years	More Than Five Years
CMS Energy, including Consumers					
Long-term debt	\$ 10,265	\$ 1,081	\$ 2,333	\$ 1,217	\$ 5,634
Interest payments on long-term debt	4,785	400	639	499	3,247
Capital leases and financing obligation	113	24	44	29	16
Interest payments on capital leases and financing obligation	32	7	12	8	5
Operating leases	53	15	18	13	7
Asset retirement obligations	1,408	37	53	55	1,263
Deferred investment tax credit	87	4	8	7	68
Environmental liabilities	157	22	36	33	66
<i>Purchase obligations</i>					
Total PPAs	9,159	1,042	2,112	1,858	4,147
Other ¹	2,026	891	727	117	291
Total contractual obligations	\$ 28,085	\$ 3,523	\$ 5,982	\$ 3,836	\$ 14,744
Consumers					
Long-term debt	\$ 5,940	\$ 343	\$ 1,302	\$ 680	\$ 3,615
Interest payments on long-term debt	3,503	255	406	322	2,520
Capital leases and financing obligation	113	24	44	29	16
Interest payments on capital leases and financing obligation	32	7	12	8	5
Operating leases	53	15	18	13	7
Asset retirement obligations	1,407	37	53	55	1,262
Deferred investment tax credit	87	4	8	7	68
Environmental liabilities	96	17	28	25	26
<i>Purchase obligations</i>					
<i>PPAs</i>					
MCV PPA	2,621	350	694	674	903
Palisades PPA	1,647	367	766	514	-
Related-party PPAs ²	1,546	87	181	196	1,082
Other PPAs	3,345	238	471	474	2,162
Total PPAs	9,159	1,042	2,112	1,858	4,147
Other ¹	1,787	859	667	92	169
Total contractual obligations	\$ 22,177	\$ 2,603	\$ 4,650	\$ 3,089	\$ 11,835

¹ Long-term contracts for purchase of commodities and related services, and construction and service agreements. The commodities and related services include natural gas and coal with associated transportation.

² Long-term PPAs from certain affiliates of CMS Enterprises.

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CMS Energy and Consumers also have recognized non-current liabilities for which the timing of payments cannot be reasonably estimated. These items, which are excluded from the table above, include regulatory liabilities, deferred income taxes, workers compensation liabilities, accrued liabilities under renewable energy programs, and other liabilities. Retirement benefits are also excluded from the table

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above. For details related to benefit payments, see Item 8. Financial Statements and Supplementary Data Notes to the Consolidated Financial Statements Note 12, Retirement Benefits.

Off-Balance-Sheet Arrangements: CMS Energy, Consumers, and certain of their subsidiaries enter into various arrangements in the normal course of business to facilitate commercial transactions with third parties. These arrangements include indemnities, surety bonds, letters of credit, and financial and performance guarantees. Indemnities are usually agreements to reimburse a counterparty that may incur losses due to outside claims or breach of contract terms. The maximum payment that could be required under a number of these indemnity obligations is not estimable; the maximum obligation under indemnities for which such amounts were estimable was \$153 million at December 31, 2017. While CMS Energy and Consumers believe it is unlikely that they will incur any material losses related to indemnities they have not recorded as liabilities, they cannot predict the impact of these contingent obligations on their liquidity and financial condition. For additional details on these and other guarantee arrangements, see Item 8. Financial Statements and Supplementary Data Notes to the Consolidated Financial Statements Note 4, Contingencies and Commitments Guarantees. For additional details on operating leases, see Item 8. Financial Statements and Supplementary Data Notes to the Consolidated Financial Statements Note 10, Leases and Palisades Financing.

Capital Expenditures: Over the next five years, CMS Energy and Consumers expect to make substantial capital investments. CMS Energy and Consumers may revise their forecasts of capital expenditures periodically due to a number of factors, including environmental regulations, business opportunities, market volatility, economic trends, and the ability to access capital. Presented in the following table are CMS Energy's and Consumers' estimated capital expenditures, including lease commitments, for 2018 through 2022:

	2018	2019	2020	2021	2022	<i>In Billions</i> Total
CMS Energy, including						
Consumers						
Consumers	\$ 2.0	\$ 2.3	\$ 2.2	\$ 1.8	\$ 1.8	\$ 10.1
Enterprises	0.1	0.1	0.1	0.1	0.1	0.5
Total CMS Energy	\$ 2.1	\$ 2.4	\$ 2.3	\$ 1.9	\$ 1.9	\$ 10.6
Consumers						
Electric utility operations	\$ 1.0	\$ 1.2	\$ 1.2	\$ 0.9	\$ 0.9	\$ 5.2
Gas utility operations	1.0	1.1	1.0	0.9	0.9	4.9
Total Consumers	\$ 2.0	\$ 2.3	\$ 2.2	\$ 1.8	\$ 1.8	\$ 10.1

OUTLOOK

Several business trends and uncertainties may affect CMS Energy's and Consumers' financial condition and results of operations. These trends and uncertainties could have a material impact on CMS Energy's and Consumers' consolidated income, cash flows, or financial position. For additional details regarding these and other uncertainties, see Forward-Looking Statements and Information; Item 1A. Risk Factors; Item 8. Financial Statements and Supplementary Data Notes to the Consolidated Financial Statements Note 3, Regulatory Matters; and Note 4, Contingencies and Commitments.

Consumers Electric Utility and Gas Utility Outlook and Uncertainties

Tax Cuts and Jobs Act: In December 2017, President Trump signed the TCJA, which changed existing federal tax law and included numerous provisions that affect businesses. Subsequently, the MPSC ordered all rate-regulated utilities in Michigan to report the impact that the new federal tax law will have on their customers. Consumers filed its response to the MPSC in January 2018, indicating that the TCJA reduces its annual electric revenue requirement by an estimated \$116 million, and reduces its annual gas revenue requirement by an estimated \$49 million. These amounts exclude potential refunds associated with

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Consumers' remeasurement of its deferred income taxes, which Consumers has proposed addressing in a future filing. In the January 2018 filing, Consumers recommended that the income tax benefits be provided to customers through a bill credit by the end of 2018. The timing and amortization period of any future rate adjustments or refunds are subject to change based on MPSC orders.

Energy Waste Reduction Plan: The 2016 Energy Law, which became effective in April 2017, authorized incentives for demand response programs and expanded existing incentives for energy efficiency programs, referring to the combined initiatives as energy waste reduction. The 2016 Energy Law:

- extended the requirement to achieve annual reductions of 1.0 percent in customers' electricity use through 2021 and 0.75 percent in customers' natural gas use indefinitely
- removed limits on investments under the program and provided for a higher return on those investments; together, these provisions effectively doubled the financial incentives Consumers may earn for exceeding the statutory targets
- established a goal of 35 percent combined renewable energy and energy waste reduction by 2025

During 2017, the MPSC approved an energy waste reduction plan for Consumers that amended and expanded its existing energy optimization plan, allowing for recovery of increased investments to meet the requirements of the 2016 Energy Law and expanding the financial incentive that Consumers may earn for exceeding savings targets during the year. Under this plan, Consumers will continue to provide its customers with incentives to reduce usage by offering energy audits, rebates and discounts on purchases of highly efficient appliances, and other incentives and programs.

Smart Energy and Gas AMR: In 2017, Consumers completed the full-scale deployment of 1.8 million smart meters throughout its service territory. Smart meters allow customers to monitor and manage their energy usage, which Consumers expects will help reduce demand during critical peak times, resulting in lower peak electric capacity requirements. In addition, Consumers is able to disconnect and reconnect service, read, and bill from smart meters remotely. Consumers will continue to add further functionality to its smart meters. Also in 2017, in areas where Consumers provides both electricity and natural gas to customers, it completed the deployment of communication modules on gas meters, installing 670,000 modules that will allow it to read and bill from gas meters remotely.

In areas where it provides only natural gas to customers, Consumers began the deployment of Gas AMR technology in 2017 and expects to complete it in 2019. Under this program, Consumers plans to install communication modules on 1.1 million gas meters, allowing it to conduct drive-by meter reading. As of December 31, 2017, Consumers had installed 96,000 communication modules.

Consumers Electric Utility Outlook and Uncertainties

Energy Resource Planning: While Consumers continues to experience increasing demand for electricity due to Michigan's growing economy and increased use of air conditioning, consumer electronics, and other electric devices, it expects that increase in demand to be offset by the

effects of energy efficiency and conservation. In order to address future capacity requirements, Consumers has developed a comprehensive clean energy plan designed to meet the short-term and long-term electricity needs of its customers. Presently, Consumers is reconsidering and realigning this plan in accordance with the integrated planning process established by the 2016 Energy Law. Consumers will file its integrated resource plan with the MPSC in mid-2018.

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In April 2016, Consumers retired seven of its coal-fueled electric generating units, representing 950 MW of capacity. Even with the retirements of these units, Consumers expects to meet the capacity requirements of its full-service customers through:

- energy waste reduction
- expanded use of renewable energy
- the use of the Jackson plant, a 540-MW natural gas-fueled electric generating plant purchased in 2015
- construction or purchase of electric generating units
- continued operation or upgrade of existing units, including upgrades at Ludington
- renegotiations of existing PPAs
- purchases of short-term market capacity

In May 2017, Consumers reached an agreement with T.E.S. Filer City to amend their PPA in anticipation of the conversion of T.E.S. Filer City's plant to use natural gas as its primary fuel instead of coal. The conversion is expected to increase the amount of capacity and energy produced by the plant from 73 MW to 225 MW. Under the amendment to the PPA, Consumers will purchase the increased capacity and electricity generated by the converted facility for 15 years. The original PPA was set to expire in 2025. In February 2018, the MPSC approved the amendment to the PPA. The amendment is contingent on a finding by FERC that sales made under the amended PPA are exempt from, or authorized under, Section 205 of the Federal Power Act and on commercial operation of the converted facility on or before June 1, 2022.

During 2017, Consumers issued a request for proposals to acquire a natural gas-fueled generating plant, and it completed an auction to purchase generation capacity. The request for proposals and the contracts entered into as a result of the auction were contingent on the anticipated early termination of Consumers' PPA with Entergy, under which Consumers purchases virtually all of the capacity and energy produced by Palisades. Following the MPSC's September 2017 order authorizing only partial recovery of the termination payment that Consumers had negotiated with Entergy, Consumers and Entergy agreed not to terminate the PPA, which is now expected to continue until April 2022 under its original terms. As a result, Consumers has rescinded the capacity contracts and is no longer pursuing any of the proposals received to acquire a natural gas-fueled generating plant. For additional details regarding the MPSC's order on the Palisades PPA, see the Electric Rate Matters discussion in this section.

PURPA: PURPA requires Consumers to purchase power from qualifying cogeneration and small power production facilities at a price approved by the MPSC that is meant to represent Consumers' avoided cost of generating power or purchasing power from another source. In November 2017, the MPSC issued an order setting a new avoided-cost formula to determine the price that Consumers must pay to purchase power under PURPA. Among other things, the MPSC's order changes the basis of Consumers' avoided cost from the cost of coal-fueled generating units to that of natural gas-fueled generating units. The MPSC order also assigns more capacity value to qualifying facilities that are consistently able to generate electricity during peak times. Although the costs Consumers incurs to purchase power from qualifying facilities are passed on to customers, the order could result in mandated purchases of generation, potentially at above-market prices, and reduce Consumers' need for new owned generation. This in turn could have a material adverse effect on Consumers' capital investment plan and the affordability of future customer rates. In December 2017, Consumers filed a petition with the MPSC requesting corrections to the pricing calculations and capacity purchase model set in the order. In December 2017, the MPSC suspended the implementation of the order until the issues raised in Consumers' petition are resolved.

Renewable Energy Plan: The 2016 Energy Law raised the renewable energy standard from the present ten-percent requirement to 15 percent in 2021, with an interim target of 12.5 percent in 2019. Consumers is required to submit RECs, which represent proof that the associated electricity was generated from a

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renewable energy resource, in an amount equal to at least the required percentage of Consumers' electric sales volume each year. Under its renewable energy plan, Consumers expects to meet its renewable energy requirement each year with a combination of newly generated RECs and previously generated RECs carried over from prior years.

In conjunction with its renewable energy plan, in November 2017, Consumers began purchasing renewable capacity, energy, and RECs from a 100-MW wind park in Huron County, Michigan, under a 15-year PPA. In addition, Consumers obtained the MPSC's approval to construct two additional phases at its Cross Winds® Energy Park. Phase II of the park, with a nameplate capacity of 44 MW, became operational in January 2018. Consumers began construction of Phase III, with a planned nameplate capacity of 76 MW, in June 2017 and expects it to be operational in 2020. Both phases of the project are expected to qualify for certain federal production tax credits, which are expected to generate cost savings that will be passed on to customers.

In June 2017, Consumers issued requests for proposals to acquire wind and solar generation projects within MISO's service territory, specifically wind generation projects ranging in size from 100 MW to 200 MW and solar generation projects at least 10 MW in size. In September 2017, Consumers filed amendments to its renewable energy plan with the MPSC, requesting approval to acquire up to 525 MW of new wind generation projects and up to 100 MW of new solar generation projects in order to meet its renewable energy requirement. Any contracts entered into as a result of the request for proposals would be subject to MPSC approval.

Voluntary Large Customer Renewable Energy Pilot Program: In May 2017, Consumers filed an application with the MPSC proposing a pilot program that would provide large full-service electric customers with the opportunity to advance the development of renewable energy beyond the requirements of the 2016 Energy Law. Under the pilot program, customers would have the ability to match up to 100 percent of their energy use with renewable energy generated from wind resources. In August 2017, the MPSC conditionally approved a portion of the pilot program through October 2018 and instructed Consumers to submit the program for review as a voluntary green pricing program under provisions of the 2016 Energy Law. Consumers submitted this program for review in October 2017.

Electric Customer Deliveries and Revenue: Consumers' electric customer deliveries are seasonal and largely dependent on Michigan's economy. The consumption of electric energy typically increases in the summer months, due primarily to the use of air conditioners and other cooling equipment. In addition, Consumers' electric rates, which follow a seasonal rate design, are higher in the summer months than in the remaining months of the year.

Consumers expects weather-adjusted electric deliveries to increase in 2018 by less than a half-percent compared with 2017. Over the next five years, Consumers plans conservatively for average electric deliveries to remain stable or increase slightly relative to 2017, as it expects that growth in electric demand will be offset partially by the effects of energy waste reduction programs and appliance efficiency standards. Actual delivery levels will depend on:

- energy conservation measures and results of energy waste reduction programs
- weather fluctuations
- Michigan's economic conditions, including utilization, expansion, or contraction of manufacturing facilities, population trends, and housing activity

Electric ROA: Under Michigan law, electric customers in Consumers' service territory are allowed to buy electric generation service from alternative electric suppliers in an aggregate amount up to ten percent of Consumers' weather-adjusted retail sales for the preceding calendar year. At December 31, 2017, electric deliveries under the ROA program were at the ten-percent limit. Of Consumers' 1.8 million electric customers, 287 customers, or 0.02 percent, purchased electric generation service under the ROA program.

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The 2016 Energy Law, which became effective in April 2017, retained the ten percent cap on ROA, with certain exceptions, but established a path to ensure that forward capacity is secured for all electric customers in Michigan, including customers served by alternative electric suppliers under ROA. The new law also authorized the MPSC to ensure that alternative electric suppliers have procured enough capacity to cover their anticipated capacity requirements for the four-year forward period. In November 2017, the MPSC issued an order establishing a state reliability mechanism for Consumers. Under this mechanism, beginning June 1, 2018, if an alternative electric supplier does not demonstrate that it has procured its capacity requirements for the four-year forward period, its customers will pay a set charge to the utility for capacity that is not provided by the alternative electric supplier.

Electric Rate Matters: Rate matters are critical to Consumers' electric utility business. For additional details on rate matters, see Item 8. Financial Statements and Supplementary Data Notes to the Consolidated Financial Statements Note 3, Regulatory Matters.

Palisades PPA: In December 2016, Consumers agreed to pay Entergy \$172 million to terminate their PPA in May 2018, four years ahead of schedule, contingent on the MPSC's approval. In September 2017, the MPSC issued an order authorizing Consumers to recover only \$137 million of the \$172 million termination payment. As a result, Consumers and Entergy agreed not to terminate the PPA, which is now expected to continue until April 2022 under its original terms.

PSCR Plan: Consumers submitted its 2018 PSCR plan to the MPSC in September 2017 and, in accordance with its proposed plan, self-implemented the 2018 PSCR charge beginning in January 2018.

Depreciation Rate Case: In 2016, Consumers filed a depreciation rate case related to its Ludington electric utility property, requesting to increase depreciation expense by \$15 million annually. In July 2017, the MPSC approved a settlement agreement authorizing Consumers to recover an increase in depreciation expense of \$2 million annually, based on December 31, 2015 balances. The new depreciation rates will go into effect with a final order in Consumers' next electric rate case following the electric rate case filed in 2017.

Electric Environmental Outlook: Consumers' operations are subject to various state and federal environmental laws and regulations. Consumers estimates that it will incur capital expenditures of \$0.4 billion from 2018 through 2022 to continue to comply with RCRA, the Clean Water Act, the Clean Air Act, and numerous state and federal environmental regulations. Consumers expects to recover these costs in customer rates, but cannot guarantee this result. Consumers' primary environmental compliance focus includes, but is not limited to, the following matters.

Air Quality: CSAPR, which became effective in 2015, requires Michigan and 27 other states to improve air quality by reducing power plant emissions that, according to EPA computer models, contribute to ground-level ozone and fine particle pollution in other downwind states. In September 2016, the EPA finalized new ozone season standards for CSAPR, which became effective in May 2017. CSAPR is presently being litigated; however, any decision will not impact Consumers' compliance strategy, as Consumers expects its emissions to be within the CSAPR allowance allocations.

In 2012, the EPA published emission standards for electric generating units, based on Section 112 of the Clean Air Act, calling the final rule MATS. Under MATS, all of Consumers' existing coal-fueled electric generating units were required to add additional controls for hazardous air pollutants. Consumers met the extended deadline of April 2016 for five coal-fueled units and two oil/gas-fueled units it continues to operate and retired its seven remaining coal-fueled units. MATS is presently being litigated, but any decision is not expected to impact Consumers

MATS compliance strategy. In addition, Consumers must comply with the Michigan Mercury Rule and with its settlement agreement with the EPA entered into in 2014 concerning opacity and NSR.

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In 2015, the EPA released its new rule to lower the NAAQS for ozone. The new ozone NAAQS will make it more difficult to construct or modify power plants in many areas of the country, including some parts of Michigan, if the areas are designated to be in nonattainment of the new standard. The NAAQS for ozone are presently being litigated and the EPA's decision on nonattainment areas is expected in 2018. Consumers is monitoring the designation process of this rule, as well as the litigation, but does not anticipate any impact on its electric generating units.

Consumers' strategy to comply with air quality regulations, including CSAPR, NAAQS, and MATS, involved the installation and operation of emission control equipment at some facilities and the suspension of operations at others; however, Consumers continues to evaluate these rules in conjunction with other EPA rulemakings, litigation, and congressional action. This evaluation could result in:

- a change in Consumers' fuel mix
- changes in the types of generating units Consumers may purchase or build in the future
- changes in how certain units are used
- the retirement, mothballing, or repowering with an alternative fuel of some of Consumers' generating units
- changes in Consumers' environmental compliance costs

Greenhouse Gases: There have been numerous legislative and regulatory initiatives at the state, regional, national, and international levels that involve the potential regulation of greenhouse gases. Consumers continues to monitor and comment on these initiatives and to follow litigation involving greenhouse gases.

In 2015, the EPA finalized new rules pursuant to Section 111(b) of the Clean Air Act to limit carbon dioxide emissions from new electric generating units. New coal-fueled units will not be able to meet this limit without installing carbon dioxide control equipment using such methods as carbon capture and sequestration. In addition, the EPA finalized new rules pursuant to Section 111(b) of the Clean Air Act to limit carbon dioxide emissions from modified or reconstructed electric generating units. Both of these rules are being litigated.

Also in 2015, the EPA published final rules pursuant to Section 111(d) of the Clean Air Act to limit carbon dioxide emissions from existing electric generating units, calling the rules the Clean Power Plan. The rules required a 32-percent nationwide reduction in carbon emissions from existing power plants by 2030 (based on 2005 levels), and states choosing not to develop their own implementation plans would be subject to the federal plan. Certain states, corporations, and industry groups initiated litigation opposing the proposed Clean Power Plan, and in 2016, the U.S. Supreme Court stayed the Clean Power Plan while the litigation proceeded. In March 2017, the Trump administration issued an executive order directing the EPA and other federal agencies to review rules and policies that burden domestic energy production, including the Clean Power Plan. The EPA subsequently filed motions to hold the Section 111(b) and Clean Power Plan litigation in abeyance while it reconsiders the rule. In October 2017, the EPA published a proposal to repeal the Clean Power Plan and is reviewing comments received. The EPA has also announced that it intends to begin the rulemaking process for a replacement rule that conforms to the new legal interpretation set forth in the published proposed repeal of the Clean Power Plan. It is expected that the EPA will propose a replacement rule in 2018. Consumers does not expect that any changes to the Clean Power Plan will have an adverse impact on its environmental strategy.

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In 2015, a group of 195 countries finalized the Paris Agreement, which governs carbon dioxide reduction measures beginning in 2020. Although the Trump administration has withdrawn from the Paris Agreement, it has stated a desire to renegotiate a new agreement in the future. Consumers does not expect any adverse changes to its environmental strategy as a result of these events.

While Consumers cannot predict the outcome of changes in policy under the Trump administration or of other legislative or regulatory initiatives involving the potential regulation of greenhouse gases, it intends

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to continue to move forward with its clean energy plan, its present carbon reduction target, and its emphasis on supply diversity. Consumers will continue to monitor regulatory activity regarding greenhouse gas emissions standards that may affect electric generating units.

Severe weather events and climate change associated with increasing levels of greenhouse gases could affect the companies' facilities and energy sales and could have a material impact on the companies' future results of operations. Consumers is unable to predict these events or their financial impact; however, Consumers plans for adverse weather and takes steps to reduce its potential impact.

Litigation, as well as federal laws, EPA regulations regarding greenhouse gases, or similar treaties, state laws, or rules, if enacted or ratified, could ultimately require Consumers to replace equipment, install additional emission control equipment, purchase emission allowances, curtail operations, arrange for alternative sources of supply, or take other steps to manage or lower the emission of greenhouse gases. Although associated capital or operating costs relating to greenhouse gas regulation or legislation could be material and cost recovery cannot be assured, Consumers expects to recover these costs and capital expenditures in rates consistent with the recovery of other reasonable costs of complying with environmental laws and regulations.

CCRs: In 2015, the EPA published a final rule regulating CCRs, such as coal ash, under RCRA. The final rule adopts minimum standards for beneficially reusing and disposing of non-hazardous CCRs. The rule establishes new minimum requirements for site location, groundwater monitoring, flood protection, storm water design, fugitive dust control, and public disclosure of information. The rule also sets out conditions under which CCR units would be forced to cease receiving CCR and non-CCR waste and initiate closure based on the inability to achieve minimum safety standards, meet a location standard, or meet minimum groundwater standards. Consumers continues to develop work plans for submission to the MDEQ for concurrence to ensure coordination between federal and state requirements. Furthermore, Congress passed legislation in December 2016 that allows states to develop a permitting program for CCR under RCRA, and Michigan is taking steps to adopt such a program. As a result, Consumers may need to adjust its recorded ARO associated with coal ash disposal sites depending on the outcome of its submissions to the MDEQ and on a future RCRA permitting program under MDEQ, if the EPA approves a state-level program. Consumers has historically been authorized to recover in electric rates costs incurred related to cleanup and closure of coal ash disposal sites.

Water: The EPA's rule to regulate existing electric generating plant cooling water intake systems under Section 316(b) of the Clean Water Act became effective in 2014. The rule is aimed at reducing alleged harmful impacts on fish and shellfish. In 2015, the EPA released its final effluent limitation guidelines. These guidelines, which are presently being litigated, set stringent new requirements for the discharge from electric generating units into wastewater streams. In August 2017, the EPA announced that it will undertake a rulemaking to replace specific portions of the rule. In September 2017, the EPA proposed delaying the compliance start dates for two years, but maintained the compliance end dates. Consumers does not expect any adverse changes to its environmental strategy as a result of any revisions to the rule.

In 2015, the EPA and the U.S. Army Corps of Engineers published a final rule redefining waters of the United States, which designates the EPA's jurisdiction under the Clean Water Act. Numerous states and other interested parties, including Michigan's Attorney General, have filed suits in federal courts to block the rule, which subsequently was stayed in 2015 while litigation ensued. In January 2018, the U.S. Supreme Court unanimously ruled that the federal district courts, not the federal appellate courts, had jurisdiction over challenges to the 2015 rule, which is likely to result in the stay being lifted at the district court level. The EPA and the U.S. Army Corps of Engineers are taking actions to rescind the rule and to revert to regulatory language that had been in effect prior to the 2015 rule. The 2015 rule changes the scope of water and wetlands regulations; however, the EPA has delegated authority to manage the Michigan wetlands program to the MDEQ. As a result, regardless of whether the 2015 rule is rescinded or maintained, Consumers will continue to operate under Michigan's wetlands regulations, and under the

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applicable state and federal water jurisdictional regulations. Thus, Consumers does not expect any adverse changes to its environmental strategy as a result of these events.

Many of Consumers' facilities maintain NPDES permits, which are valid for five years and vital to the facilities' operations. Failure of the MDEQ to renew any NPDES permit, a successful appeal against a permit, or onerous terms contained in a permit could have a significant detrimental effect on the operations of a facility.

Other Matters: Other electric environmental matters could have a material impact on Consumers' outlook. For additional details on other electric environmental matters, see Item 8. Financial Statements and Supplementary Data Notes to the Consolidated Financial Statements Note 4, Contingencies and Commitments Consumers Electric Utility Contingencies Electric Environmental Matters.

Consumers Gas Utility Outlook and Uncertainties

Gas Deliveries: Consumers' gas customer deliveries are seasonal. The peak demand for natural gas occurs in the winter due to colder temperatures and the resulting use of natural gas as heating fuel. Consumers expects weather-adjusted gas deliveries to remain stable in 2018 compared with 2017. Over the next five years, Consumers expects average gas deliveries to increase moderately relative to 2017. This outlook reflects modest growth in gas demand offset partially by the predicted effects of energy efficiency and conservation. Actual delivery levels from year to year may vary from this expectation due to:

- weather fluctuations
- use by power producers
- availability and development of renewable energy sources
- gas price changes
- Michigan economic conditions, including population trends and housing activity
- the price of competing energy sources or fuels
- energy efficiency and conservation impacts

Gas Rate Matters: Rate matters are critical to Consumers' gas utility business. For additional details on rate matters, see Item 8. Financial Statements and Supplementary Data Notes to the Consolidated Financial Statements Note 3, Regulatory Matters.

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Gas Rate Case: In October 2017, Consumers filed an application with the MPSC seeking an annual rate increase of \$178 million, based on a 10.5 percent authorized return on equity. The largest component of the request is an annual revenue requirement of \$162 million related to infrastructure investment and related costs that will allow Consumers to improve system safety, capacity, and deliverability.

The filing also seeks approval of two rate adjustment mechanisms: a revenue decoupling mechanism and an investment recovery mechanism. The revenue decoupling mechanism would annually reconcile Consumers' actual weather-adjusted nonfuel revenues with the revenues approved by the MPSC. The investment recovery mechanism would provide for additional annual rate increases of \$39 million beginning in July 2019 and another \$39 million beginning in July 2020 for incremental investments that Consumers plans to make in those years, subject to reconciliation. These future investments are intended to help ensure adequate system capacity and deliverability. The MPSC previously approved an investment recovery mechanism in July 2017 that will be in effect until rates are changed in the pending proceeding.

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Gas Transmission: In September 2016, Consumers filed an application with the MPSC to invest \$610 million in the construction of a 95-mile, 24-inch-diameter natural gas pipeline in Saginaw, Genesee, and Oakland Counties, Michigan. The MPSC issued an order in March 2017 authorizing Consumers to construct and operate the pipeline. Consumers expects the pipeline to be operational by the end of 2020.

GCR Plan: Consumers submitted its 2018-2019 GCR plan to the MPSC in December 2017 and, in accordance with its proposed plan, expects to self-implement the 2018-2019 GCR charge beginning in April 2018.

Gas Pipeline and Storage Integrity and Safety: In April 2016, PHMSA published a notice of proposed rulemaking that would expand federal safety standards for gas transmission pipelines. The rule could cause Consumers to incur increased capital costs to install and remediate pipelines as well as operating and maintenance costs to expand inspections, maintenance, and monitoring of its existing pipelines. PHMSA expects to publish a final rule in 2018.

In December 2016, PHMSA published an interim final rule that will establish minimum federal safety standards for underground natural gas storage facilities. As proposed, the rule could cause Consumers to incur increased capital and operating and maintenance costs to expand inspections, maintenance, and monitoring of its underground gas storage facilities. PHMSA expects to publish a final rule in 2018.

Although associated capital or operating and maintenance costs relating to these regulations could be material and cost recovery cannot be assured, Consumers would expect to recover such costs and capital expenditures in rates consistent with the recovery of other reasonable costs of complying with laws and regulations. Consumers will continue to monitor gas safety regulations.

Gas Environmental Outlook: Consumers expects to incur response activity costs at a number of sites, including 23 former MGP sites. For additional details, see Item 8. Financial Statements and Supplementary Data Notes to the Consolidated Financial Statements Note 4, Contingencies and Commitments Consumers Gas Utility Contingencies Gas Environmental Matters.

Enterprises Outlook and Uncertainties

The primary focus with respect to CMS Energy's non-utility businesses is to maximize the value of their generating assets, which represent 1,102 MW of capacity, and to pursue opportunities for the development of renewable generation projects.

T.E.S. Filer City plans to convert its plant to use natural gas as its primary fuel instead of coal. The conversion is expected to increase the amount of capacity and energy produced by the plant from 73 MW to 225 MW. In May 2017, in anticipation of the planned conversion, T.E.S. Filer City reached an agreement with Consumers to amend their PPA. Under the amendment to the PPA, Consumers will purchase the increased capacity and electricity generated by the converted facility for 15 years. The original PPA was set to expire in 2025. In February 2018, the MPSC approved the amendment to the PPA. The amendment is contingent on a finding by FERC that sales made under the amended PPA are exempt from, or authorized under, Section 205 of the Federal Power Act and on commercial operation of the converted facility on or before June 1, 2022.

In May 2017, CMS Enterprises completed construction of and began operating a 2.5-MW solar generation facility in Phillips, Wisconsin. Energy produced by the solar generation facility is sold through a 25-year PPA to Dairyland Power Cooperative, a non-affiliated company.

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In September 2017, CMS Enterprises purchased two solar generation projects totaling 24 MW in Delta Township, Michigan. The projects are presently under development and are expected to be completed in 2018. Energy produced by the solar generation projects will be sold under 25-year PPAs to Lansing Board of Water and Light, a non-affiliated company.

Trends, uncertainties, and other matters related to the enterprises segment that could have a material impact on CMS Energy's consolidated income, cash flows, or financial position include:

- changes in energy and capacity prices
- changes in commodity prices and interest rates on certain derivative contracts that do not qualify for hedge accounting and must be marked to market through earnings
- changes in various environmental laws, regulations, principles, or practices, or in their interpretation
- the outcome of certain legal proceedings, including gas price reporting litigation
- indemnity and environmental remediation obligations at Bay Harbor
- obligations related to a tax claim from the government of Equatorial Guinea
- representations, warranties, and indemnities provided by CMS Energy in connection with previous sales of assets

For additional details regarding the enterprises segment's uncertainties, see Item 8. Financial Statements and Supplementary Data Notes to the Consolidated Financial Statements Note 4, Contingencies and Commitments.

Other Outlook and Uncertainties

EnerBank: EnerBank is a Utah state-chartered, FDIC-insured industrial bank providing unsecured consumer installment loans for financing home improvements. EnerBank represented four percent of CMS Energy's net assets at December 31, 2017, and six percent of CMS Energy's net income available to common stockholders for the year ended December 31, 2017. The carrying value of EnerBank's loan portfolio was \$1.4 billion at December 31, 2017. Its loan portfolio was funded primarily by certificates of deposit of \$1.3 billion. The twelve-month rolling average net default rate on loans held by EnerBank was 1.2 percent at December 31, 2017. CMS Energy is required both by law and by contract to provide financial support, including infusing additional capital, to ensure that EnerBank satisfies mandated capital requirements and has sufficient liquidity to operate. With its self-funding plan, EnerBank has exceeded these requirements historically and exceeded them as of December 31, 2017.

Litigation: CMS Energy, Consumers, and certain of their subsidiaries are named as parties in various litigation matters, as well as in administrative proceedings before various courts and governmental agencies, arising in the ordinary course of business. For additional details

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regarding these and other legal matters, see Item 8. Financial Statements and Supplementary Data Notes to the Consolidated Financial Statements Note 3, Regulatory Matters and Note 4, Contingencies and Commitments.

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CRITICAL ACCOUNTING POLICIES AND ESTIMATES

The following information is important to understand CMS Energy's and Consumers' results of operations and financial condition. For additional accounting policies, see Item 8. Financial Statements and Supplementary Data Notes to the Consolidated Financial Statements Note 1, Significant Accounting Policies.

In the preparation of CMS Energy's and Consumers' consolidated financial statements, estimates and assumptions are used that may affect reported amounts and disclosures. CMS Energy and Consumers use accounting estimates for asset valuations, unbilled revenue, depreciation, amortization, financial and derivative instruments, employee benefits, stock-based compensation, the effects of regulation, indemnities, and contingencies. Actual results may differ from estimated results due to changes in the regulatory environment, regulatory decisions, lawsuits, competition, and other factors. CMS Energy and Consumers consider all relevant factors in making these assessments.

Accounting for the Effects of Industry Regulation: Because Consumers has regulated operations, it uses regulatory accounting to recognize the effects of the regulators' decisions on its financial statements. Consumers continually assesses whether future recovery of its regulatory assets is probable by considering communications and experience with its regulators and changes in the regulatory environment. If Consumers determined that recovery of a regulatory asset were not probable, Consumers would be required to write off the asset and immediately recognize the expense in earnings.

Contingencies: CMS Energy and Consumers make judgments regarding the future outcome of various matters that give rise to contingent liabilities. For such matters, they record liabilities when they are considered probable and reasonably estimable, based on all available information. In particular, CMS Energy and Consumers are participating in various environmental remediation projects for which they have recorded liabilities. The recorded amounts represent estimates that may take into account such considerations as the number of sites, the anticipated scope, cost, and timing of remediation work, the available technology, applicable regulations, and the requirements of governmental authorities. For remediation projects in which the timing of estimated expenditures is considered reliably determinable, CMS Energy and Consumers record the liability at its net present value, using a discount rate equal to the interest rate on monetary assets that are essentially risk-free and have maturities comparable to that of the environmental liability. The amount recorded for any contingency may differ from actual costs incurred when the contingency is resolved. For additional details, see Item 8. Financial Statements and Supplementary Data Notes to the Consolidated Financial Statements Note 4, Contingencies and Commitments.

Derivative Instruments: CMS Energy and Consumers account for certain contracts as derivative instruments. If a contract is a derivative and does not qualify for the normal purchases and sales exception, it is recorded on the consolidated balance sheets at its fair value. Each quarter, the resulting asset or liability is adjusted to reflect any change in the fair value of the contract.

The criteria used to determine if an instrument qualifies for derivative accounting or for an exception from derivative accounting are complex and often require judgment in application. Changes in business strategies or market conditions, as well as a requirement to apply different interpretations of the derivative accounting literature, could result in changes in accounting for a single contract or groups of contracts, which could have a material impact on CMS Energy's and Consumers' financial statements. For additional details on CMS Energy's and Consumers' derivatives and how the fair values of derivatives are determined, see Item 8. Financial Statements and Supplementary Data Notes to the Consolidated Financial Statements Note 6, Fair Value Measurements.

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Income Taxes: The amount of income taxes paid by CMS Energy is subject to ongoing audits by federal, state, and foreign tax authorities, which can result in proposed assessments. An estimate of the potential outcome of any uncertain tax issue is highly judgmental. CMS Energy believes adequate reserves have been provided for these exposures; however, future results may include favorable or unfavorable adjustments to the estimated tax liabilities in the period the assessments are made or resolved or when statutes of limitation on potential assessments expire. Additionally, CMS Energy's judgment as to the ability to recover its deferred tax assets may change. CMS Energy believes the valuation allowances related to its deferred tax assets are adequate, but future results may include favorable or unfavorable adjustments. As a result, CMS Energy's effective tax rate may fluctuate significantly over time. For additional details, see Item 8. Financial Statements and Supplementary Data Notes to the Consolidated Financial Statements Note 14, Income Taxes.

Pension and OPEB: CMS Energy and Consumers provide retirement pension benefits to certain employees under non-contributory DB Pension Plans, and they provide postretirement health and life benefits to qualifying retired employees under an OPEB Plan.

CMS Energy and Consumers record liabilities for pension and OPEB on their consolidated balance sheets at the present value of the future obligations, net of any plan assets. The calculation of the liabilities and associated expenses requires the expertise of actuaries, and requires many assumptions, including:

- life expectancies
- discount rates
- expected long-term rate of return on plan assets
- rate of compensation increases
- expected health care costs

A change in these assumptions could change significantly CMS Energy's and Consumers' recorded liabilities and associated expenses.

In November 2017, CMS Energy and Consumers approved certain amendments to the OPEB Plan. Under these amendments, effective January 1, 2019, certain Medicare-eligible retirees will purchase health care plans from private Medicare exchanges. CMS Energy and Consumers performed a remeasurement of the OPEB Plan as of October 31, 2017, resulting in a \$439 million reduction in the benefit obligation at CMS Energy and a \$433 million reduction at Consumers.

Effective December 31, 2017, CMS Energy's and Consumers' then-existing defined benefit pension plan was amended to include only the retired and former employees already covered; this amended plan is referred to as DB Pension Plan B. Also effective December 31, 2017, active employees covered under the defined benefit pension plan were moved to a newly created pension plan, referred to as DB Pension Plan A, whose benefits mirror those provided under DB Pension Plan B. Maintaining separate plans for the two groups will allow CMS Energy and Consumers to employ a more targeted investment strategy and will provide additional opportunities to mitigate risk and volatility.

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Presented in the following table are estimates of costs and cash contributions through 2020 for the DB Pension Plans and OPEB Plan. Actual future costs and contributions will depend on future investment performance, discount rates, and various factors related to the participants of the DB Pension Plans and OPEB Plan. CMS Energy and Consumers will, at a minimum, contribute to the plans as needed to comply with federal funding requirements.

	DB Pension Plans		OPEB Plan		<i>In Millions</i>
	Cost	Contribution	Credit ¹	Contribution	
CMS Energy, including Consumers					
2018	\$ 66	\$ -	\$ (96)	\$ -	
2019	64	-	(99)	-	
2020	65	27	(95)	-	
Consumers²					
2018	\$ 66	\$ -	\$ (90)	\$ -	
2019	65	-	(93)	-	
2020	66	25	(88)	-	

¹ As a result of the amendments made to the OPEB Plan, the estimate of OPEB Plan credits increased by \$50 million for 2018, 2019, and 2020.

² Consumers pension and OPEB costs are recoverable through its general ratemaking process.

Lowering the expected long-term rate of return on the assets of the DB Pension Plans by 25 basis points would increase estimated pension cost for 2018 by \$5 million for both CMS Energy and Consumers. Lowering the PBO discount rates by 25 basis points would increase estimated pension cost for 2018 by \$4 million for both CMS Energy and Consumers.

Pension and OPEB plan assets are accounted for and disclosed at fair value. Fair value measurements incorporate assumptions that market participants would use in pricing an asset or liability, including assumptions about risk. Development of these assumptions may require judgment.

For additional details on postretirement benefits, including the fair value measurements for the assets of the DB Pension Plans and OPEB Plan, see Item 8. Financial Statements and Supplementary Data Notes to the Consolidated Financial Statements Note 12, Retirement Benefits.

Revenue Subject to Refund: The 2016 Energy Law, which became effective in April 2017, eliminated utilities self-implementation of rates under general rate cases. Consumers filed an electric rate case in March 2017, prior to the effective date of that law, and as result was allowed to self-implement new energy rates in October 2017, subject to refund with interest and potential penalties. Consumers recognized revenue associated with self-implemented rates, but recorded a provision for revenue subject to refund because it considered it probable that it would be required to refund a portion of its self-implemented rates. If a final rate order differed materially from Consumers estimates underlying its self-implemented rates, it could give rise to accounting adjustments.

Unbilled Revenues: Consumers customers are billed monthly in cycles having billing dates that do not generally coincide with the end of a calendar month. This results in customers having received electricity or gas that they have not been billed for as of the month-end. Consumers estimates its unbilled revenues by applying an average billed rate to total unbilled deliveries for each customer class. For additional information on unbilled revenues, see Item 8. Financial Statements and Supplementary Data Notes to the Consolidated Financial Statements Note 1, Significant Accounting Policies Accounts Receivable.

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For details regarding new accounting standards issued but not yet effective, see Item 8. Financial Statements and Supplementary Data Notes to the Consolidated Financial Statements Note 2, New Accounting Standards.

Item 7A. Quantitative and Qualitative Disclosures About Market Risk

CMS Energy and Consumers are exposed to market risks including, but not limited to, changes in interest rates, commodity prices, and investment security prices. They may enter into various risk management contracts to mitigate exposure to these risks, including swaps, options, futures, and forward contracts. CMS Energy and Consumers enter into these contracts using established policies and procedures, under the direction of an executive oversight committee consisting of certain officers and a risk committee consisting of those and other officers and business managers.

The following risk sensitivities illustrate the potential loss in fair value, cash flows, or future earnings from financial instruments, assuming a hypothetical adverse change in market rates or prices of ten percent. Potential losses could exceed the amounts shown in the sensitivity analyses if changes in market rates or prices were to exceed ten percent.

Interest-Rate Risk: CMS Energy and Consumers are exposed to interest-rate risk resulting from issuing fixed-rate and variable-rate financing instruments. CMS Energy and Consumers use a combination of these instruments, and may also enter into interest-rate swap agreements, in order to manage this risk and to achieve a reasonable cost of capital.

Presented in the following table is a sensitivity analysis of interest-rate risk (assuming an adverse change in market interest rates of ten percent):

December 31	2017		<i>In Millions</i> 2016	
<i>Fixed-rate financing potential loss in fair value</i>				
CMS Energy, including Consumers	\$	329	\$	291
Consumers		213		175

The fair value losses in the above table could be realized only if CMS Energy and Consumers transferred all of their fixed-rate financing to other creditors. The annual earnings exposure related to variable-rate financing was immaterial for both CMS Energy and Consumers at December 31, 2017 and 2016, assuming an adverse change in market interest rates of ten percent.

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Investment Securities Price Risk: Through investments in equity securities, CMS Energy and Consumers are exposed to equity price fluctuations. The following table shows the potential effect of adverse changes in equity prices on CMS Energy's and Consumers' available-for-sale investments.

Presented in the following table is a sensitivity analysis of investment securities price risk (assuming an adverse change in market prices of ten percent):

December 31	2017	2016
<i>In Millions</i>		
CMS Energy, including Consumers		
<i>Potential reduction in fair value of available-for-sale securities</i>		
<i>DB SERP</i>		
Debt securities	\$ 14	\$ -
Mutual funds	-	14
Consumers		
<i>Potential reduction in fair value of available-for-sale securities</i>		
<i>DB SERP</i>		
Debt securities	\$ 10	\$ -
Mutual funds	-	10
CMS Energy common stock	2	3

Notes Receivable Risk: CMS Energy is exposed to interest-rate risk resulting from EnerBank's fixed-rate installment loans. EnerBank provides these loans to homeowners to finance home improvements.

Presented in the following table is a sensitivity analysis of notes receivable (assuming an adverse change in market interest rates of ten percent):

December 31	2017	2016
<i>In Millions</i>		
CMS Energy, including Consumers		
<i>Potential reduction in fair value</i>		
Notes receivable	\$ 32	\$ 30

The fair value losses in the above table could be realized only if EnerBank sold its loans to other parties. For additional details on financial instruments, see Item 8. Financial Statements and Supplementary Data Notes to the Consolidated Financial Statements Note 7, Financial Instruments.

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CMS Energy Corporation

Consolidated Statements of Income

Years Ended December 31	2017	2016	<i>In Millions</i> 2015
Operating Revenue	\$ 6,583	\$ 6,399	\$ 6,456
Operating Expenses			
Fuel for electric generation	505	499	593
Purchased and interchange power	1,503	1,508	1,406
Purchased power related parties	86	86	83
Cost of gas sold	750	710	961
Maintenance and other operating expenses	1,236	1,248	1,223
Depreciation and amortization	881	811	750
General taxes	284	281	262
Total operating expenses	5,245	5,143	5,278
Operating Income	1,338	1,256	1,178
Other Income (Expense)			
Interest income	12	6	12
Allowance for equity funds used during construction	5	12	10
Income from equity method investees	15	13	14
Nonoperating retirement benefits, net	24	41	(15)
Other income	6	8	10
Other expense	(76)	(75)	(17)
Total other income (expense)	(14)	5	14
Interest Charges			
Interest on long-term debt	406	411	386
Other interest expense	34	29	14
Allowance for borrowed funds used during construction	(2)	(5)	(4)
Total interest charges	438	435	396
Income Before Income Taxes	886	826	796
Income Tax Expense	424	273	271
Net Income	462	553	525
Income Attributable to Noncontrolling Interests	2	2	2
Net Income Available to Common Stockholders	\$ 460	\$ 551	\$ 523
Basic Earnings Per Average Common Share	\$ 1.64	\$ 1.99	\$ 1.90
Diluted Earnings Per Average Common Share	\$ 1.64	\$ 1.98	\$ 1.89

The accompanying notes are an integral part of these statements.

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CMS Energy Corporation

Consolidated Statements of Comprehensive Income

Years Ended December 31	2017	2016	<i>In Millions</i> 2015
Net Income	\$ 462	\$ 553	\$ 525
Retirement Benefits Liability			
Net gain (loss) arising during the period, net of tax of \$(4), \$(5), and \$-	(5)	(8)	1
Prior service credit adjustment, net of tax of \$3, \$-, and \$-	4	-	-
Amortization of net actuarial loss, net of tax of \$1, \$-, and \$4	2	2	5
Amortization of prior service credit, net of tax of \$- for all periods	(1)	(1)	(1)
Investments			
Unrealized gain (loss) on investments, net of tax of \$-, \$-, and \$(1)	-	1	(3)
Other-than-temporary impairment included in net income, net of tax of \$-, \$2, and \$-	-	3	-
Other Comprehensive Income (Loss)	-	(3)	2
Comprehensive Income	462	550	527
Comprehensive Income Attributable to Noncontrolling Interests	2	2	2
Comprehensive Income Attributable to CMS Energy	\$ 460	\$ 548	\$ 525

The accompanying notes are an integral part of these statements.

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CMS Energy Corporation

Consolidated Statements of Cash Flows

Years Ended December 31	2017	2016	<i>In Millions</i> 2015
Cash Flows from Operating Activities			
Net income	\$ 462	\$ 553	\$ 525
<i>Adjustments to reconcile net income to net cash provided by operating activities</i>			
Depreciation and amortization	881	811	750
Deferred income taxes and investment tax credit	417	264	247
Bad debt expense	49	50	58
Other non-cash operating activities and reconciling adjustments	82	52	100
Postretirement benefits contributions	(12)	(108)	(262)
<i>Cash provided by (used in) changes in assets and liabilities</i>			
Accounts and notes receivable and accrued revenue	(66)	(155)	120
Inventories	(46)	146	147
Accounts payable and accrued refunds	49	59	(26)
Other current and non-current assets and liabilities	(111)	(43)	(19)
Net cash provided by operating activities	1,705	1,629	1,640
Cash Flows from Investing Activities			
Capital expenditures (excludes assets placed under capital lease)	(1,665)	(1,672)	(1,564)
Jackson plant acquisition	-	-	(154)
Increase in EnerBank notes receivable	(138)	(136)	(279)
Proceeds from the sale of EnerBank notes receivable	50	-	48
Cost to retire property and other investing activities	(115)	(107)	(115)
Net cash used in investing activities	(1,868)	(1,915)	(2,064)
Cash Flows from Financing Activities			
Proceeds from issuance of debt	1,633	1,049	599
Net increase in EnerBank certificates of deposit	47	100	214
Issuance of common stock	83	72	43
Retirement of debt	(980)	(728)	(224)
Debt prepayment costs	(22)	(18)	-
Payment of dividends on common and preferred stock	(377)	(347)	(322)
Change in notes payable	(228)	149	189
Payment of capital lease obligations and other financing costs	(46)	(22)	(36)
Net cash provided by financing activities	110	255	463
Net Increase (Decrease) in Cash and Cash Equivalents, Including Restricted Amounts			
	(53)	(31)	39
Cash and Cash Equivalents, Including Restricted Amounts, Beginning of Period			
	257	288	249
Cash and Cash Equivalents, Including Restricted Amounts, End of Period			
	\$ 204	\$ 257	\$ 288