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CMS Energy Corp. (CMS)

Q4 2021 Earnings Call



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MANAGEMENT DISCUSSION SECTION

Operator: Good morning, everyone, and welcome to the CMS Energy 2021 Year End Results. The earnings news release issued earlier today and the presentation used in this webcast are available in CMS Energy's website in the Investor Relations section. This call is being recorded.

After the presentation, we will conduct a question-and-answer session. Instructions will be provided at that time. [Operator Instructions] Just a reminder, there will be a rebroadcast of this conference call beginning today at 12:00 PM Eastern Time and running through February 10. This presentation is also being webcast and is available on CMS Energy's website in the Investor Relations section.

At this time, I'd like to turn the call over to Mr. Sri Maddipati, Treasurer and Vice President of Finance and Investor Relations. Please go ahead, sir.

Srikanth Maddipati

Treasurer, Vice President, Finance & Investor Relations, CMS Energy Corp.

Thank you, Rocco. Good morning, everyone, and thank you for joining us today. With me are Garrick Rochow, President and Chief Executive Officer; and Rejji Hayes, Executive Vice President and Chief Financial Officer.

This presentation contains forward-looking statements which are subject to risks and uncertainties. Please refer to our SEC filings for more information regarding the risks and other factors that could cause our actual results to differ materially. This presentation also includes non-GAAP measures. Reconciliations of these measures to the most directly comparable GAAP measures are included in the appendix and posted on our website.

Now, I'll turn the call over to Garrick.

Garrick J. Rochow

President, Chief Executive Officer & Director, CMS Energy Corp.

Thank you, Sri, and thank you, everyone, for joining us today. I'm pleased to report that the team continued to deliver strong performance in 2021, demonstrating consistent results across the triple bottom line for our co-workers, customers, communities, and you, our investors. Allow me to take a few minutes to share the big wins this team accomplished in 2021.

It is a point of pride that CMS was named the number one utility in the US by Forbes for women and for workplace diversity. It starts with our co-workers, and we know that companies that value and practice diversity, equity, and inclusion deliver stronger performance. Our commitment to people, our co-workers, and customers was in high gear all year. For our co-workers, we delivered the 11th straight year of first quartile employee engagement. For our customers, we delivered first quartile customer experience and launched several programs which support our most vulnerable and prepare all for a cleaner future with EVs and renewable energy generation.

This year's highlights include the expansion of our Voluntary Green Pricing program, which allows for an incremental 1,000 megawatts of owned renewables and our PowerMIFleet EV program to meet the demand of Michigan businesses, governments, and schools as they electrify their fleet. And just this week, we announced, along with General Motors, the plan to power three existing auto plants with 100% clean energy through our Voluntary Green Pricing program. And I know, yes, yes, I know all of you want to hear about our IRP. Our clean

energy plan, also known as our IRP, places us in a solid leadership position on the transformation to clean energy. It has us out of coal by 2025, which achieves a 60% carbon emissions reduction. I am pleased with the progress we are seeing in the regulatory process and look forward to landing the IRP in 2022.

I also want to share the progress we have made with our gas system. Our commitment to be net zero methane by 2030 is industry leading. We are making our gas systems safer and cleaner by replacing old mains and services with modern materials. This year, we reduced fugitive methane emissions by more than 445 metric tons and executed on our best year ever for main replacement. This stand to reduce methane extends beyond our system with exciting new programs, which will make a positive impact on the planet.

We recently announced a plan to build and own our first renewable natural gas facility with a Michigan dairy farm, which is included in our pending gas rate case. This facility would be a regulated asset and the emissions reduction will remove the equivalent of 4,000 gasoline-fueled vehicles from the road annually. Clearly, we're on our way to a safe and clean gas system.

Finally, I want to talk a little bit about Michigan, our home state, our service territory. In both our gas and electric business, we are seeing new service connections up over 2020 and 2019, above pre-pandemic levels. In fact, we have not seen this level of new electric service connections in the last 10 years. We also attracted 105 megawatts of new industrial loads to our service territory, which brings with it 4,000 new jobs and more than \$1 billion of investment.

And we are expecting even more new load growth in the state. The work we did at the end of the year on two important growth mechanisms further enhance Michigan's competitive position. We filed an economic development rate in November, which was quickly approved by the Michigan Public Service Commission in December. We also work closely with the legislature, business groups, and the governor's office on a package of economic development incentive bill that passed with bipartisan support signed by our governor in December. With these improvements, I expect further announcements this year on several new projects.

For you, our investors, I'm pleased to share we delivered our financial target with another year of 7% adjusted EPS growth. We continued our long track record of managing costs and keeping prices affordable through the CE way. \$55 million of cost savings were realized in 2021. When I step back and reflect on 2021, it is this strong execution and result that you and we expect, and it meets our commitment, the triple bottom line, positioning our business for sustainable long-term growth.

Strong execution leads to strong results, and 2021 marked another year of premium growth. We delivered adjusted earnings per share of \$2.65 in 2021 at the high end of our guidance range and up 7% from 2020. And in January, the board approved an annual dividend increase to \$1.84 per share. In addition to raising our annual dividend in 2022, I'm pleased to share that we are raising our 2022 adjusted full year guidance to \$2.85 to \$2.89 from \$2.85 to \$2.87 per share. I have confidence in our plan for 2022 and our longstanding ability to manage the work and deliver industry-leading growth. Longer-term, we remain committed to growing adjusted EPS to the high end of our 6% to 8% growth range.

Looking forward, we continue to see long-term dividend growth of 6% to 8% with a targeted payout ratio of about 60% over time. And finally, I'm pleased to share that we have rolled forward our five-year utility customer investment plan, increasing our prior plan by over \$1 billion to \$14.3 billion through 2026.

On slide 5, we've highlighted our new five-year \$14.3 billion customer investment plan. This translates to 7% annual rate base growth and supports the two key focus areas of our strategy, making our electric and gas

systems safer and more reliable, and paving the way to a clean energy future with net zero carbon and methane emissions. You will note that about 40% of our investment mix is aimed at renewable generation, grid modernization, and main and service replacements on our gas systems that support the clean energy transformation.

Furthermore, we continue to increase our investments in what our customers count on us for every single day, safe and reliable electric and natural gas systems. You will also see that we continue to plan conservatively and have ample upside in projects not factored in this plan, such as our IRP and Voluntary Green Pricing program.

We remain focused on the regulatory process as we make investments on behalf of our customers. In December, we received an order in our electric rate case. It offered several opportunities for us to improve our case process, and we are hard at work as we prepare our next case. This order did support our plan by maintaining our existing 9.9% ROE, increasing our regulatory equity ratio by 34 basis points, and approving \$54 million in revenue requirement exclusive of \$27 million of lower depreciation approved prior to the order. We expect to file our next electric rate case early this year and anticipate an initial order on our IRP in April and a final order in our gas rate case expected by October.

With that, I'll turn the call over to Reiji.

Reiji P. Hayes

Executive Vice President & Chief Financial Officer, CMS Energy Corp.

Thank you, Garrick, and good morning, everyone. As Garrick highlighted, we delivered strong financial performance in 2021 with adjusted net income of \$767 million or \$2.65 per share, up 7% year-over-year off our 2020 results. I'll note that our adjusted EPS excludes select non-recurring items, most notably the financial performance of EnerBank, the gain on the sale, and related transaction costs, all of which are disclosed in the reconciliation schedule in the appendix of this presentation and posted on our website.

The key drivers of our full year financial performance in 2021 were rate relief net of investments, coupled with strong volumetric sales in our electric business. These sources of positive variance were partially offset by increased operating and maintenance expenses in support of key customer initiatives related to safety, reliability, and decarbonization, and higher service restoration costs from storm activity.

To this last point on storms, we saw record level of storms across Michigan in 2021, particularly in the final five months of the year, including December, and we still managed to deliver at the high end of our EPS guidance range. Our ability to withstand such headwinds, quite literally in the case of 2021, and deliver the financial results you come to expect highlights our track record of planning conservatively, managing the work, and relying on the perennial will of our dedicated co-workers. We deliver on the triple bottom line irrespective of the condition.

Moving beyond EPS, on slide 8, you'll note that we met or exceeded the vast majority of our key financial objectives for the year. It is worth noting that even with the aforementioned headwinds, we still managed to deliver over \$1.8 billion of operating cash flow which exceeded our plan by over \$80 million due to strong working capital management.

The only financial target missed in 2021 was related to our customer investment plan at the utility, which was budgeted for roughly \$2.5 billion, and we ended the year just shy of that at \$2.3 billion, primarily due to the timing of select renewable projects, which were largely pushed into 2022 and 2023. To close the books on 2021, we successfully completed our financing plan ahead of schedule as noted during our third quarter earnings call,

issuing no equity during the year given the EnerBank sale, while maintaining solid investment-grade credit metrics.

Moving to our 2022 guidance on slide 9. We are raising our 2022 adjusted earnings guidance to \$2.85 to \$2.89 per share from \$2.85 to \$2.87 per share, which implies premium annual growth off our 2021 results, as Garrick highlighted. As you can see in the segment details, our EPS growth will primarily be driven by the utility as it has in the past several years, and we also anticipate a return to normal operations at enterprises whose financial performance in 2021 was largely impacted by an extended outage at DIG late in the fourth quarter.

To elaborate on the glidepath to achieve our 2022 adjusted EPS guidance range, as you'll note on the waterfall chart on slide 10, we'll plan for normal weather, which in this case amounts to a penny per share of positive year-over-year variance. Additionally, we anticipate \$0.05 of EPS pickup attributable to rate relief net of investment costs, largely driven by our recent electric rate order and the expectation of a constructive outcome in our pending gas case later this year. As a reminder, we also continue to see the residual effects of tax benefits from our 2020 gas rate settlement.

As we look at our cost structure in 2022, you'll note approximately \$0.21 per share of positive variance attributable to continued cost savings from productivity, driven by the CE Way and other cost reduction initiatives, as well as a return to more normalized levels of service restoration expense. As noted earlier, we're also assuming a resumption of normalized operating conditions in Enterprises in the penultimate bar on the right-hand side of the chart, coupled with usual conservative assumptions around weather-normalized sales. As always, we'll adapt to changing conditions and circumstances throughout the year, mitigate risk, and increase the likelihood of meeting our operational and financial objective.

Moving to slide 11, which denotes our near- and long-term financial objectives, in addition to the adjusted earnings and dividend per share targets that Garrick noted earlier, from a balance sheet perspective, we continue to target solid investment-grade credit ratings and we'll continue to manage our key credit metrics accordingly.

To that end, given the attractive valuation achieved in the EnerBank sale and our successful closing of the transaction in the fourth quarter, we do not anticipate issuing any equity through 2024 despite the increase in our five-year customer investment plan for \$14.3 billion. Beyond 2024, we expect to issue up to \$250 million of equity per year in 2025 and 2026.

As for 2022 financings, our needs are limited to debt issuances at the utility and the settlement of existing equity forward contracts, the details of which you can find in the appendix of our presentation. Our model has served, and will continue to serve, all stakeholders well. Our customers receive safe, reliable, and clean energy at affordable prices; while our co-workers remain engaged, well-trained, and empowered in our purpose-driven organization. And our investors benefit from consistent industry-leading financial performance.

We're often asked whether we can sustain our consistent industry-leading growth in the long-term, given widespread concerns about inflation, supply chain, and natural gas prices, among other risks.

And our answer remains the same. Irrespective of the circumstances, we view it as our job to do the worrying for you. Sustainable and agile cost management has been one of the key pillars of our success over the past several years, and as you can see in the breakout of our cost structure on slide 12, there remain ample opportunities to reduce cost across the business.

As you'll note, on the right-hand side of the slide, we estimate over \$200 million of episodic cost savings opportunities through coal facility retirements and the expiration of high-priced power purchase agreements, or PPA. In fact, our PPA, with the Palisades nuclear facility, will expire in April of this year, which will provide approximately \$90 million of savings to our customers. These cost savings are above and beyond what we'll aim to achieve annually largely through the CE way, our lean operating system, which as Garrick noted earlier was a key driver in our achievement of \$55 million in cost savings in 2021 and \$100 million worth in 2020. Given our track record of reducing cost, we're highly confident that we'll be able to execute our capital plan, delivering substantial value for customers and investors.

To conclude my remarks, on slide 13, we have refreshed our sensitivity analysis on key variables for your modeling assumptions. As you'll note, with reasonable planning assumptions and our track record of risk mitigation, the probability of large variances from our plan are minimized.

And with that, I'll hand it back to Garrick for his final remarks before Q&A.

Garrick J. Rochow

President, Chief Executive Officer & Director, CMS Energy Corp.

Thank you, Reiji. Our simple investment thesis has withstood the test of time and continues to be our approach going forward. It is grounded in a balanced commitment to all our stakeholders, and enables us to continue to deliver on our financial objectives. As we've highlighted today, we've achieved another year of strong performance in 2021, executing on our commitment to the triple bottom line and are pleased with our strong result. I am confident we're in a great position to continue our momentum throughout 2022 and beyond. We look forward to updating you as we head into another exciting year.

With that, Rocco, please open the open the lines for Q&A.

QUESTION AND ANSWER SECTION

Operator: Thank you very much, Garrick. The question-and-answer session will be conducted electronically. [Operator Instructions] Our first question today comes from Shahriar Pourreza with Guggenheim Partners. Please go ahead.

Garrick J. Rochow

President, Chief Executive Officer & Director, CMS Energy Corp.

Good morning.

Shahriar Pourreza

Analyst, Guggenheim Securities LLC

Good morning, guys.

Garrick J. Rochow

President, Chief Executive Officer & Director, CMS Energy Corp.

Good morning.

Shahriar Pourreza

Analyst, Guggenheim Securities LLC

Good stuff this morning. Couple questions here if I may. First, Garrick, you're guiding to the top end of 6% to 8%, which was kind of a change in language post transformation and now you kind of break out more detail the upside potential for non-IRP CapEx. Just to confirm, is this upside included in the updated language around the growth rate? Maybe another way to ask is, if you're already at the top end, you have \$4 billion to \$5 billion of incremental spending items within and sort of outside of the IRP, how do we think about this growth rate in the context of the upside spending opportunities you're highlighting this morning?

Garrick J. Rochow

President, Chief Executive Officer & Director, CMS Energy Corp.

Yeah. Great question, Shahriar. And let me offer this real clarity and offer a little bit of context. And so we're pleased with 2021 in delivering the high end of guidance. And as I shared previously, we've got a lot of momentum coming into 2022. And our raise in guidance should offer much confidence to the investment community on our strength here in 2022 and our confidence in the delivery in 2022.

I'll remind you that our 6% to 8%, and again, toward the high end of that range, that's off a 2022 base. And so that's our projection going forward. You know we plan conservatively. And so, again, you see a lot of upside in that capital plan, the IRP, the VGP-type work. And so again, we'll weave those in as those materialize. We don't want to presume excess in those, that's why we plan conservatively. But again we expect to be the high end of that 2022 base. And so, that's the nature of our growth pattern going forward.

Reiji wants to offer some additional comments there as well.

Reiji P. Hayes

Executive Vice President & Chief Financial Officer, CMS Energy Corp.

Yeah. Good morning, Shahriar. Thanks for the question.

Shahriar Pourreza

Analyst, Guggenheim Securities LLC

Good morning.

Q

Rejji P. Hayes

Executive Vice President & Chief Financial Officer, CMS Energy Corp.

A

The only thing I'll [indiscernible] (00:23:00) Garrick's comments is just to be – or I guess for the avoidance of doubt is that the guidance toward the high end of that 6% to 8% off the 2022 base, that just assumes the capital plan we rolled out today of \$14.3 billion of that five-year period and the assumption of no equity through 2024. And so, these other opportunities on the outside looking in that Garrick noted, the IRP, the Voluntary Green Pricing Program or VGP, those would give us even more confidence in delivering on that plan. So, again, delivery toward the high end of 2022 is just based on the \$14.3 billion of capital, and the assumption of no equity through 2024. Those are the key drivers.

Shahriar Pourreza

Analyst, Guggenheim Securities LLC

Q

Got it. And just a follow-up, the rate base growth through 2026 is now 7%, it's a little bit of a slight change from prior years' language of "greater than 7%" it's subtle. Is there sort of a law of large numbers taking effect here, just as we're thinking about modeling?

Rejji P. Hayes

Executive Vice President & Chief Financial Officer, CMS Energy Corp.

A

Yeah. You certainly do have that because we're compounding off of a higher base. But it's a solid a 7%, Shahriar, so I wouldn't read too much into it.

Shahriar Pourreza

Analyst, Guggenheim Securities LLC

Q

Perfect. And then, just lastly for me, in terms of the disclosures for 2025 through 2026 on the equity side. Obviously, you're restoring back the historical \$250 million per year. I'm sure, Rejji, you're thinking about this. But do you see sort of any opportunities to maybe mitigate, find some optimization on the financing side, given that you're predominately 100% regulated, maybe a way to flex the balance sheet and credit metrics, is there a way you can offset this?

Rejji P. Hayes

Executive Vice President & Chief Financial Officer, CMS Energy Corp.

A

Well, we'll see. The current base case for modeling purposes should be \$250 million per year in 2025 and 2026. But what you'll see in the appendix Shar is, we are assuming about, you know, over about \$10.5 billion of operating cash flow generation over the next five years. And so, if we see upside to that, well, that certainly gives us more financial flexibility. We've also really done a nice job executing very attractive, I'll say, equity-like securities that get equity credit like the hybrids we've been doing from time to time. We had a perpetual preferred last year that got nice equity credit. And so, we'll see if there are opportunities there but the current working assumption should be that \$250 million per year in those outer years, 2025 and 2026.

Shahriar Pourreza*Analyst, Guggenheim Securities LLC*

Okay. Perfect, guys. Congrats on the execution. This is really good. Thanks.

Q

Reiji P. Hayes*Executive Vice President & Chief Financial Officer, CMS Energy Corp.*

Thank you.

A

Operator: And our next question today comes from Jeremy Tonet with JPMorgan. Please go ahead.

Jeremy Tonet*Analyst, JPMorgan Securities LLC*

Hi. Good morning.

Q

Garrick J. Rochow*President, Chief Executive Officer & Director, CMS Energy Corp.*

Good morning. How are you, Jeremy?

A

Jeremy Tonet*Analyst, JPMorgan Securities LLC*

Good, thanks. It seems very clear from the slides there's various CapEx upside that we could see. But just wondering if you could dive in a little bit more for the timing on when these items could make their way in the plan and what we should be watching for there.

Q

Garrick J. Rochow*President, Chief Executive Officer & Director, CMS Energy Corp.*

I assume you're talking about the incremental items, just to clarify your question.

A

Jeremy Tonet*Analyst, JPMorgan Securities LLC*

Yeah, the incremental CapEx opportunity.

Q

Garrick J. Rochow*President, Chief Executive Officer & Director, CMS Energy Corp.*

Certainly. So, as you know, we're in the midst of an integrated resource plan, and we don't want to presume. Although we're confident in that plan, we don't want to presume that the Covert facility and the DIG facility will move into the utility. There's certainly a lot of good indicators around that. But, nonetheless, we want to make sure that that's where it lands. We'll see a final order in the IRP by June of this year. And so, again, assuming success there, we would anticipate the Covert facility in 2023 and then the DIG facility out in 2025 from an incremental opportunity.

A

Our VGP, again that's subscription-based, based on customers. We saw some positive traction in that, that we announced this week with General Motors. But, again, that construction would be – as those fill out and as those are subscribed, that construction period would be in 2024 to 2027. And so, that's the nature of – as that materializes it would show up in that range.

Jeremy Tonet*Analyst, JPMorgan Securities LLC*

Q

Got it. That's helpful. And if these come to fruition, would this impact, I guess, the funding plan on the equity side?

Rejji P. Hayes*Executive Vice President & Chief Financial Officer, CMS Energy Corp.*

A

Hey, Jeremy, hey, this is Rejji. For now, again, we feel good about the funding plan. And we had said before in the event the IRP gets approved, we don't believe we'd need to materially change our equity issuance needs. Now, the VGP plus the IRP, if we have those high-class problems, we would potentially have to recalibrate. But to be clear, that would only be outside of 2024. And so, you think about the timing of the capital investments, Covert would potentially be before 2024. And again, we feel good about not needing to issue equity even in that scenario, before 2024, where we may need to recalibrate as if we get the IRP and good momentum on the VGP, those outer years, 2025 and beyond, we may have to take a second look there. But for now, again, we feel very good about the working assumption for this plan.

Jeremy Tonet*Analyst, JPMorgan Securities LLC*

Q

Got it. That's very helpful. And just a quick last one, if I could. With regards to the electric rate case here, the outcome might have been a bit lighter than expected. And just wondering if you could comment a bit more, I guess, on the go-forward expectations in Michigan as far as the regulatory construct there, as well as the specific drivers in 2022 that you're using to employ – to kind offset some of that softness.

Garrick J. Rochow*President, Chief Executive Officer & Director, CMS Energy Corp.*

A

Rejji and I will tag team this, but let me be very clear, I feel good about the regulatory construct here in Michigan. And when I look at this rate case, there are two things to take away from it. One, there's an investor read-through on a strong and constructive ROE, 9.9%. That has been constructive, especially when compared with other jurisdictions. There's good solid equity thickness. In fact, our regulatory equity ratio grew by 34 basis points. That just, again, speaks to the nature of this commission in this regulatory construct and again all based in legislation, so don't forget that piece of it as well.

The other piece of opportunity is clear, in the order. And as a utility, we need to improve our business cases, particularly in a forward-looking test year and the additional investments we want to make on behalf of our customer. We need to do a better job of showing the benefits as well as the cost when compared to historical. That's on us. We own that and you can expect to see it in our next electric rate case. So, let me hand it over to Rejji to walk through a little bit of why we have such confidence in 2022.

Rejji P. Hayes*Executive Vice President & Chief Financial Officer, CMS Energy Corp.*

A

Yeah, Jeremy. So as you think about the offsets with the order or from the order, clearly, it really highlights the benefits of having a forward test year. And so, where we had disallowances in that forward test year, we obviously can revise our capital and O&M spend programs and so that's a clear offset from some of the disallowances we saw. And then a couple of things related to 2021 and then in this test year that give us great confidence. And so, as you may recall, we had plans to issue equity in 2021, and obviously given the timing of the EnerBank sale, we didn't have to issue any equity that year.

And so, we've got some momentum from a share count perspective, that's helpful. I continue to feel quite good about weather-normalized load. We saw a really nice recovery from commercial/industrial sales over the course of 2021 and we anticipate seeing some of that in 2022 as well, particularly given the leading indicators that we've seen with respect to new service requests, which Garrick offered in his prepared remarks and we continue to see upside from our residential customers, given the sort of teleworking phenomenon that we think should stick to some extent.

And then cost performance, every year, I continue to be surprised to the upside by what the organization can deliver. So last year, our plan was about \$45 million and we delivered \$55 million there. And then in 2020, I can assure you, we didn't plan for \$100 million of savings and the organization went and got it. And so those are all the drivers that we think will offset some of the downside we saw in the electric rate order.

Jeremy Tonet

Analyst, JPMorgan Securities LLC

Got it. That's very helpful. Thank you.

Rejji P. Hayes

Executive Vice President & Chief Financial Officer, CMS Energy Corp.

Thank you.

Operator: And ladies and gentlemen, our next question comes from Insoo Kim with Goldman Sachs. Please go ahead.

Insoo Kim

Analyst, Goldman Sachs & Co. LLC

Yeah. Thank you. My first question, you guys dealt with a lot of storms, especially in 2021. And I think in the last rate case, there were also just conversations about potential spending or capital opportunities versus just use of the expensing for restoration and whatnot. Did the more string of storms more recently identify any additional needs on the capital side that you think could be added to your go-forward plans?

Garrick J. Rochow

President, Chief Executive Officer & Director, CMS Energy Corp.

Thanks, Insoo, and good morning. I want to be real clear with everyone here. We're at our largest electric reliability capital spend that we've had in our company's history, and it's actually 40% over 2020. So, we're at a good pace in terms of electric reliability. But clearly, as we demonstrated in this electric rate case, there is more to do across our vast system. And so, we'll be making requests in this upcoming electric rate case with, of course, better business justification to be able to support that. Clearly, when you look at our system and the amount of storms we had this year, there is room for improvement and we're well aligned with this commission and this staff to do just that.

Insoo Kim

Analyst, Goldman Sachs & Co. LLC

Got it. My second question is just going back to the demand comments you guys made. For 2022, if I'm understanding correctly, you're thinking more of a modest – flat to modest growth and year-over-year growth, is that correct? And then, two, just you've talked about the positive signals. Is there any particular segment or industries that you're seeing that out of?

Rejji P. Hayes*Executive Vice President & Chief Financial Officer, CMS Energy Corp.*

A

Yeah, Insoo, this is Rejji. So, yeah, I think your working assumption for blended weather-normalized load on the electric side is about right, so call it just slightly up, flat to about half a point. But again, we continue to be encouraged with what we're seeing on the residential side. So last year, we assumed a pretty aggressive return to work and we ultimately saw residential down about 2.5%, a little over that versus 2020. Our plan was much more bearish. And so, we saw surprise to the upside versus plan there.

Commercial, we've already seen commercial over the case of 2021, up about 3.3%, so effectively back at this point to pre-pandemic levels, when you take energy waste reduction into account. In industrial, I'd say admittedly it's still coming back and that's why we feel good about 2022. And so, when you think about our working assumptions for 2022, we're still assuming a decline for residential versus 2021, about somewhere between 1% to 2%. Commercial, basically flat to slightly up. And then industrial, we still expect to see pretty good growth there, around 5%. So that's what on a blended basis gets you to around a point – I'm sorry, excuse me, flat to slightly up about half a point, all in.

And then the positive signals so new service requests. To point to a specific sector, I think, would be challenging because we're pretty diversified in our service territory. But clearly, we're seeing good news in auto. Now, again, auto represents a couple percent of our gross margin, so not a great deal of exposure there.

But across most sectors, we expect to continue to see Michigan trend well. And as Garrick noted in his prepared remarks, we're seeing some very attractive economic development opportunities on the industrial side. We're not in a position right now to disclose those sectors, but we see a number of, I'll say, a combination of old and new economy sectors looking at Michigan as a place to land. And so, we feel very good about the road ahead economically in Michigan.

Insoo Kim*Analyst, Goldman Sachs & Co. LLC*

Q

Thanks. That's good color. Thank you, guys.

Operator: And ladies and gentlemen, our next question today comes from Michael Sullivan at Wolfe Research. Please go ahead.

Michael P. Sullivan*Analyst, Wolfe Research LLC*

Q

Hey, everyone. Good morning.

Garrick J. Rochow*President, Chief Executive Officer & Director, CMS Energy Corp.*

A

Good morning, Michael.

Michael P. Sullivan*Analyst, Wolfe Research LLC*

Q

Hey, Garrick. Just first wanted to ask on level of conviction and ability to potentially settle the IRP in the next couple of weeks or months here.

Garrick J. Rochow*President, Chief Executive Officer & Director, CMS Energy Corp.*

A

Yeah. So, I'm just going to break this down really clearly. I feel good about taking it the full distance. I want to make sure that's very clear. And the way I'm just – I'm sharing my thinking about this is there's \$650 million of savings for our customers. That's on the table. There's a 60% reduction in carbon by 2025 over 2005 baseline levels. And there's an opportunity for a more resilient supply system. Those are the factors of this.

And so, there's good – there's a win – I've said this before. There's a win in here for everyone. And so, we feel very strong about taking the full length and get what we need for our customers as well as for our investors. But bottom line, whether it's an electric case, gas case, or an IRP, we're going to look at an opportunity to settle. And right now, we're in a sweet spot where there's an opportunity to do that. And when there's a win in there for everyone, there's an opportunity that to either have a partial settlement or a full settlement. And so, we'll look at that and work with the party to see if something can materialize there.

But just like there's an opportunity there, all those wins allow us to take it the full distance as well. So, I feel confident either way that we'll get what we need for our customers the planet and for our shareholders. Is that helpful, Michael?

Michael P. Sullivan*Analyst, Wolfe Research LLC*

Q

Super helpful. Thank you. And my other question was, Rejji, I think you mentioned one of the main drivers for the lower-than-planned CapEx last year was some slippage on renewables projects. Can you just give a little more detail on that?

Rejji P. Hayes*Executive Vice President & Chief Financial Officer, CMS Energy Corp.*

A

Yeah, Michael, good morning. Yes. So, we had some renewable projects that we had to push out a little bit. I think the issues around supply chain pretty well publicized across not just the country but the planet. And so, we saw some of that with respect to our projects. We still expect to get the projects executed over time, but we did have to push them out a little bit. So that was really the primary driver. And I'd say across some projects, there were some idiosyncratic issues that came up, but it's largely related to supply chain matters.

Garrick J. Rochow*President, Chief Executive Officer & Director, CMS Energy Corp.*

A

Michael, I'm going to jump in. Can I just jump in on this one as well? I've been involved in large power plants and operations for 25-plus years. I don't think there's been a year in those 25 where I haven't seen projects move from year-to-year, major projects in terms of outages, in terms of construction timelines differed.

And so, it's pretty typical in our industry to have a little give and take. And so, this supply chain challenge that's in front of us will dissipate over time. I have no doubt about that. But remember this, we're retiring coal. And so, you have to fill that capacity somehow. So, these projects aren't going away. It's just a matter of when we plan doing in what year. And so, again, this is pretty typical for the work we do year-after-year, this give and take. And so, I'm not worried, not concerned, and this too will pass.

Michael P. Sullivan*Analyst, Wolfe Research LLC*

Q

Great. Thanks a lot.

Operator: And our next question today comes from Andrew Weisel with Scotiabank. Please go ahead.

Andrew Weisel

Analyst, Scotia Howard Weil

Q

Thank you. Good morning, everyone. My first question on the new CapEx plan, I see that excludes the \$1 billion from the voluntary renewables program. My question is you've been using that \$1 billion number for a little while now. Shouldn't that be higher given the new customers you signed up? I understand the spending might be in kind of the later years in the plan, but should that number be a bigger one?

Garrick J. Rochow

President, Chief Executive Officer & Director, CMS Energy Corp.

A

So, the \$1 billion equates to 1,000 megawatts of renewables. And so, the way this works is customers subscribe to that and we have a certain number of subscriptions we build out that. And so, the 1,000 megawatts equates to the \$1 billion. And so, does that help, Andrew?

Andrew Weisel

Analyst, Scotia Howard Weil

Q

And remind me, how many megawatts are you up to signed up now?

Garrick J. Rochow

President, Chief Executive Officer & Director, CMS Energy Corp.

A

We've got – this program started at 120 megawatts, that is fully subscribed, and we're now in this second phase of subscribing the 1,000 megawatts.

Andrew Weisel

Analyst, Scotia Howard Weil

Q

Okay. Got it. So, you still got a little ways to get to that \$1 billion. Okay. Great. My next question is if I compare the old CapEx plan to the new one, it seems – I understand there's a roll forward, but it seems like you're electric spending is down by about \$0.5 billion and gas spending is up by about \$1 billion. Is that a conscious shift in strategy or is that just the output of a bottoms up budget-building process?

Garrick J. Rochow

President, Chief Executive Officer & Director, CMS Energy Corp.

A

It's really a bottoms-up piece, and just let me offer a little bit in the gas. Back in November of 2020, we got a large pipeline project approved through Act 9, which is the equivalent of a certificate of necessity that is folded into this plan. And so, as you might imagine our replacing 56 miles of large transmission pipe, the project's around 5 – I think it's \$550 million in that range. And so, that's a big factor that, as you build that bottoms up approach, it shows up in the gas and in this vintage of capital five-year plan.

Andrew Weisel

Analyst, Scotia Howard Weil

Q

Okay. Great. That's helpful. Then just one last one, if I could squeeze it in. On the relative growth between the earnings and the dividend, you're targeting the high end of 6% to 8% for earnings. And I know your targeted

dividend payout ratio is 60% versus about 64% in 2022. You just announced a 5.7% dividend increase. Is that a pace that we should expect for the next couple of years till you get to that 60% ratio?

Rejji P. Hayes

Executive Vice President & Chief Financial Officer, CMS Energy Corp.

Andrew, yeah, this is Rejji. So, yeah, I think conceptually you're right in that you're going to see a decoupling at least in the short-term between the earnings growth and the dividend per share growth. And so, that's what we're showing with recent increase in the dividend because we did mention on the heels of EnerBank sale that we'll glide down or we'll glide path down to a low 60% payout ratio. Right now, we're kind of mid-60s and we'll glide path down over time. So, you'll see a little decoupling between the earnings growth, which will be a little bit stronger than dividend per share growth. But we still think both are healthy and combined offer very attractive total shareholder return proposition.

Andrew Weisel

Analyst, Scotia Howard Weil

Definitely. Thank you very much.

Operator: And our next question today comes from Julien Dumoulin-Smith with Bank of America. Please go ahead.

Julien Dumoulin-Smith

Analyst, BofA Securities, Inc.

Hey. Good morning, team. Thanks for the time.

Garrick J. Rochow

President, Chief Executive Officer & Director, CMS Energy Corp.

Hey, good morning, Julien.

Rejji P. Hayes

Executive Vice President & Chief Financial Officer, CMS Energy Corp.

Good morning, Julien.

Julien Dumoulin-Smith

Analyst, BofA Securities, Inc.

Well done. So, perhaps just coming back to a couple of things. The economic development tariffs, just to come to that first here. How do you think about that impacting 2022? Just you mentioned pretty strong industrial load. Obviously, these economic development tariffs kind of impact – shift those impacts and load sensitivity to earnings sensitivity. Can you talk a little bit about what that could do? I imagine it's not too material, but curious.

Garrick J. Rochow

President, Chief Executive Officer & Director, CMS Energy Corp.

Yes. So, let me offer a little more color on this economic. There's two pieces. We're very successful toward the end of the year in establishing economic development rate. When we filed that in November and as I said, almost record approval here with the commission and then Public Service Commission and staff, which we see as a really good indicator here in Michigan and the opportunity to encourage job growth and jobs here in Michigan. So,

it's an economic development rate which is very competitive out there, and it's designed for energy intensive customers.

The next piece is we worked to achieve economic set of bills that offered incentives to make Michigan competitive, that was offered through, again, bipartisan support through the legislature signed by the governor. And that was close to \$1 billion, \$1.5 billion of incentives here in the state. And so, GM made their big announcement nearly \$7 billion of investment in Michigan, 4,000 new jobs. That is a direct result of that work. And so, we feel good by the initial volley here. But as Rejji said, there's – and I shared in my prepared remarks, there are more that are considering Michigan. And so, we see a lot of upside from an industrial and jobs growth perspective, and ultimately, the spillover benefits. But Rejji, I don't know if you want to add any additional context to that at all.

Rejji P. Hayes

Executive Vice President & Chief Financial Officer, CMS Energy Corp.

A

No. I think you laid it out well, Garrick.

Julien Dumoulin-Smith

Analyst, BofA Securities, Inc.

Q

All right. So, we'll see what happens this year. Perhaps if I could pivot, on Campbell just super quick if I can. You know, Campbell retirement, as you've alluded to several times already a retirement in the 2025 timeframe. You know, that's come up a lot in the IRP and represents a substantive portion of the O&M savings. I think its order of magnitude \$60 million. Do you have offsets for this retirement and kind of as you think about it, if it's pushed back, for instance, in an IRP settlement or again, how you would think about that fitting into your plan to the extent of which that moves out, if you will?

Garrick J. Rochow

President, Chief Executive Officer & Director, CMS Energy Corp.

A

Well, in my earlier comments, just to be really clear, \$650 million of savings in total requires the retirement of Campbell 1, 2, and 3. I started my career at that plant. You can't do a partial there. It just doesn't work. And so, you need the whole thing, one, for the savings piece for our customers. But you can't do a partial retirement. So that's critically important in this equation and in this IRP.

The second piece is when you retire a plant like that, you need the backfill in terms of capacity, in terms of energy. And the lowest cost option to that, we proved through modeling, is through Covert and through the DIG facility. And so, again, this is why it all comes together quite nicely. And so, it's very clear what's necessary to see this type of savings for our customers, to improve the supply side from a resiliency perspective, and then also to have a 60% reduction in carbon. So that's how we're approaching it. Again, a lot of benefits, a lot of wins for everyone, and we think we can achieve that. Not I think, we know we can achieve that during in 2022.

Julien Dumoulin-Smith

Analyst, BofA Securities, Inc.

Q

Right. And just even further to clarify that, your core base plan does it – it doesn't reflect Campbell per se. The IRP, shall we say, "upside" as we talked about from a capital perspective and making that affordable is predicated on Campbell, right, just to segment that apart.

Garrick J. Rochow*President, Chief Executive Officer & Director, CMS Energy Corp.*

A

Yes. We need Campbell, we need all of Campbell to retire. And, again, that's not built into our plans. Not in our five-year plan at all. Not the savings, not the capital upside, it's not in the plan. And so just to be clear there.

Julien Dumoulin-Smith*Analyst, BofA Securities, Inc.*

Q

Excellent, guys. Well, I wish you the best of luck. Let's see what happens in Michigan this year. Cheers.

Garrick J. Rochow*President, Chief Executive Officer & Director, CMS Energy Corp.*

A

Thanks, Julien.

Operator: And our next question today comes from Nick Campanella with Credit Suisse. Please go ahead.

Nicholas Campanella*Analyst, Credit Suisse*

Q

Hey. Good morning, everyone.

Garrick J. Rochow*President, Chief Executive Officer & Director, CMS Energy Corp.*

A

Good morning.

Nicholas Campanella*Analyst, Credit Suisse*

Q

Hey. So, most of my questions have been answered. But I just wanted to go back to the electric rate case quick. Absolutely acknowledge a really healthy ROE and equity ratio. The commission did seem to push back on capital costs specifically with that one solar project, I guess, at least for this order. Can you confirm you're moving forward with that project still? How should we think about subsequent approvals in your clean energy generation capital plan, understanding it's obviously imperative for the company's decarbonization goals but the commission does seem to be taking a slower approach to at least your initial set of projects here? Thanks.

Garrick J. Rochow*President, Chief Executive Officer & Director, CMS Energy Corp.*

A

I don't agree. I don't agree with that conclusion that they're taking a slower approach. The language is really clear in the ex parte order and in the electric rate case, their support for green energy. And, in fact, that Washtenaw project and it's clear that it's been supported and from a construction standpoint and a regulatory recovery standpoint. Now Reiji will walk through a little bit the financial piece and how we'll progress with that project here over the course of 2022 and 2023.

Reiji P. Hayes*Executive Vice President & Chief Financial Officer, CMS Energy Corp.*

A

Yeah, Nick. So, again, to Garrick's point, we feel very confident that it was really a deferred decision by the commission because they did approve the contract in November before the electric rate order. And the only

reason it wasn't approved in the order is just given the timing in which it was introduced into the case. So, we do expect to get a constructive outcome in a subsequent filing.

And so, as a result of that, to Garrick's point, we'll continue to execute on the project. And because of the high probability of approval, we'll recognize AFUDC equity and debt accounting on this project, and so there will be no P&L drag, if you will, and just a little bit of deferred cash flow or lag on the cash flow side. And so, we fully expect to move forward on the project and, again, expect a constructive outcome in the subsequent case. Is that helpful?

Nicholas Campanella

Analyst, Credit Suisse

Q

Yeah, that's very clear. I appreciate the time today. Thank you.

Operator: Our next question today comes from Jonathan Arnold at Vertical Research. Please go ahead.

Jonathan Philip Arnold

Analyst, Vertical Research Partners LLC

Q

Good morning, guys.

Garrick J. Rochow

President, Chief Executive Officer & Director, CMS Energy Corp.

A

Good morning, Jonathan.

Jonathan Philip Arnold

Analyst, Vertical Research Partners LLC

Q

Just a quick question again on the five-year plan, thanks for the clarity on what's driving the step-up in the gas side. That was clear. I'm just curious, so on the electric distribution line, it seemed to take a pretty meaningful step-down in 2022. And we're sort of – I think that explained most of the delta. Can you square that, Garrick, with your comments about customer growth and new connections and the like and maybe sort of – maybe the rate case was probably the answer, but just curious there.

Garrick J. Rochow

President, Chief Executive Officer & Director, CMS Energy Corp.

A

Yes. Specifically for new growth, both electric connections and – we have a deferral mechanism on there. And so, we can allocate the appropriate amount of capital for growth and then see recovery in a subsequent case. And so, that's been a practice we've had at least the last couple of rate cases that allow us to – it's in three areas, both in new business, asset relocations, and demand capital. And so, that's been very helpful in allowing us to expand our electric capital in year as a result of changes in the environment like great business growth. And so, that's an important piece.

The other piece that I would just again point back to, our electric reliability spend is robust. It's the largest we've had here across our company, 40% over 2020. But I would offer this, there's better and more important work we need to do in this next electric rate case. We have more capital that we want to invest on behalf of our customers in electric reliability to offer benefits and improve our performance there and we'll work to engage that into the – and build that out in the next case.

And I know, Reiji would also offer some comments as well.

Rejji P. Hayes*Executive Vice President & Chief Financial Officer, CMS Energy Corp.*

A

Yeah, Jonathan, the only thing I'd add, you noted that there was a slight dip in the front end of the five-year plan on the distribution spend. So, you can see it's a little off trend. We tend to and have historically been at about \$1 billion per year spend rate for all the reliability work that we know needs to get done in our service territory.

The dip in 2022, that's attributable to just aligning the spend plan in 2022 with the rate order. We had about around \$100 million or so or thereabouts of disallowance in the rate order. And so, obviously, with the forward test year, we can toggle our plans accordingly. And so, that's really what's driving some of that decline in 2022, which is a little off trend.

Jonathan Philip Arnold*Analyst, Vertical Research Partners LLC*

Q

Okay. Great. That's perfect. Thanks, guys.

Operator: And our next question today from Travis Miller of Morningstar. Please go ahead.

Travis Miller*Analyst, Morningstar, Inc.*

Q

Good morning. Thank you.

Rejji P. Hayes*Executive Vice President & Chief Financial Officer, CMS Energy Corp.*

A

Hi, Travis.

Travis Miller*Analyst, Morningstar, Inc.*

Q

Back to the IRP, just thinking about timing post-IRP. Would you get a decision soon enough or have concrete plans soon enough to weave anything from the IRP into the presumed electric rate case filing this year?

Garrick J. Rochow*President, Chief Executive Officer & Director, CMS Energy Corp.*

A

We're going to file our electric rate case here in April timeframe. And so that's our plan right now. And so, we don't – initial order could come out very earliest in April and then a final order in June. And so, I don't anticipate that that'll be woven into this electric rate case.

Travis Miller*Analyst, Morningstar, Inc.*

Q

Okay. What is your thought on timing of any specific projects or capital at least generally from the IRP, a year out, six months out from the decision, what's your thought there?

Garrick J. Rochow*President, Chief Executive Officer & Director, CMS Energy Corp.*

A

Our intent here is to – so again, I don't want to presume approval. I think that would be – I don't want to get in front of the commission on that, but again, confidence in a final order by June. And let's play this out, Covert, DIG into the utility. We'd looked to update our plans, our five-year plans and kind of the normal cycle to reflect those changes.

Travis Miller

Analyst, Morningstar, Inc.

Okay. Perfect. And then real quick on the Enterprises side, any update to strategy there?

Garrick J. Rochow

President, Chief Executive Officer & Director, CMS Energy Corp.

Enterprises continues to be an important part of our business, although a really small part of our business. And just as a reminder for everyone on the call, it's about 4% of our earnings mix. So, again, small and then as DIG and other facilities move into the utility, that Enterprises group grows even smaller. Right now, it's focused on renewables and customer relationships. And so, let me offer a little bit more context around that. For example, a company like General Motors, they're one of the companies that Enterprise works with, they have long-term commitment to sustainability across their global footprint.

And so, they provide a creditworthy party and we have a long contract period. We help them find renewable assets throughout the US. And so, that's the role we play with the utility like returns or better in that space. And again, we're not out in the auctions, we're not out getting squeezed from a margin perspective. It's specifically designed at customer relationships and helping to meet their sustainability targets. And so, it's narrow, it's thoughtful. And it's a small part of our business, but important for our strategic customers.

Travis Miller

Analyst, Morningstar, Inc.

Got it. Great. Thanks so much. That's all I have.

Garrick J. Rochow

President, Chief Executive Officer & Director, CMS Energy Corp.

Thank you.

Operator: And our next question comes from Anthony Crowdell with Mizuho. Please go ahead.

Anthony Crowdell

Analyst, Mizuho Securities USA LLC

Hey, good morning. Hopefully, just two quick ones. And I don't know if I'm reading too deep into this. But I think of the 2021 actual at \$2.65, the range you gave for 2022 of \$1.85 to \$1.89, the midpoint there is not actually towards the high end of the 6% to 8%, it is actually above the high end. And this is before any of the additional capital. It seemed that you're actually not even trending towards the high end, you're above the high end. Is this just smaller numbers and moving a decimal place here or there or is there more to read through to this?

Garrick J. Rochow

President, Chief Executive Officer & Director, CMS Energy Corp.

Well, here's the good news, Anthony. You said \$1.85 to \$1.89. It's \$2.85 to \$2.89.

Anthony Crowdell*Analyst, Mizuho Securities USA LLC*

Apologies. It's a long morning. Apologies.

Q

Garrick J. Rochow*President, Chief Executive Officer & Director, CMS Energy Corp.*

No problem. So, again, we're happy with where we landed this year. And we've got a lot of momentum coming into the year and for some of the reasons that Reiji articulated earlier, but you may want to jump in again on this one. But bottom line, we've offered guidance there. We feel we've expanded and raised that guidance and feel really good and confident about landing there. And as I shared earlier, likely in the midpoint range, a lot of year left, but in the midpoint of that range we offer today. And so, again – and then after this and really into 2022, that is the base year, we'll grow at that 6% to 8% toward the high side.

A

But anything else to offer on that, Reiji?

Reiji P. Hayes*Executive Vice President & Chief Financial Officer, CMS Energy Corp.*

No, I think, you hit the key point, Garrick, which is the 6% to 8% guidance, Anthony, and that sort of confidence toward the high end, that is off of the 2022 base. And so, think 2023 and beyond. 2022 is a fairly atypical year, again, given the sale of the bank. And that's why you see a little bit higher growth in the range of \$2.85 to \$2.89 off of the 2021 actuals of \$2.65. It implies like 7.5% to 9%. But we don't foresee ourselves growing at that clip going forward. So, it's just an atypical year as we reduce the dilution from the EnerBank sale and redeploy the capital.

A

Anthony Crowdell*Analyst, Mizuho Securities USA LLC*

What has to happen for you guys to hit the 6%? Like, why even the 6% there? It seems that you guys are really fully loaded, 7% to 8%. I'm just curious, what's the scenario where you come into the 6%? Like, why not remove it, I guess, is my question.

Q

Reiji P. Hayes*Executive Vice President & Chief Financial Officer, CMS Energy Corp.*

Well, I mean, even though the range may seem wide on a percentage basis, it's about \$0.04 to \$0.05 on average, Anthony. And so, we think that that's plenty conservative to give us a little room to land the plane. So, we feel good about the guidance range, which again, I think is one of the tightest in the sector.

A

Anthony Crowdell*Analyst, Mizuho Securities USA LLC*

Great. And just last for me. I think you said DIG's, the plant had an extended outage in 2021. Just what was the issue and is that plant back in service?

Q

Reiji P. Hayes*Executive Vice President & Chief Financial Officer, CMS Energy Corp.*

Yeah. The quick answer is back in service. There was a supply line of gas that was feeding into the plant that needed some additional construction work. And, you know, having been in the gas business for a long time, we know once that type of work's done, it lasts about 70 years or so. So, we feel good about the fact that that was

A

non-recurring and will be back at normal operations going forward for the foreseeable future. But just to be clear, it wasn't our gas line. It was from a third party. But that's now fixed and we're off and running.

Anthony Crowdell

Analyst, Mizuho Securities USA LLC

Great. Thanks for taking my questions.

Reiji P. Hayes

Executive Vice President & Chief Financial Officer, CMS Energy Corp.

Thank you.

Operator: And our next question today comes from Paul Patterson at Glenrock Associates. Please go ahead.

Paul Patterson

Analyst, Glenrock Associates LLC

Hey. How's it going?

Garrick J. Rochow

President, Chief Executive Officer & Director, CMS Energy Corp.

It's going well, Paul. Thanks.

Paul Patterson

Analyst, Glenrock Associates LLC

Just and I apologize if I missed this, but the normalized storm impact for 2021 that you guys – and I guess the delta that you guys are thinking, I see you're combining it with customer initiatives. How much was this – what are you think about in terms of – how should we think about storms this year, I mean, in 2021 versus in 2022?

Reiji P. Hayes

Executive Vice President & Chief Financial Officer, CMS Energy Corp.

Yeah. Paul, thanks for the question. So, you know, we've seen at least over the last four or five years an increase in sort of the, I'll say, the volume and intensity of storms. And so, service restoration has been somewhat volatile. Last year, I'd say, was atypical even relative to the last few years. And so, I think if you look back from, say, pre-pandemic levels to 2020, we were on a spend rate of somewhere around \$70 million to \$80 million.

And then 2021, we were a multiple on top of that, I think almost 2 to 3x that. Not 3x but closer to 2x. And so, we just don't foresee a level of service restoration at those levels in 2022. So, we expect to be sort of – we're – I think we have in rates about \$65 million. So, we may be a little north of that when all is said and done this year, but we certainly don't think we'll see numbers in excess of \$100 million, \$150 million which is where we were last year. So, that's how we're thinking about it, sort of more towards where we are on rates and maybe slightly above that. Is that helpful?

Paul Patterson

Analyst, Glenrock Associates LLC

That is helpful. And then, just with respect to COVID, I mean, it looks like you guys have done very well during it. And it looks – you gave a lot of information on the usage and everything. But I'm just wondering, is it kind of – are we – is COVID kind of a non-issue at this point should we think about in terms of 2022 and going forward? I

mean, obviously, you can't predict the pandemic. But I mean, even sort of saying, I mean, how do you think of COVID impacting stuff, I guess, in 2022?

Garrick J. Rochow*President, Chief Executive Officer & Director, CMS Energy Corp.*

A

Well, I don't want to deminimize COVID or the health effects to people. And so, I'll be sensitive to my response here. But bottom line, what we've – in Michigan here, we're seeing all the economic indicators are headed in the right direction. And then people have figured out a way to be able to work and live and even play in the midst of a pandemic. And as a company, we found ways to work safely with the appropriate precautions in place. And so, again, we're not seeing what we saw at the beginning of the pandemic, which was economic shutdowns and other factors influencing load. It's really on the upswing. All economic indicators are again headed in the right direction. And so, I would put it in more of a perspective that we figured out how to work within the context of COVID.

Paul Patterson*Analyst, Glenrock Associates LLC*

Q

Okay. Great. I really appreciate it. Thanks so much.

Operator: And ladies and gentlemen, this concludes our question-and-answer session. I'd like to turn the conference back over to Garrick Rochow for the closing remarks.

Garrick J. Rochow*President, Chief Executive Officer & Director, CMS Energy Corp.*

Thank you, Rocco. And I want to thank everyone for joining us today for our fourth quartile earnings call. Take care and stay safe.

Operator: Thank you, sir. This concludes today's conference call. I want to thank you all for attending today's presentation. Have a wonderful day. Thank you.

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