



**CMS**  
**LISTED**  
**NYSE**

# Third Quarter 2017 Results & Outlook

## October 26, 2017

**CMS MODEL: CONSISTENT PAST  
WITH A SUSTAINABLE FUTURE**



This presentation is made as of the date hereof and contains “forward-looking statements” as defined in Rule 3b-6 of the Securities Exchange Act of 1934, Rule 175 of the Securities Act of 1933, and relevant legal decisions. The forward-looking statements are subject to risks and uncertainties. All forward-looking statements should be considered in the context of the risk and other factors detailed from time to time in CMS Energy’s and Consumers Energy’s Securities and Exchange Commission filings. Forward-looking statements should be read in conjunction with “FORWARD-LOOKING STATEMENTS AND INFORMATION” and “RISK FACTORS” sections of CMS Energy’s and Consumers Energy’s Form 10-K for the year ended December 31, 2016 and as updated in subsequent 10-Qs. CMS Energy’s and Consumers Energy’s “FORWARD-LOOKING STATEMENTS AND INFORMATION” and “RISK FACTORS” sections are incorporated herein by reference and discuss important factors that could cause CMS Energy’s and Consumers Energy’s results to differ materially from those anticipated in such statements. CMS Energy and Consumers Energy undertake no obligation to update any of the information presented herein to reflect facts, events or circumstances after the date hereof.

The presentation also includes non-GAAP measures when describing CMS Energy’s results of operations and financial performance. A reconciliation of each of these measures to the most directly comparable GAAP measure is included in the appendix and posted on our website at [www.cmsenergy.com](http://www.cmsenergy.com).

CMS Energy provides historical financial results on both a reported (GAAP) and adjusted (non-GAAP) basis and provides forward-looking guidance on an adjusted basis. During an oral presentation, references to “earnings” are on an adjusted basis. Adjustments could include items such as discontinued operations, asset sales, impairments, restructuring costs, regulatory items from prior years, or other items. Management views adjusted earnings as a key measure of the company’s present operating financial performance and uses adjusted earnings for external communications with analysts and investors. Internally, the company uses adjusted earnings to measure and assess performance. Because the company is not able to estimate the impact of specific line items that have the potential to significantly impact, favorably or unfavorably, the company’s reported earnings in future periods, the company is not providing reported earnings guidance nor is it providing a reconciliation for the comparable future period earnings. The adjusted earnings should be considered supplemental information to assist in understanding our business results, rather than as a substitute for the reported earnings. Similarly, management views adjusted operating and maintenance (O&M) expenses as an important measure of operating efficiency. This measure excludes expenses related to energy efficiency because they have no impact on net income, as well as certain historical amounts that reduce comparability to the current period. Other adjustments could include restructuring costs and regulatory items from prior years. Because the company is not able to estimate the impact of specific line items that have the potential to significantly impact reported maintenance and other operating expenses, the company is not providing a reconciliation for the comparable future period expenses. Adjusted weather-normalized earnings are provided to show the impact of deviations from normal weather.

Investors and others should note that CMS Energy routinely posts important information on its website and considers the Investor Relations section, [www.cmsenergy.com/investor-relations](http://www.cmsenergy.com/investor-relations), a channel of distribution.

- **Business Update**

- **People, Planet, Profit**



**Patti Poppe**  
**President & CEO**

- **Performance -- The Consumers Energy Way**



- **Financial Results & Outlook**

- **Third Quarter; Full Year**

**Rejji Hayes**  
**Executive VP & CFO**



- First Nine Months 2017 at \$1.66:

**up 8%** from 2016 weather-normalized

- 2017 Full-Year guidance raised:

to **\$2.15** - \$2.18, up 6% to 8%

- 2018 Full-Year guidance introduced:

at **\$2.29 - \$2.33**, up 6% to 8%

- Future long-term annual growth:

at **6% to 8%**

<sup>a)</sup>Adjusted EPS (non-GAAP) Results and Guidance

PEOPLE • PLANET • PROFIT



PERFORMANCE

... world class performance delivering hometown service.

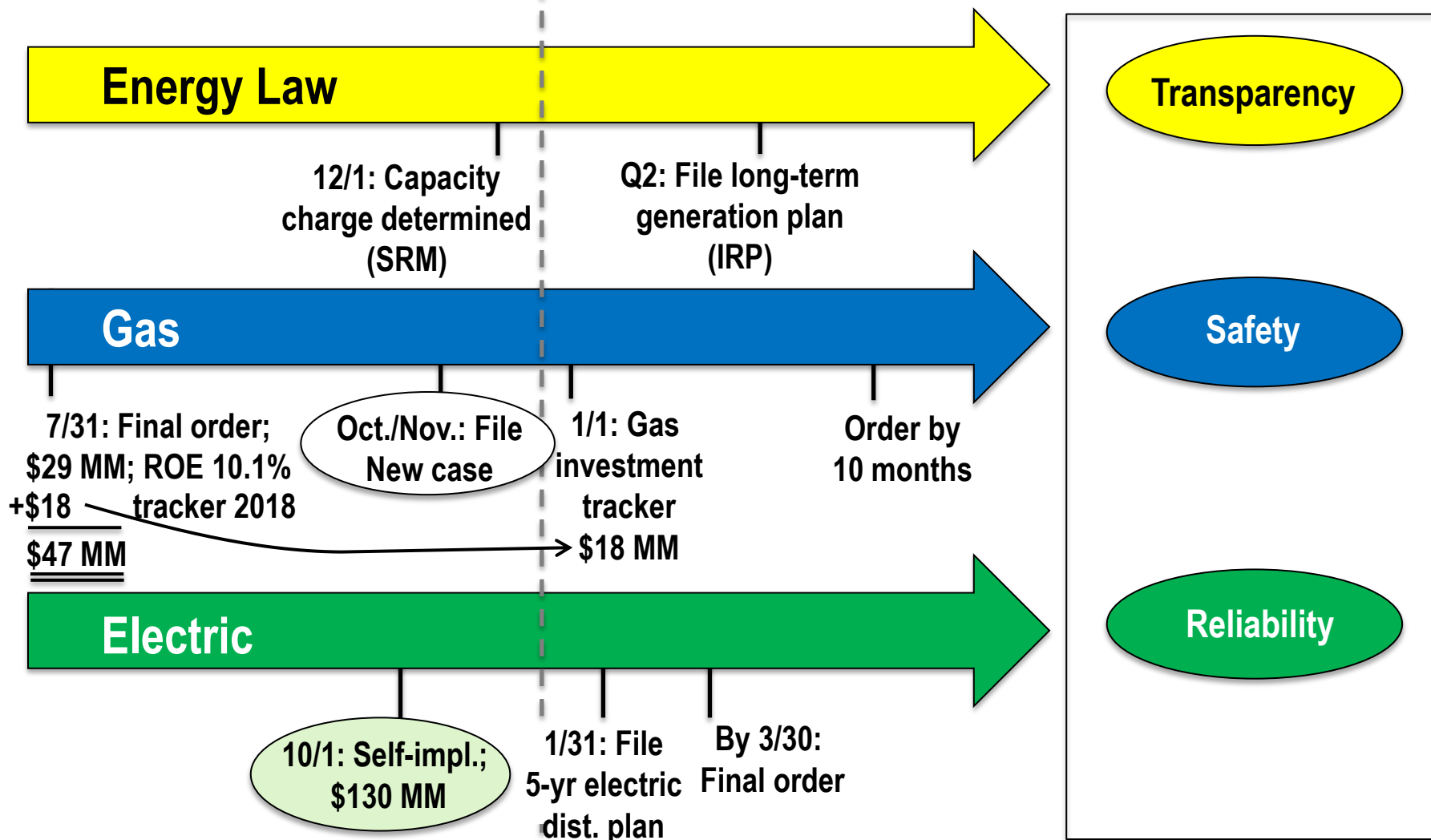
# Long-Term Regulatory Planning...

CMS ENERGY

**Second Half 2017**

**2018**

**Customer Benefits**

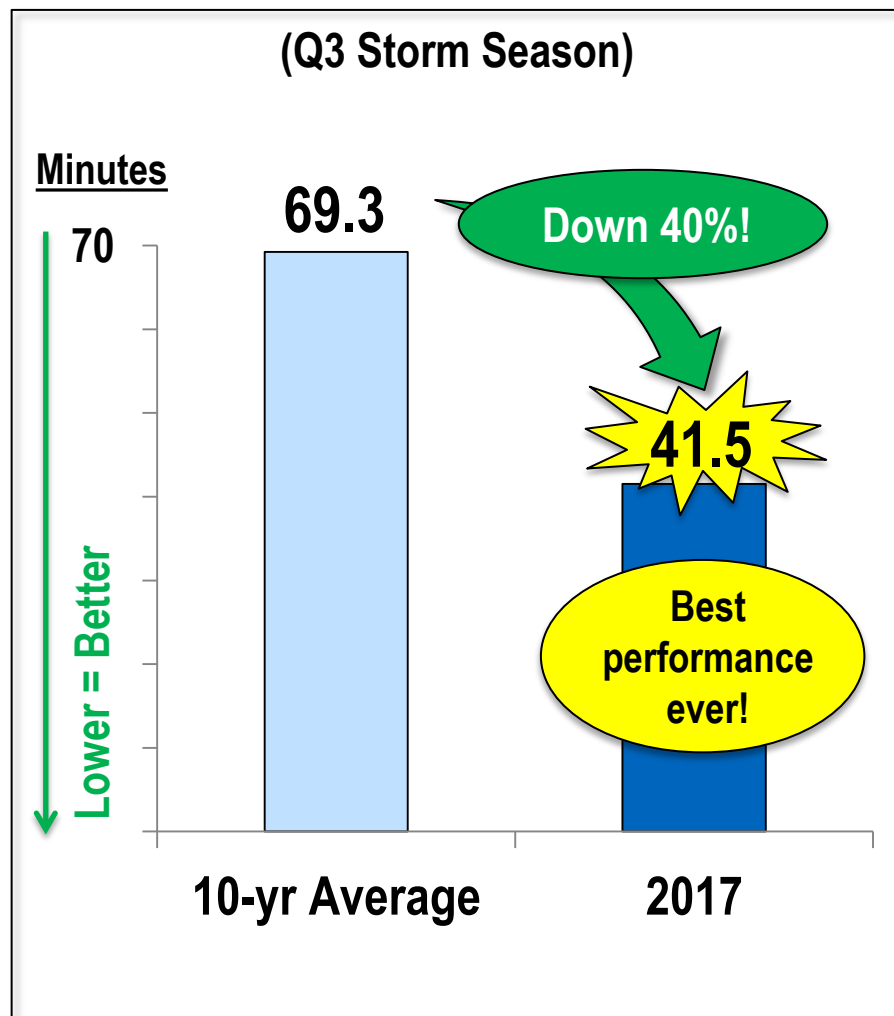


... provides significant customer value and investment certainty.



## SAIDI Performance

## CE Way Driven: Quality



- ✓ Prioritized customer investment
- ✓ Targeted circuits for tree-trimming
- ✓ Reduced animal interference

... operational excellence despite major storm activity.

# First Nine Months of 2017...

CMS ENERGY

## Results

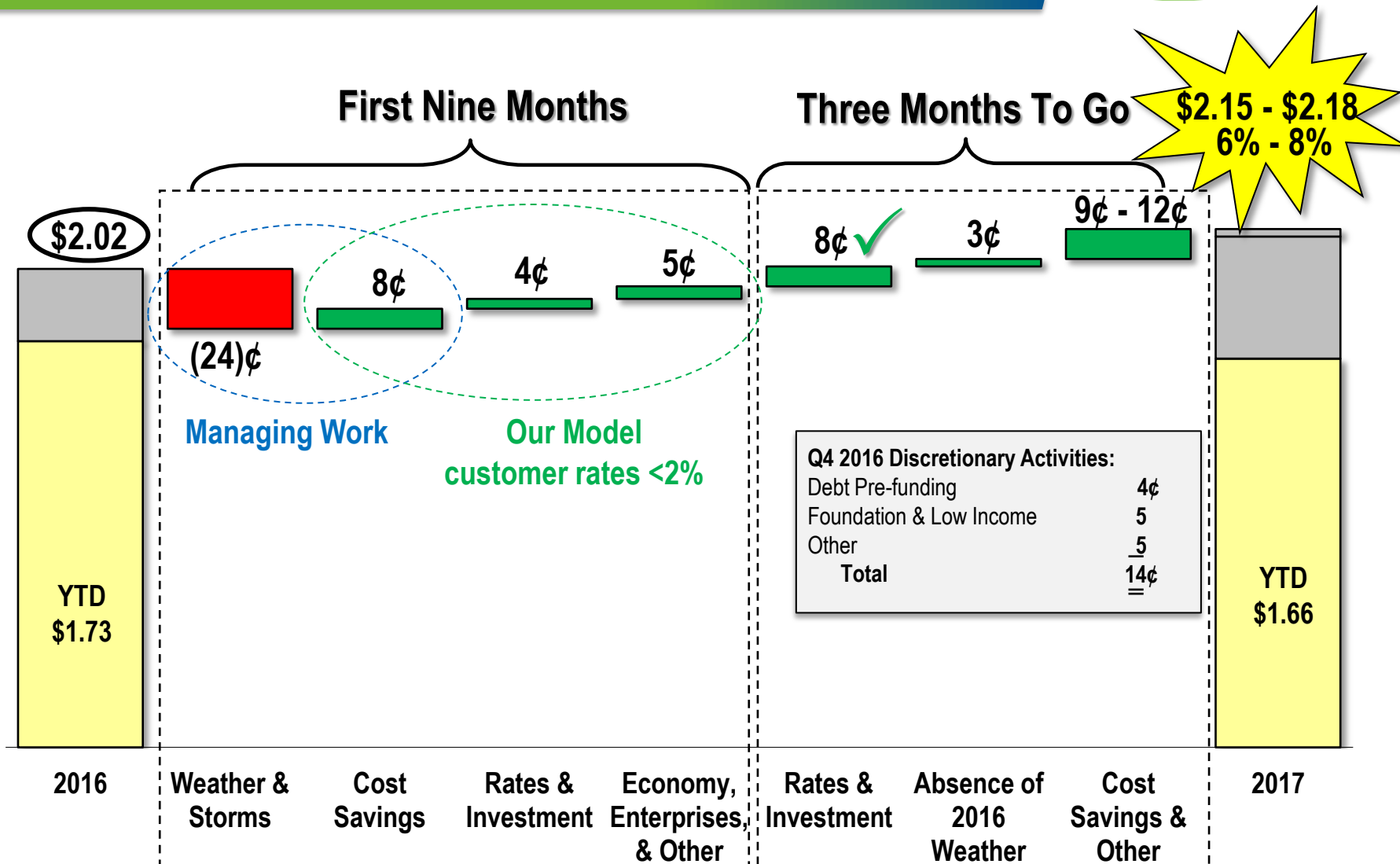
Year-to-Date	2016	2017
EPS – (GAAP)	\$1.70	\$1.65
Adjustment	0.03	0.01
Adjusted (non-GAAP)	\$1.73	\$1.66
Weather-normalized <sup>a)</sup>	\$1.71	\$1.84
	+8%	
Third Quarter		
EPS – (GAAP)	67¢	61¢
Adjustment	3	1
Adjusted (non-GAAP)	70¢	62¢
Weather-normalized <sup>a)</sup>	60¢	64¢
	+7%	

<sup>a)</sup> Adjusted EPS (non-GAAP)

## By Business Segment

	EPS <sup>a)</sup>	
	Actual	Better than Plan
Utility	\$1.76	\$0.12
Enterprises	0.10	0.03
Interest & other	(0.20)	0.01
Company	\$1.66	\$0.16

... substantially stronger than plan.



<sup>a]</sup>Adjusted EPS (non-GAAP)

... on track.

# 2017 Outlook...

CMS ENERGY

Adjusted EPS  
(non-GAAP)

Benefits	4¢
Property taxes	4
Total	<u>8¢</u>

Weather  
& Storms

2016

Mild  
October

Reinvestment

+6% to +8%

Recovery

Recovery

Accelerated financing	3¢
Enterprises	1
EE incentives	2
O&M choices	4
Sales mix & other	3
Total	<u>13¢</u>

Recovery

Income taxes	5¢
Enhanced capitalization	2
EE incentives	1
Sales mix & other	4
Total	<u>12¢</u>

January

March 31

June 30

September 30

Today

December 31

<sup>a)</sup> Adjusted EPS (non-GAAP)

... on track to deliver 6% to 8%<sup>a)</sup> growth despite early challenges.

## **2017+ Plan**

**Customer investment (reliability, costs, enviro mandates) 6% - 8%**

### Self Funding:

- |                                      |                  |
|--------------------------------------|------------------|
| - O&M cost reductions <sup>a]</sup>  | 2 - 3 pts        |
| - Sales growth                       | 1                |
| - No “block” equity dilution & other | 2                |
| <b>INVESTMENT SELF-FUNDED</b>        | <b>5 - 6 pts</b> |

**Rate increase “at or below inflation” < 2%**

<sup>a]</sup> Consumers non-GAAP

**... continues to drive sustainable growth.**

# Customer Investment...

**CMS ENERGY**

## Detail

	Capex \$ (Bn)
✓ Gas	8
✓ Electric	<u>10</u>
<b>Total Plan</b>	<b>18</b>

**Opportunities** 7

**Plan With Ops** **\$25**



**Gas Meter Installations (2019): 1.1 MM**



**Gas Transmission: 75% of miles pre-1970**

**Gas Distribution: 25 years of replacements**



**Electric LVD System: Older than avg. utility**



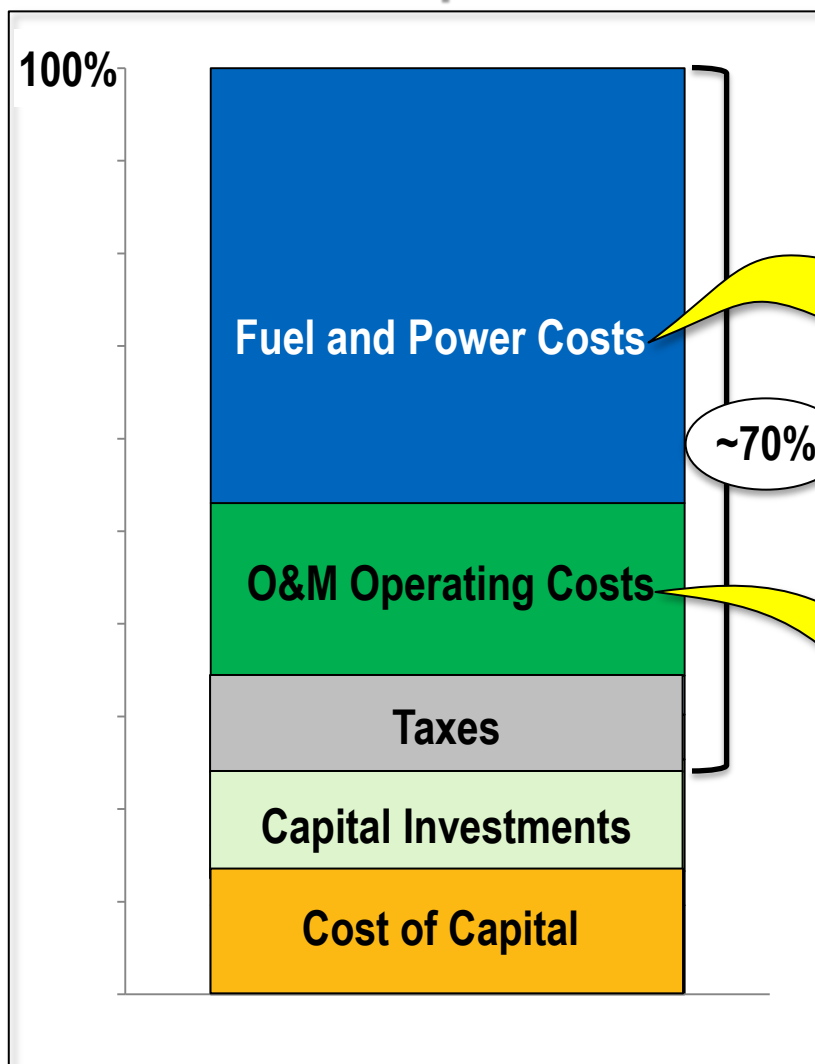
**Electric HVD System: 1/3 past useful life**

... improves reliability and safety. <sup>11</sup>

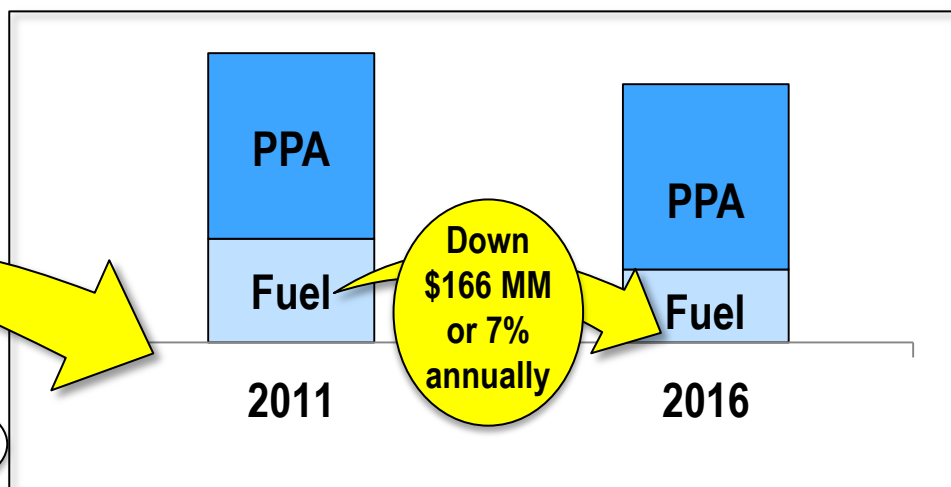
# Our Entire Cost Structure...

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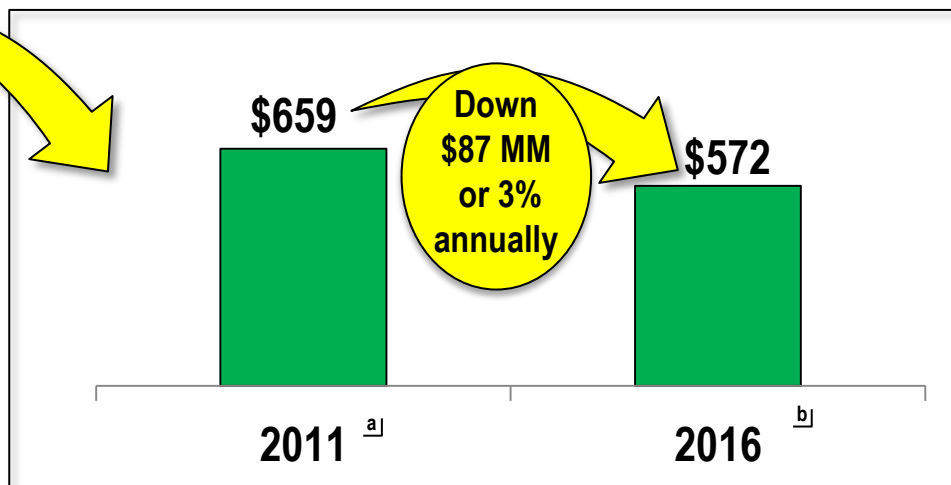
## Cost Components



## Above Market Costs



## O&M Reductions in Rates

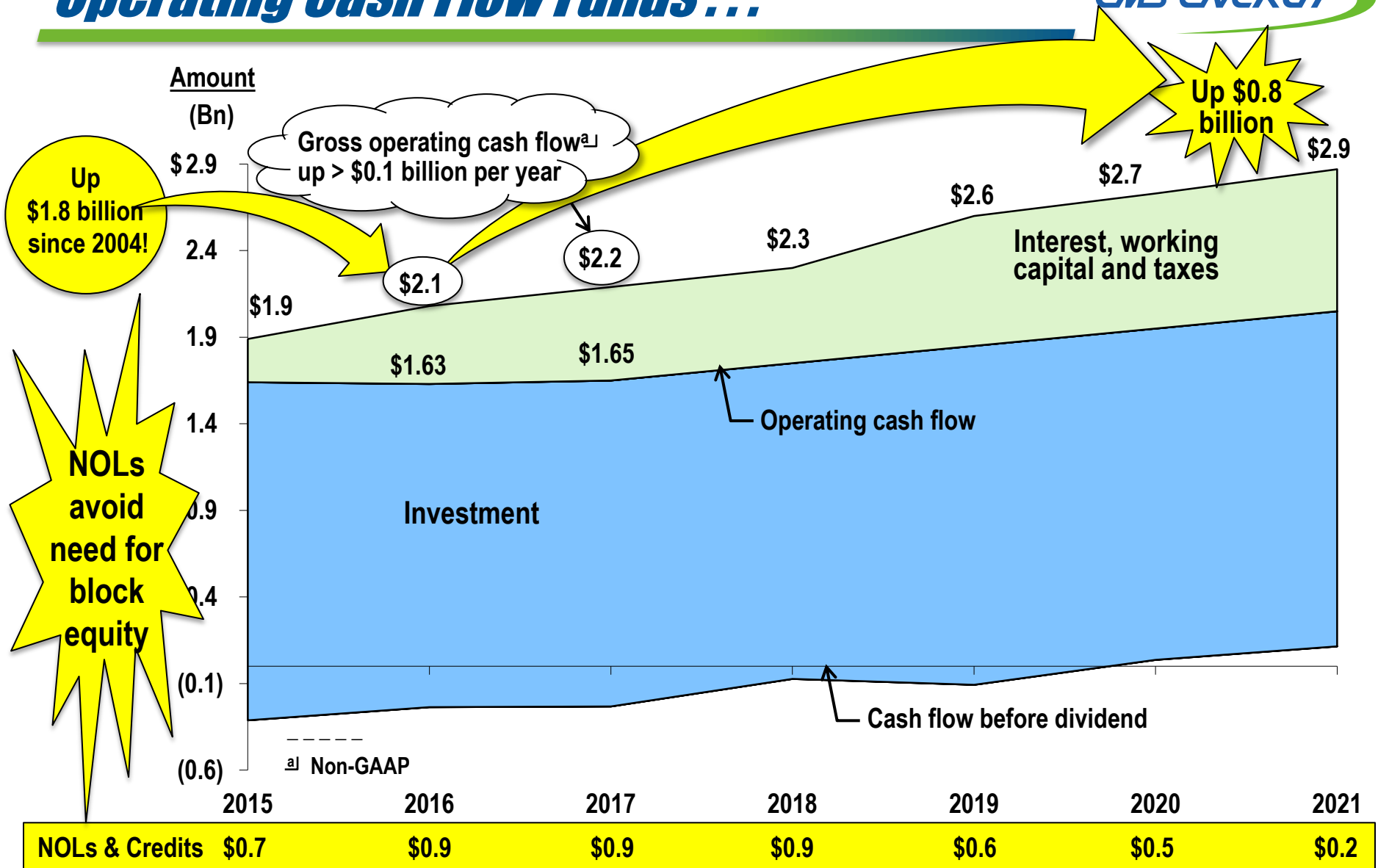


<sup>a)</sup> Case U-16191    <sup>b)</sup> Case U-17990

... provides opportunities to lower costs and create headroom.

# Operating Cash Flow Funds...

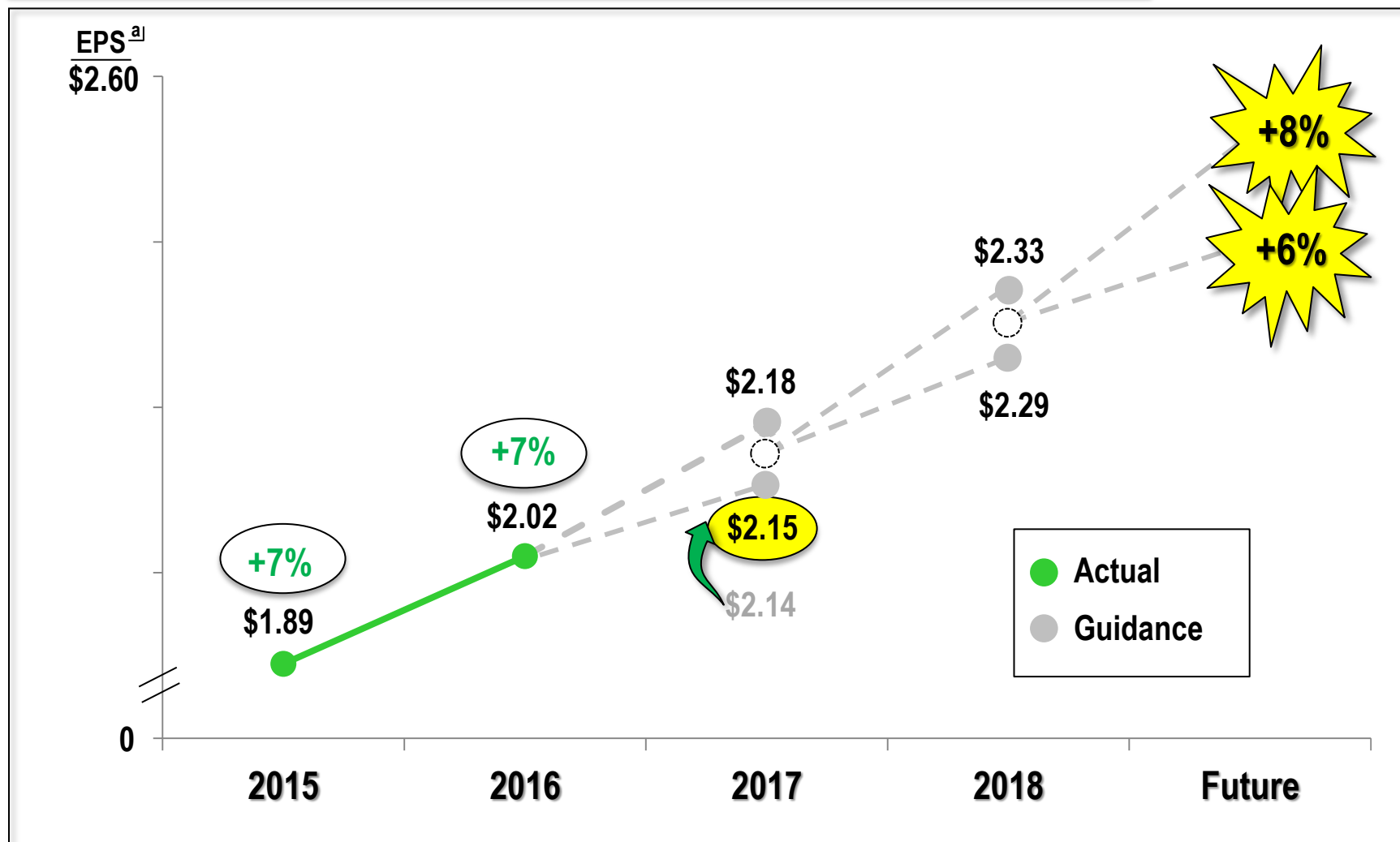
CMS ENERGY



... investments without block equity.

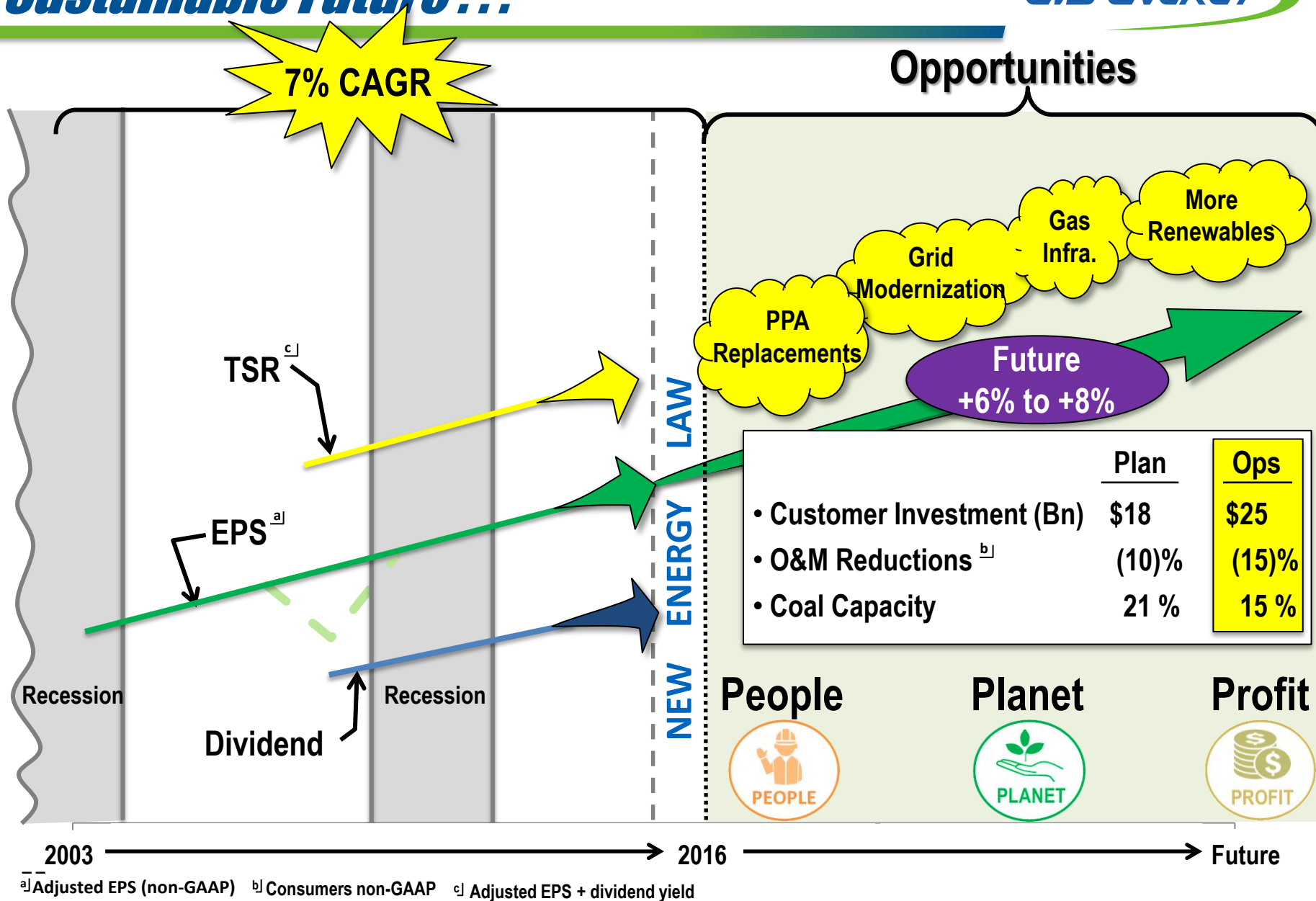
# EPS<sup>a)</sup> Guidance Reflects...

CMS ENERGY



<sup>a)</sup> Adjusted EPS (non-GAAP)

... 6% to 8% annual growth.



... driven largely by customer investment and cost performance.

**Q & A**

***Thank you!***

***See you at EEI.***

## **GAAP Reconciliation**

**CMS ENERGY CORPORATION**  
**Earnings Per Share By Year GAAP Reconciliation**  
**(Unaudited)**

	2003	2004	2005	2006	2007	2008	2009	2010	2011	2012	2013	2014	2015	2016
<b>Reported earnings (loss) per share - GAAP</b>	(\$0.30)	\$0.64	(\$0.44)	(\$0.41)	(\$1.02)	\$1.20	\$0.91	\$1.28	\$1.58	\$1.42	\$1.66	\$1.74	\$1.89	\$1.98
<b>Pretax items:</b>														
Electric and gas utility	0.32	(0.60)	-	-	(0.06)	0.08	0.55	0.05	-	0.27	-	-	-	0.04
Tax impact	(0.11)	0.21	-	-	(0.01)	(0.03)	(0.22)	(0.02)	-	(0.10)	-	-	-	(0.01)
Enterprises	0.93	0.97	0.06	(0.12)	1.67	(0.02)	0.14	(0.05)	*	(0.01)	*	0.05	*	*
Tax impact	(0.19)	(0.35)	(0.02)	0.10	(0.42)	*	(0.05)	0.02	(0.11)	*	(*)	(0.02)	(*)	(*)
Corporate interest and other	0.25	(0.06)	0.06	0.45	0.17	0.01	0.01	*	-	*	*	*	*	0.02
Tax impact	(0.09)	0.03	(0.02)	(0.18)	(0.49)	(0.03)	(*)	(*)	(0.01)	(*)	(*)	(*)	(*)	(0.01)
Discontinued operations (income) loss, net	(0.16)	0.02	(0.07)	(0.03)	0.40	(*)	(0.08)	0.08	(0.01)	(0.03)	*	(*)	(*)	*
Asset impairment charges	-	-	2.80	1.07	0.93	-	-	-	-	-	-	-	-	-
Tax impact	-	-	(0.98)	(0.31)	(0.33)	-	-	-	-	-	-	-	-	-
Cumulative accounting changes	0.25	0.02	-	-	-	-	-	-	-	-	-	-	-	-
Tax impact	(0.09)	(0.01)	-	-	-	-	-	-	-	-	-	-	-	-
<b>Adjusted earnings per share, including MTM - non-GAAP</b>	\$0.81	\$0.87	\$1.39	\$0.57	\$0.84	\$1.21 (a)	\$1.26	\$1.36	\$1.45	\$1.55	\$1.66	\$1.77	\$1.89	\$2.02
Mark-to-market		0.04	(0.65)	0.80										
Tax impact		(0.01)	0.22	(0.29)										
<b>Adjusted earnings per share, excluding MTM - non-GAAP</b>	NA	\$0.90	\$0.96	\$1.08	NA	NA	NA	NA	NA	NA	NA	NA	NA	NA

\* Less than \$0.01 per share.

(a) \$1.25 excluding discontinued Exeter operations and accounting changes related to convertible debt and restricted stock.

**CMS ENERGY CORPORATION**  
**Earnings By Quarter and Year GAAP Reconciliation**  
**(Unaudited)**

<i>(In Millions, Except Per Share Amounts)</i>	2016				
	1Q	2Q	3Q	4Q	YTD Dec
<b>Net Income Available to Common Stockholders Reported - GAAP</b>	\$164	\$124	\$186	\$77	\$551
<b>Pretax items:</b>					
Electric and gas utility	-	-	11	*	11
Tax impact	-	-	(4)	(*)	(4)
Enterprises	*	*	*	1	1
Tax impact	(*)	(*)	(*)	(*)	(*)
Corporate interest and other	*	*	2	5	7
Tax impact	(*)	(*)	(1)	(2)	(3)
Discontinued operations (income) loss	*	*	(*)	(*)	*
<b>Adjusted net income - non-GAAP</b>	<b>\$164</b>	<b>\$124</b>	<b>\$194</b>	<b>\$81</b>	<b>\$563</b>
<b>Average shares outstanding, diluted</b>	<b>277.9</b>	<b>279.3</b>	<b>279.2</b>	<b>279.3</b>	<b>278.9</b>
<b>Reported earnings per share - GAAP</b>	<b>\$0.59</b>	<b>\$0.45</b>	<b>\$0.67</b>	<b>\$0.28</b>	<b>\$1.98</b>
<b>Pretax items:</b>					
Electric and gas utility	-	-	0.04	*	0.04
Tax impact	-	-	(0.01)	(*)	(0.01)
Enterprises	*	*	*	*	*
Corporate interest and other	*	*	*	0.02	0.02
Tax impact	(*)	(*)	(*)	(0.01)	(0.01)
Discontinued operations (income) loss	*	*	(*)	(*)	*
<b>Adjusted earnings per share - non-GAAP</b>	<b>\$0.59</b>	<b>\$0.45</b>	<b>\$0.70</b>	<b>\$0.29</b>	<b>\$2.02</b>

<i>(In Millions, Except Per Share Amounts)</i>	2017		
	1Q	2Q	3Q
<b>Net Income Available to Common Stockholders Reported - GAAP</b>	\$199	\$92	\$172
<b>Pretax items:</b>			
Electric and gas utility	-	-	-
Enterprises	*	*	1
Tax impact	(*)	(*)	(*)
Corporate interest and other	1	1	*
Tax impact	(*)	(1)	(*)
Discontinued operations loss	*	*	*
<b>Adjusted net income - non-GAAP</b>	<b>\$200</b>	<b>\$92</b>	<b>\$173</b>
<b>Average shares outstanding, diluted</b>	<b>279.9</b>	<b>280.3</b>	<b>281.6</b>
<b>Reported earnings per share - GAAP</b>	<b>\$0.71</b>	<b>\$0.33</b>	<b>\$0.61</b>
<b>Pretax items:</b>			
Electric and gas utility	-	-	-
Enterprises	*	*	*
Corporate interest and other	*	*	0.01
Tax impact	(*)	(*)	(*)
Discontinued operations loss	*	*	*
<b>Adjusted earnings per share - non-GAAP</b>	<b>\$0.71</b>	<b>\$0.33</b>	<b>\$0.62</b>

Note: Year-to-date (YTD) EPS may not equal sum of quarters due to share count differences.

\* Represents net (after-tax) impact of less than \$500 thousand or \$0.01 per share (unless segment is specifically referenced by tax impacts).

**CMS Energy**  
**Reconciliation of Gross Operating Cash Flow to GAAP Operating Activities**  
(unaudited)  
(mils)

	2015	2016	2017	2018	2019	2020	2021
Consumers Operating Income + Depreciation & Amortization	\$ 1,866	\$ 2,037	\$ 2,134	\$ 2,246	\$ 2,547	\$ 2,678	\$ 2,816
Enterprises Project Cash Flows	20	46	58	58	53	53	54
<b>Gross Operating Cash Flow</b>	<b>\$ 1,886</b>	<b>\$ 2,083</b>	<b>\$ 2,192</b>	<b>\$ 2,304</b>	<b>\$ 2,600</b>	<b>\$ 2,731</b>	<b>\$ 2,870</b>
Other operating activities including taxes, interest payments and working capital	(246)	(454)	(542)	(554)	(750)	(781)	(820)
<b>Net cash provided by operating activities</b>	<b>\$ 1,640</b>	<b>\$ 1,629</b>	<b>\$ 1,650</b>	<b>\$ 1,750</b>	<b>\$ 1,850</b>	<b>\$ 1,950</b>	<b>\$ 2,050</b>

**CMS ENERGY CORPORATION**  
**Summary of Consolidated Earnings**  
Reconciliations of GAAP Net Income to Non-GAAP Adjusted Net Income  
(In Millions, Except Per Share Amounts)

	Third Quarter (Unaudited)		Nine Months (Unaudited)	
	2017	2016	2017	2016
<b>Net Income Available to Common Stockholders</b>	\$ 172	\$ 186	\$ 463	\$ 474
Reconciling Items:				
Discontinued Operations (Income) Loss	*	(*)	*	*
Voluntary Separation Program	-	11	-	11
Tax Impact	-	(4)	-	(4)
Restructuring Costs and Other	1	2	3	2
Tax Impact	(*)	(1)	(1)	(1)
<b>Adjusted Net Income - Non-GAAP Basis</b>	<b>\$ 173</b>	<b>\$ 194</b>	<b>\$ 465</b>	<b>\$ 482</b>
Non-Normal Weather Impacts	10	(48)	82	(9)
Tax Impact	(4)	18	(32)	3
<b>Adjusted Weather-Normalized Net Income - Non-GAAP Basis</b>	<b>\$ 179</b>	<b>\$ 164</b>	<b>\$ 515</b>	<b>\$ 476</b>
Average Number of Common Shares Outstanding				
Basic	281	278	280	278
Diluted	282	279	281	279
<b>Basic Earnings Per Average Common Share</b>				
Net Income Per Share as Reported	\$ 0.61	\$ 0.67	\$ 1.65	\$ 1.71
Reconciling Items:				
Discontinued Operations (Income) Loss	*	(*)	*	*
Voluntary Separation Program	-	0.04	-	0.04
Tax Impact	-	(0.01)	-	(0.01)
Restructuring Costs and Other	0.01	*	0.01	*
Tax Impact	(*)	(*)	(*)	(*)
<b>Adjusted Net Income Per Share - Non-GAAP Basis</b>	<b>\$ 0.62</b>	<b>\$ 0.70</b>	<b>\$ 1.66</b>	<b>\$ 1.74</b>
Non-Normal Weather Impacts	0.03	(0.17)	0.29	(0.03)
Tax Impact	(0.01)	0.07	(0.11)	0.01
<b>Adjusted Weather-Normalized Net Income Per Share - Non-GAAP Basis</b>	<b>\$ 0.64</b>	<b>\$ 0.60</b>	<b>\$ 1.84</b>	<b>\$ 1.72</b>
<b>Diluted Earnings Per Average Common Share</b>				
Net Income Per Share as Reported	\$ 0.61	\$ 0.67	\$ 1.65	\$ 1.70
Reconciling Items:				
Discontinued Operations (Income) Loss	*	(*)	*	*
Voluntary Separation Program	-	0.04	-	0.04
Tax Impact	-	(0.01)	-	(0.01)
Restructuring Costs and Other	0.01	*	0.01	*
Tax Impact	(*)	(*)	(*)	(*)
<b>Adjusted Net Income Per Share - Non-GAAP Basis</b>	<b>\$ 0.62</b>	<b>\$ 0.70</b>	<b>\$ 1.66</b>	<b>\$ 1.73</b>
Non-Normal Weather Impacts	0.03	(0.17)	0.29	(0.03)
Tax Impact	(0.01)	0.07	(0.11)	0.01
<b>Adjusted Weather-Normalized Net Income Per Share - Non-GAAP Basis</b>	<b>\$ 0.64</b>	<b>\$ 0.60</b>	<b>\$ 1.84</b>	<b>\$ 1.71</b>

Note: Management views adjusted (non-Generally Accepted Accounting Principles) earnings as a key measure of the Company's present operating financial performance and uses adjusted earnings for external communications with analysts and investors. Internally, the Company uses adjusted earnings to measure and assess performance. Adjustments could include items such as discontinued operations, asset sales, impairments, restructuring costs, regulatory items from prior years, or other items detailed in these summary financial statements. Adjusted earnings should be considered supplemental information to assist in understanding our business results, rather than as a substitute for reported earnings. Adjusted weather-normalized earnings are provided to show the impact of deviations from normal weather.

\* Less than \$500 thousand or \$0.01 per share.

**CMS ENERGY CORPORATION**  
**Segment Earnings Per Share GAAP Reconciliation**  
(Unaudited)

September 30	Three Months Ended		Nine Months Ended	
	2017	2016	2017	2016
<b><u>Electric Utility</u></b>				
Reported	\$ 0.63	\$ 0.69	\$ 1.40	\$ 1.42
Voluntary Separation Program	-	0.03	-	0.03
Tax Impact	-	(0.01)	-	(0.01)
Adjusted	<u>\$ 0.63</u>	<u>\$ 0.71</u>	<u>\$ 1.40</u>	<u>\$ 1.44</u>
<b><u>Gas Utility</u></b>				
Reported	\$ 0.02	\$ 0.01	\$ 0.36	\$ 0.36
Voluntary Separation Program	-	0.01	-	0.01
Tax Impact	-	(*)	-	(*)
Adjusted	<u>\$ 0.02</u>	<u>\$ 0.02</u>	<u>\$ 0.36</u>	<u>\$ 0.37</u>
<b><u>Enterprises</u></b>				
Reported	\$ 0.03	\$ 0.03	\$ 0.10	\$ 0.06
Voluntary Separation Program	-	*	-	*
Tax Impact	-	(*)	-	(*)
Restructuring Costs and Other	*	*	*	*
Tax Impact	(*)	(*)	(*)	(*)
Adjusted	<u>\$ 0.03</u>	<u>\$ 0.03</u>	<u>\$ 0.10</u>	<u>\$ 0.06</u>
<b><u>Corporate Interest and Other</u></b>				
Reported	\$ (0.07)	\$ (0.06)	\$ (0.21)	\$ (0.14)
Restructuring Costs and Other	0.01	*	0.01	*
Tax Impact	(*)	(*)	(*)	(*)
Adjusted	<u>\$ (0.06)</u>	<u>\$ (0.06)</u>	<u>\$ (0.20)</u>	<u>\$ (0.14)</u>
<b><u>Discontinued Operations</u></b>				
Reported	\$ (*)	\$ *	\$ (*)	\$ (*)
Discontinued Operations (Income) Loss	*	(*)	*	*
Adjusted	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
<b><u>Totals</u></b>				
Reported	\$ 0.61	\$ 0.67	\$ 1.65	\$ 1.70
Discontinued Operations (Income) Loss	*	(*)	*	*
Voluntary Separation Program	-	0.04	-	0.04
Tax Impact	-	(0.01)	-	(0.01)
Restructuring Costs and Other	0.01	*	0.01	*
Tax Impact	(*)	(*)	(*)	(*)
Adjusted	<u>\$ 0.62</u>	<u>\$ 0.70</u>	<u>\$ 1.66</u>	<u>\$ 1.73</u>
<b><u>Average Common Shares Outstanding - Diluted (in millions)</u></b>				
	<u>281.6</u>	<u>279.2</u>	<u>280.6</u>	<u>278.8</u>

\* Less than \$0.01 per share.