

# Beaver Creek Mini-Conference

## December 14 - 16, 2015



Ludington Pumped Storage

**Fourth largest in the world**



Ray Compressor Station

**#1 LDC in gas storage**



Cross Winds Energy Park

**#2 in renewable sales in the Great Lakes area**

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, 2014 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.

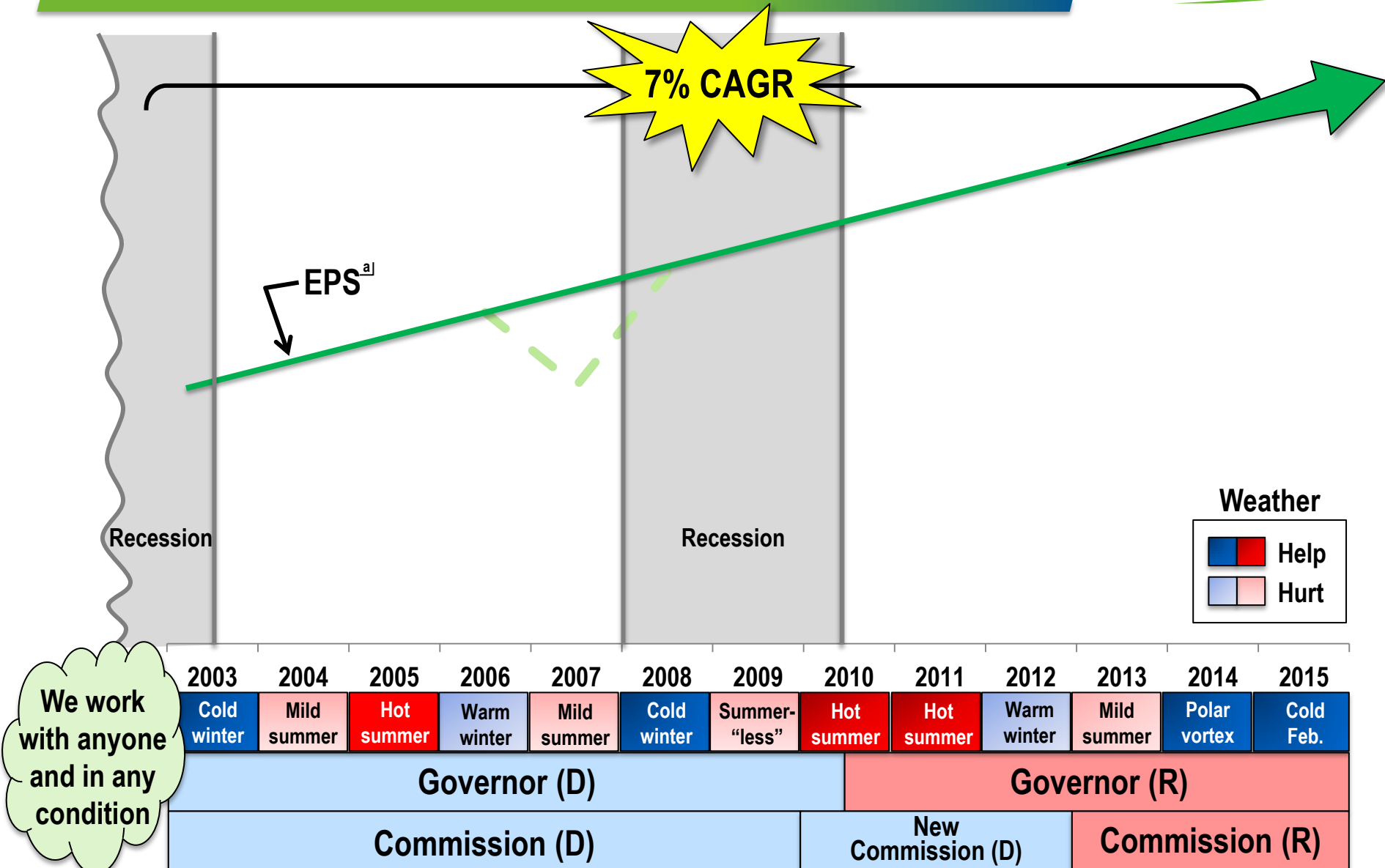
The presentation also includes non-GAAP measures when describing CMS Energy’s results of operations and financial performance. A reconciliation of each of these measures to the most directly comparable GAAP measure is included in the appendix and posted on our website at [www.cmsenergy.com](http://www.cmsenergy.com).

CMS Energy provides historical financial results on both a reported (Generally Accepted Accounting Principles) and adjusted (non-GAAP) basis and provides forward-looking guidance on an adjusted basis. Management views adjusted earnings as a key measure of the company’s present operating financial performance, unaffected by discontinued operations, asset sales, impairments, regulatory items from prior years, or other items. These items have the potential to impact, favorably or unfavorably, the company’s reported earnings in future periods.

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.

# Looking Back -- CMS Energy Consistent Growth....

CMS ENERGY



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

.... through recession, adverse weather, changing policy leaders ....

## Excellent Operations

Improvement  
(since 2006)

### Breakthrough Performance

Safety Incidents	DOWN	80%
Outage Minutes	DOWN	39
Productivity	UP	56

### Cleaner Generation Portfolio

Coal	REDUCED	40%
Renewables	ADDED	8

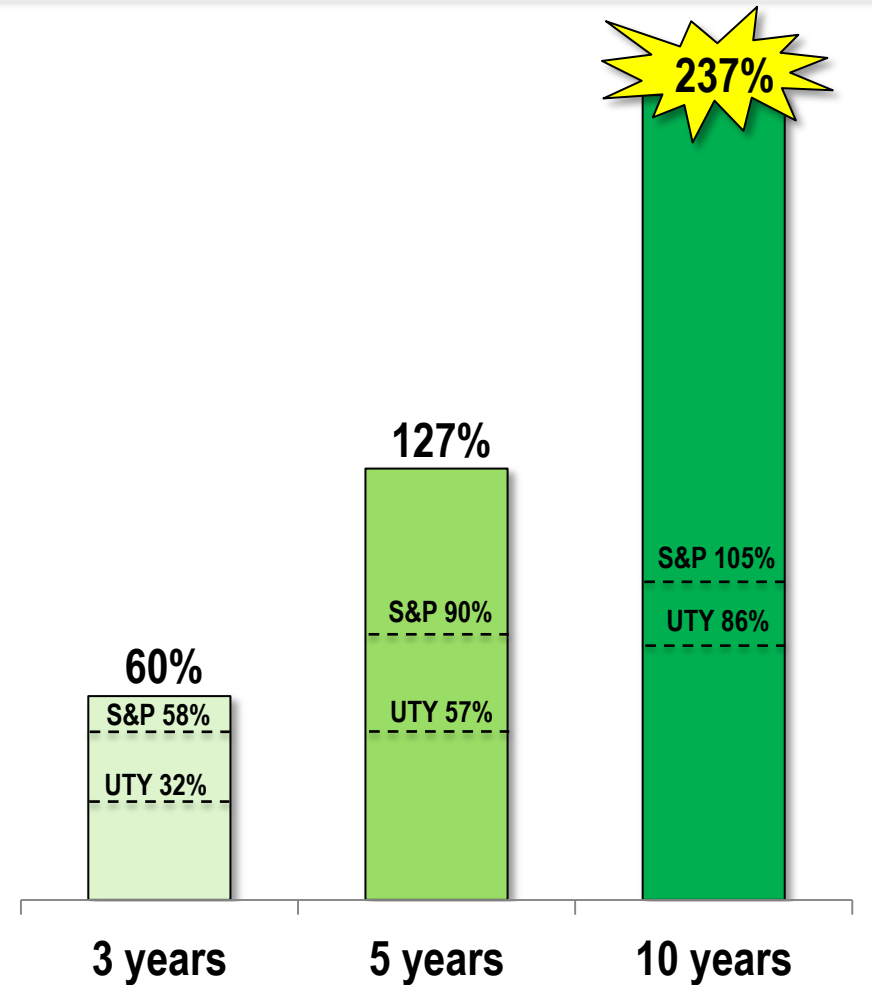
**AND**

### Predictable Performance

Annual EPS Growth	UP	7%
Annual DPS Growth	UP	7

(since 2012) <sup>a]</sup>

## Total Shareowner Return <sup>b]</sup>



<sup>a]</sup> 25% CAGR since 2007

<sup>b]</sup> 3, 5, & 10 year TSR ending December 4, 2015

# Looking Ahead -- Simple, Perhaps Unique Model....

CMS ENERGY

	<u>5-Year Plan</u>	<u>Upside Opportunity</u>
<b>Capital investment (reliability, costs, enviro mandates)</b>	<b>5% - 7%</b>	<b>6% - 8%</b>
- O&M cost reductions	2 pts	<u>Short-term</u> ROA return and/or
- Sales growth	1/2	
- No "block" equity dilution	1	
- Surcharges and other	1 1/2	<u>Long-term</u> Replace PPAs
<b>INVESTMENT SELF-FUNDED</b>	<b>5 pts</b>	
<b>Rate increase at or below inflation</b>	<b>&lt;2 %</b>	<b>&lt;2%</b>
<b>Note: "Real" rate increase</b>	<b>0 %</b>	<b>0%</b>

Possible without  
rate pressure

... drives sustainable growth with upside opportunities.

# Capex Up 45%....

CMS ENERGY

2005-2014

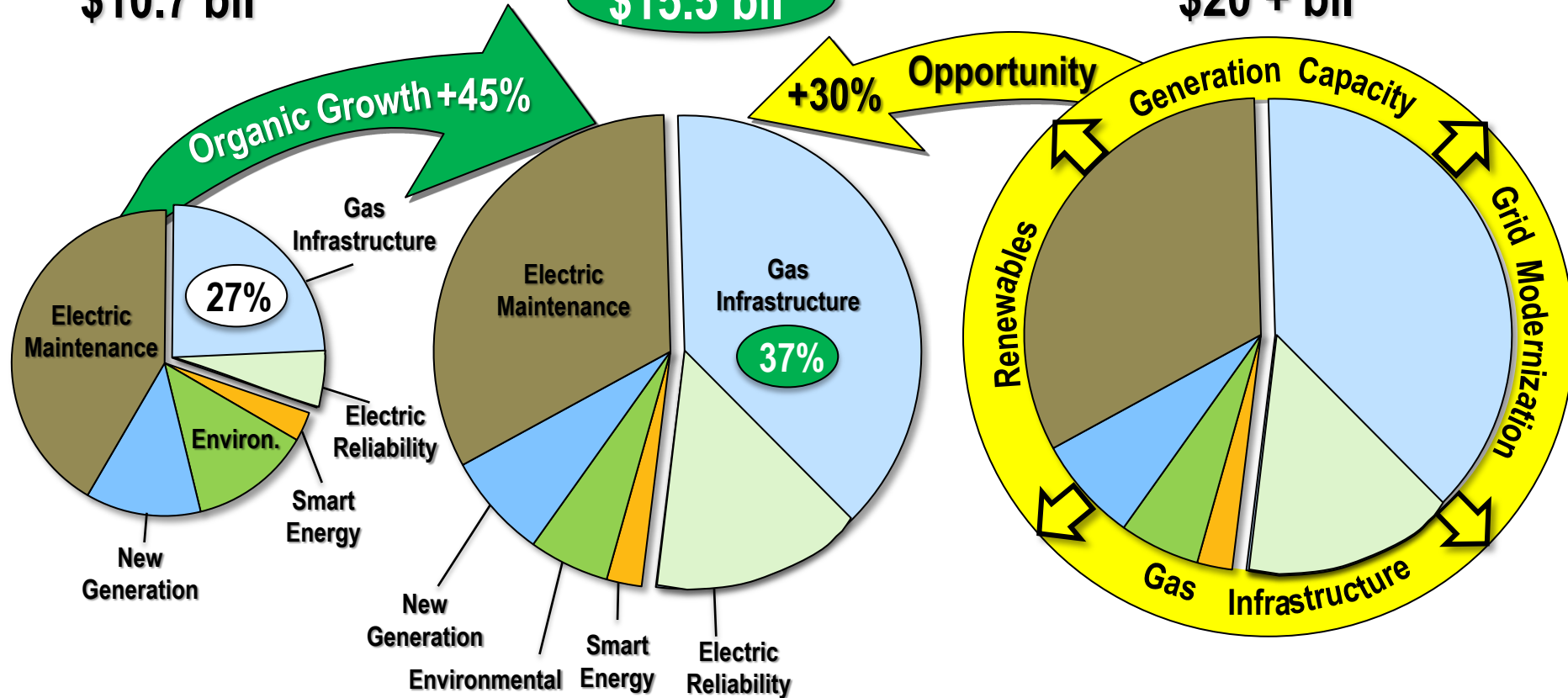
\$10.7 bil

2015-2024

\$15.5 bil

Opportunity

\$20 + bil



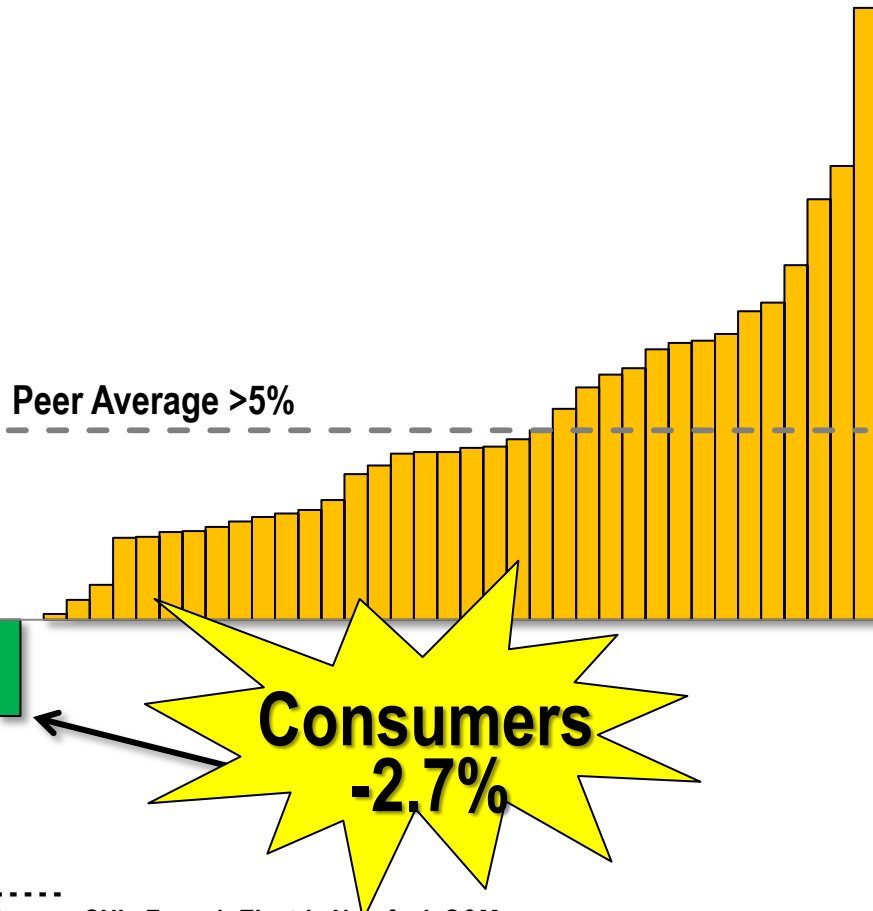
## Upside Opportunities

✓ Replace Capacity ✓ More renewables ✓ Gas Infra. ✓ "PPAs" Expire

.... with more opportunity and no "big bets" over ten years!

## Actual Cost Reduction

(2014 over 2006)



Source: SNL, Form 1, Electric Non-fuel O&M

## Future Cost Savings

	2014 & 2015 (mils)	2014→ 2018 (mils)
• Attrition	\$ - 35	\$ - 75
• Productivity (Coal → Gas)	- 35	- 50
• “Pole Top” Hardening	- 30	- 30
• Smart Meters	- 5	- 25
• Eliminate Waste (UA's)	- 15	- 20
• Mortality Tables & Discount Rates	+50	+ 50
• Service Upgrades	+10	+ 50

<b>Net Savings</b>	<b>\$ - 60</b>	<b>\$ - 100</b>
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<b>Percent Savings</b>	<b>- 6%</b>	<b>- 10%</b>
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FAST START!

**2% a year!**

... best in industry and sustainable.

# Michigan's Structural Changes....

CMS ENERGY

## Changes

✓ Fair Labor

✓ Tax Policy

✓ Competitive Rates

**3<sup>rd</sup> best state in  
GDP Growth!**

## Announcements

### Brembo

- Produce brake rotor castings
- 254 new jobs; \$115 mil
- 24 MW

### Arauco

- Largest particleboard press in North America
- 250 new jobs; \$325 mil
- 15 MW

### General Motors

- Assembly and components plants
- 300 new jobs; \$996 mil
- 40 MW

## Impact

	<u>MW</u>
Auto	80
Food	15
Manufacturing	25
Metal	20
Petroleum	19
Plastics	19
Others	<u>35</u>
<b>Total</b>	<b>Up <u>213</u></b>

.... drive economic development and sales growth.



# Looking Ahead -- "DIG" (750 MW) & Peakers (200 MW).... CMS ENERGY

## Pre-Tax Income

(mils)

\$80

40

0

Signed Contracts  
(layering in over time)

\$15  
Outage  
pull  
ahead

\$20

\$35

New  
contracts

\$55

+\$20

\$75

+\$40

2015

2016

2017

Future

Capacity (\$/kw-mth)

≈ \$1.00

≈ \$2.00

≈ \$3.00

\$4.50

\$7.50

Available:

- Energy
- Capacity

0%

0%

25%

25%

25%

0

20

50

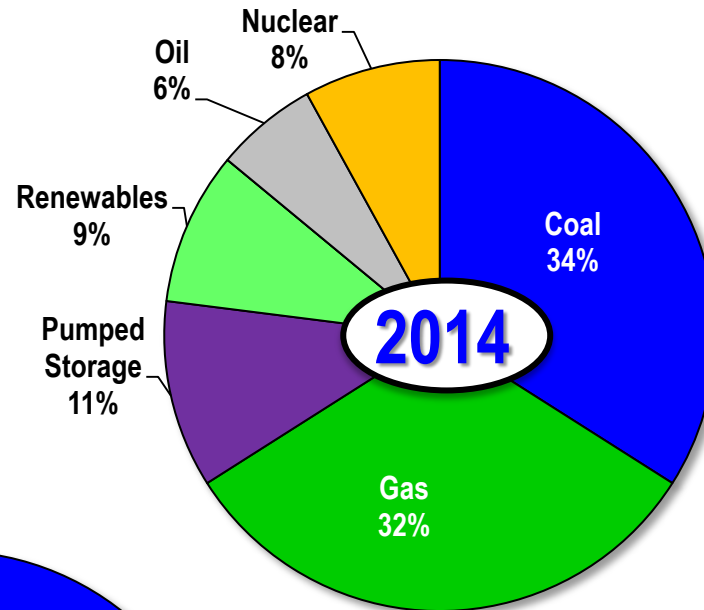
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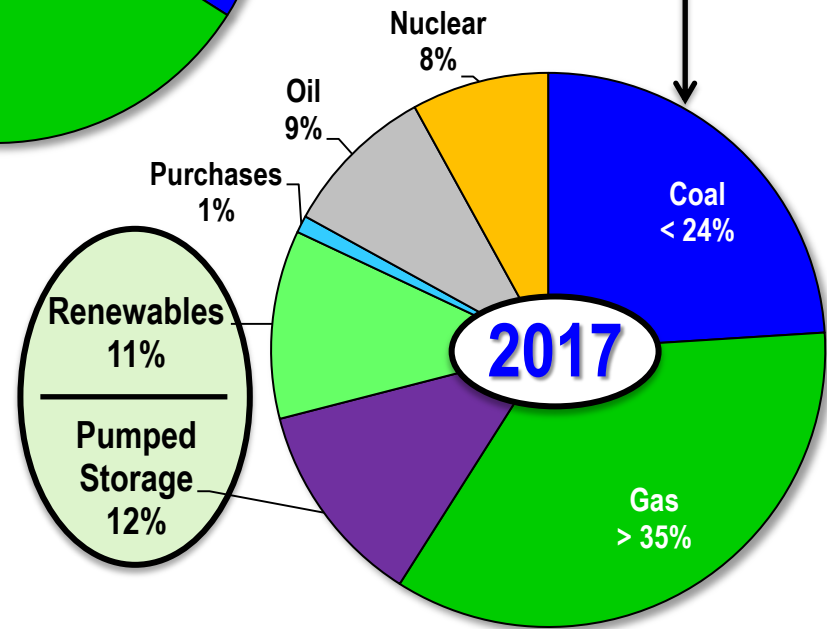
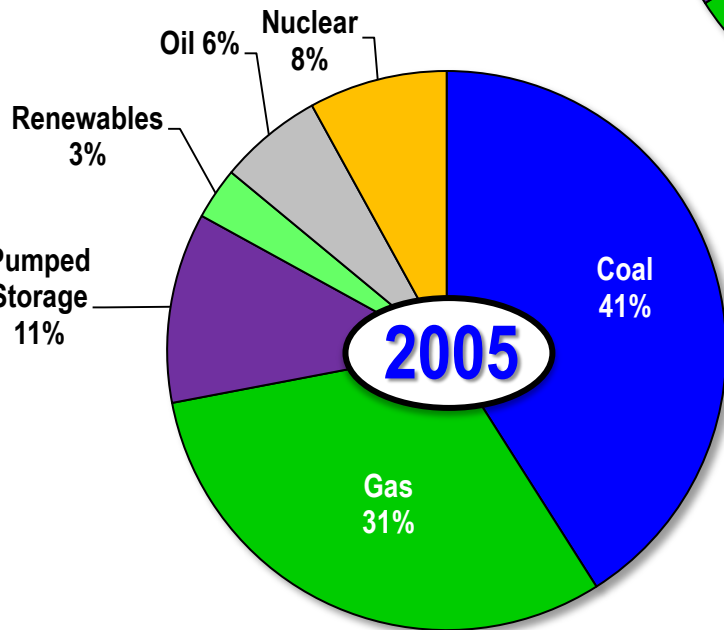
.... adding value.

# Looking Ahead -- Capacity Diversity....

CMS ENERGY



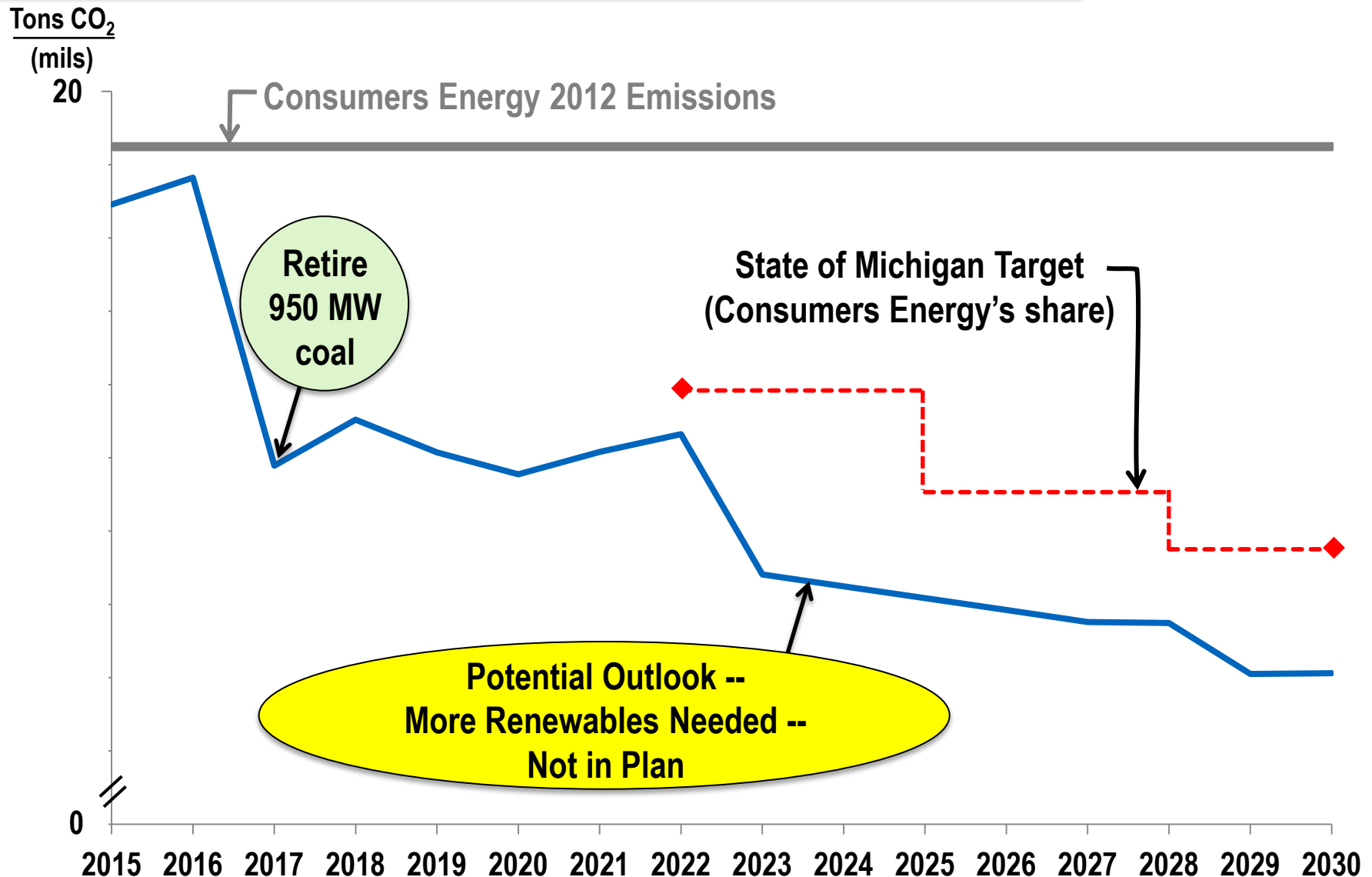
Coal reduced  
by over 40%!  
2<sup>nd</sup> best in U.S.



.... evolving to cleaner generation and becoming more cost competitive.

# Looking Ahead -- Clean Power Plan....

CMS ENERGY



... positioned well for compliance.

# Looking Ahead -- Michigan Energy Law....

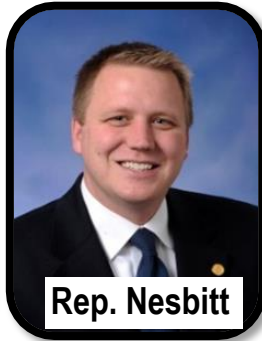
CMS ENERGY

November

December

January

February



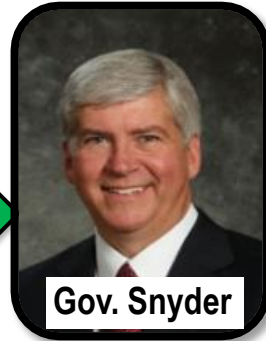
House  
committee vote



House  
full vote



Senate committee  
and full vote



Senate and House bills  
closely align

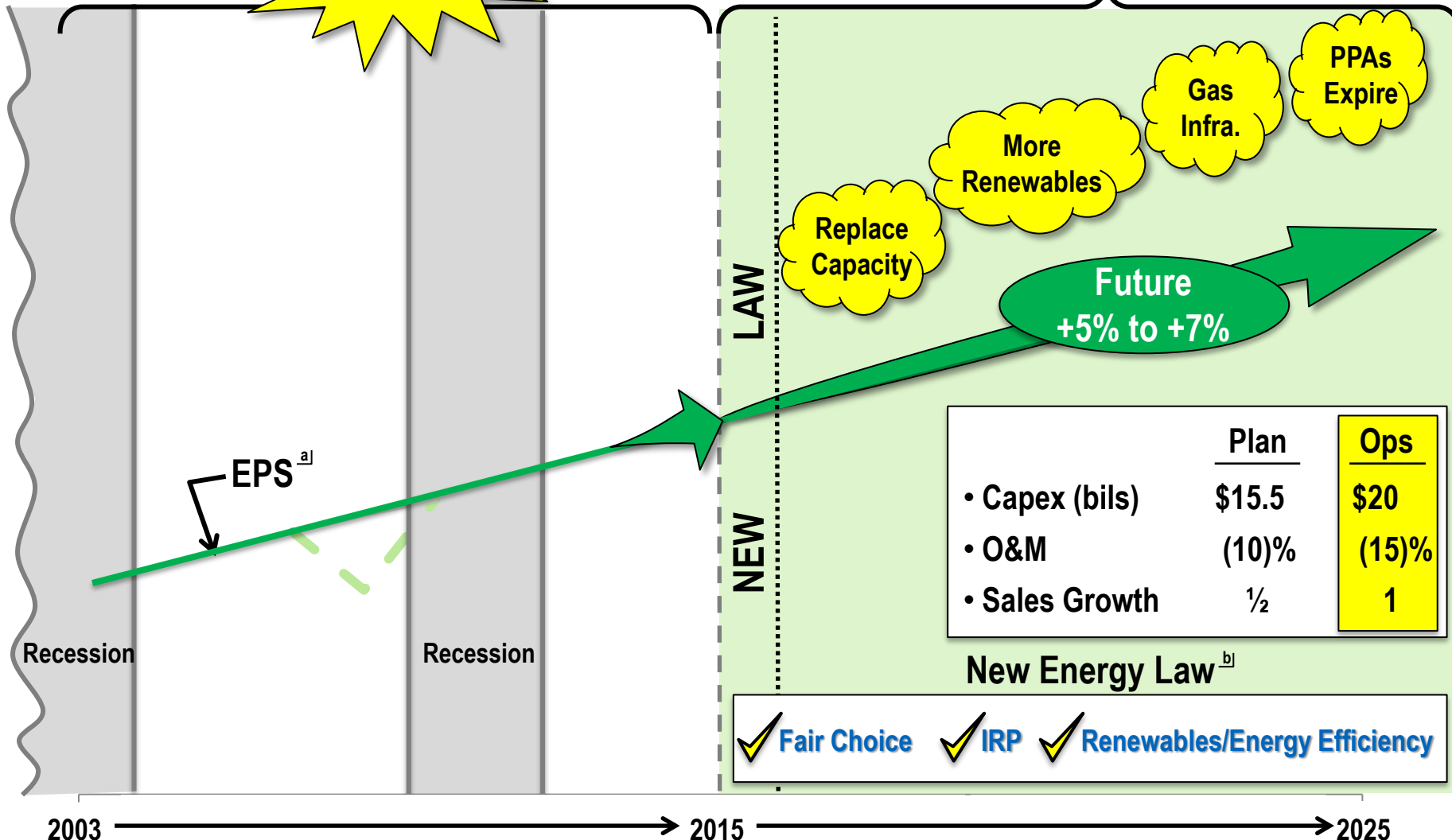
## Opportunities

- ✓ ROA -- Fair choice; no subsidy
- ✓ Efficiency -- Eliminate waste
- ✓ Renewables -- Integrated Resource Plan (IRP)

.... moving toward the goal line.

7% CAGR

## Long-Term Upside Opportunities



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

<sup>b)</sup> House vote expected December. Senate vote anticipated early 2016

## Appendix

# O&M "Reinvestment" Helps CUSTOMERS....

CMS ENERGY

Adjusted EPS  
(non-GAAP)

2014

17¢

13¢

2015

11¢

+6% -  
+7%

2015 O&M  
Reinvestment  
(mils)

2016  
Savings  
(mils)

● DIG outage

\$ (8)

\$10

● Reliability

(10)

--

● Donations & other

(5)

5

Total

\$(23)

\$15

Weather	12¢
Natural Offsets	(4)
Cost & Other	3
Total	<u><u>11¢</u></u>

Guidance

January

March 31

June 30

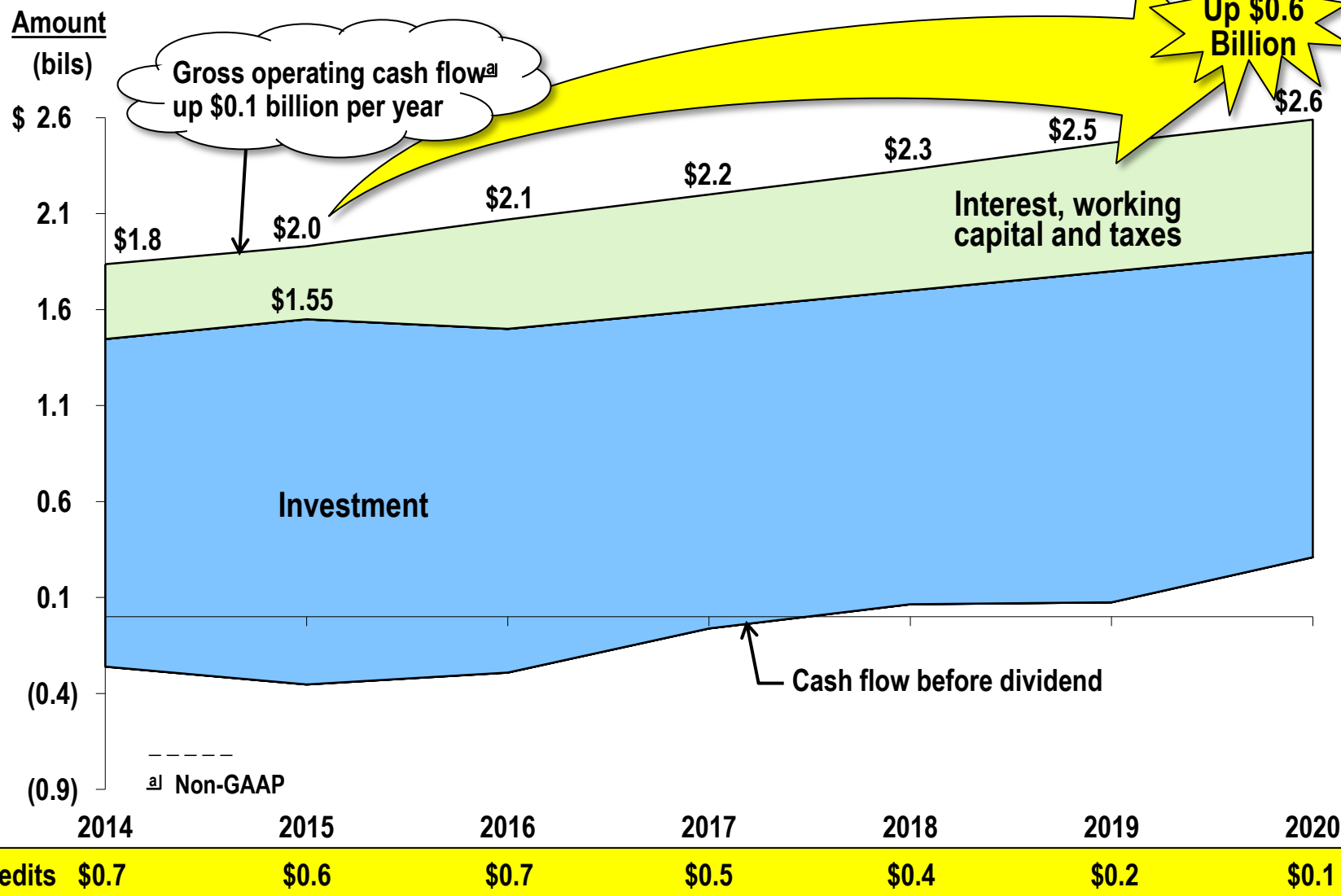
September 30

December

.... AND provides sustainable, premium growth for INVESTORS.

# Operating Cash Flow Growth....

CMS ENERGY



.... up \$0.6 billion or 30% over five years!



## **GAAP Reconciliation**

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

	2008	2009	2010	2011	2012	2013	2014
<b>Reported earnings per share - GAAP</b>	\$1.20	\$0.91	\$1.28	\$1.58	\$1.42	\$1.66	\$1.74
<b>After-tax items:</b>							
Electric and gas utility	0.05	0.33	0.03	-	0.17	-	-
Enterprises	(0.02)	0.09	(0.03)	(0.11)	(0.01)	*	0.03
Corporate interest and other	(0.02)	0.01	*	(0.01)	*	*	*
Discontinued operations (income) loss	(*)	(0.08)	0.08	(0.01)	(0.03)	*	(*)
<b>Adjusted earnings per share, non-GAAP</b>	\$1.21 (a)	\$1.26	\$1.36	\$1.45	\$1.55	\$1.66	\$1.77

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

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

**Consumers Energy**  
**2015 Forecasted Cash Flow GAAP Reconciliation (in millions) (unaudited)**

<b>Presentation Sources and Uses</b>		<b>Reclassifications From Sources and Uses to Statement of Cash Flows</b>						<b>Consolidated Statements of Cash Flows</b>	
		Tax Sharing Operating	Interest/ Other Financing Payments as Operating	Other Working Capital as Investing	Capital Lease Pymts and Other as Financing	Securitization Debt Pymts as Financing	Common Dividends as Financing	<b>GAAP Amount</b>	<b>Description</b>
Cash at year end 2014	<b>\$ 71</b>	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	<b>\$ 71</b>	Cash at year end 2014
<b>Sources</b>									
Operating (dep & amort \$745)	\$ 1,930								
Other working capital	(260)								
Sources	<b>\$ 1,670</b>	\$ 100	\$ (235)	\$ 83	\$ 23	\$ 74	\$ -	<b>\$ 1,715</b>	Net cash provided by operating activities
<b>Uses</b>									
Interest and preferred dividends	\$ (235)								
Capital expenditures <sup>a</sup>	(1,640)								
Dividends/tax sharing to CMS	(375)								
Pension Contribution	-				-				
Uses	<b>\$ (2,250)</b>	\$ (100)	\$ 235	\$ (83)	\$ -	\$ -	\$ 475	<b>\$ (1,723)</b>	Net cash used in investing activities
<b>Cash flow</b>	<b>\$ (580)</b>	\$ -	\$ -	\$ -	\$ 23	\$ 74	\$ 475	<b>\$ (8)</b>	Cash flow from operating and investing activities
<b>Financing</b>									
Equity	\$ 150								
New Issues	250								
Retirements	(50)								
Net short-term financing & other	185	-	-	-					
Financing	<b>\$ 535</b>	\$ -	\$ -	\$ -	\$ (23)	\$ (74)	\$ (475)	<b>\$ (37)</b>	Net cash used in financing activities
<b>Net change in cash</b>	<b>\$ (45)</b>	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	<b>\$ (45)</b>	Net change in cash
<b>Cash at year end 2015</b>	<b>\$ 26</b>	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	<b>\$ 26</b>	Cash at year end 2015

<sup>a)</sup>Includes cost of removal and capital leases

**CMS Energy Parent**  
**2015 Forecasted Cash Flow GAAP Reconciliation (in millions) (unaudited)**

Reclassifications From Sources and Uses to Statement of Cash Flows					
Presentation Sources and Uses		Non Equity Uses as Operating		Consolidated Statements of Cash Flows	
Description	non-GAAP Amount		Other	GAAP Amount	Description
Cash at year end 2014	\$ 95	\$ -	\$ (95)	\$ -	Cash at year end 2014
<b>Sources</b>					
Consumers Energy dividends/tax sharing	\$ 375				
Enterprises	20				
Sources	\$ 395	\$ (165)	\$ (50)	\$ 180	Net cash provided by operating activities
<b>Uses</b>					
Interest and preferred dividends	\$ (130)				
Overhead and Federal tax payments	(10)				
Equity infusions	(150)				
Pension Contribution	-				
Uses (a)	\$ (315)	\$ 165	\$ -	\$ (150)	Net cash used in investing activities
<b>Cash flow</b>	<b>\$ 80</b>	<b>\$ -</b>	<b>\$ (50)</b>	<b>\$ 30</b>	<b>Cash flow from operating and investing activities</b>
<b>Financing and dividends</b>					
New Issues	\$ 250				
Retirements	-				
Equity programs (DRP, continuous equity)	45				
Net short-term financing & other	(5)	-	-		
Common dividend	(320)				
Financing	\$ (30)	\$ -	\$ -	\$ (30)	Net cash used in financing activities
<b>Net change in cash</b>	<b>\$ 50</b>	<b>\$ -</b>	<b>\$ (50)</b>	<b>\$ -</b>	<b>Net change in cash</b>
<b>Cash at year end 2015</b>	<b>\$ 145</b>	<b>\$ -</b>	<b>\$ (145)</b>	<b>\$ -</b>	<b>Cash at year end 2015</b>

(a) Includes other

**Consolidated CMS Energy**  
**2015 Forecasted Consolidation of Consumers Energy and CMS Energy Parent Statements of Cash Flow (in millions) (unaudited)**

Statements of Cash Flows			Eliminations/Reclassifications/Consolidation to Arrive at the Consolidated Statement of Cash Flows			Consolidated Statements of Cash Flows	
Description	Consumers Amount	CMS Parent Amount	Other Consolidated Entities	Consumers Common Dividend as Financing	Equity Infusions to Consumers	Amount	Description
Cash at year end 2014	\$ 71	\$ -	\$ 136	\$ -	\$ -	\$ 207	Cash at year end 2014
Net cash provided by operating activities	\$ 1,715	\$ 180	\$ 130	\$ (475)	\$ -	\$ 1,550	Net cash provided by operating activities
Net cash used in investing activities	(1,723)	(150)	(334)	-	150	(2,057)	Net cash used in investing activities
Cash flow from operating and investing activities	\$ (8)	\$ 30	\$ (204)	\$ (475)	\$ 150	\$ (507)	Cash flow from operating and investing activities
Net cash used in financing activities	\$ (37)	\$ (30)	\$ 277	\$ 475	\$ (150)	\$ 535	Net cash provided by financing activities
Net change in cash	\$ (45)	\$ -	\$ 73	\$ -	\$ -	\$ 28	Net change in cash
Cash at year end 2015	\$ 26	\$ -	\$ 209	\$ -	\$ -	\$ 235	Cash at year end 2015

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

	2014	2015	2016	2017	2018	2019	2020
Consumers Operating Income + Depreciation & Amortization	\$ 1,813	\$ 1,930	\$ 2,027	\$ 2,145	\$ 2,266	\$ 2,401	\$ 2,515
Enterprises Project Cash Flows	20	20	40	58	62	67	71
<b>Gross Operating Cash Flow</b>	<b>\$ 1,833</b>	<b>\$ 1,950</b>	<b>\$ 2,067</b>	<b>\$ 2,203</b>	<b>\$ 2,328</b>	<b>\$ 2,468</b>	<b>\$ 2,586</b>
Other operating activities including taxes, interest payments and working capital	(386)	(400)	(567)	(603)	(628)	(668)	(686)
<b>Net cash provided by operating activities</b>	<b>\$ 1,447</b>	<b>\$ 1,550</b>	<b>\$ 1,500</b>	<b>\$ 1,600</b>	<b>\$ 1,700</b>	<b>\$ 1,800</b>	<b>\$ 1,900</b>