

# Toronto Investor Meetings

## September 2-3, 2015



Ludington Pumped Storage

Fourth largest in the world



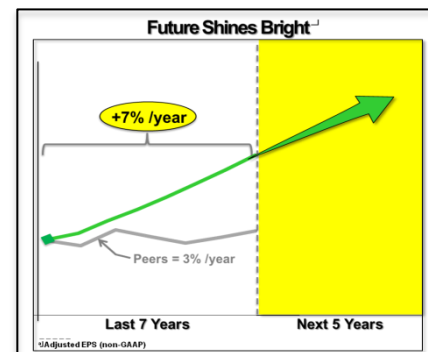
Ray Compressor Station

#1 LDC in gas storage



Cross Winds Energy Park

#2 in renewable sales in the Great Lakes area



Consistent, Sustainable Growth

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.

**1**

- **Senator Nofs introduced energy bill**
  - **Improvement to 2008 Law**

**2**

- **Representative Nesbitt introduced energy bill**
  - **Restores full regulatory model**

**3**

- **PA 169 (cost of service) approved**
  - **Improves industrial rate competitiveness by 4%**

**4**

- **MISO Zone 7 capacity shortfall 1,300 MW**
  - **More upside to ten-year \$15.5 billion capital investment plan**

**5**

- **EPA Clean Power Plan**
  - **CMS positioned well for compliance**

**.... business model is delivering results.**

	<u>Plan</u>	<u>Opportunity</u>
<b>Capital investment (drives EPS growth)</b>	<b>5% - 7%</b>	<b>6% - 8%</b>
- O&M cost reductions	-2 pts	<u>Short-term</u>
- Sales growth	- 1/2	• ROA return
- No “block” equity dilution	-1	and/or
- Surcharges and other	-1 1/2	<u>Long-term</u>
<b>INVESTMENT SELF-FUNDED</b>	<b>-5 pts</b>	• Replace PPAs
<b>Rate increase at or below inflation</b>	<b>&lt;2 %</b>	<b>&lt;2%</b>

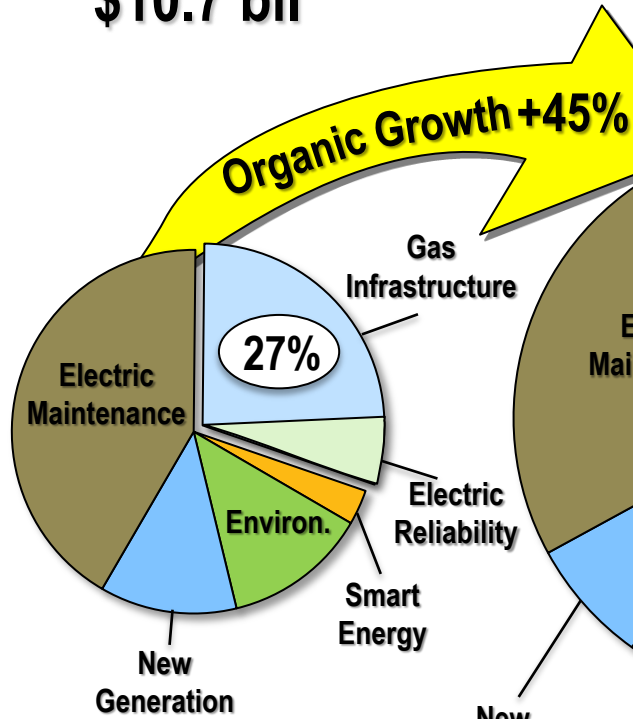
.... drives sustainable growth.

# Capex Up 45%....

CMS ENERGY

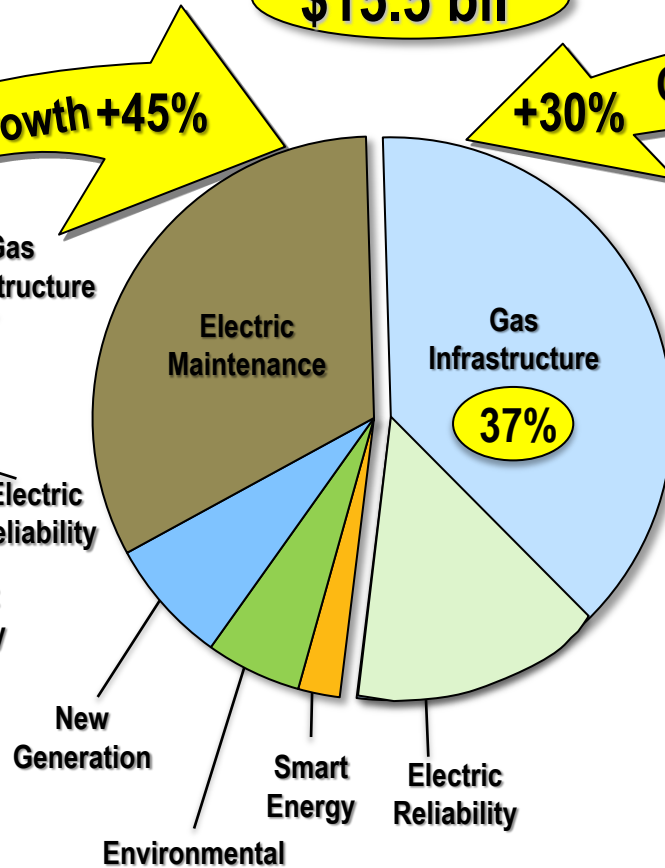
2005-2014

\$10.7 bil



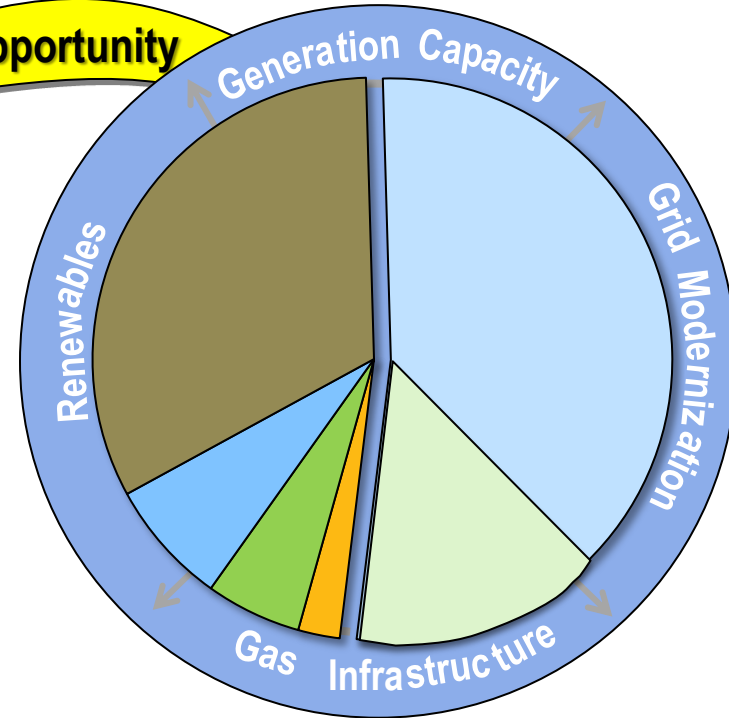
2015-2024

\$15.5 bil



Opportunity

\$20 + bil



EPS

Growth

– CMS 7%/yr  
– Peers 4

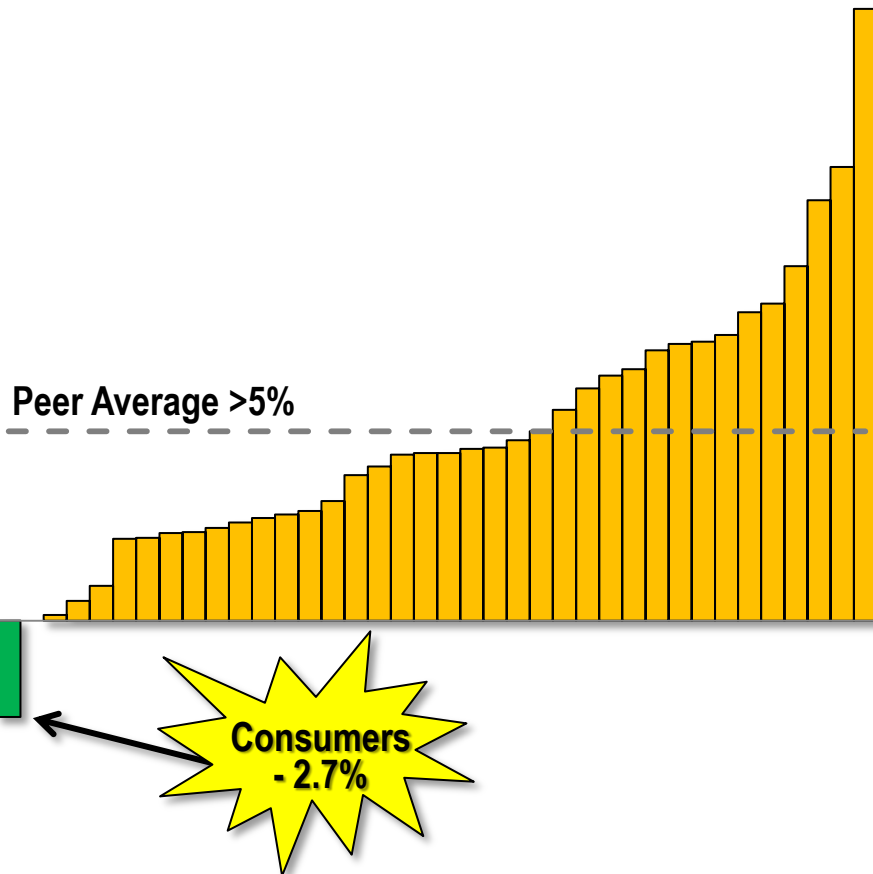
5% - 7% /yr  
4

6% - 8% /yr

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

## Electric Annual Growth

(2014 over 2006)



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

## O&M 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

**Net Savings**      \$ - 60      \$ - 100

**Percent Savings**      - 6%      - 10%

FAST START!

**2% a year!**

.... better than peers with substantial upside.

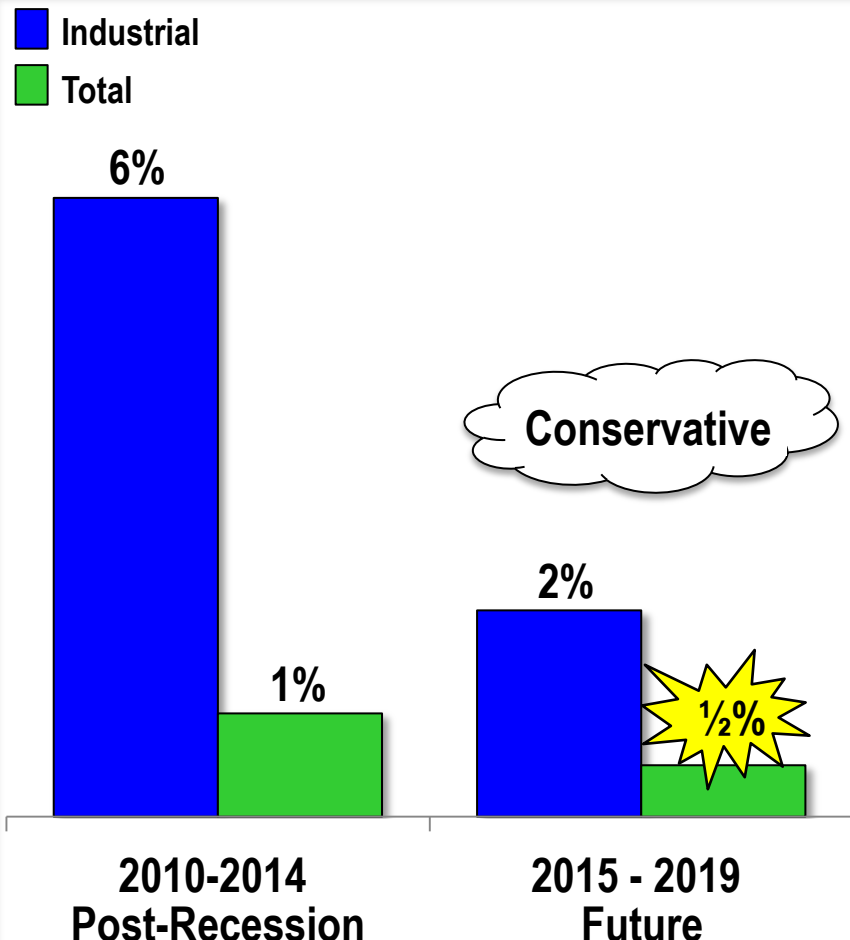
## Our Service Territory<sup>a)</sup> Outperforms

	<b>Grand Rapids</b>	<b>Michigan</b>	<b>U.S</b>
Building Permits <sup>b)</sup>	<b>+28%</b>	<b>+14%</b>	<b>+13%</b>
GDP 2010→2013	<b>15</b>	<b>11</b>	<b>8</b>
Population 2011→2014	<b>3</b>	<b>0</b>	<b>2</b>
Unemployment (6/15)	<b>3.7</b>	<b>5.5</b>	<b>5.3</b>

<sup>a)</sup> Grand Rapids

<sup>b)</sup> Annualized numbers thru June

## Annual Electric Sales<sup>c)</sup>



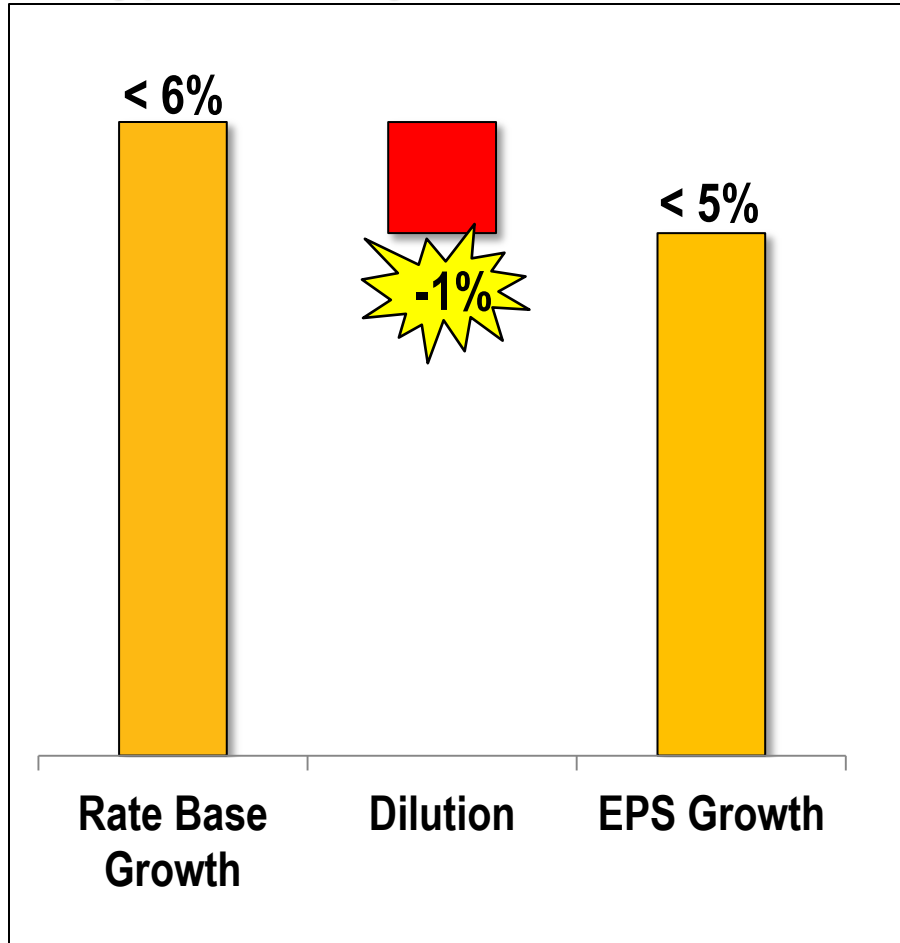
<sup>c)</sup> Weather normalized vs. prior year

.... planned conservatively.

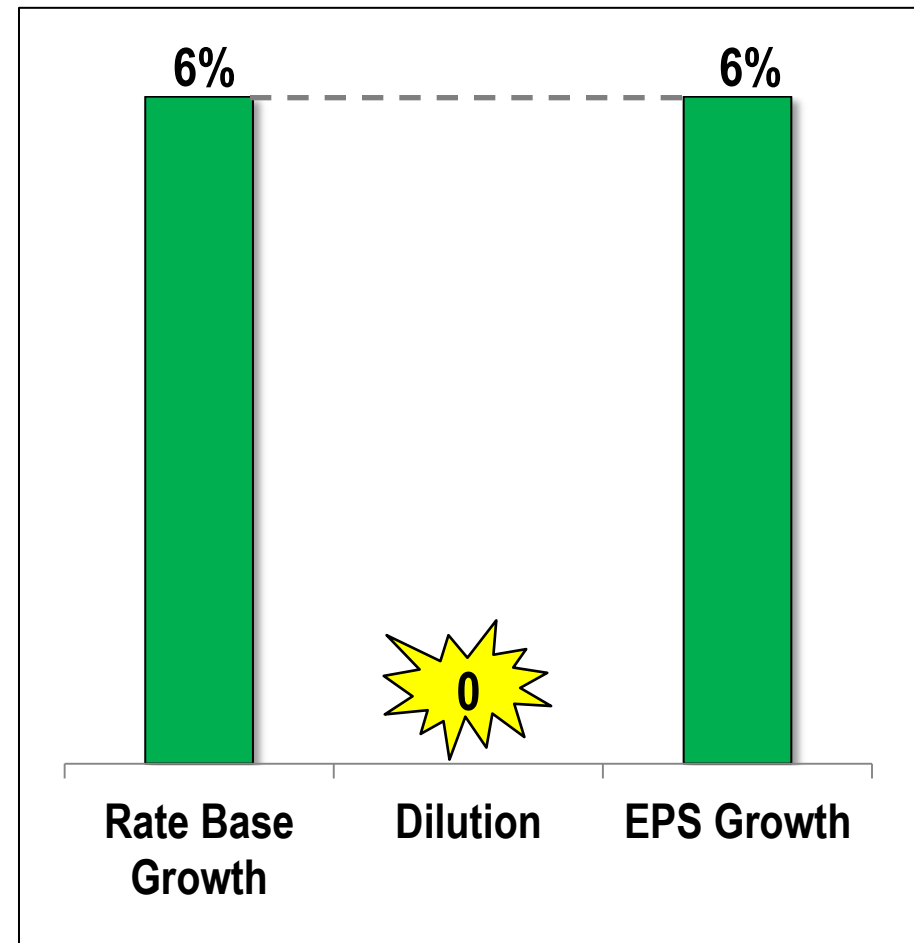
# No "Block Equity" Dilution....

CMS ENERGY

## Typical utility Model w/o NOLs



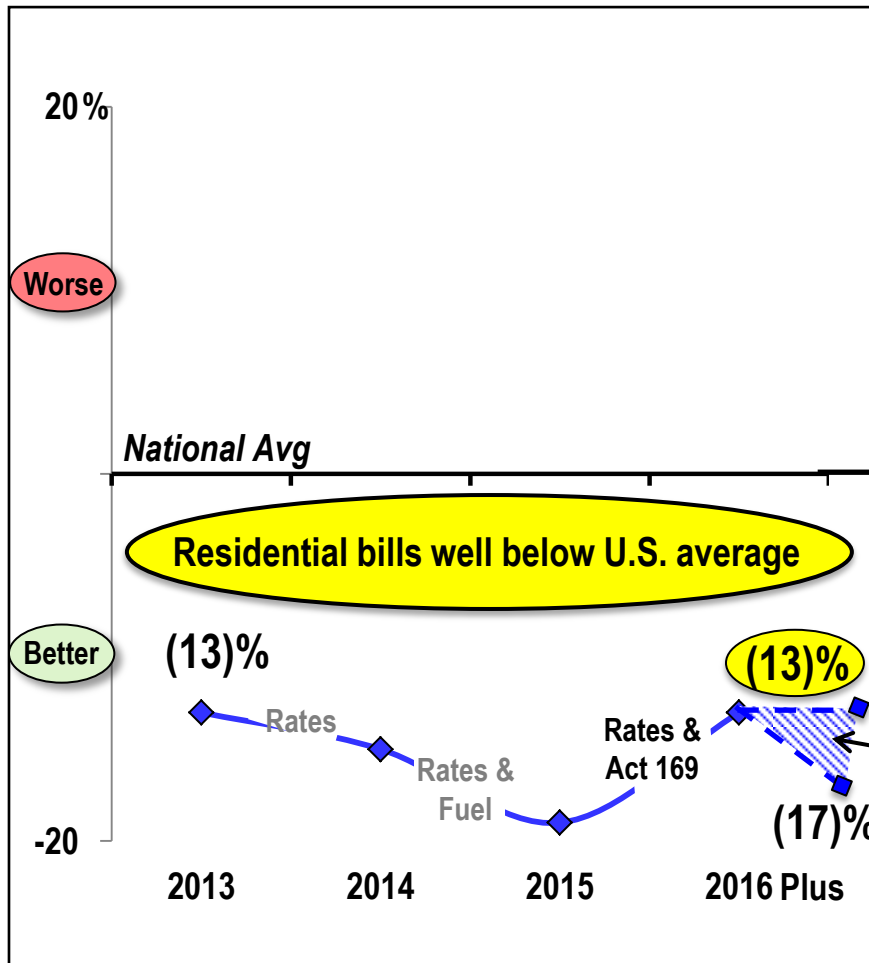
## CMS Model w/ NOLs



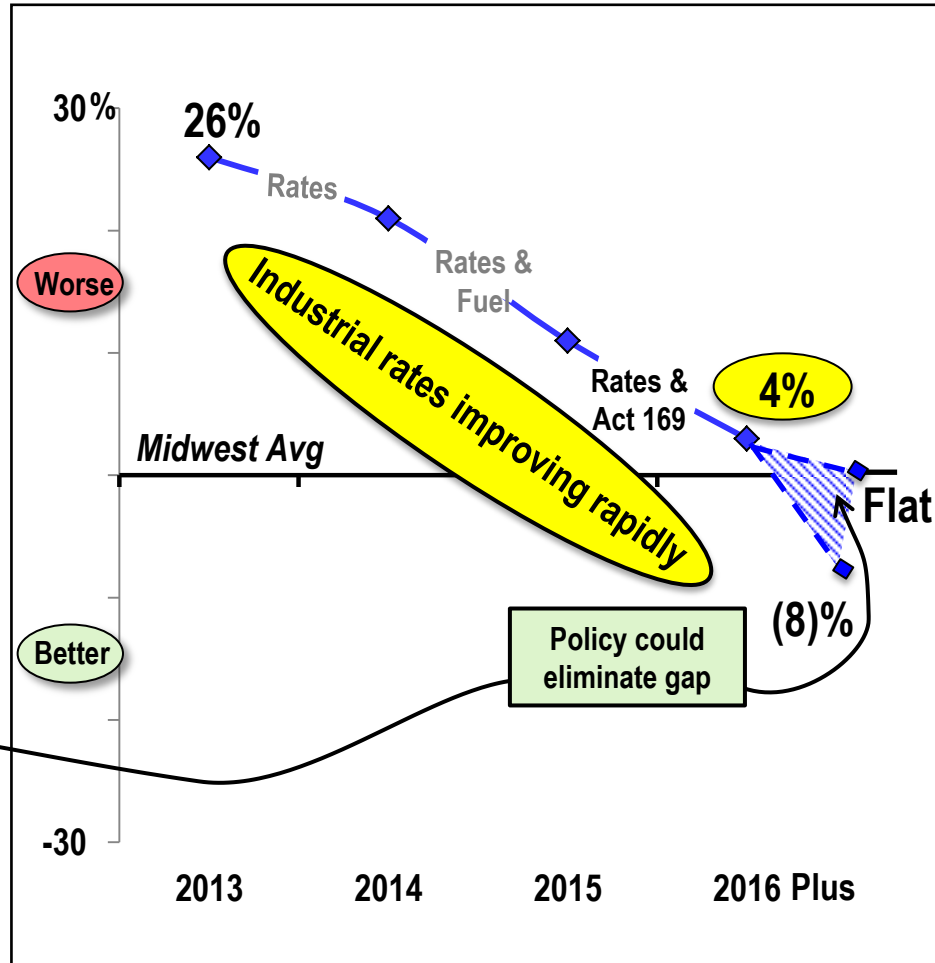
.... under CMS growth model for five years!






## Residential Bills



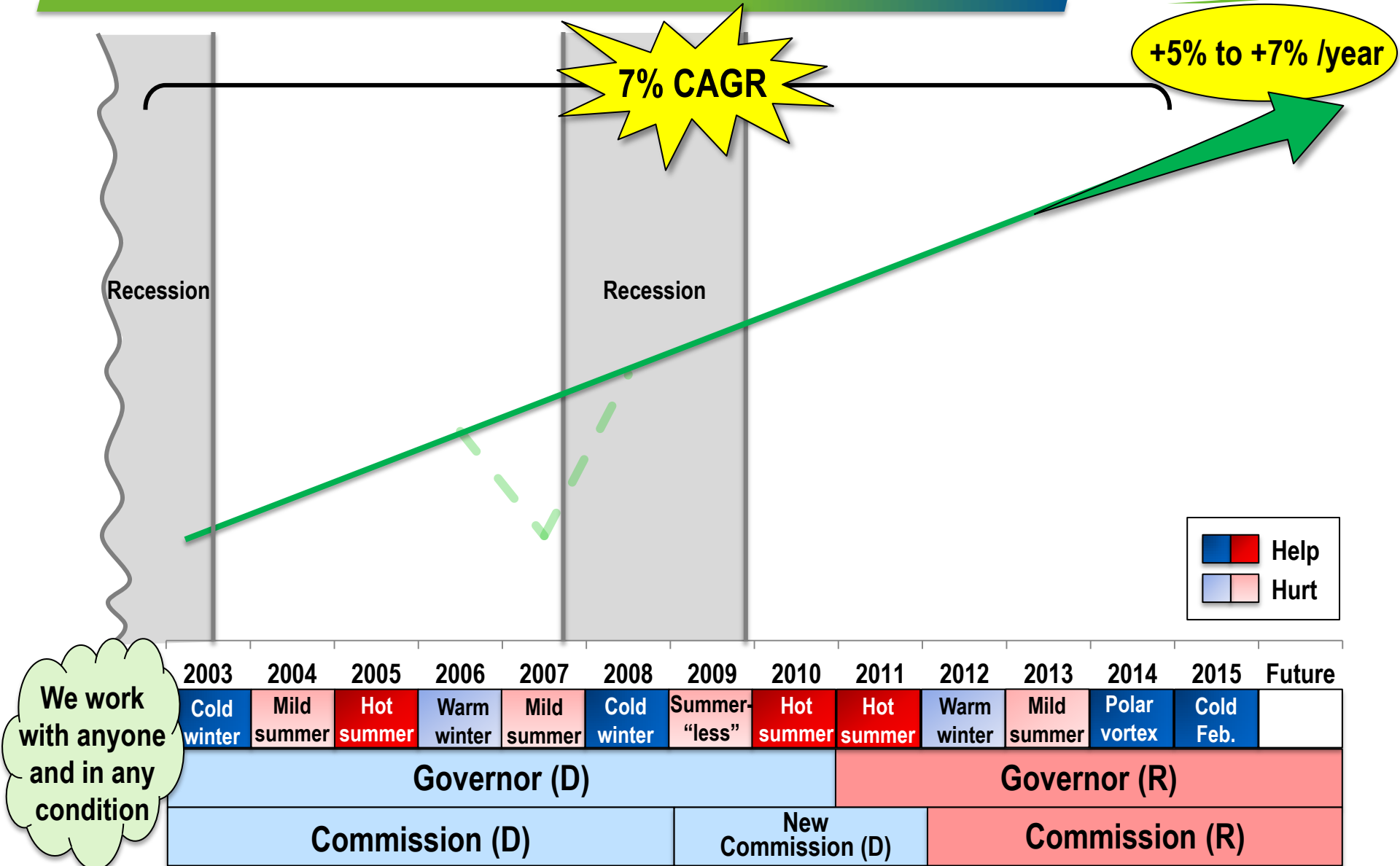
## Industrial Rates



.... affordable for residential and improving for industrial customers.

	 <p>Sen. Nofs</p>	 <p>Gov. Snyder</p>	 <p>Rep. Nesbitt</p>
"Retail Open Access"	Keep "cap"	Keep "cap"	End "ROA"
	3-year capacity requirement, "one way door" No subsidy	5-year capacity requirement "Fair choice" No subsidy	Fully regulated
Efficiency	1%/yr waste reduction through 2018	Eliminate 15% energy waste	Repeal present program
Renewables	IRP process		

.... builds off the 2008 law, adding growth opportunities.

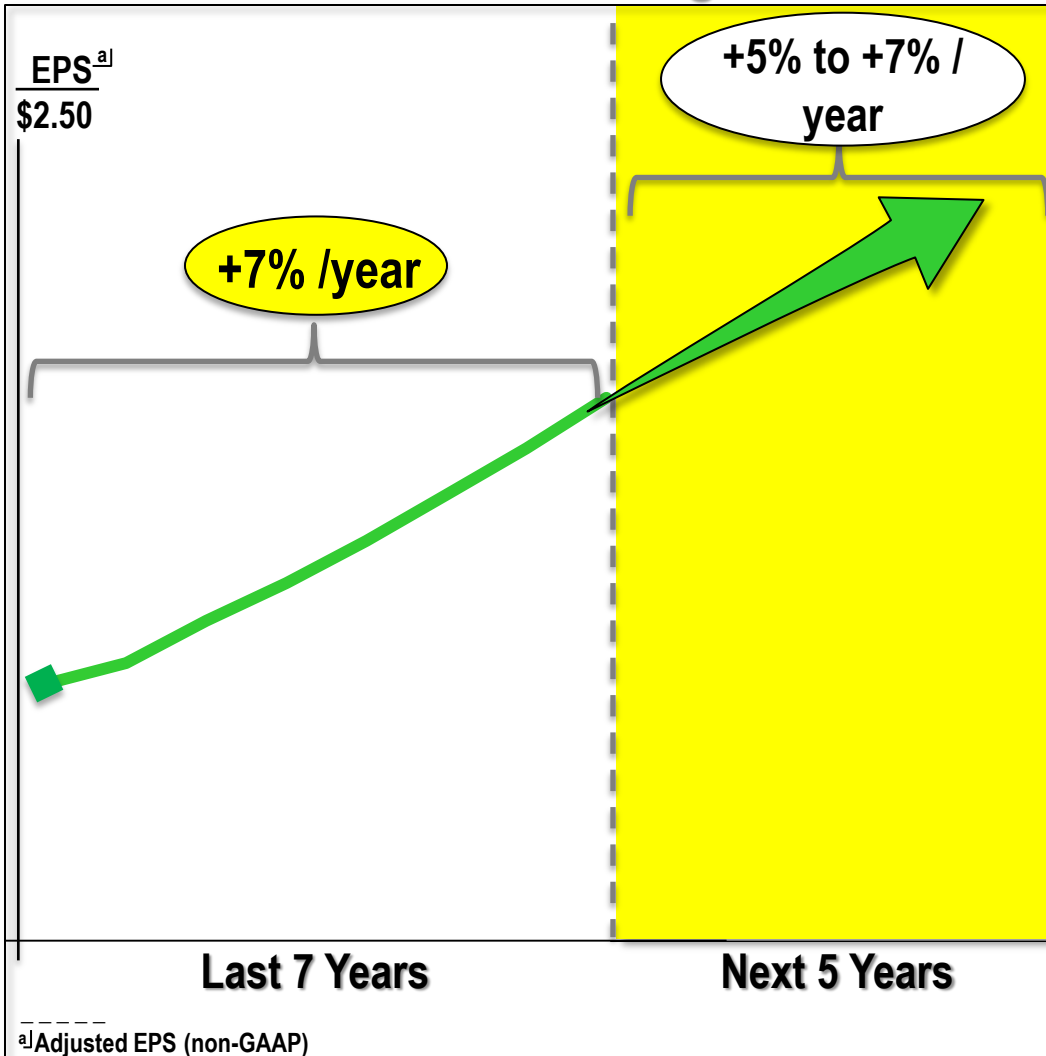


.... consistent growth through recession, adverse weather, changing policy leaders ....

# Why Invest in CMS Energy?

**CMS ENERGY**

## Future Shines Bright<sup>a)</sup>



## Sustainable Future Growth

	<u>Past Performance</u>	<u>Next 5 Years</u>
• Investment (bils) (2010-2014)	\$6.4	\$7.6 Capacity Op!
• O&M Reductions (2006-2014)	(10)%	(7)% Conservative
• Sales Growth (2010-2014)	+1%	+1/2 % Conservative
• Energy Policy	2008 Law	Improved Law

.... next 10 years even brighter than last 10 year record!

## Appendix

## Commission



John Quackenbush (R),  
Chairman  
Term Ends: July 2, 2017

Sally Talberg (I)  
Term Ends:  
July 2, 2019

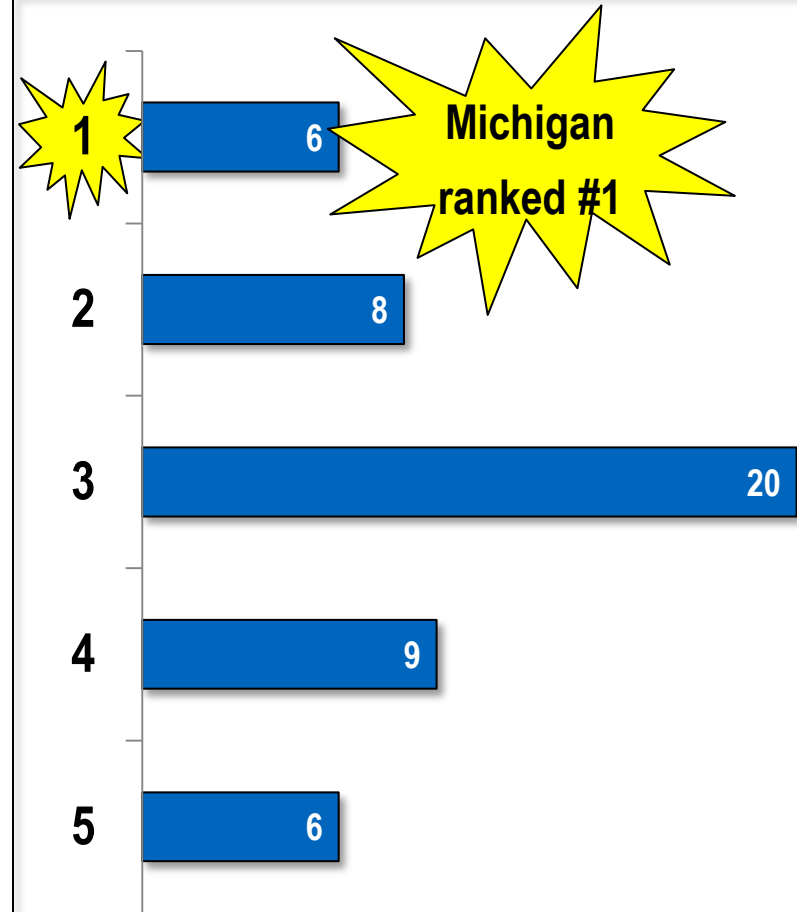


Norm Saari (R)  
Term Ends: July 2, 2021



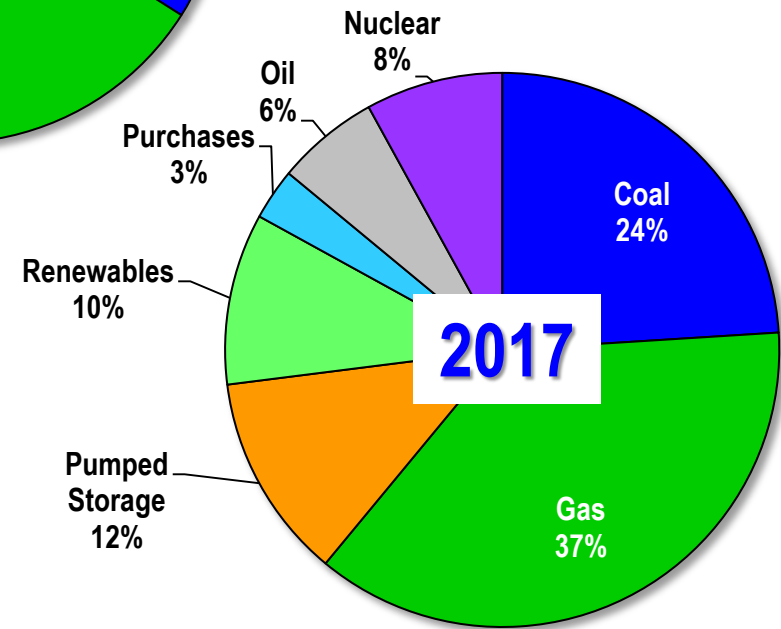
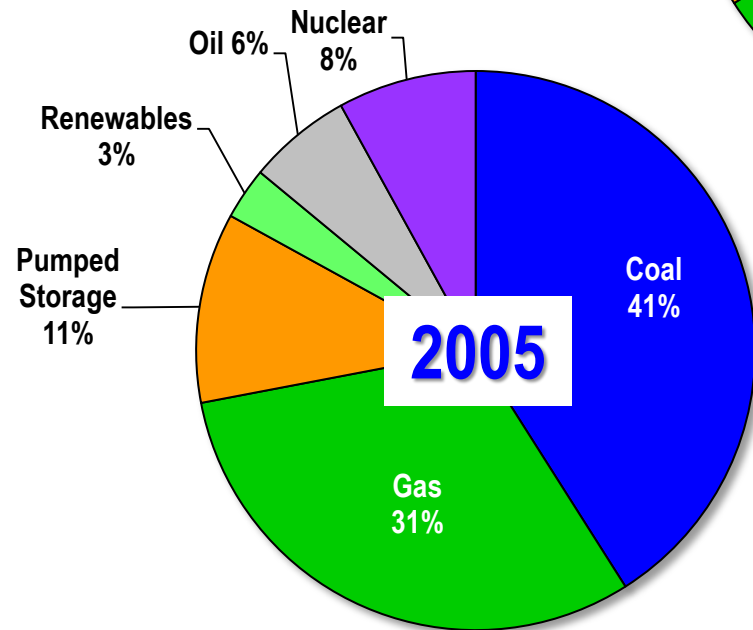
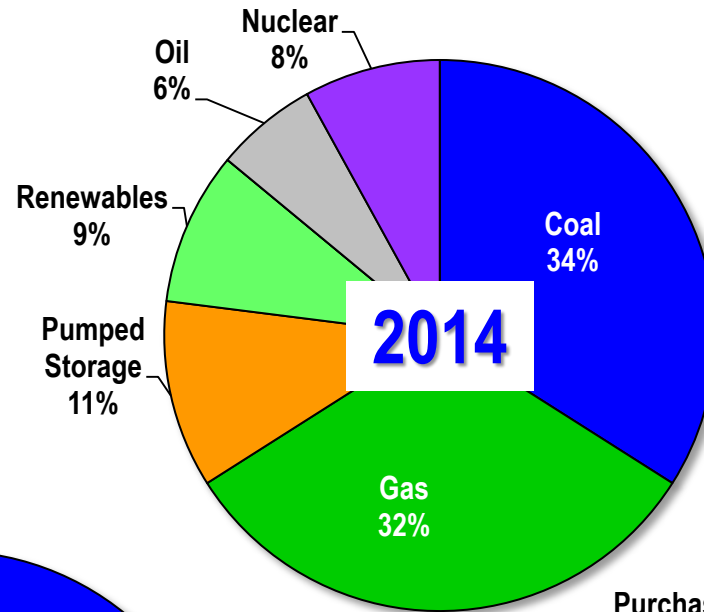
**Newly appointed!**

## Tier 1 State Ranking



Barclays Research, 2015 state rankings

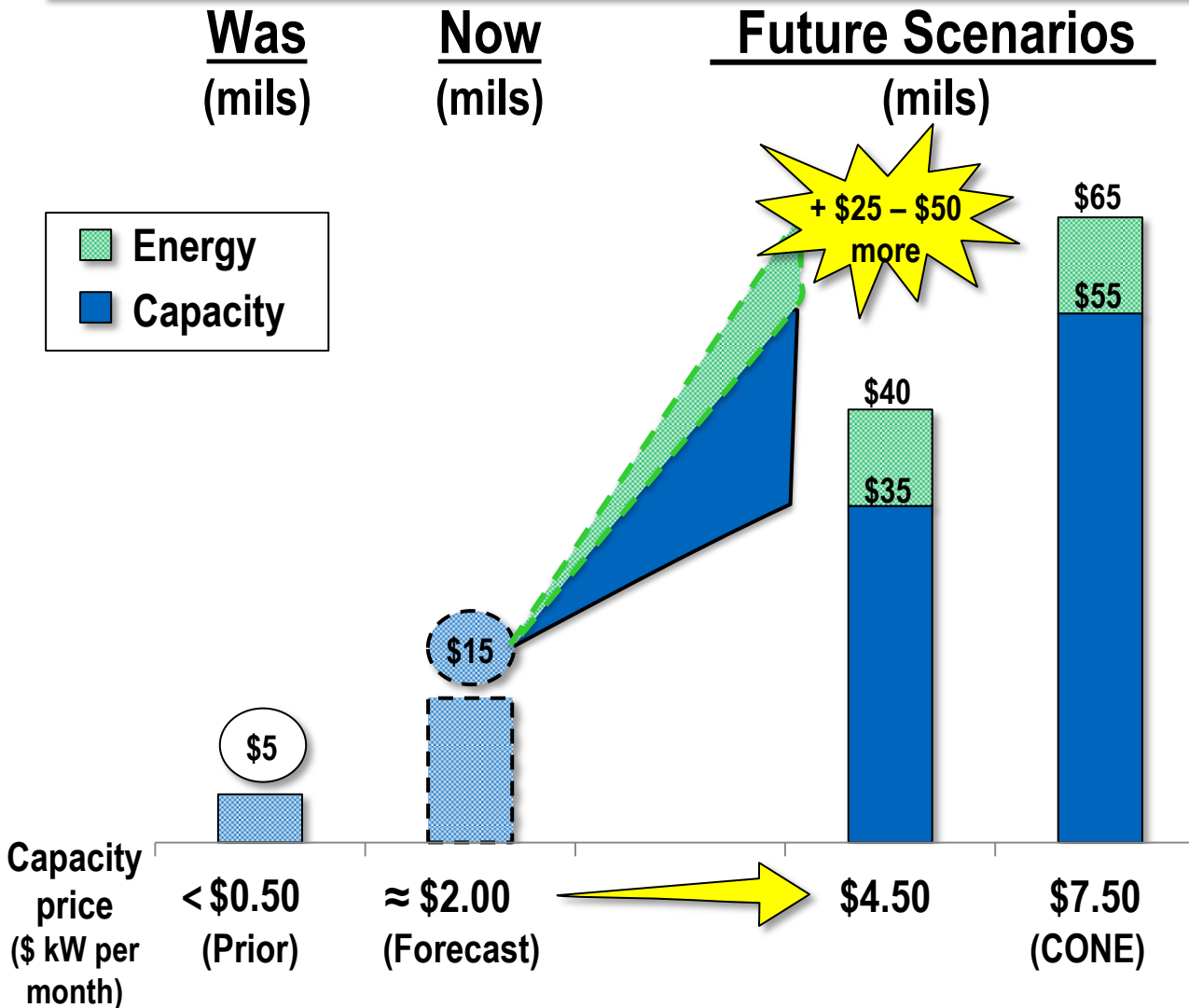
.... is supported by a quality Commission and a strong Law.



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

# Capacity & Energy Price Increases....

CMS ENERGY



## New Business

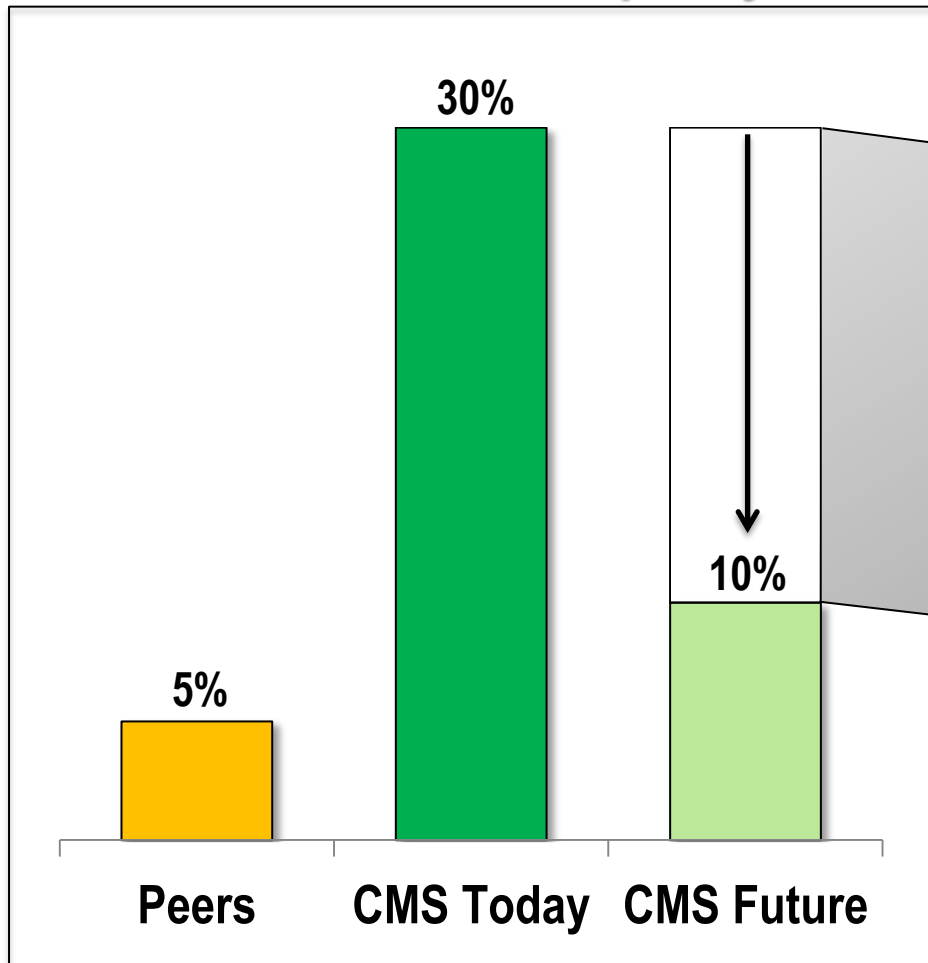
- Long-term Energy
  - 250 MW at \$4.00 per kWm (6/14)
  - 250 MW ≈ \$5.75 per kWm (4/15)
- Recent Capacity
  - Long-term > \$3.30
  - Near-term ≈ \$4.50

Upside:  
Capacity and energy  
contracts layered  
in over time

.... adding value to our "DIG" plant.



## PPA vs Owned Capacity



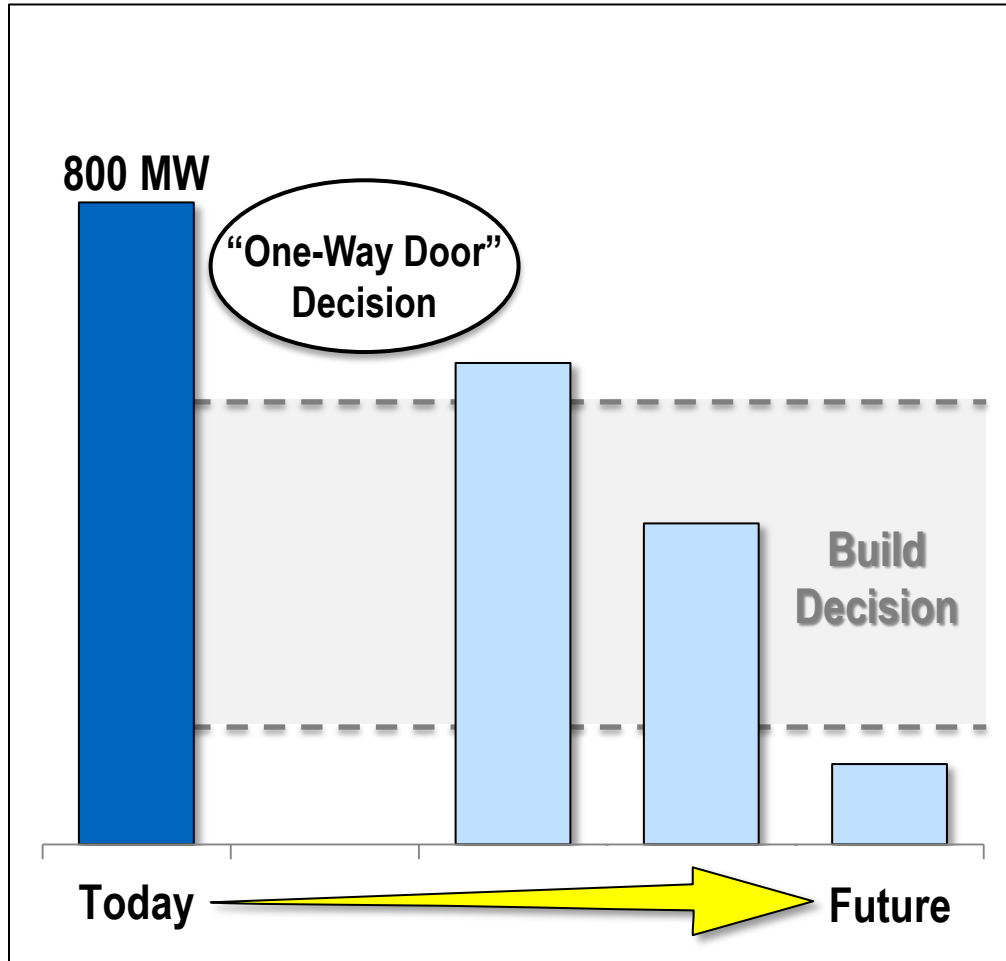
## Opportunity 2,000 MW

\$2 Bil Investment

	<u>Amount</u> (mils)
PPAs	\$(650)
New Gas Build	650
Annual Customer Impact	<b>zero</b>

.... more capacity investment, without increasing bills.

## **Potential Return**



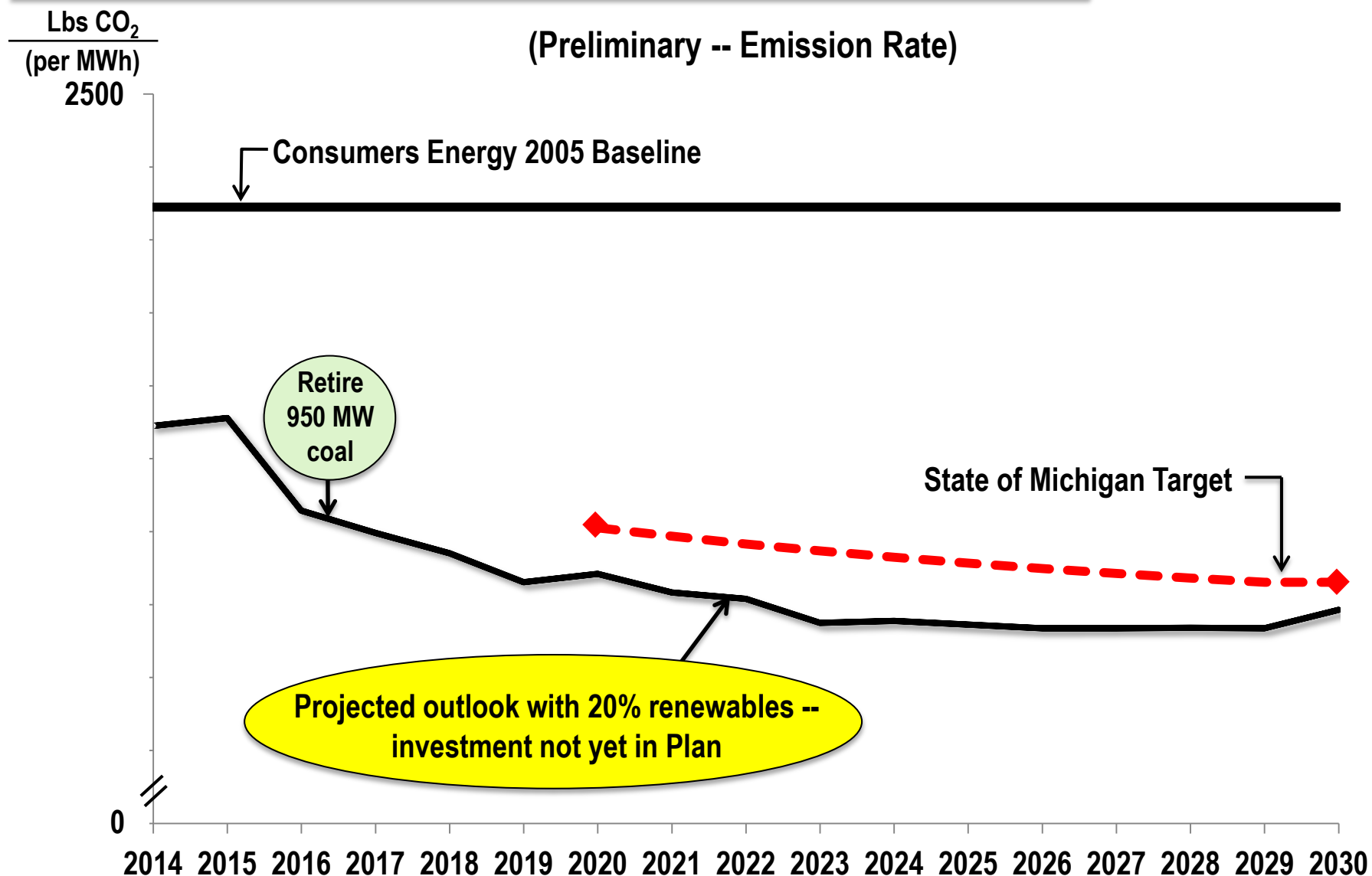
## **Opportunity**

- \$150 million subsidy
- 0.02% of customers on ROA (~300 customers)
- Could lower rates 4% for everyone if all returned
- Build new generation capacity, funded by return

**.... more capacity investment, without increasing bills; 10% return worth five years of growth.**

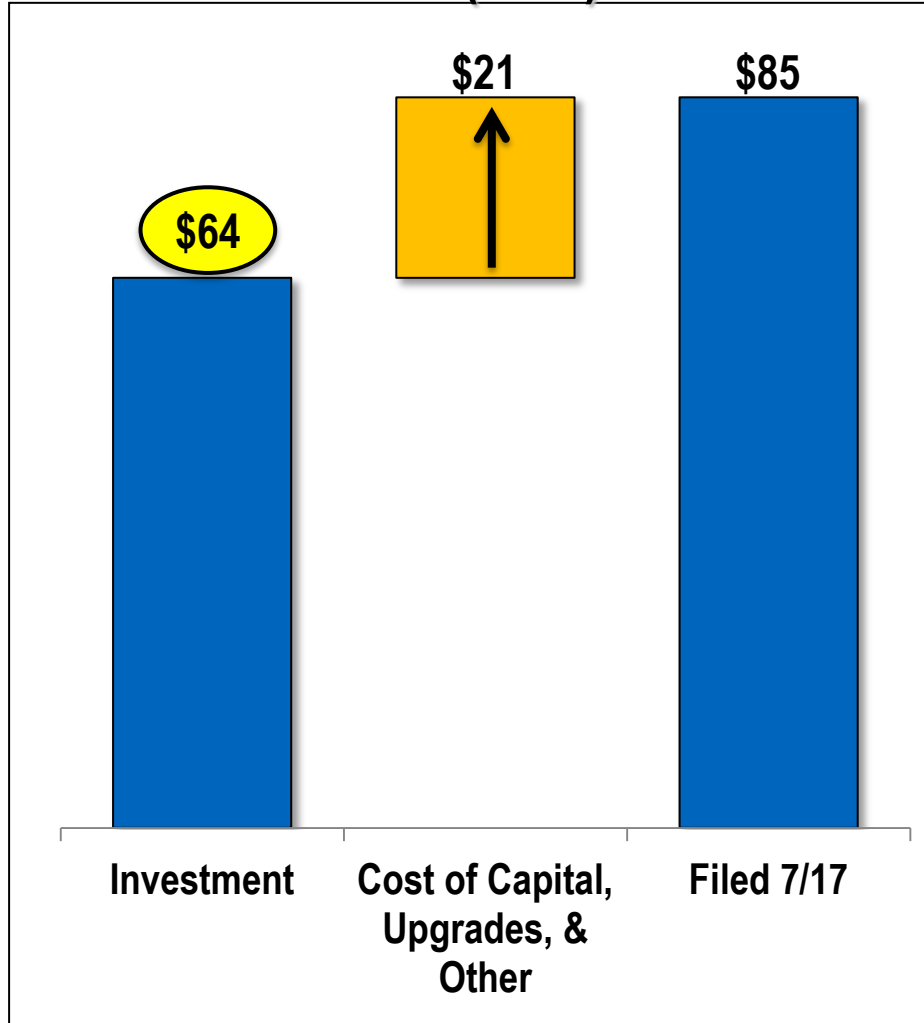
# Clean Power Plan....

CMS ENERGY



.... positioned well for compliance.

## Gas (mils)



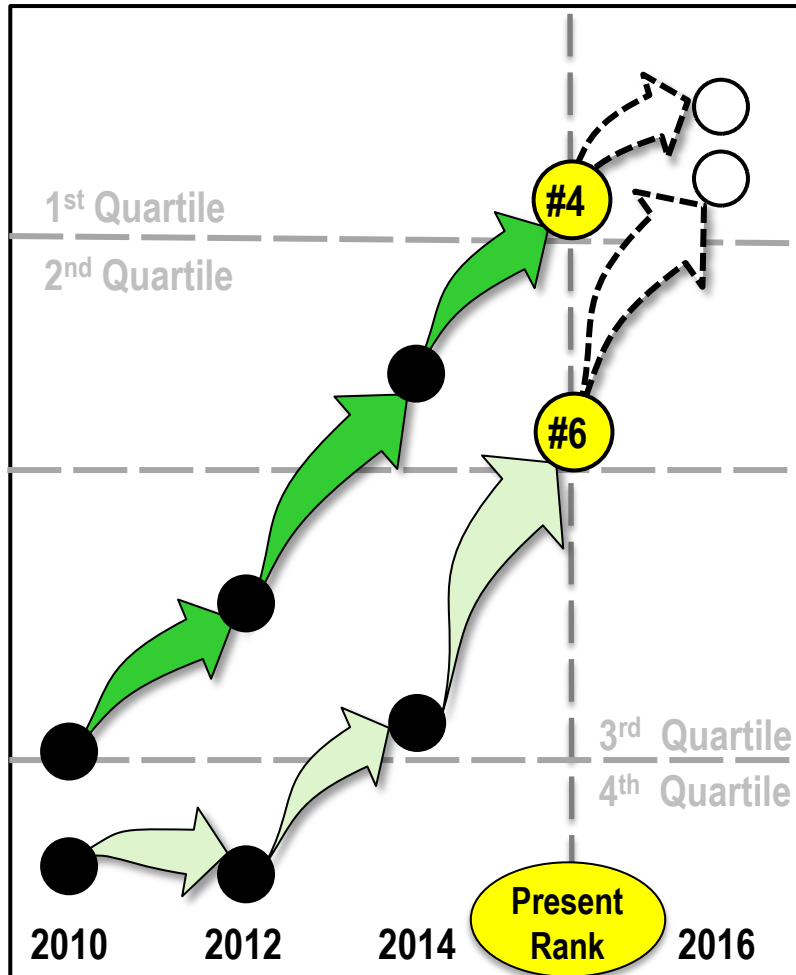
## Electric Track Record

Date	Step	Amount (mils)
May 2013	Settlement	\$ 89
2014	Stay out ✓	--
June 2015	Self-implement	110
Dec. 2015	Order expected	

2½ years since last order!

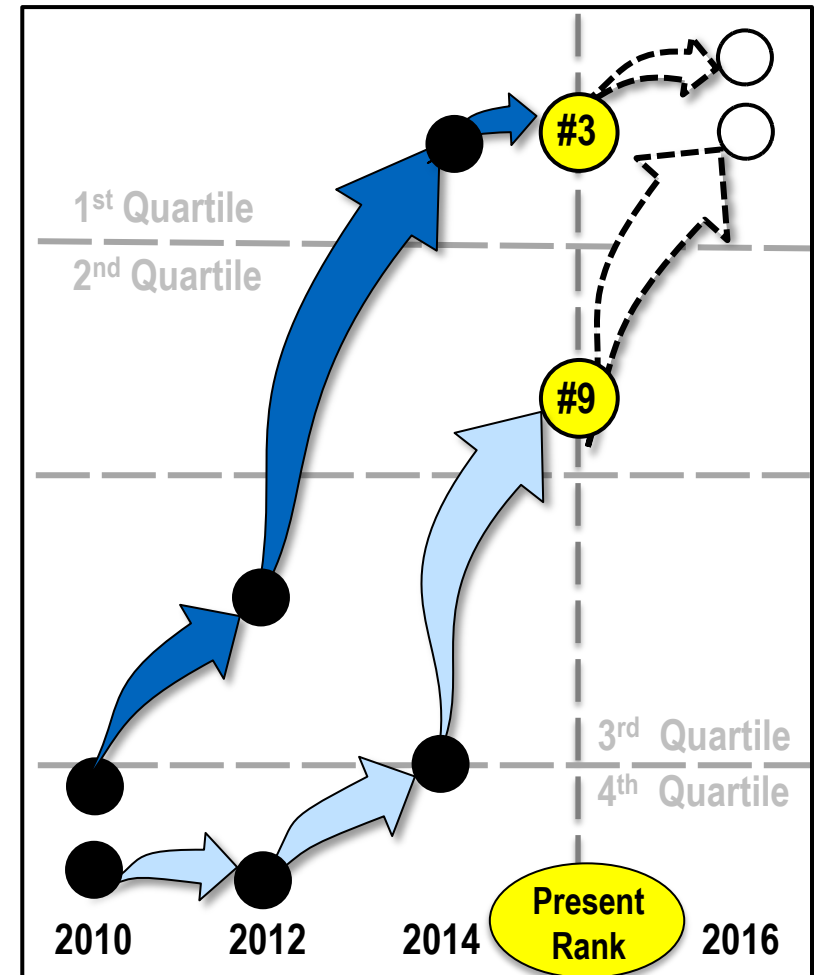
.... fair and timely.

## Electric



 Residential  Business

## Gas

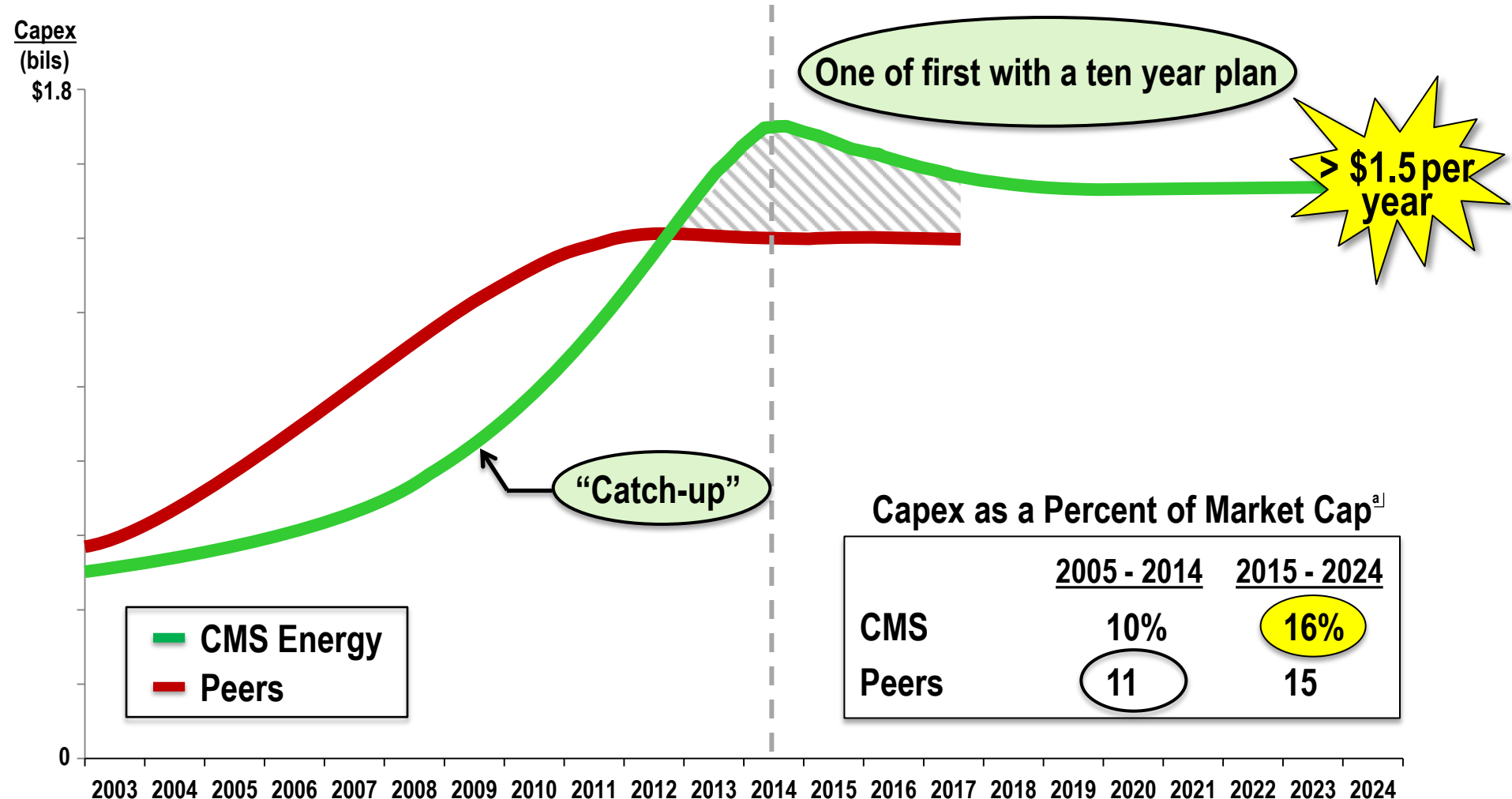


 Residential  Business

.... continues to improve rapidly.

# Investment “Catch-up”....

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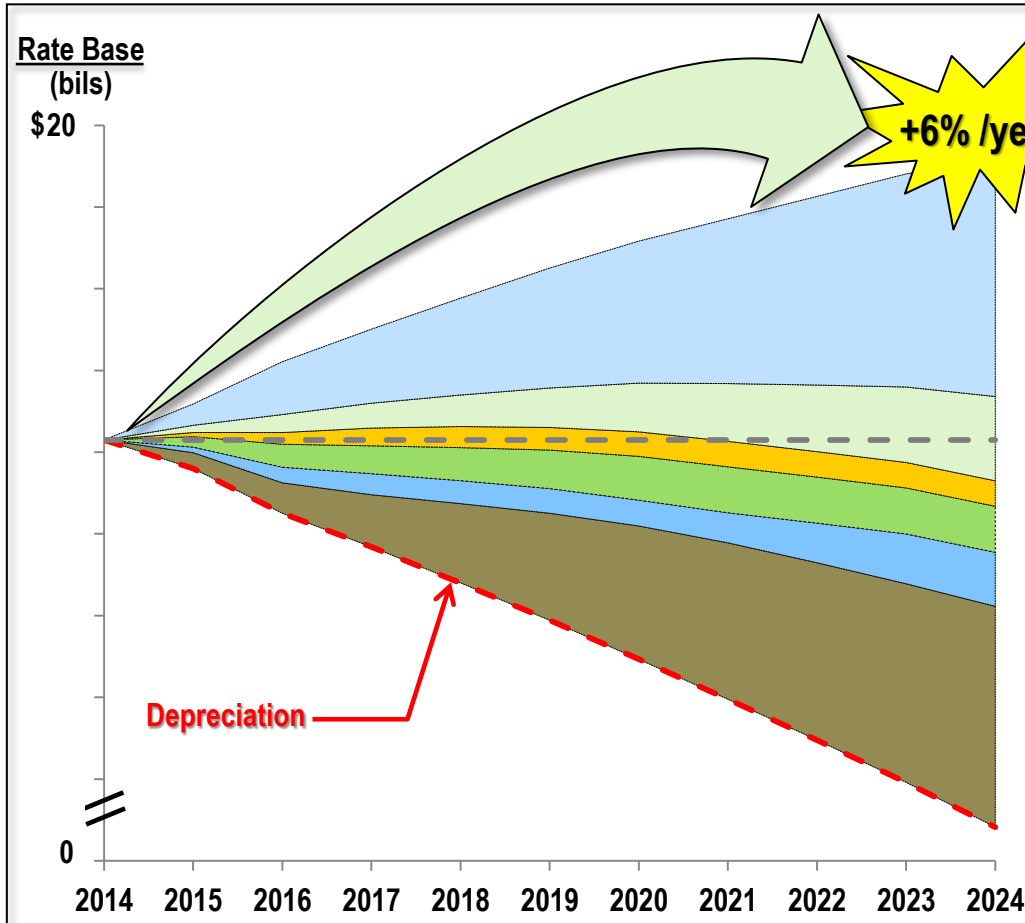


<sup>a)</sup> Based on December 31, 2014 information percent of market cap

Source: 10K; actual amounts through 2014 smoothed for illustration

... creating an opportunity for the next ten years.

## 10 Years of Growth



## Investment

	2015 - 2024 Amount (bills)
Gas Infrastructure & Maintenance	\$ 5.8
Electric Reliability	2.3
Smart Energy	0.4
Environmental	0.9
New Generation	1.1
Electric Maintenance	5.0
<b>Plan Investment</b>	<b>\$15.5</b>

.... drives EPS growth 5% - 7% a year.

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

CMS ENERGY

Adjusted EPS  
(non-GAAP)

2014

17¢

13¢

Weather	12¢
Natural Offsets	(4)
Cost & Other	<u>5</u>
Total	<u>13¢</u>

	2015 O&M Reinvestment (mils)	2016 Savings (mils)
• DIG outage	\$ (8)	\$10
• Forestry	(5)	5
• Donations & other	<u>(5)</u>	<u>5</u>
Total	<u><u>\$(18)</u></u>	<u><u>\$20</u></u>

## Flex Items

- O&M choices
- Alt. financing
- Plant outage
- Contributions

2015

+7% -  
+5%

Guidance

January

March 31

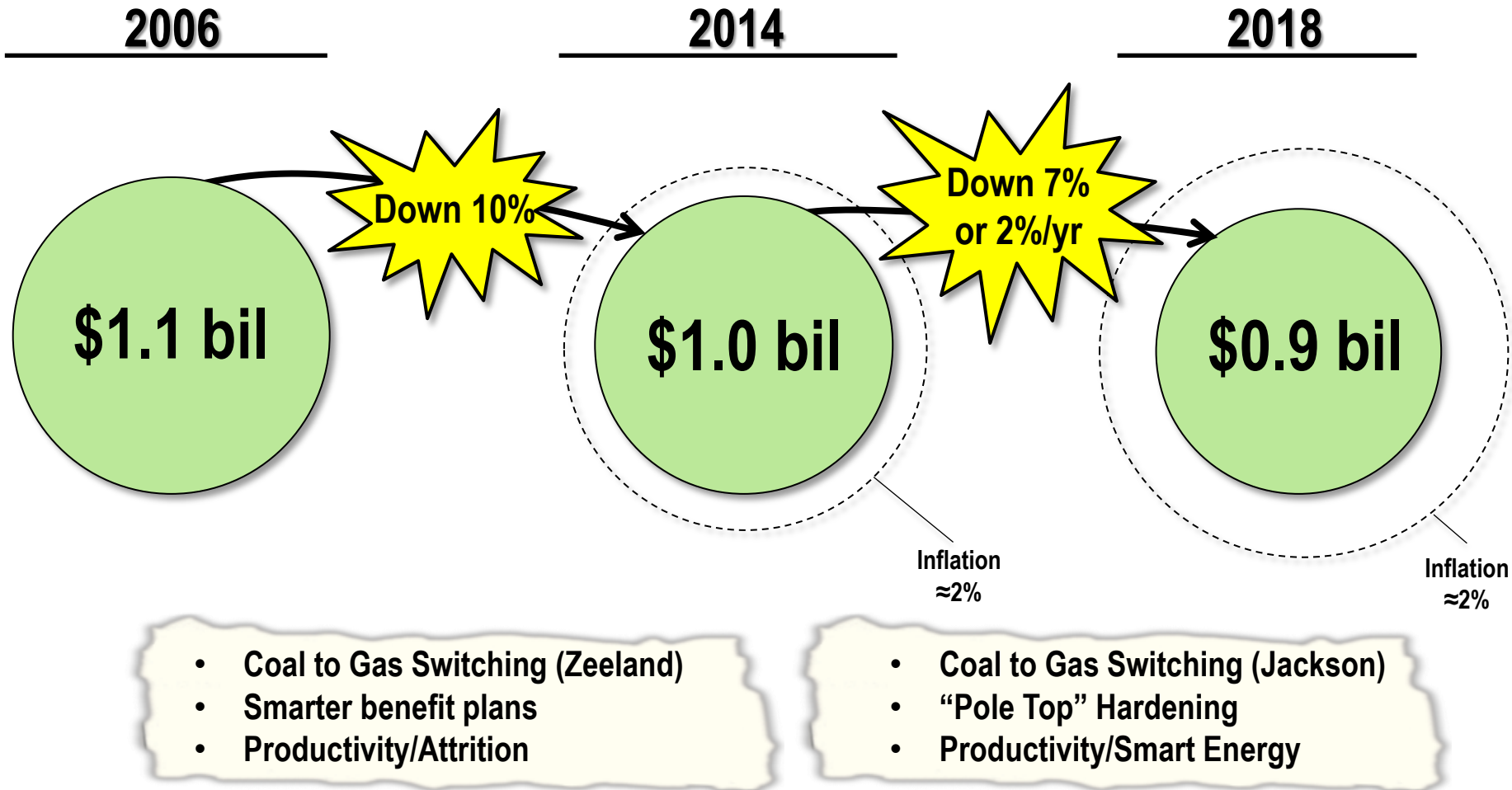
June 30

September 30

December

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

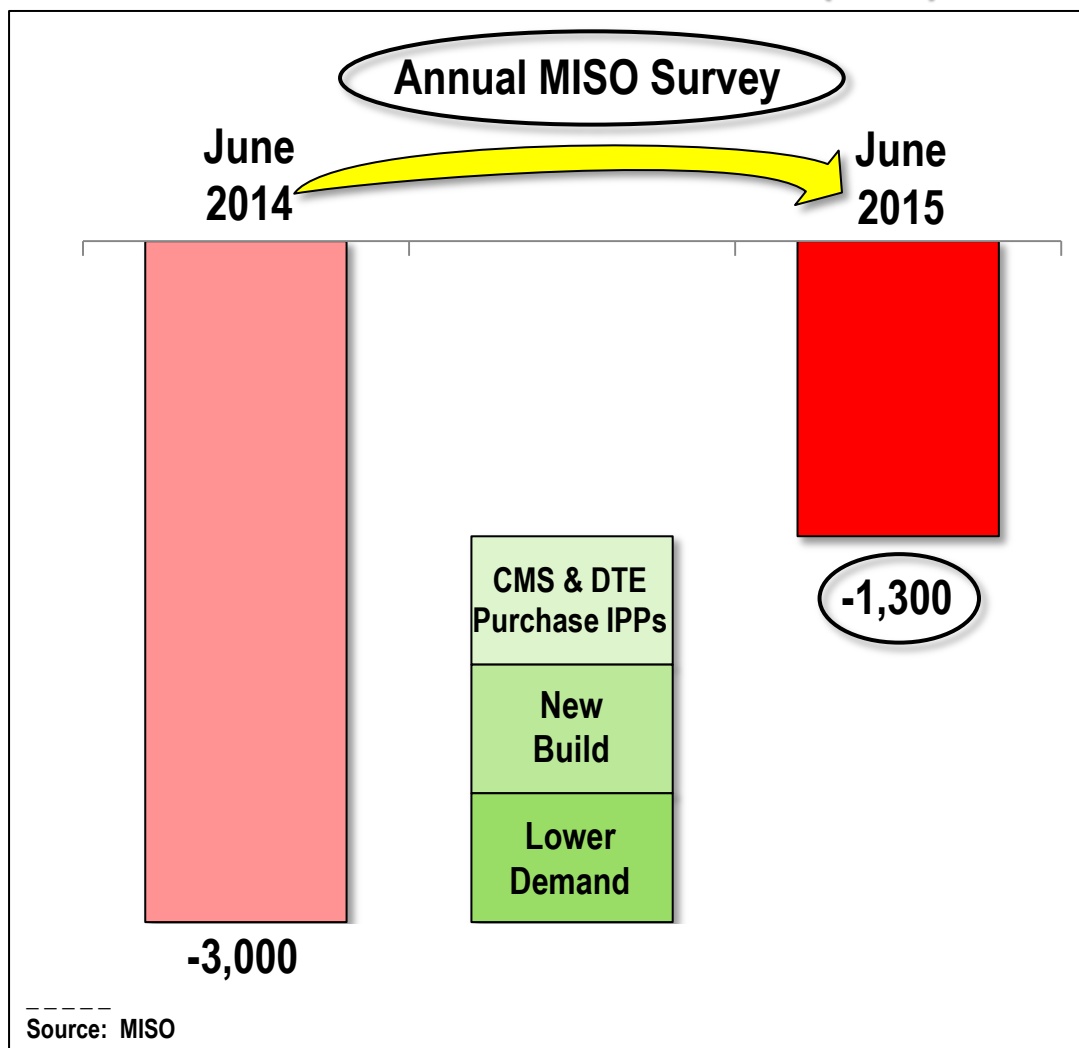




.... provide more “headroom” for more capital investment.

## 2016 Forecasted Shortfall (MW)

## Impact

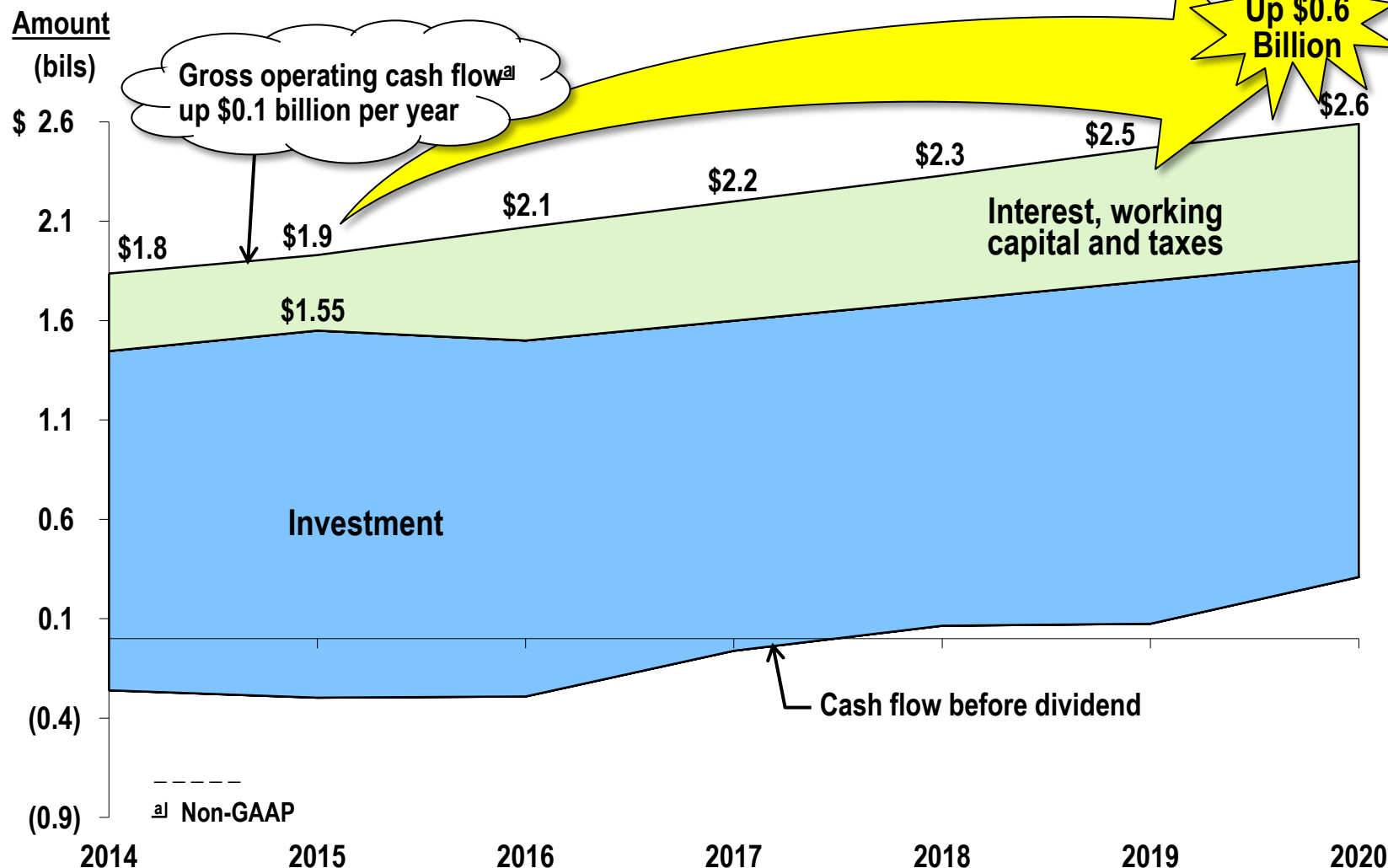


- New capacity to meet shortfall not assumed
- More upside to \$15.5 billion capex plan
- Creates upside pressure in capacity prices -- DIG opportunity

.... shortfall expected to be 1,300 MW.

# Operating Cash Flow Growth....

CMS ENERGY



NOLs & Credits	\$0.7	\$0.7	\$0.7	\$0.5	\$0.3	\$0.2	\$0.1
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.... up \$0.6 billion or 30% over five years!

# Generation Strategy: New Supply Sources....

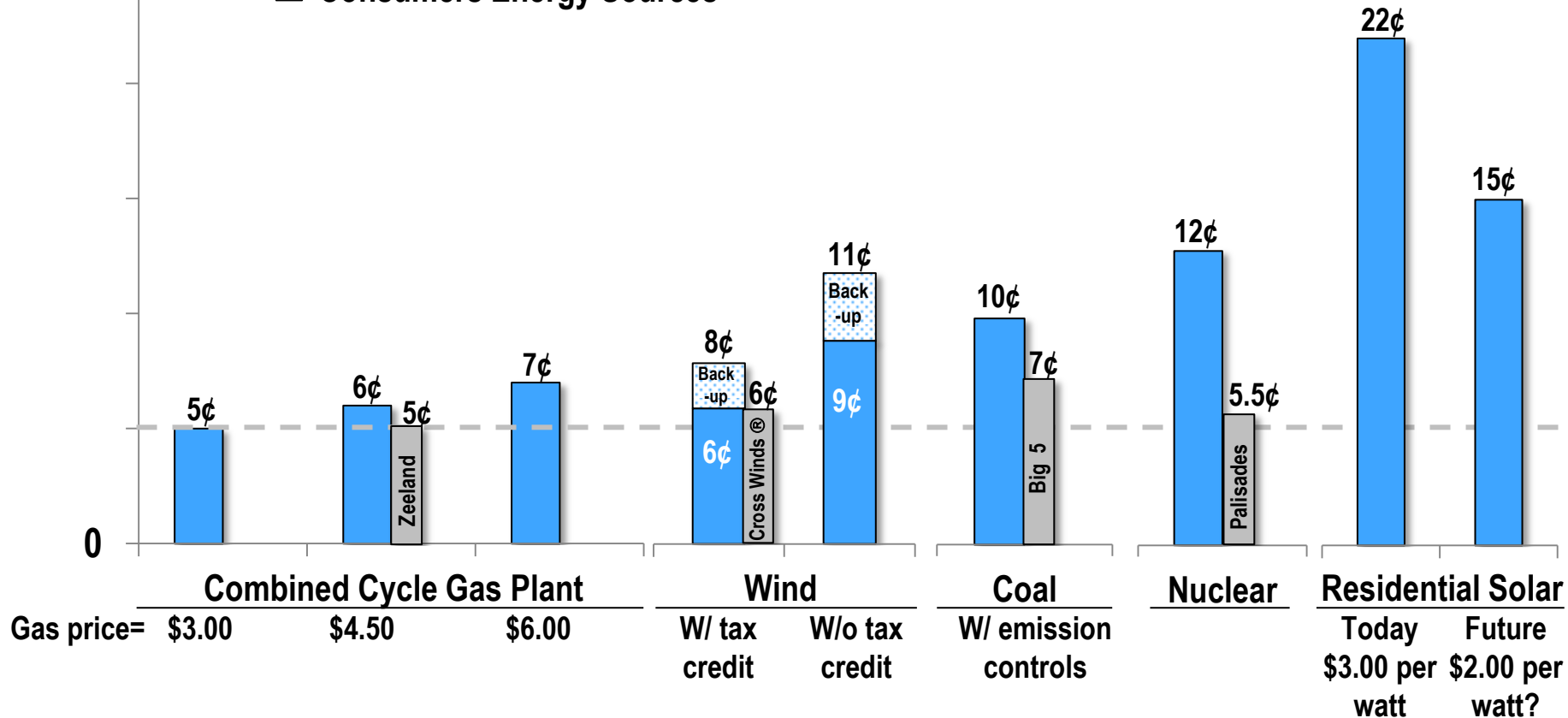
CMS ENERGY

Levelized cost  
of new build

(¢/kWh)

25

■ New Build  
■ Consumers Energy Sources



.... combined cycle gas is the most attractive new source of supply.

## **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
<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
<b>After-tax items:</b>												
Electric and gas utility	0.21	(0.39)	-	-	(0.07)	0.05	0.33	0.03	-	0.17	-	-
Enterprises	0.74	0.62	0.04	(0.02)	1.25	(0.02)	0.09	(0.03)	(0.11)	(0.01)	*	0.03
Corporate interest and other	0.16	(0.03)	0.04	0.27	(0.32)	(0.02)	0.01	*	(0.01)	*	*	*
Discontinued operations (income) loss	(0.16)	0.02	(0.07)	(0.03)	0.40	(*)	(0.08)	0.08	(0.01)	(0.03)	*	(*)
Asset impairment charges, net	-	-	1.82	0.76	0.60	-	-	-	-	-	-	-
Cumulative accounting changes	0.16	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
Mark-to-market impacts		0.03	(0.43)	0.51								
<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

\* 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.

**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	\$ 1,920	\$ 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>\$ 1,940</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)	(390)	(567)	(603)	(628)	(668)	(686)
<b>Net cash provided by operating activities</b>	<b><u>\$ 1,447</u></b>	<b><u>\$ 1,550</u></b>	<b><u>\$ 1,500</u></b>	<b><u>\$ 1,600</u></b>	<b><u>\$ 1,700</u></b>	<b><u>\$ 1,800</u></b>	<b><u>\$ 1,900</u></b>