

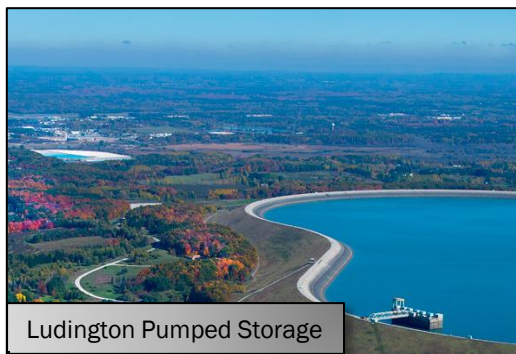
# AGA Financial Forum

## May 15 - 17, 2016



Jackson Generating Station

Among lowest acquisition cost ever



Ludington Pumped Storage

Fourth largest in the world



Cross Winds<sup>®</sup> 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, 2015 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. 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. References to earnings guidance refer to such guidance as provided by the company on April 28, 2016.

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.

**Tab: Presentation**

- **Retired 950 MW of coal plants in April**
  - **Coal mix now below 25%**
- **Rate Cases**
  - **Settled gas rate case -- \$40 million**
  - **Track record demonstrates constructive regulation**
  - **Filed electric rate case at \$225 million**
- **Energy Law**
  - **Proceeding through Senate and House**
  - **Business plan based on strong 2008 Law**

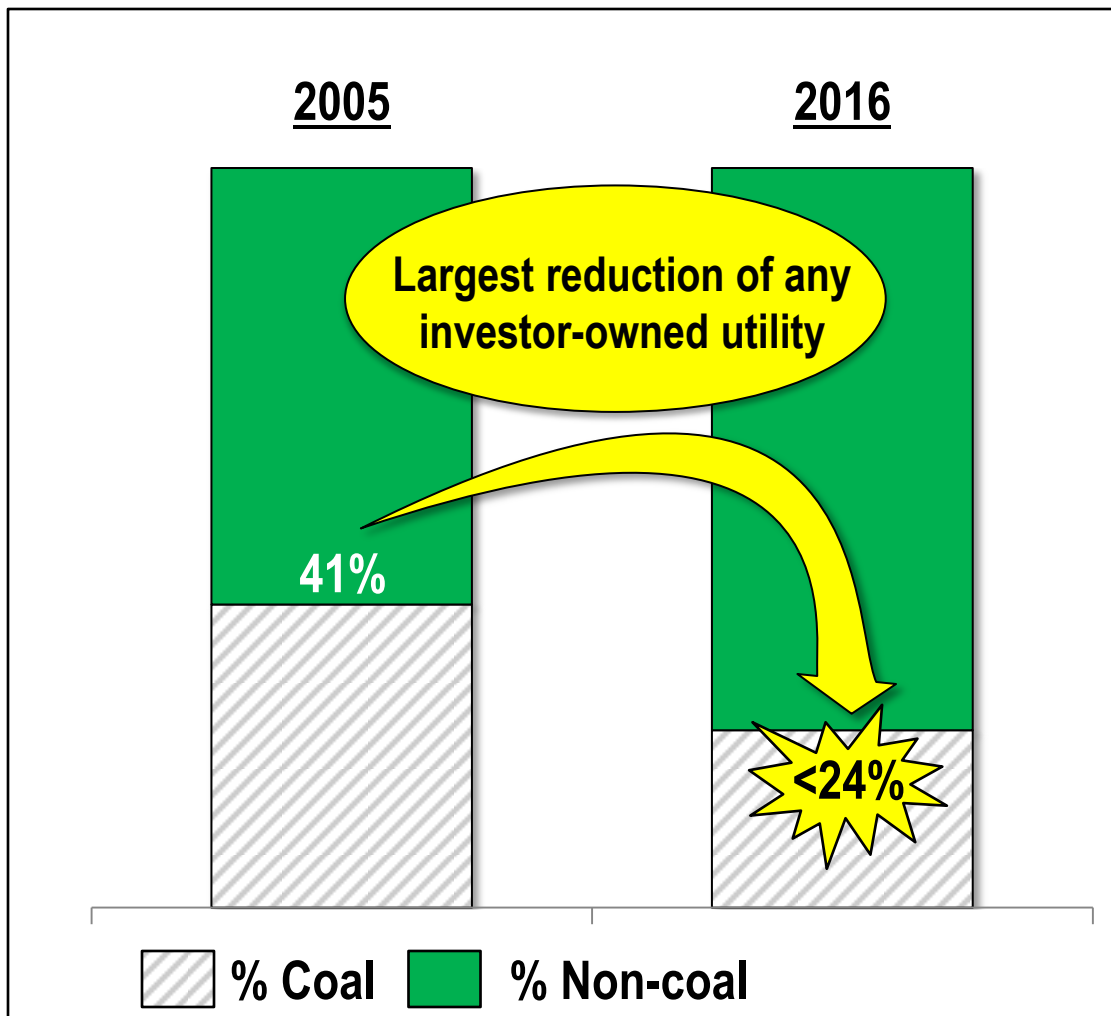
**.... reflects sustainable business model.**

## A “Green” Strategy

- Largest coal reduction of any investor-owned utility!
- Purchased Jackson Generating Station; lowest acquisition cost (540 MW, \$155 mil)
- Added new wind farms
- Energy efficiency continues at 1% annually

Positioned well for carbon reduction

## Coal Mix



.... “leaving it better than we found it.”

# Regulatory Track Record....

CMS ENERGY

## Gas Rate Cases

<u>Year</u>	<u>Step</u>	<u>Amount</u> (mils)	<u>Capex</u>
2012	Settled	\$16	188%
2013	Stay-out ✓		
2014	Stay-out ✓		
2015	Settled	45	200
2016	Settled	40	158

## Electric Rate Cases

<u>Step</u>	<u>Amount</u> (mils)	<u>Capex</u>
Order	\$118	110%
Settled	89	127
Stay-out ✓		
Order	126	137
Filed	225	72

10.3%

.... continues to be constructive.

## Present Law

- 10% renewables by 2015
- Energy efficiency standards
- File-and-implement
- 10% ROA cap

## Updates

Nothing happens

- Reliability
- Fair process
- Security
- IRP Process

## Plan

6% - 8%  
growth in  
2017 and  
beyond

Customer  
Upside

.... process continues.

# ***Simple, Perhaps Unique Model....***

**CMS ENERGY**

**2017+  
Plan**

<b>Capital investment (reliability, costs, enviro mandates)</b>	<b>6% - 8%</b>
---	----------------

- O&M cost reductions	2 - 3 pts
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- Sales growth	1
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- No “block” equity dilution & other	2
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**INVESTMENT SELF-FUNDED**

**5 - 6 pts**

<b>Rate increase at or below inflation</b>
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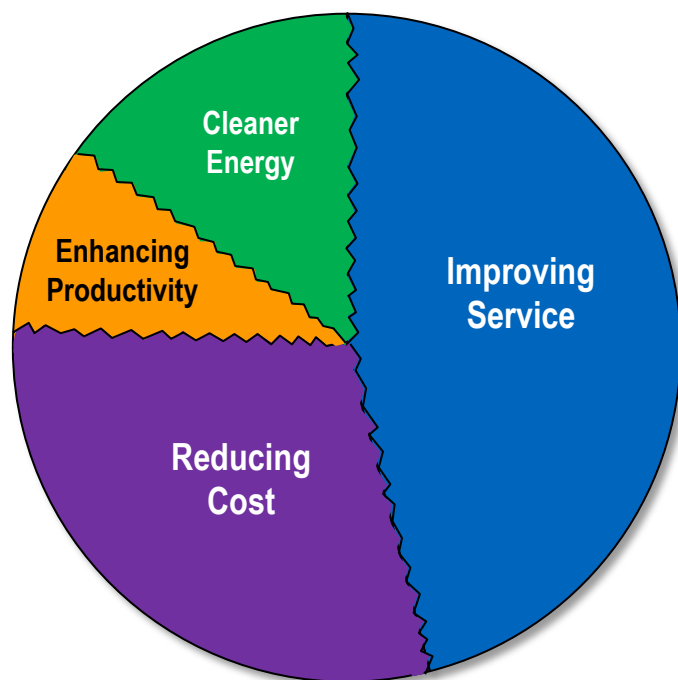
**<2%**

**.... drives sustainable growth with upside opportunities.**







2016-2025

Customer



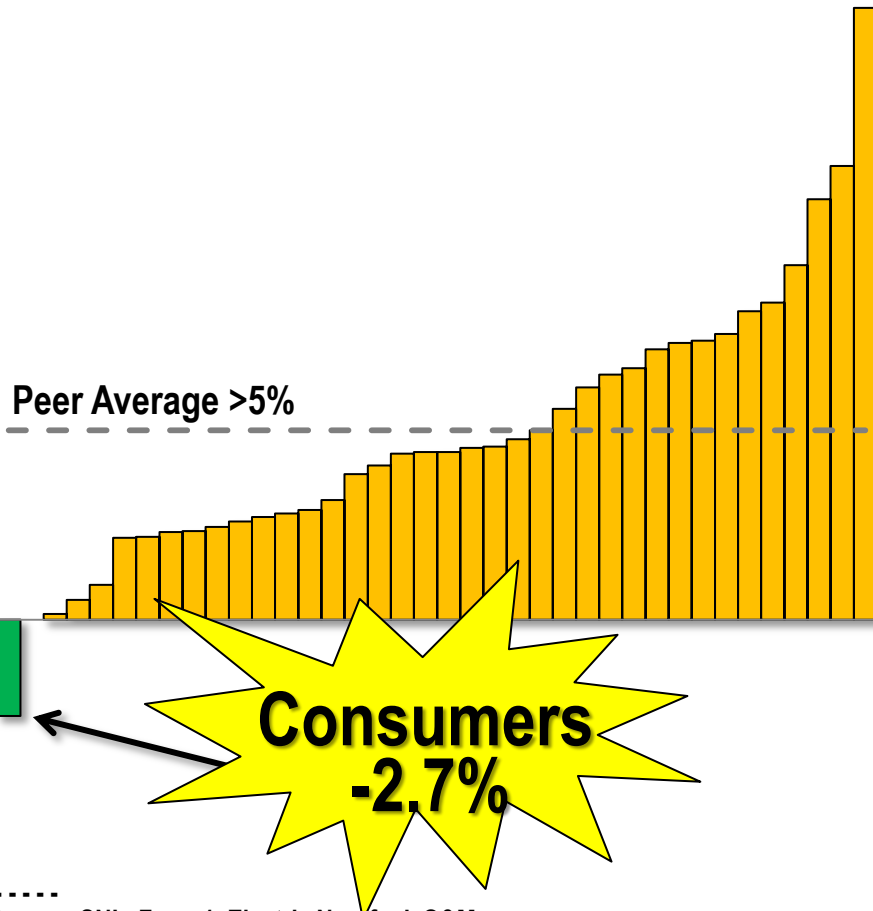
## Customer Benefit Drivers

-  Electric reliability; digital customer experience
-  Smart meters; proactive gas infrastructure replacement
-  Gas compression upgrades; field Service Technology Tools
-  Gas plant expansion & more renewables

.... improves infrastructure without raising base rates above inflation.

## Actual Cost Reduction

(2014 over 2006)



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

## New Cost Savings

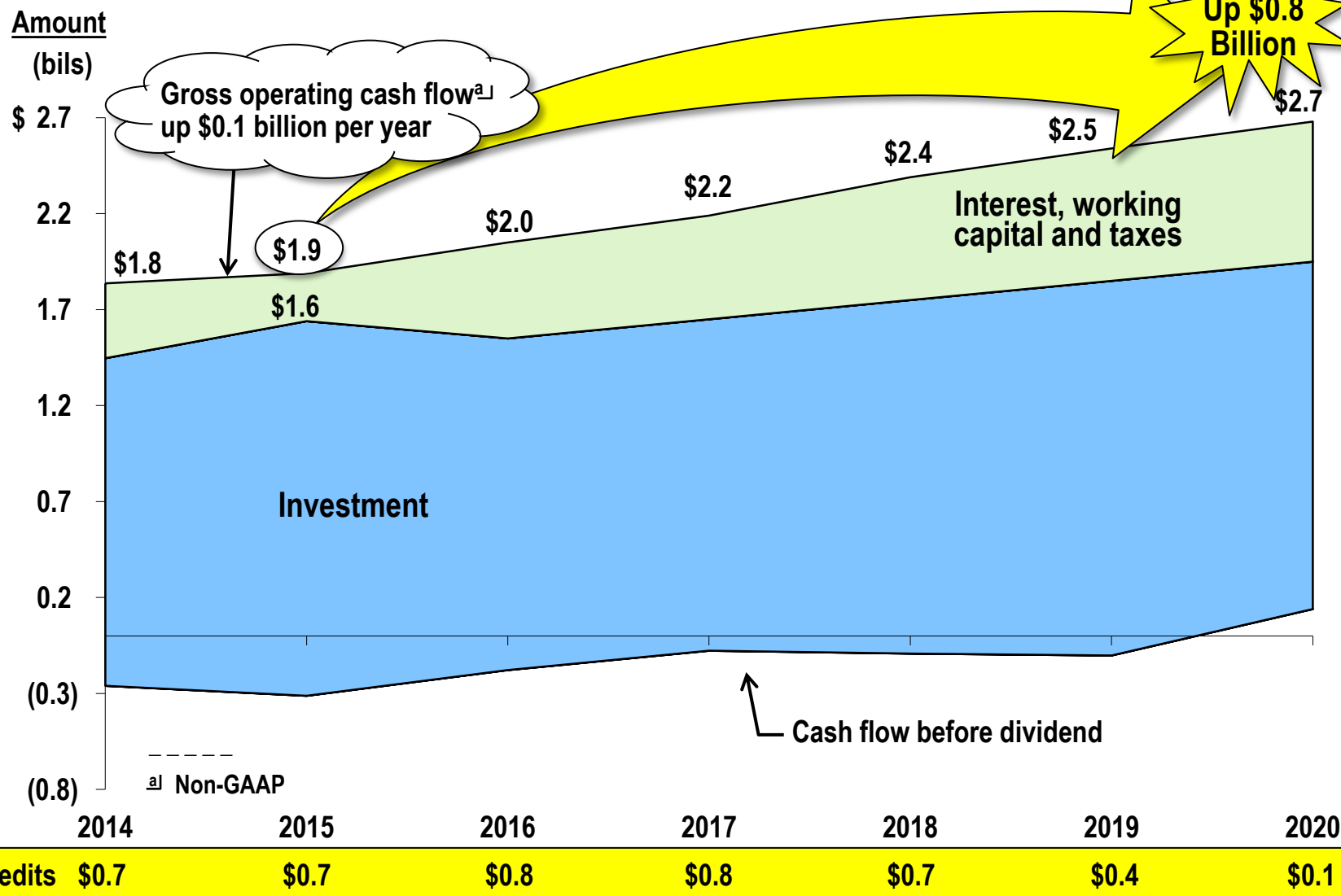
	2014 & 2015 (mils)	2016 & 2017 (mils)
• Attrition	\$ - 35	\$ - 35
• Productivity (Coal → Gas)	- 35	- 15
• “Pole Top” Hardening	- 20	- 10
• Smart Meters	- 5	- 20
• Eliminate Waste (UAs) & Work Management	- 15	- 10
• Mortality Tables & Discount Rates	+50	0
• Service Upgrades	+20	+ 30
<b>Net Savings</b>	<b>\$ - 40</b>	<b>\$ - 60</b>
<b>Percent Savings</b>	<b>- 4%</b>	<b>- 6%</b>

**3%  
a year!**

... driven by good “business decisions.”

# Operating Cash Flow Growth....

CMS ENERGY



.... up \$0.8 billion or 40% over five years!

# "DIG" (750 MW) & Peakers (200 MW)....

CMS ENERGY

## Pre-Tax Income

(mils)

\$80

40

0

Contracts  
(layering in over time)

\$12

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

0%

10

25%

25

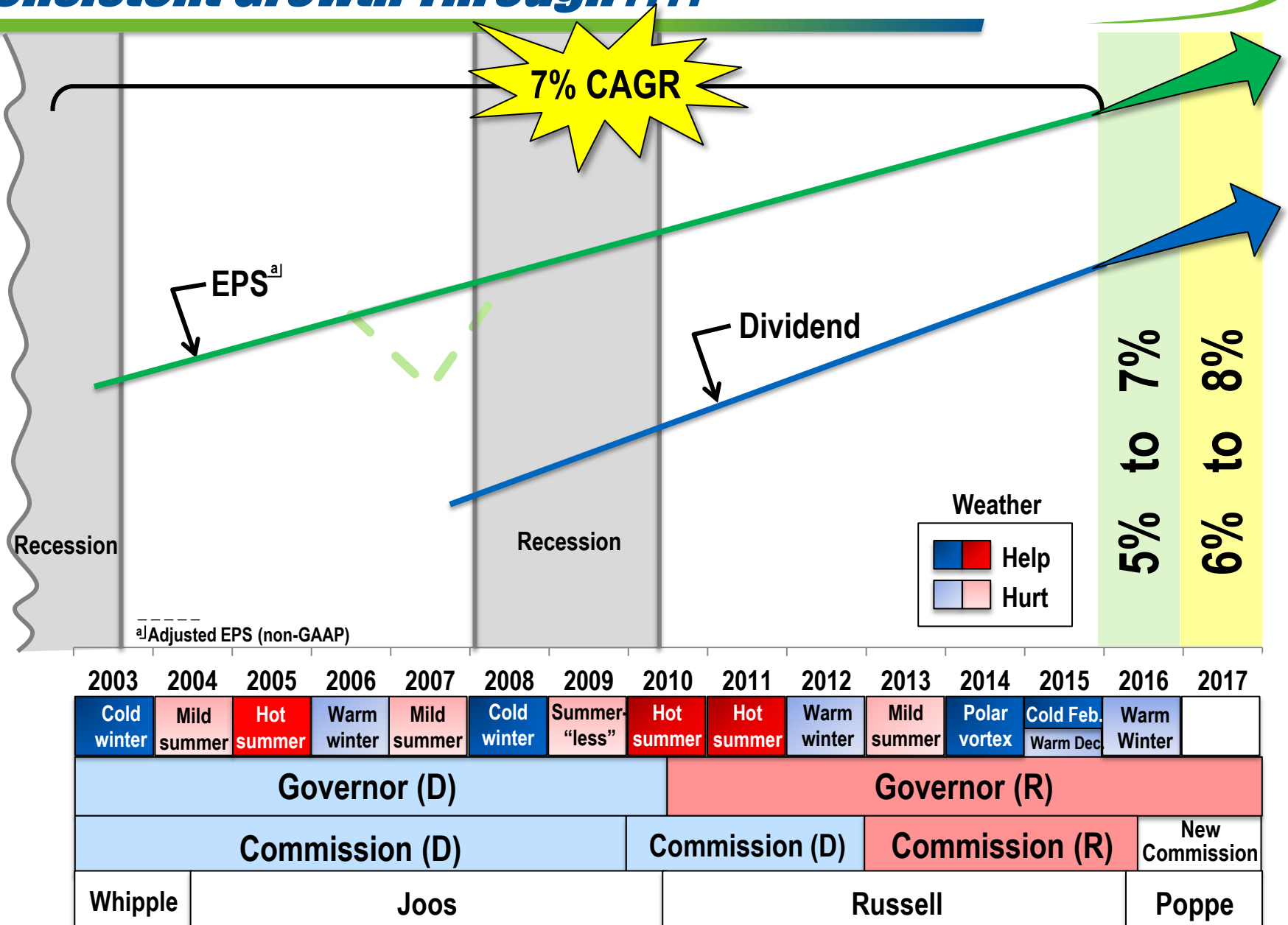
25%

50% - 90%

.... adding value.

# Consistent Growth Through....

CMS ENERGY



.... recessions, adverse weather, and policy leadership.

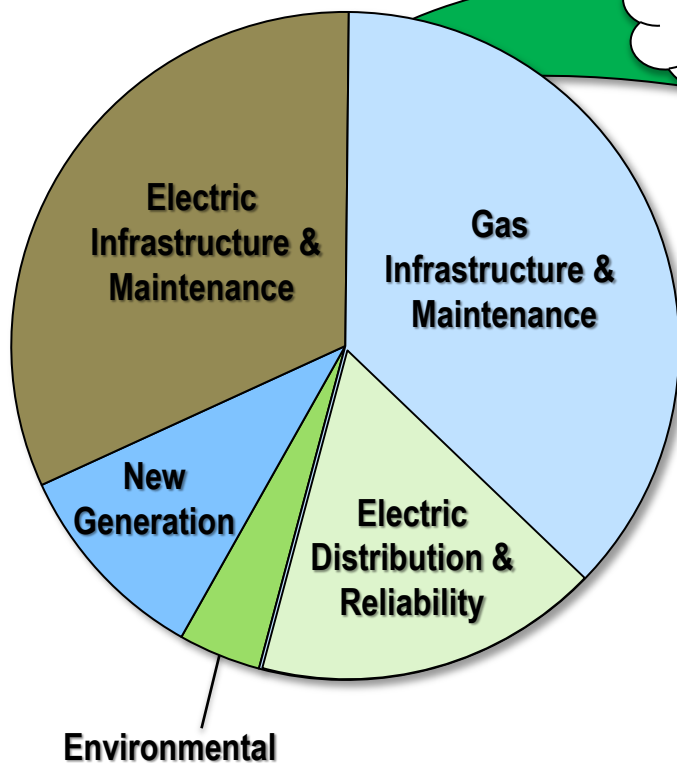
**Tab: Capital Investment**

# Capex \$17 Billion Over 10 Years....

CMS ENERGY

2016-2025

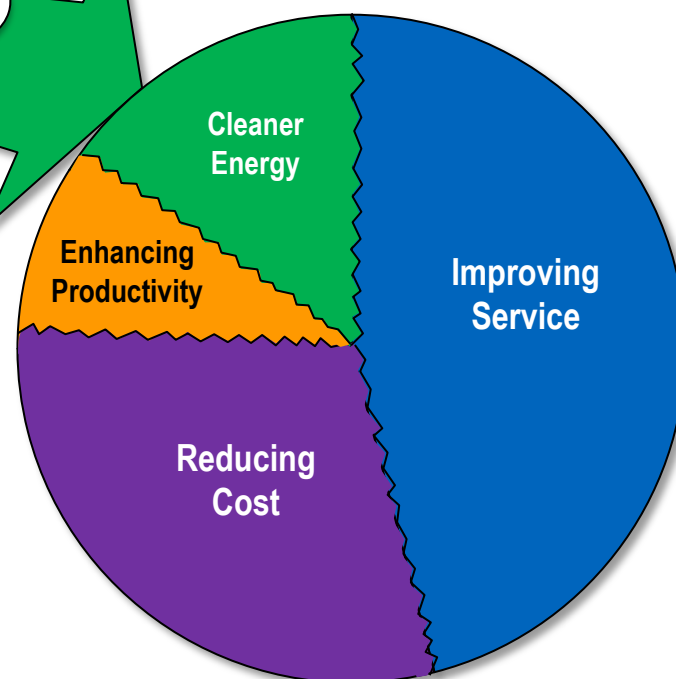
Investor



AND

2016-2025

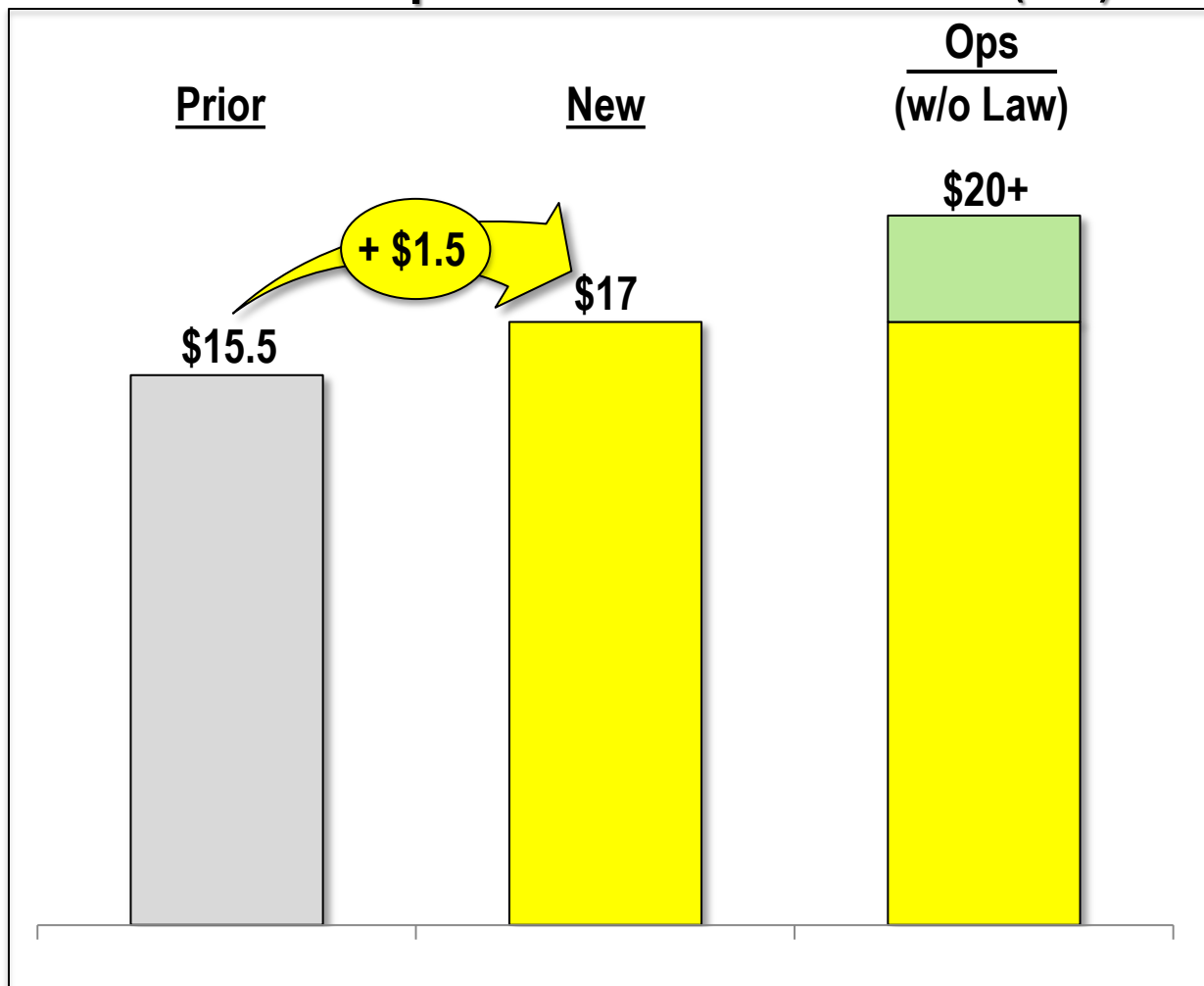
Customer



How this  
adds value!

.... without raising base rates above inflation.

## Ten-Year Capital Investment Growth (bils)



## Details

<u>New vs Prior</u>	<u>Capex</u> (bils)
Electric reliability	\$0.4
Gas infrastructure	0.4
Clean power	0.7
New	<b>\$1.5</b>
<u>Ops</u>	
Replace expiring PPAs; generation	\$2.0
Reliability & pipes	1.0
Ops	<b>\$3.0+</b>

.... regardless of the law update.



# CMS Capital Expenditures

CMS ENERGY

	2016	2017	2018	2019	2020	2016-2020	2021-2025	2016-2025
	(mils)	(mils)	(mils)	(mils)	(mils)	Subtotal	Subtotal	Total
						(mils)	(mils)	(mils)
New Generation (includes Renewables)	\$ 87	\$ 72	\$ 59	\$ 43	\$ 31	\$ 292	\$ 1,378	\$ 1,670
Environmental	122	143	121	178	133	697	2	699
Electric Reliability & Distribution	443	416	351	417	370	1,997	1,414	3,411
Electric Maintenance	442	433	477	472	454	2,278	2,714	4,992
Total Electric	<u>\$ 1,094</u>	<u>\$ 1,064</u>	<u>\$ 1,008</u>	<u>\$ 1,110</u>	<u>\$ 988</u>	<u>\$ 5,264</u>	<u>\$ 5,508</u>	<u>\$ 10,772</u>
Gas Infrastructure	\$ 237	\$ 353	\$ 397	\$ 398	\$ 377	\$ 1,762	\$ 1,132	\$ 2,894
Gas Maintenance	331	322	307	304	299	1,563	1,771	3,334
Total Gas	<u>\$ 568</u>	<u>\$ 675</u>	<u>\$ 704</u>	<u>\$ 702</u>	<u>\$ 676</u>	<u>\$ 3,325</u>	<u>\$ 2,903</u>	<u>\$ 6,228</u>
Total Electric & Gas	<u>\$ 1,662</u>	<u>\$ 1,739</u>	<u>\$ 1,712</u>	<u>\$ 1,812</u>	<u>\$ 1,664</u>	<u>\$ 8,589</u>	<u>\$ 8,411</u>	<u>\$ 17,000</u>

# New “Incremental” Capex....

CMS ENERGY

## Electric



**+\$400 mil**

- 2,900 poles (+60%)
- 2.4 HVD miles (+120%)
- 30 substations (+50%)
- Improve SAIDI performance

## Gas



**+\$400 mil**

- 75 transmission miles (+35%)
- Install more remote valves
- Reduce system risk and increase capacity

## Renewables



**+\$700 mil**

- Add 300 MW of new wind to support future compliance

.... adds \$1.5 billion to our capital investment plan.

# Customer Driven Investment....

CMS ENERGY

## Clean Power

\$1.9 Billion



## Capacity

\$2.8 Billion



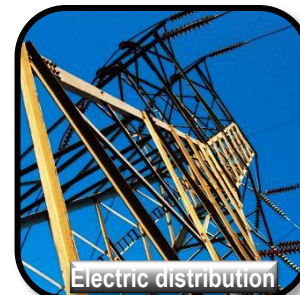
## Reliability

\$3.0 Billion



## Infrastructure

\$3.6 Billion



## Maintenance

\$5.7 Billion



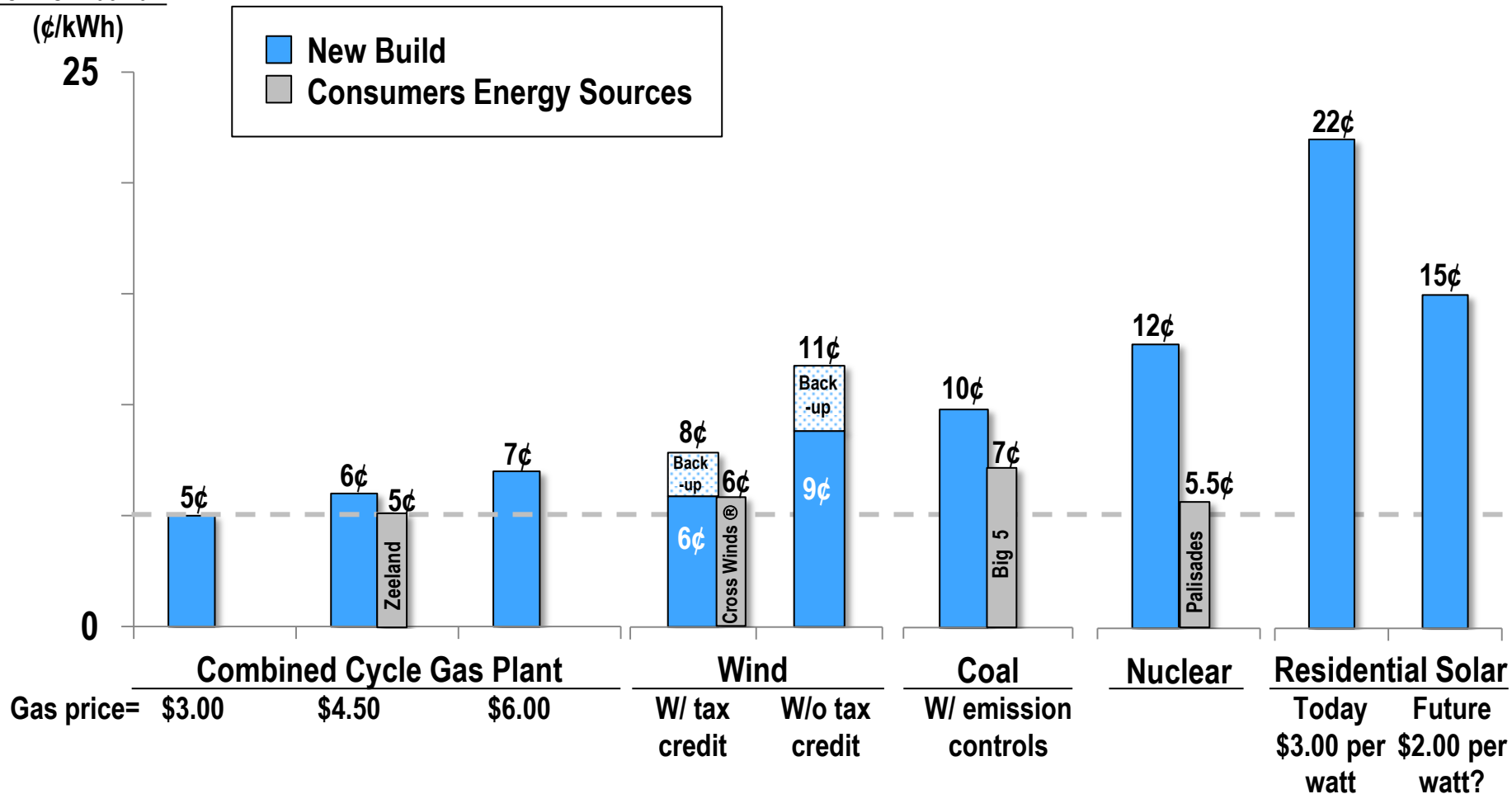
... remains small and incremental, with no “big bets” and opportunity to grow.

**Tab: Green Environment**

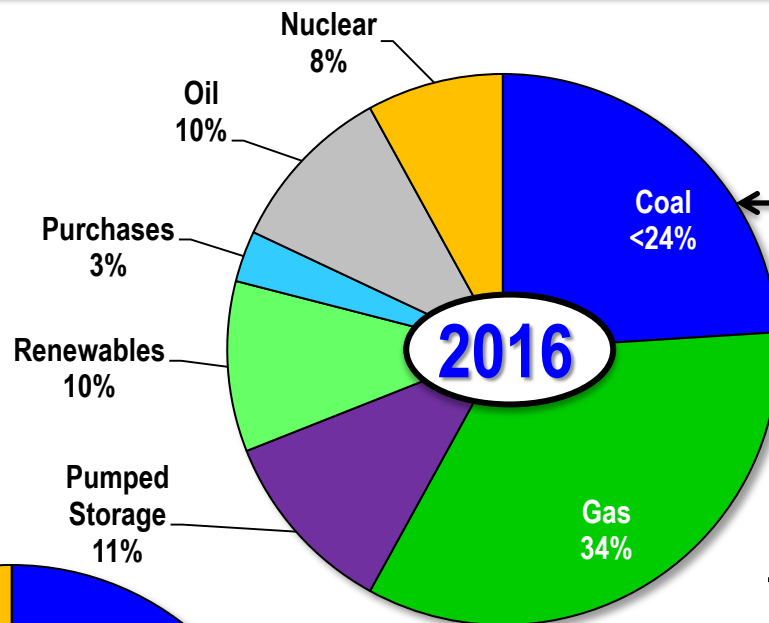
# Generation Strategy: New Supply Sources....

CMS ENERGY

Levelized cost  
of new build  
(¢/kWh)



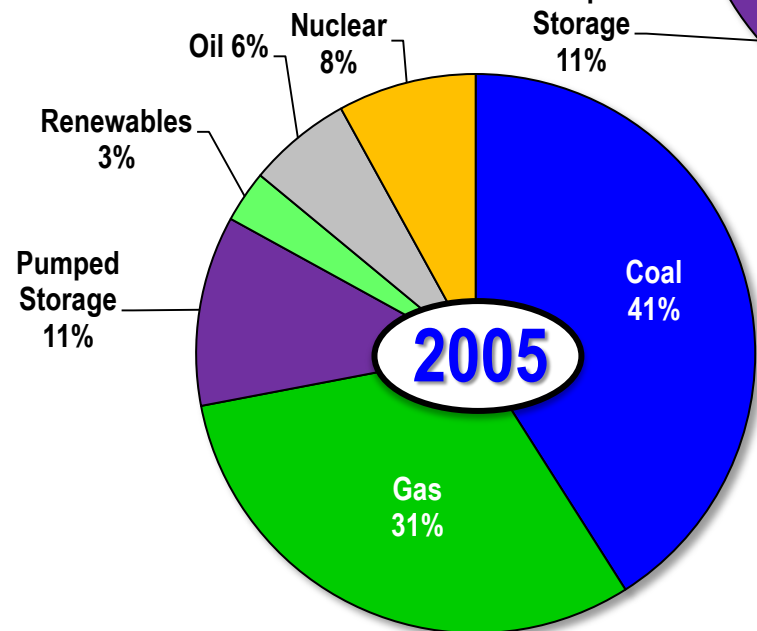
.... combined cycle gas is the most attractive new source of supply.



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

## Future Capacity Mix

- More Renewables
- Expanded Pumped Storage
- Clean Energy Resources



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



# Clean Power Plan....

CMS ENERGY

Tons CO<sub>2</sub>

(mils)

20

Consumers Energy 2012 Emissions

Retire  
950 MW  
coal

State of Michigan Target  
(Consumers Energy's share)

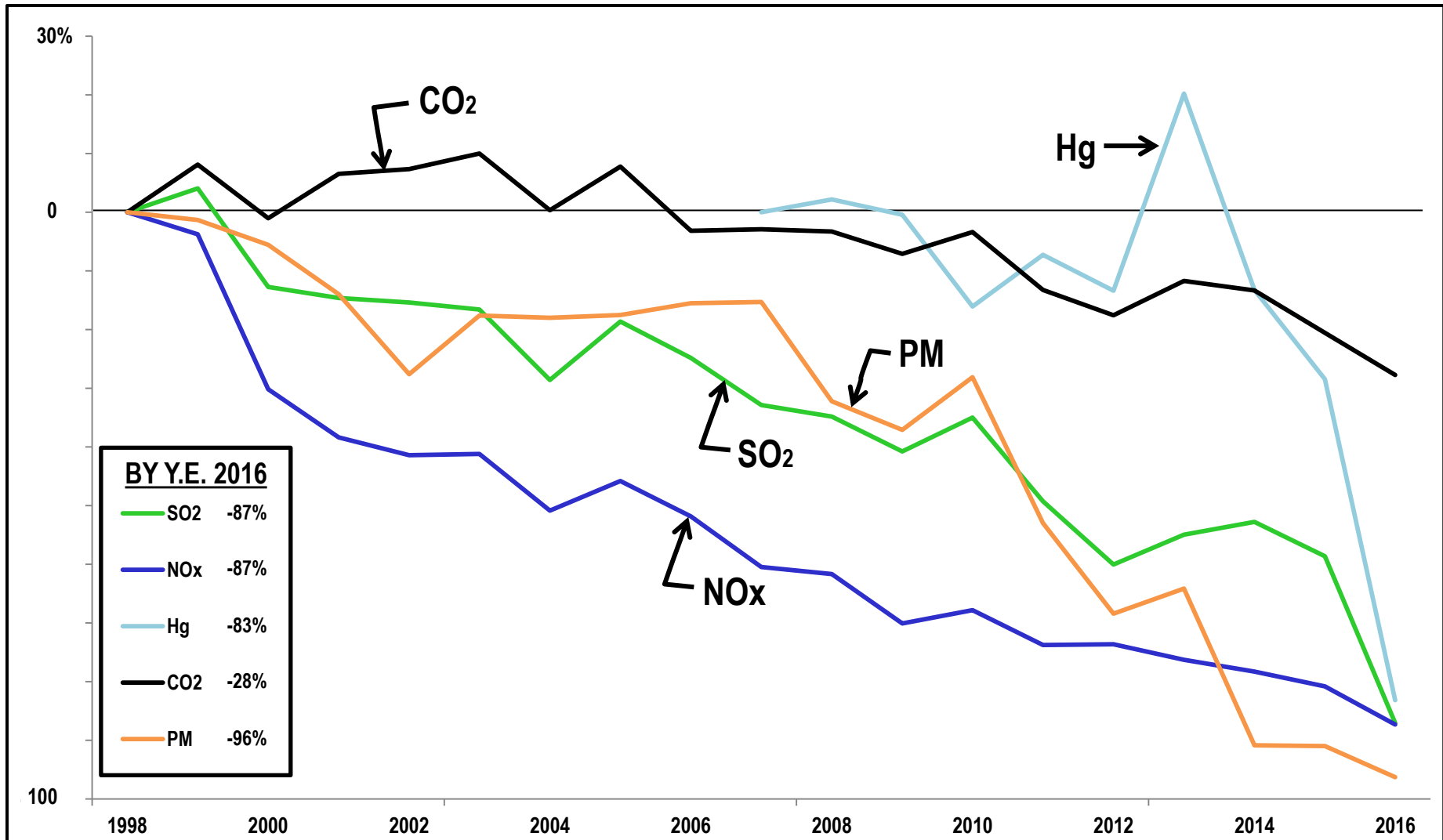
Positioned well for compliance

0

2015 2016 2017 2018 2019 2020 2021 2022 2023 2024 2025 2026 2027 2028 2029 2030

... recently stayed by the U.S. Supreme Court.

## Historical Actual Emissions



.... significant reduction.



## **Apple Blossom Wind Farm**

- **Competitive price**
- **100 MW**
- **Commercial operation by 2018**
- **Capacity, energy, and renewable credits**
- **PPA with option to purchase**



## **Community Solar Gardens**

- **Utility Scale Solar**
  - **Grand Valley State University, 3 MW**
  - **Western Michigan University, 1 MW**

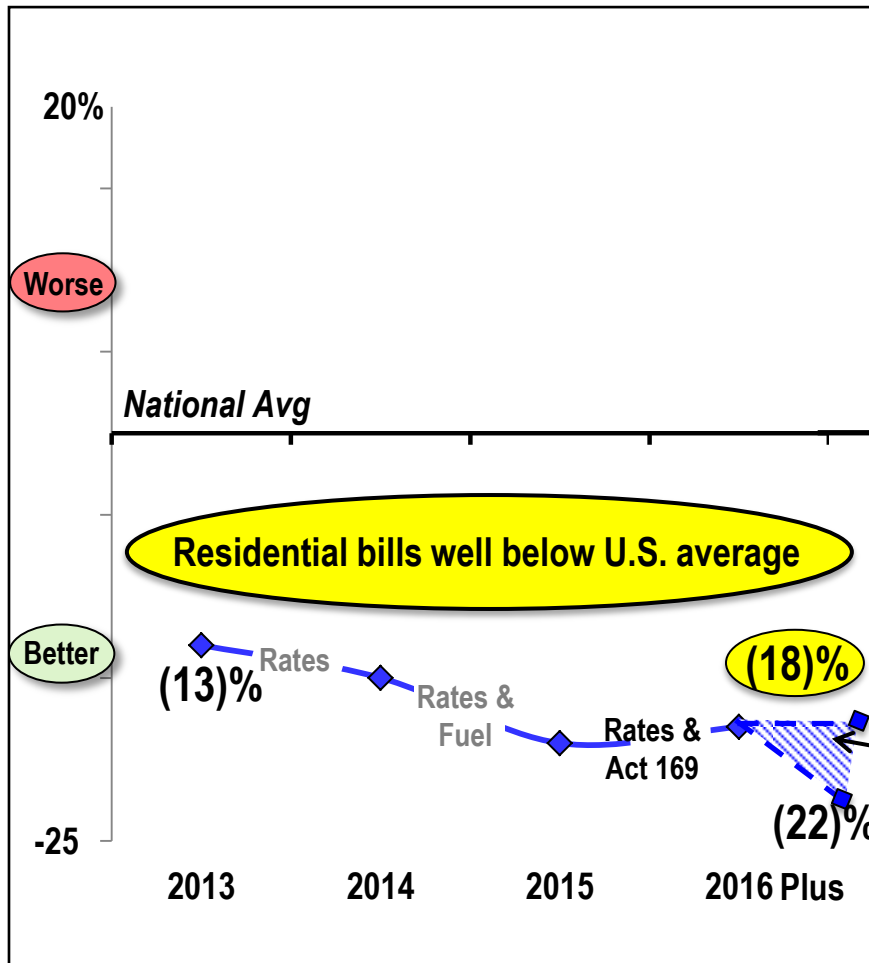


Digital rendering of Grand Valley's campus

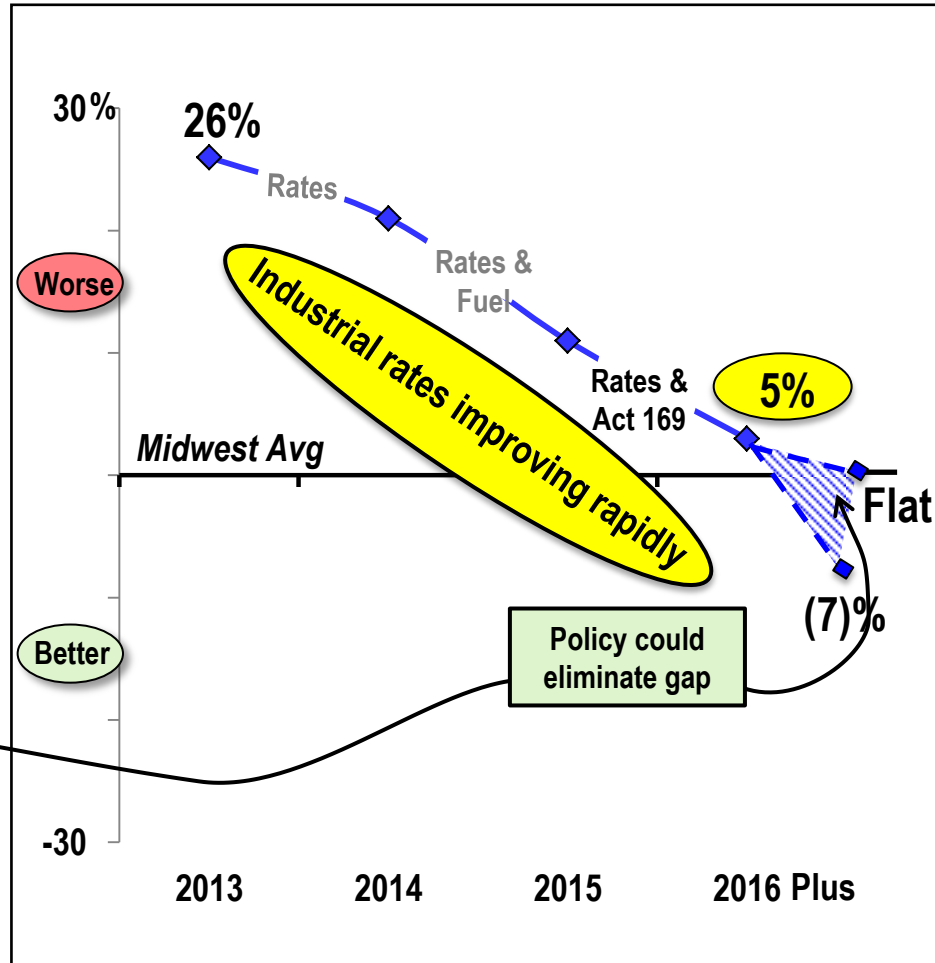
**. . . . demonstrates ability to grow green generation.**

**Tab: Michigan**

## Residential Bills



## Industrial Rates



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

## Overview

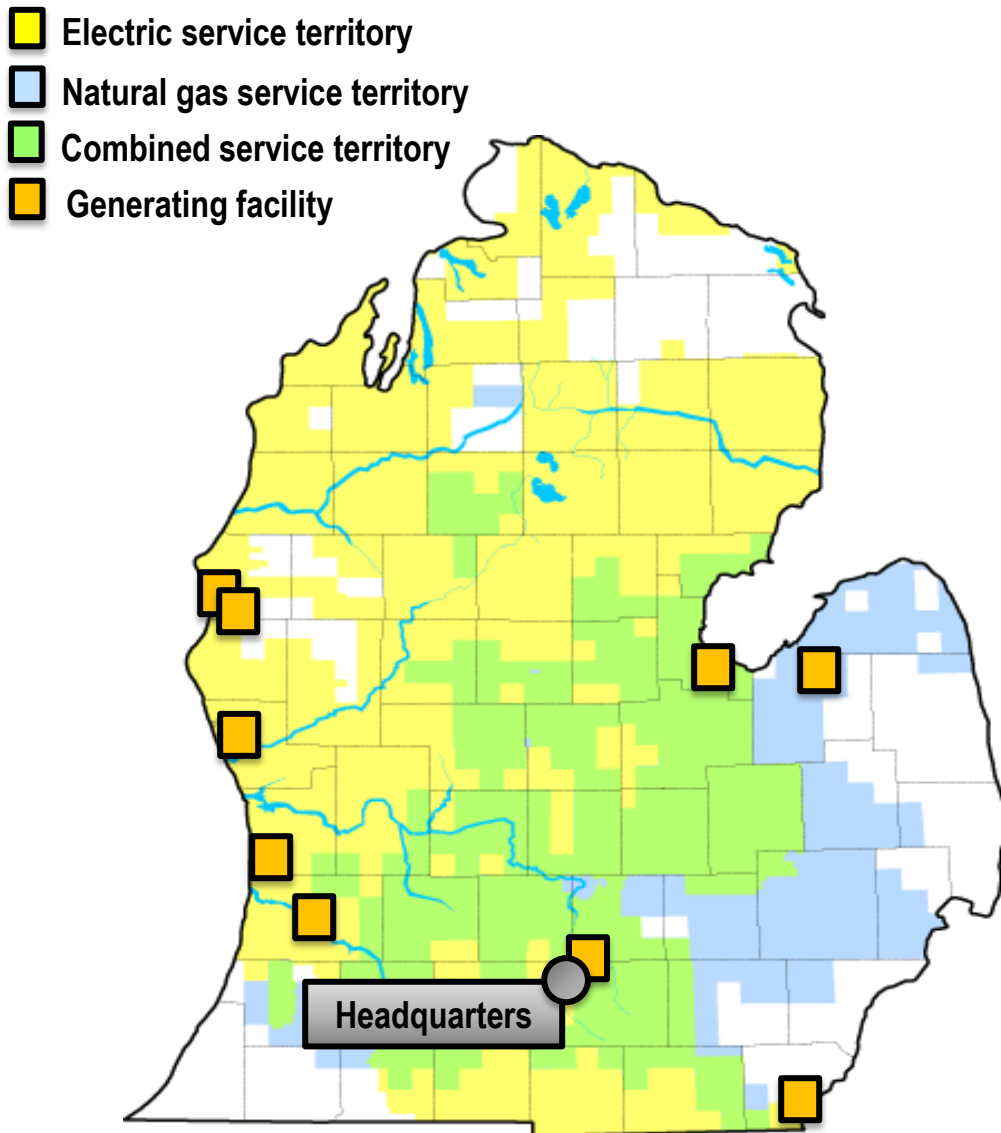
**#4 Combination utility (electric and gas) in the country**

**#383 Fortune 500 company**

**#2 Investor in Michigan**

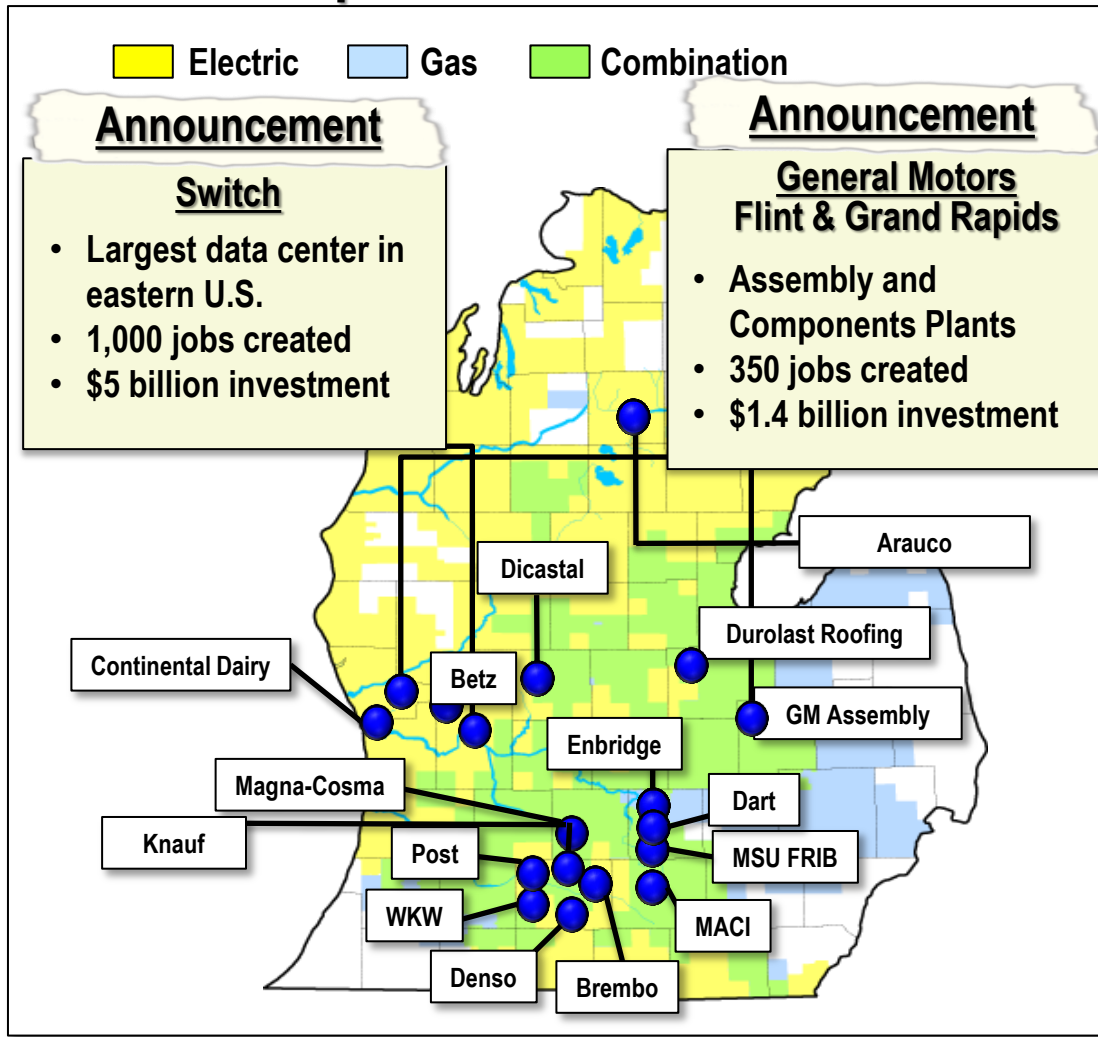
## Our Service Territory

- **Electric Utility**  
1.8 million electric customers  
8,900 MW of capacity
- **Gas Utility**  
1.7 million gas customers  
309 bcf gas storage (#1 in the U.S.)



.... serving customers for 130 years.

## Examples of New Business

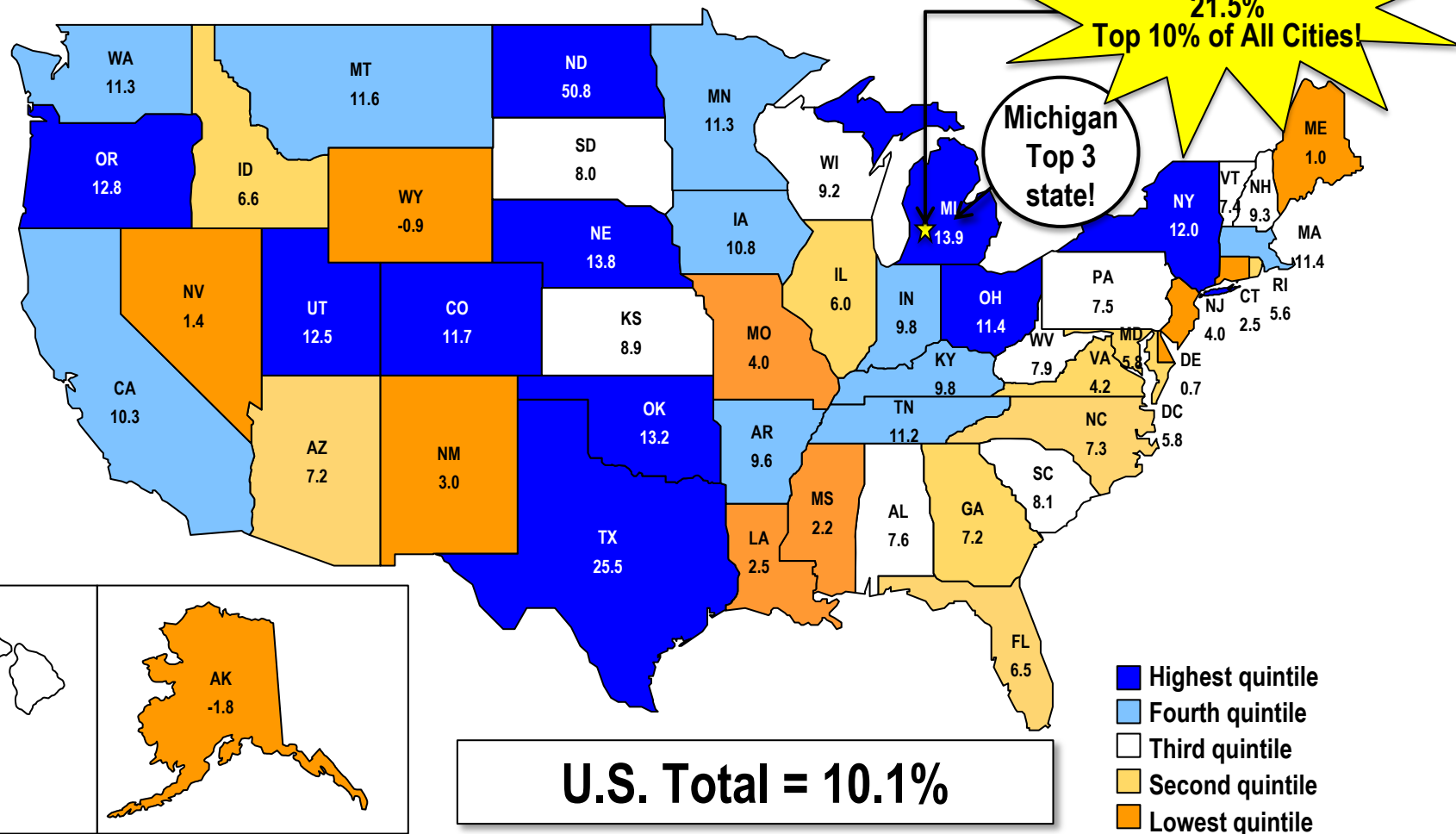


## Industries

	<u>MW</u>
Auto	71
Food	20
Manufacturing	53
Metal	28
Petroleum	19
Plastics	18
Others	<u>49</u>
<b>Total</b>	<b>Up ~<u>258</u></b>

.... includes 4% of additional sales growth.

## Gross Domestic Product – 2010 through 2014



Source: U.S. Department of Commerce – bea.gov, real GDP 2009 chained dollars, 2014 advance and 2009 – 2013 revised, 9/25/15

.... among the best in the nation.

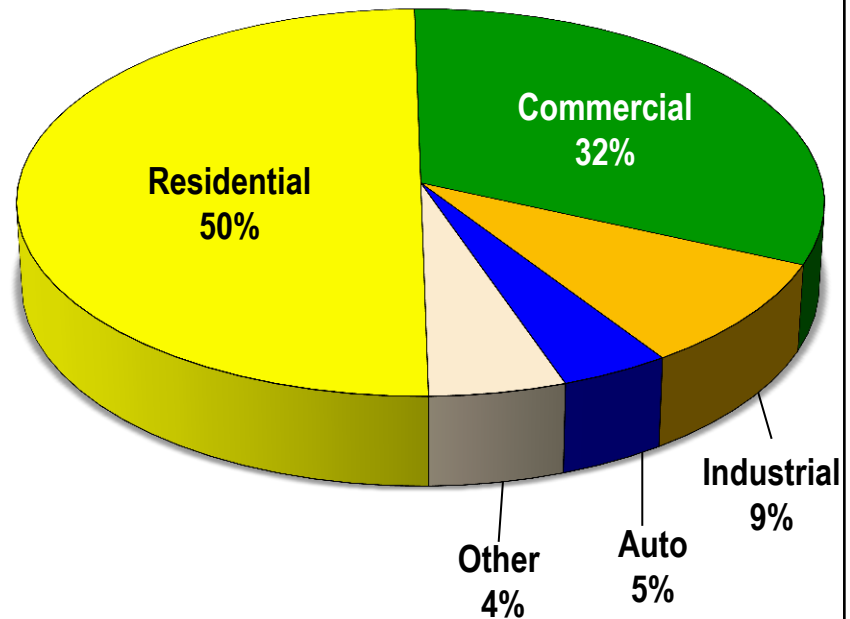
## Top Ten Customers

(2015 Ranked by Deliveries)

1. Hemlock Semiconductor
2. General Motors
3. Nexteer Automotive Corporation
4. Gerdau
5. Denso International
6. Meijer
7. State of Michigan
8. Spectrum Health
9. AT&T
10. Packaging Corp. of America

Percentage of electric gross margin is 2.8%

## 2015 Electric Gross Margin



\$2.3 Billion

.... "Autos" only 5% of gross margin.

**Tab: Financial**



## Where We Can Improve More

(Electric Distribution Cost Per Customer)

**2006**

**2014**

1<sup>st</sup> Quartile

2<sup>nd</sup> Quartile

3<sup>rd</sup> Quartile

Consumers

4<sup>th</sup> Quartile

Consumers

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

## How We Will Do It



**Build the job as designed**



**Accurately schedule the job**



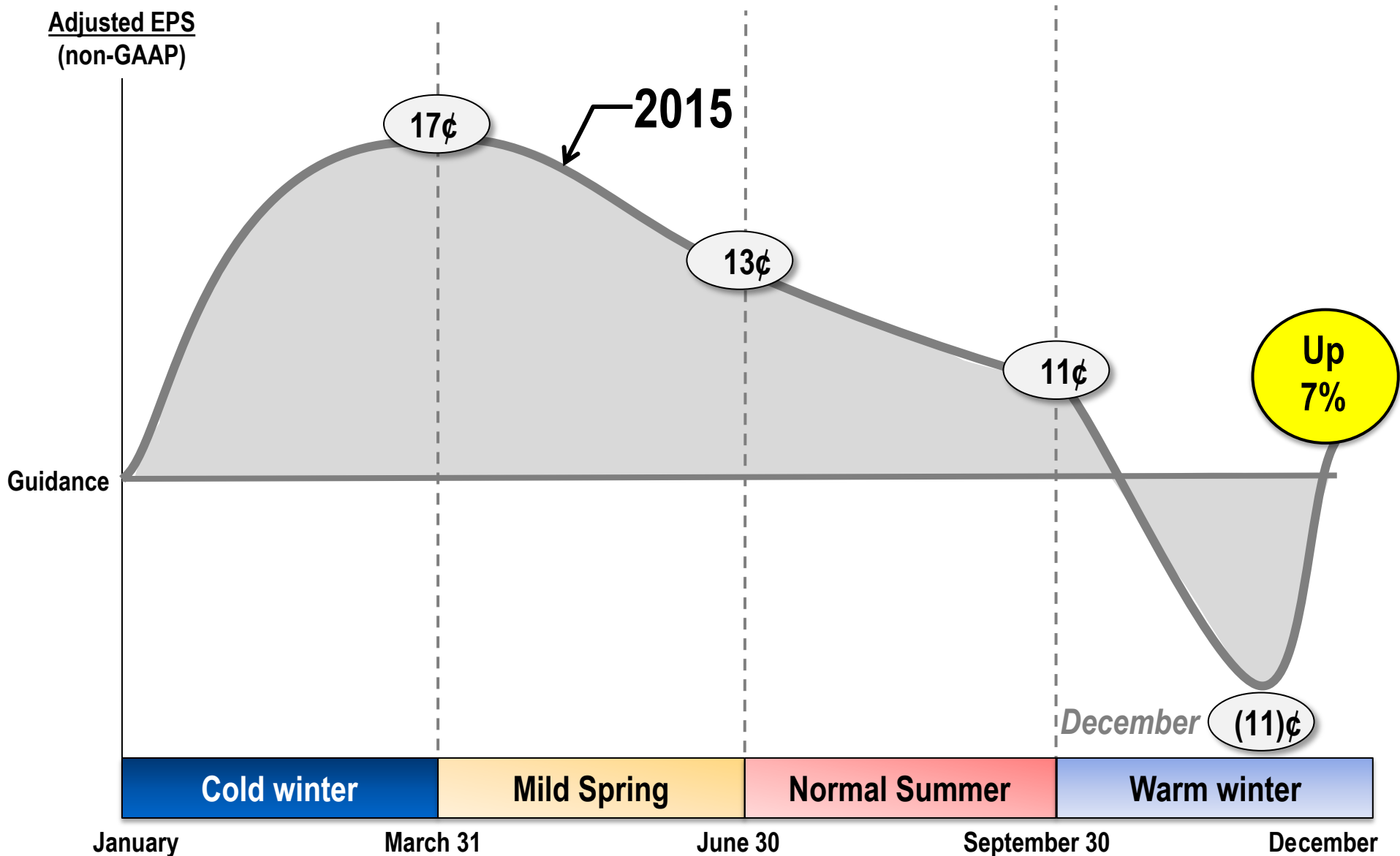
**“Field Services” Project**

... opportunities to improve even more.

# EPS Outlook....

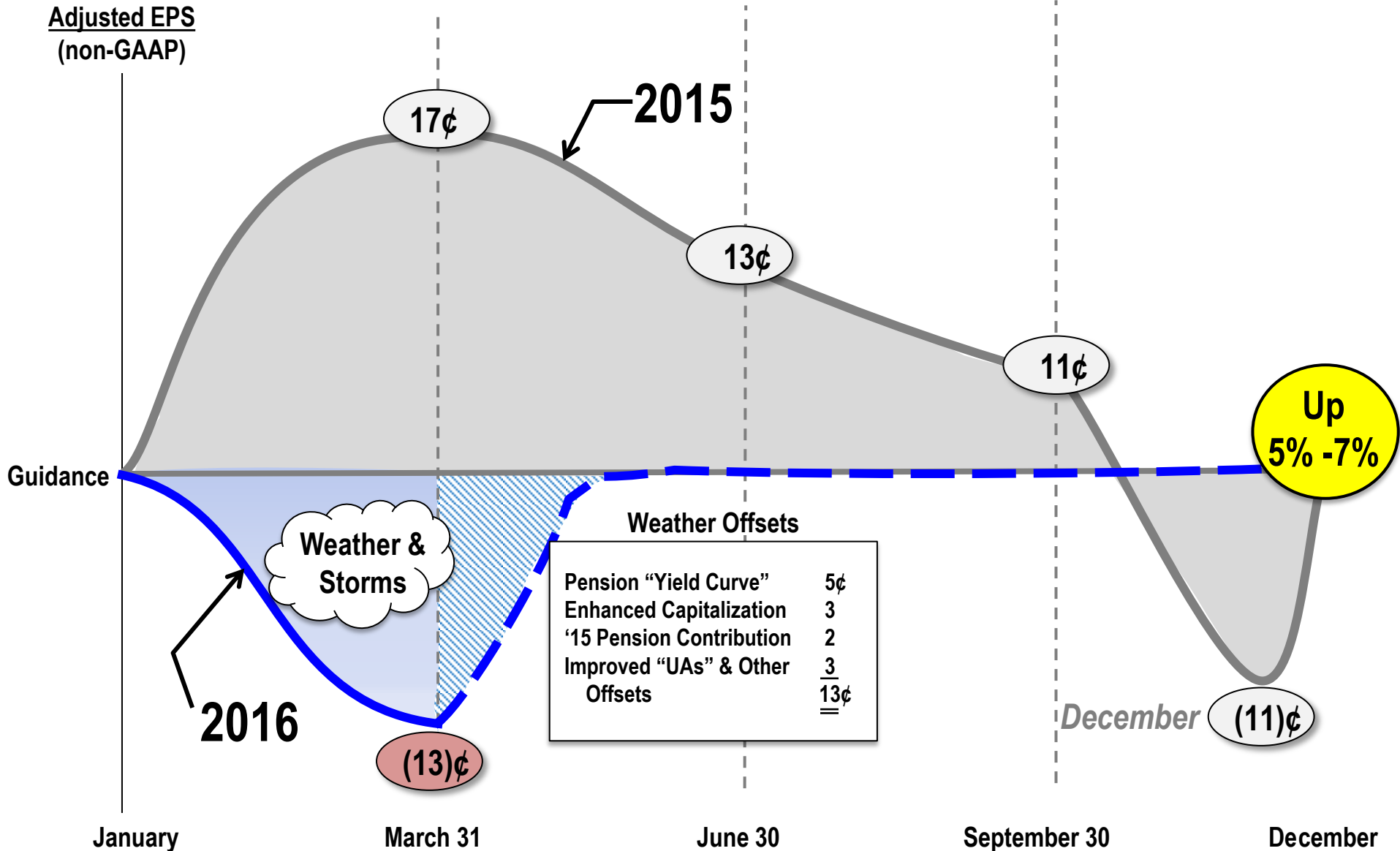
CMS ENERGY

Adjusted EPS  
(non-GAAP)



.... at 7% for 2015.

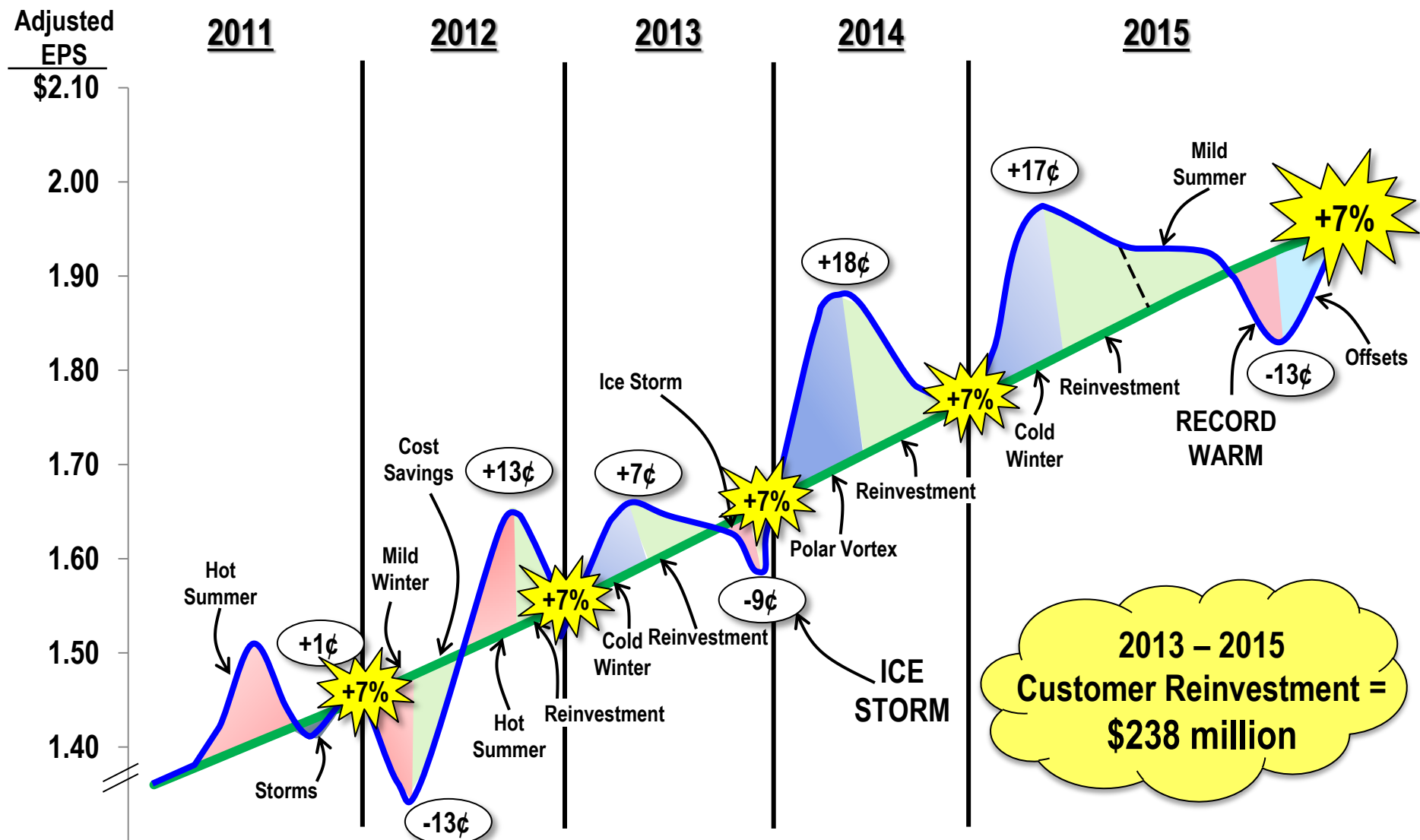
Adjusted EPS  
(non-GAAP)



.... weather offset, right on track.

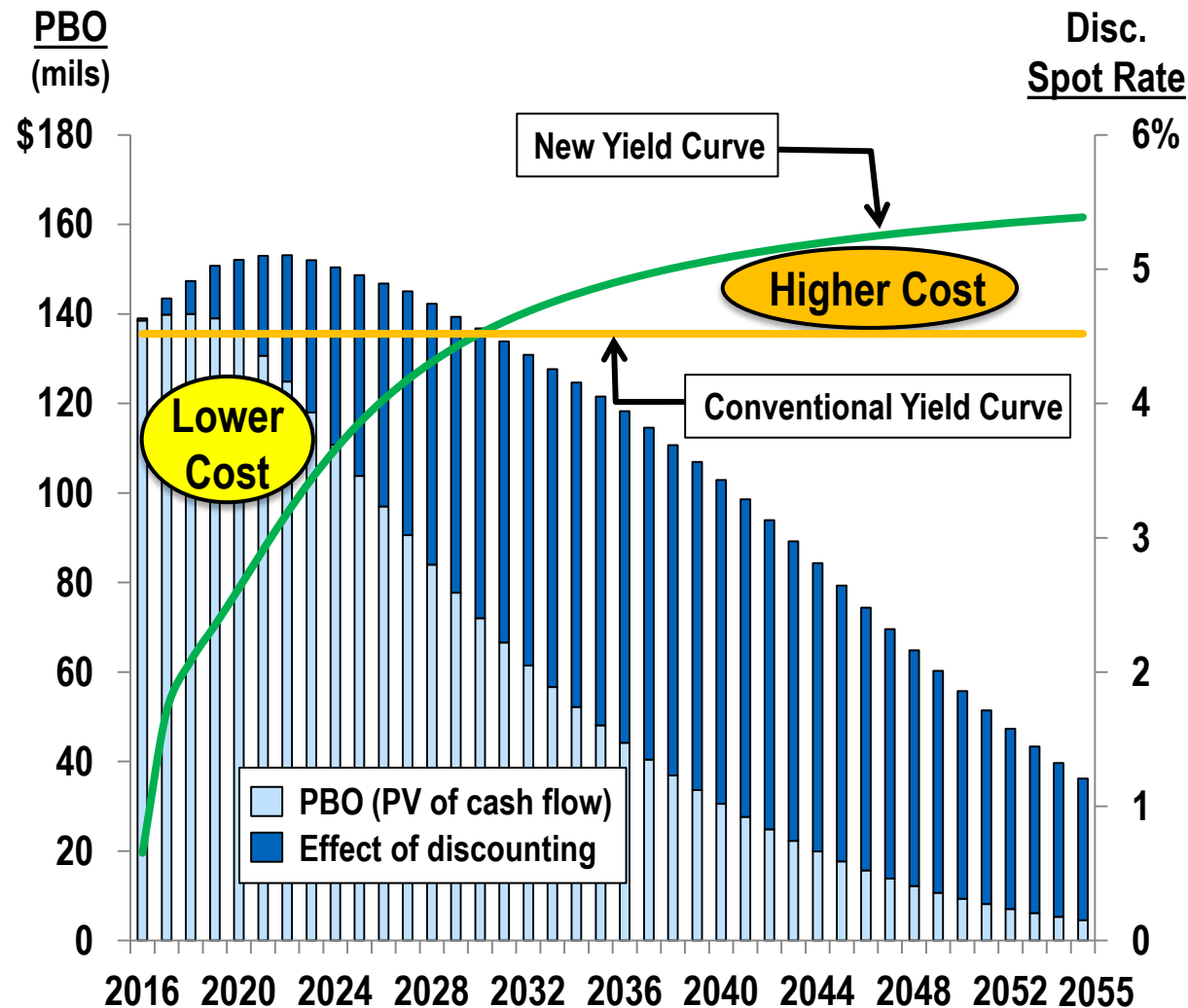
# Managing Work Every Year....

CMS ENERGY



... maximizes benefits for customers AND investors.

## The Curve



## Implications

- Applies each spot rate in the full yield curve to the present value of the cash flow corresponding to that rate
- Consistent with how “interest cost” would be determined if each cash flow were in a separate plan, and “interest cost” was total of these separate plans
- With upward sloping yield curve, results in lower “interest cost”
- Ongoing -- less volatile
- 2016 uptick 5¢

.... reduces “interest cost,” starting in 2016.

# New Bonus Depreciation....

	<u>2016 – 2020</u> (bils)	<u>2021 – 2025</u> (bils)
<u>Rate Base Growth</u>		
• Add \$1.5 billion	\$0.8	\$0.7
	0.2	
• Jackson Plant Backfill (gas and electric infrastructure)		
• Pension	<u>0.2</u>	
<b>Increase (gross)</b>	<b>\$1.2</b>	<b>\$0.7</b>
• New Bonus Depreciation	<u>0.6</u>	
<b>Increase (net)</b>	<b><u>\$0.6</u></b>	<b><u>\$0.7</u></b>
• Annual EPS Lift	2¢	2¢
	1%	1%

.... funds some new capex.

## Summary

### Bonus Depreciation

- 6 years already
- New 5 years!
  - \$600 mil shelter

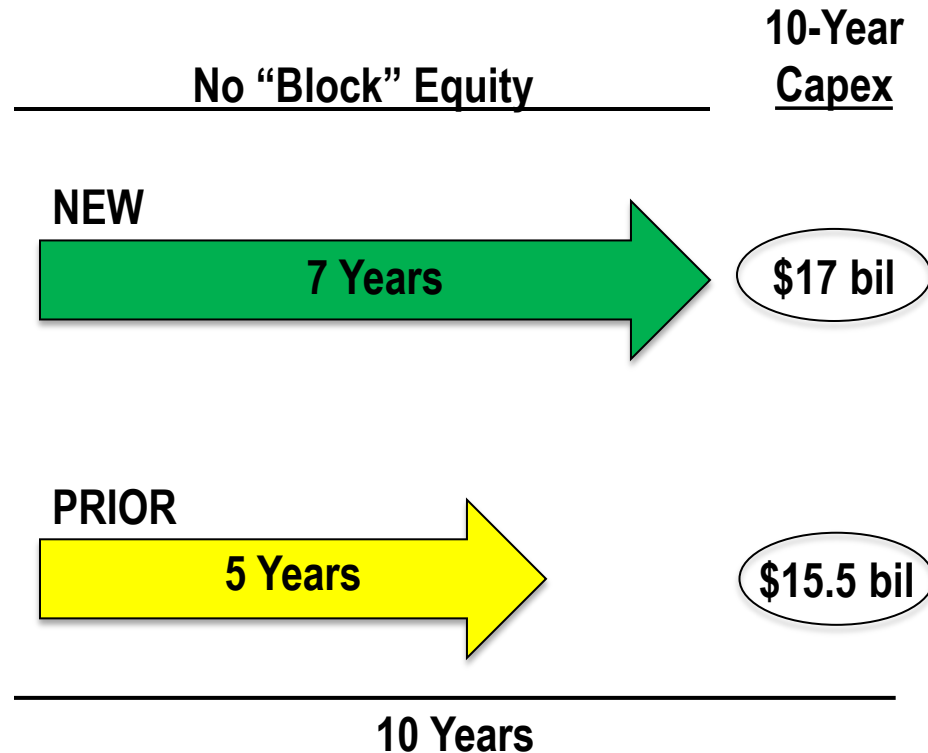
### Capital Investment

- Add \$1.5 billion
  - Electric reliability
  - Gas infrastructure
  - Clean energy

### NOLs

- Extended point of use
- Avoids “block” equity

## Improved Plan



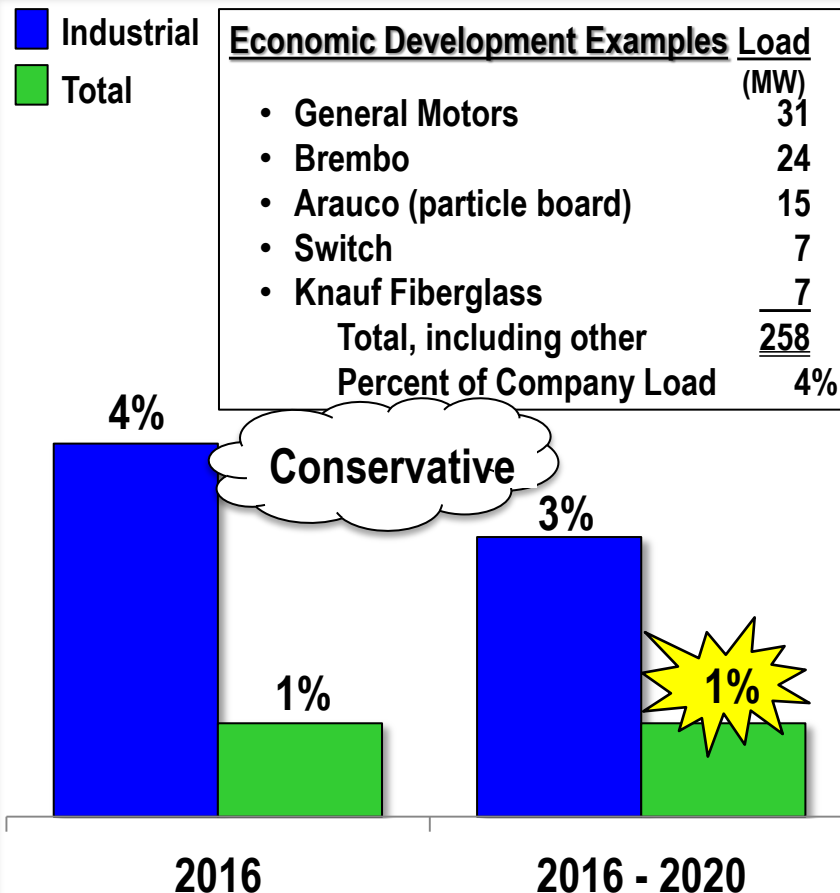
## Our Service Territory<sup>a)</sup> Outperforms

	<b>Grand Rapids</b>	<b>Michigan</b>	<b>U.S</b>
Building Permits <sup>b)</sup>	<b>+188%</b>	<b>+198%</b>	<b>+104%</b>
Annual GDP 2010→2014	<b>4.0%</b>	<b>2.6%</b>	<b>1.9%</b>
Population 2010→2015	<b>+5%</b>	<b>1½%</b>	<b>4%</b>
Unemployment (3/16)	<b>3.1%</b>	<b>4.8%</b>	<b>5.0%</b>

<sup>a)</sup> Grand Rapids

<sup>b)</sup> Annualized numbers March 2010→March 2016

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



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

.... planned conservatively.



**Adjusted EPS (non-GAAP)**

**2016**  
**\$1.99 - \$2.02**  
**+5% to +7%**



**Operating cash flow (mils)**

**\$1,550**



**Dividend payout ratio**

**≥ 62%**



**Customer price incr./(decr.)**

**Electric (excl. fuel)**

**~1%**



**Gas**

**~(10)%**

**FFO/Average debt**

**18%**



**Capital investment (bils)**

**\$1.7**

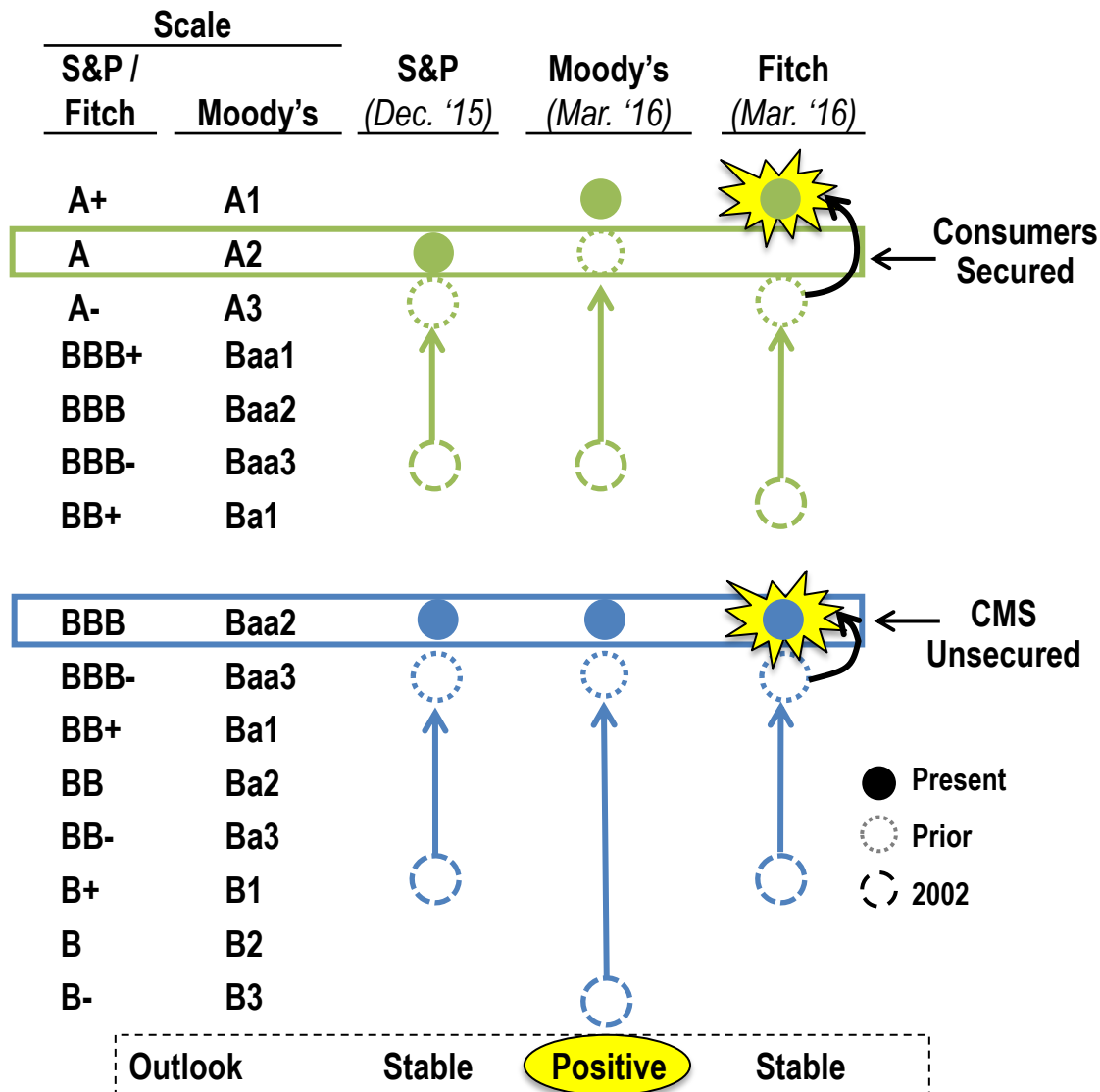


**.... fourteenth year of transparent, consistent, strong performance.**

		2016 Impact	
	<u>Sensitivity</u>	<u>EPS</u>	<u>OCF</u> (mils)
<b>Sales <sup>a)</sup></b>			
• Electric (37,600 GWh)	± 1%	± <b>\$0.05</b>	± \$ 20
• Gas (289 Bcf)	± 5	± 0.07	± 30
Gas prices (NYMEX)	± 50¢	± 0	<b>± 55</b>
<b>ROE (authorized)</b>			
• Electric (10.3%)	± 10 bps	± 0.01	± 5
• Gas (10.3%)	± 20	± 0.01	± 4
Interest Rates	±100 bps	± < 0.01	± 5
Capital Investment	+\$100 mil	+ 0.01	+ 10
Law Update	Customer upside	<b>Not In Plan</b>	

<sup>a)</sup> Reflect 2016 sales forecast; weather normalized

.... reflect strong risk mitigation.



## Reflects

- Consistent Performance
- Less Risk
- Customer Focus
- Constructive Regulation
- Good Energy Policy

.... show continuous improvement.

## **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
<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
<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-GAA</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
Mark-to-market impacts		0.03	(0.43)	0.51									
<b>Adjusted earnings per share, excluding MTM - non-GAA</b>	NA	\$0.90	\$0.96	\$1.08	NA	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)

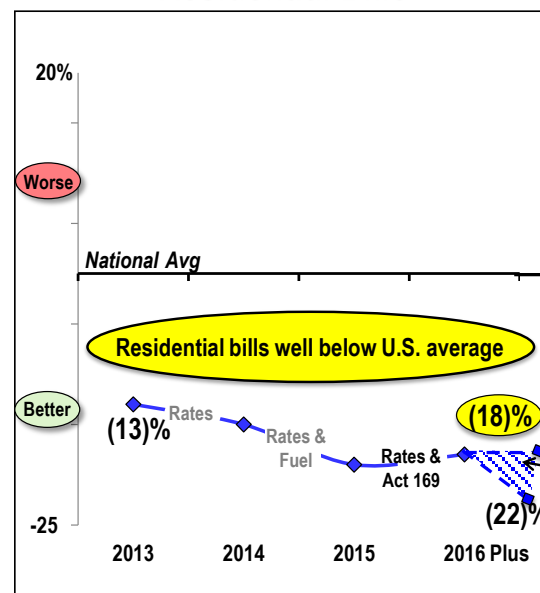
	<u>2014</u>	<u>2015</u>	<u>2016</u>	<u>2017</u>	<u>2018</u>	<u>2019</u>	<u>2020</u>
Consumers Operating Income + Depreciation & Amortization	\$ 1,813	\$ 1,866	\$ 2,030	\$ 2,161	\$ 2,336	\$ 2,481	\$ 2,613
Enterprises Project Cash Flows	20	20	35	58	58	63	70
<b>Gross Operating Cash Flow</b>	<b>\$ 1,833</b>	<b>\$ 1,886</b>	<b>\$ 2,065</b>	<b>\$ 2,219</b>	<b>\$ 2,394</b>	<b>\$ 2,544</b>	<b>\$ 2,683</b>
Other operating activities including taxes, interest payments and working capital	(386)	(246)	(515)	(569)	(644)	(694)	(733)
<b>Net cash provided by operating activities</b>	<b>\$ 1,447</b>	<b>\$ 1,640</b>	<b>\$ 1,550</b>	<b>\$ 1,650</b>	<b>\$ 1,750</b>	<b>\$ 1,850</b>	<b>\$ 1,950</b>

# CUSTOMERS AND INVESTORS

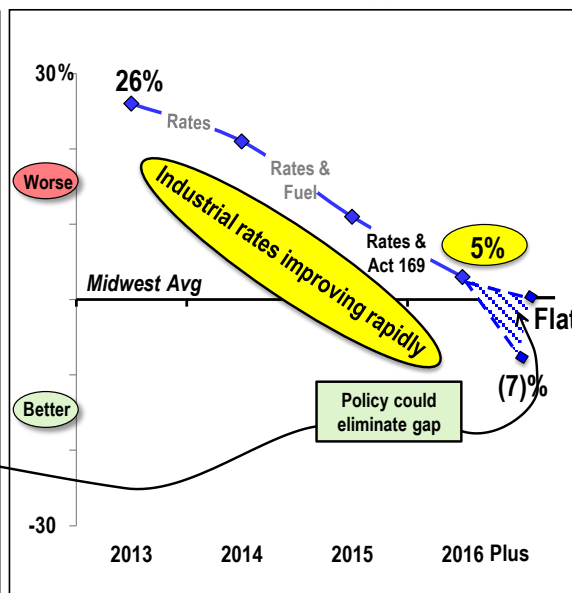
## Electric Customer Prices....

CMS ENERGY

### Residential Bills



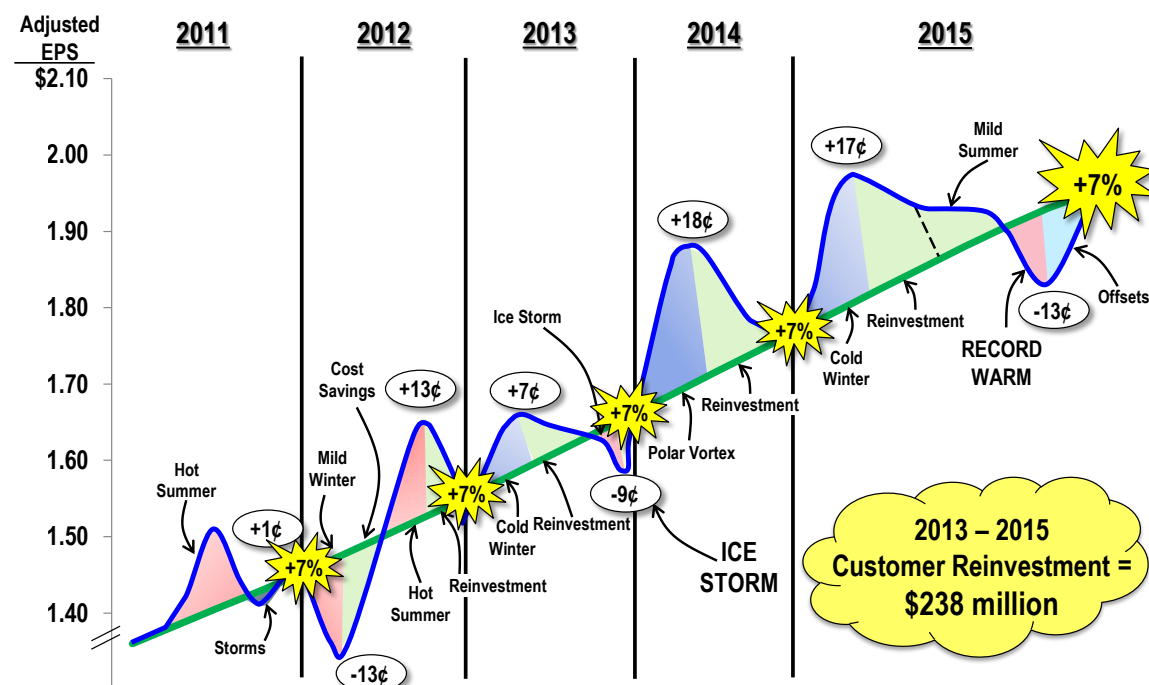
### Industrial Rates



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

## Managing Work Every Year....

CMS ENERGY



.... maximizes benefits for customers AND investors.

CMS ENERGY

## OUR MODEL; OUR PLAN

2003 -15 EPS<sup>a)</sup>  
Up +7%/year!

2016 EPS<sup>a)</sup>  
Up 5% to 7%

OUTPERFORMED FOR A DECADE:  
NEXT DECADE EVEN BRIGHTER

- 13 year track record (EPS and dividend growth)
- Capex -- \$17 billion, 100% organic (increased by \$1.5 billion)
- Self-funded -- No block equity dilution! (7 years -- up from 5!)
- World-class cost performance
- Conservative sales planning (under promise/over deliver)
- \$3+ billion capex opportunities (w/o Law update!)

2017+ EPS<sup>a)</sup>  
Up 6% to 8%

### INVESTOR INFORMATION

CMS Energy Corporation  
Investor Relations Department  
One Energy Plaza, Jackson, MI 49201

Phil McAndrews (517) 788-1464  
Travis Uphaus (517) 768-3114  
www.cmsenergy.com

May 2016

Adjusted EPS

Dividend

Gross OCF (bils)

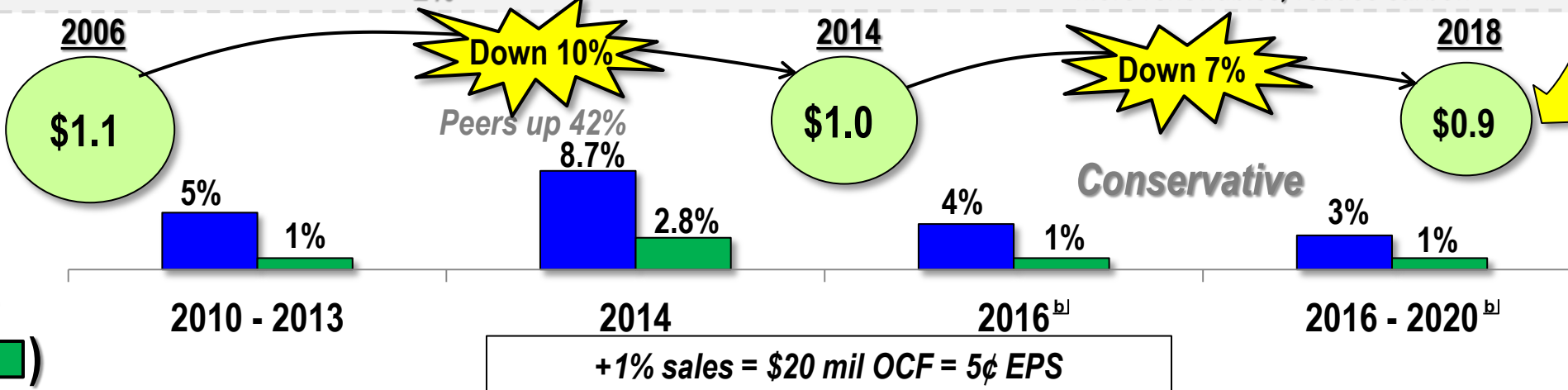
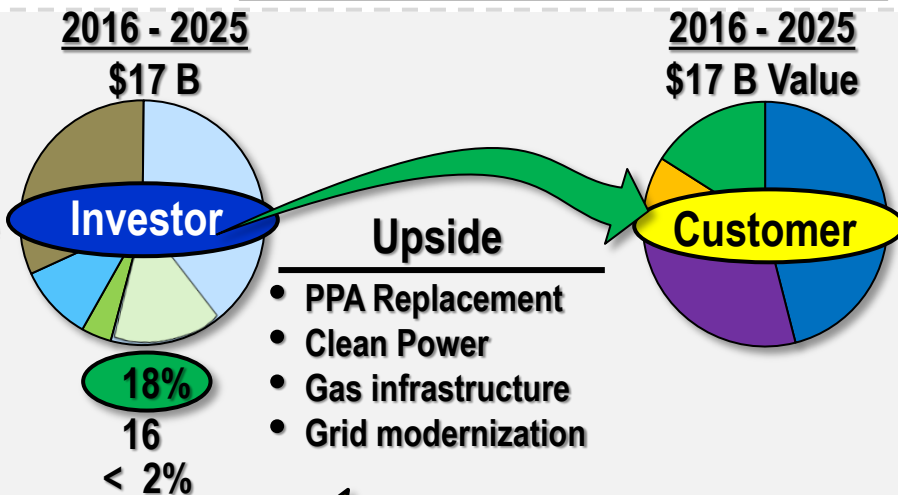
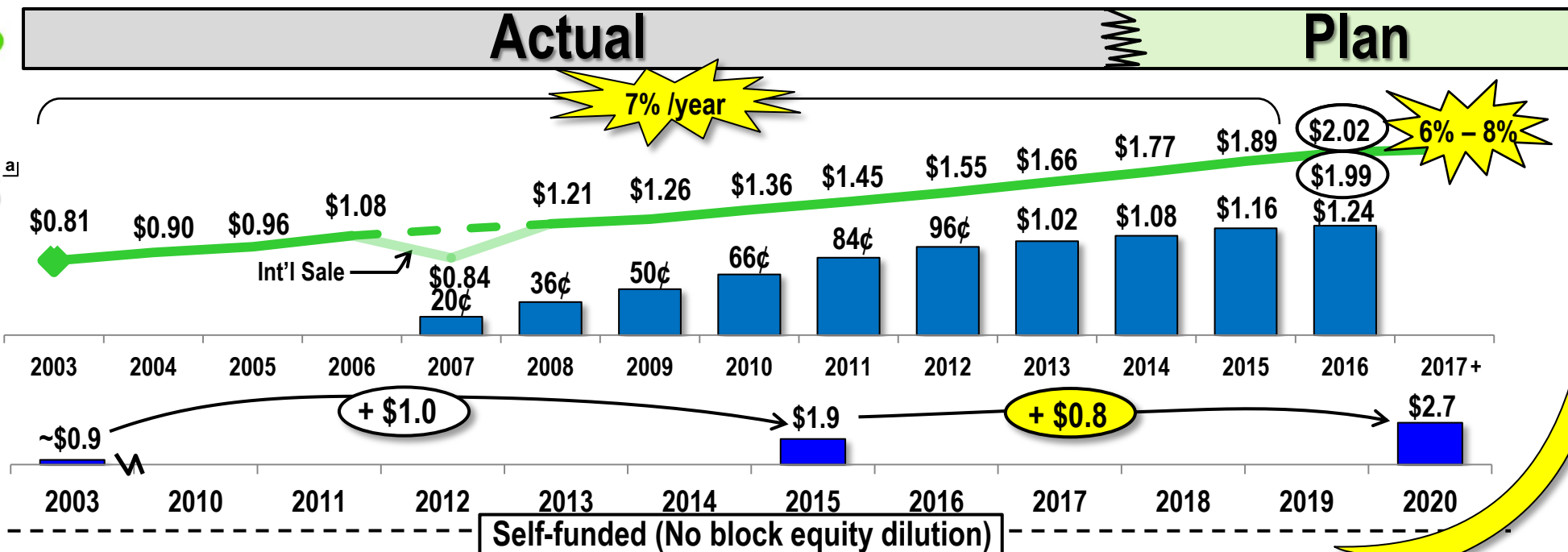
CapEx

% of Mkt Cap  
— CMS  
— Peers  
Base Rates

O&M Cost (bils)

Electric Sales (Ind. /Total)

Energy Policy



- 2008 Law
- Energy efficiency standards
  - File and implement
  - 10% renewables by 2015
  - 10% ROA cap

Update not in plan

- Update Features
- IRP Process
  - Fair Prices
    - Eliminate ROA subsidy (\$150 million or 4% customer savings)

