

Evercore ISI Utility CEO Retreat January 12 – 13, 2017



Palisades Replacements



Gas Pipelines

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.

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. 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, which 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 fully understanding our business results, rather than as a substitute for the reported earnings.

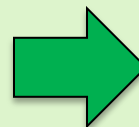
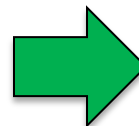
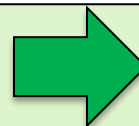
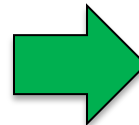
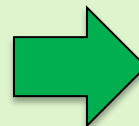
Investors and others should note that CMS Energy routinely posts important information on its website and considers the Investor Relations section, www.cmsenergy.com/investor-relations, a channel of distribution.

- A. Energy Law -- improves reliability, price competitiveness**
- B. Palisades PPA -- terminates in 2018; savings to customers**
- C. Tax reform -- lowers rates for customers; improves headroom**
- D. Raised ten-year capex \$15.5 bil to \$18 bil -- renewables and gas infrastructure**
- E. Consumers Energy Way – a culture of continuous improvement**
- F. Customer-centric model – self-funded with O&M cost reduction**

Customer

What's New?

- “ROA” Reform – subsidy addressed
- Increased energy efficiency & demand response incentive
- RPS – 15% by end of 2021
- Improved Regulatory Process
 - 10 month rate case
 - Code of conduct
- Integrated Resources Plan (IRP)



Investor

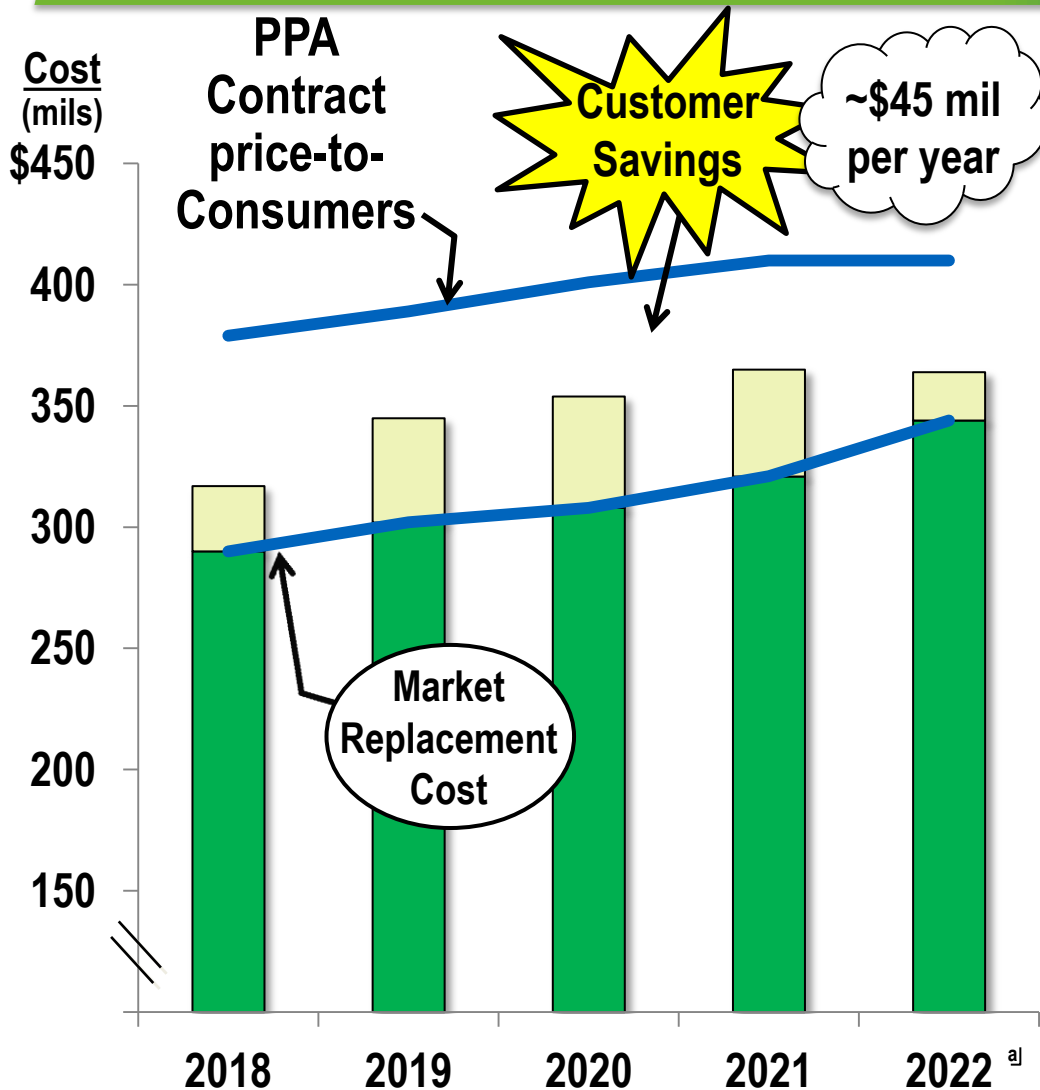
What is the Impact?

- Price competitiveness
- Secure capacity
- Incentive outside authorized ROE
- Additional rate base opportunity
- Streamlined process
- Reliability planning
- Pre-approval of projects

... strengthens our plan AND benefits our customers.

Early Termination of Palisades PPA....

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^{a)} Contract expires April 11, 2022. Amounts shown on the chart on annualized basis.

Key Points

- PPA to terminate in 2018 (vs 2022)
- Savings shared with owner, and our customers (50/50)
- Contingent on MPSC approval
- Securitization of “termination payment”

.... is beneficial to customers AND investors.

Assumptions

- Federal tax rate 35% to 15%
- Net interest expense not deductible
- 100% asset (investment) expensing
- Tax normalization of deferred income tax balances

CMS Impact

Utility

- Lower rates for customers
- Headroom for needed, new organic investment



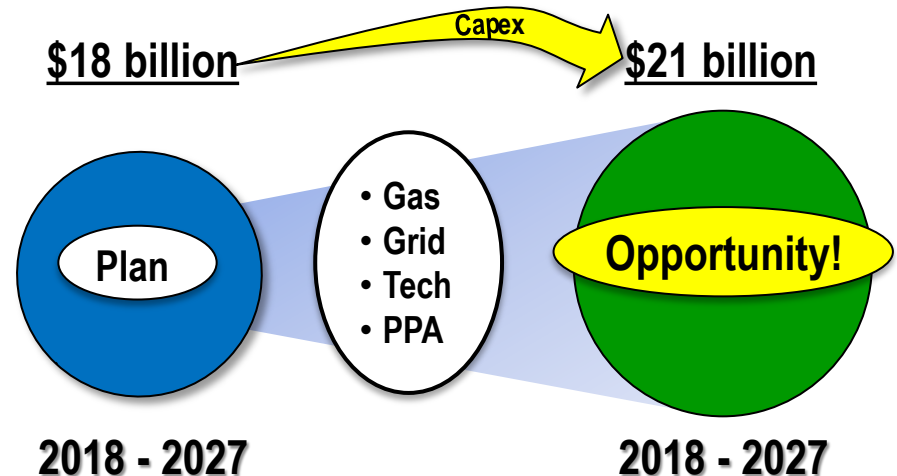
Enterprises

- Improved earnings & cash flow



Parent

- Interest deduction loss offset by Enerbank interest income



Increasing Capital Investment by \$1 billion....

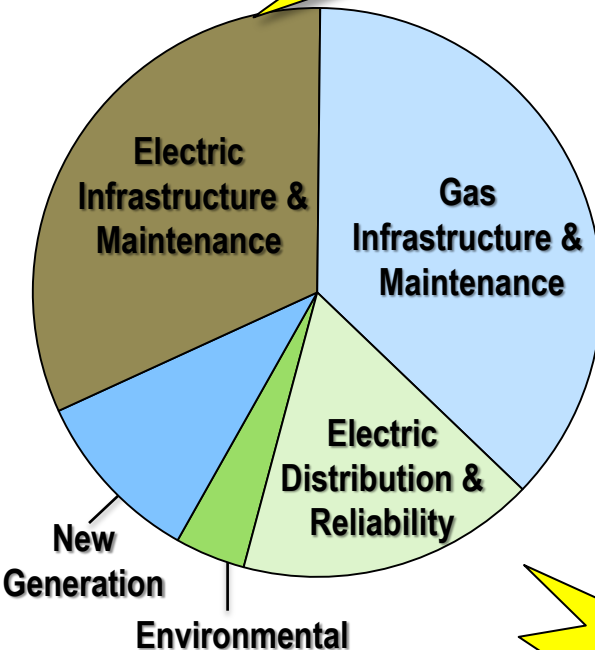
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2016 - 2025

\$17 billion

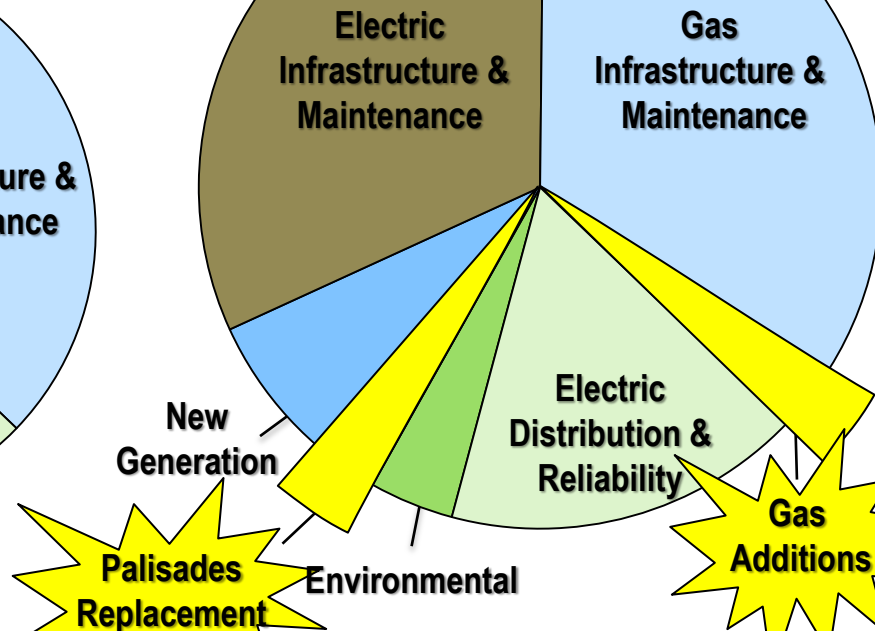
Incremental Capex

- Gas main replacement
- Supply replacement



2018 - 2027

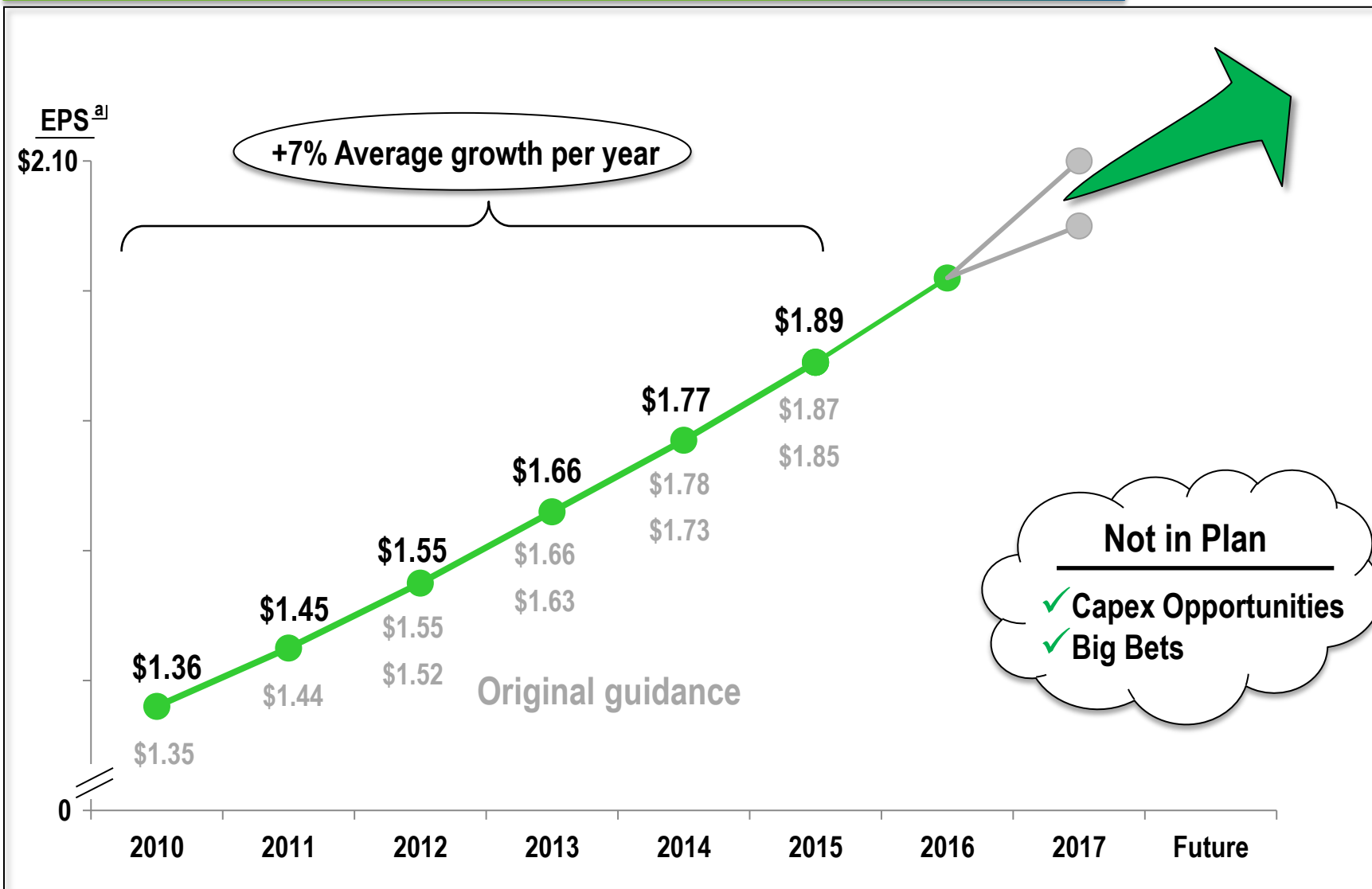
\$18 billion



Future Opportunities

- More gas infrastructure
- More renewables
- PPA replacement

.... with even more opportunity ahead.



^{a)} Adjusted EPS (non-GAAP)

.... reflects high end.



Safety: Every day is a safe day

Quality: We get it right the first time

Cost: We see and eliminate waste

Delivery: We get it done on time

.... a culture of continuous improvement.

2017+
Plan

Capital investment (reliability, costs, enviro mandates)	6% - 8%
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Self Funding:

- 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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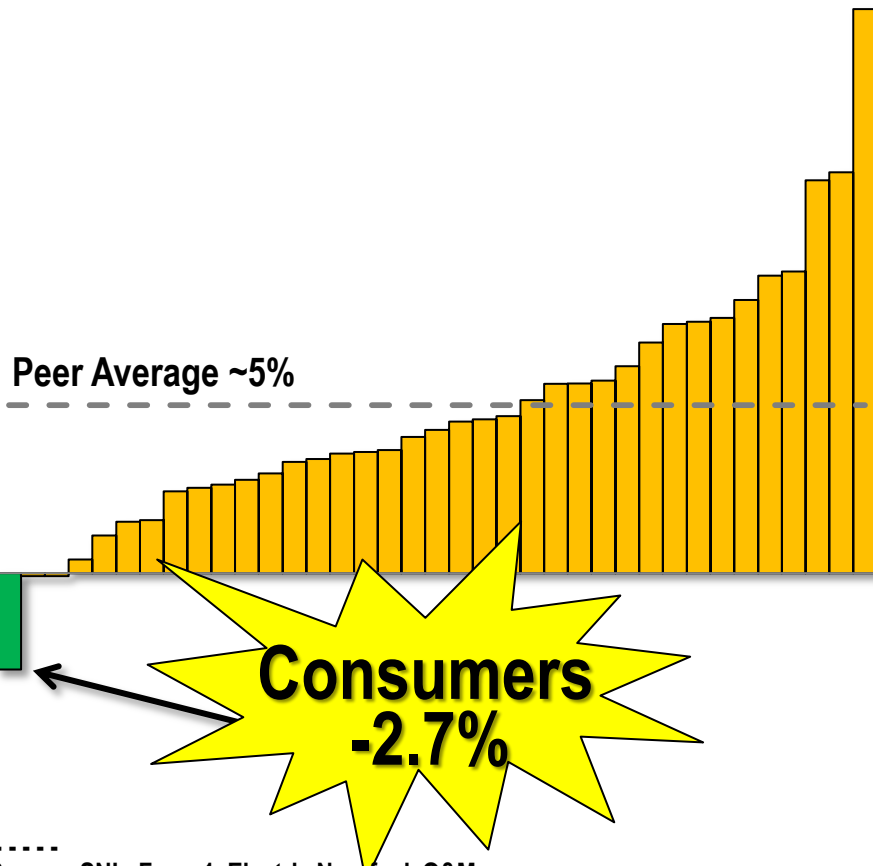
INVESTMENT SELF-FUNDED	5 - 6 pts
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Rate increase at or below inflation	<u><2%</u>
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.... continues to drive sustainable growth, with upside opportunities.

Actual Cost Reduction

(2015 over 2006)



Source: SNL, Form 1, Electric Nonfuel O&M

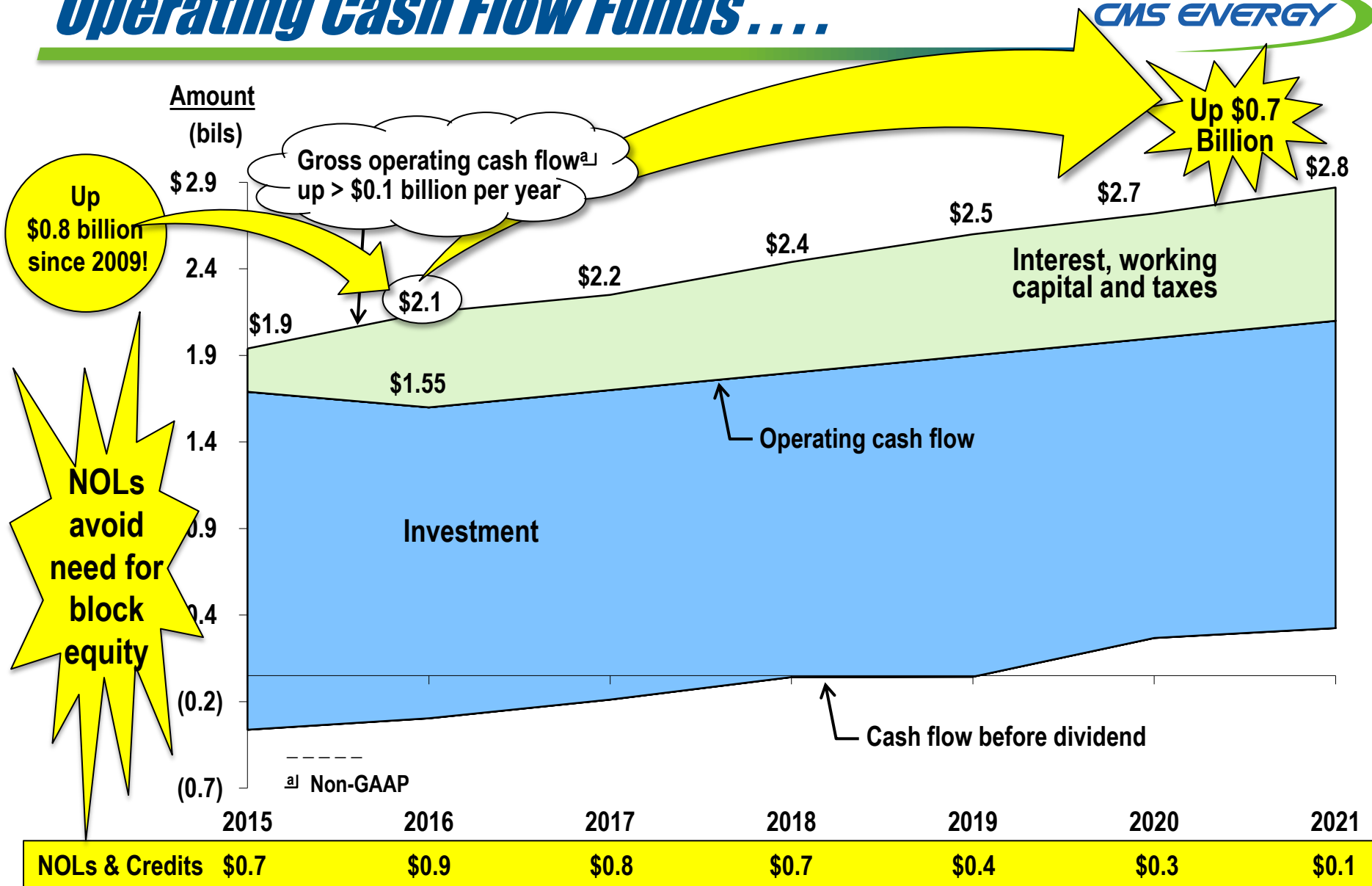
New Cost Savings

	2014 & 2015 (mils)	2016 & 2017 (mils)
Good Business Decisions		
• Attrition (VSP)	\$ - 35	\$ - 35
• Productivity (Coal → Gas)	- 35	- 15
• “Pole Top” Hardening	- 20	- 10
• Smart Meters	- 5	- 20
“Consumers Energy Way”		
• Work Management & Eliminate Waste	- 15	- 10
Increases		
• Mortality Tables & Discount Rates	+50	0
• Service Upgrades	+20	+ 30
Net savings	\$ - 40	\$ - 60
Percent savings	- 4%	- 6%

**3%
a year!**

Operating Cash Flow Funds....

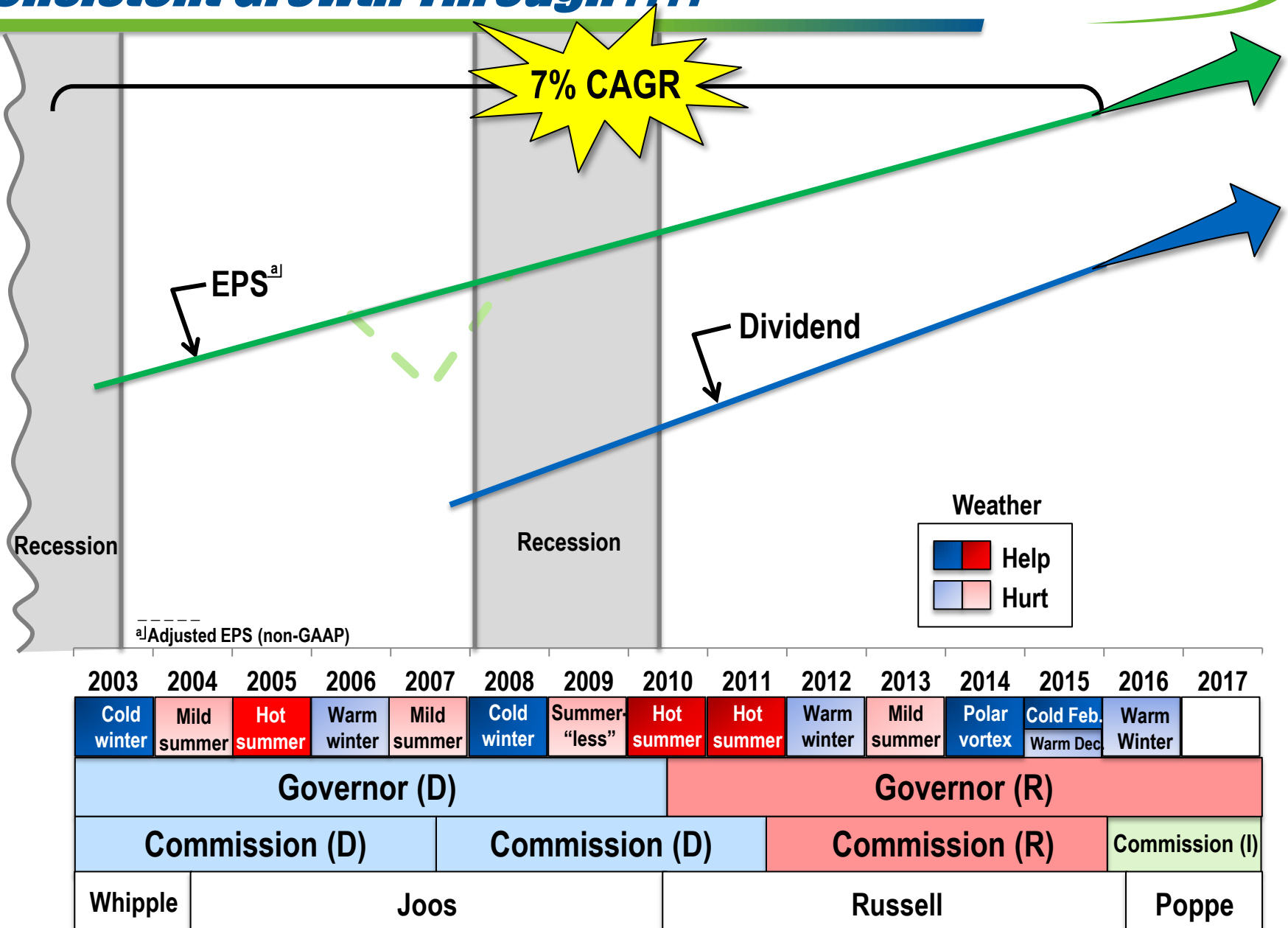
CMS ENERGY



... investments with no block equity.

Consistent Growth Through....

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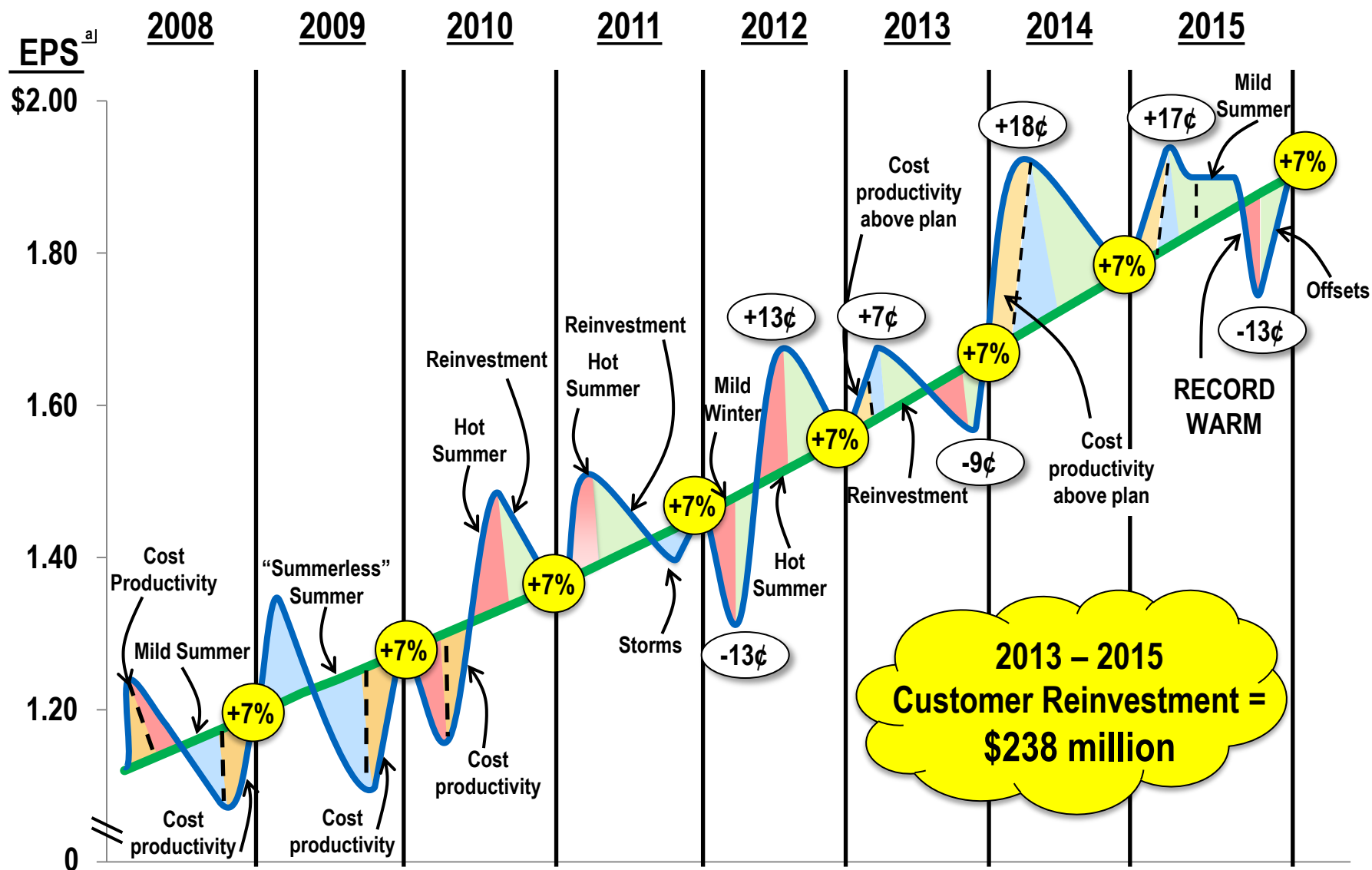


.... recessions, adverse weather, and leadership changes. 12

Appendix

Managing Work Every Year....

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^{a)} Adjusted EPS (non-GAAP)

... maximizes benefits for customers AND investors.

Our Service Territory^{a)} Outperforms

	Grand Rapids	Michigan	U.S
Building Permits ^{b)}	+325%	+191%	+102%
GDP 2010→2015	23	14	12
Population 2010→2015	5	1½	4
Unemployment (11/16)	4	5	5

Grand Rapids ranked third best in USA for job creation & economic development by Area Development Magazine.

^{a)} Grand Rapids

^{b)} Annualized numbers November 2010→November 2016

Examples of New Business

Electric Gas Combination

Announcement

C3 Ventures

Flint

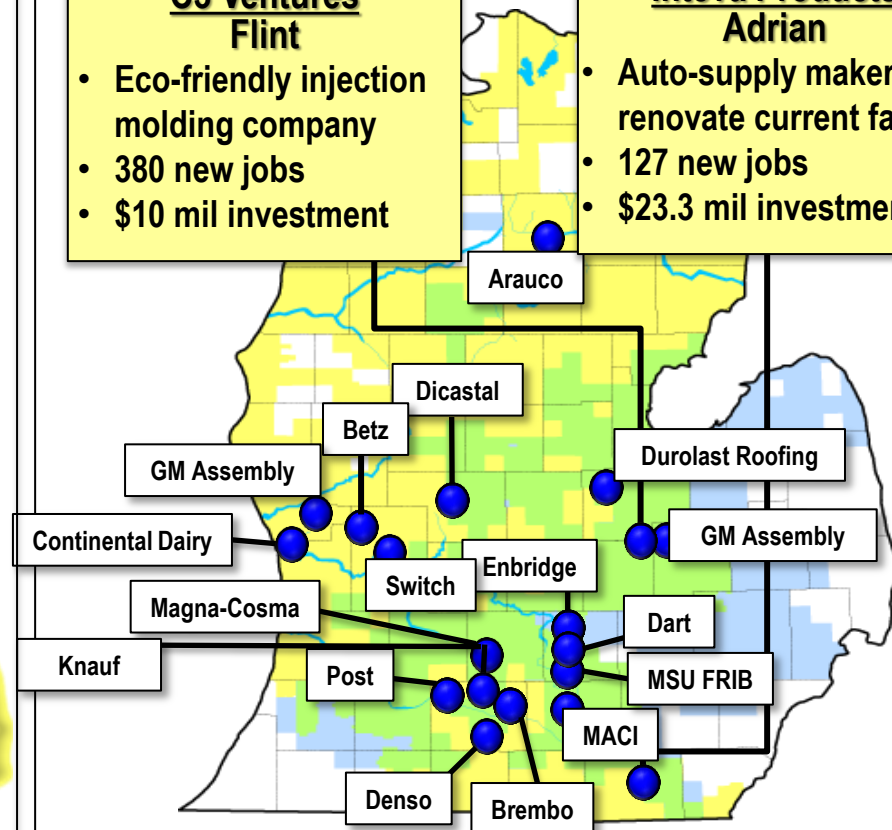
- Eco-friendly injection molding company
- 380 new jobs
- \$10 mil investment

Announcement

Inteva Products

Adrian

- Auto-supply maker to renovate current facility
- 127 new jobs
- \$23.3 mil investment



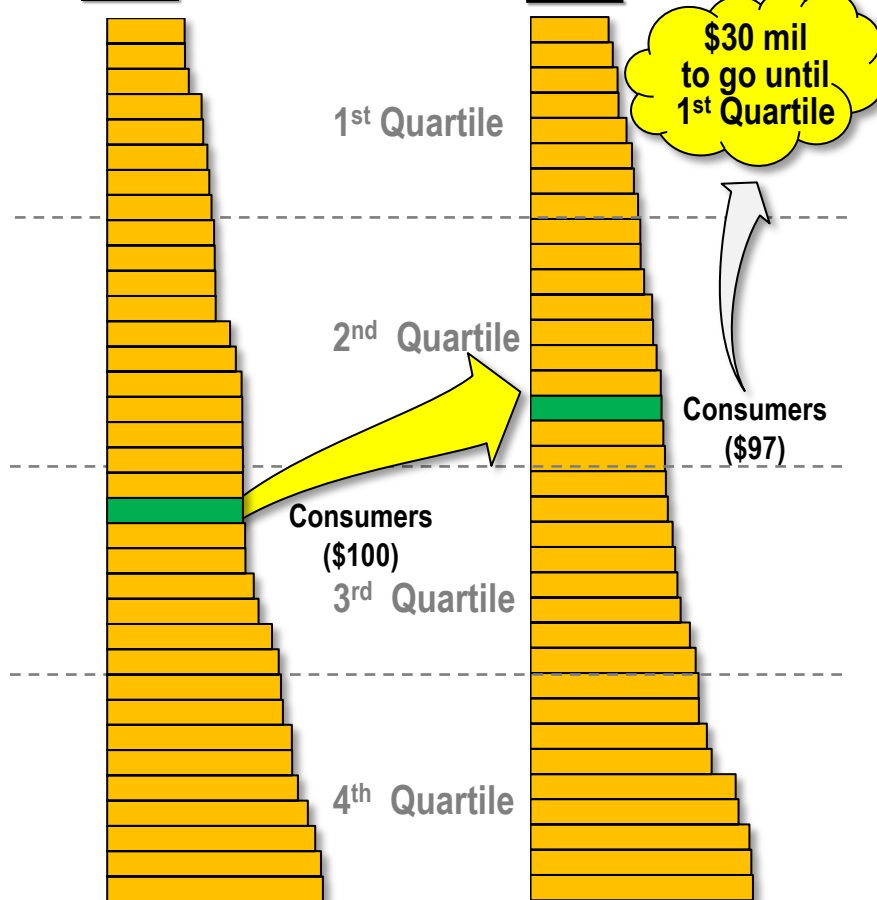
... opportunities to improve even more.

Room to Improve

(Electric Distribution Cost Per Customer)

2014

2015



Source: SNL, Form 1, Electric Non-fuel O&M, 2014 DCO normalized for Polar Vortex

Here's How



Build the job as designed



Accurately schedule the job



“Field services” project

... opportunities to improve even more.

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

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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%

0

0%

10

25%

50% - 90%

.... adding value.

Clean Power Plan....

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Tons CO₂

(mils)

20

Consumers Energy 2012 Emissions

Retire
950 MW
coal

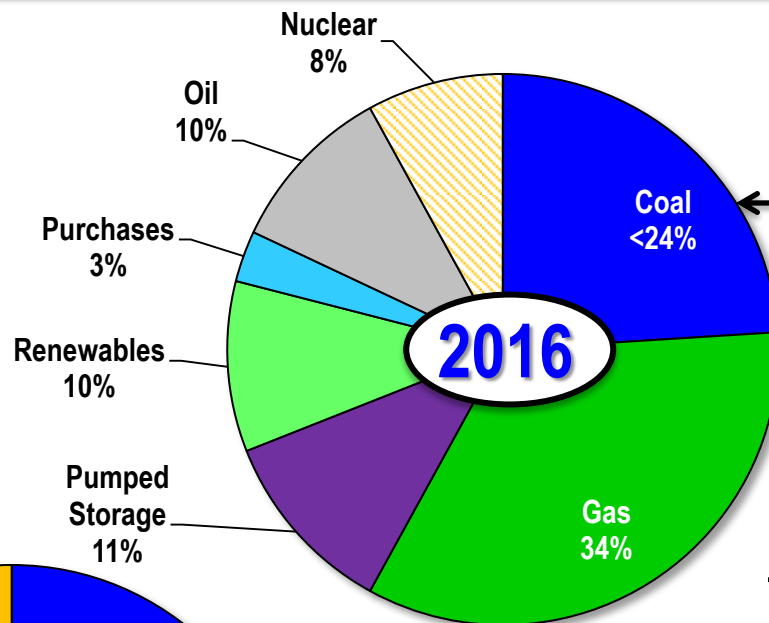
State of Michigan Target
(Consumers Energy's share)

Positioned well for compliance

0

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

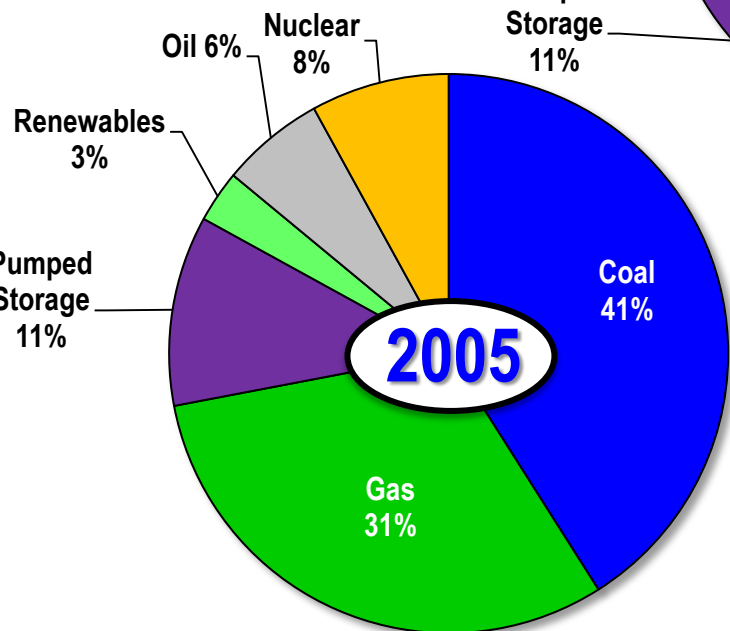
.... recently stayed by the Supreme Court.



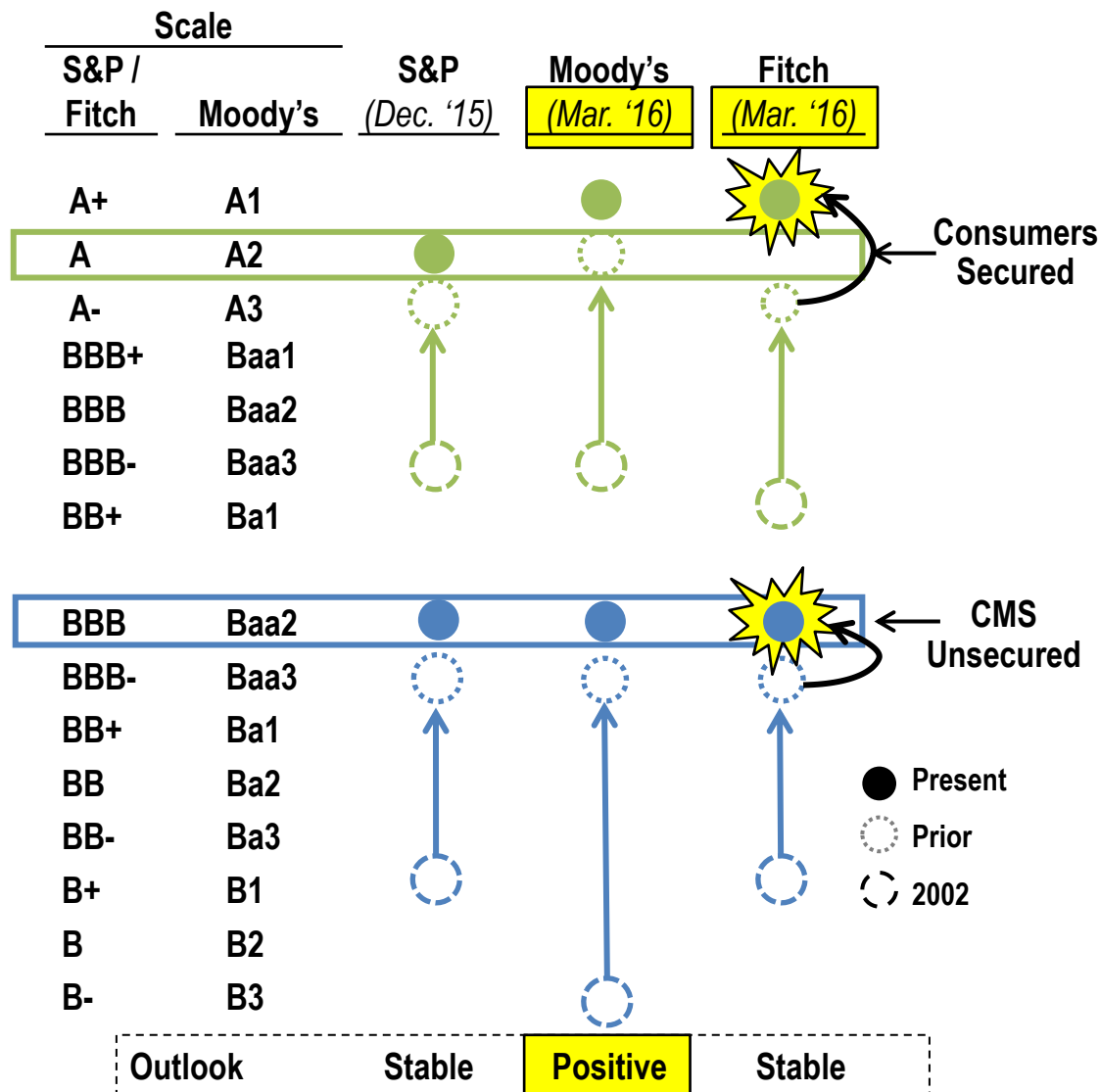
Coal reduced
by over 40%!
2nd best in U.S.

Future Capacity Mix

- More Renewables; 15% by 2021
- Expanded Pumped Storage
- Clean Energy Resources
- Terminate nuclear PPA 2018



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



Strategy

- Strong financial position
- Growing operating cash flow
- Return on regulated investment
- Supportive regulatory environment

.... upgraded by Fitch and positive outlook by Moody's.

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
Reported earnings (loss) per share - GAAP	(\$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
Pretax items:													
Electric and gas utility	0.32	(0.60)	-	-	(0.06)	0.08	0.55	0.05	-	0.27	-	-	-
Tax impact	(0.11)	0.21	-	-	(0.01)	(0.03)	(0.22)	(0.02)	-	(0.10)	-	-	-
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	*	-	*	*	*	*
Tax impact	(0.09)	0.03	(0.02)	(0.18)	(0.49)	(0.03)	(*)	(*)	(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)	-	-	-	-	-	-	-	-	-	-	-
Adjusted earnings per share, including MTM - non-GAAP	\$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		0.04	(0.65)	0.80									
Tax impact		(0.01)	0.22	(0.29)									
Adjusted earnings per share, excluding MTM - non-GAAP	NA	\$0.90	\$0.96	\$1.08	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 Segment Results GAAP Reconciliation
(Unaudited)

	<u>Three Months Ended</u>		<u>Nine Months Ended</u>	
<u>September 30</u>	<u>2016</u>	<u>2015</u>	<u>2016</u>	<u>2015</u>
<u>Electric Utility</u>				
Reported	\$ 0.69	\$ 0.60	\$ 1.42	\$ 1.24
Downsizing Program	0.03	-	0.03	-
Tax Impact	(0.01)	-	(0.01)	-
Restructuring Costs and Other	-	-	-	-
Adjusted	<u>\$ 0.71</u>	<u>\$ 0.60</u>	<u>\$ 1.44</u>	<u>\$ 1.24</u>
<u>Gas Utility</u>				
Reported	\$ 0.01	\$ (0.02)	\$ 0.36	\$ 0.41
Downsizing Program	0.01	-	0.01	-
Tax Impact	(*)	-	(*)	-
Restructuring Costs and Other	-	-	-	-
Adjusted	<u>\$ 0.02</u>	<u>\$ (0.02)</u>	<u>\$ 0.37</u>	<u>\$ 0.41</u>
<u>Enterprises</u>				
Reported	\$ 0.03	\$ 0.01	\$ 0.06	\$ 0.04
Downsizing Program	*	-	*	-
Restructuring Costs and Other	*	*	*	*
Adjusted	<u>\$ 0.03</u>	<u>\$ 0.01</u>	<u>\$ 0.06</u>	<u>\$ 0.04</u>
<u>Corporate Interest and Other</u>				
Reported	\$ (0.06)	\$ (0.06)	\$ (0.14)	\$ (0.18)
Restructuring Costs and Other	*	*	*	*
Adjusted	<u>\$ (0.06)</u>	<u>\$ (0.06)</u>	<u>\$ (0.14)</u>	<u>\$ (0.18)</u>
<u>Discontinued Operations</u>				
Reported	\$ *	\$ *	\$ (*)	\$ *
Discontinued Operations (Income) Loss	(*)	(*)	*	(*)
Adjusted	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
<u>Totals</u>				
Reported	\$ 0.67	\$ 0.53	\$ 1.70	\$ 1.51
Discontinued Operations (Income) Loss	(*)	(*)	*	(*)
Downsizing Program	0.04	-	0.04	-
Tax Impact	(0.01)	-	(0.01)	-
Restructuring Costs and Other	*	*	*	*
Adjusted	<u>\$ 0.70</u>	<u>\$ 0.53</u>	<u>\$ 1.73</u>	<u>\$ 1.51</u>
<u>Average Common Shares Outstanding - Diluted (in millions)</u>	<u>279.2</u>	<u>276.9</u>	<u>278.8</u>	<u>276.3</u>

* Less than \$0.01 per share.

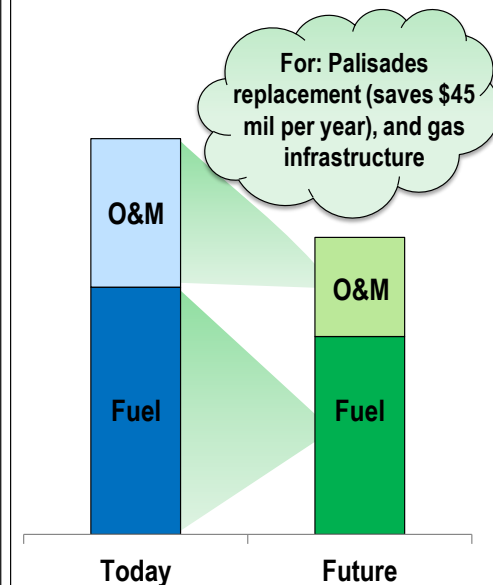
CMS Energy
Reconciliation of Gross Operating Cash Flow to GAAP Operating Activities
(unaudited)
(mils)

	2014	2015	2016	2017	2018	2019	2020	2021
Consumers Operating Income + Depreciation & Amortization	\$ 1,813	\$ 1,866	\$ 2,064	\$ 2,150	\$ 2,356	\$ 2,520	\$ 2,637	\$ 2,783
Enterprises Project Cash Flows	20	20	38	54	52	52	54	55
Gross Operating Cash Flow	\$ 1,833	\$ 1,886	\$ 2,102	\$ 2,204	\$ 2,408	\$ 2,572	\$ 2,691	\$ 2,838
Other operating activities including taxes, interest payments and working capital	(386)	(246)	(552)	(554)	(658)	(722)	(741)	(788)
Net cash provided by operating activities	\$ 1,447	\$ 1,640	\$ 1,550	\$ 1,650	\$ 1,750	\$ 1,850	\$ 1,950	\$ 2,050

Clean AND "Lean" Energy Portfolio CMS ENERGY

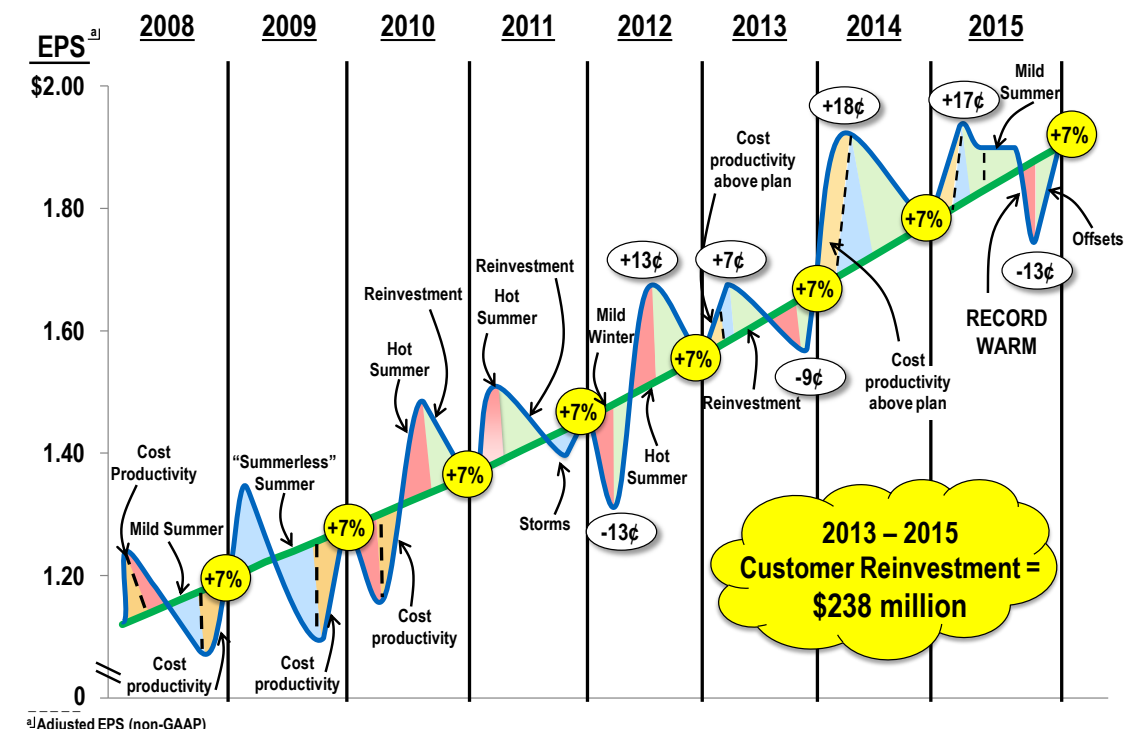
Sustainable Strategy → Creates Headroom

- A) Energy waste elimination/reduction = Incentives
 - Energy efficiency
 - Demand response
- B) Fully utilize assets -- upgrades: = Rate base
 - Ludington Pumped Storage: 1,900 MW to 2,300 MW!
 - Gas Plants: Jackson, DIG, & Zeeland
- C) Replace expensive PPAs = Rate base
 - Renewables (cheap fuel)
 - Peakers
- D) "Lean" = lowest cost: = Powerful model
 O&M, fuel, & capex
 = highest quality:
 customer-defined



... the Consumers Energy Way.

Managing Work Every Year CMS ENERGY



... maximizes benefits for customers AND investors.

INVESTOR INFORMATION

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CMS ENERGY

OUR MODEL; OUR PLAN

People, Planet, and Profit

OUTPERFORMED FOR A DECADE:
 NEXT DECADE EVEN BRIGHTER

- 13 year track record (7% EPS^{aj}, OCF, and dividend growth)
- Capex -- \$18 billion, 100% organic
- Self-funded -- No block equity dilution! (10 years -- up from 5!)
- Best cost performance in sector
- Conservative sales planning
- \$3+ billion capex opportunities

The "Consumers Energy Way"

- Safety: every day is a safe day
 - Quality: we get it right the first time
 - Cost: we see and eliminate waste
 - Delivery: we get it done on time
- ... a culture of continuous improvement.

CMS Energy: World Class Performance
 Delivering Hometown Service

January 2017

Adjusted EPS

Dividend

Gross OCF (bils)

CapEx

O&M Cost (bils)

2017 Energy Law

