

# Investor Meetings

## April 5 - 7, 2017



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. 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](http://www.cmsenergy.com/investor-relations), a channel of distribution.

# Who We Are....

CMS ENERGY

## People

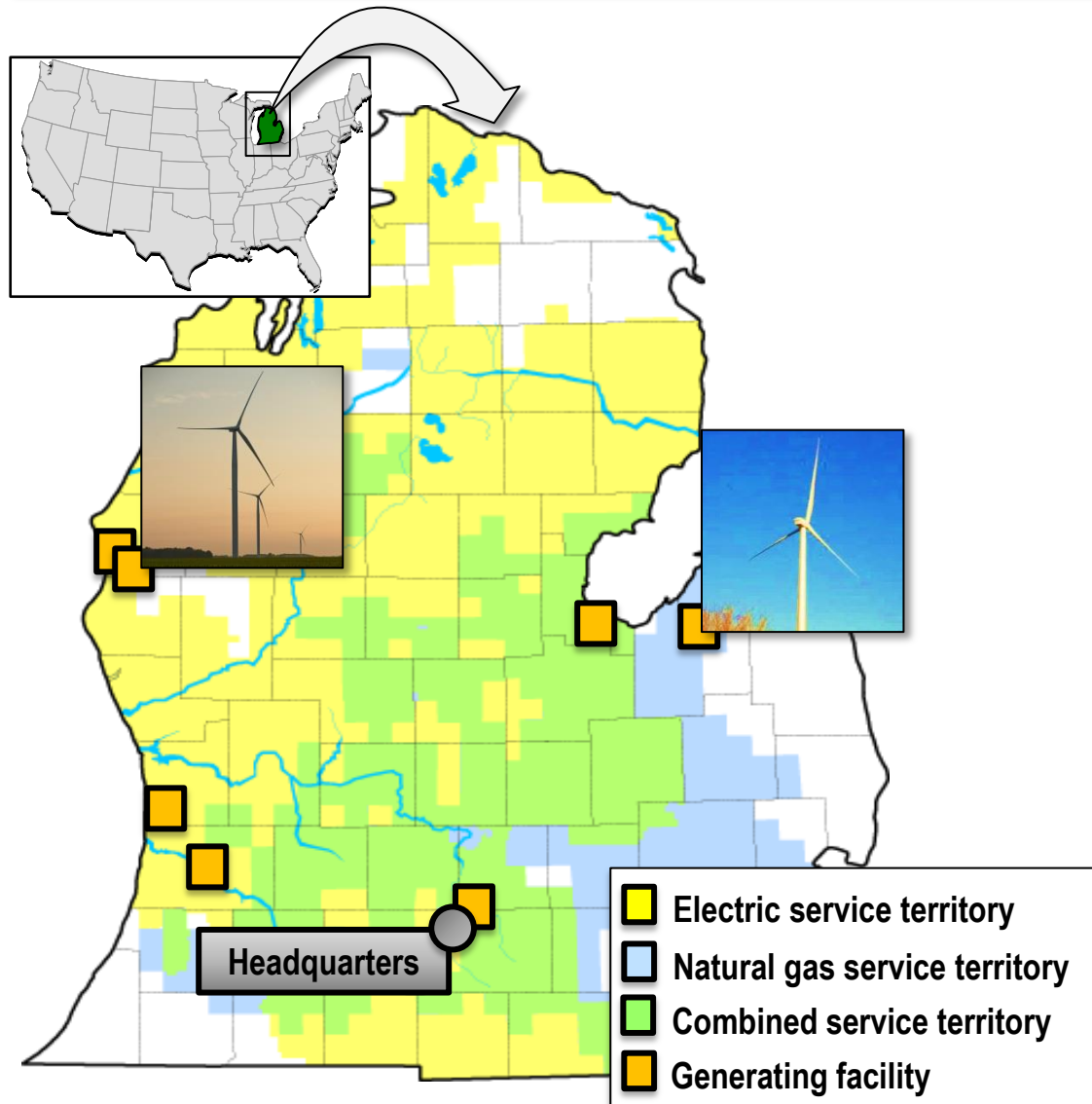
- Highly engaged employees
- Low residential bills; competitive industrial rates

## Planet

- |                       |             |   |             |
|-----------------------|-------------|---|-------------|
|                       | <u>2005</u> |   | <u>2017</u> |
| • Coal Capacity       | 41%         | → | 21%         |
|                       | <u>2005</u> |   | <u>2021</u> |
| • Renewables Capacity | 3           | → | ≥15         |

## Profit

- 14<sup>th</sup> year of EPS<sup>a)</sup> growth 7%+



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

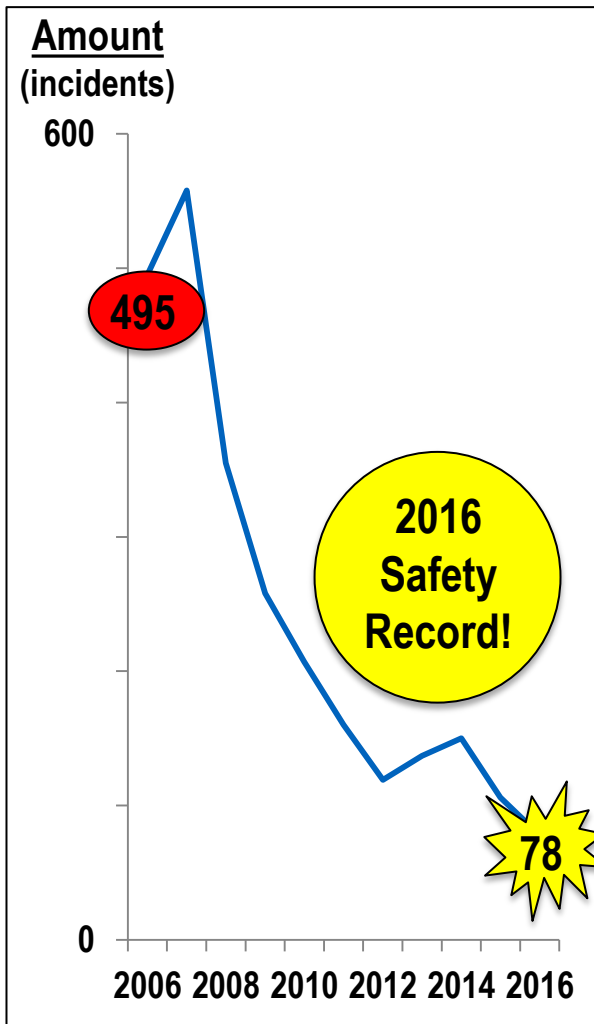
.... fourth largest combination utility in the United States.

		Prior	Now
PEOPLE	• Safety (annual incidents)	495 in 2006	78 in 2016 -- <b>best ever!</b>
	• Rates	~2%	2%
	• Cost (2016)	Down 3%	<b>Down 6½%</b>
PLANET	• Coal Capacity Mix	41% in 2005	21% in 2017
	• Renewable Portfolio Standard	10%	≥ 15% by 2021
PROFIT	• EPS <sup>a)</sup>	5% to 7%	7% in 2016
	• Dividend	5% to 7%	7% in 2016
	• Cash Flow (bils)	\$1.5	<b>\$1.6</b>

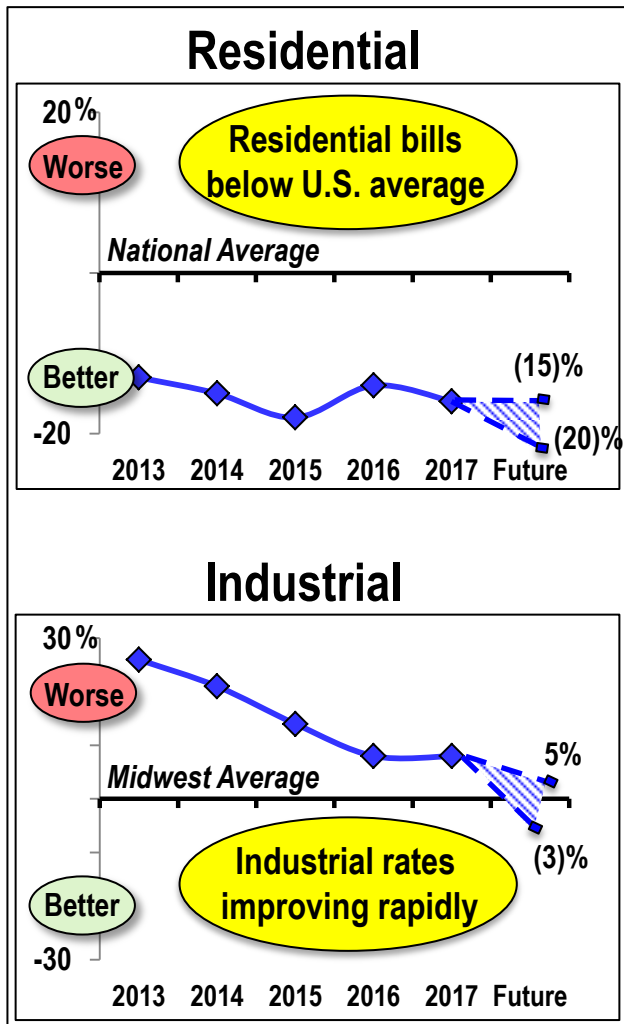
<sup>a)</sup> Adjusted EPS (non-GAAP)

.... continued strong, consistent results.

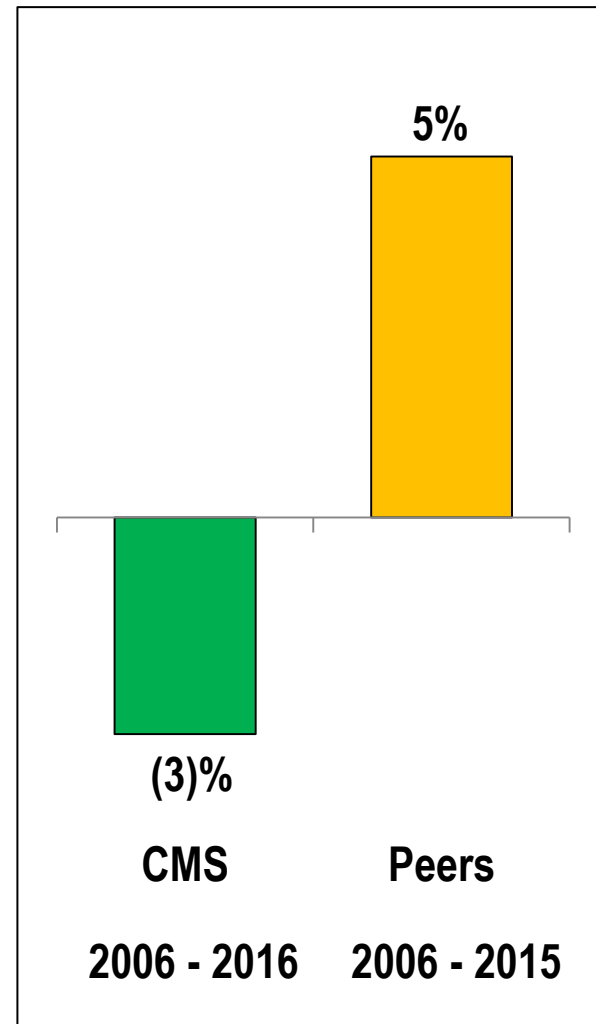
## Safety



## Electric Prices



## Annual Cost

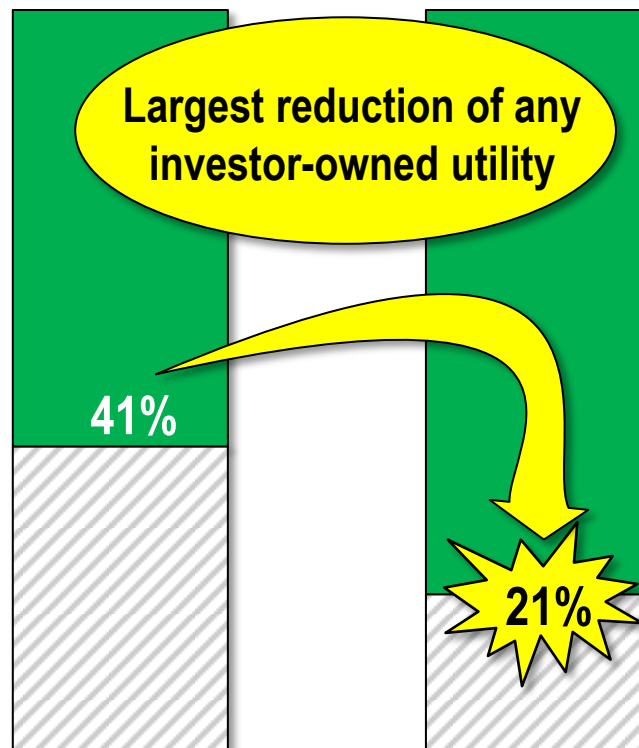


.... industry-leading safety and customer culture.

## Coal

2005

2017

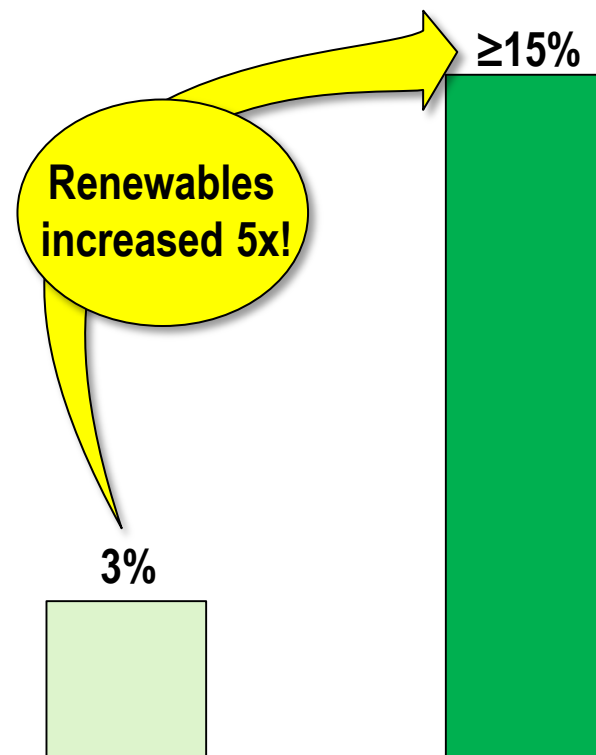


% Coal % Non-coal

## Renewables

2005

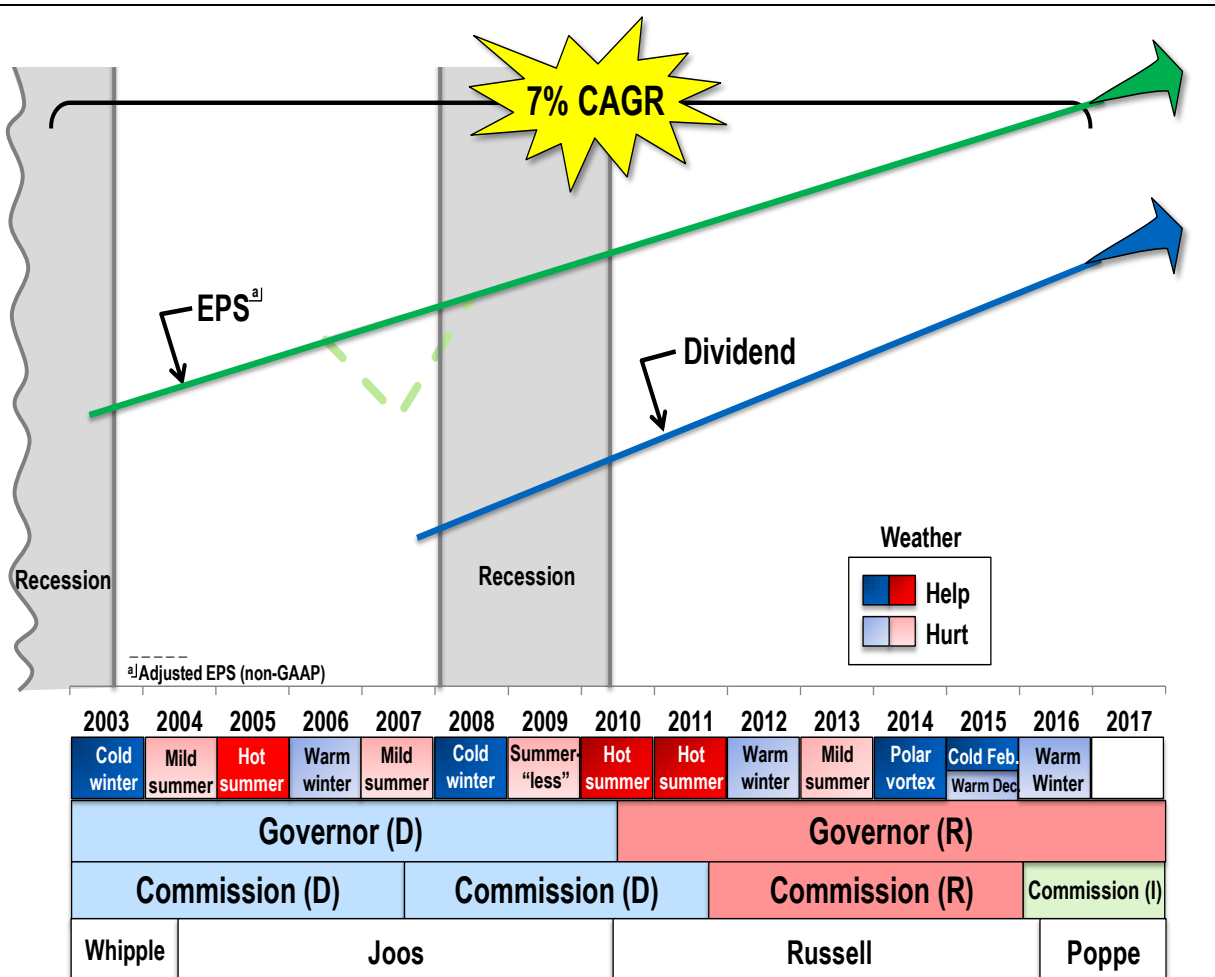
By 2021



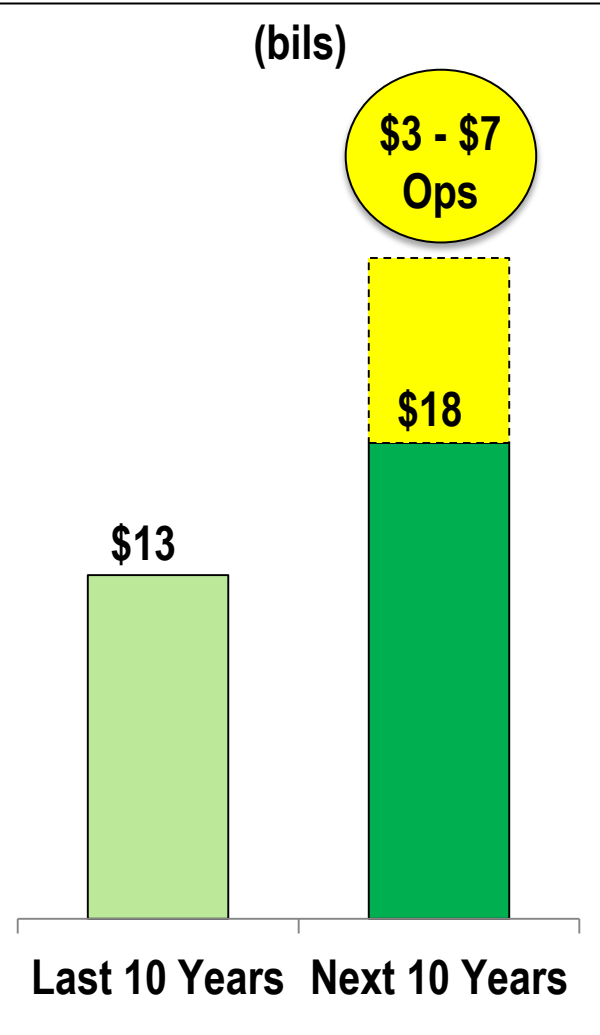
<sup>a</sup>Capacity Mix

.... #1 U.S. Utility in "Sustainalytics" rankings.

## We Work With Everyone



## Customer Investment



.... consistent growth with even more opportunities ahead.

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

**CMS ENERGY**

**2017+  
Plan**

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

## **Self Funding:**

- O&M cost reductions 2 - 3 pts
- Sales growth "ED" 1
- No "block" equity dilution & other 2

**INVESTMENT SELF-FUNDED**

**5 - 6 pts**

**Rate increase "at or below inflation"**

**<2%**

**.... continues to drive sustainable growth, with upside opportunities.**

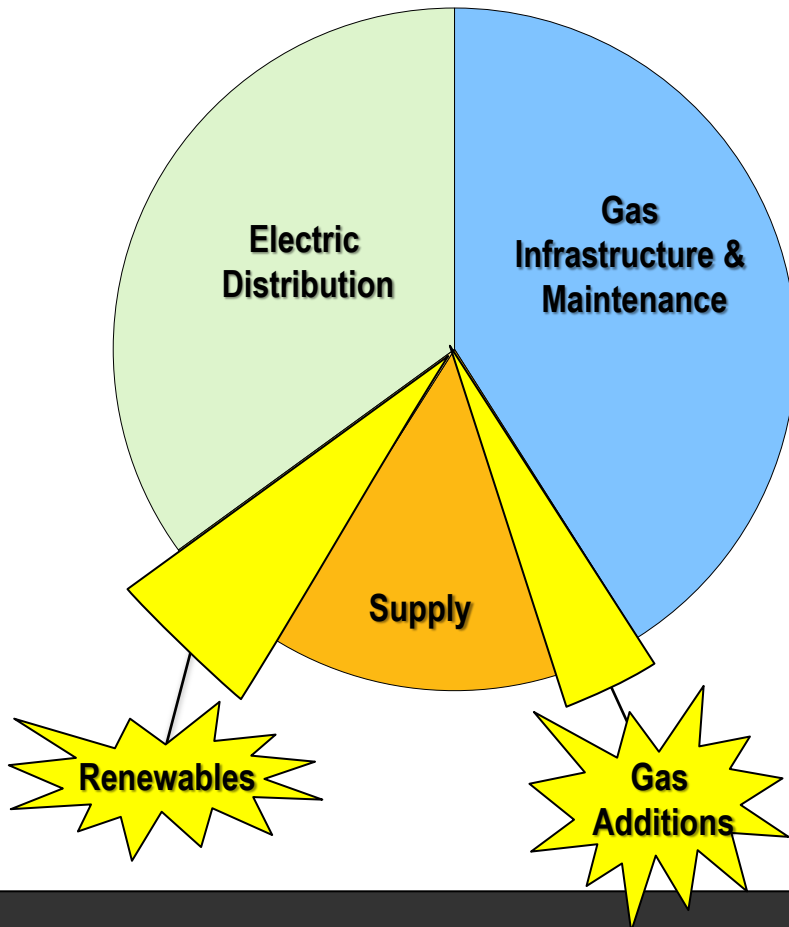


# Model: Ten-year, \$18 billion Customer Investment Plan....

CMS ENERGY

2018 - 2027

\$18 billion



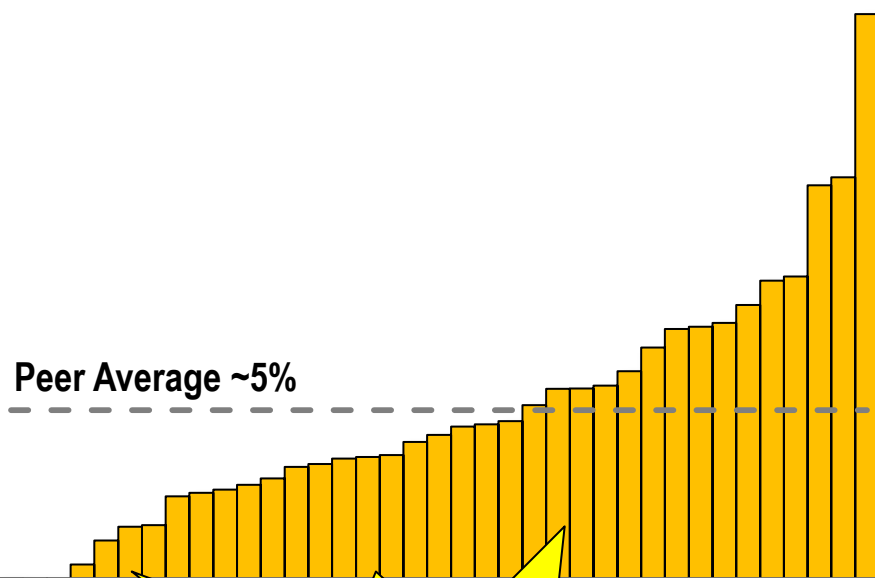
## Details

	Capex (bils)
● Gas Infrastructure & Maintenance	\$ 8
● Supply (incl. renewables)	4
● Electric Distribution	6
<b>Total Customer Investment</b>	<b>\$18</b>
● <u>Future Opportunities:</u>	
– Improve gas infrastructure	
– Grid modernization	
– More renewables	
– PPA replacement	
	3 - 7
● Plan w/ Opportunities	<u>\$21 - \$25</u>

.... with even more opportunity ahead.

## Actual Cost Reduction

(Peers 2015 over 2006)



**Consumers  
-3%/yr  
(thru 2016)**

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

## New Annual Cost Savings

	Three-Year Avg	
	2014	2017
	- 2016	- 2019
	(mils)	(mils)
<b>Good Business Decisions</b>		
• Attrition	\$ - 16	\$ - 16
• Productivity (Coal → Gas)	- 20	- 5
• Enhanced capitalization	- 10	- 4
• Smart Meters	- 4	- 5
<b>“Consumers Energy Way”</b>		
• Work Management & Eliminate Waste	- 15	- 20
<b>Increases</b>		
• Mortality, Disc. Rates, & Other	+20	0
• Service Upgr./Inflation	+10	+ 30
<b>Net savings</b>	<b>\$ - 35</b>	<b>\$ - 20</b>

Percent savings

**> 3%  
a year!**

**2%  
a year!**

.... needed customer investments.

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

	<b>Grand Rapids</b>	<b>Michigan</b>	<b>U.S</b>
Building Permits <sup>b)</sup>	<b>+349%</b>	<b>+253%</b>	<b>+110%</b>
GDP 2010→2015	<b>23</b>	<b>14</b>	<b>12</b>
Population 2010→2016	<b>6</b>	<b>1½</b>	<b>4</b>
Unemployment (1/17)	<b>3½</b>	<b>5</b>	<b>5</b>

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

<sup>a)</sup> Grand Rapids

<sup>b)</sup> Annualized numbers February 2010→February 2017

## Examples of New Business

Electric Gas Combination

### Announcement

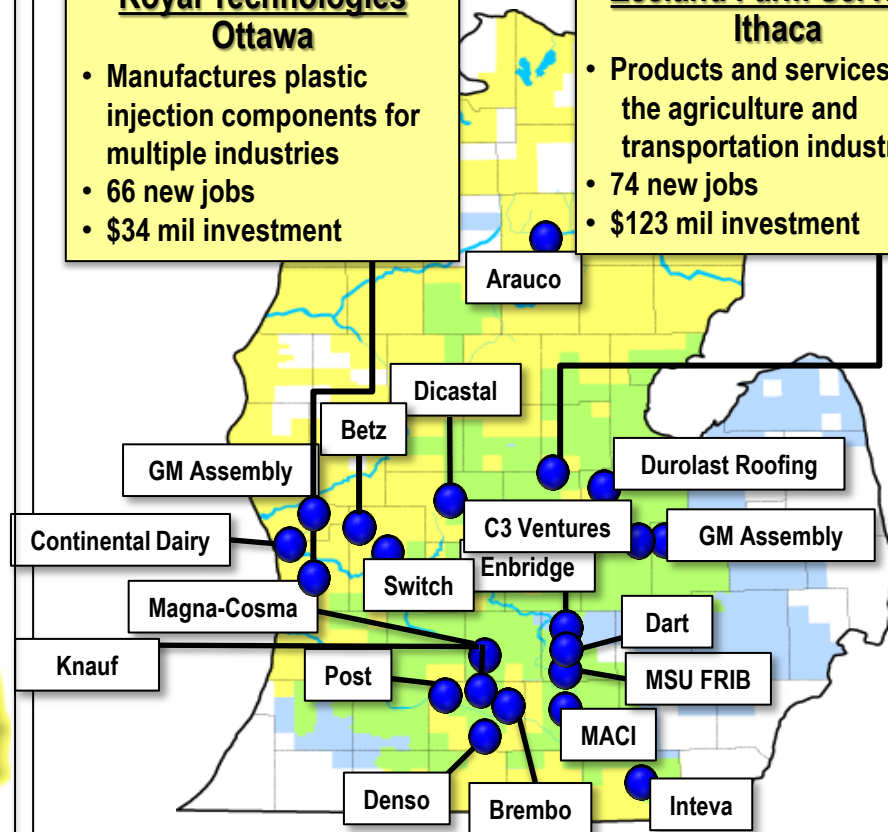
#### Royal Technologies Ottawa

- Manufactures plastic injection components for multiple industries
- 66 new jobs
- \$34 mil investment

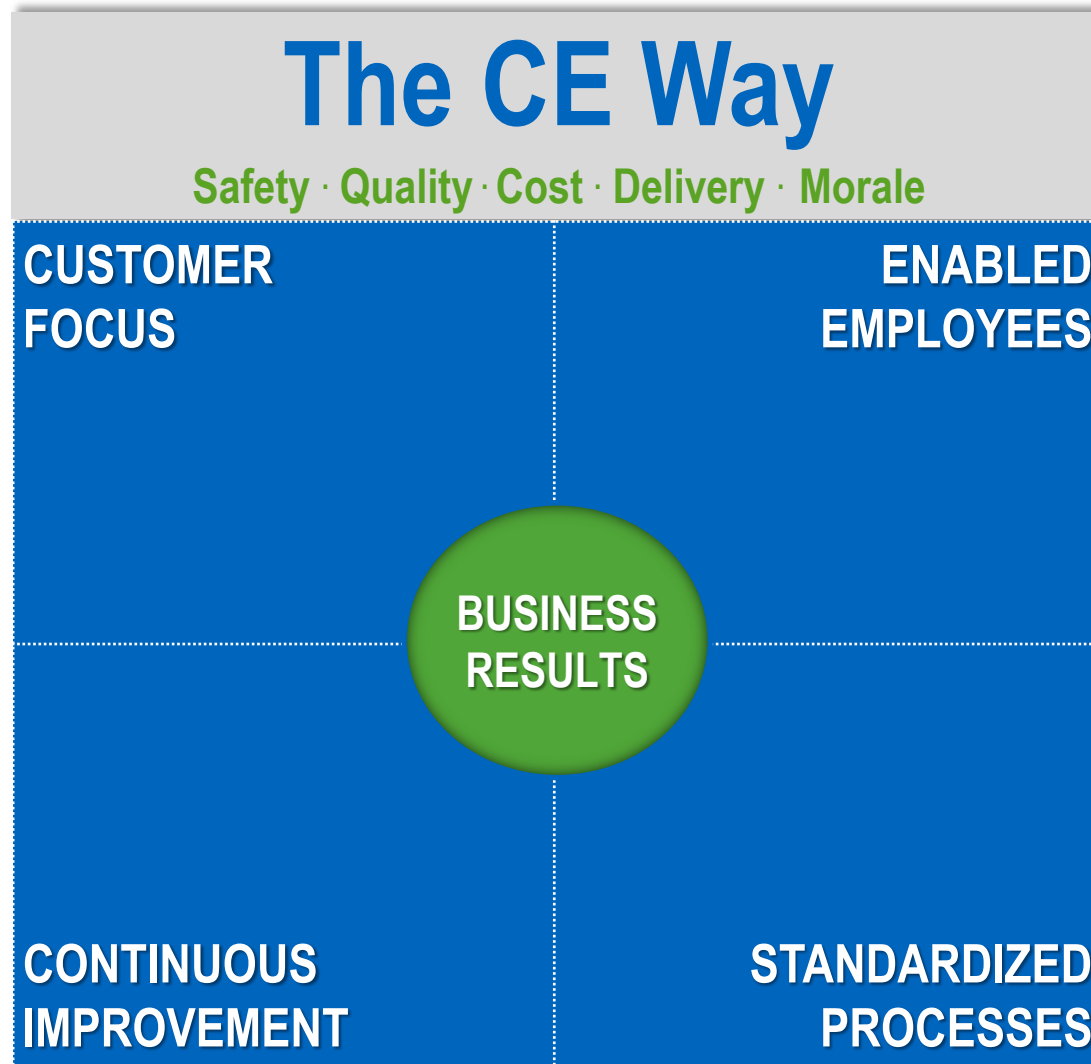
### Announcement

#### Zeeland Farm Services Ithaca

- Products and services to the agriculture and transportation industries
- 74 new jobs
- \$123 mil investment



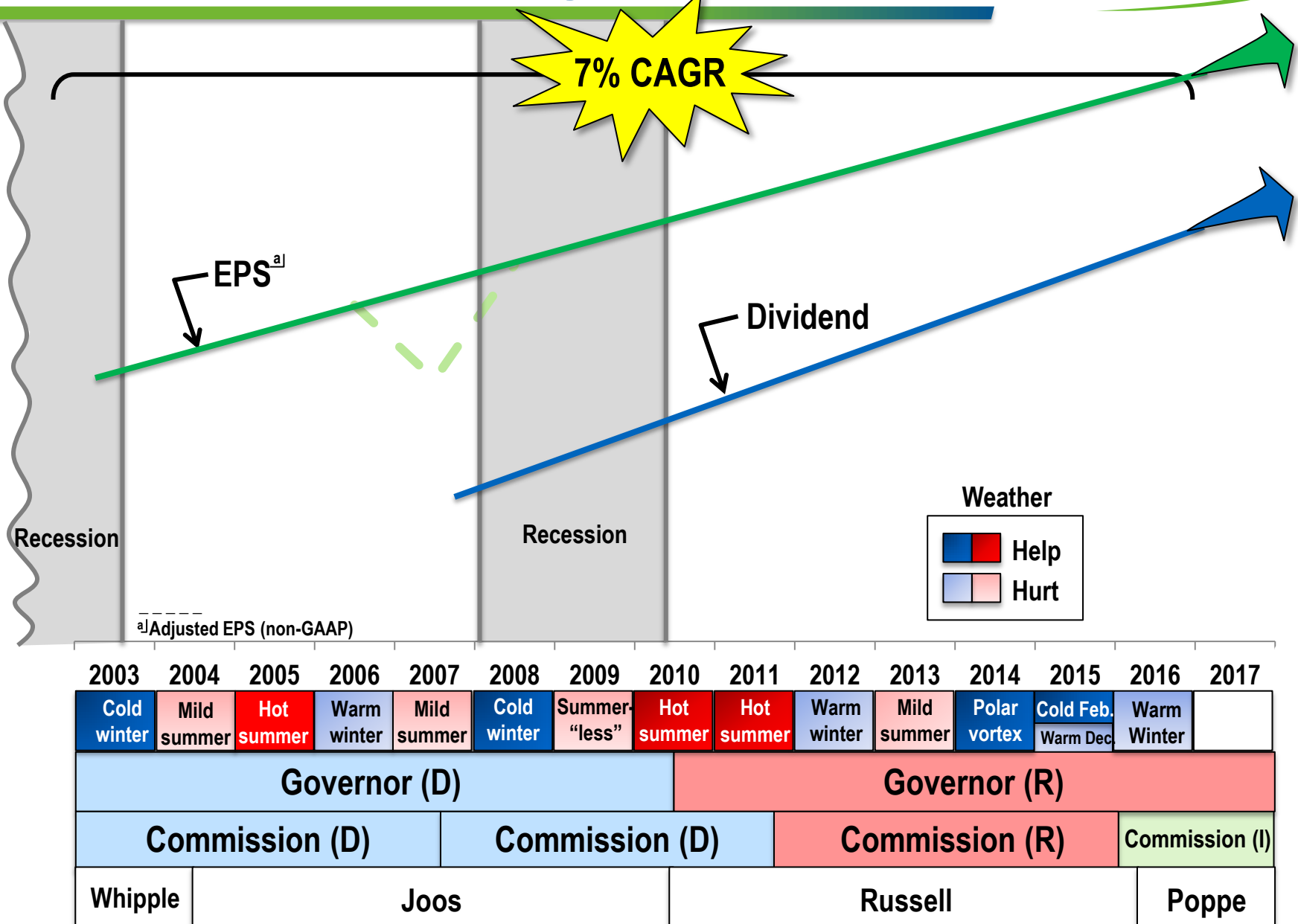
... opportunities to improve even more.



.... a culture of continuous improvement.

# Consistent Growth Through....

CMS ENERGY

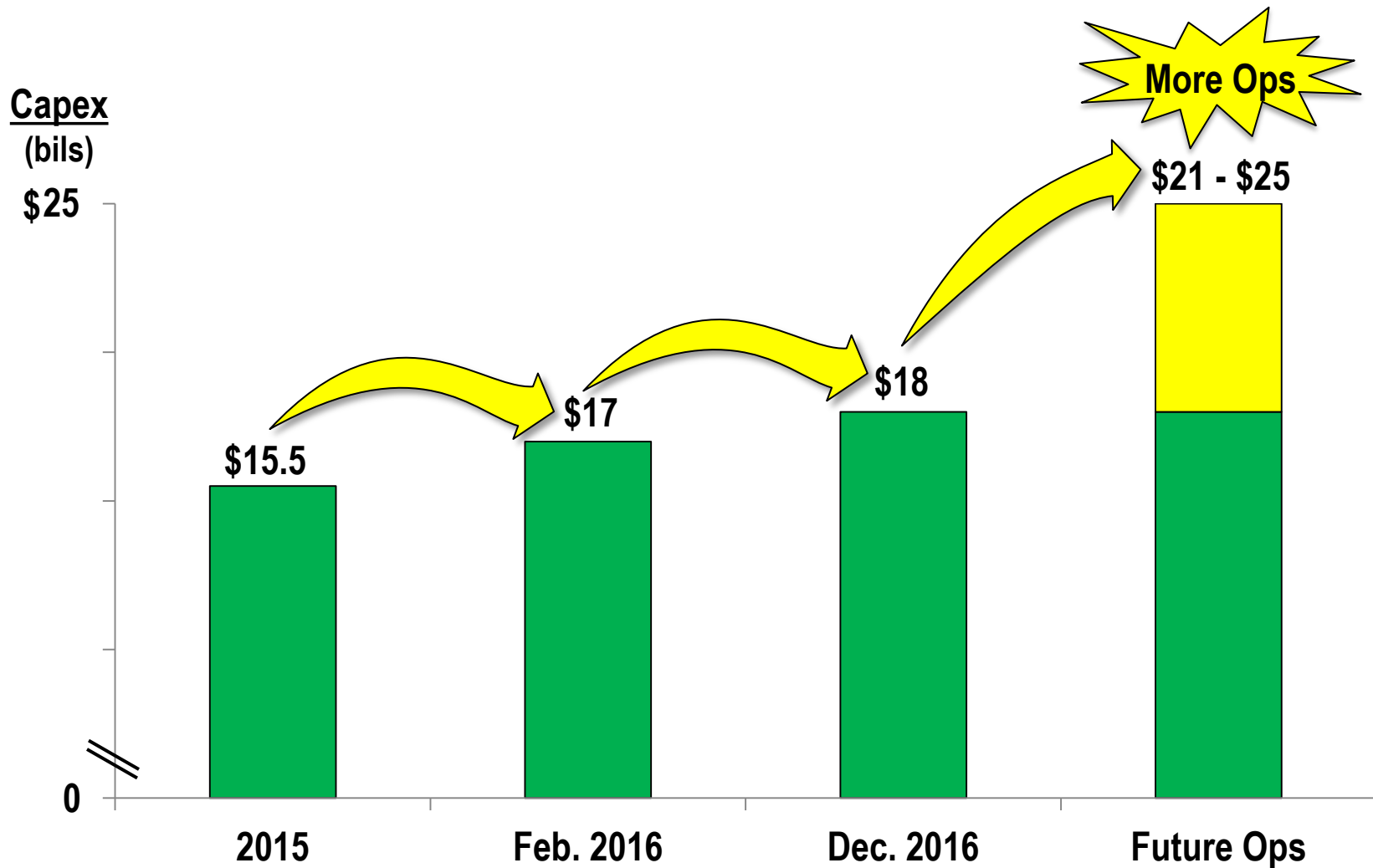


.... recessions, adverse weather, and leadership changes. 12



# ***Customer Investment: Evolution of Capex Growth (Next 10 Years)....***

**CMS ENERGY**



.... supports high-end adjusted EPS growth.

## **Saginaw Trail Pipeline**



**+\$0.6 billion**

- 94 miles, 24" diameter
- Multi-year project

## **Gas Infrastructure**



**+\$1 billion**

- Reduce system risk and increase capacity
- 25 years remaining at current levels

## **Renewables**



**+\$1 billion**

- State RPS 15%
- Build 500MW
- Expect to go substantially higher

**... safety, reliability, and environmentally responsible.**



# ***Customer Investment: Customer-Driven Investment (\$18 billion)....***

**CMS ENERGY**

## **Clean Power**

**\$1.4 Billion**



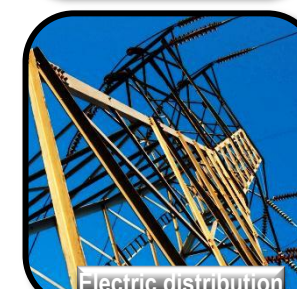
## **Infrastructure**

**\$3.4 Billion**



## **Reliability**

**\$2.8 Billion**



## **Maintenance**

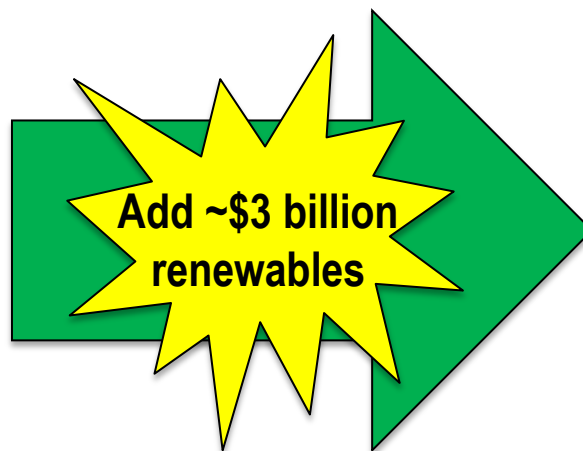
**\$10.4 Billion**



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

## **MCV PPA**

- 1,240 MW
- Expires 2025



## **Replacement Opportunities**

- Renewables
- Energy efficiency
- Demand response



**.... Clean and Lean.**

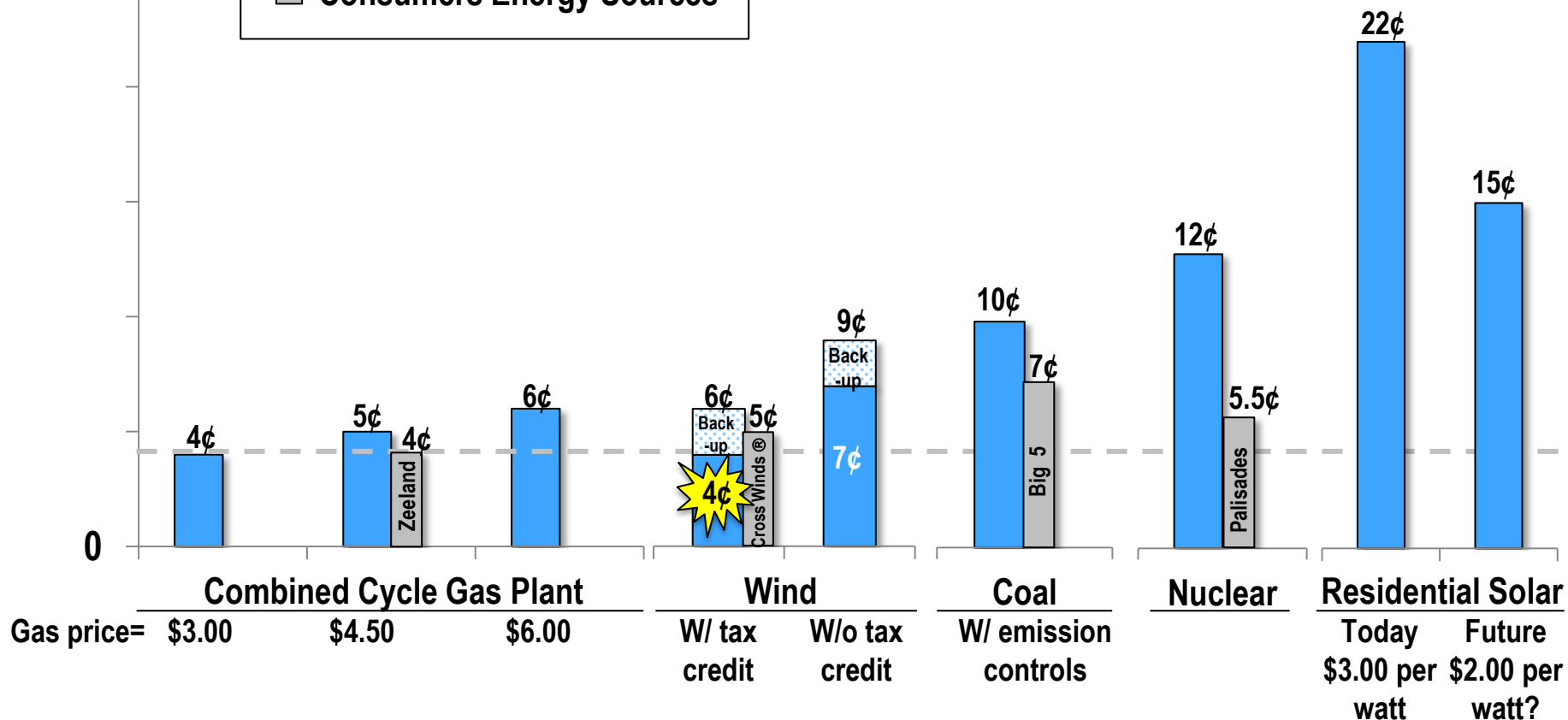
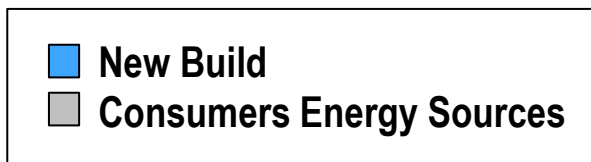
# Clean and Lean: Generation Strategy: New Supply Sources....

CMS ENERGY

Levelized cost  
of new build

(¢/kWh)

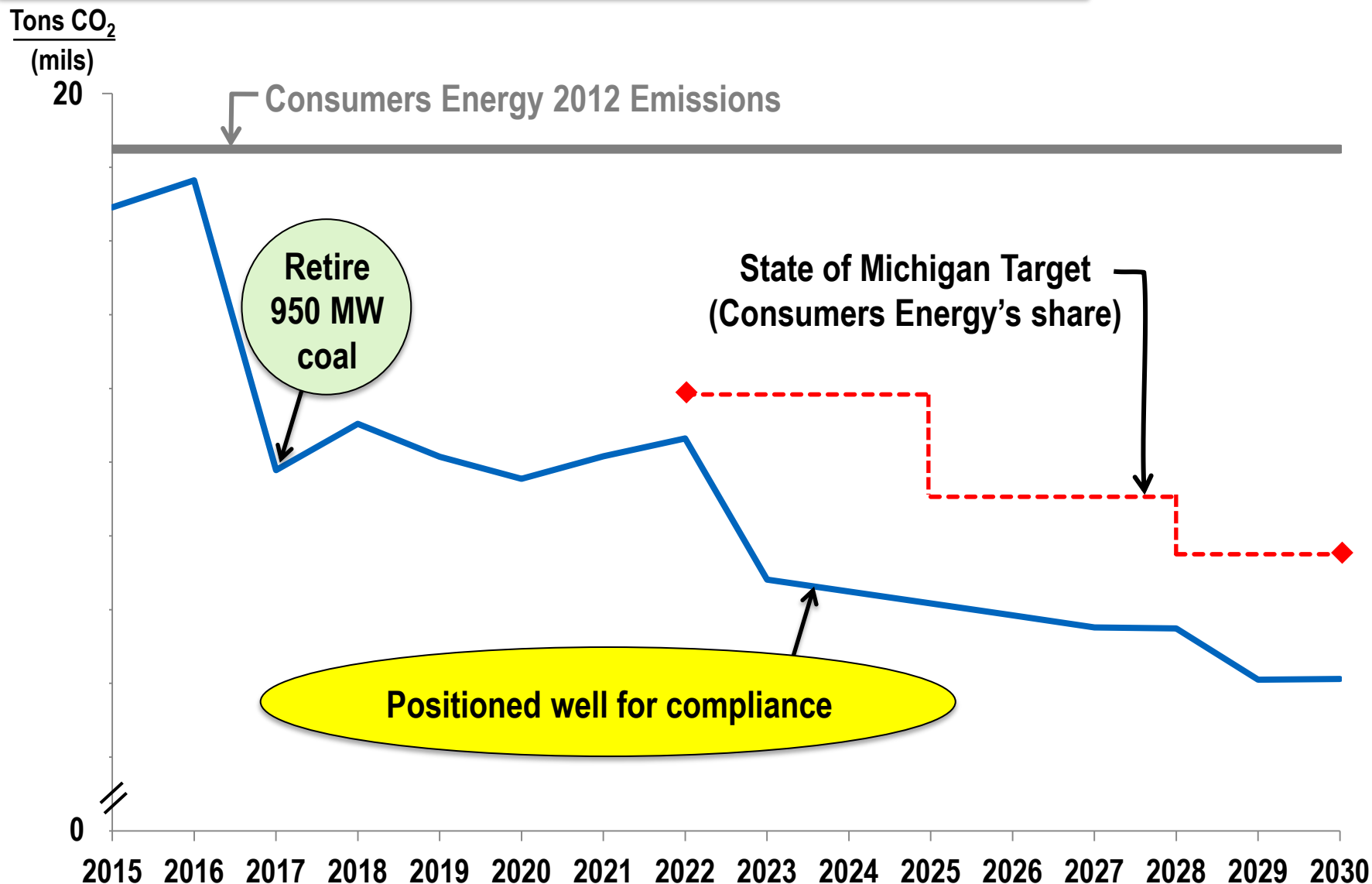
25



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

# ***Clean and Lean: Reducing Carbon Impact....***

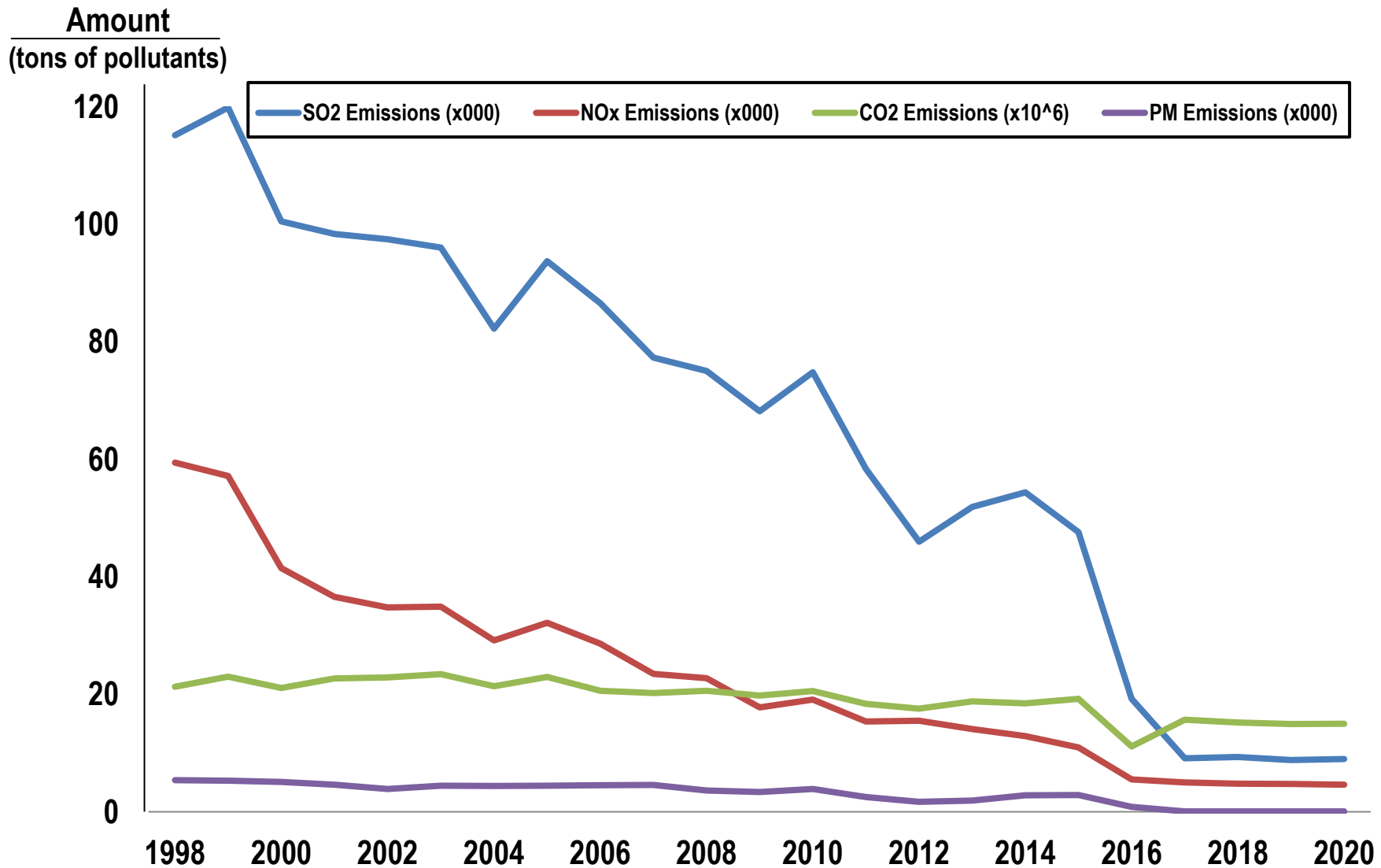
**CMS ENERGY**



.... because we live here too.

# ***Clean and Lean: Projected Reduction of Air Pollutants By 2020 ....***

**CMS ENERGY**



.... 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

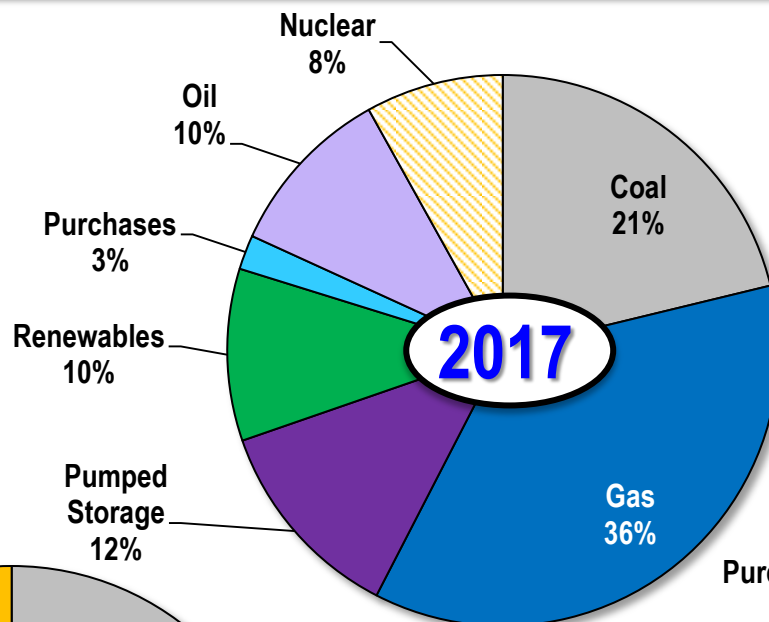
- Utility Scale Solar
  - Grand Valley State University, 3 MW
  - Western Michigan University, 1 MW



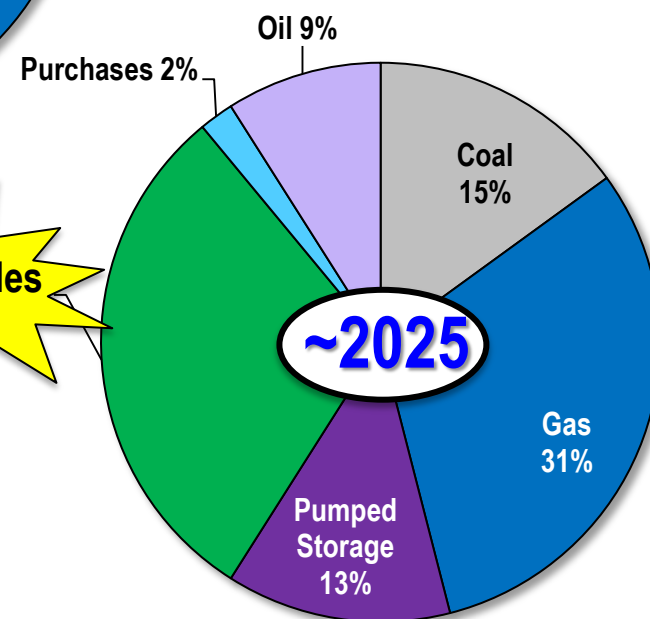
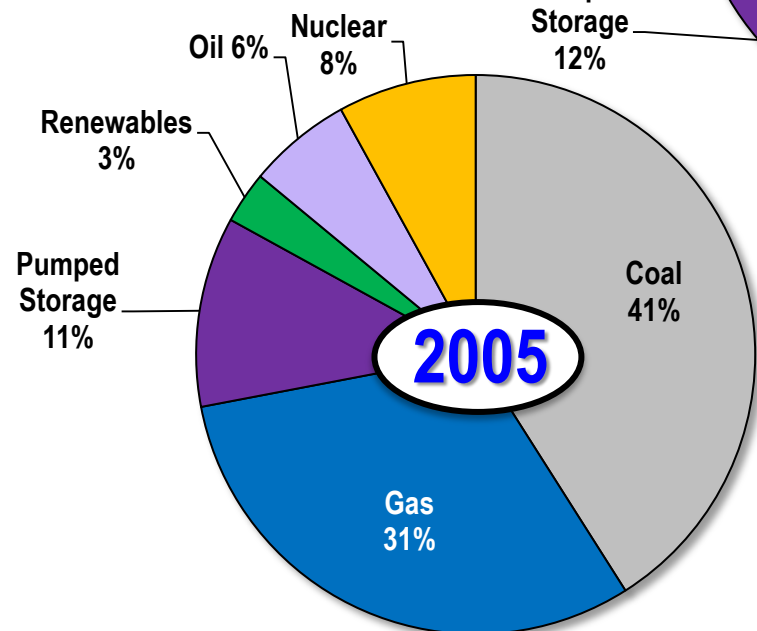
Digital rendering of Grand Valley's campus

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



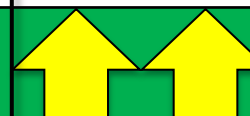





## Potential Future Capacity Mix



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

<u>Total Company Supply</u>	<u>2015</u>		<u>2016</u>		<u>Future</u>
• Coal	41%		24% <sup>a)</sup>		
• Gas	18		27		
• Renewables	4		4		
• Pumped Storage	(1)		(1)		FLAT
• PPA (Nuclear and Gas) <sup>b)</sup>	38		46		

<sup>a)</sup>Includes 3% from Classic 7 coal plants (shutdown April 2016) <sup>b)</sup>Includes market purchases

... significant shift away from coal.

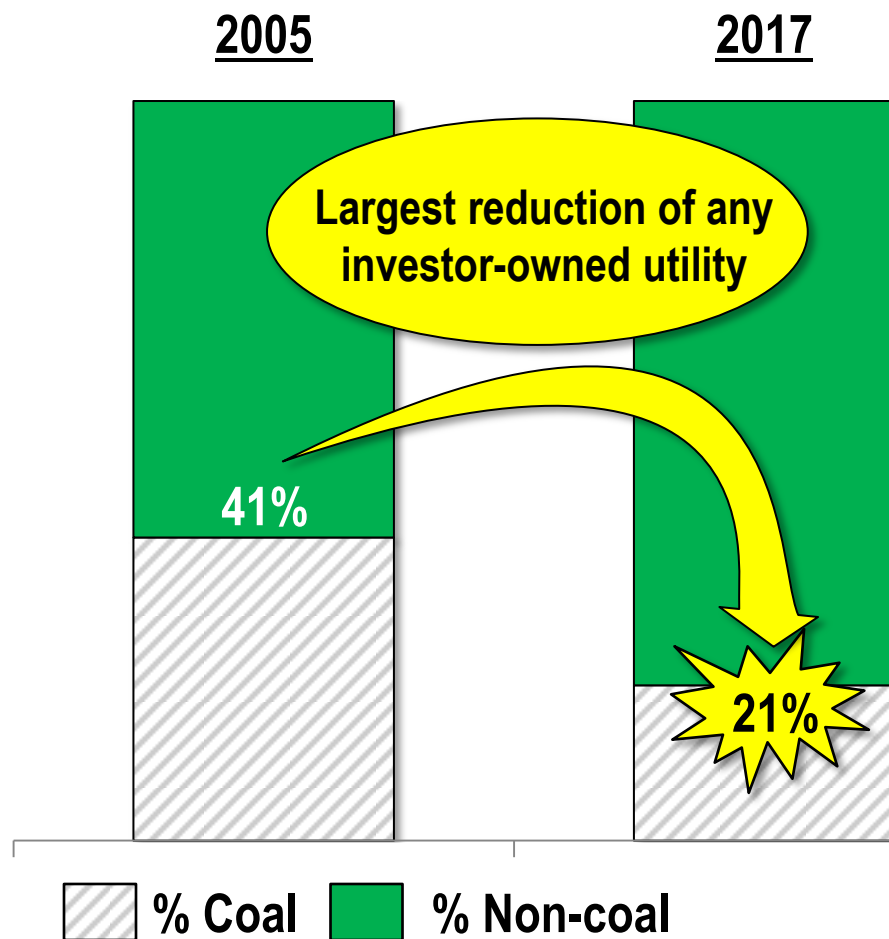


## **A Sustainable Strategy**

- Retired 950 MW of coal
- Found positions for affected employees
- Worked with local communities early on
- Reduced our environmental impact

**Positioned well for  
carbon reduction**

## **Coal Capacity Mix**



**.... transition to cleaner fuels.**



## **Customer**

### **What's New?**

- Subsidies addressed
  - ROA reform
  - Net metering
- Increased energy efficiency & demand response incentive
- RPS -- 15% by end of 2021
- Improved Regulatory Process
  - 10 month rate case

## **Investor**

### **What is the Impact?**

- Price competitiveness
- Secure capacity
- Improved incentives
- Additional rate base opportunity
- Streamlined process
- Reliability planning
- Pre-approval of projects

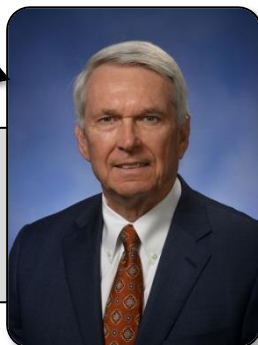
.... strengthens our Plan AND benefits our customers.

## Commission: Updated Terms



Sally Talberg (I)  
Chairman  
Term Ends: July 2, 2021  
Prior: July 2, 2019

Switched  
term-end  
dates



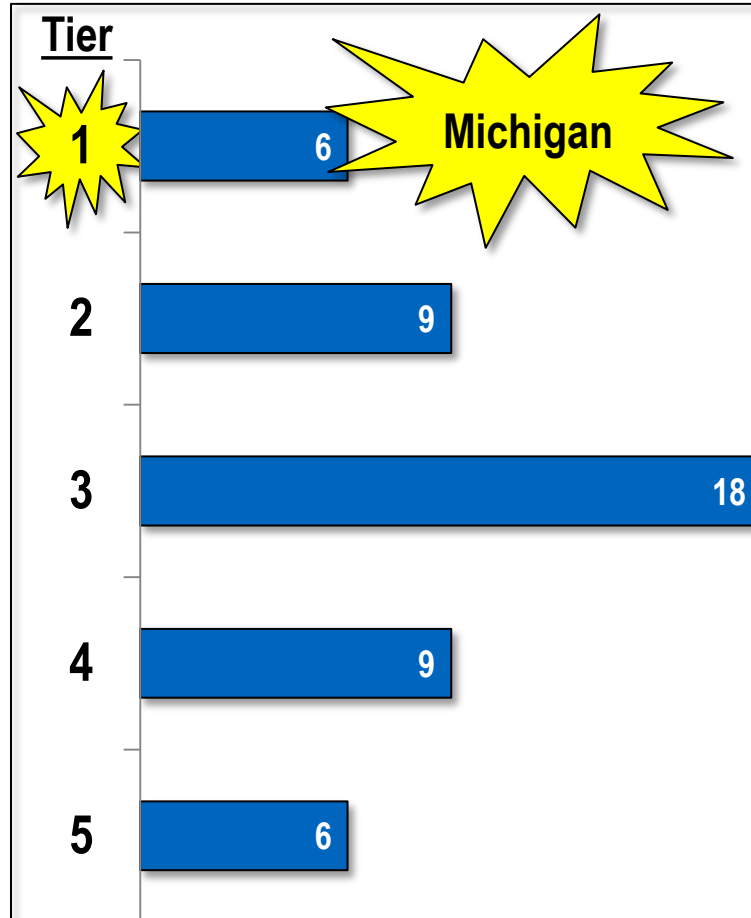
Norm Saari (R)  
Term Ends: July 2, 2019  
Prior: July 2, 2021



Rachael Eubanks (I)  
Term Ends: July 2, 2023  
Prior: July 2, 2017

Reappointed!

## Tier 1 State Ranking



Barclays Research, 2016 state rankings

.... constructive regulation.

# ***Top of Mind: Routine and Regular Rate Cases....***

**CMS ENERGY**

	<b>Electric</b>	<b>Gas</b>
<b>Filed</b>	<b>March 31<sup>st</sup>, 2017</b>	<b>August 1<sup>st</sup>, 2016</b>
<b>Amount (mils)</b>	<b>\$173</b>	<b>\$90</b>
<b>Self-implement</b>	<b>October 1<sup>st</sup>, 2017</b>	<b>January 29<sup>th</sup>, 2017</b>
<b>Final Order By</b>	<b>March 30<sup>th</sup>, 2018</b>	<b>July 31<sup>st</sup>, 2017</b>
<b>Customer Benefits</b>	<ul style="list-style-type: none"> <li>• <b>Safety</b></li> <li>• <b>Reliability</b></li> <li>• <b>Environmental</b></li> </ul>	<ul style="list-style-type: none"> <li>• <b>Safety</b></li> <li>• <b>Deliverability</b></li> <li>• <b>Capacity</b></li> </ul>

**... designed to serve customers and investors.**

## Assumptions

- Lower federal tax rate at 15% (vs 35%)
- Loss of interest deductibility on all debt (may be less/better)
- Loss of state income tax deductibility
- Retention of property tax deductibility
- 100% asset expensing

## Impact

**CMS**  
**Better Than Today**

### Utility

- More than ample investment “Backfill”



### Enterprises

- Improved earnings & cash flow

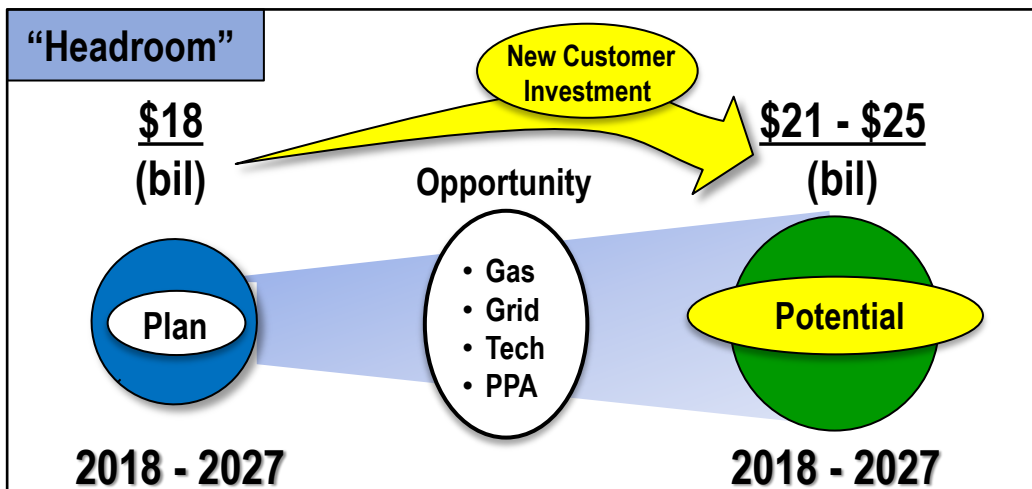


### Parent

- Interest deduction loss
- Offset by EnerBank interest income



### “Headroom”



.... can be accretive and reduce rates.

## Scenarios<sup>a]</sup>

Corporate Tax Rate	Alternative		
	15%	20%	25%

### Assumptions

#### Asset Expensing

– Amount	100%	100%	100%
– Annual Backfill (mils)	\$100	\$200	\$300

#### Loss of Interest Deductions

100%	100%	100%
------	------	------

### Result

Customer Rate Decrease	4%	1%	Neg.
------------------------	----	----	------

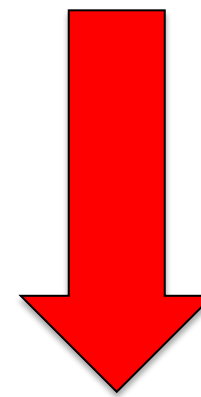
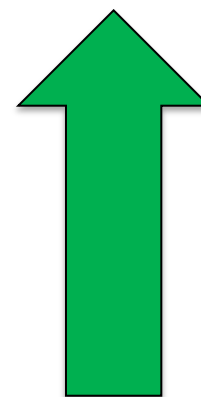
Investors



## Non-Regulated

EnerBank interest income offsets  
Parent interest expense

\$130 mil



\$130 mil

Parent Interest Expense

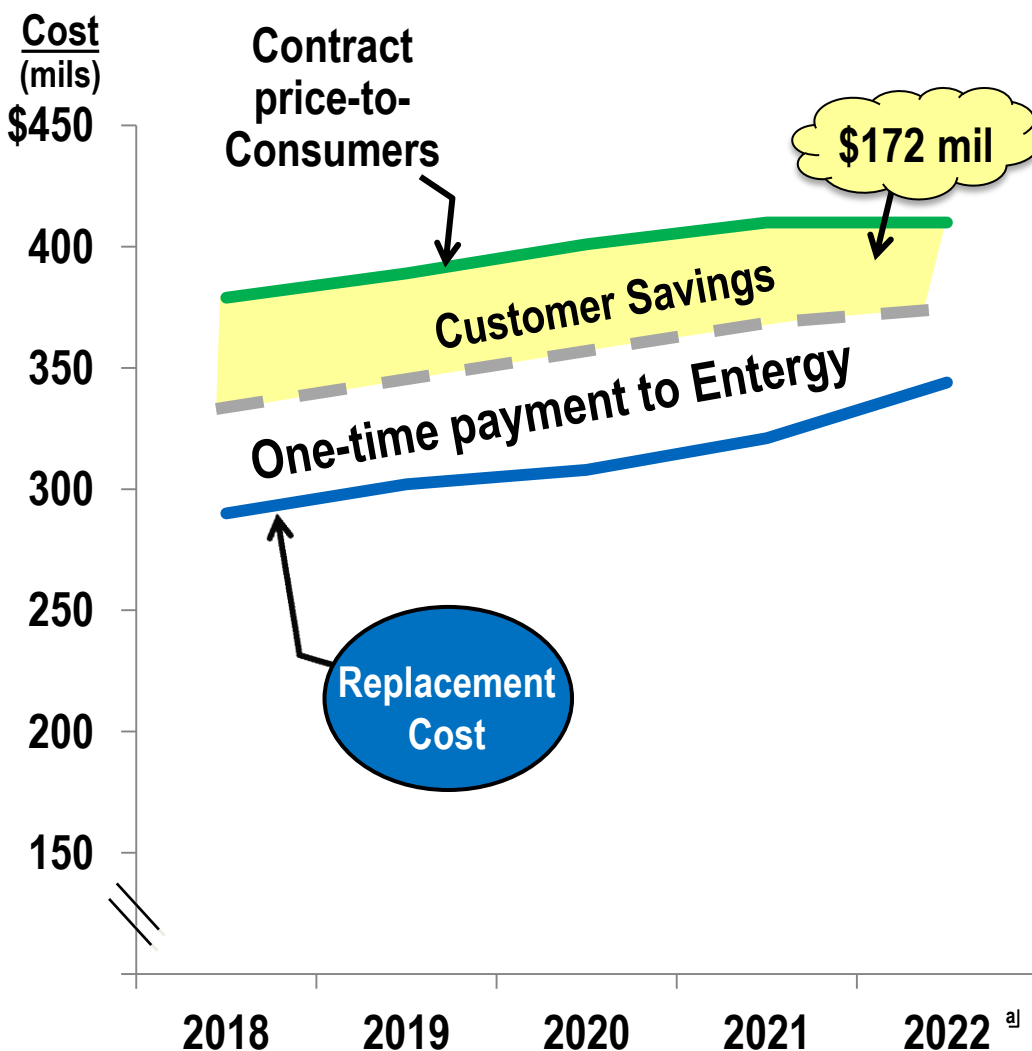
EnerBank Net Interest Income

<sup>a]</sup> 5-Year outlook

.... good for customers AND investors.

## Palisades PPA Contract

## Approach



- 1 Replace above market PPA contract (customer savings)
- 2 Fully utilize existing assets
- 3 Emphasis on no carbon solutions
  - Energy Efficiency,
  - Demand Response, and
  - Renewable wind
- 4 Avoid large capacity needs (no “big bets”)
- 5 Future coal-to-gas opportunities
- 6 **RESULT: world class performance**



# Top of Mind: "DIG" (750 MW) & Peakers (200 MW)....

CMS ENERGY

## Pre-Tax Income

(mils)

\$80

40

0

Contracts  
(layering in over time)

\$12

Outage  
pull-ahead

\$30

Better  
Performance

\$35

\$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%

25%

0

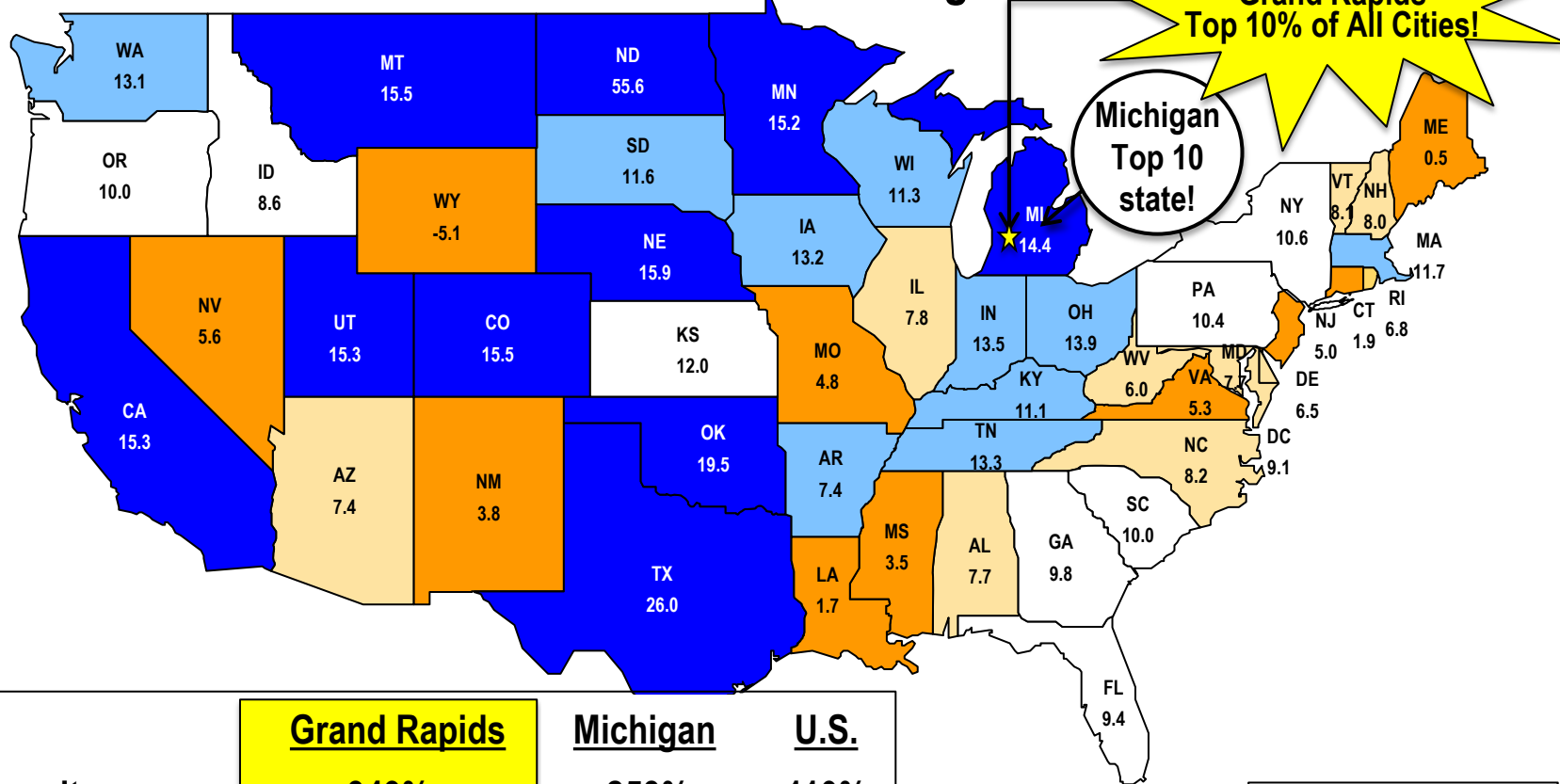
0

10

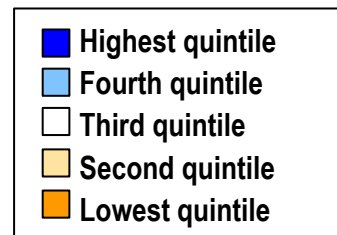
50% - 90%

.... adding value.

## Gross Domestic Product – 2010 through 2015



	<u>Grand Rapids</u>	<u>Michigan</u>	<u>U.S.</u>
Building Permits	+349%	+253%	+110%
GDP ('10 to '15)	23	14	12
Population ('10 to '16)	6	1/2	4
Unemployment (1/17)	3 1/2	5	5



Source: U.S. Department of Commerce – bea.gov, real GDP 2009 chained dollars, 2015 advance and 2009 – 2014 revised, 6/14/16

.... Grand Rapids ranked third best in USA for job creation and economic development.

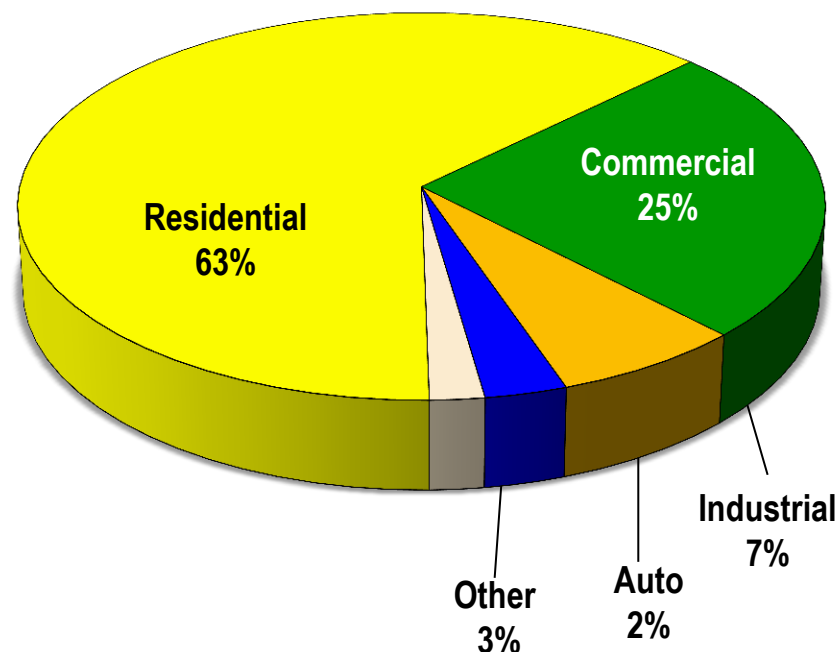
## Top Ten Customers

(2016 Ranked by Revenue)

1. Hemlock Semiconductor Corporation
2. General Motors Company
3. State of Michigan
4. Meijer Inc.
5. Nexteer Automotive Corporation
6. AT&T Inc.
7. Enbridge Energy Partners L.P.
8. Spectrum Health Hospitals
9. Gerdau Macsteel
10. Wal-Mart Stores Inc.

Percentage of gross margin is 1.5%

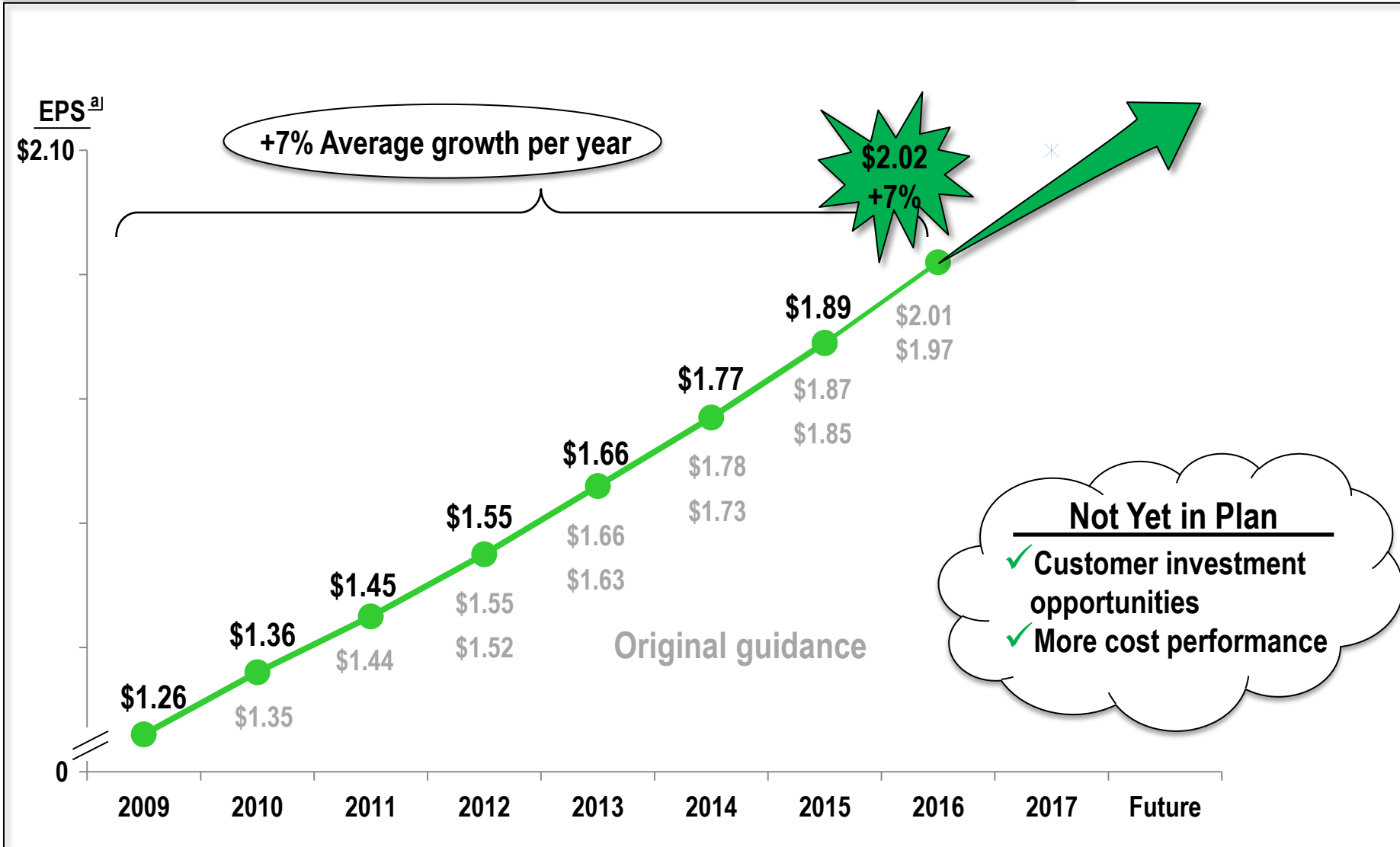
## 2016 Gross Margin



\$4.9 Billion

.... with "Autos" only 2% of gross margin.

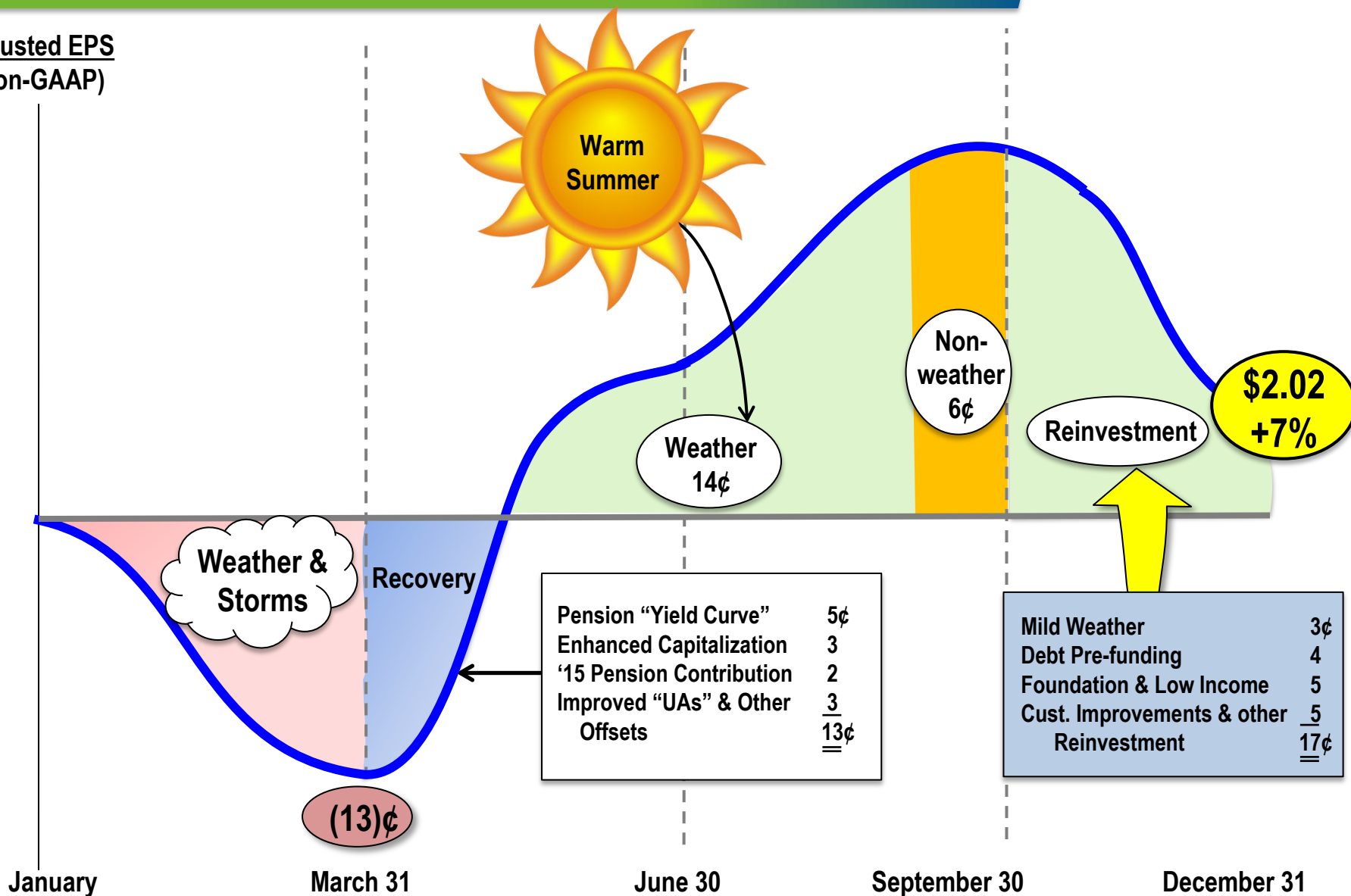




<sup>a)</sup> Adjusted EPS (non-GAAP)

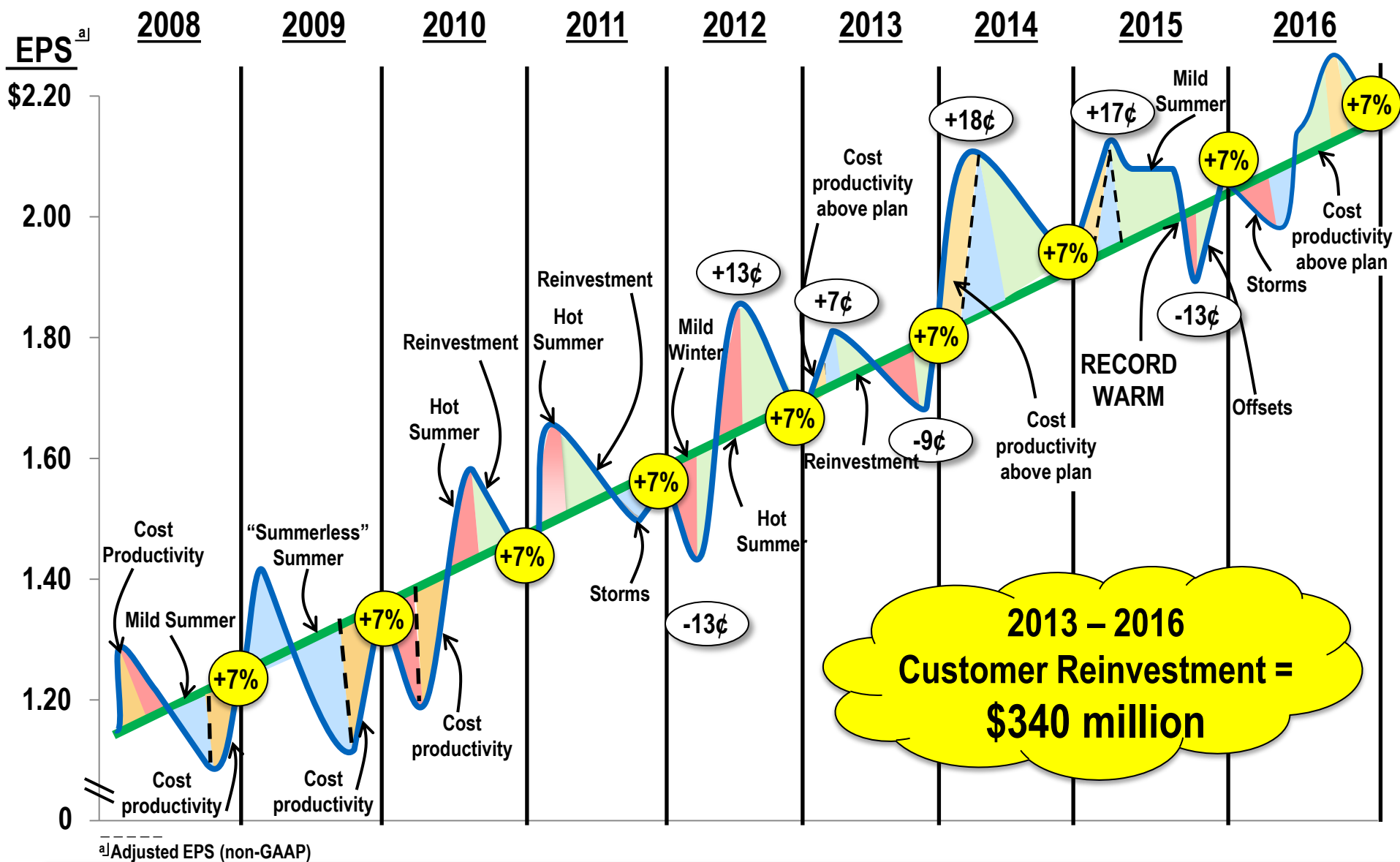
... track record of consistent growth.

Adjusted EPS  
(non-GAAP)



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

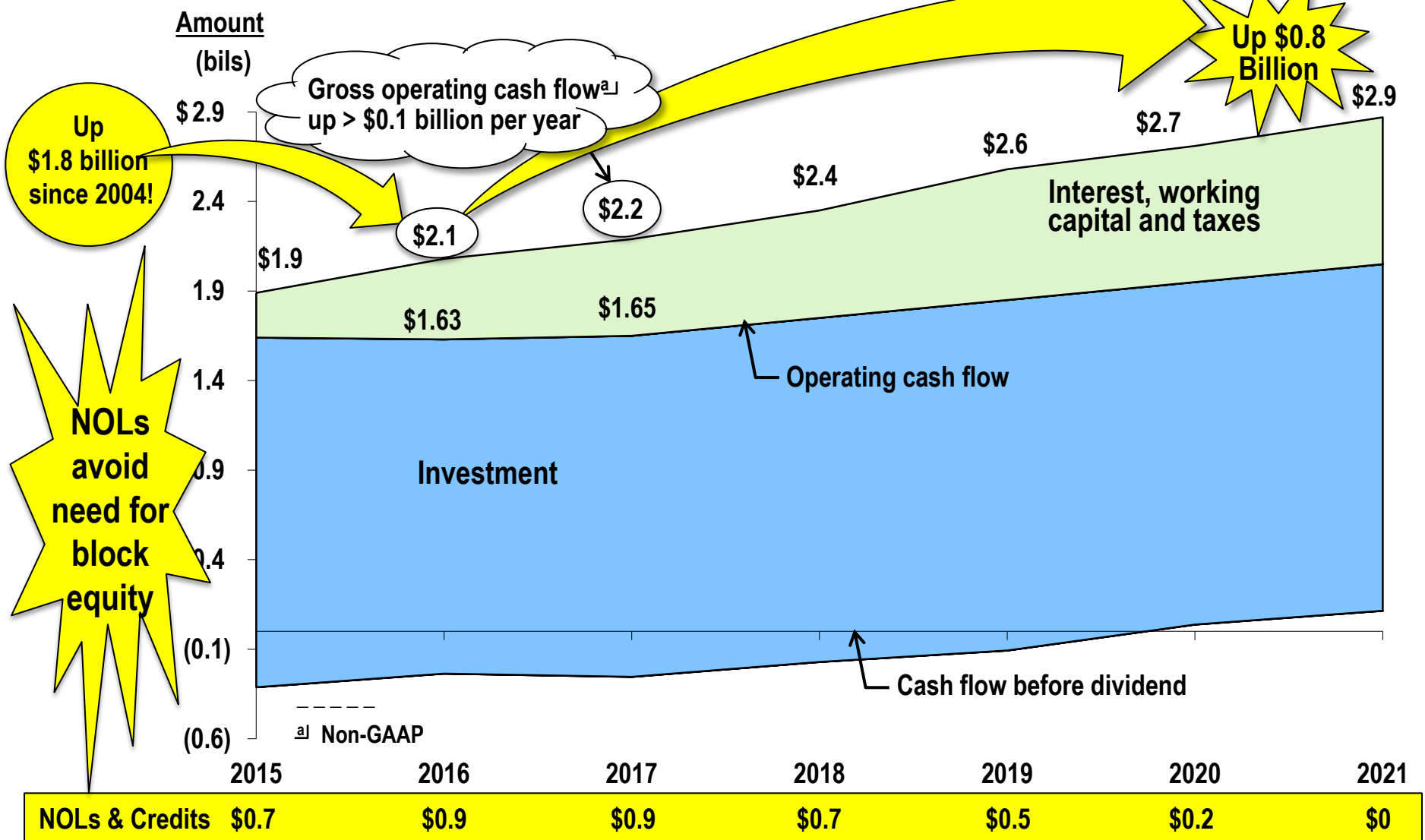
.... high end, +7% at \$2.02. 37



.... maximizes benefits for customers AND investors.

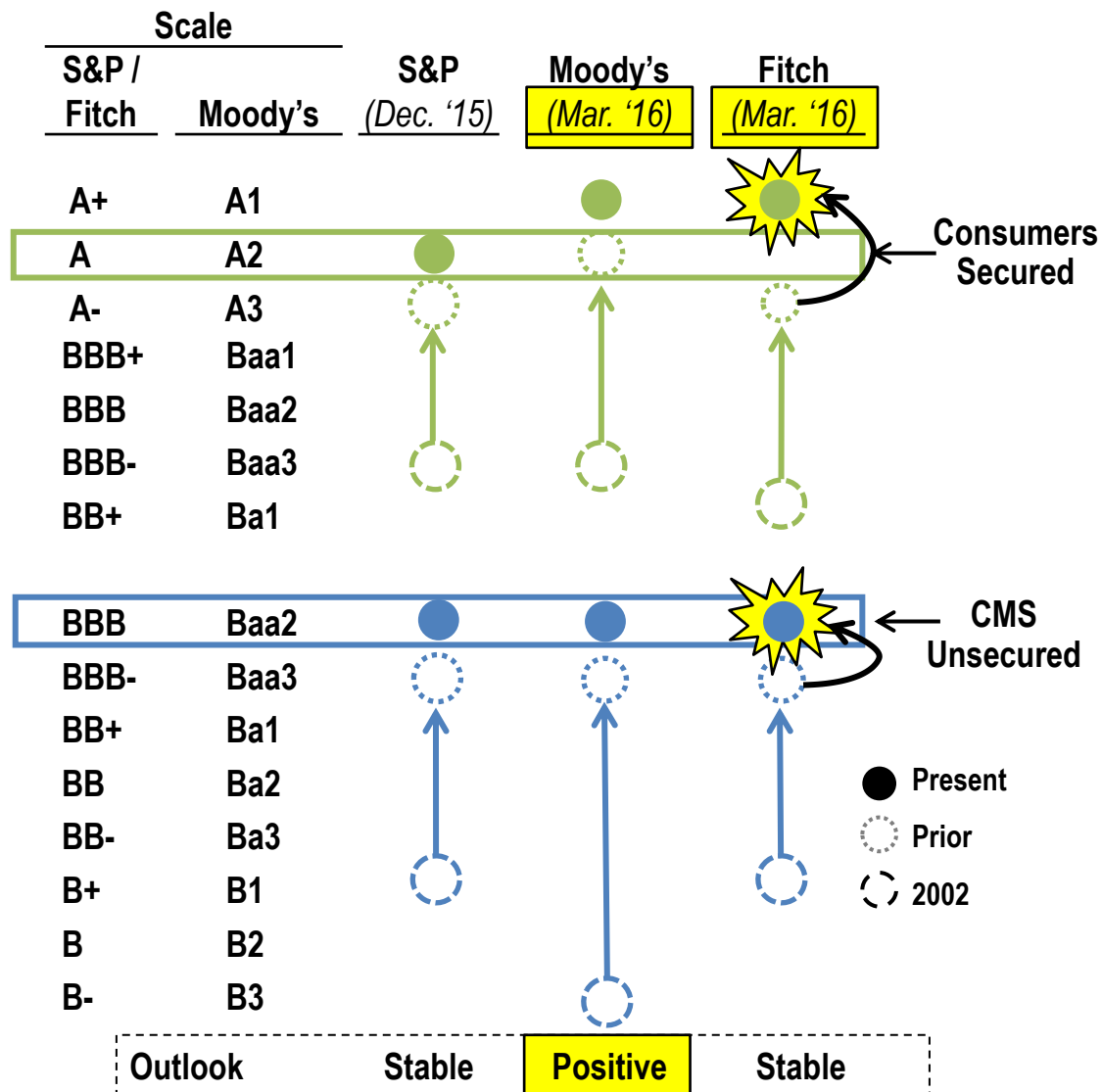
# Financial: Operating Cash Flow Funds....

CMS ENERGY



... investments with no block equity.





## 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	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

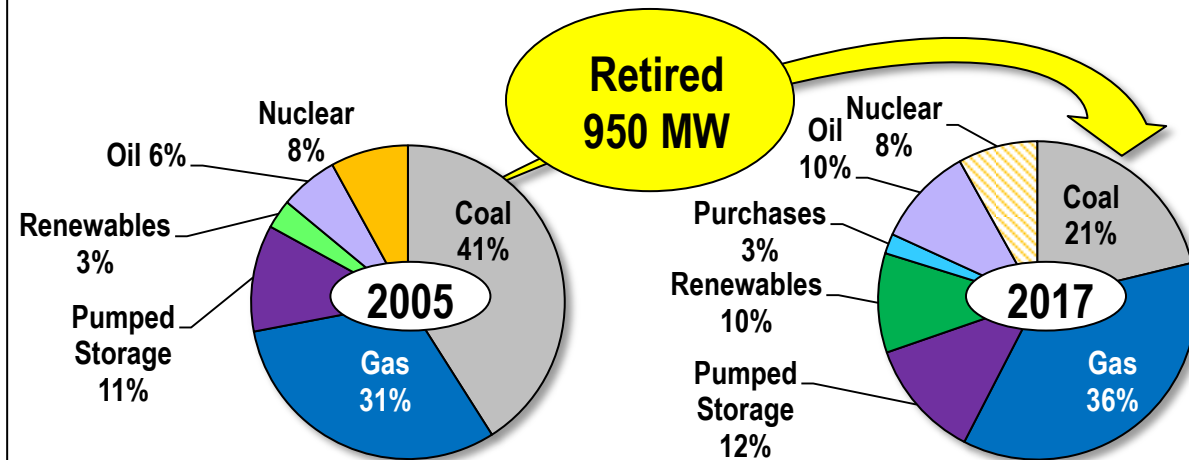
\* Less than \$0.01 per share.

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

**CMS Energy**  
**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	\$ 2,138	\$ 2,315	\$ 2,547	\$ 2,678	\$ 2,816
Enterprises Project Cash Flows	20	46	53	54	53	53	54
<b>Gross Operating Cash Flow</b>	<b>\$ 1,886</b>	<b>\$ 2,083</b>	<b>\$ 2,191</b>	<b>\$ 2,369</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)	(541)	(619)	(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>

## ✓ Reduced Coal Dependency



## ✓ Optimized Assets



### Gas & Renewables

- Jackson, 540 MW
- Wind, 704 MW
- Solar, 4 MW



## Now: Replacing Capacity (without carbon)



Terminate PPA

Add energy efficiency and demand response with incentives

\$1 bil renewables in Plan

## Future: “Wind for PPA”

Renewables replace MCV

Why?

People  
Planet  
Profit

**CMS ENERGY**

## OUR MODEL; OUR PLAN

People, Planet, and Profit

**OUTPERFORMED FOR A DECADE:  
NEXT DECADE EVEN BRIGHTER**

- 14 year track record, +7% EPS<sup>aj</sup> growth
- Capex -- \$18 billion, 100% organic (\$3 - \$7 billion capex opportunities) (more with “wind for PPA”)
- Self-funded -- No block equity dilution! (10 years -- up from 5!)
- Best cost performance in sector (Down 3%/year since 2006)

## 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
  - Morale: we are proud to serve
- .... a culture of continuous improvement.

**CMS Energy: World Class Performance  
Delivering Hometown Service**

**April 2017**

### 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



# Adjusted EPS

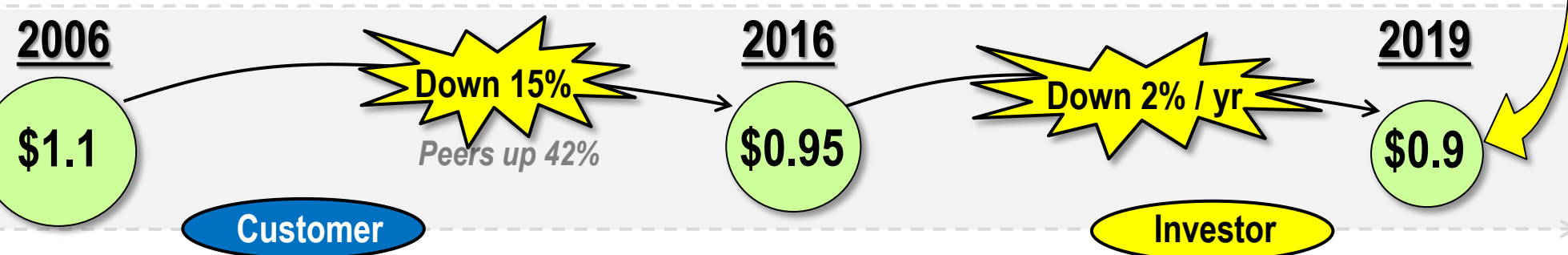
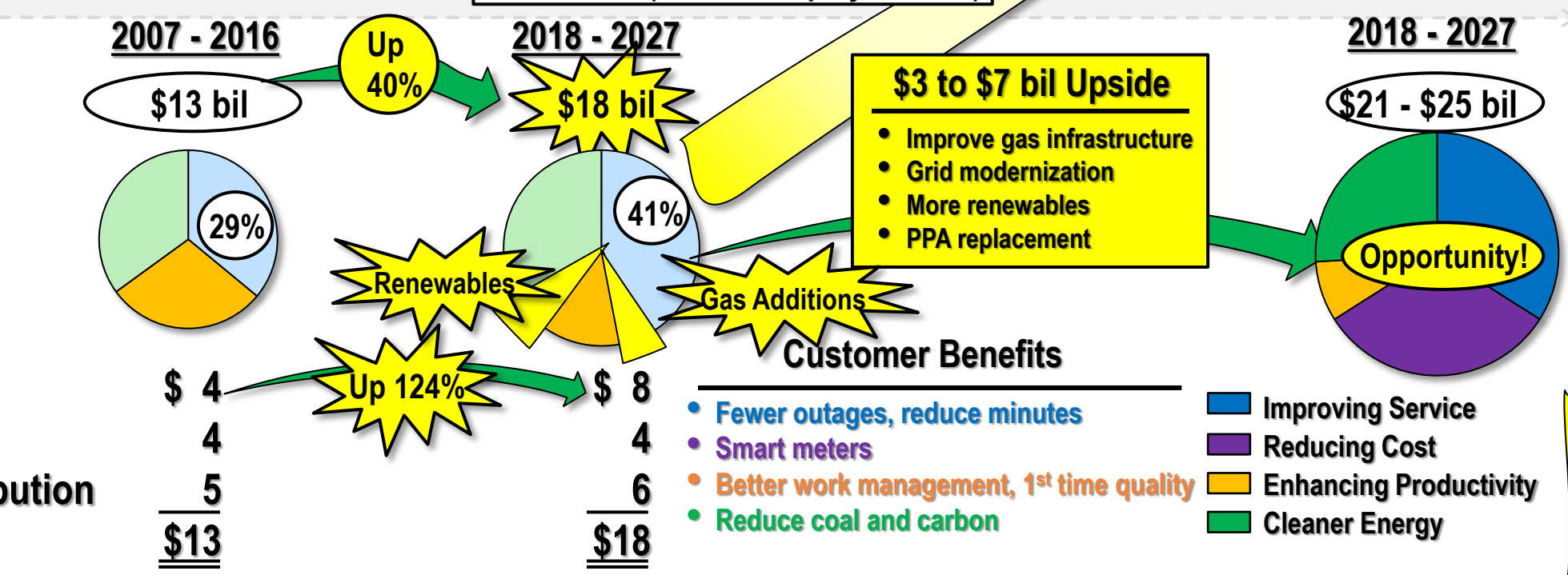
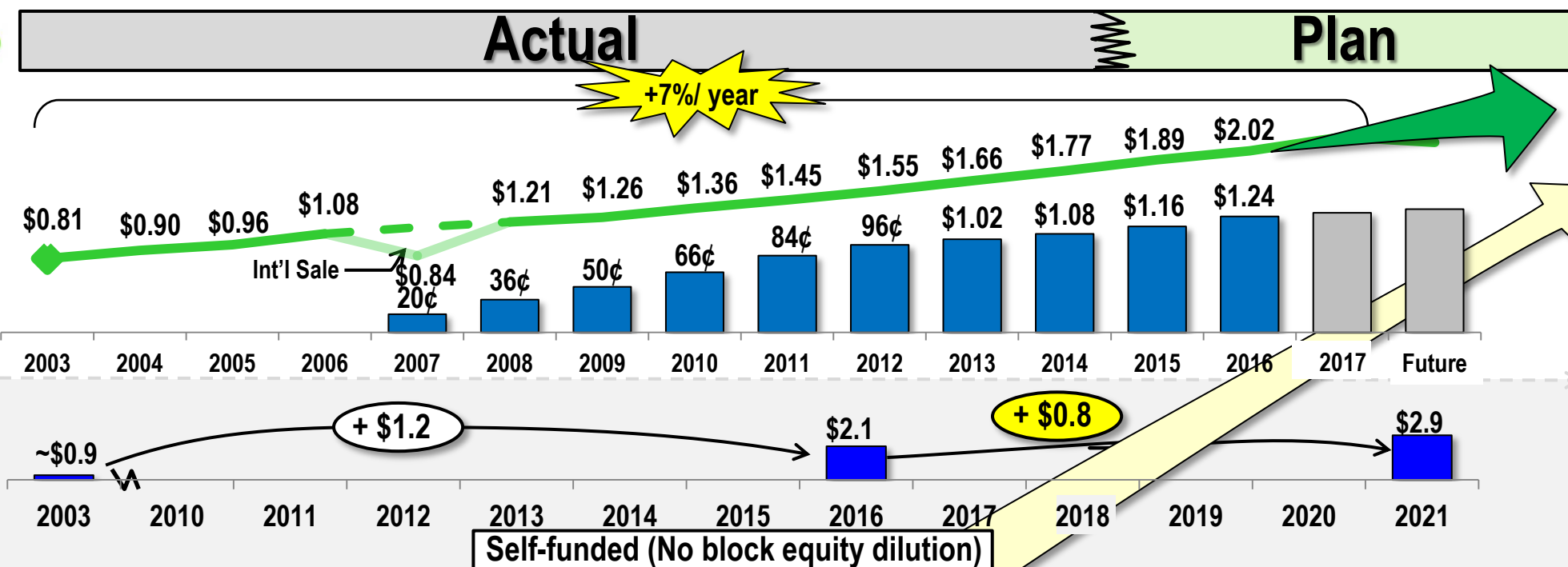
# Dividend

# Gross OCF (bils)

# CapEx

# O&M Cost (bils)

# 2017 Energy Law



- ROA Reform – Subsidy addressed
- Increased EE & DR incentive
- RPS -- 15% by end of 2021
- Integrated Resources Plan
- Improve Regulatory Process
- Price competitiveness; secure capacity
- Improved incentives
- Additional rate base opportunity
- Reliability planning; pre-approval of projects
- Streamlined process (10 month rate case)

