

# Investor Meetings

## February 10 -14, 2017

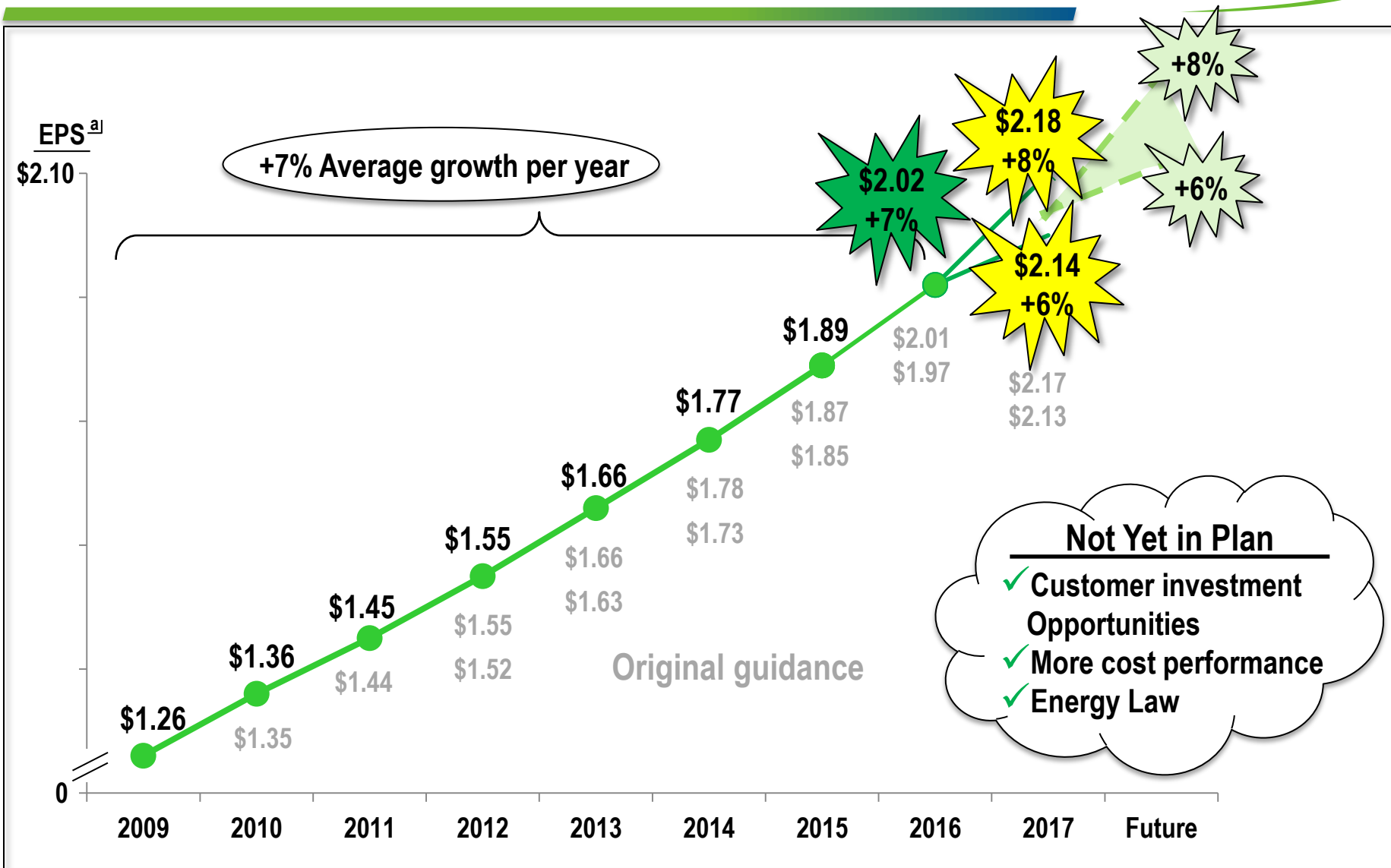


This presentation is made as of the date hereof and contains “forward-looking statements” as defined in Rule 3b-6 of the Securities Exchange Act of 1934, Rule 175 of the Securities Act of 1933, and relevant legal decisions. The forward-looking statements are subject to risks and uncertainties. All forward-looking 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).

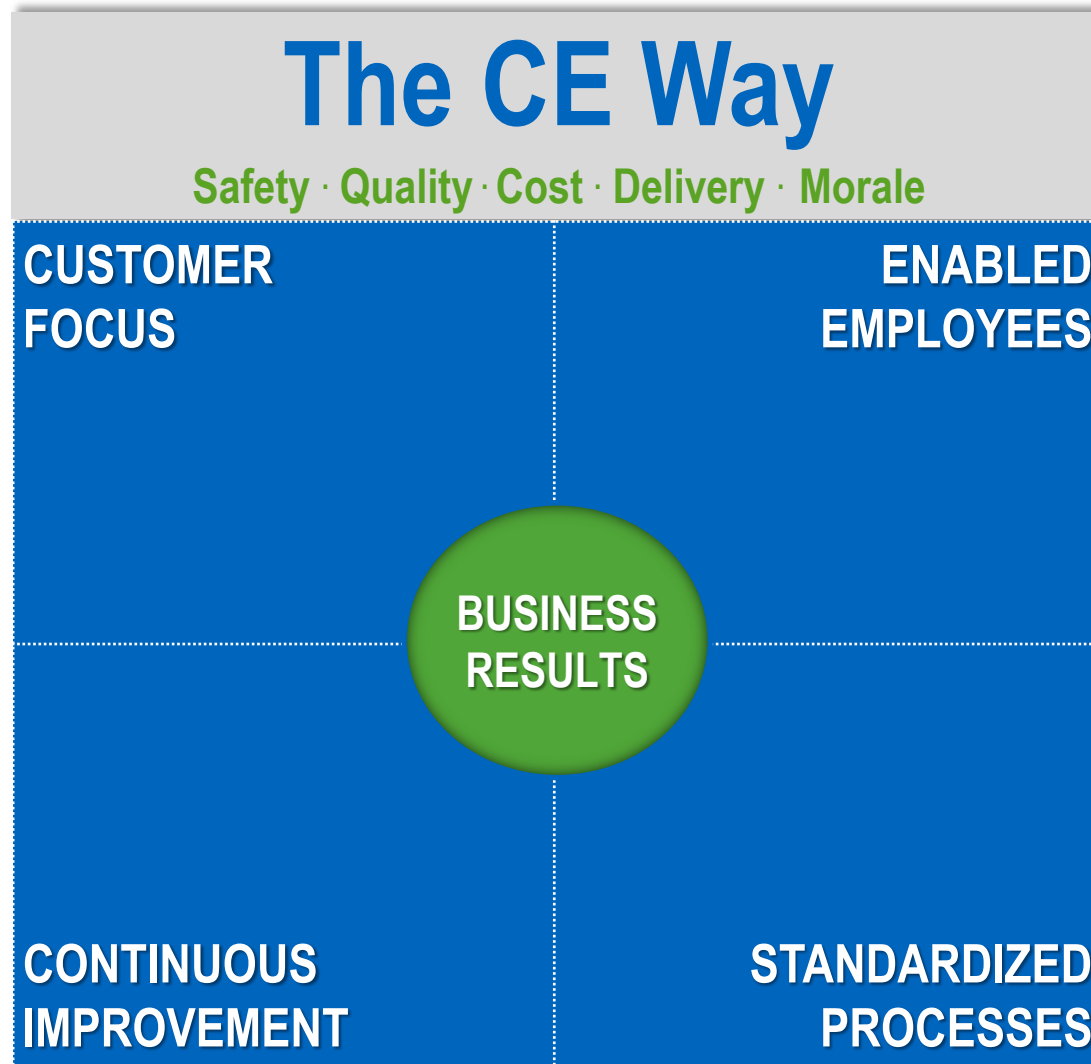
CMS Energy provides historical financial results on both a reported (GAAP) and adjusted (non-GAAP) basis and provides forward-looking guidance on an adjusted basis. Adjustments could include items such as discontinued operations, asset sales, impairments, restructuring costs, regulatory items from prior 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. References to earnings guidance refer to such guidance as provided by the company on February 2, 2017.

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.



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

.... 6% to 8%.



.... a culture of continuous improvement.

**2017+  
Plan**

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

**Self Funding:**

- |                                      |           |
|--------------------------------------|-----------|
| - O&M cost reductions                | 2 - 3 pts |
| - Sales growth                       | 1         |
| - No “block” equity dilution & other | 2         |

**INVESTMENT SELF-FUNDED**

**5 - 6 pts**

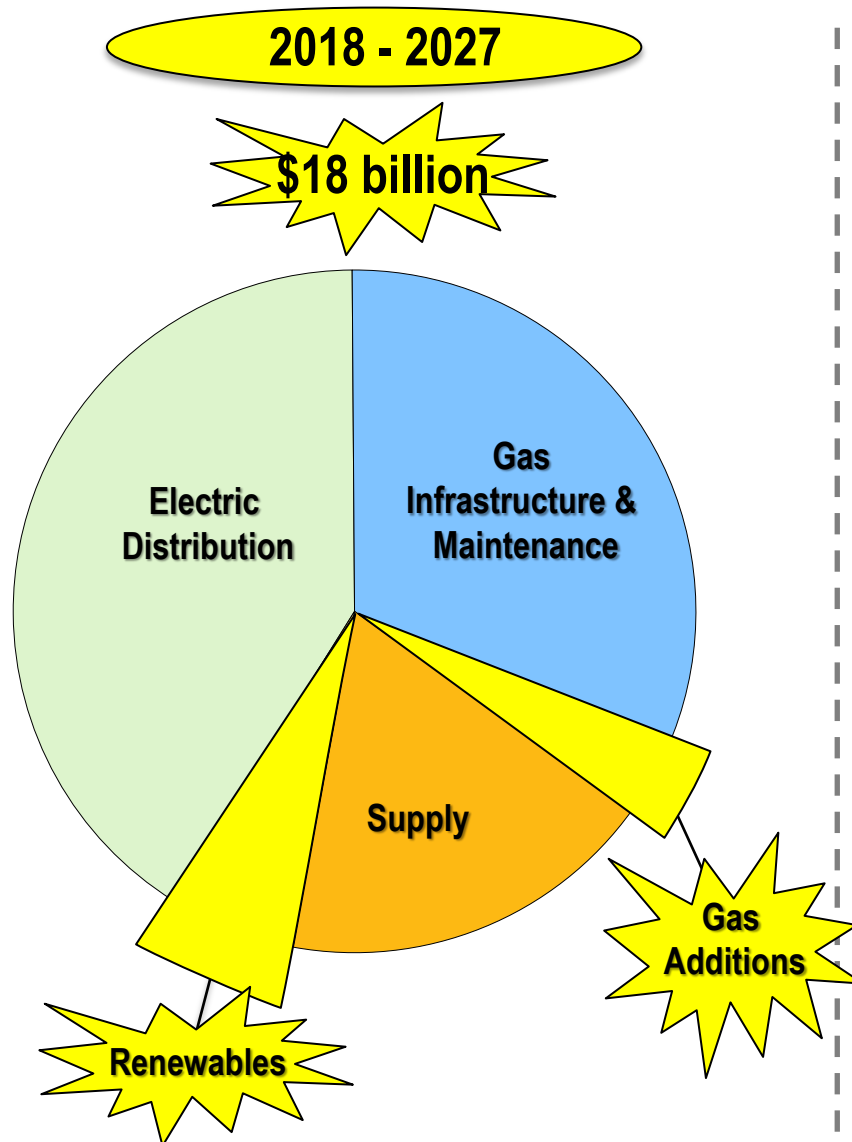
**Rate increase “at or below inflation”**

**<2%**

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

# Ten-year, \$18 bil Customer Investment Plan....

CMS ENERGY



## Details

	Capex (bils)
● Gas Infrastructure & Maintenance	\$ 8
● Supply (incl. renewables)	4
● Electric Distribution	6
<b>Total Customer Investment</b>	<b>\$18</b>

### ● Future Opportunities:

- Improve gas infrastructure
- Grid modernization
- More renewables
- PPA replacement

\$ 3

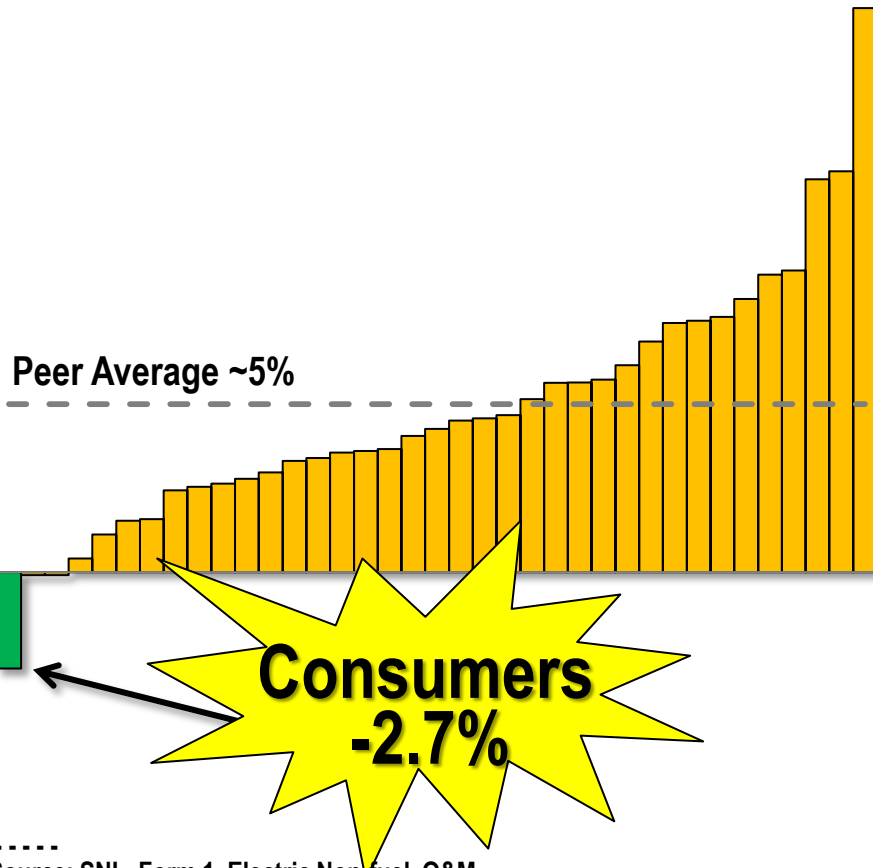
● Plan w/ Opportunities

\$21+

.... with even more opportunity ahead.

## Actual Cost Reduction

(2015 over 2006)



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

## New Annual Cost Savings

	Three-Year Avg	
	2014 - 2016	2017 - 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.

**CMS ENERGY**

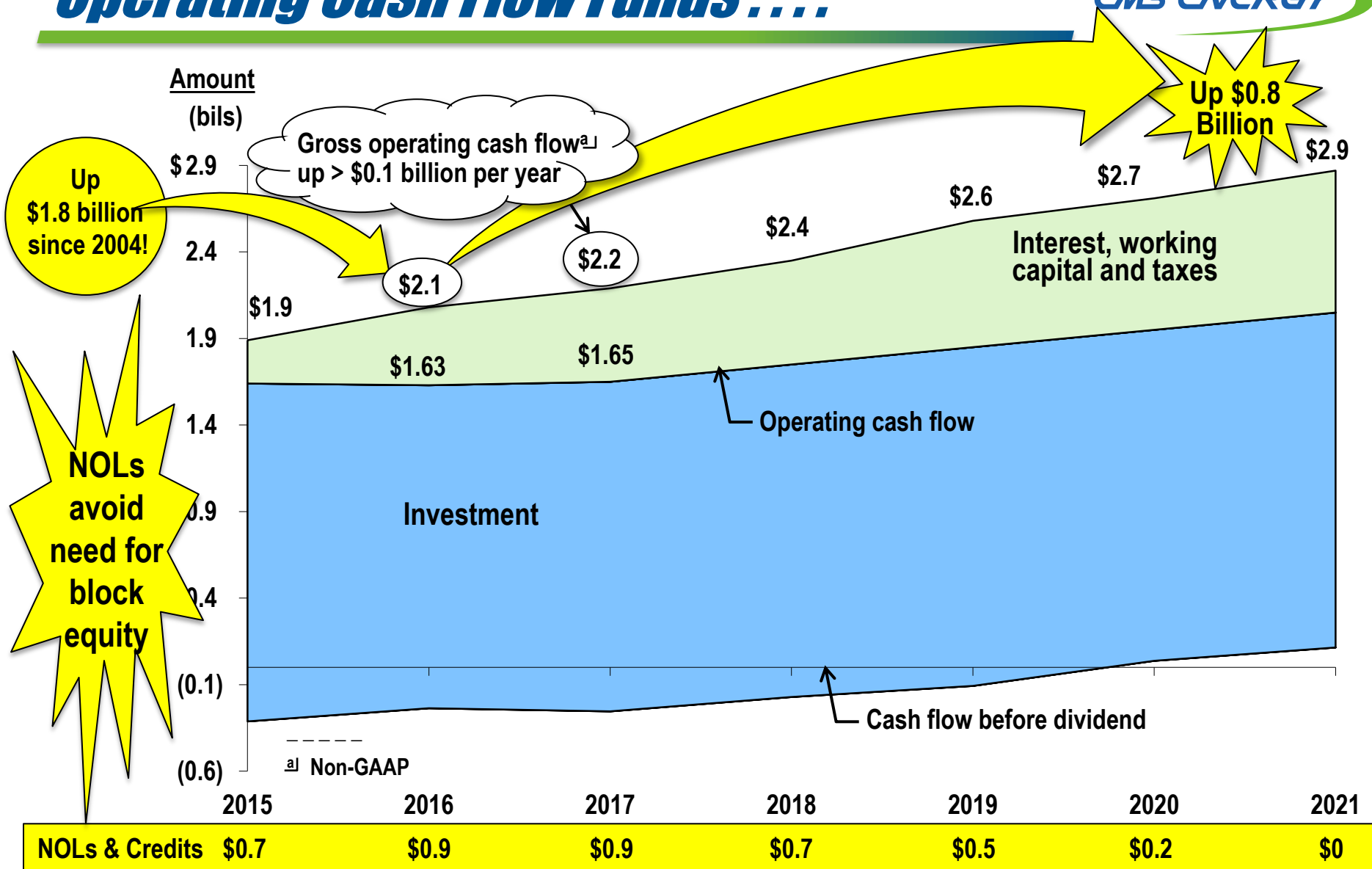


**... maximizes benefits for customers AND investors.**



# Operating Cash Flow Funds....

CMS ENERGY



... investments with no block equity.

## 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 Impact

#### Utility

- More than ample investment “Backfill”



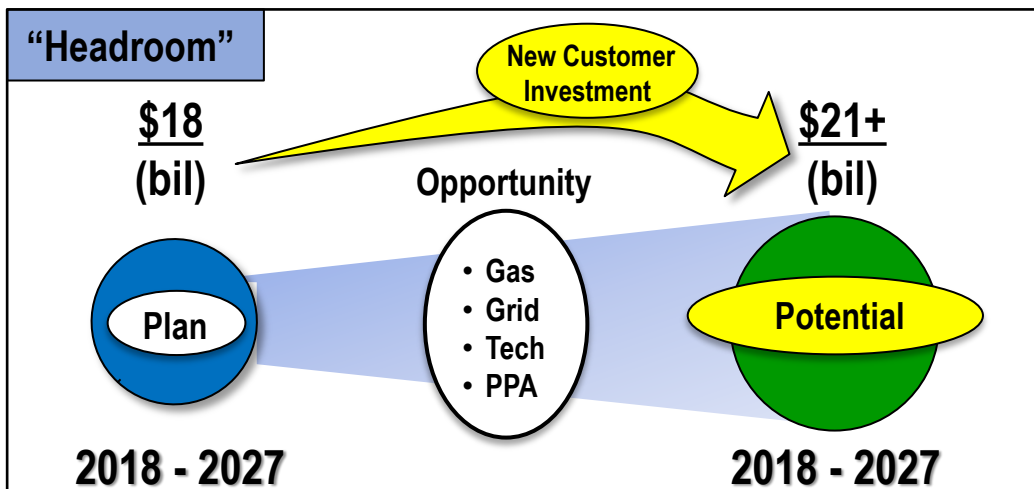
#### Enterprises

- Improved earnings & cash flow



#### Parent

- Interest deduction loss
- Offset by EnerBank interest income



.... 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%
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### Result

Customer Rate Decrease	4%	1%	Neg.
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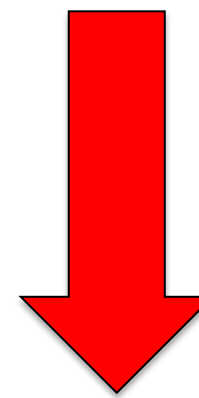
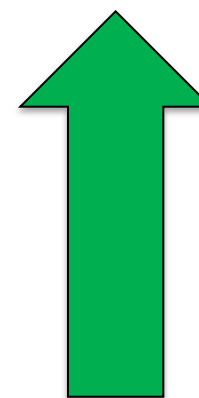
Investors



## Non-Regulated

EnerBank interest income offsets  
Parent interest expense

\$130 mil



\$130 mil

Parent Interest Expense

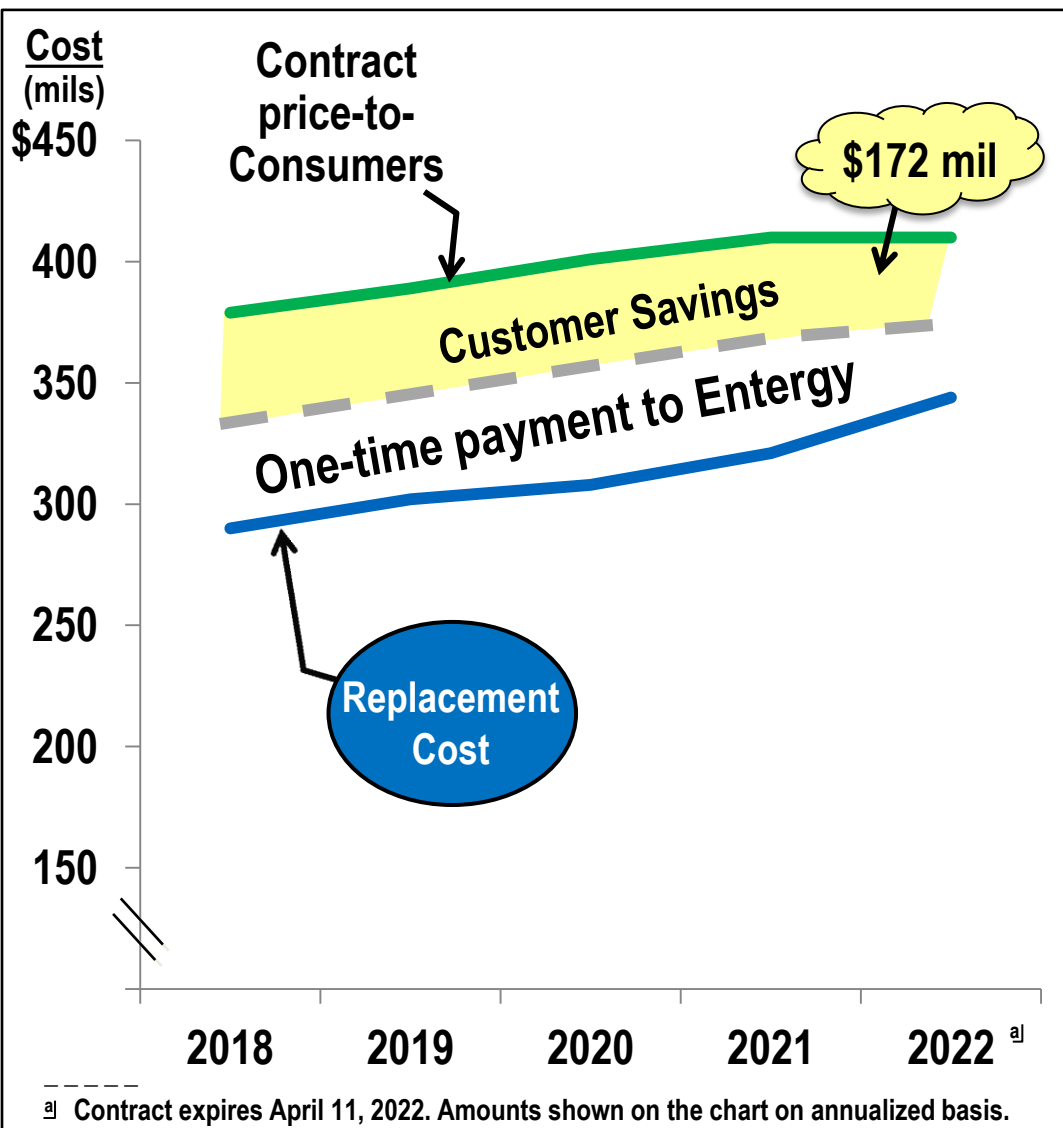
EnerBank Net Interest Income

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

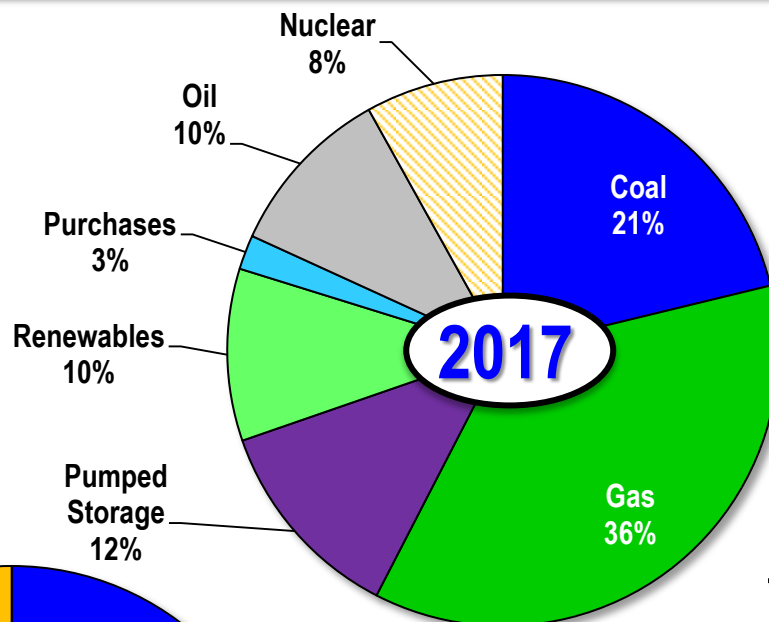
.... good for customers AND investors.

## Palisades PPA Contract

## Approach

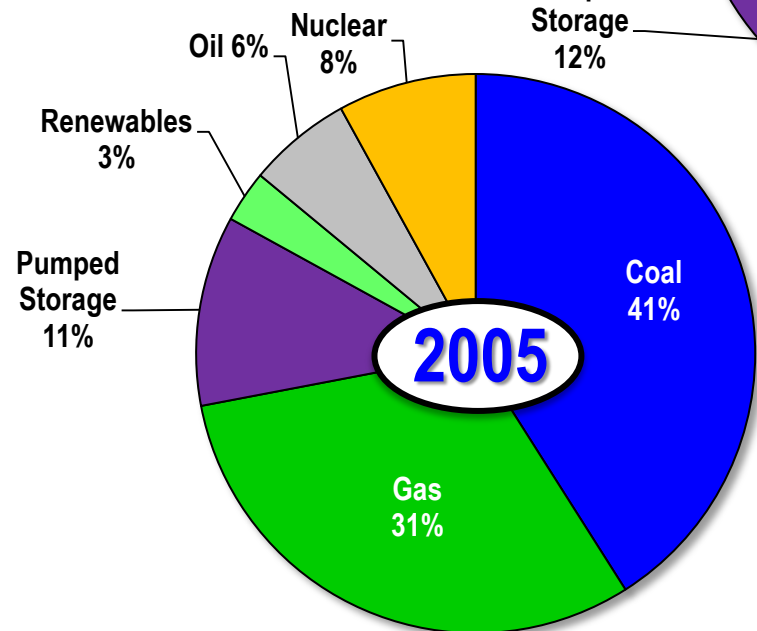


- 1 Replace above market PPA contract (customer savings)
- 2 Fully utilize existing assets
- 3 Emphasis on no carbon solutions
  - Energy Efficiency,
  - Demand Response, and
  - Renewable wind
- 4 Avoid large capacity needs (no "big bets")
- 5 Future coal-to-gas opportunities
- 6 **RESULT: world class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



## 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.

## Customer

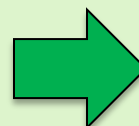
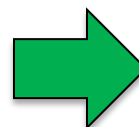
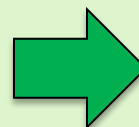
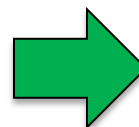
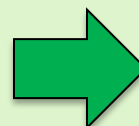
### What's New?

- 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?

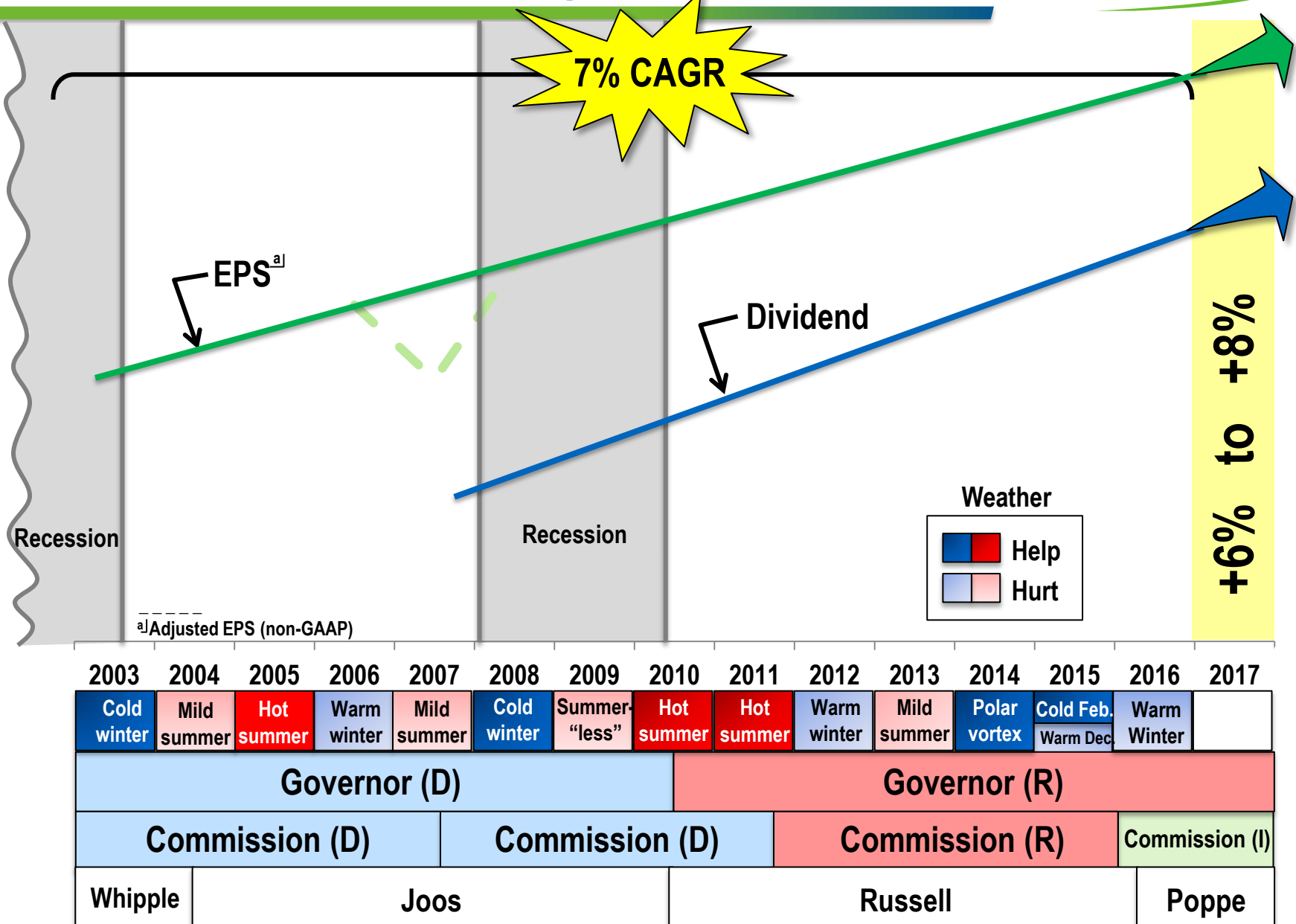
- Price competitiveness
- Secure capacity
- Improved incentives
- Additional rate base opportunity
- Streamlined process
- Reliability planning
- Pre-approval of projects



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

# Consistent Growth Through....

CMS ENERGY



.... recessions, adverse weather, and leadership changes. 14

## Appendix



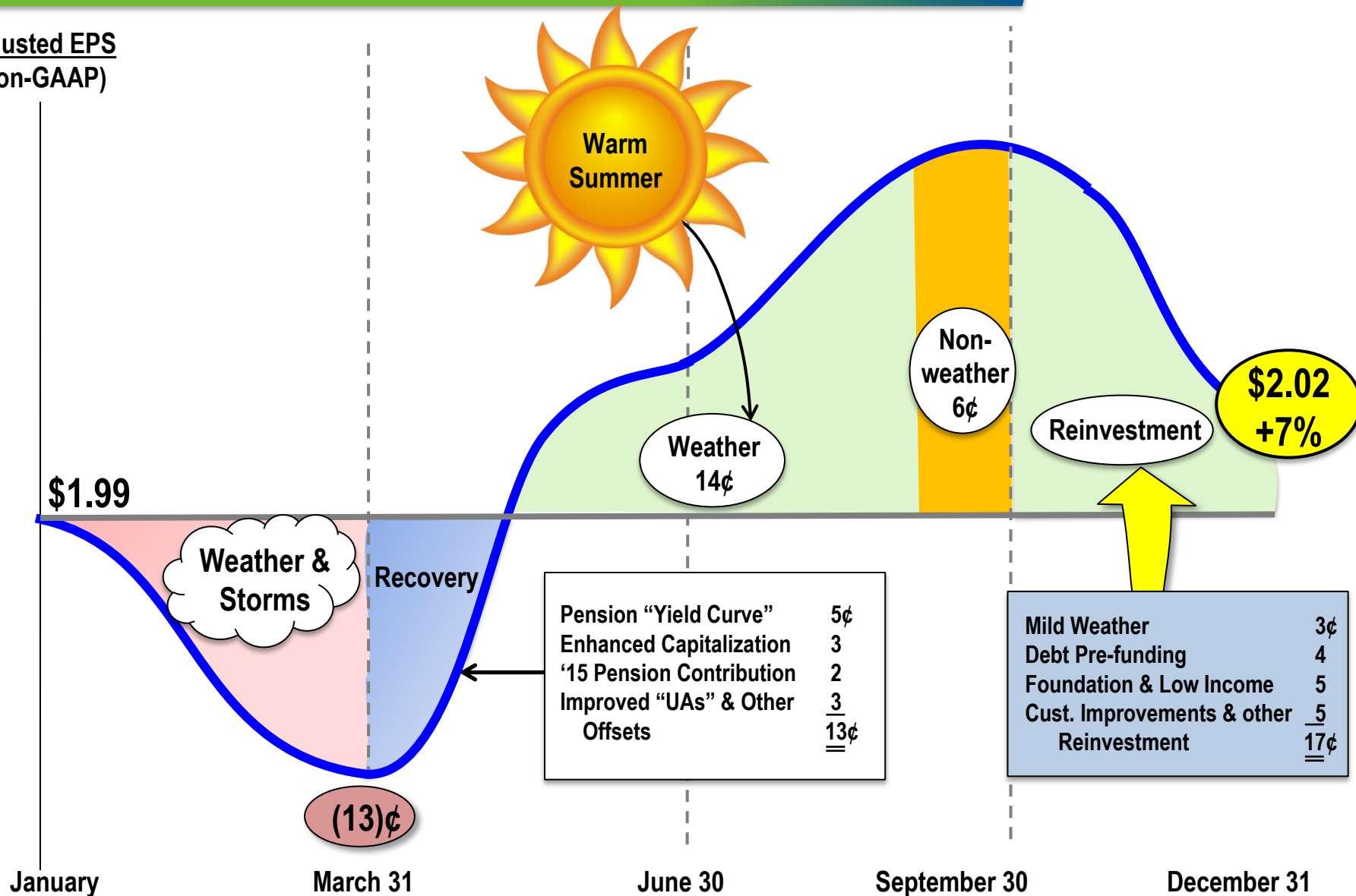
	2017 (mils)	2018 (mils)	2019 (mils)	2020 (mils)	2021 (mils)	2017-2021 Subtotal (mils)	2022-2026 Subtotal (mils)	2017-2026 Total (mils)
<b>Supply</b>								
Traditional Generation	\$ 263	\$ 312	\$ 374	\$ 263	\$ 236	\$ 1,448	\$ 1,463	\$ 2,911
Clean Power	147	64	70	54	33	368	1,073	1,441
<b>Total Supply</b>	<b>\$ 410</b>	<b>\$ 376</b>	<b>\$ 444</b>	<b>\$ 317</b>	<b>\$ 269</b>	<b>\$ 1,816</b>	<b>\$ 2,536</b>	<b>\$ 4,352</b>
<b>Electric Distribution</b>								
Electric Reliability	\$ 109	\$ 82	\$ 219	\$ 329	\$ 348	\$ 1,087	\$ 722	\$ 1,809
Electric Distribution	182	92	106	107	111	598	347	945
Electric Maintenance	355	315	339	331	312	1,652	1,854	3,506
<b>Total Electric Distribution</b>	<b>\$ 646</b>	<b>\$ 489</b>	<b>\$ 664</b>	<b>\$ 767</b>	<b>\$ 771</b>	<b>\$ 3,337</b>	<b>\$ 2,923</b>	<b>\$ 6,260</b>
<b>Total Electric</b>	<b>\$ 1,056</b>	<b>\$ 865</b>	<b>\$ 1,108</b>	<b>\$ 1,084</b>	<b>\$ 1,040</b>	<b>\$ 5,153</b>	<b>\$ 5,459</b>	<b>\$ 10,612</b>
<b>Gas Infrastructure &amp; Maintenance</b>								
Gas Infrastructure	\$ 354	\$ 676	\$ 406	\$ 272	\$ 283	\$ 1,991	\$ 1,380	\$ 3,371
Gas Maintenance	423	324	352	450	483	2,032	1,985	4,017
<b>Total Gas</b>	<b>\$ 777</b>	<b>\$ 1,000</b>	<b>\$ 758</b>	<b>\$ 722</b>	<b>\$ 766</b>	<b>\$ 4,023</b>	<b>\$ 3,365</b>	<b>\$ 7,388</b>
<b>Total Electric &amp; Gas</b>	<b>\$ 1,833</b>	<b>\$ 1,865</b>	<b>\$ 1,866</b>	<b>\$ 1,806</b>	<b>\$ 1,806</b>	<b>\$ 9,176</b>	<b>\$ 8,824</b>	<b>\$ 18,000</b>

<u>Supply</u>	<u>2015</u>	<u>2016</u>
• Coal	41%	24% <sup>a]</sup>
• Gas	18	27
• Renewables	4	4
• Pumped Storage	(1)	(1)
• 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.

Adjusted EPS  
(non-GAAP)



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

.... high end, +7% at \$2.02. 18

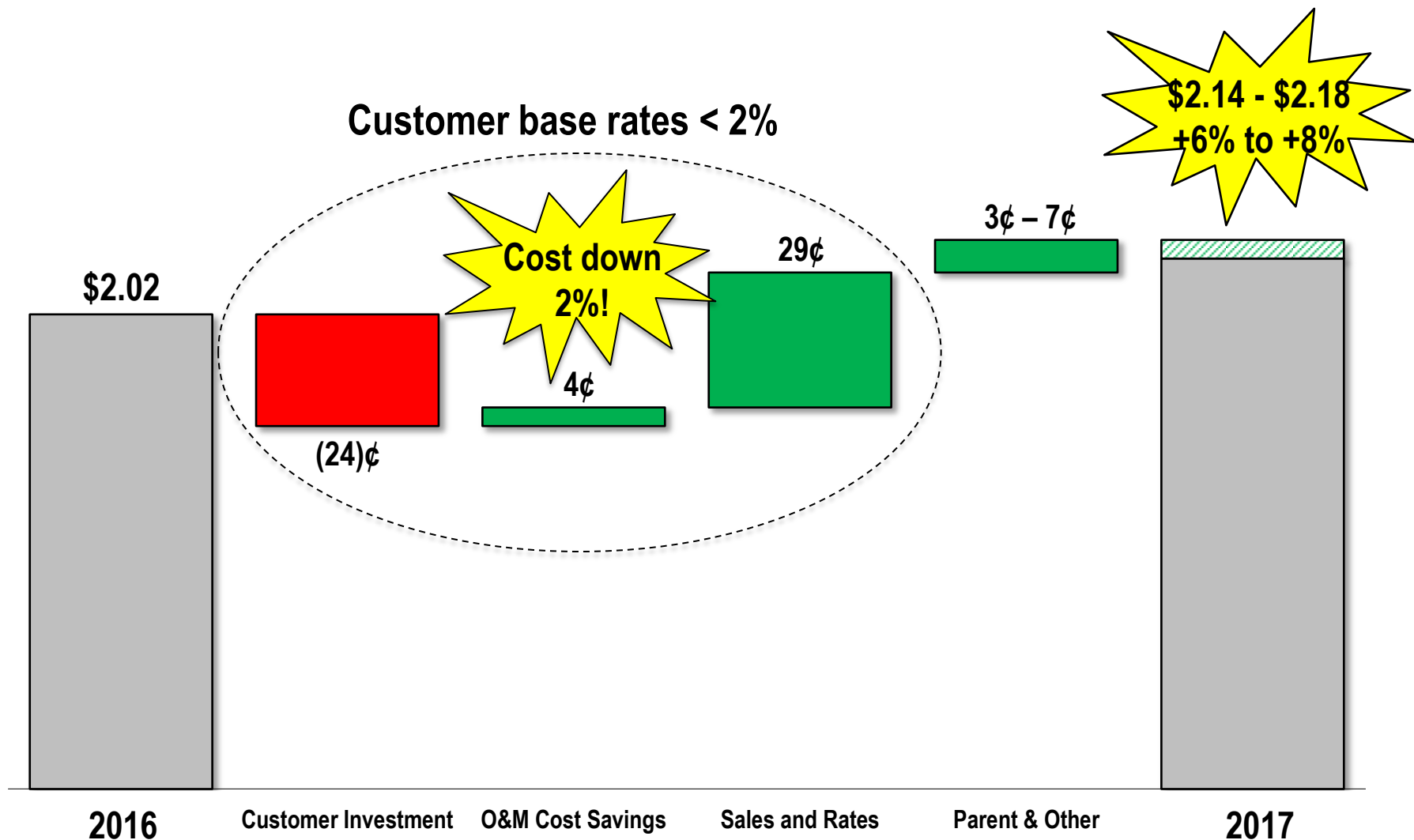
	2017	Next 5 Years
Adjusted EPS (non-GAAP)	\$2.14 - \$2.18 +6% to +8%	+6% to +8%
Operating cash flow (mils)	\$1,650	Up \$100/year
Dividend payout ratio	~ 62%	~ 62%
Customer price (excl. fuel)		
Electric	~2%	~2%
Gas	~2%	~3%
FFO/Average debt	18½%	~18%
Customer investment (bils)	\$1.8	\$1.8

.... 15<sup>th</sup> year of transparent, consistent, strong performance.

	<u>Adjusted EPS</u> (non-GAAP)	<u>Prior Guidance</u>
• Utility		
• Electric	\$1.63 - \$1.65	
• Gas	<u>0.67 - 0.69</u>	
Total Utility	\$2.30 - \$2.34	
• Enterprises	0.09	
• Parent and other	<u>(0.25)</u>	
Total EPS	<b>\$2.14 - \$2.18</b> <b>+6% to +8%</b>	\$2.13 - \$2.17
• Operating cash flow (GAAP) (mils)	<b>\$1,650</b>	

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

.... building on high end, 2016 performance.



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

.... growth up 6% to 8% over 2016.

		2017 Impact	
	<u>Sensitivity</u>	<u>EPS</u>	<u>OCF</u> (mils)
<b>Sales <sup>a]</sup></b>			
• Electric (37,704 GWh)	± 1%	± 5¢	± \$ 20
• Gas (302 Bcf)	± 5	± 7	± 30
Gas prices (NYMEX)	± 50¢	± 0	± 55
<b>ROE (planned)</b>			
• Electric (10.3%)	± 20 bps	± 3 ✓	± 15
• Gas (10.1%)	± 20	± 1	± 6
Interest Rates	±100 bps	± < 1	± 7
Customer Investment	+\$100 mil	+ 1	+ 10
Energy Efficiency <sup>b]</sup>	+ ½%	+ 2 ✓	+ 8
Property Taxes		+ 3 ✓	+ 15

<sup>a)</sup> Reflect 2017 sales forecast; weather adjusted

<sup>b)</sup> Full-year impact at \$16 mil

.... reflect strong risk mitigation.

## **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.

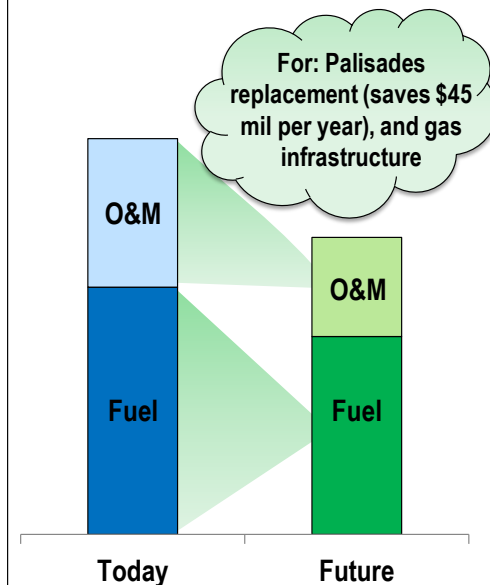
**CMS Energy**  
**Reconciliation of Gross Operating Cash Flow to GAAP Operating Activities**  
(unaudited)  
(mils)

	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>

# Clean AND "Lean" Energy Portfolio .... CMS ENERGY

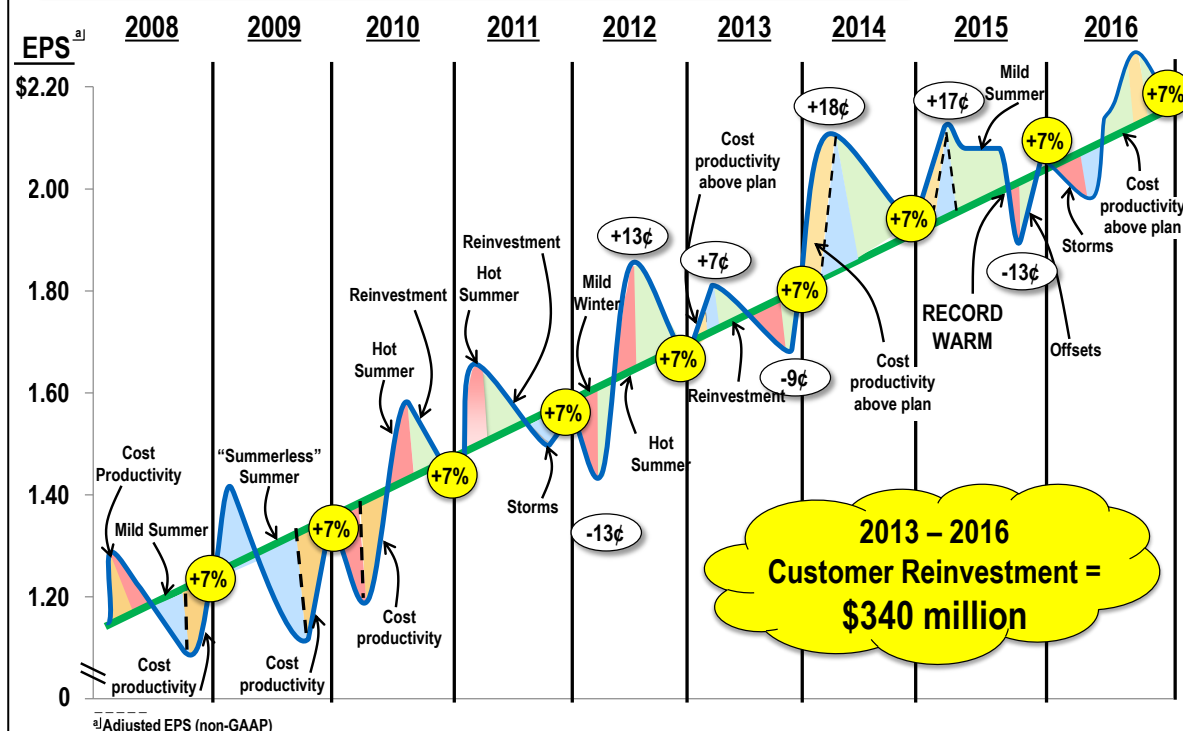
Sustainable Strategy → Creates Headroom

- 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

- 14 year track record (7% EPS<sup>aj</sup>, 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
- Morale: we are proud to serve
- .... a culture of continuous improvement.

CMS Energy: World Class Performance  
Delivering Hometown Service

February 2017

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