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CMS ENERGY & CONSUMERS ENERGY

ANNUAL REPORT

2019





Dear Shareowners:

I'm proud to report that we delivered another year of strong financial performance in 2019, marking 17 years of meeting our adjusted earnings guidance. As we reflect on a successful year of world class performance delivering hometown service, I'm proud to share our top achievements with you, as measured by our triple bottom line of People, Planet and Profit.

PEOPLE — Serving our customers, communities and co-workers. Highlights include:

- Achieved 1st Quartile Employee Engagement
- Named the #1 Michigan Company for Diversity 2019 by *Forbes® Magazine* for the third year in a row
- Ranked 2nd in the state (40th of 113 companies globally) in the *Military Times* Best for Vets: Employers 2019
- Ranked in the Top 50 Best Employers for Diversity 2020 by *Forbes® Magazine*
- Won the Association for Talent Development (ATD) 2019 BEST Award (# 3 in the world)
- Received the 2019 Women's Resource Network's Pillar Award
- Ranked #1 overall in the Midwest Large Segment for the 2019 Gas Residential Customer Satisfaction Study, JD Power & Associates
- Partnered with Project Search and Jackson Intermediate School District to launch our 2nd cohort of interns to provide meaningful work experiences to young adults with disabilities

PLANET — Going above and beyond environmental regulations to leave our planet better than we found it. Highlights include:

- Settled our 20-year Clean Energy Plan with broad coalition of support
- Cross Winds® Energy Park Phase III (76 MW) became operational
- Launched programs PowerMIDrive and Bring Your Own Thermostat
- Made good progress toward our five-year goals that we set in 2017:
    - Goal — save 1 billion gallons of water: through 2019 we've saved over 400 million gallons of water
    - Goal — reduce waste to landfill by 35%: through 2019 we've reduced our landfill waste by 10%
    - Goal — protect, enhance or restore over 5,000 acres of land: through 2019 we've restored over 2,200 acres of land

PROFIT — Delivering consistent, industry-leading financial performance. Highlights include:

- Reported net income of $702 million, or $2.33 per share, compared with $657 million, or $2.32 per share, the previous year
- Adjusted net income of $708 million, or $2.49 per share — achieving annual adjusted earnings per share growth of 7%, again
- In January 2020, increased our common stock dividend by 6.5% to $1.63 per share on an annualized basis — the 14th common stock dividend increase in as many years
- Delivered operating cash flow of $1.8 billion
- Achieved all-time high stock price of $65.04 and market cap of $18.5 billion (9/26/2019)
- Won EEI's 5-year Total Shareholder Return (TSR) Award for Mid-Cap Utilities with a 5-year TSR of 150%
- Ranked Top 3 by *Institutional Investor* in all major categories: CEO, CFO, IR Professional and IR Team
- Won *IR Magazine's* Best IR by a Senior Management Team

I am proud of our co-workers who exemplify our purpose — CMS Energy: World Class Performance Delivering Hometown Service. This will continue to guide us on a path of success. I look forward to the coming year, and I thank you for your continued support.

Sincerely,



Patti Poppe
President and CEO
March 19, 2020

This letter includes non-GAAP measures. Reconciliations to the most directly comparable GAAP measures are found immediately following this letter and on our website at cmsenergy.com.

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CMS ENERGY CORPORATION
Reconciliation of GAAP Net Income to Non-GAAP Adjusted Net Income
(Unaudited)

	In Millions, Except Per Share Amounts		
	Twelve Months Ended		2019
	12/31/19	12/31/18	Increase
Net Income Available to Common Stockholders	$ 680	$ 657	4%
Reconciling items:			
Other exclusions from adjusted earnings	37	9	
Tax impact	(9)	(*)	
Gain on assets previously sold	(*)	(4)	
Tax impact	*	1	
Tax reform	-	(4)	
Adjusted net income – non-GAAP	$ 708	$ 659	7%
Average Common Shares Outstanding			
Basic	283.0	282.2	
Diluted	284.3	282.9	
Basic Earnings Per Average Common Share			
Reported net income per share	$ 2.40	$ 2.33	3%
Reconciling items:			
Other exclusions from adjusted earnings	0.13	0.03	
Tax impact	(0.03)	(*)	
Gain on assets previously sold	(*)	(0.01)	
Tax impact	*	*	
Tax reform	-	(0.02)	
Adjusted net income per share – non-GAAP	$ 2.50	$ 2.33	7%
Diluted Earnings Per Average Common Share			
Reported net income per share	$ 2.39	$ 2.32	3%
Reconciling items:			
Other exclusions from adjusted earnings	0.13	0.03	
Tax impact	(0.03)	(*)	
Gain on assets previously sold	(*)	(0.01)	
Tax impact	*	*	
Tax reform	-	(0.01)	
Adjusted net income per share – non-GAAP	$ 2.49	$ 2.33	7%

* Less than $0.5 million or $0.01 per share.

Management views adjusted (non-Generally Accepted Accounting Principles) 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. Adjustments could include items such as discontinued operations, asset sales, impairments, restructuring costs, regulatory items from prior years, or other items detailed in these summary financial statements. Adjusted earnings should be considered supplemental information to assist in understanding our business results, rather than as a substitute for reported earnings.

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UNITED STATES SECURITIES AND EXCHANGE COMMISSION

Washington, D.C. 20549

FORM 10-K

☒ **ANNUAL REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934**
For the fiscal year ended December 31, 2019

OR

☐ TRANSITION REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934
For the transition period from _____to_____

Commission File Number	Registrant; State of Incorporation; Address; and Telephone Number	IRS Employer Identification No.
1-9513	**CMS ENERGY CORPORATION** (A Michigan Corporation) One Energy Plaza, Jackson, Michigan 49201 (517) 788-0550	38-2726431
1-5611	**CONSUMERS ENERGY COMPANY** (A Michigan Corporation) One Energy Plaza, Jackson, Michigan 49201 (517) 788-0550	38-0442310

Securities registered pursuant to Section 12(b) of the Act:

Title of each class	Trading Symbol(s)	Name of each exchange on which registered
CMS Energy Corporation Common Stock, $0.01 par value	CMS	New York Stock Exchange
CMS Energy Corporation 5.625% Junior Subordinated Notes due 2078	CMSA	New York Stock Exchange
CMS Energy Corporation 5.875% Junior Subordinated Notes due 2078	CMSC	New York Stock Exchange
CMS Energy Corporation 5.875% Junior Subordinated Notes due 2079	CMSD	New York Stock Exchange
Consumers Energy Company Cumulative Preferred Stock, $100 par value: $4.50 Series	CMS-PB	New York Stock Exchange

Securities registered pursuant to Section 12(g) of the Act: None

Indicate by check mark if the registrant is a well-known seasoned issuer, as defined in Rule 405 of the Securities Act.
CMS Energy Corporation: Yes ☒ No ☐ **Consumers Energy Company:** Yes ☒ No ☐

Indicate by check mark if the registrant is not required to file reports pursuant to Section 13 or Section 15(d) of the Act.
CMS Energy Corporation: Yes ☐ No ☒ **Consumers Energy Company:** Yes ☐ No ☒

Indicate by check mark whether the registrant (1) has filed all reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 during the preceding 12 months (or for such shorter period that the Registrant was required to file such reports), and (2) has been subject to such filing requirements for the past 90 days.
CMS Energy Corporation: Yes ☒ No ☐ **Consumers Energy Company:** Yes ☒ No ☐

Indicate by check mark whether the registrant has submitted electronically every Interactive Data File required to be submitted pursuant to Rule 405 of Regulation S-T (§232.405 of this chapter) during the preceding 12 months (or for such shorter period that the registrant was required to submit such files).
CMS Energy Corporation: Yes ☒ No ☐ **Consumers Energy Company:** Yes ☒ No ☐

Indicate by check mark whether the registrant is a large accelerated filer, an accelerated filer, a non-accelerated filer, a smaller reporting company, or an emerging growth company. See the definitions of "large accelerated filer," "accelerated filer," "smaller reporting company," and "emerging growth company" in Rule 12b-2 of the Exchange Act.

CMS Energy Corporation:		**Consumers Energy Company:**	
Large accelerated filer	☒	Large accelerated filer	☐
Non-accelerated filer	☐	Non-accelerated filer	☒
Accelerated filer	☐	Accelerated filer	☐
Smaller reporting company	☐	Smaller reporting company	☐
Emerging growth company	☐	Emerging growth company	☐

If an emerging growth company, indicate by check mark if the registrant has elected not to use the extended transition period for complying with any new or revised financial accounting standards provided pursuant to Section 13(a) of the Exchange Act.
CMS Energy Corporation: ☐ **Consumers Energy Company:** ☐

Indicate by check mark whether the registrant is a shell company (as defined in Rule 12b-2 of the Exchange Act).
CMS Energy Corporation: Yes ☐ No ☒ **Consumers Energy Company:** Yes ☐ No ☒

The aggregate market value of CMS Energy voting and non-voting common equity held by non-affiliates was $16.352 billion for the 282,365,464 CMS Energy Corporation Common Stock shares outstanding on June 30, 2019 based on the closing sale price of $57.91 for CMS Energy Corporation Common Stock, as reported by the New York Stock Exchange on such date. There were no shares of Consumers common equity held by non-affiliates as of June 30, 2019.

There were 283,882,207 shares of CMS Energy Corporation Common Stock outstanding on January 10, 2020, including 12,322 shares owned by Consumers. On January 10, 2020, CMS Energy held all 84,108,789 outstanding shares of common stock of Consumers.

Documents incorporated by reference in Part III: CMS Energy's and Consumers' proxy statement relating to their 2020 Annual Meetings of Shareholders to be held May 1, 2020.

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CMS Energy Corporation
Consumers Energy Company
Annual Reports on Form 10-K to the Securities and Exchange Commission for the Year Ended December 31, 2019

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Glossary

Certain terms used in the text and financial statements are defined below.

2016 Energy Law
Michigan's Public Acts 341 and 342 of 2016, which became effective in April 2017

ABATE
The Association of Businesses Advocating Tariff Equity

ABO
Accumulated benefit obligation; the liabilities of a pension plan based on service and pay to date, which differs from the PBO in that it does not reflect expected future salary increases

AFUDC
Allowance for borrowed and equity funds used during construction

AOCI
Accumulated other comprehensive income (loss)

ARO
Asset retirement obligation

ASC 715
Financial Accounting Standards Board Accounting Standards Codification Topic 715, Retirement Benefits

ASU
Financial Accounting Standards Board Accounting Standards Update

Bay Harbor
A residential/commercial real estate area located near Petoskey, Michigan, in which CMS Energy sold its interest in 2002

bcf
Billion cubic feet

Cantera Gas Company
Cantera Gas Company LLC, a non-affiliated company, formerly known as CMS Field Services

Cantera Natural Gas, Inc.
Cantera Natural Gas, Inc., a non-affiliated company that purchased CMS Field Services

CAO
Chief Accounting Officer

CCR
Coal combustion residual

CEO
Chief Executive Officer

CERCLA
The Comprehensive Environmental Response, Compensation, and Liability Act of 1980, as amended

CFO
Chief Financial Officer

city-gate contract
An arrangement made for the point at which a local distribution company physically receives gas from a supplier or pipeline

Clean Air Act
Federal Clean Air Act of 1963, as amended

Clean Energy Plan
Consumers' long-term strategy for delivering clean, reliable, and affordable energy to its customers through the increased use of energy efficiency and customer demand management programs, additional renewable energy generation, and conservation voltage reduction

Clean Water Act
Federal Water Pollution Control Act of 1972, as amended

CMS Capital
CMS Capital, L.L.C., a wholly owned subsidiary of CMS Energy

CMS Energy
CMS Energy Corporation and its consolidated subsidiaries, unless otherwise noted; the parent of Consumers and CMS Enterprises

CMS Enterprises
CMS Enterprises Company, a wholly owned subsidiary of CMS Energy

CMS ERM
CMS Energy Resource Management Company, formerly known as CMS MST, a wholly owned subsidiary of CMS Enterprises

CMS Field Services
CMS Field Services, Inc., a former wholly owned subsidiary of CMS Gas Transmission

CMS Gas Transmission
CMS Gas Transmission Company, a wholly owned subsidiary of CMS Enterprises

CMS Land
CMS Land Company, a wholly owned subsidiary of CMS Capital

CMS MST
CMS Marketing, Services and Trading Company, a wholly owned subsidiary of CMS Enterprises, whose name was changed to CMS ERM in 2004

Consumers
Consumers Energy Company and its consolidated subsidiaries, unless otherwise noted; a wholly owned subsidiary of CMS Energy

Consumers 2014 Securitization Funding
Consumers 2014 Securitization Funding LLC, a wholly owned consolidated bankruptcy-remote subsidiary of Consumers and special-purpose entity organized for the sole purpose of purchasing and

owning securitization property, issuing securitization bonds, and pledging its interest in securitization property to a trustee to collateralize the securitization bonds

Craven
Craven County Wood Energy Limited Partnership, a variable interest entity in which HYDRA-CO Enterprises, Inc., a wholly owned subsidiary of CMS Enterprises, has a 50-percent interest

CSAPR
The Cross-State Air Pollution Rule of 2011, as amended

DB Pension Plan A
Defined benefit pension plan of CMS Energy and Consumers, including certain present and former affiliates and subsidiaries, created as of December 31, 2017 for active employees who were covered under the defined benefit pension plan that closed in 2005

DB Pension Plan B
Defined benefit pension plan of CMS Energy and Consumers, including certain present and former affiliates and subsidiaries, amended as of December 31, 2017 to include only retired and former employees who were covered under the defined benefit pension plan that closed in 2005

DB Pension Plans
Defined benefit pension plans of CMS Energy and Consumers, comprising DB Pension Plan A and DB Pension Plan B

DB SERP
Defined Benefit Supplemental Executive Retirement Plan

DCCP
Defined Company Contribution Plan

DC SERP
Defined Contribution Supplemental Executive Retirement Plan

DIG
Dearborn Industrial Generation, L.L.C., a wholly owned subsidiary of Dearborn Industrial Energy, L.L.C., a wholly owned subsidiary of CMS Energy

Dodd-Frank Act
Dodd-Frank Wall Street Reform and Consumer Protection Act of 2010

DTE Electric
DTE Electric Company, a non-affiliated company

EBITDA
Earnings before interest, taxes, depreciation, and amortization

EGLE
The Michigan Department of Environment, Great Lakes, and Energy, formerly known as the Michigan Department of Environmental Quality

EnerBank
EnerBank USA, a wholly owned subsidiary of CMS Capital

energy waste reduction
The reduction of energy consumption through energy efficiency and demand-side energy conservation, as established under the 2016 Energy Law

Entergy
Entergy Corporation, a non-affiliated company

EPA
U.S. Environmental Protection Agency

EPS
Earnings per share

Exchange Act
Securities Exchange Act of 1934

FDIC
Federal Deposit Insurance Corporation

FERC
The Federal Energy Regulatory Commission

First Mortgage Bond Indenture
The indenture dated as of September 1, 1945 between Consumers and The Bank of New York Mellon, as Trustee, as amended and supplemented

FLI Liquidating Trust
Trust formed in Missouri bankruptcy court to accomplish the liquidation of Farmland Industries, Inc., a non-affiliated entity

FTR
Financial transmission right

GAAP
U.S. Generally Accepted Accounting Principles

GCC
Gas Customer Choice, which allows gas customers to purchase gas from alternative suppliers

GCR
Gas cost recovery

Genesee
Genesee Power Station Limited Partnership, a variable interest entity in which HYDRA-CO Enterprises, Inc., a wholly owned subsidiary of CMS Enterprises, has a 50-percent interest

Grayling
Grayling Generating Station Limited Partnership, a variable interest entity in which HYDRA-CO Enterprises, Inc., a wholly owned subsidiary of CMS Enterprises, has a 50-percent interest

GWh
Gigawatt-hour, a unit of energy equal to one billion watt-hours

Internal Revenue Code
Internal Revenue Code of 1986, as amended

IRP
Integrated resource plan

IRS
Internal Revenue Service

ITC
International Transmission Company, wholly owned by ITC Holdings Corp., a non-affiliated company

kV
Thousand volts, a unit used to measure the difference in electrical pressure along a current

kVA
Thousand volt-amperes, a unit used to reflect the electrical power capacity rating of equipment or a system

kWh
Kilowatt-hour, a unit of energy equal to one thousand watt-hours

LIBOR
The London Interbank Offered Rate

Ludington
Ludington pumped-storage plant, jointly owned by Consumers and DTE Electric

MATS
Mercury and Air Toxics Standards, which limit mercury, acid gases, and other toxic pollution from coal-fueled and oil-fueled power plants

mcf
Thousand cubic feet

MCV Facility
A 1,647 MW natural gas-fueled, combined-cycle cogeneration facility operated by the MCV Partnership

MCV Partnership
Midland Cogeneration Venture Limited Partnership

MCV PPA
PPA between Consumers and the MCV Partnership

METC
Michigan Electric Transmission Company, LLC, wholly owned by ITC Holdings, Corp., a non-affiliated company

MGP
Manufactured gas plant

Michigan Mercury Rule
Michigan Air Pollution Control Rules of 2009, as amended: Part 15, Emission Limitations and Prohibitions—Mercury

MISO
Midcontinent Independent System Operator, Inc.

MISS DIG Act
MISS DIG Underground Facility Damage Prevention and Safety Act of 2013

mothball
To place a generating unit into a state of extended reserve shutdown in which the unit is inactive and unavailable for service for a specified period, during which the unit can be brought back into service after receiving appropriate notification and completing any necessary maintenance or other work; generation owners in MISO must request approval to mothball a unit, and MISO then evaluates the request for reliability impacts

MPSC
Michigan Public Service Commission

MRV
Market-related value of plan assets

MW
Megawatt, a unit of power equal to one million watts

MWh
Megawatt-hour, a unit of energy equal to one million watt-hours

NAAQS
National Ambient Air Quality Standards

NERC
The North American Electric Reliability Corporation, a non-affiliated company responsible for developing and enforcing reliability standards, monitoring the bulk power system, and educating and certifying industry personnel

NPDES
National Pollutant Discharge Elimination System, a permit system for regulating point sources of pollution under the Clean Water Act

NREPA
Part 201 of Michigan's Natural Resources and Environmental Protection Act of 1994, as amended

NSR
New Source Review, a construction-permitting program under the Clean Air Act

OPEB
Other Post-Employment Benefits

OPEB Plan
Postretirement health care and life insurance plans of CMS Energy and Consumers, including certain present and former affiliates and subsidiaries

OSHA
Occupational Safety and Health Administration

Palisades
Palisades nuclear power plant, sold by Consumers to Entergy in 2007

PBO
Projected benefit obligation

PCB
Polychlorinated biphenyl

PFAS
Per- and polyfluoroalkyl substances

PHMSA
The U.S. Department of Transportation's Pipeline and Hazardous Materials Safety Administration

PISP
Performance Incentive Stock Plan

PPA
Power purchase agreement

PSCR
Power supply cost recovery

PURPA
The Public Utility Regulatory Policies Act of 1978

RCRA
The Federal Resource Conservation and Recovery Act of 1976

REC
Renewable energy credit

ROA
Retail Open Access, which allows electric generation customers to choose alternative electric suppliers pursuant to Michigan's Public Acts 141 and 142 of 2000, as amended

S&P
Standard & Poor's Financial Services LLC

SEC
U.S. Securities and Exchange Commission

securitization
A financing method authorized by statute and approved by the MPSC which allows a utility to sell its right to receive a portion of the rate payments received from its customers for the repayment of securitization bonds issued by a special-purpose entity affiliated with such utility

Smart Energy
Consumers' Smart Energy grid modernization project, which includes the installation of smart meters that transmit and receive data, a two-way communications network, and modifications to Consumers' existing information technology system to manage the data and enable changes to key business processes

TCJA
Tax Cuts and Jobs Act of 2017

T.E.S. Filer City
T.E.S. Filer City Station Limited Partnership, a variable interest entity in which HYDRA-CO Enterprises, Inc., a wholly owned subsidiary of CMS Enterprises, has a 50-percent interest

USW
United Steel, Paper and Forestry, Rubber, Manufacturing, Energy, Allied Industrial and Service Workers International Union, AFL-CIO-CLC

UWUA
Utility Workers Union of America, AFL-CIO

VEBA trust
Voluntary employees' beneficiary association trusts accounts established specifically to set aside employer-contributed assets to pay for future expenses of the OPEB Plan

Filing Format

This combined Form 10-K is separately filed by CMS Energy and Consumers. Information in this combined Form 10-K relating to each individual registrant is filed by such registrant on its own behalf. Consumers makes no representation regarding information relating to any other companies affiliated with CMS Energy other than its own subsidiaries. None of CMS Energy, CMS Enterprises, nor any of CMS Energy's other subsidiaries (other than Consumers) has any obligation in respect of Consumers' debt securities and holders of such debt securities should not consider the financial resources or results of operations of CMS Energy, CMS Enterprises, nor any of CMS Energy's other subsidiaries (other than Consumers and its own subsidiaries (in relevant circumstances)) in making a decision with respect to Consumers' debt securities. Similarly, neither Consumers nor any other subsidiary of CMS Energy has any obligation in respect of debt securities of CMS Energy.

Forward-Looking Statements and Information

This Form 10-K and other CMS Energy and Consumers disclosures may contain forward-looking statements as defined by the Private Securities Litigation Reform Act of 1995. The use of "might," "may," "could," "should," "anticipates," "believes," "estimates," "expects," "intends," "plans," "projects," "forecasts," "predicts," "assumes," and other similar words is intended to identify forward-looking statements that involve risk and uncertainty. This discussion of potential risks and uncertainties is designed to highlight important factors that may impact CMS Energy's and Consumers' businesses and financial outlook. CMS Energy and Consumers have no obligation to update or revise forward-looking statements regardless of whether new information, future events, or any other factors affect the information contained in the statements. These forward-looking statements are subject to various factors that could cause CMS Energy's and Consumers' actual results to differ materially from the results anticipated in these statements. These factors include, but are not limited to, the following, all of which are potentially significant:

- the impact of new regulation by the MPSC, FERC, and other applicable governmental proceedings and regulations, including any associated impact on electric or gas rates or rate structures

- potentially adverse regulatory treatment or failure to receive timely regulatory orders affecting Consumers that are or could come before the MPSC, FERC, or other governmental authorities

- changes in the performance of or regulations applicable to MISO, METC, pipelines, railroads, vessels, or other service providers that CMS Energy, Consumers, or any of their affiliates rely on to serve their customers

- the adoption of federal or state laws or regulations or challenges to federal or state laws or regulations, or changes in applicable laws, rules, regulations, principles, or practices, or in their interpretation, such as those related to energy policy, ROA, and PURPA, infrastructure integrity or security, gas pipeline safety, gas pipeline capacity, energy waste reduction, the environment, regulation or deregulation, reliability, health care reforms (including comprehensive health care reform enacted in 2010), taxes, accounting matters, climate change, air emissions, renewable energy, potential effects of the Dodd-Frank Act, and other business issues that could have an impact on CMS Energy's, Consumers', or any of their affiliates' businesses or financial results

- factors affecting operations, such as costs and availability of personnel, equipment, and materials; weather conditions; natural disasters; catastrophic weather-related damage; scheduled or unscheduled equipment outages; maintenance or repairs; environmental incidents; failures of

equipment or materials; electric transmission and distribution or gas pipeline system constraints; interconnection requirements; and changes in trade policies or regulations

- increases in demand for renewable energy by customers seeking to meet sustainability goals
- the ability of Consumers to execute its cost-reduction strategies
- potentially adverse regulatory or legal interpretations or decisions regarding environmental matters, or delayed regulatory treatment or permitting decisions that are or could come before EGLE, the EPA, and/or the U.S. Army Corps of Engineers, and potential environmental remediation costs associated with these interpretations or decisions, including those that may affect Consumers' routine maintenance, repair, and replacement classification under NSR regulations
- changes in energy markets, including availability and price of electric capacity and the timing and extent of changes in commodity prices and availability and deliverability of coal, natural gas, natural gas liquids, electricity, oil, and certain related products
- the price of CMS Energy common stock, the credit ratings of CMS Energy and Consumers, capital and financial market conditions, and the effect of these market conditions on CMS Energy's and Consumers' interest costs and access to the capital markets, including availability of financing to CMS Energy, Consumers, or any of their affiliates
- the potential effects of a future transition from LIBOR to an alternative reference interest rate in the capital markets
- the investment performance of the assets of CMS Energy's and Consumers' pension and benefit plans, the discount rates, mortality assumptions, and future medical costs used in calculating the plans' obligations, and the resulting impact on future funding requirements
- the impact of the economy, particularly in Michigan, and potential future volatility in the financial and credit markets on CMS Energy's, Consumers', or any of their affiliates' revenues, ability to collect accounts receivable from customers, or cost and availability of capital
- changes in the economic and financial viability of CMS Energy's and Consumers' suppliers, customers, and other counterparties and the continued ability of these third parties, including those in bankruptcy, to meet their obligations to CMS Energy and Consumers
- population changes in the geographic areas where CMS Energy and Consumers conduct business
- national, regional, and local economic, competitive, and regulatory policies, conditions, and developments
- loss of customer demand for electric generation supply to alternative electric suppliers, increased use of distributed generation, or energy waste reduction and storage
- adverse consequences of employee, director, or third-party fraud or non-compliance with codes of conduct or with laws or regulations
- federal regulation of electric sales and transmission of electricity, including periodic re-examination by federal regulators of CMS Energy's and Consumers' market-based sales authorizations

- the impact of credit markets, economic conditions, increased competition, and any new banking and consumer protection regulations on EnerBank
- the availability, cost, coverage, and terms of insurance, the stability of insurance providers, and the ability of Consumers to recover the costs of any insurance from customers
- the effectiveness of CMS Energy's and Consumers' risk management policies, procedures, and strategies, including strategies to hedge risk related to interest rates and future prices of electricity, natural gas, and other energy-related commodities
- factors affecting development of electric generation projects and gas and electric transmission and distribution infrastructure replacement, conversion, and expansion projects, including factors related to project site identification, construction material pricing, schedule delays, availability of qualified construction personnel, permitting, acquisition of property rights, and government approvals
- potential disruption to, interruption of, or other impacts on facilities, utility infrastructure, operations, or backup systems due to accidents, explosions, physical disasters, cyber incidents, vandalism, war, or terrorism, and the ability to obtain or maintain insurance coverage for these events
- changes or disruption in fuel supply, including but not limited to supplier bankruptcy and delivery disruptions
- potential costs, lost revenues, reputational harm, or other consequences resulting from misappropriation of assets or sensitive information, corruption of data, or operational disruption in connection with a cyber attack or other cyber incident
- potential disruption to, interruption or failure of, or other impacts on information technology backup or disaster recovery systems
- technological developments in energy production, storage, delivery, usage, and metering
- the ability to implement technology successfully
- the impact of CMS Energy's and Consumers' integrated business software system and its effects on their operations, including utility customer billing and collections
- adverse consequences resulting from any past, present, or future assertion of indemnity or warranty claims associated with assets and businesses previously owned by CMS Energy or Consumers, including claims resulting from attempts by foreign or domestic governments to assess taxes on or to impose environmental liability associated with past operations or transactions
- the outcome, cost, and other effects of any legal or administrative claims, proceedings, investigations, or settlements
- the reputational impact on CMS Energy and Consumers of operational incidents, violations of corporate policies, regulatory violations, inappropriate use of social media, and other events
- restrictions imposed by various financing arrangements and regulatory requirements on the ability of Consumers and other subsidiaries of CMS Energy to transfer funds to CMS Energy in the form of cash dividends, loans, or advances

- earnings volatility resulting from the application of fair value accounting to certain energy commodity contracts or interest rate contracts
- changes in financial or regulatory accounting principles or policies
- other matters that may be disclosed from time to time in CMS Energy's and Consumers' SEC filings, or in other public documents

All forward-looking statements should be considered in the context of the risk and other factors described above and as detailed from time to time in CMS Energy's and Consumers' SEC filings. For additional details regarding these and other uncertainties, see Item 1A. Risk Factors; Item 7. Management's Discussion and Analysis of Financial Condition and Results of Operations—Outlook; and Item 8. Financial Statements and Supplementary Data—Notes to the Consolidated Financial Statements—Note 3, Regulatory Matters and Note 4, Contingencies and Commitments.

Part I
Item 1. Business

General

CMS Energy

CMS Energy was formed as a corporation in Michigan in 1987 and is an energy company operating primarily in Michigan. It is the parent holding company of several subsidiaries, including Consumers, an electric and gas utility; CMS Enterprises, primarily a domestic independent power producer and marketer; and EnerBank, an industrial bank located in Utah. Consumers serves individuals and businesses operating in the alternative energy, automotive, chemical, food, and metal products industries, as well as a diversified group of other industries. CMS Enterprises, through its subsidiaries and equity investments, is engaged in domestic independent power production, including the development and operation of renewable generation, and the marketing of independent power production. EnerBank provides unsecured consumer installment loans, largely for financing home improvements.

CMS Energy manages its businesses by the nature of services each provides, and operates principally in four business segments: electric utility; gas utility; enterprises, its non-utility operations and investments; and EnerBank. Consumers' consolidated operations account for the substantial majority of CMS Energy's total assets, income, and operating revenue. CMS Energy's consolidated operating revenue was $6.8 billion in 2019, $6.9 billion in 2018, and $6.6 billion in 2017.

For further information about operating revenue, income, and assets and liabilities attributable to all of CMS Energy's business segments and operations, see Item 6. Selected Financial Data and Item 8. Financial Statements and Supplementary Data—CMS Energy Consolidated Financial Statements and Notes to the Consolidated Financial Statements.

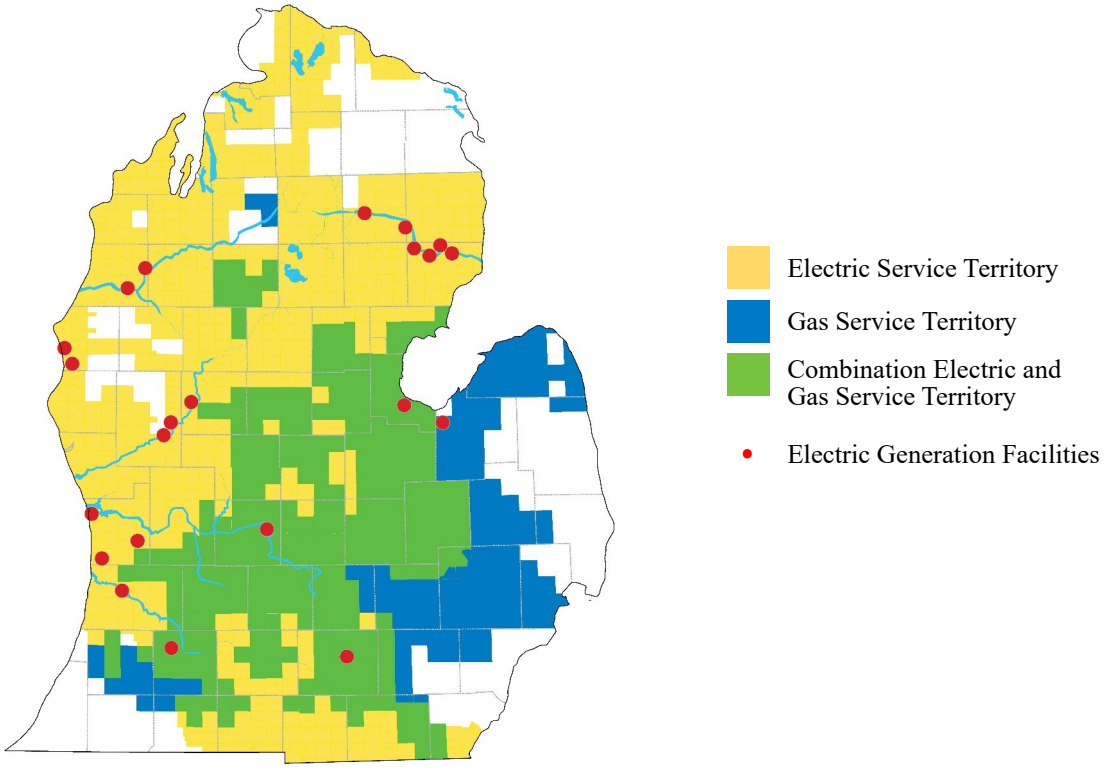
Consumers

Consumers has served Michigan customers since 1886. Consumers was incorporated in Maine in 1910 and became a Michigan corporation in 1968. Consumers owns and operates electric generation, transmission, and distribution facilities and gas transmission, storage, and distribution facilities. It provides electricity and/or natural gas to 6.7 million of Michigan's 10 million residents. Consumers' rates and certain other aspects of its business are subject to the jurisdiction of the MPSC and FERC, as well as to NERC reliability standards, as described in Item 1. Business—CMS Energy and Consumers Regulation.

Consumers' consolidated operating revenue was $6.4 billion in 2019, $6.5 billion in 2018, and $6.2 billion in 2017. For further information about operating revenue, income, and assets and liabilities attributable to Consumers' electric and gas utility operations, see Item 6. Selected Financial Data and Item 8. Financial Statements and Supplementary Data—Consumers Consolidated Financial Statements and Notes to the Consolidated Financial Statements.

Consumers owns its principal properties in fee, except that most electric lines and gas mains are located below or adjacent to public roads or on land owned by others and are accessed by Consumers through easements and other rights. Almost all of Consumers' properties are subject to the lien of its First Mortgage Bond Indenture. For additional information on Consumers' properties, see Item 1. Business—Business Segments—Consumers Electric Utility—Electric Utility Properties and Business Segments—Consumers Gas Utility—Gas Utility Properties.

In 2019, Consumers served 1.8 million electric customers and 1.8 million gas customers in Michigan's Lower Peninsula. Presented in the following map are Consumers' service territories:



CMS Energy and Consumers – The Triple Bottom Line

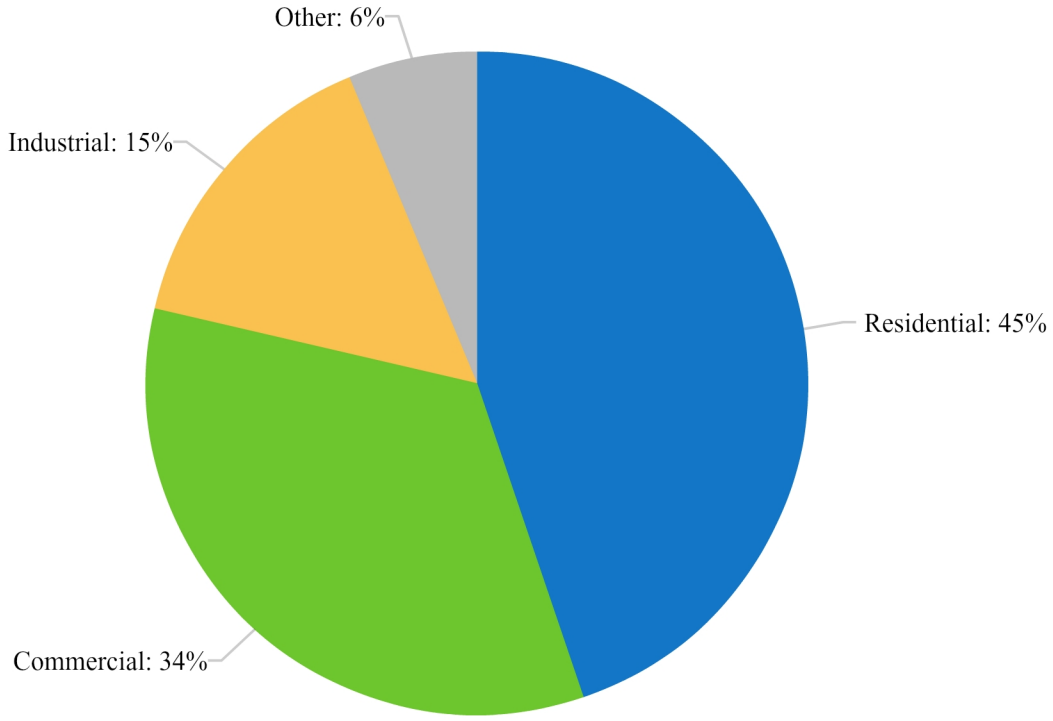
For information regarding CMS Energy's and Consumers' purpose and impact on the "triple bottom line" of people, planet, and profit, see Item 7. Management's Discussion and Analysis of Financial Condition and Results of Operations—Executive Overview.

Business Segments

Consumers Electric Utility

Electric Utility Operations: Consumers' electric utility operations, which include the generation, purchase, transmission, distribution, and sale of electricity, generated operating revenue of $4.4 billion in 2019, $4.6 billion in 2018, and $4.4 billion in 2017. Consumers' electric utility customer base consists of a mix of primarily residential, commercial, and diversified industrial customers in Michigan's Lower Peninsula.

Presented in the following illustration is Consumers' 2019 electric utility operating revenue of $4.4 billion by customer class:

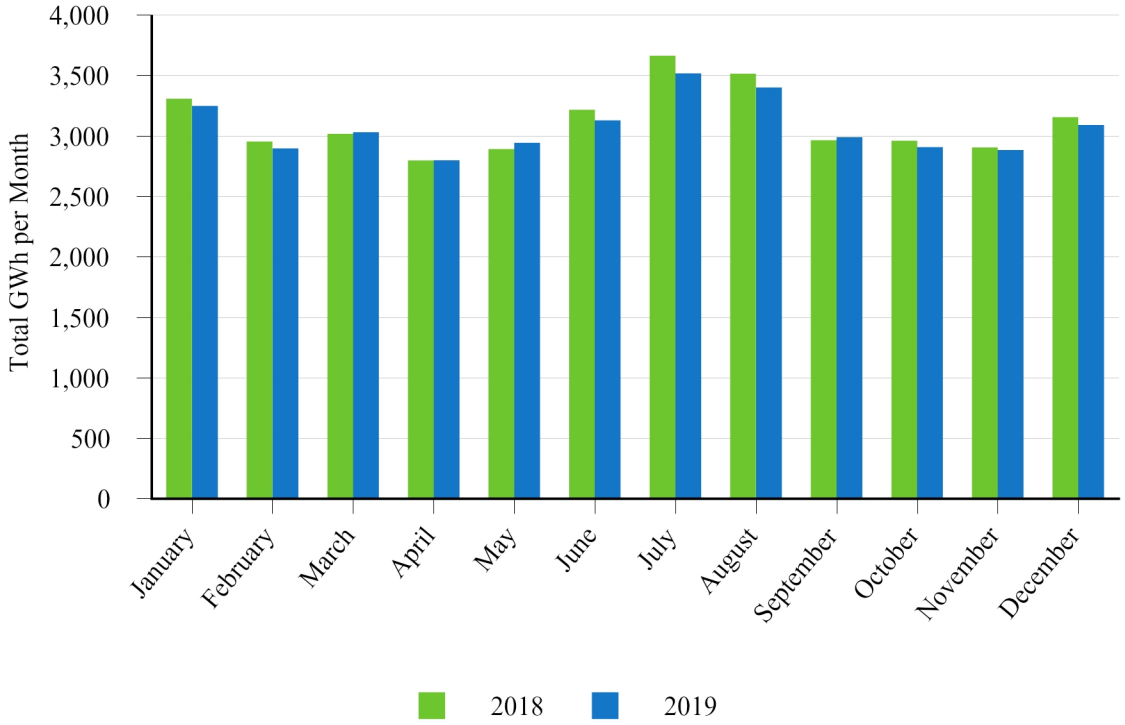


Consumers' electric utility operations are not dependent on a single customer, or even a few customers, and the loss of any one or even a few of Consumers' largest customers is not reasonably likely to have a material adverse effect on Consumers' financial condition.

In 2019, Consumers' electric deliveries were 37 billion kWh, which included ROA deliveries of four billion kWh, resulting in net bundled sales of 33 billion kWh. In 2018, Consumers' electric deliveries were 38 billion kWh, which included ROA deliveries of four billion kWh, resulting in net bundled sales of 34 billion kWh.

Consumers' electric utility operations are seasonal. The consumption of electric energy typically increases in the summer months, due primarily to the use of air conditioners and other cooling equipment.

Presented in the following illustration are Consumers' monthly weather-normalized electric deliveries (deliveries adjusted to reflect normal weather conditions) to its customers, including ROA deliveries, during 2019 and 2018:



Consumers' 2019 summer peak demand was 8,039 MW, which included ROA demand of 562 MW. For the 2018-2019 winter season, Consumers' peak demand was 5,745 MW, which included ROA demand of 440 MW. As required by MISO reserve margin requirements, Consumers owns or controls, through long-term PPAs and short-term capacity purchases, all of the capacity required to supply its projected firm peak load and necessary reserve margin for summer 2020.

Electric Utility Properties: Consumers owns and operates electric generation, transmission, and distribution facilities. For details about Consumers' electric generation facilities, see the Electric Utility Generation and Supply Mix section that follows this Electric Utility Properties section. Consumers' transmission and distribution systems consist of:

- 213 miles of transmission overhead lines operating at 138 kV
- 205 miles of high-voltage distribution overhead lines operating at 138 kV
- 4 miles of high-voltage distribution underground lines operating at 138 kV
- 4,430 miles of high-voltage distribution overhead lines operating at 46 kV and 69 kV
- 19 miles of high-voltage distribution underground lines operating at 46 kV
- 66,917 miles of electric distribution overhead lines
- 9,314 miles of underground distribution lines
- substations with an aggregate transformer capacity of 26 million kVA
- two battery facilities with storage capacity of 2 MW

Consumers is interconnected to the interstate high-voltage electric transmission system owned by METC and operated by MISO. Consumers is also interconnected to neighboring utilities and to other transmission systems.

Electric Utility Generation and Supply Mix: Presented in the following table are details about Consumers' 2019 electric generation and supply mix:

Name and Location (Michigan)	Number of Units and Year Entered Service	2019 Generation Capacity [1] (MW)	2019 Electric Supply (GWh)
Coal steam generation			
J.H. Campbell 1 & 2 – West Olive	2 Units, 1962-1967	609	3,124
J.H. Campbell 3 – West Olive[2]	1 Unit, 1980	782	4,890
D.E. Karn 1 & 2 – Essexville[3]	2 Units, 1959-1961	503	1,762
		1,894	9,776
Oil/Gas steam generation			
D.E. Karn 3 & 4 – Essexville	2 Units, 1975-1977	1,135	42
Hydroelectric			
Ludington – Ludington	6 Units, 1973	1,097 [4]	(308) [5]
Conventional hydro generation – various locations	35 Units, 1906-1949	75	512
		1,172	204
Gas combined cycle			
Jackson – Jackson	1 Unit, 2002	547	2,177
Zeeland – Zeeland	3 Units, 2002	533	3,740
		1,080	5,917
Gas combustion turbines			
Zeeland (simple cycle) – Zeeland	2 Units, 2001	317	335
Wind generation			
Cross Winds® Energy Park – Tuscola County	114 Turbines, 2014, 2018, and 2019	29	473
Lake Winds® Energy Park – Mason County	56 Turbines, 2012	18	268
		47	741
Solar generation			
Solar Gardens – Allendale and Kalamazoo	15,100 Panels, 2016	3	5
Total owned generation		5,648	17,020
Purchased power[6]			
Coal generation – primarily T.E.S. Filer City		60	462
Gas generation – MCV Facility[7]		1,240	5,677
Other gas generation – various locations		172	1,135
Nuclear generation – Palisades[7]		813	6,946
Wind generation – various locations		61	1,156
Solar generation – various locations		3	7
Other renewable generation – various locations		244	1,224
		2,593	16,607
Net interchange power[8]		—	2,059
Total purchased and interchange power		2,593	18,666
Total supply		8,241	35,686
Less distribution and transmission loss			2,636
Total net bundled sales			33,050

[1] Represents generation capacity during the summer months (planning year 2019 capacity as reported to MISO and limited by interconnection service limits), except for Cross Winds® Energy Park Phase III, which began operation in December 2019. For wind and solar generation, the amount represents the effective load-carrying capability.

[2] Represents Consumers' share of the capacity of the J.H. Campbell 3 unit, net of the 6.69-percent ownership interest of the Michigan Public Power Agency and Wolverine Power Supply Cooperative, Inc.

[3] Consumers plans to retire these coal-fueled generating units in 2023.

[4] Represents Consumers' 51-percent share of the capacity of Ludington. DTE Electric holds the remaining 49-percent ownership interest.

[5] Represents Consumers' share of net pumped-storage generation. The pumped-storage facility consumes electricity to pump water during off-peak hours for storage in order to generate electricity later during peak-demand hours.

[6] Represents purchases under long-term PPAs.

[7] For information about Consumers' long-term PPAs related to the MCV Facility and Palisades, see Item 8. Financial Statements and Supplementary Data—Notes to the Consolidated Financial Statements—Note 4, Contingencies and Commitments—Contractual Commitments.

[8] Represents purchases from the MISO energy market.

Presented in the following table are the sources of Consumers' electric supply for the last three years:

GWh

Years Ended December 31	2019	2018	2017
Owned generation			
Coal	9,776	9,804	10,098
Gas	6,289	5,272	5,190
Renewable energy	1,258	1,187	1,078
Oil	5	5	12
Net pumped storage[1]	(308)	(325)	(290)
Total owned generation	17,020	15,943	16,088
Purchased power[2]			
Gas generation	6,812	6,712	5,521
Nuclear generation	6,946	6,749	6,780
Renewable energy generation	2,387	2,379	2,288
Coal generation	462	511	491
Net interchange power[3]	2,059	4,953	4,384
Total purchased and interchange power	18,666	21,304	19,464
Total supply	35,686	37,247	35,552

1 Represents Consumers' share of net pumped-storage generation. During 2019, the pumped-storage facility consumed 1,110 GWh of electricity to pump water during off-peak hours for storage in order to generate 802 GWh of electricity later during peak-demand hours.

2 Represents purchases under long-term PPAs.

3 Represents purchases from the MISO energy market.

During 2019, Consumers acquired 52 percent of the electricity it provided to customers through long-term PPAs and the MISO energy market. Consumers offers its generation into the MISO energy market on a day-ahead and real-time basis and bids for power in the market to serve the demand of its customers. Consumers is a net purchaser of power and supplements its generation capability with purchases from the MISO energy market to meet its customers' needs during peak demand periods.

At December 31, 2019, Consumers had future commitments to purchase capacity and energy under long-term PPAs with various generating plants. These contracts require monthly capacity payments based on the plants' availability or deliverability. The payments for 2020 through 2040 are estimated to total $9.4 billion and, for each of the next five years, range from $0.6 billion to $1.1 billion annually. These amounts may vary depending on plant availability and fuel costs. For further information about Consumers' future capacity and energy purchase obligations, see Item 7. Management's Discussion and Analysis of Financial Condition and Results of Operations—Capital Resources and Liquidity—Contractual Obligations and Item 8. Financial Statements and Supplementary Data—Notes to the Consolidated Financial Statements—Note 4, Contingencies and Commitments—Contractual Commitments.

During 2019, 27 percent of the energy Consumers provided to customers was generated by its coal-fueled generating units, which burned six million tons of coal and produced a combined total of 9,776 GWh of electricity. In order to obtain the coal it needs, Consumers enters into physical coal supply contracts.

At December 31, 2019, Consumers had future commitments to purchase coal through 2021; payment obligations under these contracts totaled $84 million. Most of Consumers' rail-supplied coal contracts have fixed prices, although some contain market-based pricing. Consumers' vessel-supplied coal contracts have fixed base prices that are adjusted monthly to reflect changes to the fuel cost of vessel transportation. At December 31, 2019, Consumers had 77 percent of its 2020 expected coal requirements under contract, as well as a 44-day supply of coal on hand.

In conjunction with its coal supply contracts, Consumers leases a fleet of railcars and has transportation contracts with various companies to provide rail and vessel services for delivery of purchased coal to Consumers' generating facilities. Consumers' coal transportation contracts are future commitments and expire on various dates through 2024; payment obligations under these contracts totaled $732 million at December 31, 2019.

During 2019, 18 percent of the energy Consumers provided to customers was generated by its natural gas-fueled generating units, which burned 45 bcf of natural gas and produced a combined total of 6,289 GWh of electricity.

In order to obtain the gas it needs for electric generation fuel, Consumers' electric utility purchases gas from the market near the time of consumption, at prices that allow it to compete in the electric wholesale market. For units 3 & 4 of D.E. Karn and for the Jackson and Zeeland plants, Consumers utilizes an agent that owns firm transportation rights to each plant to purchase gas from the market and transport the gas to the facilities.

Electric Utility Competition: Consumers' electric utility business is subject to actual and potential competition from many sources, in both the wholesale and retail markets, as well as in electric generation, electric delivery, and retail services.

Michigan law allows electric customers in Consumers' service territory to buy electric generation service from alternative electric suppliers in an aggregate amount capped at ten percent, with certain exceptions. At December 31, 2019, electric deliveries under the ROA program were at the ten-percent limit. Of Consumers' 1.8 million electric customers, 285 customers, or 0.02 percent, purchased electric generation service under the ROA program. For additional information, see Item 7. Management's Discussion and Analysis of Financial Condition and Results of Operations—Outlook—Consumers Electric Utility Outlook and Uncertainties.

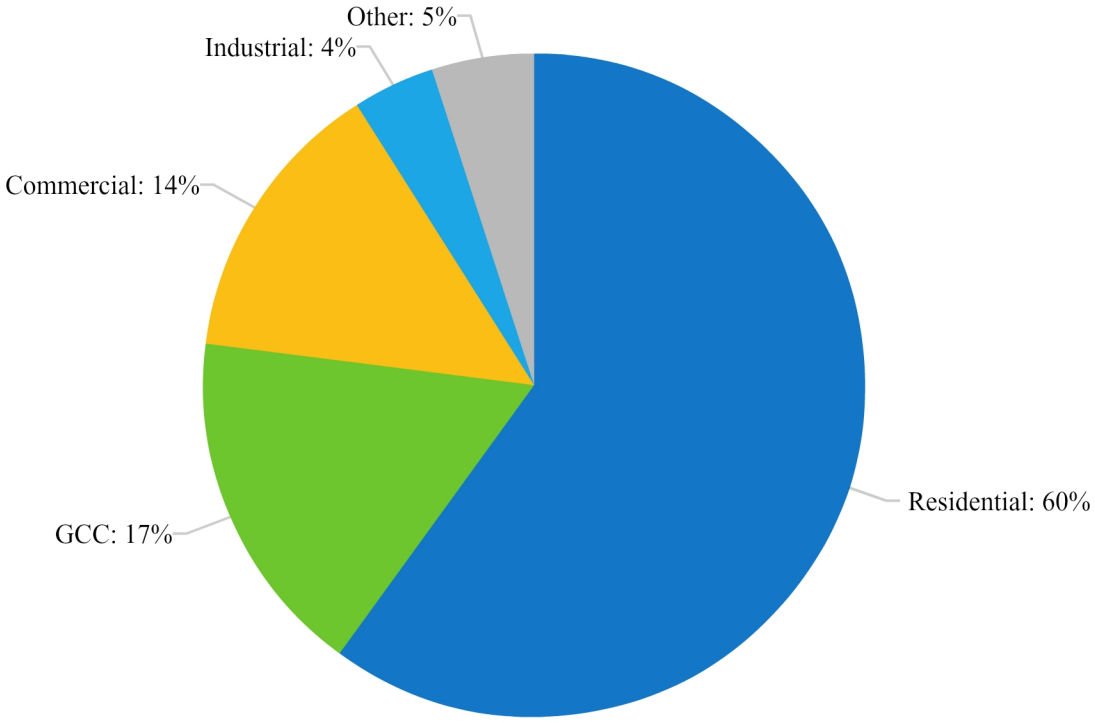
Consumers also faces competition or potential competition associated with industrial customers relocating all or a portion of their production capacity outside of Consumers' service territory for economic reasons; municipalities owning or operating competing electric delivery systems; and customer self-generation. Consumers addresses this competition in various ways, including:

- aggressively controlling operating, maintenance, and fuel costs and passing savings on to customers
- providing renewable energy options and energy waste reduction programs
- providing competitive rate-design options, particularly for large energy-intensive customers
- offering tariff-based incentives that support economic development
- providing non-energy services and value to customers
- monitoring activity in adjacent geographical areas

Consumers Gas Utility

Gas Utility Operations: Consumers' gas utility operations, which include the purchase, transmission, storage, distribution, and sale of natural gas, generated operating revenue of $1.9 billion in 2019, $1.9 billion in 2018, and $1.8 billion in 2017. Consumers' gas utility customer base consists of a mix of primarily residential, commercial, and diversified industrial customers in Michigan's Lower Peninsula.

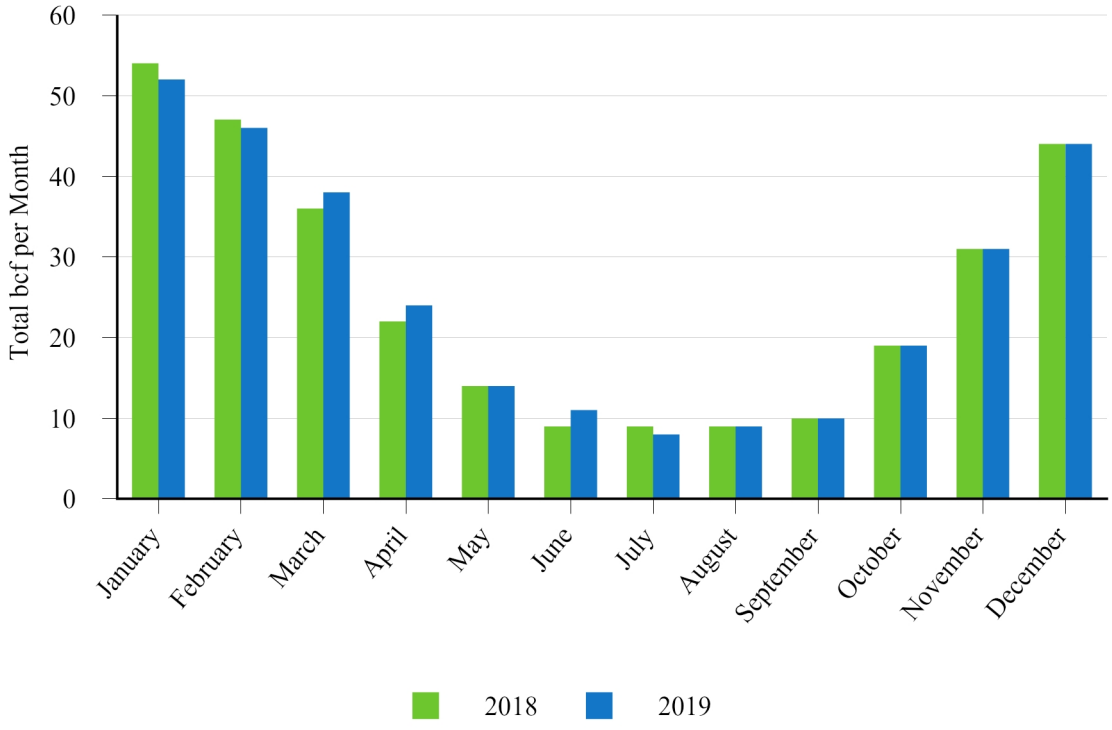
Presented in the following illustration is Consumers' 2019 gas utility operating revenue of $1.9 billion by customer class:



Consumers' gas utility operations are not dependent on a single customer, or even a few customers, and the loss of any one or even a few of Consumers' largest customers is not reasonably likely to have a material adverse effect on Consumers' financial condition.

In 2019, deliveries of natural gas through Consumers' pipeline and distribution network, including off-system transportation deliveries, totaled 391 bcf, which included GCC deliveries of 41 bcf. In 2018, deliveries of natural gas through Consumers' pipeline and distribution network, including off-system transportation deliveries, totaled 386 bcf, which included GCC deliveries of 44 bcf. Consumers' gas utility operations are seasonal. The consumption of natural gas typically increases in the winter, due primarily to colder temperatures and the resulting use of natural gas as heating fuel. Consumers injects natural gas into storage during the summer months for use during the winter months. During 2019, 40 percent of the natural gas supplied to all customers during the winter months was supplied from storage.

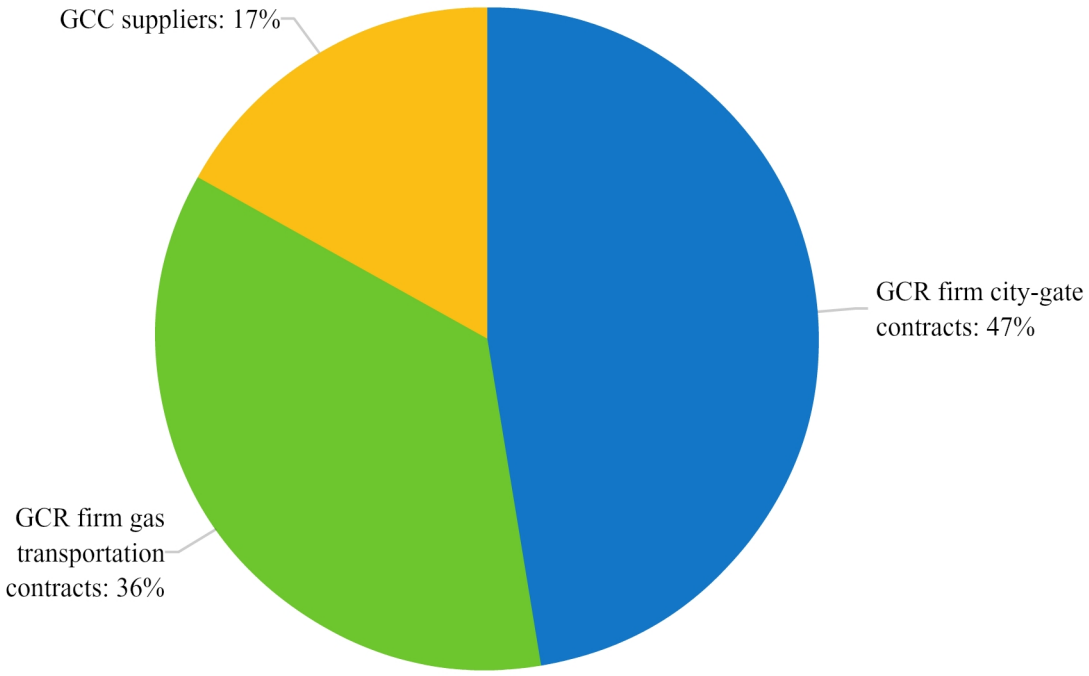
Presented in the following illustration are Consumers' monthly weather-normalized natural gas deliveries (deliveries adjusted to reflect normal weather conditions) to its customers, including GCC deliveries, during 2019 and 2018:



Gas Utility Properties: Consumers' gas transmission, storage, and distribution system consists of:

- 2,426 miles of transmission lines
- 15 gas storage fields with a total storage capacity of 309 bcf and a working gas volume of 151 bcf
- 27,729 miles of distribution mains
- eight compressor stations with a total of 163,543 installed and available horsepower

Gas Utility Supply: In 2019, Consumers purchased 83 percent of the gas it delivered from U.S. suppliers. The remaining 17 percent was purchased from authorized GCC suppliers and delivered by Consumers to customers in the GCC program. Presented in the following illustration are the supply arrangements for the gas Consumers delivered to GCC and GCR customers during 2019:



Firm gas transportation or firm city-gate contracts are those that define a fixed amount, price, and delivery time frame. Consumers' firm gas transportation contracts are with Panhandle Eastern Pipe Line Company and Trunkline Gas Company, LLC, each a non-affiliated company. Under these contracts, Consumers purchases and transports gas to Michigan for ultimate delivery to its customers. Consumers' firm gas transportation contracts expire on various dates through 2023 and provide for the delivery of 39 percent of Consumers' total gas supply requirements in 2020. Consumers purchases the balance of its required gas supply under firm city-gate contracts and through authorized suppliers under the GCC program.

Gas Utility Competition: Competition exists in various aspects of Consumers' gas utility business. Competition comes from GCC and from alternative fuels and energy sources, such as propane, oil, and electricity.

Enterprises Segment—Non-Utility Operations and Investments

CMS Energy's enterprises segment, through various subsidiaries and certain equity investments, is engaged in domestic independent power production, including the development and operation of renewable generation, and the marketing of independent power production. The enterprises segment's operating revenue was $248 million in 2019, $252 million in 2018, and $229 million in 2017.

Independent Power Production: Presented in the following table is information about the independent power plants in which CMS Energy had an ownership interest at December 31, 2019:

Location	Ownership Interest (%)	Primary Fuel Type	Gross Capacity[1] (MW)	2019 Net Generation (GWh)
Dearborn, Michigan	100	Natural gas	770	5,363
Gaylord, Michigan	100	Natural gas	156	13
Paulding County, Ohio	100	Wind	105	314
Comstock, Michigan	100	Natural gas	76	61
Delta Township, Michigan	100	Solar	24	37
Phillips, Wisconsin	100	Solar	3	4
Filer City, Michigan	50	Coal	73	452
New Bern, North Carolina	50	Wood waste	50	327
Flint, Michigan	50	Wood waste	40	88
Grayling, Michigan	50	Wood waste	38	171
Total			1,335	6,830

[1] Represents the intended full-load sustained output of each plant. The amount of capacity relating to CMS Energy's ownership interest was 1,234 MW at December 31, 2019.

The operating revenue from independent power production was $32 million in 2019, $19 million in 2018, and $16 million in 2017.

Energy Resource Management: CMS ERM purchases and sells energy commodities in support of CMS Energy's generating facilities with a focus on optimizing CMS Energy's independent power production portfolio. In 2019, CMS ERM marketed six bcf of natural gas and 6,722 GWh of electricity. Electricity marketed by CMS ERM was generated by independent power production of the enterprises segment and by unrelated third parties. CMS ERM's operating revenue was $216 million in 2019, $233 million in 2018, and $213 million in 2017.

Enterprises Segment Competition: The enterprises segment competes with other independent power producers. The needs of this market are driven by electric demand and the generation available.

EnerBank

EnerBank Operations: EnerBank is a Utah state-chartered, FDIC-insured industrial bank providing unsecured consumer installment loans, largely for financing home improvements. EnerBank works with strategic business partners and contractors throughout the U.S. to provide homeowners with payment options for home improvements. Strategic business partners include manufacturers, distributors, franchisors, member or trade associations, and major retailers of home improvement, remodeling, and energy-saving products and services.

EnerBank's operating revenue was $221 million in 2019, $157 million in 2018, and $132 million in 2017. All of the loans originated by EnerBank in 2019 were fixed-rate consumer installment loans. The distribution of borrowers throughout the U.S. is generally consistent with the population distribution by state. EnerBank's average loan size is $10,000.

EnerBank Competition: EnerBank competes with FDIC-insured banks, credit unions, consumer finance companies, and financial technology companies. EnerBank addresses this competition by:

- offering competitive loan features and pricing
- maintaining a stable funding model
- providing convenient loan processes for contractors and homeowners
- providing strong marketing support for strategic business partners and authorized contractors
- focusing on customer service

CMS Energy and Consumers Regulation

CMS Energy, Consumers, and their subsidiaries are subject to regulation by various federal, state, and local governmental agencies, including those described in the following sections.

FERC and NERC

FERC has exercised limited jurisdiction over several independent power plants and exempt wholesale generators in which CMS Enterprises has ownership interests, as well as over CMS ERM, CMS Gas Transmission, and DIG. FERC's jurisdiction includes, among other things, acquisitions, operations, disposals of certain assets and facilities, services provided and rates charged, and conduct among affiliates. FERC also has limited jurisdiction over holding company matters with respect to CMS Energy. FERC, in connection with NERC and with regional reliability organizations, also regulates generation and transmission owners and operators, load serving entities, purchase and sale entities, and others with regard to reliability of the bulk power system.

FERC regulates limited aspects of Consumers' gas business, principally compliance with FERC capacity release rules, shipping rules, the prohibition against certain buy/sell transactions, and the price-reporting rule.

FERC also regulates certain aspects of Consumers' electric operations, including compliance with FERC accounting rules, wholesale and transmission rates, operation of licensed hydroelectric generating plants, transfers of certain facilities, corporate mergers, and issuances of securities.

MPSC

Consumers is subject to the jurisdiction of the MPSC, which regulates public utilities in Michigan with respect to retail utility rates, accounting, utility services, certain facilities, certain asset transfers, corporate mergers, and other matters.

The Michigan Attorney General, ABATE, the MPSC Staff, and certain other parties typically participate in MPSC proceedings concerning Consumers. These parties often challenge various aspects of those proceedings, including the prudence of Consumers' policies and practices, and seek cost disallowances and other relief. The parties also have appealed significant MPSC orders.

Rate Proceedings: For information regarding open rate proceedings, see Item 7. Management's Discussion and Analysis of Financial Condition and Results of Operations—Outlook and Item 8. Financial Statements and Supplementary Data—Notes to the Consolidated Financial Statements—Note 3, Regulatory Matters.

Other Regulation

The U.S. Secretary of Energy regulates imports and exports of natural gas and has delegated various aspects of this jurisdiction to FERC and the U.S. Department of Energy's Office of Fossil Fuels.

The U.S. Department of Transportation's Office of Pipeline Safety regulates the safety and security of gas pipelines through the Natural Gas Pipeline Safety Act of 1968 and subsequent laws.

EnerBank is regulated by the Utah Department of Financial Institutions and the FDIC.

CMS Energy and Consumers Environmental Strategy and Compliance

CMS Energy and Consumers are committed to protecting the environment; this commitment extends beyond compliance with applicable laws and regulations. CMS Energy and Consumers continue to focus on opportunities to reduce their carbon footprint in electric generation. Through its Clean Energy Plan, Consumers expects to reduce carbon emissions of its owned generation by more than 90 percent from its 2005 levels by 2040, by replacing its coal-fueled generation predominantly with investment in renewable energy.

During 2019, Consumers provided 10 percent of its electricity (self-generated and purchased) from renewable sources. Consumers owns and operates two wind farms: Lake Winds® Energy Park and Cross Winds® Energy Park. A third phase of Consumers' Cross Winds® Energy Park, with nameplate capacity of 76 MW, began operations in December 2019. During 2019, Consumers began construction of a 150-MW wind generation project and entered into an agreement to purchase another with capacity up to 166 MW; both projects are expected to begin commercial operations in 2020. Additionally, Consumers entered into a 20-year agreement to purchase 100 MW of renewable energy from a solar generating facility expected to begin operations in 2021.

CMS Energy, Consumers, and their subsidiaries are subject to various federal, state, and local environmental regulations for air and water quality, solid waste management, and other matters. Consumers expects to recover costs to comply with environmental regulations in customer rates, but cannot guarantee this result. For additional information concerning environmental matters, see Item 1A. Risk Factors, Item 7. Management's Discussion and Analysis of Financial Condition and Results of Operations—Outlook, and Item 8. Financial Statements and Supplementary Data—Notes to the Consolidated Financial Statements—Note 4, Contingencies and Commitments.

CMS Energy has recorded a $46 million liability for its subsidiaries' obligations associated with Bay Harbor and Consumers has recorded a $68 million liability for its obligations at a number of former MGP sites. For additional information, see Item 1A. Risk Factors and Item 8. Financial Statements and Supplementary Data—Notes to the Consolidated Financial Statements—Note 4, Contingencies and Commitments.

Solid Waste Disposal: Costs related to the construction, operation, corrective action, and closure of solid waste disposal facilities for coal ash are significant. Consumers' coal ash disposal areas are regulated under Michigan's solid waste rules and by the EPA's rules regulating CCRs. To address some of the requirements of these rules, Consumers has converted all of its fly ash handling systems to dry systems. In addition, Consumers' ash facilities have programs designed to protect the environment and are subject to quarterly EGLE inspections. Consumers' estimate of capital and cost of removal expenditures to comply with regulations relating to ash disposal is $134 million from 2020 through 2024.

Water: Consumers uses substantial amounts of water to operate and cool its electric generating plants. Water discharge quality is regulated and administered by EGLE under the federal NPDES program. To comply with such regulation, Consumers' facilities have discharge monitoring programs. The EPA issued final regulations for wastewater discharges from electric generating plants in 2015 and amended them in 2017. The EPA proposed additional changes to its wastewater discharges regulations in November 2019, but has not finalized revisions. Consumers' estimate of capital expenditures to comply with these regulations as presently promulgated is $56 million from 2020 through 2024.

In 2014, the EPA finalized its cooling water intake rule, which requires Consumers to evaluate the biological impact of its cooling water intake systems and ensure that it is using the best technology available to minimize adverse environmental impacts. Consumers' estimate of capital expenditures to comply with these regulations is $42 million from 2020 through 2024.

Air: Consumers is subject to federal and state environmental regulations that require extensive reductions in nitrogen oxides, sulfur dioxides, particulate matter, and mercury emissions. To comply with these regulations, Consumers has invested in emissions control equipment at its electric generating plants. Consumers' estimate of ongoing capital expenditures to comply with these regulations is $43 million from 2020 through 2024.

Consumers' future costs to comply with solid waste disposal, water, and air environmental regulations may vary depending on future legislation, litigation, or rulemaking.

For further information concerning estimated capital expenditures related to solid waste disposal, water, and air, see Item 7. Management's Discussion and Analysis of Financial Condition and Results of Operations—Outlook—Consumers Electric Utility Outlook and Uncertainties—Electric Environmental Outlook.

Insurance

CMS Energy and its subsidiaries, including Consumers, maintain insurance coverage generally similar to comparable companies in the same lines of business. The insurance policies are subject to terms, conditions, limitations, and exclusions that might not fully compensate CMS Energy or Consumers for all losses. A portion of each loss is generally assumed by CMS Energy or Consumers in the form of deductibles and self-insured retentions that, in some cases, are substantial. As CMS Energy or Consumers renews its policies, it is possible that some of the present insurance coverage may not be renewed or obtainable on commercially reasonable terms due to restrictive insurance markets.

Employees

Presented in the following table are the number of employees of CMS Energy and Consumers:

December 31	2019	2018	2017
CMS Energy, including Consumers[1]			
Full-time employees	8,128	7,957	7,822
Seasonal employees[2]	594	603	74
Part-time employees	67	65	56
Total employees	8,789	8,625	7,952
Consumers[1]			
Full-time employees	7,642	7,504	7,408
Seasonal employees[2]	594	603	74
Part-time employees	17	14	14
Total employees	8,253	8,121	7,496

1 For information about CMS Energy's and Consumers' collective bargaining agreements, see Item 8. Financial Statements and Supplementary Data—Notes to the Consolidated Financial Statements—Note 12, Retirement Benefits.

2 Consumers' seasonal workforce peaked at 614 employees during 2019 and 2018, and 598 employees during 2017. Seasonal employees work primarily during the construction season and are subject to yearly layoffs.

Information About CMS Energy's and Consumers' Executive Officers

Presented in the following table are the company positions held during the last five years for each of CMS Energy's and Consumers' executive officers as of February 1, 2020:

Name, Age, Position(s)	Period
Patricia K. Poppe (age 51)	
CMS Energy	
President and CEO	7/2016 – Present
Director	5/2016 – Present
Senior Vice President	3/2015 – 7/2016
Consumers	
President and CEO	7/2016 – Present
Director	5/2016 – Present
Senior Vice President	3/2015 – 7/2016
Vice President	1/2011 – 3/2015
CMS Enterprises	
Chairman of the Board, CEO, and Director	7/2016 – Present
President	7/2016 – 9/2017
Rejji P. Hayes (age 45)[1]	
CMS Energy	
Executive Vice President and CFO	5/2017 – Present
Consumers	
Executive Vice President and CFO	5/2017 – Present
CMS Enterprises	
Executive Vice President, CFO, and Director	5/2017 – Present
EnerBank	
Chairman of the Board and Director	10/2018 – Present
Garrick J. Rochow (age 45)	
CMS Energy	
Executive Vice President	1/2020 – Present
Senior Vice President	7/2016 – 1/2020
Vice President	3/2015 – 7/2016
Consumers	
Executive Vice President	1/2020 – Present
Senior Vice President	7/2016 – 1/2020
Vice President	10/2010 – 7/2016
Jean-Francois Brossoit (age 52)[2]	
CMS Energy	
Senior Vice President	4/2017 – Present
Vice President	11/2016 – 4/2017
Consumers	
Senior Vice President	4/2017 – Present
Vice President	11/2016 – 4/2017

Name, Age, Position(s)	Period
Catherine A. Hendrian (age 51)	
CMS Energy	
Senior Vice President	4/2017 – Present
Vice President	3/2015 – 4/2017
Director of Human Resources	10/2012 – 3/2015
Consumers	
Senior Vice President	4/2017 – Present
Vice President	3/2015 – 4/2017
Director of Human Resources	10/2012 – 3/2015
Brandon J. Hofmeister (age 43)	
CMS Energy	
Senior Vice President	7/2017 – Present
Consumers	
Senior Vice President	7/2017 – Present
Vice President	7/2016 – 7/2017
Executive Director, Policy Research, Analysis, and Public Affairs	6/2015 – 7/2016
Executive Director, Policy Research and Analysis	9/2013 – 6/2015
CMS Enterprises	
Senior Vice President	9/2017 – Present
Shaun M. Johnson (age 41)[3]	
CMS Energy	
Senior Vice President and General Counsel	5/2019 – Present
Vice President and Deputy General Counsel	4/2016 – 5/2019
Consumers	
Senior Vice President and General Counsel	5/2019 – Present
Vice President and Deputy General Counsel	4/2016 – 5/2019
CMS Enterprises	
Senior Vice President, General Counsel, and Director	4/2019 – Present
Vice President and General Counsel	10/2018 – 4/2019
EnerBank	
Senior Vice President and General Counsel	8/2018 – Present
Venkat Dhenuvakonda Rao (age 49)	
CMS Energy	
Senior Vice President	9/2016 – Present
Vice President and Treasurer	7/2012 – 9/2016
Consumers	
Senior Vice President	9/2016 – Present
Vice President and Treasurer	7/2012 – 9/2016
CMS Enterprises	
Director	11/2017 – Present
Senior Vice President	9/2016 – Present
Vice President and Treasurer	7/2012 – 9/2016
EnerBank	
Chairman of the Board	9/2016 – 5/2017

Name, Age, Position(s)	Period
Brian F. Rich (age 45)	
CMS Energy	
Senior Vice President and Chief Customer Officer	8/2019 – Present
Senior Vice President and Chief Information Officer	7/2016 – 8/2019
Vice President and Chief Information Officer	7/2014 – 7/2016
Consumers	
Senior Vice President and Chief Customer Officer	8/2019 – Present
Senior Vice President and Chief Information Officer	7/2016 – 8/2019
Vice President and Chief Information Officer	7/2014 – 7/2016
Glenn P. Barba (age 54)	
CMS Energy	
Vice President, Controller, and CAO	2/2003 – Present
Consumers	
Vice President, Controller, and CAO	1/2003 – Present
CMS Enterprises	
Vice President, Controller, and CAO	11/2007 – Present

[1] Prior to joining CMS Energy and Consumers, Mr. Hayes was executive vice president and CFO for ITC Holdings Corp., a non-affiliated company, from May 2014 through November 2016. Mr. Hayes started with ITC Holdings Corp. in 2012 as vice president of finance and treasurer.

[2] Prior to joining CMS Energy and Consumers, Mr. Brossoit was vice president of manufacturing operations for United Technologies Corp., a non-affiliated company. Mr. Brossoit started with United Technologies Corp. in 2006.

[3] Prior to joining CMS Energy and Consumers, Mr. Johnson was a partner with Dykema Gossett PLLC, a non-affiliated company, from 2012 to 2016. Mr. Johnson started with Dykema Gossett PLLC in 2005.

There are no family relationships among executive officers and directors of CMS Energy or Consumers. The list of directors and their biographies will be included in CMS Energy's and Consumers' definitive proxy statement for their 2020 Annual Meetings of Shareholders to be held May 1, 2020. The term of office of each of the executive officers extends to the first meeting of each of the Boards of Directors of CMS Energy and Consumers after the next annual election of Directors of CMS Energy and Consumers (to be held on May 1, 2020).

Available Information

CMS Energy's internet address is www.cmsenergy.com. CMS Energy routinely posts important information on its website and considers the Investor Relations section, www.cmsenergy.com/investor-relations, a channel of distribution. Information contained on CMS Energy's website is not incorporated herein. CMS Energy's and Consumers' annual reports on Form 10-K, quarterly reports on Form 10-Q, current reports on Form 8-K, and any amendments to those reports filed pursuant to Section 13(a) or 15(d) of the Exchange Act are accessible free of charge on CMS Energy's website. These reports are available soon after they are electronically filed with the SEC. Also on CMS Energy's website are CMS Energy's and Consumers':

- Corporate Governance Principles
- Articles of Incorporation
- Bylaws
- Charters and Codes of Conduct (including the Charters of the Audit Committee, Compensation and Human Resources Committee, Finance Committee, and Governance, Sustainability and Public Responsibility Committee, as well as the Employee, Board of Directors, EnerBank, and Third Party Codes of Conduct)

CMS Energy will provide this information in print to any stockholder who requests it.

The SEC maintains an internet site that contains reports, proxy and information statements, and other information regarding issuers that file electronically with the SEC. The address is www.sec.gov.

Item 1A. Risk Factors

Actual results in future periods for CMS Energy and Consumers could differ materially from historical results and the forward-looking statements contained in this report. Factors that might cause or contribute to these differences include those discussed in the following sections. CMS Energy's and Consumers' businesses are influenced by many factors that are difficult to predict, that involve uncertainties that may materially affect results, and that are often beyond their control. Additional risks and uncertainties not presently known or that management believes to be immaterial may also adversely affect CMS Energy or Consumers. The risk factors described in the following sections, as well as the other information included in this report and in other documents filed with the SEC, should be considered carefully before making an investment in securities of CMS Energy or Consumers. Risk factors of Consumers are also risk factors of CMS Energy. All of these risk factors are potentially significant.

CMS Energy depends on dividends from its subsidiaries to meet its debt service obligations.

Due to its holding company structure, CMS Energy depends on dividends from its subsidiaries to meet its debt service and other payment obligations. If sufficient dividends were not paid to CMS Energy by its subsidiaries, CMS Energy might not be able to generate the funds necessary to fulfill its payment obligations, which could have a material adverse effect on CMS Energy's liquidity and financial condition.

Consumers' ability to pay dividends or acquire its own stock from CMS Energy is limited by restrictions contained in Consumers' preferred stock provisions and potentially by other legal restrictions, such as certain terms in its articles of incorporation and FERC requirements.

CMS Energy has indebtedness that could limit its financial flexibility and its ability to meet its debt service obligations.

The level of CMS Energy's present and future indebtedness could have several important effects on its future operations, including, among others, that:

- a significant portion of CMS Energy's cash flow from operations could be dedicated to the payment of principal and interest on its indebtedness and would not be available for other purposes
- covenants contained in CMS Energy's existing debt arrangements, which require it to meet certain financial tests, could affect its flexibility in planning for, and reacting to, changes in its business
- CMS Energy's ability to obtain additional financing for working capital, capital expenditures, acquisitions, and general corporate and other purposes could become limited
- CMS Energy could be placed at a competitive disadvantage to its competitors that are less leveraged
- CMS Energy's vulnerability to adverse economic and industry conditions could increase
- CMS Energy's future credit ratings could fluctuate

CMS Energy's ability to meet its debt service obligations and to reduce its total indebtedness will depend on its future performance, which will be subject to general economic conditions, industry cycles, changes in laws or regulatory decisions, and financial, business, and other factors affecting its operations, many of which are beyond its control. CMS Energy cannot make assurances that its businesses will continue to generate sufficient cash flow from operations to service its indebtedness. If CMS Energy were unable to generate sufficient cash flows from operations, it could be required to sell assets or obtain additional financing.

CMS Energy and Consumers have financing needs and could be unable to obtain bank financing or access the capital markets.

CMS Energy and Consumers may be subject to liquidity demands under commercial commitments, guarantees, indemnities, letters of credit, and other contingent liabilities. Consumers' capital requirements are expected to be substantial over the next several years. CMS Energy and Consumers rely on the capital markets, as well as on bank syndications, to meet their financial commitments and short-term liquidity needs if sufficient internal funds are not available from Consumers' operations and, in the case of CMS Energy, from dividends paid by Consumers and its other subsidiaries. CMS Energy and Consumers also use letters of credit issued under certain of their revolving credit facilities to support certain operations and investments.

Disruptions in the capital and credit markets as a result of uncertainty, changing or increased regulation, or failures of significant financial institutions could adversely affect CMS Energy's and Consumers' access to liquidity needed for their businesses. Consumers' inability to obtain prior FERC authorization for any securities issuances, including publicly offered debt, as is required under the Federal Power Act, could adversely affect Consumers' access to liquidity. Any liquidity disruption could require CMS Energy and Consumers to take measures to conserve cash. These measures could include, but are not limited to, deferring capital expenditures, changing CMS Energy's and Consumers' commodity purchasing strategy to avoid collateral-posting requirements, and reducing or eliminating future share repurchases, dividend payments, or other discretionary uses of cash.

CMS Energy continues to explore financing opportunities to supplement its financial strategy. These potential opportunities include refinancing and/or issuing new debt, preferred stock and/or common equity, commercial paper, and bank financing. Similarly, Consumers may seek funds through the capital

markets, commercial lenders, and leasing arrangements. Entering into new financings is subject in part to capital market receptivity to utility industry securities in general and to CMS Energy's and Consumers' securities in particular. CMS Energy and Consumers cannot guarantee the capital markets' acceptance of their securities.

Certain of CMS Energy's and Consumers' securities and those of their affiliates are rated by various credit rating agencies. A reduction or withdrawal of one or more of its credit ratings could have a material adverse impact on CMS Energy's or Consumers' ability to access capital on acceptable terms and maintain commodity lines of credit, could increase its cost of borrowing, and could cause CMS Energy or Consumers to reduce capital expenditures. If it were unable to maintain commodity lines of credit, CMS Energy or Consumers might have to post collateral or make prepayments to certain suppliers under existing contracts. Further, since Consumers provides dividends to CMS Energy, any adverse developments affecting Consumers that result in a lowering of its credit ratings could have an adverse effect on CMS Energy's credit ratings.

If CMS Energy or Consumers were unable to obtain bank financing or access the capital markets to incur or refinance indebtedness, or were unable to obtain commercially reasonable terms for any financing, this could have a material adverse effect on its liquidity, financial condition, and results of operations.

There are risks associated with Consumers' substantial capital investment program planned for the next ten years.

Consumers' planned investments include the construction or acquisition of power generation, electric and gas infrastructure, conversions and expansions, environmental controls, electric grid modernization technology, and other electric and gas investments to upgrade delivery systems, as well as decommissioning of older facilities. The success of these capital investments depends on or could be affected by a variety of factors that include, but are not limited to:

- effective pre-acquisition evaluation of asset values, future operating costs, potential environmental and other liabilities, and other factors beyond Consumers' control
- effective cost and schedule management of new capital projects
- availability of qualified construction personnel
- changes in commodity and other prices
- governmental approvals and permitting
- operational performance
- changes in environmental, legislative, and regulatory requirements
- regulatory cost recovery

It is possible that adverse events associated with these factors could have a material adverse effect on Consumers' liquidity, financial condition, and results of operations.

Changes to ROA could have a material adverse effect on CMS Energy's and Consumers' businesses.

Michigan law allows electric customers in Consumers' service territory to buy electric generation service from alternative electric suppliers in an aggregate amount capped at ten percent, with certain exceptions. Presently, the proportion of Consumers' electric deliveries under the ROA program and on the ROA waiting list is 27 percent. Consumers' rates are regulated by the MPSC, while alternative electric suppliers charge market-based rates, putting competitive pressure on Consumers' electric supply. If the ROA limit were increased or if electric generation service in Michigan were deregulated, it could have a material adverse effect on Consumers' financial results and operations.

CMS Energy and Consumers are subject to rate regulation, which could have an adverse effect on financial results.

CMS Energy and Consumers are subject to rate regulation. Consumers' electric and gas retail rates are set by the MPSC and cannot be changed without regulatory authorization. If rate regulators fail to provide adequate rate relief, it could have a material adverse effect on Consumers or Consumers' plans for making significant capital investments. Regulators seeking to avoid or minimize rate increases could resist raising customer rates sufficiently to permit Consumers to recover the full cost of these investments. In addition, because there are statutory requirements mandating that regulators allow Consumers to recover from customers certain costs, such as resource additions to meet Michigan's renewable resource standard, energy waste reduction, and environmental compliance, regulators could be more inclined to oppose rate increases for other requested items and investments. Rate regulators could also face pressure to avoid or limit rate increases for a number of reasons, including an economic downturn in the state or diminishment of Consumers' customer base. In addition to its potential effects on Consumers' investment program, any limitation of cost recovery through rates could have a material adverse effect on Consumers' liquidity, financial condition, and results of operations.

Orders of the MPSC could limit recovery of costs of providing service including, but not limited to, environmental and safety related expenditures for coal-fueled plants and other utility properties, regulatory assets, power supply and natural gas supply costs, operating and maintenance expenses, additional utility-based investments, sunk investment in mothballed or retired generating plants, costs associated with the proposed retirement and decommissioning of facilities, depreciation expense, MISO energy and transmission costs, costs associated with energy waste reduction investments and state or federally mandated renewable resource standards, or expenditures subject to tracking mechanisms. These orders could also result in adverse regulatory treatment of other matters. For example, MPSC orders could prevent or curtail Consumers from shutting off non-paying customers or could prevent or curtail the implementation of a gas revenue mechanism.

FERC authorizes certain subsidiaries of CMS Energy to sell electricity at market-based rates. Failure of these subsidiaries to maintain this FERC authority could have a material adverse effect on CMS Energy's and Consumers' liquidity, financial condition, and results of operations. Transmission rates are also set by FERC. FERC orders related to transmission costs could have a material adverse effect on Consumers' liquidity, financial condition, and results of operations.

The various risks associated with the MPSC and FERC regulation of CMS Energy's and Consumers' businesses, which include the risk of adverse decisions in any number of rate or regulatory proceedings before either agency, as well as judicial proceedings challenging any agency decisions, could have a material adverse effect on CMS Energy's and Consumers' liquidity, financial condition, investment plans, and results of operations.

Utility regulation, state or federal legislation, and compliance could have a material adverse effect on CMS Energy's and Consumers' businesses.

CMS Energy and Consumers are subject to, or affected by, extensive utility regulation and state and federal legislation. CMS Energy and Consumers believe that they comply with applicable laws and regulations. If it were determined that they failed to comply, CMS Energy or Consumers could become subject to fines, penalties, or disallowed costs, or be required to implement additional compliance, cleanup, or remediation programs, the cost of which could be material. Adoption of new laws, rules, regulations, principles, or practices by federal or state agencies, or challenges or changes to present laws, rules, regulations, principles, or practices and the interpretation of any adoption or change, could have a material adverse effect on CMS Energy's and Consumers' liquidity, financial condition, and results of

operations. Furthermore, any state or federal legislation concerning CMS Energy's or Consumers' operations could have a similar effect.

Utility regulation could be impacted by various matters, such as electric industry restructuring, hydro relicensing, asset reclassification, gas pipeline capacity and gas storage, new generation facilities or investments, transmission charges, environmental controls, climate change, air emissions, renewable energy, energy policy and ROA, distributed generation, battery storage, regulation or deregulation, energy capacity standards or markets, reliability, and safety. CMS Energy and Consumers cannot predict the impact of these matters on their liquidity, financial condition, and results of operations.

FERC, through NERC, oversees reliability of certain portions of the electric grid. FERC orders regarding electric system reliability could have a material adverse effect on CMS Energy's or Consumers' liquidity, financial condition, and results of operations.

CMS Energy and Consumers could incur substantial costs to comply with environmental requirements.

CMS Energy and Consumers are subject to costly and stringent environmental regulations that will likely require additional significant capital expenditures for emissions control equipment, CCR disposal and storage, cooling water intake equipment, effluent treatment, and PCB remediation. In addition, regulatory action on PFAS at the state and/or federal level could cause CMS Energy and Consumers to further test and remediate some sites if PFAS is present at certain levels. Present and reasonably anticipated state and federal environmental statutes and regulations will continue to have a material effect on CMS Energy and Consumers.

CMS Energy and Consumers have interests in fossil-fuel-fired power plants and other types of power plants that produce greenhouse gases. Federal and state environmental laws and rules, as well as international accords and treaties, could require CMS Energy and Consumers to install additional equipment for emission controls, undertake heat-rate improvement projects, purchase carbon emissions allowances, curtail operations, invest in generating capacity with fewer carbon dioxide emissions, or take other significant steps to manage or lower the emission of greenhouse gases.

The following risks related to climate change, emissions, and environmental regulations could also have a material adverse impact on CMS Energy's and Consumers' liquidity, financial condition, and results of operations:

- litigation originated by third parties against CMS Energy or Consumers due to CMS Energy's or Consumers' greenhouse gas or other emissions or CCR disposal and storage
- impairment of CMS Energy's or Consumers' reputation due to their greenhouse gas or other emissions and public perception of their response to potential environmental regulations, rules, and legislation
- extreme weather conditions, such as severe storms or flooding, that may affect customer demand, company operations, or assets

Consumers retired seven smaller coal-fueled electric generating units in 2016. Consumers may encounter previously unknown environmental conditions that will need to be addressed in a timely fashion with state and federal environmental regulators as facilities and equipment on these sites are taken out of service.

Consumers expects to collect fully from its customers, through the ratemaking process, expenditures incurred to comply with environmental regulations, but cannot guarantee this outcome. If Consumers were unable to recover these expenditures from customers in rates, it could negatively affect

CMS Energy's or Consumers' liquidity, results of operations, and financial condition and CMS Energy or Consumers could be required to seek significant additional financing to fund these expenditures.

For additional information regarding compliance with environmental regulations, see Item 1. Business—CMS Energy and Consumers Environmental Strategy and Compliance and Item 7. Management's Discussion and Analysis of Financial Condition and Results of Operations—Outlook—Consumers Electric Utility Outlook and Uncertainties.

CMS Energy's and Consumers' businesses could be affected adversely by any delay in meeting environmental requirements.

A delay or failure by CMS Energy or Consumers to obtain or maintain any necessary environmental permits or approvals to satisfy any applicable environmental regulatory requirements or install emission or pollution control equipment could:

- prevent the construction of new facilities
- prevent the continued operation and sale of energy from existing facilities
- prevent the suspension of operations at existing facilities
- prevent the modification of existing facilities
- result in significant additional costs that could have a material adverse effect on their liquidity, financial condition, and results of operations

CMS Energy and Consumers expect to incur additional substantial costs related to remediation of legacy environmental sites.

Consumers expects to incur additional substantial costs related to the remediation of its former MGP sites and other response activity costs at a number of other sites under NREPA and CERCLA. Consumers believes these costs should be recoverable in rates, but cannot guarantee that outcome.

In addition, certain CMS Energy subsidiaries retained environmental remediation obligations for the collection, treatment, and discharge of leachate at Bay Harbor after selling their interests in the development in 2002. Leachate is produced when water enters into cement kiln dust piles left over from former cement plant operations at the site. Certain CMS Energy subsidiaries have signed agreements with the EPA and EGLE relating to Bay Harbor. If these CMS Energy subsidiaries were unable to meet their commitments under these agreements, or if unanticipated events occurred, these CMS Energy subsidiaries could incur additional material costs relating to their Bay Harbor remediation obligations.

CMS Energy and Consumers could be affected adversely by legacy litigation and retained liabilities.

CMS Energy, CMS MST, CMS Field Services, Cantera Natural Gas, Inc., and Cantera Gas Company were named as defendants in various lawsuits arising as a result of alleged inaccurate natural gas price reporting. Remaining allegations include price-fixing conspiracies, restraint of trade, and artificial inflation of natural gas retail prices in Kansas and Wisconsin. CMS Energy cannot predict the outcome of these lawsuits or the amount of damages for which CMS Energy may be liable. It is possible that the outcome of the lawsuits could have a material adverse effect on CMS Energy's liquidity, financial condition, and results of operations.

The agreements that CMS Energy and Consumers enter into for the sale of assets customarily include provisions whereby they are required to:

- retain specified preexisting liabilities, such as for taxes, pensions, or environmental conditions
- indemnify the buyers against specified risks, including the inaccuracy of representations and warranties that CMS Energy and Consumers make
- make payments to the buyers depending on the outcome of post-closing adjustments, litigation, audits, or other reviews, including claims resulting from attempts by foreign or domestic governments to assess taxes on past operations or transactions

Many of these contingent liabilities can remain open for extended periods of time after the sales are closed. Depending on the extent to which the buyers might ultimately seek to enforce their rights under these contractual provisions, and the resolution of any disputes concerning them, there could be a material adverse effect on CMS Energy's or Consumers' liquidity, financial condition, and results of operations.

In 2002, CMS Energy sold its oil, gas, and methanol investments in Equatorial Guinea. The government of Equatorial Guinea claims that, in connection with the sale, CMS Energy owes $152 million in taxes, plus substantial penalties and interest that could be up to or exceed the amount of the taxes claimed. In 2015, the matter was proceeding to formal arbitration; however, since then, the government of Equatorial Guinea has stopped communicating. CMS Energy has concluded that the government's tax claim is without merit and will continue to contest the claim, but cannot predict the financial impact or outcome of the matter. An unfavorable outcome could have a material adverse effect on CMS Energy's liquidity, financial condition, and results of operations.

CMS Energy's and Consumers' energy sales and operations are affected by seasonal factors and varying weather conditions from year to year.

CMS Energy's and Consumers' utility operations are seasonal. The consumption of electric energy typically increases in the summer months, due primarily to the use of air conditioners and other cooling equipment, while peak demand for natural gas typically occurs in the winter due to colder temperatures and the resulting use of natural gas as heating fuel. Accordingly, CMS Energy's and Consumers' overall results may fluctuate substantially on a seasonal basis. Mild temperatures during the summer cooling season and winter heating season as well as the impact of extreme weather events on Consumers' system could have a material adverse effect on CMS Energy's and Consumers' liquidity, financial condition, and results of operations.

Consumers is exposed to risks related to general economic conditions in its service territories.

Consumers' electric and gas utility businesses are affected by the economic conditions impacting the customers they serve. If the Michigan economy becomes sluggish or declines, Consumers could experience reduced demand for electricity or natural gas that could result in decreased earnings and cash flow. In addition, economic conditions in Consumers' service territory affect its collections of accounts receivable and levels of lost or stolen gas, which in turn impact its liquidity, financial condition, and results of operations.

CMS Energy and Consumers are subject to information security risks, risks of unauthorized access to their systems, and technology failures.

In the regular course of business, CMS Energy and Consumers handle a range of sensitive security and customer information. CMS Energy and Consumers are subject to laws and rules issued by various agencies concerning safeguarding and maintaining the confidentiality of this information. A security breach of CMS Energy's and Consumers' information or control systems could involve theft or the

inappropriate release of certain types of information, such as confidential customer information or, separately, system operating information. These events could disrupt operations, subject CMS Energy and Consumers to possible financial liability, damage their reputation and diminish the confidence of customers, and have a material adverse effect on CMS Energy's and Consumers' liquidity, financial conditions, and results of operations.

CMS Energy and Consumers operate in a highly regulated industry that requires the continued operation of sophisticated information and control technology systems and network infrastructure. Despite implementation of security measures, technology systems, including disaster recovery and backup systems, are vulnerable to failure, cyber crime, unauthorized access, and being disabled. These events could impact the reliability of electric generation and electric and gas delivery and also subject CMS Energy and Consumers to financial harm. Cyber crime, which includes the use of malware, computer viruses, and other means for disruption or unauthorized access against companies, including CMS Energy and Consumers, has increased in frequency, scope, and potential impact in recent years. While CMS Energy and Consumers have not been subject to cyber crime incidents that have had a material impact on their operations to date, their security measures in place may be insufficient to prevent a major cyber incident in the future. If technology systems, including disaster recovery and backup systems, were to fail or be breached, CMS Energy and Consumers might not be able to fulfill critical business functions, and sensitive confidential and proprietary data could be compromised, which could have a material adverse effect on CMS Energy's and Consumers' liquidity, financial condition, and results of operations. In addition, because CMS Energy's and Consumers' generation, transmission, and distribution systems are part of an interconnected system, a disruption caused by a cyber incident at another utility, electric generator, system operator, or commodity supplier could also adversely affect CMS Energy's or Consumers' businesses, financial condition, and results of operations.

A variety of technological tools and systems, including both company-owned information technology and technological services provided by outside parties, support critical functions. The failure of these technologies, including backup systems, or the inability of CMS Energy and Consumers to have these technologies supported, updated, expanded, or integrated into other technologies, could hinder their business operations and materially adversely affect their liquidity, financial condition, and results of operations. A breach or failure of technology, including disaster recovery or backup systems, could also have a negative impact on CMS Energy's banking subsidiary, EnerBank.

CMS Energy's and Consumers' businesses have liability risks.

Consumers' electric and gas delivery systems, power plants, gas infrastructure including storage facilities, wind energy or solar equipment, and energy products, and the independent power plants owned in whole or in part by CMS Energy could be involved in incidents, failures, or accidents that result in injury, loss of life, or property loss to customers, employees, or the public. Although CMS Energy and Consumers have insurance coverage for many potential incidents (subject to deductibles, limitations, and self-insurance amounts that could be material), depending upon the nature or severity of any incident, failure, or accident, CMS Energy or Consumers could suffer financial loss, reputational damage, and negative repercussions from regulatory agencies or other public authorities.

CMS Energy's and Consumers' revenues and results of operations are subject to risks that are beyond their control, including but not limited to natural disasters, terrorist attacks and related acts of war, cyber incidents, vandalism, and other catastrophic events.

The impact of natural disasters, severe weather, wars, terrorist acts, vandalism, theft, cyber incidents, pandemics, and other catastrophic events on the facilities and operations of CMS Energy and Consumers could have a material adverse effect on CMS Energy's and Consumers' liquidity, financial condition, and results of operations. These events could result in severe damage to CMS Energy's and Consumers' assets

beyond what could be recovered through insurance policies (which are subject to deductibles and limits), could require CMS Energy and Consumers to incur significant upfront costs, and could severely disrupt operations, resulting in loss of service to customers. There is also a risk that regulators could, after the fact, conclude that Consumers' preparedness or response to such an event was inadequate and take adverse actions as a result.

CMS Energy and Consumers are exposed to significant reputational risks.

CMS Energy and Consumers could suffer negative impacts to their reputations as a result of operational incidents, violations of corporate policies, regulatory violations, inappropriate use of social media, or other events. Reputational damage could have a material adverse effect on CMS Energy's and Consumers' liquidity, financial condition, and results of operations. It could also result in negative customer perception and increased regulatory oversight.

Consumers is exposed to changes in customer usage that could impact financial results.

Distributed electricity generation: Technology advances, government incentives and subsidies, and recent regulatory decisions could increase the cost effectiveness of customer-owned methods of producing electricity and managing energy use, such as fuel cells, batteries, microturbines, wind turbines, and solar photovoltaics, resulting in reduced load, cross subsidization, and increased costs. This could have a material adverse effect on CMS Energy's and Consumers' liquidity, financial condition, and results of operations.

Energy waste reduction: Customers could reduce their consumption through demand-side energy conservation and energy waste reduction programs. These reductions could have a material adverse effect on CMS Energy's and Consumers' liquidity, financial condition, and results of operations.

Energy risk management strategies might not be effective in managing fuel and electricity pricing risks, which could result in unanticipated liabilities to CMS Energy and Consumers or increased volatility in their earnings.

CMS Energy and Consumers are exposed to changes in market prices for natural gas, coal, electric capacity, electric energy, emission allowances, gasoline, diesel fuel, and RECs. Prices for these commodities may fluctuate substantially over relatively short periods of time and expose CMS Energy and Consumers to price risk. CMS Energy and Consumers manage commodity price risk using established policies and procedures, and they may use various contracts to manage this risk, including swaps, options, futures, and forward contracts. No assurance can be made that these strategies will be successful in managing CMS Energy's and Consumers' risk or that they will not result in net liabilities to CMS Energy or Consumers as a result of future volatility.

A substantial portion of Consumers' operating expenses for its electric generating plants and vehicle fleet consists of the costs of obtaining these commodities. The contracts associated with Consumers' fuel for electric generation and purchased power are executed in conjunction with the PSCR mechanism, which is designed to allow Consumers to recover prudently incurred costs associated with its positions in these commodities. If the MPSC determined that any of these contracts or related contracting policies were imprudent, recovery of these costs could be disallowed.

Natural gas prices in particular have been historically volatile. Consumers routinely enters into contracts to mitigate exposure to the risks of demand, market effects of weather, and changes in commodity prices associated with its gas distribution business. These contracts are executed in conjunction with the GCR mechanism, which is designed to allow Consumers to recover prudently incurred costs associated with its

natural gas positions. If the MPSC determined that any of these contracts or related contracting policies were imprudent, recovery of these costs could be disallowed.

CMS Energy and Consumers do not always hedge any or all of the exposure of their operations from commodity price volatility. Furthermore, the ability to hedge exposure to commodity price volatility depends on liquid commodity markets. As a result, to the extent the commodity markets are illiquid, CMS Energy and Consumers might not be able to execute their risk management strategies, which could result in larger unhedged positions than preferred at a given time. To the extent that unhedged positions exist, fluctuating commodity prices could have a negative effect on CMS Energy's and Consumers' liquidity, financial condition, and results of operations. Changes in laws that limit CMS Energy's and Consumers' ability to hedge could also have a negative effect on CMS Energy's and Consumers' liquidity, financial condition, and results of operations.

CMS Energy and Consumers are exposed to counterparty risk.

Adverse economic conditions or financial difficulties experienced by counterparties with whom CMS Energy and Consumers do business could impair the ability of these counterparties to pay for CMS Energy's and Consumers' services and/or fulfill their contractual obligations, including performance and payment of damages. CMS Energy and Consumers depend on these counterparties to remit payments and perform contracted services in a timely fashion. Any delay or default in payment or performance of contractual obligations could have a material adverse effect on CMS Energy's and Consumers' liquidity, financial condition, and results of operations.

Volatility and disruptions in capital and credit markets could have a negative impact on CMS Energy's and Consumers' lenders, vendors, contractors, suppliers, customers, and other counterparties, causing them to fail to meet their obligations. Adverse economic conditions could also have a negative impact on the loan portfolio of CMS Energy's banking subsidiary, EnerBank.

Consumers might not be able to obtain an adequate supply of natural gas or coal, which could limit its ability to operate its electric generation facilities or serve its natural gas customers.

Consumers has natural gas and coal supply and transportation contracts in place for the natural gas and coal it requires for its electric generating capacity. Consumers also has interstate transportation and supply agreements in place to facilitate delivery of natural gas to its customers. Apart from the contractual and monetary remedies available to Consumers in the event of a counterparty's failure to perform under any of these contracts, there can be no assurances that the counterparties to these contracts will fulfill their obligations to provide natural gas or coal to Consumers. The counterparties under the agreements could experience financial or operational problems that inhibit their ability to fulfill their obligations to Consumers. In addition, counterparties under these contracts might not be required to supply natural gas or coal to Consumers under certain circumstances, such as in the event of a natural disaster or severe weather.

If, for its electric generating capacity, Consumers were unable to obtain its natural gas or coal requirements, or for its natural gas delivery to customers, Consumers were unable to obtain its natural gas supply requirements, it could be required to purchase natural gas or coal at higher prices or implement its natural gas curtailment program filed with the MPSC. These alternatives could increase Consumers' working capital requirements and could decrease its revenues.

Market performance and other changes could decrease the value of employee benefit plan assets, which then could require substantial funding.

The performance of the capital markets affects the value of assets that are held in trust to satisfy future obligations under CMS Energy's and Consumers' pension and postretirement benefit plans. CMS Energy and Consumers have significant obligations under these plans and hold significant assets in these trusts. These assets are subject to market fluctuations and will yield uncertain returns, which could fall below CMS Energy's and Consumers' forecasted return rates. A decline in the market value of the assets or a change in the level of interest rates used to measure the required minimum funding levels could significantly increase the funding requirements of these obligations. Also, changes in demographics, including an increased number of retirements or changes in life expectancy assumptions, could significantly increase the funding requirements of the obligations related to the pension and postretirement benefit plans. If CMS Energy and Consumers were unable to manage their pension and postretirement plan assets successfully, it could have a material adverse effect on their liquidity, financial condition, and results of operations.

A work interruption or other union actions could adversely affect Consumers.

Unions represent 37 percent of Consumers' employees. Consumers' union agreements expire in 2020. If these employees were to engage in a strike, work stoppage, or other slowdown, Consumers could experience a significant disruption in its operations and higher ongoing labor costs.

Failure to attract and retain an appropriately qualified workforce could adversely impact CMS Energy's and Consumers' results of operations.

The workforce of CMS Energy and Consumers is aging and a number of employees will become eligible to retire within the next few years. In some areas, competition for skilled employees is high and if CMS Energy and Consumers were unable to match skill sets to future needs, they could encounter operating challenges and increased costs. These challenges could include a lack of resources, loss of knowledge, and delays in skill development. Additionally, higher costs could result from the use of contractors to replace employees, loss of productivity, and safety incidents. Failing to train replacement employees adequately and to transfer internal knowledge and expertise could adversely affect CMS Energy's and Consumers' ability to manage and operate their businesses. If CMS Energy and Consumers were unable to attract and retain an appropriately qualified workforce, their financial condition and results of operations could be affected negatively.

Unplanned outages or maintenance could be costly for CMS Energy or Consumers.

Unforeseen outages or maintenance of the independent power plants owned in whole or in part by CMS Energy or Consumers' electric and gas delivery systems, power plants, gas infrastructure including storage facilities, wind energy or solar equipment, and energy products may be required for many reasons. These reasons could include catastrophic events such as fires, explosions, extreme weather, floods or other acts of God, failures of equipment or materials, operator error, or the need to comply with environmental or safety regulations. When unplanned outages occur, CMS Energy and Consumers will not only incur unexpected maintenance expenses, but may also have to make spot market purchases of electric and gas commodities that may exceed CMS Energy's or Consumers' costs of generation or service, be forced to curtail services, or retire a given unit if the cost or timing of the maintenance is not reasonable and prudent. Unplanned outages could reduce the capacity credit CMS Energy or Consumers receives from MISO and could cause CMS Energy or Consumers to incur additional capacity costs in future years. Costs associated with these matters could have a material adverse effect on CMS Energy's or Consumers' liquidity, financial condition, and results of operations.

Changes in taxation as well as the inherent difficulty in quantifying potential tax effects of business decisions could negatively impact CMS Energy and Consumers.

CMS Energy and Consumers are required to make judgments regarding the potential tax effects of various financial transactions and results of operations in order to estimate their obligations to taxing authorities. The tax obligations include income taxes, real estate taxes, sales and use taxes, employment-related taxes, and ongoing issues related to these tax matters. The judgments include determining reserves for potential adverse outcomes regarding tax positions that have been taken and may be subject to challenge by the IRS and/or other taxing authorities. Unfavorable settlements of any of the issues related to these reserves or other tax matters at CMS Energy or Consumers could have a material adverse effect on their liquidity, financial condition, and results of operations.

CMS Energy and Consumers are subject to changing tax laws. Changes in federal, state, or local tax rates or other changes in tax laws could have adverse impacts on their liquidity, financial condition, and results of operations.

In December 2017, the TCJA, which changed existing federal tax law and included numerous provisions that affect businesses, was enacted. CMS Energy and Consumers made reasonable estimates in measuring and accounting for the effects of the TCJA and did not recognize any material changes to their estimates during the years ended December 31, 2019 and December 31, 2018. Given expected changes to U.S. Treasury regulations and interpretations of the TCJA by the U.S. Treasury, the final transition impacts of the TCJA may differ from the estimates provided elsewhere in this report.

CMS Energy and its subsidiaries, including Consumers and EnerBank, must comply with the Dodd-Frank Act and its related regulations, which are subject to change and could involve material costs or affect operations.

Regulations that are intended to implement the Dodd-Frank Act have been and are still being adopted and modified by the appropriate agencies. The Dodd-Frank Act added a new Section 13 to the Bank Holding Company Act. Known, together with its implementing regulations, as the Volcker Rule, it generally restricts certain banking entities (such as EnerBank) and their subsidiaries or affiliates from engaging in proprietary trading activities and from owning equity in or sponsoring any private equity or hedge fund. The activities of CMS Energy and its subsidiaries (including EnerBank) have not been and are not expected to be materially affected by the Volcker Rule; however, they are restricted from engaging in proprietary trading, investing in third-party hedge or private equity funds, and sponsoring these funds in the future unless CMS Energy qualifies for an exemption from the rule. CMS Energy and its subsidiaries are also subject to certain ongoing compliance requirements pursuant to the regulations. CMS Energy cannot predict the full impact of the Volcker Rule, including any impact resulting from changes to implementing regulations, on CMS Energy's or EnerBank's operations or financial condition.

All companies that directly or indirectly control an FDIC-insured bank are required to serve as a source of financial strength for that institution. As a result, CMS Energy could be called upon by the FDIC to infuse additional capital into EnerBank to the extent that EnerBank fails to satisfy its capital requirements. In addition, CMS Energy is contractually required (i) to make cash capital contributions to EnerBank in the event that EnerBank does not maintain required minimum capital ratios and (ii) to provide EnerBank financial support, in an amount and duration as may be necessary for EnerBank to meet the cash needs of its depositors and other operations.

In addition, the Dodd-Frank Act provides for regulation by the Commodity Futures Trading Commission of certain commodity-related contracts. Although CMS Energy, Consumers, EnerBank, and certain subsidiaries of CMS Enterprises qualify for an end-user exception from mandatory clearing of

commodity-related swaps, these regulations could affect the ability of these entities to participate in these markets and could add additional regulatory oversight over their contracting activities.

Item 1B. Unresolved Staff Comments

None.

Item 2. Properties

Descriptions of CMS Energy's and Consumers' properties are found in the following sections of Item 1. Business, all of which are incorporated by reference in this Item 2:

- General—CMS Energy
- General—Consumers
- Business Segments—Consumers Electric Utility—Electric Utility Properties
- Business Segments—Consumers Gas Utility—Gas Utility Properties
- Business Segments—Enterprises Segment—Non-Utility Operations and Investments—Independent Power Production

Item 3. Legal Proceedings

For information regarding CMS Energy's and Consumers' significant pending administrative and judicial proceedings involving regulatory, operating, transactional, environmental, and other matters, see Item 8. Financial Statements and Supplementary Data—Notes to the Consolidated Financial Statements—Note 3, Regulatory Matters and Note 4, Contingencies and Commitments.

CMS Energy, Consumers, and certain of their affiliates are also parties to routine lawsuits and administrative proceedings incidental to their businesses involving, for example, claims for personal injury and property damage, contractual matters, various taxes, and rates and licensing.

Item 4. Mine Safety Disclosures

Not applicable.

Part II

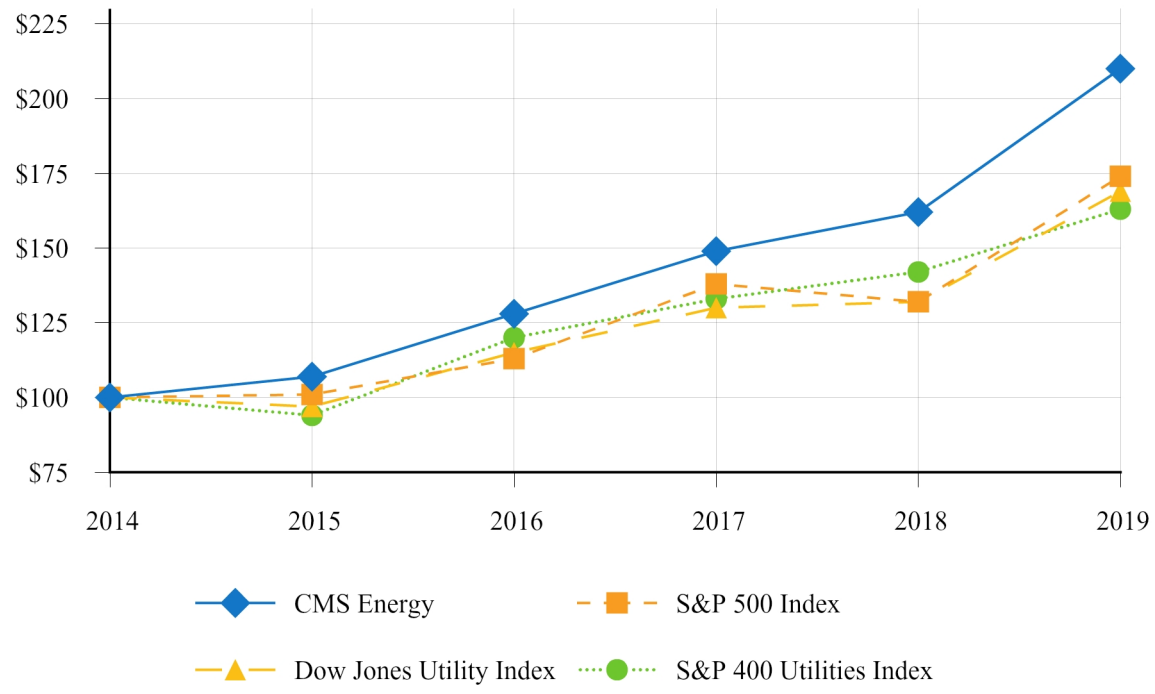
Item 5. Market For Registrant's Common Equity, Related Stockholder Matters and Issuer Purchases of Equity Securities

CMS Energy

CMS Energy's common stock is traded on the New York Stock Exchange under the symbol CMS. Market prices for CMS Energy's common stock and related security holder matters are contained in Item 6. Selected Financial Data, which is incorporated by reference herein. At January 10, 2020, the number of registered holders of CMS Energy's common stock totaled 28,495, based on the number of record holders.

For additional information regarding securities authorized for issuance under equity compensation plans, see Item 8. Financial Statements and Supplementary Data—Notes to the Consolidated Financial Statements—Note 13, Stock-Based Compensation and Item 12. Security Ownership of Certain Beneficial Owners and Management and Related Stockholder Matters. For additional information regarding dividends and dividend restrictions, see Item 8. Financial Statements and Supplementary Data—Notes to the Consolidated Financial Statements—Note 5, Financings and Capitalization.

Comparison of Five-Year Cumulative Total Return



	Five-Year Cumulative Total Return					
Company/Index	2014	2015	2016	2017	2018	2019
CMS Energy	$ 100	$ 107	$ 128	$ 149	$ 162	$ 210
S&P 500 Index	100	101	113	138	132	174
Dow Jones Utility Index	100	97	115	130	132	169
S&P 400 Utilities Index	100	94	120	133	142	163

These cumulative total returns assume reinvestments of dividends.

Consumers

Consumers' common stock is privately held by its parent, CMS Energy, and does not trade in the public market.

Issuer Repurchases of Equity Securities

Presented in the following table are CMS Energy's repurchases of equity securities for the three months ended December 31, 2019:

Period	Total Number of Shares Purchased[1]	Average Price Paid per Share	Total Number of Shares Purchased as Part of Publicly Announced Plans or Programs	Maximum Number of Shares That May Yet Be Purchased Under Publicly Announced Plans or Programs
October 1, 2019 to October 31, 2019	—	$ —	—	—
November 1, 2019 to November 30, 2019	8,853	60.49	—	—
December 1, 2019 to December 31, 2019	9,734	61.53	—	—
Total	18,587	$ 61.03	—	—

[1] All of the common shares were repurchased to satisfy the minimum statutory income tax withholding obligation for common shares that have vested under the PISP. The value of shares repurchased is based on the market price on the vesting date.

Unregistered Sales of Equity Securities

None.

Item 6. Selected Financial Data

CMS Energy Corporation

		2019	2018	2017	2016	2015
Operating revenue (in millions)	($)	6,845	6,873	6,583	6,399	6,456
Income from equity method investees (in millions)	($)	10	9	15	13	14
Net income (in millions)[1]	($)	682	659	462	553	525
Net income available to common stockholders (in millions)	($)	680	657	460	551	523
Average common shares outstanding (in millions)		283.0	282.2	280.0	277.9	275.6
Earnings per average common share						
CMS Energy — Basic	($)	2.40	2.33	1.64	1.99	1.90
— Diluted	($)	2.39	2.32	1.64	1.98	1.89
Cash provided by operations (in millions)	($)	1,790	1,703	1,705	1,629	1,640
Capital expenditures, excluding assets placed under finance lease (in millions)	($)	2,104	2,074	1,665	1,672	1,564
Total assets (in millions)	($)	26,837	24,529	23,050	21,622	20,299
Long-term debt, excluding current portion (in millions)	($)	11,951	10,615	9,123	8,640	8,400
Non-current portion of finance leases and other financing (in millions)	($)	76	69	91	110	118
Cash dividends declared per common share	($)	1.53	1.43	1.33	1.24	1.16
Market price of common stock at year-end	($)	62.84	49.65	47.30	41.62	36.08
Book value per common share at year-end	($)	17.67	16.78	15.77	15.23	14.21
Total employees at year-end		8,789	8,625	7,952	7,800	7,804
Electric Utility Statistics						
Sales (billions of kWh)		37	38	37	38	37
Customers (in thousands)		1,848	1,831	1,826	1,805	1,803
Average sales rate per kWh	(¢)	11.64	11.78	11.98	11.63	11.39
Gas Utility Statistics						
Sales and transportation deliveries (bcf)		391	386	352	358	356
Customers (in thousands)[2]		1,793	1,784	1,776	1,772	1,741
Average sales rate per mcf	($)	7.44	7.44	7.51	7.31	7.89

[1] Includes income attributable to noncontrolling interests of $2 million in each period.

[2] Excludes off-system transportation customers.

Consumers Energy Company

		2019	2018	2017	2016	2015
Operating revenue (in millions)	($)	6,376	6,464	6,222	6,064	6,165
Net income (in millions)	($)	743	705	632	616	594
Net income available to common stockholder (in millions)	($)	741	703	630	614	592
Cash provided by operations (in millions)	($)	1,601	1,449	1,715	1,681	1,794
Capital expenditures, excluding assets placed under finance lease (in millions)	($)	2,085	1,822	1,632	1,656	1,537
Total assets (in millions)	($)	23,699	22,025	21,099	19,946	18,635
Long-term debt, excluding current portion (in millions)	($)	7,048	6,779	5,561	5,253	5,183
Non-current portion of finance leases and other financing (in millions)	($)	76	69	91	110	118
Total preferred stock (in millions)	($)	37	37	37	37	37
Number of preferred stockholders at year-end		968	1,017	1,056	1,095	1,156
Total employees at year-end		8,253	8,121	7,496	7,366	7,394
Electric Utility Statistics						
Sales (billions of kWh)		37	38	37	38	37
Customers (in thousands)		1,848	1,831	1,826	1,805	1,803
Average sales rate per kWh	(¢)	11.64	11.78	11.98	11.63	11.39
Gas Utility Statistics						
Sales and transportation deliveries (bcf)		391	386	352	358	356
Customers (in thousands)[1]		1,793	1,784	1,776	1,772	1,741
Average sales rate per mcf	($)	7.44	7.44	7.51	7.31	7.89

[1] Excludes off-system transportation customers.

Item 7. Management's Discussion and Analysis of Financial Condition and Results of Operations

This Management's Discussion and Analysis of Financial Condition and Results of Operations is a combined report of CMS Energy and Consumers.

Executive Overview

CMS Energy is an energy company operating primarily in Michigan. It is the parent holding company of several subsidiaries, including Consumers, an electric and gas utility; CMS Enterprises, primarily a domestic independent power producer and marketer; and EnerBank, an industrial bank located in Utah. Consumers' electric utility operations include the generation, purchase, transmission, distribution, and sale of electricity, and Consumers' gas utility operations include the purchase, transmission, storage, distribution, and sale of natural gas. Consumers' customer base consists of a mix of residential, commercial, and diversified industrial customers. CMS Enterprises, through its subsidiaries and equity investments, is engaged in domestic independent power production, including the development and operation of renewable generation, and the marketing of independent power production. EnerBank provides unsecured consumer installment loans, largely for financing home improvements.

CMS Energy and Consumers manage their businesses by the nature of services each provides. CMS Energy operates principally in four business segments: electric utility; gas utility; enterprises, its non-utility operations and investments; and EnerBank. Consumers operates principally in two business segments: electric utility and gas utility. CMS Energy's and Consumers' businesses are affected primarily by:

- regulation and regulatory matters
- state and federal legislation
- economic conditions
- weather
- energy commodity prices
- interest rates
- their securities' credit ratings

The Triple Bottom Line

CMS Energy's and Consumers' purpose is to achieve world class performance while delivering hometown service. In support of this purpose, the companies employ the "Consumers Energy Way," a lean operating model designed to improve safety, quality, cost, delivery, and employee morale.

CMS Energy and Consumers measure their progress toward the purpose by considering their impact on the "triple bottom line" of people, planet, and profit, which is underpinned by performance; this consideration takes into account not only the economic value that the companies create for customers and investors, but also their responsibility to social and environmental goals. The triple bottom line balances the interests of the companies' employees, customers, suppliers, regulators, creditors, Michigan's residents, the investment community, and other stakeholders, and it reflects the broader societal impacts of the companies' activities.



Consumers' Sustainability Report, which is available to the public, describes the company's progress toward world class performance measured in the areas of people, planet, and profit.

People: The people element of the triple bottom line represents CMS Energy's and Consumers' commitment to their employees, their customers, the residents of local communities in which the companies do business, and other stakeholders.

The safety of employees, customers, and the general public is a priority of CMS Energy and Consumers. Accordingly, CMS Energy and Consumers have worked to integrate a set of safety principles into their business operations and culture. These principles include complying with applicable safety, health, and security regulations and implementing programs and processes aimed at continually improving safety and security conditions. Over the last ten years, Consumers' OSHA recordable incident rate has decreased by over 63 percent.

CMS Energy and Consumers also place a high priority on customer value and on providing a hometown customer experience. Consumers' customer-driven investment program is aimed at improving safety and increasing electric and gas reliability, which has resulted in measurable improvements in customer satisfaction.

Central to Consumers' commitment to its customers are the initiatives it has undertaken to keep electricity and natural gas affordable, including:

- replacement of coal-fueled generation and PPAs with renewable energy and energy waste reduction and demand response programs
- targeted infrastructure investment to improve reliability and safety and to reduce maintenance costs
- information and control system efficiencies
- employee and retiree health care cost sharing
- workforce productivity enhancements

In addition, Consumers' gas commodity costs declined by 62 percent from 2009 through 2019, due not only to a decrease in market prices but also to Consumers' improvements to its gas infrastructure and optimization of its gas purchasing and storage strategy. These gas commodity savings are passed on to customers.

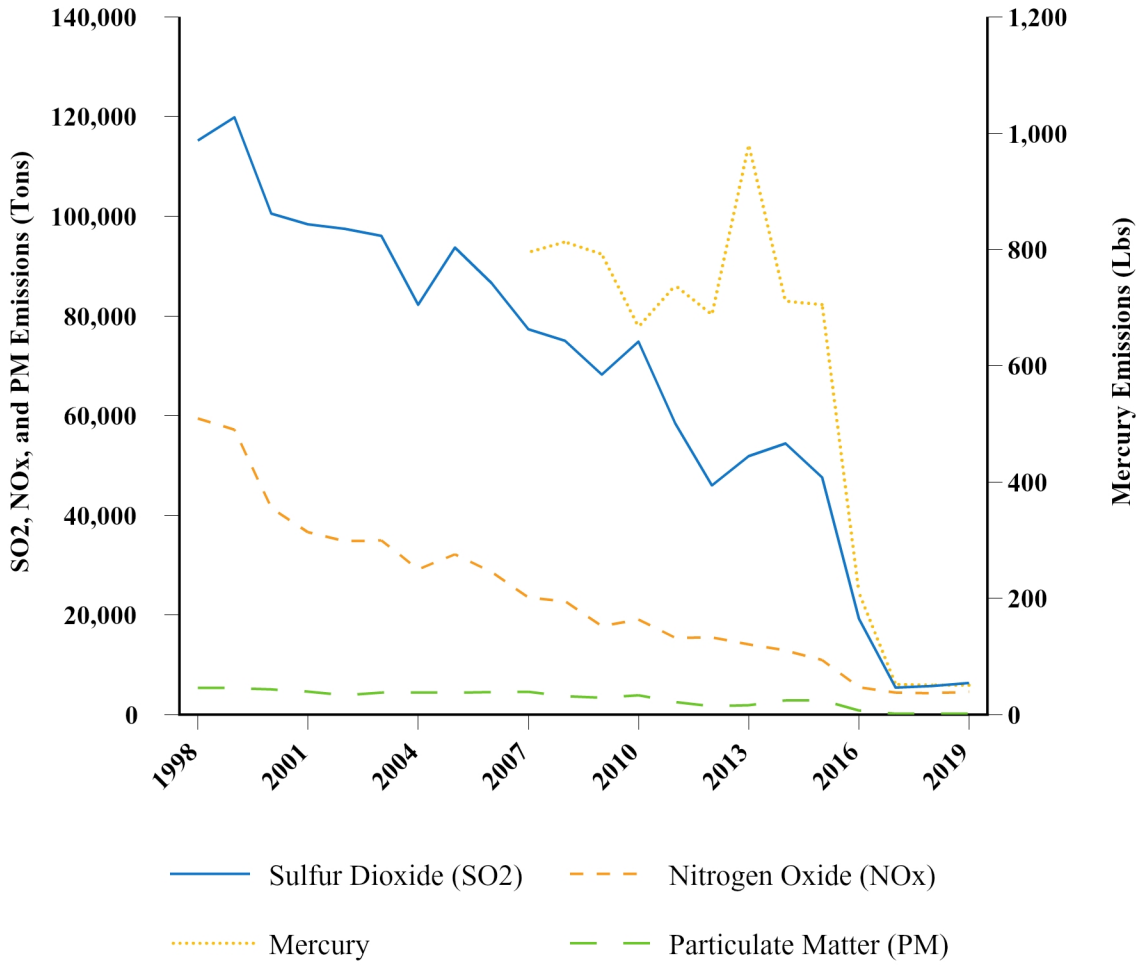
Planet: The planet element of the triple bottom line represents CMS Energy's and Consumers' commitment to protect the environment. This commitment extends beyond compliance with various state and federal environmental, health, and safety laws and regulations. Management considers climate change

and other environmental risks in the companies' strategy development, business planning, and enterprise risk management processes.

CMS Energy and Consumers continue to focus on opportunities to protect the environment and to reduce their carbon footprint. As a result of actions already taken by CMS Energy and Consumers, the companies have:

- decreased their combined percentage of electric supply (self-generated and purchased) from coal by 18 percentage points since 2015
- reduced carbon dioxide emissions by over 35 percent since 2005
- reduced the amount of water used to generate electricity by 31 percent since 2012
- reduced landfill waste disposal by over 1.3 million tons since 1992
- reduced methane emissions by 17 percent since 2012

Additionally, over the last 20 years, Consumers has reduced its sulfur dioxide, nitrogen oxide, particulate matter, and mercury emissions by over 90 percent. Presented in the following illustration are Consumers' reductions in these emissions (Consumers began tracking mercury emissions in 2007):



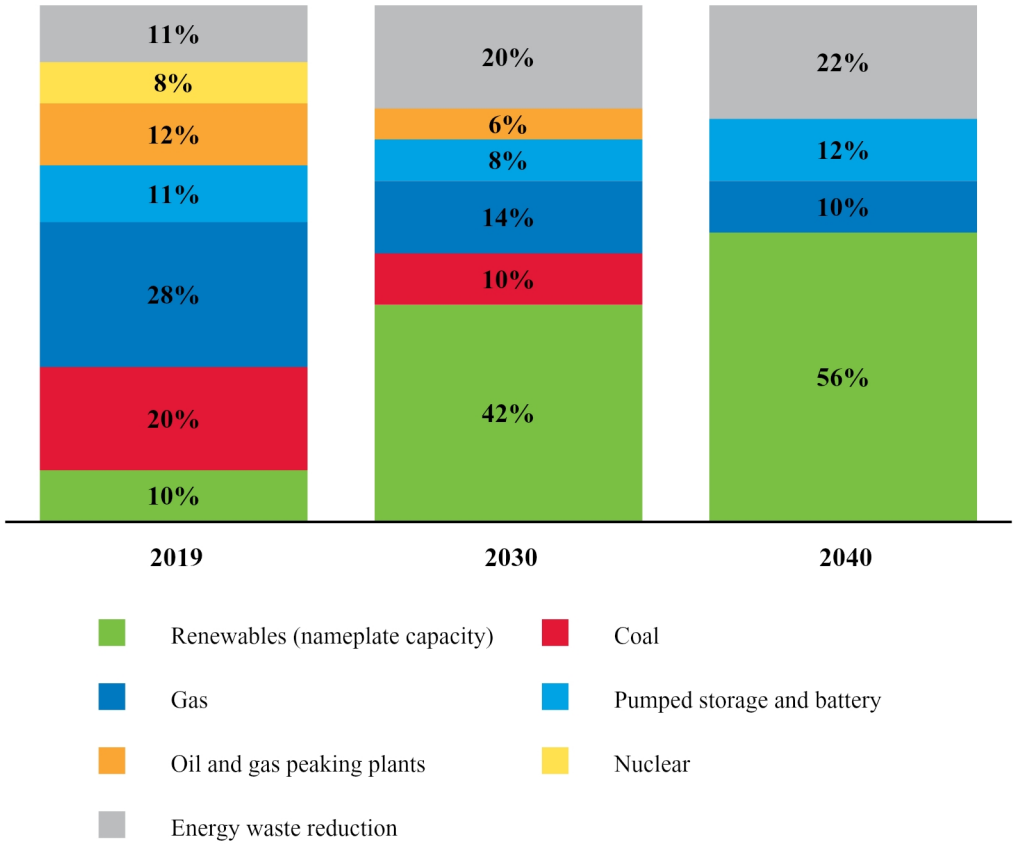
The 2016 Energy Law:

- raised the renewable energy standard to 12.5 percent in 2019 and 15 percent in 2021; Consumers met the 12.5-percent requirement in 2019 with a combination of newly generated RECs and previously generated RECs carried over from prior years
- established a goal of 35 percent combined renewable energy and energy waste reduction by 2025; Consumers has achieved 22 percent of the combined renewable energy and energy waste reduction goal through 2019
- authorized incentives for demand response programs and expanded existing incentives for energy efficiency programs, referring to the combined initiatives as energy waste reduction programs
- established an integrated planning process for new generation resources

Consumers filed an IRP with the MPSC in June 2018, detailing its Clean Energy Plan. In March 2019, Consumers and a broad coalition of key stakeholders, including business customers, environmental groups, the MPSC Staff, and the Michigan Attorney General, filed an agreement settling the IRP with the MPSC and the MPSC approved it in June 2019.

Under its Clean Energy Plan, Consumers will meet the requirements of the 2016 Energy Law using its clean and lean strategy, which focuses on increasing the generation of renewable energy, helping customers use less energy, and offering demand response programs to reduce demand during critical peak times. Further, Consumers plans to replace its coal-fueled generation predominantly with investment in renewable energy, which will enable Consumers to meet and exceed the 2016 Energy Law renewable energy requirements and fulfill increasing customer demand for renewable energy. Through its Clean Energy Plan, Consumers expects to reduce carbon emissions of its owned generation by more than 90 percent from its 2005 levels by 2040. Additionally, the plan will allow Consumers to achieve a breakthrough goal of at least 50 percent combined renewable energy and energy waste reduction by 2030.

Presented in the following illustration is Consumers' 2019 capacity portfolio and its future capacity portfolio as projected in the IRP. This illustration includes the effects of purchased capacity and energy waste reduction and uses the nameplate capacity of renewable energy sources:



In addition to Consumers' efforts to reduce the electric utility's carbon footprint, it is also making efforts to reduce the gas utility's methane footprint. In October 2019, Consumers set a goal of net-zero methane emissions from its natural gas delivery system by 2030. Consumers' Methane Reduction Plan, released in November 2019, outlines its plan to reach this net-zero emissions goal. Consumers plans to reduce methane emissions from its system by about 80 percent by accelerating the replacement of aging pipe, rehabilitating or retiring outdated infrastructure, and adopting new technologies and practices. The remaining emissions will be eliminated by purchasing and/or producing renewable natural gas.

Additionally, to advance its environmental stewardship in Michigan and to minimize the impact of future regulations, Consumers announced the following five-year targets during 2018:

- to reduce its water use by one billion gallons; during 2018 and 2019, Consumers reduced its water usage by over 400 million gallons
- to reduce the amount of waste taken to landfills by 35 percent; during 2018 and 2019, Consumers reduced its waste to landfills by 10 percent
- to enhance, restore, or protect 5,000 acres of land; during 2018 and 2019, Consumers enhanced, restored, or protected over 2,200 acres of land

CMS Energy, through its non-utility businesses, continues to pursue further opportunities for the development of renewable generation projects. In recent years, CMS Enterprises completed the development of and now operates a wind generation project and three solar generation projects.

CMS Energy and Consumers are monitoring numerous legislative, policy, and regulatory initiatives, including those to regulate greenhouse gases, and related litigation. While CMS Energy and Consumers cannot predict the outcome of these matters, which could have a material effect on the companies, they intend to continue to move forward with their clean and lean strategy.

Profit: The profit element of the triple bottom line represents CMS Energy's and Consumers' commitment to meeting their financial objectives and providing economic development opportunities and benefits in the communities in which they do business. CMS Energy's and Consumers' financial strength allows them to maintain solid investment-grade credit ratings and thereby reduce funding costs for the benefit of customers and investors, to preserve and create jobs, and to reinvest in the communities they serve.

In 2019, CMS Energy's net income available to common stockholders was $680 million, and diluted EPS were $2.39. This compares with net income available to common stockholders of $657 million and diluted EPS of $2.32 in 2018. In 2019, the benefits from electric and gas rate increases, higher gas sales due primarily to colder weather, cost control measures, and the gain on the sale of transmission equipment were offset partially by lower electric sales due primarily to unfavorable weather, higher depreciation and maintenance, higher service restoration costs from 2019 storms, lower earnings at the enterprises segment, and an accrual for a legacy legal obligation. A more detailed discussion of the factors affecting CMS Energy's and Consumers' performance can be found in the Results of Operations section that follows this Executive Overview.

Consumers projects that its electric weather-normalized deliveries will decrease slightly and gas weather-normalized deliveries will remain stable through 2024. This outlook reflects the effects of energy waste reduction programs offset largely by modest growth in electric and gas demand.

Performance: Impacting the Triple Bottom Line

CMS Energy and Consumers remain committed to achieving world class performance while delivering hometown service. Leveraging the Consumers Energy Way, CMS Energy and Consumers accomplished the following during 2019:

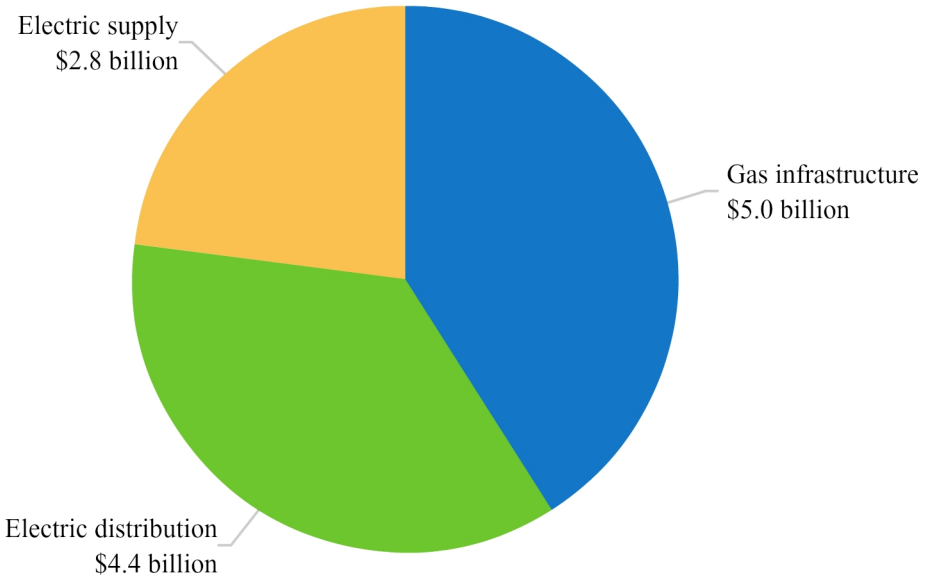
- received approval of Consumers' IRP, which supports the companies' clean energy goals
- launched a three-year electric vehicle pilot program
- committed to invest $7.5 billion in Michigan businesses over the next five years; of that amount, $1.5 billion will be invested in diverse suppliers
- completed the deployment of automated gas meters in areas where Consumers provides only natural gas to customers, allowing for drive-by meter reading
- ranked the highest in customer satisfaction among large natural gas providers in the Midwest, according to a residential customer satisfaction study conducted by J.D. Power, a global marketing information company

CMS Energy and Consumers will continue to utilize the Consumers Energy Way to enable them to achieve world class performance and positively impact the triple bottom line. Consumers' investment plan and the regulatory environment in which it operates also drive its ability to impact the triple bottom line.

Investment Plan: Consumers expects to make capital investments of $25 billion over the next ten years. Over the next five years, Consumers expects to make significant expenditures on infrastructure upgrades

and replacements and electric supply projects. While it has a large number of potential investment opportunities that would add customer value, Consumers has prioritized its spending based on the criteria of enhancing public safety, increasing reliability, maintaining affordability for its customers, and advancing its environmental stewardship. Consumers' investment program is expected to result in annual rate-base growth of six to eight percent. This rate-base growth, together with cost-control measures, should allow Consumers to maintain affordable customer prices.

Presented in the following illustration are planned capital expenditures of $12.2 billion that Consumers expects to make from 2020 through 2024:



Of this amount, Consumers plans to spend $9.4 billion over the next five years to maintain and upgrade its gas infrastructure and electric distribution systems in order to enhance safety and reliability, improve customer satisfaction, and reduce energy waste on those systems. The gas infrastructure projects comprise $5.0 billion to sustain deliverability and enhance pipeline integrity and safety. These projects, which involve replacement of mains and services and enhancement of transmission and storage systems, should reduce the minor quantity of methane emissions released as gas is transported. The electric distribution projects comprise $4.4 billion to strengthen circuits and substations and replace poles. Consumers also expects to spend $2.8 billion on electric supply projects, primarily new renewable generation.

Regulation: Regulatory matters are a key aspect of Consumers' business, particularly rate cases and regulatory proceedings before the MPSC, which permit recovery of new investments while helping to ensure that customer rates are fair and affordable. Important regulatory events and developments not already discussed are summarized below.

- **2018 Electric Rate Case:** In May 2018, Consumers filed an application with the MPSC seeking an annual rate increase of $58 million, based on a 10.75 percent authorized return on equity. In October 2018, Consumers reduced its requested annual rate increase to $44 million. In January 2019, the MPSC approved a settlement agreement authorizing an annual rate decrease of $24 million, based on a 10.0 percent authorized return on equity. With the elimination of the

$113 million TCJA credit to customer bills, the approved settlement agreement resulted in an $89 million net increase in annual rates. The settlement agreement also provided for deferred accounting treatment for distribution-related capital investments exceeding certain amounts. Consumers also agreed to not file a new electric rate case prior to January 2020.

- **2018 Gas Rate Case:** In November 2018, Consumers filed an application with the MPSC seeking an annual rate increase of $229 million, based on a 10.75 percent authorized return on equity. In April 2019, Consumers reduced its requested annual rate increase to $204 million. In September 2019, the MPSC approved an annual rate increase of $144 million, based on a 9.9 percent authorized return on equity. This increase includes a $13 million adjustment to begin returning net regulatory tax liabilities associated with the TCJA to customers. The MPSC also approved the continuation of a revenue decoupling mechanism, which annually reconciles Consumers' actual weather-normalized, non-fuel revenues with the revenues approved by the MPSC.

- **2019 Gas Rate Case:** In December 2019, Consumers filed an application with the MPSC seeking an annual rate increase of $245 million, based on a 10.5 percent authorized return on equity. The filing also seeks approval of a revenue decoupling mechanism that would annually reconcile Consumers' actual weather-normalized non-fuel revenues with the revenues approved by the MPSC.

- **Tax Cuts and Jobs Act:** The TCJA, which changed existing federal tax law and included numerous provisions that affect businesses, was signed into law in December 2017. In October 2018, Consumers filed an application to address the December 31, 2017 remeasurement of its deferred income taxes and other base rate impacts of the TCJA on customers. In September 2019, the MPSC authorized Consumers to begin returning net regulatory tax liabilities of $0.4 billion to gas customers through rates approved in the 2018 gas rate case and $1.2 billion to electric customers through rates to be determined in Consumers' next electric rate case. Until then, the MPSC authorized Consumers to refund $32 million to electric customers through a temporary bill credit. For details on these proceedings, see Item 8. Financial Statements and Supplementary Data—Notes to the Consolidated Financial Statements—Note 3, Regulatory Matters.

Looking Forward

CMS Energy and Consumers will continue to consider the impact on the triple bottom line of people, planet, and profit in their daily operations as well as in their long-term strategic decisions. Consumers will continue to seek fair and timely regulatory treatment that will support its customer-driven investment plan, while pursuing cost-control measures that will allow it to maintain sustainable customer base rates. The Consumers Energy Way is an important means of realizing CMS Energy's and Consumers' purpose of achieving world class performance while delivering hometown service.

Results of Operations

CMS Energy Consolidated Results of Operations

In Millions, Except Per Share Amounts

Years Ended December 31	2019	2018	2017
Net Income Available to Common Stockholders	$ 680	$ 657	$ 460
Basic Earnings Per Average Common Share	$ 2.40	$ 2.33	$ 1.64
Diluted Earnings Per Average Common Share	$ 2.39	$ 2.32	$ 1.64

In Millions

Years Ended December 31	2019	2018	Change	2018	2017	Change
Electric utility	$ 509	$ 535	$ (26)	$ 535	$ 455	$ 80
Gas utility	233	169	64	169	173	(4)
Enterprises	33	34	(1)	34	(27)	61
EnerBank	49	38	11	38	28	10
Corporate interest and other	(144)	(119)	(25)	(119)	(169)	50
Net Income Available to Common Stockholders	$ 680	$ 657	$ 23	$ 657	$ 460	$ 197

Presented in the following table are specific after-tax changes to net income available to common stockholders for 2019 versus 2018:

		In Millions
Year Ended December 31, 2018		$ 657
Reasons for the change		
Consumers electric utility and gas utility		
Electric sales	$ (36)	
Gas sales	12	
Electric rate increase	56	
Gas rate increase	66	
Gain on sale of transmission equipment, net of voluntary gain sharing[1]	13	
Lower pipeline integrity expenses	9	
Lower distribution and transmission expenses	6	
Depreciation and amortization	(39)	
Higher service restoration costs	(28)	
Absence of 2018 income tax benefit associated with electric cost of removal[2]	(26)	
Higher property tax, reflecting higher capital spending	(14)	
Absence of 2018 research and development tax credits[2]	(9)	
Absence of 2018 settlement of a property tax appeal related to the J.H. Campbell plant	(7)	
Other	35	$ 38
Enterprises		
Gain on sale of transmission equipment[1]	12	
Lower expenses from legacy obligations, net	4	
Lower earnings due primarily to lower capacity revenue and higher operating and maintenance costs	(17)	(1)
EnerBank		
Higher earnings based on growth in consumer lending		11
Corporate interest and other		
Absence of 2018 loss on early extinguishment of debt	12	
2019 tax deductions primarily attributable to asset sales	4	
Accrual for legacy legal obligation[3]	(22)	
Higher fixed charges due to higher debt	(18)	
Higher administrative and other expenses	(1)	(25)
Year Ended December 31, 2019		$ 680

1 See Note 3, Regulatory Matters and Note 22, Asset Sales and Exit Activities.

2 See Note 14, Income Taxes.

3 See Note 4, Contingencies and Commitments—CMS Energy Contingencies—Gas Index Price Reporting Litigation.

For specific after-tax changes to net income available to common stockholders for 2018 versus 2017, see Item 7. Management's Discussion and Analysis of Financial Condition and Results of Operations—Results of Operations—CMS Energy Consolidated Results of Operations, in the Form 10-K for the fiscal year ended December 31, 2018, filed February 5, 2019.

Consumers Electric Utility Results of Operations

Presented in the following table are the detailed changes to the electric utility's net income available to common stockholders for 2019 versus 2018 (amounts are presented pre-tax, with the exception of income tax changes):

		In Millions
Year Ended December 31, 2018		$ 535
Reasons for the change		
Electric deliveries[1] *and rate increases*		
Rate increase, including the impacts of the January 2019 order	$ 83	
Lower sales due primarily to unfavorable weather	(65)	
Effect of new leases accounting standard[2]	12	
Other revenues	6	$ 36
Maintenance and other operating expenses		
Gain on sale of transmission equipment, net of voluntary gain sharing[3]	17	
Lower other distribution, transmission, and generation expenses	13	
Litigation settlement	8	
Higher service restoration costs from 2019 winter storms	(38)	—
Depreciation and amortization		
Increased plant in service, reflecting higher capital spending		(31)
General taxes		
Absence of 2018 settlement of a property tax appeal related to the J.H. Campbell plant	(9)	
Higher property tax, reflecting higher capital spending	(6)	
Lower other general taxes	1	(14)
Other income, net of expenses		
Lower donations in 2019	6	
Higher other income, net of expenses	6	12
Interest charges		
Effect of new leases accounting standard[2]	(12)	
Lower PSCR and other interest charges	8	(4)
Income taxes		
Absence of 2018 income tax benefit associated with cost of removal[4]	(26)	
Absence of 2018 research and development tax credits[4]	(8)	
Lower other income taxes	9	(25)
Year Ended December 31, 2019		$ 509

1 Deliveries to end-use customers were 36.8 billion kWh in 2019 and 38.2 billion kWh in 2018.

2 Under the provisions of *ASU 2016-02, Leases*, fixed energy and capacity costs associated with Consumers' PPAs that are accounted for as finance leases are presented as amortization and interest expense, rather than purchased power expense. See Note 10, Leases and Palisades Financing for more information about Consumers' leases.

3 See Note 3, Regulatory Matters and Note 22, Asset Sales and Exit Activities.

4 See Note 14, Income Taxes.

For detailed changes to the electric utility's net income available to common stockholders for 2018 versus 2017, see Item 7. Management's Discussion and Analysis of Financial Condition and Results of Operations—Results of Operations—Consumers Electric Utility Results of Operations, in the Form 10-K for the fiscal year ended December 31, 2018, filed February 5, 2019.

Consumers Gas Utility Results of Operations

Presented in the following table are the detailed changes to the gas utility's net income available to common stockholders for 2019 versus 2018 (amounts are presented pre-tax, with the exception of income tax changes):

		In Millions
Year Ended December 31, 2018		$ 169
Reasons for the change		
Gas deliveries[1] *and rate increases*		
Rate increase, including the impacts of the September 2019 order	$ 83	
Higher sales, due primarily to colder weather	16	$ 99
Maintenance and other operating expenses		
Lower pipeline integrity expenses	12	
Higher leak repair and survey expenses	(4)	
Lower maintenance and other operating expenses	4	12
Depreciation and amortization		
Increased plant in service, reflecting higher capital spending		(22)
General taxes		
Higher property tax, reflecting higher capital spending		(14)
Other income, net of expenses		
Lower donations in 2019	4	
Higher AFUDC interest income and other income, net of expenses	7	11
Interest charges		(4)
Income taxes		
Higher gas utility pre-tax earnings	(22)	
Lower other income taxes	4	(18)
Year Ended December 31, 2019		$ 233

[1] Deliveries to end-use customers were 313 bcf in 2019 and 310 bcf in 2018.

For detailed changes to the gas utility's net income available to common stockholders for 2018 versus 2017, see Item 7. Management's Discussion and Analysis of Financial Condition and Results of Operations—Results of Operations—Consumers Gas Utility Results of Operations, in the Form 10-K for the fiscal year ended December 31, 2018, filed February 5, 2019.

Enterprises Results of Operations

Presented in the following table are the detailed after-tax changes to the enterprises segment's net income available to common stockholders for 2019 versus 2018:

		In Millions
Year Ended December 31, 2018	$	34
Reason for the change		
Gain on sale of transmission equipment[1]	$	12
Lower expenses from legacy obligations, net		4
Lower earnings due primarily to lower capacity revenue and higher operating and maintenance costs		(17)
Year Ended December 31, 2019	$	33

[1] See Note 22, Asset Sales and Exit Activities.

For detailed after-tax changes to the enterprises segment's net income available to common stockholders for 2018 versus 2017, see Item 7. Management's Discussion and Analysis of Financial Condition and Results of Operations—Results of Operations—Enterprises Results of Operations, in the Form 10-K for the fiscal year ended December 31, 2018, filed February 5, 2019.

EnerBank Results of Operations

Presented in the following table are the detailed after-tax changes to EnerBank's net income available to common stockholders for 2019 versus 2018:

		In Millions
Year Ended December 31, 2018	$	38
Reason for the change		
Higher earnings based on growth in consumer lending	$	11
Year Ended December 31, 2019	$	49

Presented in the following table are the detailed after-tax changes to EnerBank's net income available to common stockholders for 2018 versus 2017:

		In Millions
Year Ended December 31, 2017	$	28
Reasons for the change		
Reduction of corporate income tax rate due to the impacts of the TCJA[1]	$	7
Deferred income tax adjustment due to the TCJA, primarily the absence of the 2017 adjustment[1]		3
Year Ended December 31, 2018	$	38

[1] See Note 14, Income Taxes.

Corporate Interest and Other Results of Operations

Presented in the following table are the detailed after-tax changes to corporate interest and other results for 2019 versus 2018:

		In Millions
Year Ended December 31, 2018	$	(119)
Reasons for the change		
Absence of 2018 loss on early extinguishment of debt	$	12
2019 tax deductions primarily attributable to asset sales		4
Accrual for legacy legal obligation[1]		(22)
Higher fixed charges due to higher debt		(18)
Higher administrative and other expenses		(1)
Year Ended December 31, 2019	$	(144)

[1] See Note 4, Contingencies and Commitments—CMS Energy Contingencies—Gas Index Price Reporting Litigation.

Presented in the following table are the detailed after-tax changes to corporate interest and other results for 2018 versus 2017:

		In Millions
Year Ended December 31, 2017	$	(169)
Reasons for the change		
Deferred income tax adjustment due to the TCJA, primarily the absence of the 2017 adjustment[1]	$	55
2017 elimination of an intercompany gain on the donation of CMS Energy stock[2]		9
Lower fixed charges and administrative and other expenses		2
Lower tax benefit due to the impacts of the TCJA[1]		(16)
Year Ended December 31, 2018	$	(119)

[1] See Note 14, Income Taxes.

[2] Eliminated on CMS Energy's consolidated statements of income.

Cash Position, Investing, and Financing

At December 31, 2019, CMS Energy had $157 million of consolidated cash and cash equivalents, which included $17 million of restricted cash and cash equivalents. At December 31, 2019, Consumers had $28 million of consolidated cash and cash equivalents, which included $17 million of restricted cash and cash equivalents.

Operating Activities

Presented in the following table are specific components of net cash provided by operating activities for 2019 versus 2018:

		In Millions
CMS Energy, including Consumers		
Year Ended December 31, 2018	$	1,703
Reasons for the change		
Higher net income	$	23
Non-cash transactions[1]		(40)
Lower postretirement benefits contributions		242
Unfavorable impact of changes in core working capital,[2] due primarily to lower accounts payable and lower AMT credit refunds,[3] offset partially by higher customer collections and lower gas inventories		(31)
Unfavorable impact of changes in other assets and liabilities, due primarily to refunds to customers related to the TCJA and self-implemented electric rates		(107)
Year Ended December 31, 2019	$	1,790
Consumers		
Year Ended December 31, 2018	$	1,449
Reasons for the change		
Higher net income	$	38
Non-cash transactions[1]		(77)
Lower postretirement benefits contributions		235
Unfavorable impact of changes in core working capital,[2] due primarily to lower accounts payable, offset partially by higher customer collections and lower gas inventories		(16)
Unfavorable impact of changes in other assets and liabilities, due primarily to refunds to customers related to the TCJA and self-implemented electric rates		(28)
Year Ended December 31, 2019	$	1,601

1 Non-cash transactions comprise depreciation and amortization, changes in deferred income taxes and investment tax credits, bad debt expense, and other non-cash operating activities and reconciling adjustments.

2 Core working capital comprises accounts receivable, notes receivable, accrued revenue, inventories, accounts payable, and accrued rate refunds.

3 CMS Energy received alternative minimum tax (AMT) credit refunds of $68 million in 2019 and $125 million in 2018.

For specific components of net cash provided by operating activities for 2018 versus 2017, see Item 7. Management's Discussion and Analysis of Financial Condition and Results of Operations—Cash Position, Investing, and Financing—Operating Activities, in the Form 10-K for the fiscal year ended December 31, 2018, filed February 5, 2019.

Investing Activities

Presented in the following table are specific components of net cash used in investing activities for 2019 versus 2018:

		In Millions
CMS Energy, including Consumers		
Year Ended December 31, 2018	$	(2,606)
Reasons for the change		
Higher capital expenditures at Consumers, offset partially by the absence of the 2018 purchase of a wind generation project	$	(30)
Changes in EnerBank notes receivable, reflecting growth in consumer lending		(94)
Higher purchases of notes receivable by EnerBank		(118)
Absence of 2018 proceeds from DB SERP investments[1]		(146)
Proceeds from sale of EnerBank notes receivable		67
Proceeds from sale of transmission equipment in 2019[2]		97
Other investing activities, primarily lower costs to retire property		14
Year Ended December 31, 2019	$	(2,816)
Consumers		
Year Ended December 31, 2018	$	(1,971)
Reasons for the change		
Higher capital expenditures	$	(263)
Proceeds from sale of transmission equipment in 2019[2]		77
Other investing activities, primarily lower costs to retire property		20
Year Ended December 31, 2019	$	(2,137)

[1] See Note 7, Financial Instruments.

[2] See Note 22, Asset Sales and Exit Activities

For specific components of net cash used in investing activities for 2018 versus 2017, see Item 7. Management's Discussion and Analysis of Financial Condition and Results of Operations—Cash Position, Investing, and Financing—Investing Activities, in the Form 10-K for the fiscal year ended December 31, 2018, filed February 5, 2019.

Financing Activities

Presented in the following table are specific components of net cash provided by financing activities for 2019 versus 2018:

		In Millions
CMS Energy, including Consumers		
Year Ended December 31, 2018	$	874
Reasons for the change		
Lower debt issuances	$	(616)
Lower debt retirements		585
Increases in EnerBank certificates of deposit, reflecting higher borrowings		118
Lower repayments under Consumers' commercial paper program		66
Lower issuances of common stock under the continuous equity offering program		(29)
Higher payments of dividends on common and preferred stock		(29)
Lower debt prepayment costs		28
Other financing activities, primarily lower debt issuance costs and higher customer advances for construction		11
Year Ended December 31, 2019	$	1,008
Consumers		
Year Ended December 31, 2018	$	513
Reasons for the change		
Lower debt issuances	$	(1,113)
Lower debt retirements		652
Lower repayments under Consumers' commercial paper program		66
Higher stockholder contribution from CMS Energy		425
Higher payments of dividends on common and preferred stock		(61)
Lower debt prepayment costs		12
Other financing activities, primarily lower debt issuance costs and higher customer advances for construction		14
Year Ended December 31, 2019	$	508

For specific components of net cash provided by (used in) financing activities for 2018 versus 2017, see Item 7. Management's Discussion and Analysis of Financial Condition and Results of Operations—Cash Position, Investing, and Financing—Financing Activities, in the Form 10-K for the fiscal year ended December 31, 2018, filed February 5, 2019.

Capital Resources and Liquidity

CMS Energy uses dividends and tax-sharing payments from its subsidiaries and external financing and capital transactions to invest in its utility and non-utility businesses, retire debt, pay dividends, and fund its other obligations. The ability of CMS Energy's subsidiaries, including Consumers, to pay dividends to CMS Energy depends upon each subsidiary's revenues, earnings, cash needs, and other factors. In addition, Consumers' ability to pay dividends is restricted by certain terms included in its debt covenants and articles of incorporation and potentially by FERC requirements and provisions under the Federal Power Act and the Natural Gas Act. For additional details on Consumers' dividend restrictions, see Item 8. Financial Statements and Supplementary Data—Notes to the Consolidated Financial Statements—Note 5, Financings and Capitalization—Dividend Restrictions. For the year ended December 31, 2019, Consumers paid $592 million in dividends on its common stock to CMS Energy.

As a result of a provision in the TCJA, CMS Energy is required to recover all alternative minimum tax credits over four years through offsets of regular tax and through cash refunds. CMS Energy expects to be able to offset regular tax primarily through the use of federal net operating loss carryforwards and, accordingly, receive alternative minimum tax credit refunds through 2021. Another provision in the TCJA excludes rate-regulated utilities from 100 percent cost expensing of certain property. This provision will cause Consumers to make higher tax-sharing payments to CMS Energy, which in turn might permit CMS Energy to maintain lower levels of debt in order to invest in its businesses, pay dividends, and fund its general obligations. Consumers expects to have sufficient funding sources available to issue credits to customers for all impacts of the TCJA.

In 2018, CMS Energy entered into an equity offering program under which it may sell, from time to time, shares of CMS Energy common stock having an aggregate sales price of up to $250 million. Under this program, CMS Energy may sell its common stock in privately negotiated transactions, in "at the market" offerings, through forward sales transactions or otherwise. CMS Energy has entered into forward sales contracts having an aggregate sales price of $250 million. These contracts allow CMS Energy to either physically settle the contracts by issuing shares of its common stock at the then-applicable forward sale price specified by the agreement or net settle the contracts through the delivery or receipt of cash or shares. CMS Energy may settle the contracts at any time through their maturity dates, and presently intends to physically settle the contracts by delivering shares of its common stock. For more information on the forward sale contracts, see Item 8. Financial Statements and Supplementary Data—Notes to the Consolidated Financial Statements—Note 5, Financings and Capitalization—Issuance of Common Stock.

Consumers uses cash flows generated from operations and external financing transactions, as well as stockholder contributions from CMS Energy, to fund capital expenditures, retire debt, pay dividends, contribute to its employee benefit plans, and fund its other obligations. Accelerated pension funding in prior years and several initiatives to reduce costs have helped improve cash flows from operating activities.

Access to the financial and capital markets depends on CMS Energy's and Consumers' credit ratings and on market conditions. As evidenced by past financing transactions, CMS Energy and Consumers have had ready access to these markets. Barring major market dislocations or disruptions, CMS Energy and Consumers expect to continue to have ready access to the financial and capital markets. If access to these markets were to diminish or otherwise become restricted, CMS Energy and Consumers would implement contingency plans to address debt maturities, which could include reduced capital spending.

At December 31, 2019, CMS Energy had $544 million of its revolving credit facility available and Consumers had $1.1 billion available under its revolving credit facilities. CMS Energy and Consumers use these credit facilities for general working capital purposes and to issue letters of credit. An additional source of liquidity is Consumers' commercial paper program, which allows Consumers to issue, in one or

more placements, up to $500 million in the aggregate in commercial paper notes with maturities of up to 365 days at market interest rates. These issuances are supported by Consumers' revolving credit facilities. While the amount of outstanding commercial paper does not reduce the available capacity of the revolving credit facilities, Consumers does not intend to issue commercial paper in an amount exceeding the available capacity of the facilities. At December 31, 2019, there were $90 million commercial paper notes outstanding under this program. For additional details on CMS Energy's and Consumers' secured revolving credit facilities and commercial paper program, see Item 8. Financial Statements and Supplementary Data—Notes to the Consolidated Financial Statements—Note 5, Financings and Capitalization.

Certain of CMS Energy's and Consumers' credit agreements, debt indentures, and other facilities contain covenants that require CMS Energy and Consumers to maintain certain financial ratios, as defined therein. At December 31, 2019, no default had occurred with respect to any financial covenants contained in CMS Energy's and Consumers' credit agreements, debt indentures, or other facilities. CMS Energy and Consumers were each in compliance with these covenants as of December 31, 2019, as presented in the following table:

Credit Agreement, Indenture, or Facility		Limit	Actual
CMS Energy, parent only			
Debt to EBITDA[1]	≤	6.25 to 1.0	4.6 to 1.0
Consumers			
Debt to Capital[2]	≤	0.65 to 1.0	0.48 to 1.0

[1] Applies to CMS Energy's $550 million revolving credit agreement.

[2] Applies to Consumers' $850 million and $250 million revolving credit agreements and its $30 million and $35 million reimbursement agreements.

Components of CMS Energy's and Consumers' cash management plan include controlling operating expenses and capital expenditures and evaluating market conditions for financing and refinancing opportunities. CMS Energy's and Consumers' present level of cash and expected cash flows from operating activities, together with access to sources of liquidity, are anticipated to be sufficient to fund the companies' contractual obligations for 2020 and beyond.

Contractual Obligations: Presented in the following table are CMS Energy's and Consumers' contractual obligations. The table excludes all amounts classified as current liabilities on CMS Energy's and Consumers' consolidated balance sheets, other than the current portion of long-term debt, leases, and other financing.

In Millions

	Payments Due				
December 31, 2019	Total	Less Than One Year	One to Three Years	Three to Five Years	More Than Five Years
CMS Energy, including Consumers					
Long-term debt	$ 13,188	$ 1,111	$ 1,892	$ 1,477	$ 8,708
Interest payments on long-term debt	10,863	480	897	777	8,709
Finance leases and other financing	220	37	59	34	90
Operating leases	67	11	16	5	35
AROs	1,652	75	50	53	1,474
Deferred investment tax credit	120	5	10	10	95
Environmental liabilities	131	17	36	21	57
Long-term payables	34	3	22	3	6
Purchase obligations					
Total PPAs	9,336	1,030	1,785	1,213	5,308
Other[1]	3,244	1,685	971	409	179
Total contractual obligations	$ 38,855	$ 4,454	$ 5,738	$ 4,002	$ 24,661
Consumers					
Long-term debt	$ 7,322	$ 202	$ 680	$ 686	$ 5,754
Interest payments on long-term debt	5,919	276	538	482	4,623
Finance leases and other financing	220	37	59	34	90
Operating leases	56	9	13	5	29
AROs	1,638	75	50	53	1,460
Deferred investment tax credit	120	5	10	10	95
Environmental liabilities	73	12	28	13	20
Purchase obligations					
PPAs					
MCV PPA	3,295	313	559	426	1,997
Palisades PPA	899	388	511	—	—
Related-party PPAs[2]	472	71	146	149	106
Other PPAs	4,670	258	569	638	3,205
Total PPAs	9,336	1,030	1,785	1,213	5,308
Other[1]	2,865	1,638	890	336	1
Total contractual obligations	$ 27,549	$ 3,284	$ 4,053	$ 2,832	$ 17,380

1 Long-term contracts for the purchase of commodities and related services, and construction and service agreements. The commodities and related services include natural gas and coal and associated transportation.

2 Long-term PPAs from certain affiliates of CMS Enterprises.

CMS Energy and Consumers also have recognized non-current liabilities for which the timing of payments cannot be reasonably estimated. These items, which are excluded from the table above, include regulatory liabilities, deferred income taxes, workers' compensation liabilities, accrued liabilities under renewable energy programs, and other liabilities. Retirement benefits are also excluded from the table

above. For details related to benefit payments, see Item 8. Financial Statements and Supplementary Data —Notes to the Consolidated Financial Statements—Note 12, Retirement Benefits.

Off-Balance-Sheet Arrangements: CMS Energy, Consumers, and certain of their subsidiaries enter into various arrangements in the normal course of business to facilitate commercial transactions with third parties. These arrangements include indemnities, surety bonds, letters of credit, and financial and performance guarantees. Additionally, CMS Energy has entered into forward sales contracts to sell its common stock in order to invest in its utility and non-utility businesses; these contracts have an aggregate sales price of $250 million and mature in 2020. For additional details on the companies' indemnity and guarantee arrangements, see Item 8. Financial Statements and Supplementary Data—Notes to the Consolidated Financial Statements—Note 4, Contingencies and Commitments—Guarantees. For additional details on letters of credit and CMS Energy's forward sales contracts, see Item 8. Financial Statements and Supplementary Data—Notes to the Consolidated Financial Statements—Note 5, Financings and Capitalization.

Capital Expenditures: Over the next five years, Consumers expect to make substantial capital investments. Consumers may revise its forecasts of capital expenditures periodically due to a number of factors, including environmental regulations, business opportunities, market volatility, economic trends, and the ability to access capital. Presented in the following table are Consumers' estimated capital expenditures, including lease commitments, for 2020 through 2024:

In Billions

	2020	2021	2022	2023	2024	Total
Consumers						
Electric utility operations	$ 1.3	$ 1.6	$ 1.4	$ 1.4	$ 1.5	$ 7.2
Gas utility operations	0.9	1.1	0.9	1.1	1.0	5.0
Total Consumers	$ 2.2	$ 2.7	$ 2.3	$ 2.5	$ 2.5	$ 12.2

Outlook

Several business trends and uncertainties may affect CMS Energy's and Consumers' financial condition and results of operations. These trends and uncertainties could have a material impact on CMS Energy's and Consumers' consolidated income, cash flows, or financial position. For additional details regarding these and other uncertainties, see Forward-Looking Statements and Information; Item 1A. Risk Factors; Item 8. Financial Statements and Supplementary Data—Notes to the Consolidated Financial Statements —Note 3, Regulatory Matters; and Note 4, Contingencies and Commitments.

Consumers Electric Utility Outlook and Uncertainties

Clean Energy Plan: While Consumers continues to experience modest growth in demand for electricity due to Michigan's growing economy and increased use of air conditioning, consumer electronics, and other electric devices, it expects that increase in demand to be offset by the effects of energy efficiency and conservation.

In June 2018, Consumers filed an IRP with the MPSC detailing its Clean Energy Plan. In March 2019, Consumers and a broad coalition of key stakeholders, including business customers, environmental groups, the MPSC Staff, and the Michigan Attorney General, filed an agreement settling the IRP with the MPSC and the MPSC approved it in June 2019.

Through its Clean Energy Plan, Consumers expects to reduce carbon emissions of its owned generation by more than 90 percent from its 2005 levels by 2040 and eliminate the use of coal to generate electricity by 2040. Specifically, the Clean Energy Plan provides for:

- the retirement of the D.E. Karn 1 & 2 coal-fueled generating units, totaling 503 MW, in 2023
- the continued assessment in future IRP filings concerning the retirement of the J.H. Campbell 1 & 2 coal-fueled generating units, totaling 609 MW, in 2025 or earlier

Under the Clean Energy Plan, Consumers will replace the capacity to be retired with:

- increased demand response programs
- increased energy efficiency
- increased renewable energy generation
- conservation voltage reduction
- increased pumped storage

Consumers will competitively bid new capacity and at least 50 percent of the new capacity will be built and owned by third parties; the remainder will be owned and operated by Consumers. In support of its Clean Energy Plan, Consumers issued a request for proposals in September 2019 to acquire up to 300 MW of new capacity from projects to be operational in Michigan's Lower Peninsula by May 2022. Specifically, Consumers solicited offers to enter into PPAs with or purchase solar generation projects ranging in size from 20 MW to 150 MW and to enter into PPAs with PURPA qualifying facilities up to 20 MW. Any contracts entered into as a result of the request for proposals would be subject to MPSC approval.

As approved by the MPSC, the IRP allows Consumers to earn a financial incentive on PPAs approved by the MPSC after January 1, 2019. Additionally, the IRP allows for recovery of significant increases in demand response costs. The MPSC separately approved an associated financial incentive for exceeding certain demand response targets. Consumers is required to file a new IRP by June 2021.

PURPA: PURPA requires Consumers to purchase power from qualifying cogeneration and small power production facilities at a price approved by the MPSC that is meant to represent Consumers' "avoided cost" of generating power or purchasing power from another source. In 2017, the MPSC issued an order establishing an avoided-cost methodology for determining the price that Consumers must pay to purchase power under PURPA. Among other things, the MPSC's order changed the basis of Consumers' avoided cost from the cost of coal-fueled generating units to that of natural gas-fueled generating units.

In order to address various complaints raised concerning the 2017 order, Consumers and various PURPA developers filed a settlement agreement with the MPSC in August 2019. Under the settlement agreement, which the MPSC approved in September 2019, Consumers will enter into contracts to purchase 584 MW of power from qualifying solar generation projects by September 2023. Of this amount, 170 MW will be purchased at the full avoided-cost rates set in the 2017 order. The remaining 414 MW will be purchased at a capacity payment equal to the MISO planning resource auction price and a designated energy price previously approved by the MPSC.

In the approved IRP settlement agreement, Consumers agreed to a new method of calculating avoided cost going forward, based on a competitive bidding process that will enable Consumers to purchase energy from new generation at competitive prices and mitigate the risk of forced purchases of unneeded or uneconomical renewable generation.

In September 2019, FERC issued a notice of proposed rulemaking that could result in modifications to the present federal regulations implementing PURPA. Among other things, the proposal would change the rules for measuring the size of qualifying facilities and determining whether certain PURPA projects have

access to wholesale markets. The proposal would also provide states with more flexibility to set the prices paid to PURPA projects. Consumers does not anticipate the proposed rulemaking will affect the PURPA projects with which it has agreements. Consumers cannot predict the outcome of this proposed rulemaking.

Renewable Energy Plan: The 2016 Energy Law raised the renewable energy standard to 15 percent in 2021, with an interim target of 12.5 percent in 2019. Consumers is required to submit RECs, which represent proof that the associated electricity was generated from a renewable energy resource, in an amount equal to at least the required percentage of Consumers' electric sales volume each year. Under its renewable energy plan, Consumers expects to meet its renewable energy requirement each year with a combination of newly generated RECs and previously generated RECs carried over from prior years. Consumers met the interim target of 12.5 percent for 2019 and will demonstrate its compliance by filing the 2019 renewable energy cost reconciliation with the MPSC in June 2020.

In conjunction with its renewable energy plan, a third phase of Consumers' Cross Winds® Energy Park, with nameplate capacity of 76 MW, began operations in December 2019. This project qualifies for certain federal production tax credits, generating cost savings that will be passed on to customers.

In February 2019, the MPSC issued an order ruling on amendments Consumers had requested to its renewable energy plan, and approved the acquisition of up to 525 MW of new wind generation projects. Under the renewable energy plan, Consumers is authorized to earn a 10.7 percent return on equity on any projects approved by the MPSC. Also in February 2019, the MPSC approved an agreement under which Consumers purchased a wind generation project under development, with capacity of up to 150 MW, in Gratiot County, Michigan. Consumers began on-site construction of this project during the fourth quarter of 2019 and expects that it will be complete and operational in 2020.

In June 2019, Consumers entered into an agreement to purchase a wind generation project under development in Hillsdale, Michigan, with capacity of up to 166 MW. Under the agreement, which the MPSC unconditionally approved in December 2019, Consumers expects to take full ownership and begin commercial operation of the project in 2020. Additionally, in September 2019, the MPSC approved a 20-year agreement under which Consumers will purchase 100 MW of renewable capacity, energy, and RECs from a 149-MW solar generating facility to be constructed in Calhoun County, Michigan. The facility is expected to be operational in 2021. These agreements resulted from a request for proposals that Consumers issued in June 2018 to acquire up to 400 MW of wind generation projects and up to 100 MW of solar generation projects in Michigan.

Electric Customer Deliveries and Revenue: Consumers' electric customer deliveries are seasonal and largely dependent on Michigan's economy. The consumption of electric energy typically increases in the summer months, due primarily to the use of air conditioners and other cooling equipment. In addition, Consumers' electric rates, which follow a seasonal rate design, are higher in the summer months than in the remaining months of the year. Beginning in June 2020, electric residential customers will transition to a summer peak time-of-use rate that will allow them to take advantage of lower-cost energy during off-peak times during the summer months. Thus, customers could reduce their electric bills by shifting their consumption from on-peak to off-peak times.

Consumers expects weather-normalized electric deliveries over the next five years to decrease slightly. This outlook reflects the effects of energy waste reduction programs and appliance efficiency standards offset largely by modest growth in electric demand. Actual delivery levels will depend on:

- energy conservation measures and results of energy waste reduction programs
- weather fluctuations
- Michigan's economic conditions, including utilization, expansion, or contraction of manufacturing facilities, population trends, and housing activity

Electric ROA: Michigan law allows electric customers in Consumers' service territory to buy electric generation service from alternative electric suppliers in an aggregate amount capped at ten percent, with certain exceptions. At December 31, 2019, electric deliveries under the ROA program were at the ten-percent limit. Of Consumers' 1.8 million electric customers, 285 customers, or 0.02 percent, purchased electric generation service under the ROA program.

The 2016 Energy Law established a path to ensure that forward capacity is secured for all electric customers in Michigan, including customers served by alternative electric suppliers under ROA. The new law also authorized the MPSC to ensure that alternative electric suppliers have procured enough capacity to cover their anticipated capacity requirements for the four-year forward period. In 2017, the MPSC issued an order establishing a state reliability mechanism for Consumers. Under this mechanism, beginning June 1, 2018, if an alternative electric supplier does not demonstrate that it has procured its capacity requirements for the four-year forward period, its customers will pay a set charge to the utility for capacity that is not provided by the alternative electric supplier. All alternative electric suppliers have demonstrated that they have procured their capacity requirements through the MISO planning year beginning June 1, 2022.

In June 2018, the MPSC issued an order requiring all electric suppliers to demonstrate that a portion of the capacity procured to serve customers during peak demand times is located in the MISO footprint in Michigan's Lower Peninsula. In July 2018, the Michigan Court of Appeals issued a decision that the MPSC does not have statutory authority to implement such a requirement for alternative electric suppliers. Consumers believes the 2016 Energy Law does give such authorization to the MPSC. The MPSC and Consumers have filed applications for leave to appeal the Court of Appeals' decision to the Michigan Supreme Court. In June 2019, the Michigan Supreme Court issued orders directing the filing of supplemental briefs and the scheduling of oral arguments in the case, and will ultimately decide whether to consider and rule on the appeals. Oral arguments occurred in November 2019, and the Michigan Supreme Court will issue an order on the application for leave to appeal.

Electric Rate Matters: Rate matters are critical to Consumers' electric utility business. For additional details on rate matters, see Item 8. Financial Statements and Supplementary Data—Notes to the Consolidated Financial Statements—Note 3, Regulatory Matters.

PSCR Plan: Consumers submitted its 2020 PSCR plan to the MPSC in September 2019 and, in accordance with its proposed plan, self-implemented the 2020 PSCR charge beginning in January 2020.

Electric Environmental Outlook: Consumers' operations are subject to various state and federal environmental laws and regulations. Consumers estimates that it will incur capital expenditures of $275 million from 2020 through 2024 to continue to comply with RCRA, the Clean Water Act, the Clean Air Act, and numerous state and federal environmental regulations. Consumers expects to recover these costs in customer rates, but cannot guarantee this result. Consumers' primary environmental compliance focus includes, but is not limited to, the following matters.

Air Quality: Multiple air quality regulations apply, or may apply, to Consumers.

CSAPR, which became effective in 2015, requires Michigan and many other states to improve air quality by reducing power plant emissions that, according to EPA computer models, contribute to ground-level ozone and fine particle pollution in other downwind states. In 2016, the EPA finalized new ozone season standards for CSAPR, which became effective in 2017. Any litigation or remand to the EPA is not expected to impact Consumers' compliance strategy, as Consumers expects its emissions to be within the CSAPR allowance allocations.

In 2012, the EPA published emission standards for electric generating units, known as MATS, based on Section 112 of the Clean Air Act. Under MATS, all of Consumers' existing coal-fueled electric generating units were required to add additional controls for hazardous air pollutants. Consumers met the extended deadline of April 2016 for five coal-fueled units and two oil/gas-fueled units it continues to operate and retired its seven remaining coal-fueled units. MATS is presently being litigated. In addition, in December 2018, the EPA proposed changes to the supporting analysis used to justify MATS, but did not propose any changes to the MATS regulations. Any changes resulting from litigation or rulemaking are expected to be minor and should not impact Consumers' MATS compliance strategy. If the MATS regulations were repealed, Consumers would then be required to comply with the Michigan Mercury Rule, which has similar requirements to MATS. In addition, Consumers must comply with its settlement agreement with the EPA entered into in 2014 concerning opacity and NSR, which has similar emission requirements to MATS.

In 2015, the EPA lowered the NAAQS for ozone. The new ozone NAAQS will make it more difficult to construct or modify power plants and other emission sources in areas of the country that have not met the new ozone standard. In April 2018, the EPA designated certain areas of Michigan as not meeting the new standard with an August 2018 effective date. None of Consumers' fossil-fuel-fired generating units are located in these areas. Some of Consumers' compressor stations are located in areas impacted by the rule, but Consumers expects only minor permitting impacts if those units are modified in the future. Consumers does not expect that any litigation involving NAAQS for ozone will have a material adverse impact on its generating assets.

Consumers' strategy to comply with air quality regulations, including CSAPR, NAAQS, and MATS, as well as its legal obligations, involved the installation and operation of emission control equipment at some facilities and the suspension of operations at others; however, Consumers continues to evaluate these rules in conjunction with other EPA and EGLE rulemakings, litigation, and congressional action. This evaluation could result in:

- a change in Consumers' fuel mix
- changes in the types of generating units Consumers may purchase or build in the future
- changes in how certain units are used
- the retirement, mothballing, or repowering with an alternative fuel of some of Consumers' generating units
- changes in Consumers' environmental compliance costs

Greenhouse Gases: There have been numerous legislative and regulatory initiatives at the state, regional, national, and international levels that involve the potential regulation of greenhouse gases. Consumers continues to monitor and comment on these initiatives and to follow litigation involving greenhouse gases.

In 2015, the EPA finalized new rules pursuant to Section 111(b) of the Clean Air Act to limit carbon dioxide emissions from new electric generating units, as well as modified or reconstructed electric

generating units. New coal-fueled units would not be able to meet this limit without installing carbon dioxide control equipment using such methods as carbon capture and sequestration.

In December 2018, the EPA proposed a revised Section 111(b) regulation to replace the 2015 standard rule limiting carbon dioxide emissions from new electric generating units, citing limited availability and high costs of carbon capture and sequestration equipment as reasons to change the 2015 rule. The revised Section 111(b) regulation requires new coal-fueled generating units to meet a highly efficient steam cycle performance standard. Consumers does not expect this proposal to change its existing environmental strategy.

In June 2019, the EPA finalized the Affordable Clean Energy rule. The rule requires individual states to evaluate coal-fueled power plants for heat-rate improvements that could increase overall plant efficiency. The evaluations to be performed by the State of Michigan under the final rule may require Consumers to make heat-rate improvements at its remaining coal-fueled units beginning in the mid-2020s. This rule is presently being litigated. Consumers cannot evaluate the potential impact of the rule until the State of Michigan completes its evaluations.

In 2015, a group of 195 countries, including the U.S., finalized the Paris Agreement, which governs carbon dioxide reduction measures beginning in 2020. Although the U.S. has begun the process of withdrawing from the Paris Agreement, it has stated a desire to renegotiate a new agreement in the future. At this time, Consumers does not expect any adverse changes to its environmental strategy as a result of these events.

While Consumers cannot predict the outcome of changes in U.S. policy or of other legislative or regulatory initiatives involving the potential regulation of greenhouse gases, it intends to continue to move forward with its Clean Energy Plan, its present carbon reduction goal, and its emphasis on supply diversity. Consumers will continue to monitor regulatory and legislative activity and related litigation regarding greenhouse gas emissions standards that may affect electric generating units.

Severe weather events and climate change associated with increasing levels of greenhouse gases could affect Consumers' facilities and energy sales and could have a material impact on its future results of operations. Consumers is unable to predict these events or their financial impact; however, Consumers plans for adverse weather and takes steps to reduce its potential impact.

Litigation, international treaties, federal laws and regulations (including regulations by the EPA), and state laws and regulations, if enacted or ratified, could ultimately require Consumers to replace equipment, install additional emission control equipment, purchase emission allowances or credits, curtail operations, arrange for alternative sources of supply, mothball or retire facilities that generate certain emissions, pursue energy efficiency or demand response measures more swiftly, or take other steps to manage or lower the emission of greenhouse gases. Although associated capital or operating costs relating to greenhouse gas regulation or legislation could be material and cost recovery cannot be assured, Consumers expects to recover these costs and capital expenditures in rates consistent with the recovery of other reasonable costs of complying with environmental laws and regulations.

CCRs: In 2015, the EPA published a final rule regulating CCRs under RCRA. The final rule adopts minimum standards for beneficially reusing and disposing of non-hazardous CCRs. The rule establishes new minimum requirements for site location, groundwater monitoring, flood protection, storm water design, fugitive dust control, and public disclosure of information, including any groundwater protection standard exceedances. The rule also sets out conditions under which CCR units would be forced to cease receiving CCR and non-CCR wastewater and initiate closure based on the inability to achieve minimum safety standards, meet a location standard, or meet minimum groundwater standards. Consumers has aligned with EGLE on closure plans for each of its unlined ash ponds to ensure coordination between federal and state requirements. The unlined ash ponds have ceased operation and have been replaced with

double-lined ash ponds or concrete tanks. Significant closure work has been completed at the remaining ash ponds.

Due to litigation, many aspects of the 2015 CCR rule have been remanded to the EPA, which has resulted in various new rulemakings. These new rulemakings are now in litigation. Continued litigation will add uncertainty around requirements for compliance and state permit programs.

Separately, Congress passed legislation in 2016 allowing participating states to develop permitting programs for CCRs under RCRA. In December 2018, the Michigan Legislature adopted a permitting program, which requires the EPA's authorization. This program should reduce costly, duplicative oversight over CCRs and provide local oversight to CCR issues unique to Michigan. EGLE submitted the state CCR permit program application to Michigan's Attorney General in June 2019 for review and signature. The Attorney General's office is engaged in a detailed review of the program and application with EGLE. Federal rulemaking challenges may delay EPA approval of the Michigan permitting program.

Consumers has aligned with EGLE on closure plans for all of its coal ash disposal sites, including those subject to the EPA's 2015 CCR rule, and adjusted its recorded ARO accordingly. Consumers has historically been authorized to recover in electric rates costs related to coal ash disposal sites.

Water: Multiple water-related regulations apply, or may apply, to Consumers.

The EPA regulates cooling water intake systems of existing electric generating plants under Section 316(b) of the Clean Water Act and the corresponding rules that were revised in 2014. The rules are aimed at reducing alleged harmful impacts on aquatic organisms, such as fish. In April 2018, Consumers submitted to EGLE for review and approval all required studies and recommended plans to comply with Section 316(b), but has not yet received final approval.

In 2015, the EPA released its final effluent limitation guidelines for steam electric generating plants. These guidelines, which are presently being litigated, set stringent new requirements for the discharge from electric generating units into wastewater streams. In 2017, the EPA announced that it will undertake a rulemaking to replace specific portions of the rule and proposed delaying the compliance start dates for two years, but maintained the compliance end dates. Additional rulemaking began in November 2019 and will continue in 2020. Consumers does not expect any adverse changes to its environmental strategy as a result of any revisions to the rule.

In recent years, the EPA and the U.S. Army Corps of Engineers have proposed rules redefining "Waters of the United States," which defines the scope of federal jurisdiction under the Clean Water Act, and other changes to the Clean Water Act regulations. For example, the EPA recently finalized a rule repealing the 2015 definition of "Waters of the United States" and, in January 2020, released a rule with its new definition. These rules are presently being, or are likely to be, litigated.

A final definition would change the scope of water and wetlands regulations under the Clean Water Act. The EPA has delegated authority to manage the Michigan wetlands program to EGLE for a large portion of Consumers' service territory, but dual jurisdiction exists between the EPA and the U.S. Army Corps of Engineers in some locations in Michigan. As a result, regardless of the ultimate outcome of the EPA's rules, Consumers expects to continue to operate under Michigan's wetlands regulations, and under the applicable state and federal water jurisdictional regulations. Thus, Consumers does not expect any material adverse changes to its environmental strategy as a result of these events, but under an expanded federal definition, could experience permitting delays for infrastructure projects where dual jurisdiction exists.

Many of Consumers' facilities maintain NPDES permits, which are renewed every five years and are vital to the facilities' operations. Failure of EGLE to renew any NPDES permit, a successful appeal against a permit, a change in the interpretation or scope of NPDES permitting, or onerous terms contained in a permit could have a significant detrimental effect on the operations of a facility.

Other Matters: Other electric environmental matters could have a material impact on Consumers' outlook. For additional details on other electric environmental matters, see Item 8. Financial Statements and Supplementary Data—Notes to the Consolidated Financial Statements—Note 4, Contingencies and Commitments—Consumers Electric Utility Contingencies—Electric Environmental Matters.

Retention Incentive Program: In October 2019, Consumers announced a retention incentive program to ensure necessary staffing at the D.E. Karn generating complex through the anticipated retirement of the coal-fueled electric generating units. Based on the number of employees that have chosen to participate, the aggregate cost of the program through 2023 is estimated to be $35 million. Consumers expects to recognize $15 million of expense related to retention and severance benefits in 2020. Consumers will seek recovery of these costs from customers. For additional details on this program, see Note 22, Asset Sales and Exit Activities.

Consumers Gas Utility Outlook and Uncertainties

Gas Deliveries: Consumers' gas customer deliveries are seasonal. The peak demand for natural gas typically occurs in the winter due to colder temperatures and the resulting use of natural gas as heating fuel. Consumers expects weather-normalized gas deliveries over the next five years to remain stable relative to 2019. This outlook reflects modest growth in gas demand offset by the predicted effects of energy efficiency and conservation. Actual delivery levels from year to year may vary from this expectation as a result of:

- weather fluctuations
- use by power producers
- availability and development of renewable energy sources
- gas price changes
- Michigan economic conditions, including population trends and housing activity
- the price of competing energy sources or fuels
- energy efficiency and conservation impacts

Gas Rate Matters: Rate matters are critical to Consumers' gas utility business. For additional details on rate matters, see Item 8. Financial Statements and Supplementary Data—Notes to the Consolidated Financial Statements—Note 3, Regulatory Matters.

Gas Rate Case: In December 2019, Consumers filed an application with the MPSC seeking an annual rate increase of $245 million, based on a 10.5 percent authorized return on equity and a projected twelve-month period ending September 30, 2021. The filing requests authority to recover new infrastructure investment and related costs that will allow Consumers to improve system safety and reliability. Presented in the following table are the components of the requested increase in revenue:

In Millions

Projected Twelve-Month Period Ending September 30		2021
Components of the requested rate increase		
Investment in rate base	$	126
Operating and maintenance costs		91
Cost of capital		26
Sales		2
Total	$	245

The filing also seeks approval of a revenue decoupling mechanism that would annually reconcile Consumers' actual weather-normalized non-fuel revenues with the revenues approved by the MPSC.

GCR Plan: Consumers submitted its 2020-2021 GCR plan to the MPSC in December 2019 and, in accordance with its proposed plan, expects to self-implement the 2020-2021 GCR charge beginning in April 2020.

Gas Pipeline and Storage Integrity and Safety: In October 2019, PHMSA published a final rule that expands federal safety standards for gas transmission pipelines. To comply with the rule, Consumers will incur increased capital costs to install and remediate pipelines as well as increased operating and maintenance costs to expand inspections, maintenance, and monitoring of its existing pipelines. The requirements in the regulation take effect July 1, 2020, with various implementation phases over numerous years.

In 2016, PHMSA published an interim final rule that established minimum federal safety standards for underground natural gas storage facilities. To comply with the interim rule, Consumers incurred increased capital and operating and maintenance costs to expand inspections, maintenance, and monitoring of its underground gas storage facilities. PHMSA expects to finalize additional requirements in early 2020.

Although associated capital or operating and maintenance costs relating to these regulations could be material and cost recovery cannot be assured, Consumers expects to recover such costs and capital expenditures in rates consistent with the recovery of other reasonable costs of complying with laws and regulations. Consumers will continue to monitor gas safety regulations and is implementing the American Petroleum Institute's Recommended Practice 1173, Pipeline Safety Management Systems. This program ensures that there are policies, procedures, work instructions, forms, and records in place to streamline adoption and deployment of any existing or future regulations.

Gas Environmental Outlook: Consumers expects to incur response activity costs at a number of sites, including 23 former MGP sites. For additional details, see Item 8. Financial Statements and Supplementary Data—Notes to the Consolidated Financial Statements—Note 4, Contingencies and Commitments—Consumers Gas Utility Contingencies—Gas Environmental Matters.

Greenhouse Gases: Consumers is making voluntary efforts to reduce its gas utility's methane emissions. In October 2019, Consumers set a goal of net-zero methane emissions from its natural gas delivery system by 2030. Under its Methane Reduction Plan, Consumers plans to reduce methane emissions from its system by about 80 percent by accelerating the replacement of aging pipe, rehabilitating or retiring

outdated infrastructure, and adopting new technologies and practices. The remaining emissions will be eliminated by purchasing and/or producing renewable natural gas.

There is also increasing interest at the federal, state, and local levels involving potential regulation of greenhouse gases or its sources, which include methane emissions and carbon dioxide from Consumers' gas utility. Such regulation, if adopted, may involve requirements to reduce methane emissions from natural gas use. No such measures apply to Consumers at this time. Consumers continues to monitor these initiatives and comment as appropriate. Consumers cannot predict the impact of any potential future legislation or regulation on its gas utility.

Consumers Electric Utility and Gas Utility Outlook and Uncertainties

Energy Waste Reduction Plan: The 2016 Energy Law authorized incentives for demand response programs and expanded existing incentives for energy efficiency programs, referring to the combined initiatives as energy waste reduction programs. The 2016 Energy Law:

- extended the requirement to achieve annual reductions of 1.0 percent in customers' electricity use through 2021 and 0.75 percent in customers' natural gas use indefinitely
- removed limits on investments under the program and provided for a higher return on those investments; together, these provisions effectively doubled the financial incentives Consumers may earn for exceeding the statutory targets
- established a goal of 35 percent combined renewable energy and energy waste reduction by 2025; Consumers has achieved 22 percent of the combined renewable energy and energy waste reduction goal through 2019

Under its energy waste reduction plan, Consumers provides its customers with incentives to reduce usage by offering energy audits, rebates and discounts on purchases of highly efficient appliances, and other incentives and programs.

Enterprises Outlook and Uncertainties

CMS Energy's primary focus with respect to its enterprises businesses is to maximize the value of generating assets, its share of which represents 1,234 MW of capacity, and to pursue opportunities for the development of renewable generation projects.

The enterprises segment's assets may be affected by environmental laws and regulations. The new ozone NAAQS will make it more difficult to construct or modify power plants and other emission sources in areas of the country that have not met the new ozone standard. In April 2018, the EPA designated certain areas of Michigan as not meeting the new standard with an August 2018 effective date. The enterprises segment's DIG plant located in Dearborn, Michigan is in one such area and, as a result, would be subject to additional permitting restrictions in the event of any future modifications. For additional details regarding the new ozone NAAQS, see Consumers Electric Utility Outlook and Uncertainties—Electric Environmental Outlook.

Trends, uncertainties, and other matters related to the enterprises segment that could have a material impact on CMS Energy's consolidated income, cash flows, or financial position include:

- investment in and financial benefits received from renewable energy and energy storage projects
- changes in energy and capacity prices
- severe weather events and climate change associated with increasing levels of greenhouse gases

- changes in commodity prices and interest rates on certain derivative contracts that do not qualify for hedge accounting and must be marked to market through earnings
- changes in various environmental laws, regulations, principles, or practices, or in their interpretation
- the outcome of certain legal proceedings, including gas price reporting litigation
- indemnity and environmental remediation obligations at Bay Harbor, including an inability to renew an NPDES permit in 2020
- obligations related to a tax claim from the government of Equatorial Guinea
- representations, warranties, and indemnities provided by CMS Energy in connection with previous sales of assets

For additional details regarding the enterprises segment's uncertainties, see Item 8. Financial Statements and Supplementary Data—Notes to the Consolidated Financial Statements—Note 4, Contingencies and Commitments.

EnerBank Outlook and Uncertainties

EnerBank is a Utah state-chartered, FDIC-insured industrial bank providing unsecured consumer installment loans, largely for financing home improvements. The carrying value of EnerBank's loan portfolio was $2.5 billion at December 31, 2019. The 12-month rolling average net default rate on loans held by EnerBank was 1.2 percent at December 31, 2019. EnerBank expects lending growth of up to ten percent annually over the next five years.

EnerBank's loan portfolio was funded primarily by certificates of deposit of $2.4 billion. CMS Energy is required both by law and by contract to provide financial support, including infusing additional capital, to ensure that EnerBank satisfies mandated capital requirements and has sufficient liquidity to operate. With its self-funding plan, EnerBank has exceeded these requirements historically and exceeded them as of December 31, 2019. For additional details regarding EnerBank's loan portfolio, see Item 8. Financial Statements and Supplementary Data—Notes to the Consolidated Financial Statements—Note 8, Notes Receivable.

Other Outlook and Uncertainties

Employee Separation Program: In December 2019, CMS Energy and Consumers announced a voluntary separation program for non-union employees. Under the program, employees elected to request separation, and management decided which requests to accept. In January 2020, management communicated its decisions to affected employees, who will have 45 days to decide whether to separate. CMS Energy and Consumers estimate that they will recognize an after-tax charge of up to $10 million in 2020 related to the program. As a result of the program, however, CMS Energy and Consumers expect to benefit from future cost savings, as employee staffing levels will be better matched to workload demand, which reflects the companies' ongoing workforce productivity improvements.

Litigation: CMS Energy, Consumers, and certain of their subsidiaries are named as parties in various litigation matters, as well as in administrative proceedings before various courts and governmental agencies, arising in the ordinary course of business. For additional details regarding these and other legal matters, see Item 8. Financial Statements and Supplementary Data—Notes to the Consolidated Financial Statements—Note 3, Regulatory Matters and Note 4, Contingencies and Commitments.

Critical Accounting Policies and Estimates

The following information is important to understand CMS Energy's and Consumers' results of operations and financial condition. For additional accounting policies, see Item 8. Financial Statements and Supplementary Data—Notes to the Consolidated Financial Statements—Note 1, Significant Accounting Policies.

In the preparation of CMS Energy's and Consumers' consolidated financial statements, estimates and assumptions are used that may affect reported amounts and disclosures. CMS Energy and Consumers use accounting estimates for asset valuations, unbilled revenue, depreciation, amortization, financial and derivative instruments, employee benefits, stock-based compensation, the effects of regulation, indemnities, and contingencies. Actual results may differ from estimated results due to changes in the regulatory environment, regulatory decisions, lawsuits, competition, and other factors. CMS Energy and Consumers consider all relevant factors in making these assessments.

Accounting for the Effects of Industry Regulation: Because Consumers has regulated operations, it uses regulatory accounting to recognize the effects of the regulators' decisions on its financial statements. Consumers continually assesses whether future recovery of its regulatory assets is probable by considering communications and experience with its regulators and changes in the regulatory environment. If Consumers determined that recovery of a regulatory asset were not probable, Consumers would be required to write off the asset and immediately recognize the expense in earnings.

Contingencies: CMS Energy and Consumers make judgments regarding the future outcome of various matters that give rise to contingent liabilities. For such matters, they record liabilities when they are considered probable and reasonably estimable, based on all available information. In particular, CMS Energy and Consumers are participating in various environmental remediation projects for which they have recorded liabilities. The recorded amounts represent estimates that may take into account such considerations as the number of sites, the anticipated scope, cost, and timing of remediation work, the available technology, applicable regulations, and the requirements of governmental authorities. For remediation projects in which the timing of estimated expenditures is considered reliably determinable, CMS Energy and Consumers record the liability at its net present value, using a discount rate equal to the interest rate on monetary assets that are essentially risk-free and have maturities comparable to that of the environmental liability. The amount recorded for any contingency may differ from actual costs incurred when the contingency is resolved. For additional details, see Item 8. Financial Statements and Supplementary Data—Notes to the Consolidated Financial Statements—Note 4, Contingencies and Commitments.

Derivative Instruments: CMS Energy and Consumers account for certain contracts as derivative instruments. If a contract is a derivative and does not qualify for the normal purchases and sales exception, it is recorded on the consolidated balance sheets at its fair value. At CMS Energy, if the derivative is accounted for as a cash flow hedge, unrealized gains and losses from changes in the fair value of the derivative are recognized in AOCI and subsequently recognized in earnings when the hedged transactions impact earnings. If the derivative is accounted for as a fair value hedge, changes in the fair value of the derivative and changes in the fair value of the hedged item due to the hedged risk are recognized in earnings. For the FTRs at Consumers, changes in fair value are deferred as regulatory assets or liabilities.

The criteria used to determine if an instrument qualifies for derivative accounting or for an exception from derivative accounting are complex and often require judgment in application. Changes in business strategies or market conditions, as well as a requirement to apply different interpretations of the derivative accounting literature, could result in changes in accounting for a single contract or groups of contracts, which could have a material impact on CMS Energy's and Consumers' financial statements. For

additional details on CMS Energy's and Consumers' derivatives and how the fair values of derivatives are determined, see Item 8. Financial Statements and Supplementary Data—Notes to the Consolidated Financial Statements—Note 6, Fair Value Measurements.

Income Taxes: The amount of income taxes paid by CMS Energy is subject to ongoing audits by federal, state, and foreign tax authorities, which can result in proposed assessments. An estimate of the potential outcome of any uncertain tax issue is highly judgmental. CMS Energy believes adequate reserves have been provided for these exposures; however, future results may include favorable or unfavorable adjustments to the estimated tax liabilities in the period the assessments are made or resolved or when statutes of limitation on potential assessments expire. Additionally, CMS Energy's judgment as to the ability to recover its deferred tax assets may change. CMS Energy believes the valuation allowances related to its deferred tax assets are adequate, but future results may include favorable or unfavorable adjustments. As a result, CMS Energy's effective tax rate may fluctuate significantly over time. For additional details, see Item 8. Financial Statements and Supplementary Data—Notes to the Consolidated Financial Statements—Note 14, Income Taxes.

Pension and OPEB: CMS Energy and Consumers provide retirement pension benefits to certain employees under non-contributory DB Pension Plans, and they provide postretirement health and life benefits to qualifying retired employees under an OPEB Plan.

CMS Energy and Consumers record liabilities for pension and OPEB on their consolidated balance sheets at the present value of the future obligations, net of any plan assets. The calculation of the liabilities and associated expenses requires the expertise of actuaries, and requires many assumptions, including:

- life expectancies
- discount rates
- expected long-term rate of return on plan assets
- rate of compensation increases
- expected health care costs

A change in these assumptions could change significantly CMS Energy's and Consumers' recorded liabilities and associated expenses.

Presented in the following table are estimates of costs and cash contributions through 2022 for the DB Pension Plans and OPEB Plan. Actual future costs and contributions will depend on future investment performance, discount rates, and various factors related to the participants of the DB Pension Plans and OPEB Plan. CMS Energy and Consumers will, at a minimum, contribute to the plans as needed to comply with federal funding requirements.

In Millions

	DB Pension Plans		OPEB Plan	
	Cost	Contribution[1]	Credit	Contribution
CMS Energy, including Consumers				
2020	$ 29	$ 531	$ (92)	$ —
2021	13	—	(93)	—
2022	5	—	(94)	—
Consumers[2]				
2020	$ 30	$ 518	$ (86)	$ —
2021	14	—	(87)	—
2022	7	—	(88)	—

[1] Contribution occurred in January 2020.

[2] Consumers' pension and OPEB costs are recoverable through its general ratemaking process.

Lowering the expected long-term rate of return on the assets of the DB Pension Plans by 25 basis points would increase estimated pension cost for 2020 by $6 million for both CMS Energy and Consumers. Lowering the PBO discount rates by 25 basis points would increase estimated pension cost for 2020 by $6 million for both CMS Energy and Consumers.

Pension and OPEB plan assets are accounted for and disclosed at fair value. Fair value measurements incorporate assumptions that market participants would use in pricing an asset or liability, including assumptions about risk. Development of these assumptions may require judgment.

For additional details on postretirement benefits, including the fair value measurements for the assets of the DB Pension Plans and OPEB Plan, see Item 8. Financial Statements and Supplementary Data—Notes to the Consolidated Financial Statements—Note 12, Retirement Benefits.

Unbilled Revenues: Consumers' customers are billed monthly in cycles having billing dates that do not generally coincide with the end of a calendar month. This results in customers having received electricity or natural gas that they have not been billed for as of the month-end. Consumers estimates its unbilled revenues by applying an average billed rate to total unbilled deliveries for each customer class. For additional information on unbilled revenues, see Item 8. Financial Statements and Supplementary Data—Notes to the Consolidated Financial Statements—Note 16, Revenue.

New Accounting Standards

For details regarding new accounting standards issued but not yet effective, see Item 8. Financial Statements and Supplementary Data—Notes to the Consolidated Financial Statements—Note 2, New Accounting Standards.

Item 7A. Quantitative and Qualitative Disclosures About Market Risk

CMS Energy and Consumers are exposed to market risks including, but not limited to, changes in interest rates, commodity prices, and investment security prices. They may enter into various risk management contracts to mitigate exposure to these risks, including swaps, options, futures, and forward contracts. CMS Energy and Consumers enter into these contracts using established policies and procedures, under the direction of an executive oversight committee consisting of certain officers and a risk committee consisting of those and other officers and business managers.

The following risk sensitivities illustrate the potential loss in fair value, cash flows, or future earnings from financial instruments, assuming a hypothetical adverse change in market rates or prices of ten percent. Potential losses could exceed the amounts shown in the sensitivity analyses if changes in market rates or prices were to exceed ten percent.

Interest-Rate Risk

Long-Term Debt: CMS Energy and Consumers are exposed to interest-rate risk resulting from issuing fixed-rate and variable-rate debt instruments. CMS Energy and Consumers use a combination of these instruments, and may also enter into interest-rate swap agreements, in order to manage this risk and to achieve a reasonable cost of capital.

Presented in the following table is a sensitivity analysis of interest-rate risk on CMS Energy's and Consumers' debt instruments, which includes the effects of interest-rate swaps (assuming an adverse change in market interest rates of ten percent):

In Millions

December 31	2019	2018
Fixed-rate financing—potential loss in fair value		
CMS Energy, including Consumers	$ 558	$ 465
Consumers	355	330

The fair value losses in the above table could be realized only if CMS Energy and Consumers transferred all of their fixed-rate financing to other creditors. The annual earnings exposure related to variable-rate financing was immaterial for both CMS Energy and Consumers at December 31, 2019 and 2018, assuming an adverse change in market interest rates of ten percent.

Notes Receivable: CMS Energy is exposed to interest-rate risk resulting from EnerBank's fixed-rate installment loans. EnerBank provides unsecured consumer installment loans, largely for financing home improvements.

Presented in the following table is a sensitivity analysis of interest-rate risk on EnerBank's notes receivable, which includes the effects of interest-rate swaps (assuming an adverse change in market interest rates of ten percent):

In Millions

December 31	2019	2018
Notes receivable—potential loss in fair value	$ 61	$ 46

The fair value losses for CMS Energy in the above table could be realized only if EnerBank's loans were sold to other parties. The annual earnings exposure related to variable-rate interest receipts at EnerBank was immaterial at December 31, 2019 and 2018. For additional details on financial instruments, see Item 8. Financial Statements and Supplementary Data—Notes to the Consolidated Financial Statements —Note 7, Financial Instruments.

Item 8. Financial Statements and Supplementary Data

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CMS Energy Corporation
Consolidated Statements of Income

In Millions, Except Per Share Amounts

Years Ended December 31	2019	2018	2017
Operating Revenue	$ 6,845	$ 6,873	$ 6,583
Operating Expenses			
Fuel for electric generation	493	528	505
Purchased and interchange power	1,496	1,613	1,503
Purchased power – related parties	75	81	86
Cost of gas sold	769	836	750
Maintenance and other operating expenses	1,448	1,417	1,236
Depreciation and amortization	992	933	881
General taxes	333	303	284
Total operating expenses	5,606	5,711	5,245
Operating Income	1,239	1,162	1,338
Other Income (Expense)			
Interest income	7	11	12
Allowance for equity funds used during construction	10	6	5
Income from equity method investees	10	9	15
Nonoperating retirement benefits, net	91	90	24
Other income	4	2	6
Other expense	(13)	(48)	(76)
Total other income (expense)	109	70	(14)
Interest Charges			
Interest on long-term debt	439	412	406
Interest expense – related parties	9	—	—
Other interest expense	75	49	34
Allowance for borrowed funds used during construction	(4)	(3)	(2)
Total interest charges	519	458	438
Income Before Income Taxes	829	774	886
Income Tax Expense	147	115	424
Net Income	682	659	462
Income Attributable to Noncontrolling Interests	2	2	2
Net Income Available to Common Stockholders	$ 680	$ 657	$ 460
Basic Earnings Per Average Common Share	$ 2.40	$ 2.33	$ 1.64
Diluted Earnings Per Average Common Share	$ 2.39	$ 2.32	$ 1.64

The accompanying notes are an integral part of these statements.

CMS Energy Corporation
Consolidated Statements of Comprehensive Income

In Millions

Years Ended December 31	2019	2018	2017
Net Income	$ 682	$ 659	$ 462
Retirement Benefits Liability			
Net loss arising during the period, net of tax of $(3), $(1), and $(4)	(7)	(4)	(5)
Prior service credit adjustment, net of tax of $-, $-, and $3	—	(1)	4
Amortization of net actuarial loss, net of tax of $1 for all periods	3	4	2
Amortization of prior service credit, net of tax of $-, $(1), and $-	(2)	(1)	(1)
Derivatives			
Unrealized loss on derivative instruments, net of tax of $(1), $-, and $-	(3)	(2)	—
Reclassification adjustments included in net income, net of tax of $- for all periods	1	—	—
Other Comprehensive Loss	(8)	(4)	—
Comprehensive Income	674	655	462
Comprehensive Income Attributable to Noncontrolling Interests	2	2	2
Comprehensive Income Attributable to CMS Energy	$ 672	$ 653	$ 460

The accompanying notes are an integral part of these statements.

CMS Energy Corporation
Consolidated Statements of Cash Flows

In Millions

Years Ended December 31	2019	2018	2017
Cash Flows from Operating Activities			
Net income	$ 682	$ 659	$ 462
Adjustments to reconcile net income to net cash provided by operating activities			
Depreciation and amortization	992	933	881
Deferred income taxes and investment tax credits	150	182	417
Bad debt expense	67	54	49
Other non-cash operating activities and reconciling adjustments	(58)	22	82
Postretirement benefits contributions	(10)	(252)	(12)
Cash provided by (used in) changes in assets and liabilities			
Accounts and notes receivable and accrued revenue	45	15	(66)
Inventories	44	14	(46)
Accounts payable and accrued rate refunds	(69)	22	49
Other current and non-current assets and liabilities	(53)	54	(111)
Net cash provided by operating activities	1,790	1,703	1,705
Cash Flows from Investing Activities			
Capital expenditures (excludes assets placed under finance lease)	(2,104)	(2,074)	(1,665)
Increase in EnerBank notes receivable	(401)	(307)	(138)
Purchase of notes receivable by EnerBank	(343)	(225)	—
Proceeds from DB SERP investments	—	146	—
Proceeds from sale of EnerBank notes receivable	67	—	50
Proceeds from sale of transmission equipment	97	—	—
Cost to retire property and other investing activities	(132)	(146)	(115)
Net cash used in investing activities	(2,816)	(2,606)	(1,868)
Cash Flows from Financing Activities			
Proceeds from issuance of debt	2,151	2,767	1,633
Retirement of debt	(1,285)	(1,870)	(980)
Increase in EnerBank certificates of deposit	631	513	47
Decrease in notes payable	(7)	(73)	(228)
Issuance of common stock	12	41	83
Payment of dividends on common and preferred stock	(436)	(407)	(377)
Debt prepayment costs	(8)	(36)	(22)
Other financing costs	(50)	(61)	(46)
Net cash provided by financing activities	1,008	874	110
Net Decrease in Cash and Cash Equivalents, Including Restricted Amounts	(18)	(29)	(53)
Cash and Cash Equivalents, Including Restricted Amounts, Beginning of Period	175	204	257
Cash and Cash Equivalents, Including Restricted Amounts, End of Period	$ 157	$ 175	$ 204

In Millions

Years Ended December 31	2019	2018	2017
Other cash flow activities and non-cash investing and financing activities			
Cash transactions			
Interest paid (net of amounts capitalized)	$ 498	$ 458	$ 418
Income taxes paid (refunds received), net	(58)	(123)	5
Non-cash transactions			
Capital expenditures not paid	170	158	172
Other assets placed under finance lease	—	—	3

The accompanying notes are an integral part of these statements.

CMS Energy Corporation
Consolidated Balance Sheets

ASSETS

In Millions

December 31	2019	2018
Current Assets		
Cash and cash equivalents	$ 140	$ 153
Restricted cash and cash equivalents	17	21
Accounts receivable and accrued revenue, less allowances of $20 in both periods	886	964
Notes receivable, less allowances of $33 in 2019 and $24 in 2018	223	233
Notes receivable held for sale	19	—
Accounts receivable – related parties	17	14
Accrued gas revenue	—	16
Inventories at average cost		
Gas in underground storage	399	450
Materials and supplies	140	143
Generating plant fuel stock	66	57
Deferred property taxes	305	279
Regulatory assets	33	37
Prepayments and other current assets	86	101
Total current assets	2,331	2,468
Plant, Property, and Equipment		
Plant, property, and equipment, gross	25,390	24,400
Less accumulated depreciation and amortization	7,360	7,037
Plant, property, and equipment, net	18,030	17,363
Construction work in progress	896	763
Total plant, property, and equipment	18,926	18,126
Other Non-current Assets		
Regulatory assets	2,489	1,743
Accounts and notes receivable	2,281	1,645
Investments	71	69
Other	739	478
Total other non-current assets	5,580	3,935
Total Assets	$ 26,837	$ 24,529

LIABILITIES AND EQUITY

In Millions

December 31	2019	2018
Current Liabilities		
Current portion of long-term debt, finance leases, and other financing	$ 1,130	$ 996
Notes payable	90	97
Accounts payable	622	723
Accounts payable – related parties	13	10
Accrued rate refunds	35	4
Accrued interest	104	94
Accrued taxes	437	398
Regulatory liabilities	87	155
Other current liabilities	186	147
Total current liabilities	2,704	2,624
Non-current Liabilities		
Long-term debt	11,951	10,615
Non-current portion of finance leases and other financing	76	69
Regulatory liabilities	3,742	3,681
Postretirement benefits	674	436
Asset retirement obligations	477	432
Deferred investment tax credit	120	99
Deferred income taxes	1,655	1,487
Other non-current liabilities	383	294
Total non-current liabilities	19,078	17,113
Commitments and Contingencies (Notes 3 and 4)		
Equity		
Common stockholders' equity		
Common stock, authorized 350.0 shares; outstanding 283.9 shares in 2019 and 283.4 shares in 2018	3	3
Other paid-in capital	5,113	5,088
Accumulated other comprehensive loss	(73)	(65)
Accumulated deficit	(25)	(271)
Total common stockholders' equity	5,018	4,755
Noncontrolling interests	37	37
Total equity	5,055	4,792
Total Liabilities and Equity	$ 26,837	$ 24,529

The accompanying notes are an integral part of these statements.

CMS Energy Corporation
Consolidated Statements of Changes in Equity

In Millions, Except Number of Shares in Thousands and Per Share Amounts

	Number of Shares					
Years Ended December 31	2019	2018	2017	2019	2018	2017
Total Equity at Beginning of Period				$ 4,792	$ 4,478	$ 4,290
Common Stock						
At beginning and end of period				3	3	3
Other Paid-in Capital						
At beginning of period	283,374	281,647	279,206	5,088	5,019	4,916
Common stock issued	710	1,554	2,492	35	59	102
Common stock repurchased	(181)	(224)	(317)	(10)	(10)	(14)
Common stock reissued	8	423	360	—	20	15
Common stock reacquired	(47)	(26)	(94)	—	—	—
At end of period	283,864	283,374	281,647	5,113	5,088	5,019
Accumulated Other Comprehensive Loss						
At beginning of period				(65)	(50)	(50)
Retirement benefits liability						
At beginning of period				(63)	(50)	(50)
Cumulative effect of change in accounting principle				—	(11)	—
Net loss arising during the period				(7)	(4)	(5)
Prior service credit adjustment				—	(1)	4
Amortization of net actuarial loss				3	4	2
Amortization of prior service credit				(2)	(1)	(1)
At end of period				(69)	(63)	(50)
Derivative instruments						
At beginning of period				(2)	—	—
Unrealized loss on derivative instruments				(3)	(2)	—
Reclassification adjustments included in net income				1	—	—
At end of period				(4)	(2)	—
At end of period				(73)	(65)	(50)

In Millions, Except Number of Shares in Thousands and Per Share Amounts

Years Ended December 31	Number of Shares 2019	2018	2017	2019	2018	2017
Accumulated Deficit						
At beginning of period				(271)	(531)	(616)
Cumulative effect of change in accounting principle				—	8	—
Net income attributable to CMS Energy				680	657	460
Dividends declared on common stock				(434)	(405)	(375)
At end of period				(25)	(271)	(531)
Noncontrolling Interests						
At beginning of period				37	37	37
Income attributable to noncontrolling interests				2	2	2
Distributions and other changes in noncontrolling interests				(2)	(2)	(2)
At end of period				37	37	37
Total Equity at End of Period				$ 5,055	$ 4,792	$ 4,478
Dividends declared per common share				$ 1.53	$ 1.43	$ 1.33

The accompanying notes are an integral part of these statements.

Consumers Energy Company
Consolidated Statements of Income

In Millions

Years Ended December 31	2019	2018	2017
Operating Revenue	$ 6,376	$ 6,464	$ 6,222
Operating Expenses			
Fuel for electric generation	375	407	398
Purchased and interchange power	1,470	1,587	1,491
Purchased power – related parties	75	83	90
Cost of gas sold	754	819	730
Maintenance and other operating expenses	1,275	1,287	1,113
Depreciation and amortization	975	921	872
General taxes	322	295	276
Total operating expenses	5,246	5,399	4,970
Operating Income	1,130	1,065	1,252
Other Income (Expense)			
Interest income	5	8	9
Interest and dividend income – related parties	5	2	1
Allowance for equity funds used during construction	10	6	5
Nonoperating retirement benefits, net	85	83	21
Other income	3	2	17
Other expense	(13)	(30)	(58)
Total other income (expense)	95	71	(5)
Interest Charges			
Interest on long-term debt	277	276	263
Interest expense – related parties	9	—	—
Other interest expense	15	16	15
Allowance for borrowed funds used during construction	(4)	(3)	(2)
Total interest charges	297	289	276
Income Before Income Taxes	928	847	971
Income Tax Expense	185	142	339
Net Income	743	705	632
Preferred Stock Dividends	2	2	2
Net Income Available to Common Stockholder	$ 741	$ 703	$ 630

The accompanying notes are an integral part of these statements.

Consumers Energy Company
Consolidated Statements of Comprehensive Income

In Millions

Years Ended December 31	2019	2018	2017
Net Income	$ 743	$ 705	$ 632
Retirement Benefits Liability			
Net gain (loss) arising during the period, net of tax of $(3), $2, and $(1)	(8)	6	(4)
Amortization of net actuarial loss, net of tax of $- for all periods	1	2	1
Investments			
Unrealized gain (loss) on investments, net of tax of $-, $-, and $1	—	(1)	3
Reclassification adjustments included in net income, net of tax of $-, $-, and $(6)	—	1	(9)
Other Comprehensive Income (Loss)	(7)	8	(9)
Comprehensive Income	$ 736	$ 713	$ 623

The accompanying notes are an integral part of these statements.

Consumers Energy Company
Consolidated Statements of Cash Flows

In Millions

Years Ended December 31	2019	2018	2017
Cash Flows from Operating Activities			
Net income	$ 743	$ 705	$ 632
Adjustments to reconcile net income to net cash provided by operating activities			
Depreciation and amortization	975	921	872
Deferred income taxes and investment tax credits	37	123	163
Bad debt expense	29	29	29
Other non-cash operating activities and reconciling adjustments	(32)	13	59
Postretirement benefits contributions	(7)	(242)	(8)
Cash provided by (used in) changes in assets and liabilities			
Accounts and notes receivable and accrued revenue	8	(26)	(63)
Inventories	40	15	(45)
Accounts payable and accrued rate refunds	(63)	12	43
Other current and non-current assets and liabilities	(129)	(101)	33
Net cash provided by operating activities	1,601	1,449	1,715
Cash Flows from Investing Activities			
Capital expenditures (excludes assets placed under finance lease)	(2,085)	(1,822)	(1,632)
Proceeds from DB SERP investments	—	106	—
DB SERP investment in note receivable – related party	—	(106)	—
Proceeds from sale of transmission equipment	77	—	—
Cost to retire property and other investing activities	(129)	(149)	(119)
Net cash used in investing activities	(2,137)	(1,971)	(1,751)
Cash Flows from Financing Activities			
Proceeds from issuance of debt	993	2,106	834
Retirement of debt	(541)	(1,193)	(555)
Decrease in notes payable	(7)	(73)	(228)
Stockholder contribution	675	250	450
Payment of dividends on common and preferred stock	(594)	(533)	(524)
Debt prepayment costs	(8)	(20)	(4)
Other financing costs	(10)	(24)	(24)
Net cash provided by (used in) financing activities	508	513	(51)
Net Decrease in Cash and Cash Equivalents, Including Restricted Amounts	(28)	(9)	(87)
Cash and Cash Equivalents, Including Restricted Amounts, Beginning of Period	56	65	152
Cash and Cash Equivalents, Including Restricted Amounts, End of Period	$ 28	$ 56	$ 65

In Millions

Years Ended December 31	2019	2018	2017
Other cash flow activities and non-cash investing and financing activities			
Cash transactions			
Interest paid (net of amounts capitalized)	$ 279	$ 287	$ 266
Income taxes paid (refunds received), net	132	156	(1)
Non-cash transactions			
Capital expenditures not paid	160	143	160
Other assets placed under finance lease	—	—	3

The accompanying notes are an integral part of these statements.

Consumers Energy Company
Consolidated Balance Sheets

ASSETS

In Millions

December 31	2019	2018
Current Assets		
Cash and cash equivalents	$ 11	$ 39
Restricted cash and cash equivalents	17	17
Accounts receivable and accrued revenue, less allowances of $20 in both periods	827	855
Accounts and notes receivable – related parties	9	15
Accrued gas revenue	—	16
Inventories at average cost		
Gas in underground storage	399	450
Materials and supplies	135	137
Generating plant fuel stock	63	52
Deferred property taxes	305	279
Regulatory assets	33	37
Prepayments and other current assets	73	83
Total current assets	1,872	1,980
Plant, Property, and Equipment		
Plant, property, and equipment, gross	24,963	23,963
Less accumulated depreciation and amortization	7,272	6,958
Plant, property, and equipment, net	17,691	17,005
Construction work in progress	879	756
Total plant, property, and equipment	18,570	17,761
Other Non-current Assets		
Regulatory assets	2,489	1,743
Accounts receivable	29	27
Accounts and notes receivable – related parties	102	104
Other	637	410
Total other non-current assets	3,257	2,284
Total Assets	$ 23,699	$ 22,025

LIABILITIES AND EQUITY

In Millions

December 31	2019	2018
Current Liabilities		
Current portion of long-term debt, finance leases, and other financing	$ 221	$ 48
Notes payable	90	97
Accounts payable	593	685
Accounts payable – related parties	20	14
Accrued rate refunds	35	4
Accrued interest	67	59
Accrued taxes	481	436
Regulatory liabilities	87	155
Other current liabilities	118	120
Total current liabilities	1,712	1,618
Non-current Liabilities		
Long-term debt	7,048	6,779
Non-current portion of finance leases and other financing	76	69
Regulatory liabilities	3,742	3,681
Postretirement benefits	622	392
Asset retirement obligations	474	428
Deferred investment tax credit	120	99
Deferred income taxes	1,864	1,809
Other non-current liabilities	304	230
Total non-current liabilities	14,250	13,487
Commitments and Contingencies (Notes 3 and 4)		
Equity		
Common stockholder's equity		
Common stock, authorized 125.0 shares; outstanding 84.1 shares in both periods	841	841
Other paid-in capital	5,374	4,699
Accumulated other comprehensive loss	(28)	(21)
Retained earnings	1,513	1,364
Total common stockholder's equity	7,700	6,883
Cumulative preferred stock, $4.50 series	37	37
Total equity	7,737	6,920
Total Liabilities and Equity	$ 23,699	$ 22,025

The accompanying notes are an integral part of these statements.

Consumers Energy Company
Consolidated Statements of Changes in Equity

In Millions

Years Ended December 31	2019	2018	2017
Total Equity at Beginning of Period	$ 6,920	$ 6,488	$ 5,939
Common Stock			
At beginning and end of period	841	841	841
Other Paid-in Capital			
At beginning of period	4,699	4,449	3,999
Stockholder contribution	675	250	450
At end of period	5,374	4,699	4,449
Accumulated Other Comprehensive Loss			
At beginning of period	(21)	(12)	(3)
Retirement benefits liability			
At beginning of period	(21)	(24)	(21)
Cumulative effect of change in accounting principle	—	(5)	—
Net gain (loss) arising during the period	(8)	6	(4)
Amortization of net actuarial loss	1	2	1
At end of period	(28)	(21)	(24)
Investments			
At beginning of period	—	12	18
Cumulative effect of change in accounting principle	—	(12)	—
Unrealized gain (loss) on investments	—	(1)	3
Reclassification adjustments included in net income	—	1	(9)
At end of period	—	—	12
At end of period	(28)	(21)	(12)
Retained Earnings			
At beginning of period	1,364	1,173	1,065
Cumulative effect of change in accounting principle	—	19	—
Net income	743	705	632
Dividends declared on common stock	(592)	(531)	(522)
Dividends declared on preferred stock	(2)	(2)	(2)
At end of period	1,513	1,364	1,173
Cumulative Preferred Stock			
At beginning and end of period	37	37	37
Total Equity at End of Period	$ 7,737	$ 6,920	$ 6,488

The accompanying notes are an integral part of these statements.

CMS Energy Corporation
Consumers Energy Company
Notes to the Consolidated Financial Statements

1: Significant Accounting Policies

Principles of Consolidation: CMS Energy and Consumers prepare their consolidated financial statements in conformity with GAAP. CMS Energy's consolidated financial statements comprise CMS Energy, Consumers, CMS Enterprises, EnerBank, and all other entities in which CMS Energy has a controlling financial interest or is the primary beneficiary. Consumers' consolidated financial statements comprise Consumers and all other entities in which it has a controlling financial interest or is the primary beneficiary. CMS Energy uses the equity method of accounting for investments in companies and partnerships that are not consolidated, where they have significant influence over operations and financial policies but are not the primary beneficiary. CMS Energy and Consumers eliminate intercompany transactions and balances.

Use of Estimates: CMS Energy and Consumers are required to make estimates using assumptions that may affect reported amounts and disclosures. Actual results could differ from those estimates.

Contingencies: CMS Energy and Consumers record estimated liabilities for contingencies on their consolidated financial statements when it is probable that a liability has been incurred and when the amount of loss can be reasonably estimated. For environmental remediation projects in which the timing of estimated expenditures is considered reliably determinable, CMS Energy and Consumers record the liability at its net present value, using a discount rate equal to the interest rate on monetary assets that are essentially risk-free and have maturities comparable to that of the environmental liability. CMS Energy and Consumers expense legal fees as incurred; fees incurred but not yet billed are accrued based on estimates of work performed.

Debt Issuance Costs, Discounts, Premiums, and Refinancing Costs: Upon the issuance of long-term debt, CMS Energy and Consumers defer issuance costs, discounts, and premiums and amortize those amounts over the terms of the associated debt. Debt issuance costs are presented as a direct deduction from the carrying amount of long-term debt on the balance sheet. Upon the refinancing of long-term debt, Consumers, as a regulated entity, defers any remaining unamortized issuance costs, discounts, and premiums associated with the refinanced debt and amortizes those amounts over the term of the newly issued debt. For the non-regulated portions of CMS Energy's business, any remaining unamortized issuance costs, discounts, and premiums associated with extinguished debt are charged to earnings.

Derivative Instruments: In order to support ongoing operations, CMS Energy and Consumers enter into contracts for the future purchase and sale of various commodities, such as electricity, natural gas, and coal. These forward contracts are generally long-term in nature and result in physical delivery of the commodity at a contracted price. Most of these contracts are not subject to derivative accounting for one or more of the following reasons:

- they do not have a notional amount (that is, a number of units specified in a derivative instrument, such as MWh of electricity or bcf of natural gas)
- they qualify for the normal purchases and sales exception
- they cannot be net settled due in part to the absence of an active market for the commodity

Consumers also uses FTRs to manage price risk related to electricity transmission congestion. An FTR is a financial instrument that entitles its holder to receive compensation or requires its holder to remit payment for congestion-related transmission charges. Consumers accounts for FTRs as derivatives.

Additionally, CMS Energy uses interest rate swaps to manage its interest rate risk on certain long-term debt and notes receivable transactions.

CMS Energy and Consumers record derivative contracts that do not qualify for the normal purchases and sales exception at fair value on their consolidated balance sheets. At CMS Energy, if the derivative is accounted for as a cash flow hedge, unrealized gains and losses from changes in the fair value of the derivative are recognized in AOCI and subsequently recognized in earnings when the hedged transactions impact earnings. If the derivative is accounted for as a fair value hedge, changes in the fair value of the derivative and changes in the fair value of the hedged item due to the hedged risk are recognized in earnings. For the FTRs at Consumers, changes in fair value are deferred as regulatory assets or liabilities. For details regarding CMS Energy's and Consumers' derivative instruments recorded at fair value, see Note 6, Fair Value Measurements.

EPS: CMS Energy calculates basic and diluted EPS using the weighted-average number of shares of common stock and dilutive potential common stock outstanding during the period. Potential common stock, for purposes of determining diluted EPS, includes the effects of nonvested stock awards and forward equity sales. CMS Energy computes the effect on potential common stock using the treasury stock method. Diluted EPS excludes the impact of antidilutive securities, which are those securities resulting in an increase in EPS or a decrease in loss per share. For EPS computations, see Note 15, Earnings Per Share—CMS Energy.

Impairment of Long-Lived Assets and Equity Method Investments: CMS Energy and Consumers perform tests of impairment if certain triggering events occur or if there has been a decline in value that may be other than temporary.

CMS Energy and Consumers evaluate long-lived assets held in use for impairment by calculating the undiscounted future cash flows expected to result from the use of the asset and its eventual disposition. If the undiscounted future cash flows are less than the carrying amount, CMS Energy and Consumers recognize an impairment loss equal to the amount by which the carrying amount exceeds the fair value. CMS Energy and Consumers estimate the fair value of the asset using quoted market prices, market prices of similar assets, or discounted future cash flow analyses.

CMS Energy also assesses equity method investments for impairment whenever there has been a decline in value that is other than temporary. This assessment requires CMS Energy to determine the fair value of the equity method investment. CMS Energy determines fair value using valuation methodologies, including discounted cash flows, and assesses the ability of the investee to sustain an earnings capacity that justifies the carrying amount of the investment. CMS Energy records an impairment if the fair value is less than the carrying amount and the decline in value is considered to be other than temporary.

Investment Tax Credits: Consumers amortizes its investment tax credits over the life of the related property in accordance with regulatory treatment. CMS Energy's non-regulated businesses use the deferral method of accounting for investment tax credits. Under the deferral method, the book basis of the associated assets is reduced by the amount of the credit, resulting in lower depreciation expense over the life of the assets. Furthermore, the tax basis of the assets is reduced by 50 percent of the related credit, resulting in a net deferred tax asset. CMS Energy recognizes the tax benefit of this basis difference as a reduction to income tax expense in the year in which the plant reaches commercial operation.

Inventory: CMS Energy and Consumers use the weighted-average cost method for valuing working gas, recoverable base gas in underground storage facilities, and materials and supplies inventory. CMS Energy and Consumers also use this method for valuing coal inventory, and they classify these amounts as generating plant fuel stock on their consolidated balance sheets.

CMS Energy and Consumers account for RECs and emission allowances as inventory and use the weighted-average cost method to remove amounts from inventory. RECs and emission allowances are used to satisfy compliance obligations related to the generation of power. CMS Energy and Consumers classify these amounts within other assets on their consolidated balance sheets.

CMS Energy and Consumers evaluate inventory for impairment as required to ensure that its carrying value does not exceed the lower of cost or net realizable value.

MISO Transactions: MISO requires the submission of hourly day-ahead and real-time bids and offers for energy at locations across the MISO region. CMS Energy and Consumers account for MISO transactions on a net hourly basis in each of the real-time and day-ahead markets, netted across all MISO energy market locations. CMS Energy and Consumers record net hourly purchases in purchased and interchange power and net hourly sales in operating revenue on their consolidated statements of income. They record net billing adjustments upon receipt of settlement statements, record accruals for future net purchases and sales adjustments based on historical experience, and reconcile accruals to actual expenses and sales upon receipt of settlement statements.

Property Taxes: Property taxes are based on the taxable value of Consumers' real and personal property assessed by local taxing authorities. Consumers records property tax expense over the fiscal year of the taxing authority for which the taxes are levied. The deferred property tax balance represents the amount of Consumers' accrued property tax that will be recognized over future governmental fiscal periods.

Renewable Energy Grant: In 2013, Consumers received a renewable energy cash grant for Lake Winds® Energy Park under Section 1603 of the American Recovery and Reinvestment Tax Act of 2009. Upon receipt of the grant, Consumers recorded a regulatory liability, which Consumers is amortizing over the life of Lake Winds® Energy Park. Consumers presents the amortization as a reduction to maintenance and other operating expenses on its consolidated statements of income. Consumers recorded the deferred income taxes related to the grant as a reduction of the book basis of Lake Winds® Energy Park.

Other: For additional accounting policies, see:

- Note 8, Notes Receivable
- Note 9, Plant, Property, and Equipment
- Note 11, Asset Retirement Obligations
- Note 12, Retirement Benefits
- Note 14, Income Taxes
- Note 15, Earnings Per Share—CMS Energy
- Note 16, Revenue
- Note 18, Cash and Cash Equivalents

2: New Accounting Standards

Implementation of New Accounting Standards

ASU 2016-02, Leases: This standard, which was effective on January 1, 2019 for CMS Energy and Consumers, establishes a new accounting model for leases. The standard requires lessees to recognize

lease assets and liabilities on the balance sheet for all leases with a term of more than one year, including operating leases, which were not recorded on the balance sheet under previous standards. The new guidance also amends the definition of a lease to require that a lessee have the right to control the use of a specified asset, and not simply control or take the output of the asset. On the statement of income, operating leases are generally accounted for under a straight-line expense model, while finance leases, which were previously referred to as capital leases, are generally accounted for under a financing model. Consistent with the previous lease guidance, however, the standard allows rate-regulated utilities to recognize expense consistent with the timing of recovery in rates.

CMS Energy and Consumers elected to use certain practical expedients permitted by the standard, under which they were not required to perform lease assessments or reassessments for agreements existing on the effective date. They also elected a transition method under which they initially applied the standard on January 1, 2019, without adjusting amounts presented for prior periods. Under the standard, CMS Energy and Consumers recognized additional lease assets and liabilities on their consolidated balance sheets as of January 1, 2019 for their operating leases. In addition, in accordance with the standard, they have provided additional disclosures about their leases in Note 10, Leases and Palisades Financing. The standard did not have any impact on CMS Energy's and Consumers' consolidated net income or cash flows, and there was no cumulative-effect adjustment recorded to beginning retained earnings.

New Accounting Standards Not Yet Effective

ASU 2016-13, Measurement of Credit Losses on Financial Instruments: This standard, effective January 1, 2020 for CMS Energy and Consumers, provides new guidance for measuring and recognizing credit losses on financial instruments. The standard applies to financial assets that are not measured at fair value through net income as well as to certain off-balance sheet credit exposures. Entities will apply the standard using a modified retrospective approach, with a cumulative-effect adjustment recorded to beginning retained earnings on the effective date.

The standard will require an increase to the allowance for loan losses at EnerBank. At December 31, 2019, the allowance reflected expected credit losses over a 12-month period, but the new standard will require the allowance to reflect expected credit losses over the entire life of the loans. EnerBank expects to record a $65 million increase to its expected credit loss reserves on January 1, 2020, with the offsetting adjustment recorded to retained earnings, net of taxes. The standard will also require an increase in the initial provision for loan losses recognized in net income for new loans originated in 2020 and beyond. At Consumers, the new guidance will apply to the allowance for uncollectible accounts; however, Consumers does not expect material impacts from the standard.

3: Regulatory Matters

Regulatory matters are critical to Consumers. The Michigan Attorney General, ABATE, the MPSC Staff, and certain other parties typically participate in MPSC proceedings concerning Consumers, such as Consumers' rate cases and PSCR and GCR processes. These parties often challenge various aspects of those proceedings, including the prudence of Consumers' policies and practices, and seek cost disallowances and other relief. The parties also have appealed significant MPSC orders. Depending upon the specific issues, the outcomes of rate cases and proceedings, including judicial proceedings challenging MPSC orders or other actions, could negatively affect CMS Energy's and Consumers' liquidity, financial condition, and results of operations. Consumers cannot predict the outcome of these proceedings.

There are multiple appeals pending that involve various issues concerning cost recovery from customers, the adequacy of the record of evidence supporting the recovery of Smart Energy investments, and other matters. Consumers is unable to predict the outcome of these appeals.

Regulatory Assets and Liabilities

Consumers is subject to the actions of the MPSC and FERC and therefore prepares its consolidated financial statements in accordance with the provisions of regulatory accounting. A utility must apply regulatory accounting when its rates are designed to recover specific costs of providing regulated services. Under regulatory accounting, Consumers records regulatory assets or liabilities for certain transactions that would have been treated as expense or revenue by non-regulated businesses.

Presented in the following table are the regulatory assets and liabilities on Consumers' consolidated balance sheets:

In Millions

December 31	End of Recovery or Refund Period	2019	2018
Regulatory assets			
Current			
Energy waste reduction plan incentive[1]	2020	$ 33	$ 32
Other	2019	—	5
Total current regulatory assets		$ 33	$ 37
Non-current			
Postretirement benefits[2]	various	$ 1,130	$ 1,028
Costs of coal-fueled electric generating units to be retired[3]	various	667	—
Securitized costs[3]	2029	247	273
ARO[4]	various	191	175
MGP sites[4]	various	130	133
Unamortized loss on reacquired debt[4]	various	70	68
Energy waste reduction plan incentive[1]	2021	34	34
Energy waste reduction plan[4]	various	10	26
Deferred capital spending[4]	various	3	—
Gas storage inventory adjustments[4]	various	3	4
Other	various	4	2
Total non-current regulatory assets		$ 2,489	$ 1,743
Total regulatory assets		$ 2,522	$ 1,780
Regulatory liabilities			
Current			
Income taxes, net	2020	$ 65	$ 18
Gain to be shared with customers	2020	17	—
Reserve for customer refunds	2019	2	36
TCJA reserve for refund	2019	—	98
Other	2020	3	3
Total current regulatory liabilities		$ 87	$ 155
Non-current			
Cost of removal	various	$ 2,126	$ 1,966
Income taxes, net	various	1,510	1,537
Renewable energy grant	2043	52	54
ARO	various	26	38
Renewable energy plan	2028	17	42
TCJA reserve for refund	various	—	35
Other	various	11	9
Total non-current regulatory liabilities		$ 3,742	$ 3,681
Total regulatory liabilities		$ 3,829	$ 3,836

[1] These regulatory assets have arisen from an alternative revenue program and are not associated with incurred costs or capital investments. Therefore, the MPSC has provided for recovery without a return.

[2] This regulatory asset is included in rate base, thereby providing a return.

[3] The MPSC has historically authorized and Consumers expects the MPSC to authorize a specific return on these regulatory assets.

[4] These regulatory assets represent incurred costs for which the MPSC has provided, or Consumers expects, recovery without a return on investment.

Regulatory Assets

Energy Waste Reduction Plan Incentive: In December 2019, the MPSC approved a settlement agreement authorizing Consumers to collect $34 million during 2020 as an incentive for exceeding its statutory savings targets in 2018. Consumers recognized incentive revenue under this program of $34 million in 2018.

Consumers also exceeded its statutory savings targets in 2019, achieved certain other goals, and will request the MPSC's approval to collect $34 million, the maximum performance incentive, in the energy waste reduction reconciliation to be filed in 2020. Consumers recognized incentive revenue under this program of $34 million in 2019.

Postretirement Benefits: As part of the ratemaking process, the MPSC allows Consumers to recover the costs of postretirement benefits. Accordingly, Consumers defers the net impact of actuarial losses and gains as well as prior service costs and credits associated with postretirement benefits as a regulatory asset or liability. The asset or liability will decrease as the deferred items are amortized and recognized as components of net periodic benefit cost. For details about the amortization periods, see Note 12, Retirement Benefits.

Costs of Coal-fueled Electric Generating Units to be Retired: In June 2019, the MPSC approved the settlement agreement reached in Consumers' IRP, under which Consumers plans to retire the D.E. Karn 1 & 2 coal-fueled electric generating units in 2023. Under Michigan law, electric utilities have been permitted to use highly rated, low-cost securitization bonds to finance the recovery of qualified costs. Consumers will file for securitization financing by May 2023, requesting the MPSC's approval to securitize the remaining book value of the two coal-fueled electric generating units upon their retirement.

In 2019, Consumers removed from total plant, property, and equipment an amount representing the remaining book value of the two coal-fueled electric generating units upon their retirement, and recorded it as a regulatory asset. Until securitization, the book value of the generating units will remain in rate base and receive full regulatory returns in general rate cases.

Securitized Costs: In 2013, the MPSC issued a securitization financing order authorizing Consumers to issue securitization bonds in order to finance the recovery of the remaining book value of seven smaller coal-fueled electric generating units that Consumers retired in 2016 and three smaller natural gas-fueled electric generating units that Consumers retired in 2015. Upon receipt of the MPSC's order, Consumers removed the book value of the ten units from plant, property, and equipment and recorded this amount as a regulatory asset. Consumers is amortizing the regulatory asset over the life of the related securitization bonds, which it issued through a subsidiary in 2014. For additional details regarding the securitization bonds, see Note 5, Financings and Capitalization.

ARO: The recovery of the underlying asset investments and related removal and monitoring costs of recorded AROs is approved by the MPSC in depreciation rate cases. Consumers records a regulatory asset and a regulatory liability for timing differences between the recognition of AROs for financial reporting purposes and the recovery of these costs from customers. The recovery period approximates the useful life of the assets to be removed.

MGP Sites: Consumers is incurring environmental remediation and other response activity costs at 23 former MGP facilities. The MPSC allows Consumers to recover from its natural gas customers over a ten-year period the costs incurred to remediate the MGP sites.

Unamortized Loss on Reacquired Debt: Under regulatory accounting, any unamortized discount, premium, or expense related to debt redeemed with the proceeds of new debt is capitalized and amortized over the life of the new debt.

Energy Waste Reduction Plan: The MPSC allows Consumers to collect surcharges from customers to fund its energy waste reduction plan. The amount of spending incurred in excess of surcharges collected is recorded as a regulatory asset and amortized as surcharges are collected from customers over the plan period. The amount of surcharges collected in excess of spending incurred is recorded as a regulatory liability and amortized as costs are incurred.

Deferred Capital Spending: In January 2019, the MPSC approved a settlement agreement in Consumers' 2018 electric rate case, which provided deferred accounting treatment for distribution-related capital investments exceeding certain threshold amounts. Thus, for actual capital spending above the threshold amounts detailed in the settlement agreement, Consumers has deferred as a regulatory asset the associated depreciation and property tax expense as well as the debt component of the overall rate of return on such spending.

Gas Storage Inventory Adjustments: Consumers incurs inventory expenses related to the loss of gas from its natural gas storage fields. The MPSC allows Consumers to recover these costs from its natural gas customers over a five-year period.

Regulatory Liabilities

Income Taxes, Net: Consumers records regulatory assets and liabilities to reflect the difference between deferred income taxes recognized for financial reporting purposes and amounts previously reflected in Consumers' rates. This net balance will decrease over the remaining life of the related temporary differences and flow through current income tax benefit. For additional details on deferred income taxes, see the Consumers Electric Utility and Gas Utility—Tax Cuts and Jobs Act section below and Note 14, Income Taxes.

Gain to be Shared with Customers: In December 2019, Consumers filed an application with the MPSC requesting approval to share voluntarily with electric utility customers half of the gain recognized on a sale of a portion of its substation transmission equipment to METC. Consumers proposed the gain sharing take place through an offset to additional spending in 2020 or through a bill credit to customers in 2021.

Reserve for Customer Refunds: At December 31, 2018, Consumers had recorded a provision for revenue subject to refund associated with electric rates it self-implemented in 2017. In August 2019, the MPSC approved Consumers' reconciliation of total revenues collected from rates it self-implemented to those that would have been collected under the final rates approved in June 2018 and Consumers refunded the resulting amount in September 2019. The 2016 Energy Law eliminated utilities' self-implementation of rates under general rate cases, but provided for more timely processing of general rate cases.

TCJA Reserve for Refund: In early 2018, the MPSC ordered Consumers to file various proceedings to determine the reduction in its electric and gas revenue requirements as a result of the TCJA. For further information on the various TCJA proceedings, see the Consumers Electric Utility and Gas Utility—Tax Cuts and Jobs Act section below.

Cost of Removal: The MPSC allows Consumers to collect amounts from customers to fund future asset removal activities. This regulatory liability is reduced as costs of removal are incurred. The refund period of this regulatory liability approximates the useful life of the assets to be removed.

Renewable Energy Grant: In 2013, Consumers received a $69 million renewable energy grant for Lake Winds® Energy Park, which began operations in 2012. This grant reduces Consumers' cost of complying with Michigan's renewable portfolio standard and, accordingly, reduces the overall renewable energy surcharge to be collected from customers. The regulatory liability recorded for the grant will be amortized over the life of Lake Winds® Energy Park.

Renewable Energy Plan: Consumers has collected surcharges to fund its renewable energy plan. Amounts not yet spent under the plan are recorded as a regulatory liability, which is amortized as incremental costs are incurred to operate and depreciate Consumers' renewable generation facilities and to purchase RECs under renewable energy purchase agreements. Incremental costs represent costs incurred in excess of amounts recovered through the PSCR process.

Consumers Electric Utility and Gas Utility

Tax Cuts and Jobs Act: The TCJA, which changed existing federal tax law and included numerous provisions that affect businesses, was signed into law in December 2017.

In early 2018, the MPSC ordered Consumers to file various proceedings to determine the reduction in its electric and gas revenue requirements as a result of the reduction in the corporate income tax rate, and to implement bill credits to reflect that reduction until customer rates could be adjusted through Consumers' general rate cases. Consumers filed, and the MPSC approved, such proceedings throughout 2018, resulting in credits to customer bills during 2018 to reflect reductions in Consumers' electric and gas revenue requirements.

Consumers filed additional proceedings to address amounts collected from customers during 2018 prior to the implementation of bill credits. In late 2018, the MPSC approved the refund of $31 million to gas customers over six months beginning in December 2018 and the refund of $70 million to electric customers over six months beginning in January 2019.

In October 2018, Consumers filed an application to address the December 31, 2017 remeasurement of its deferred income taxes and other base rate impacts of the TCJA on customers. In September 2019, the MPSC authorized Consumers to begin returning net regulatory tax liabilities of $0.4 billion to gas customers through rates approved in the 2018 gas rate case and $1.2 billion to electric customers through rates to be determined in Consumers' next electric rate case. Until then, the MPSC authorized Consumers to refund $32 million to electric customers through a temporary bill credit. Consumers' total $1.6 billion of net regulatory tax liabilities comprises:

- A regulatory tax liability of $1.7 billion associated with plant assets that are subject to normalization, which is governed by the Internal Revenue Code; this regulatory tax liability will be returned over the remaining book life of the related plant assets, the average of which is 44 years for gas plant assets and 27 years for electric plant assets.

- A regulatory tax asset of $0.3 billion associated with plant assets that are not subject to normalization; this regulatory tax asset will be collected over 44 years from gas customers and over 27 years from electric customers.

- A regulatory tax liability of $0.2 billion, which is primarily related to employee benefits; this regulatory tax liability will be refunded to customers over ten years.

In January 2018, Consumers began to reduce the regulatory liability subject to normalization by crediting income tax expense. Consumers fully reserved for the eventual refund of these excess deferred taxes that it credited to income tax expense in a separate non-current regulatory liability established by reducing revenue. As a result of an order received in September 2019, Consumers began refunding these excess deferred taxes to customers and will no longer reserve for their refund. At the date of the order, this reserve for refund of these excess deferred taxes totaled $62 million. For additional details on the remeasurement, see Note 14, Income Taxes.

Consumers Electric Utility

2018 Electric Rate Case: In May 2018, Consumers filed an application with the MPSC seeking an annual rate increase of $58 million, based on a 10.75 percent authorized return on equity. In October 2018, Consumers reduced its requested annual rate increase to $44 million. In January 2019, the MPSC approved a settlement agreement authorizing an annual rate decrease of $24 million, based on a 10.0 percent authorized return on equity. With the elimination of the $113 million TCJA credit to customer bills, the approved settlement agreement resulted in an $89 million net increase in annual rates. The settlement agreement also provided for deferred accounting treatment for distribution-related capital investments exceeding certain amounts. Consumers also agreed to not file a new electric rate case prior to January 2020.

Consumers Gas Utility

2018 Gas Rate Case: In November 2018, Consumers filed an application with the MPSC seeking an annual rate increase of $229 million, based on a 10.75 percent authorized return on equity. In April 2019, Consumers reduced its requested annual rate increase to $204 million. In September 2019, the MPSC approved an annual rate increase of $144 million, based on a 9.90 percent authorized return on equity. This increase includes a $13 million adjustment to begin returning net regulatory tax liabilities associated with the TCJA to customers. The MPSC also approved the continuation of a revenue decoupling mechanism, which annually reconciles Consumers' actual weather-normalized, non-fuel revenues with the revenues approved by the MPSC.

Power Supply Cost Recovery and Gas Cost Recovery

The PSCR and GCR ratemaking processes are designed to allow Consumers to recover all of its power supply and purchased natural gas costs if incurred under reasonable and prudent policies and practices. The MPSC reviews these costs, policies, and practices in annual plan and reconciliation proceedings. Consumers adjusts its PSCR and GCR billing charges monthly in order to minimize the underrecovery or overrecovery amount in the annual reconciliations. Underrecoveries represent probable future revenues that will be recovered from customers; overrecoveries represent previously collected revenues that will be refunded to customers.

Presented in the following table are the assets and liabilities for PSCR and GCR underrecoveries and overrecoveries reflected on Consumers' consolidated balance sheets:

		In Millions
December 31	2019	2018
Assets		
GCR underrecoveries	$ —	$ 16
Accrued gas revenue	$ —	$ 16
Liabilities		
PSCR overrecoveries	$ 33	$ 4
GCR overrecoveries	2	—
Accrued rate refunds	$ 35	$ 4

PSCR Plans and Reconciliations: In October 2019, the MPSC issued an order in Consumers' 2017 PSCR reconciliation, authorizing recovery of $1.9 billion of power costs and authorizing Consumers to reflect in its 2018 PSCR reconciliation the overrecovery of $32 million.

In November 2019, the MPSC issued an order in Consumers' 2018 PSCR plan authorizing the 2018 PSCR charge that Consumers self-implemented beginning in January 2018. In March 2019, Consumers filed its 2018 PSCR reconciliation, requesting full recovery of $2.0 billion of power costs and authorization to reflect in its 2019 PSCR reconciliation the underrecovery of $31 million.

Consumers submitted its 2019 PSCR plan to the MPSC in September 2018 and, in accordance with its proposed plan, self-implemented the 2019 PSCR charge beginning in January 2019.

GCR Plans and Reconciliations: In September 2019, the MPSC issued an order in Consumers' 2017-2018 GCR reconciliation, authorizing full recovery of $0.6 billion of gas costs and authorizing Consumers to reflect in its 2018-2019 GCR reconciliation the overrecovery of $1 million.

In June 2019, Consumers filed its 2018-2019 GCR reconciliation, requesting full recovery of $0.6 billion of gas costs and authorization to reflect in its 2019-2020 GCR reconciliation the underrecovery of $18 million.

In January 2020, the MPSC issued an order in Consumers' 2019-2020 GCR plan authorizing the 2019-2020 GCR charge that Consumers self-implemented beginning in April 2019.

4: Contingencies and Commitments

CMS Energy and Consumers are involved in various matters that give rise to contingent liabilities. Depending on the specific issues, the resolution of these contingencies could negatively affect CMS Energy's and Consumers' liquidity, financial condition, and results of operations. In their disclosures of these matters, CMS Energy and Consumers provide an estimate of the possible loss or range of loss when such an estimate can be made. Disclosures that state that CMS Energy or Consumers cannot predict the outcome of a matter indicate that they are unable to estimate a possible loss or range of loss for the matter.

CMS Energy Contingencies

Gas Index Price Reporting Litigation: CMS Energy, along with CMS MST, CMS Field Services, Cantera Natural Gas, Inc., and Cantera Gas Company, were named as defendants in four class action lawsuits and one individual lawsuit arising as a result of alleged inaccurate natural gas price reporting to

publications that report trade information. Allegations include price-fixing conspiracies, restraint of trade, and artificial inflation of natural gas retail prices in Kansas, Missouri, and Wisconsin. In 2016, CMS Energy entities reached a settlement with the plaintiffs in the Kansas and Missouri class action cases for an amount that was not material to CMS Energy. In 2017, the federal district court approved the settlement. The following provides more detail on the remaining cases in which CMS Energy or its affiliates were named as parties:

- In 2006, a class action complaint, Arandell Corp., et al. v. XCEL Energy Inc., et al., was filed in Wisconsin state court on behalf of Wisconsin commercial entities that purchased natural gas between January 2000 and October 2002. The defendants, including CMS Energy, CMS ERM, and Cantera Gas Company, are alleged to have violated Wisconsin's antitrust statute. The plaintiffs are seeking full consideration damages, treble damages, costs, interest, and attorneys' fees.

- In 2009, a class action complaint, Newpage Wisconsin System v. CMS ERM, et al., was filed in circuit court in Wood County, Wisconsin, against CMS Energy, CMS ERM, Cantera Gas Company, and others. The plaintiff is seeking full consideration damages, treble damages, costs, interest, and attorneys' fees.

- In 2005, J.P. Morgan Trust Company, N.A., in its capacity as trustee of the FLI Liquidating Trust, filed an action in Kansas state court against CMS Energy, CMS MST, CMS Field Services, and others. The complaint alleges various claims under the Kansas Restraint of Trade Act. The plaintiff is seeking statutory full consideration damages for its purchases of natural gas in 2000 and 2001, costs, and attorneys' fees.

After removal to federal court, all of the cases were transferred to a single federal district court pursuant to the multidistrict litigation process. In 2010 and 2011, all claims against CMS Energy defendants were dismissed by the district court based on FERC preemption.

In 2013, the U.S. Court of Appeals for the Ninth Circuit reversed the district court decision. The appellate court found that FERC preemption does not apply under the facts of these cases. The appellate court affirmed the district court's denial of leave to amend to add federal antitrust claims. The matter was appealed to the U.S. Supreme Court, which in 2015 upheld the Ninth Circuit's decision. The cases were remanded back to the federal district court.

In 2016, the federal district court granted the defendants' motion for summary judgment in the individual lawsuit filed in Kansas based on a release in a prior settlement involving similar allegations; the order of summary judgment was subsequently appealed. In March 2018, the U.S. Court of Appeals for the Ninth Circuit reversed the lower court's ruling and remanded the case back to the federal district court.

In 2017, the federal district court denied plaintiffs' motion for class certification in the two pending class action cases in Wisconsin. The plaintiffs appealed that decision to the U.S. Court of Appeals for the Ninth Circuit and in August 2018, the Ninth Circuit Court of Appeals reversed and remanded the matter back to the federal district court for further consideration.

In January 2019, the judge in the multidistrict litigation granted motions filed by plaintiffs for Suggestion of Remand of the actions back to the respective transferor courts in Wisconsin and Kansas for further handling. In the Kansas action, the Judicial Panel on Multidistrict Litigation ordered the remand and the case has been transferred. In the Wisconsin actions, oppositions to the remand were filed, but the Judicial Panel on Multidistrict Litigation granted the remand in June 2019.

CMS Energy and the plaintiffs in each of the Kansas and the Wisconsin actions engaged in settlement discussions and CMS Energy has recorded a $30 million liability at December 31, 2019 as a probable estimate to settle these two cases. CMS Energy can give no assurances that it can reach a final settlement with the plaintiffs in these two cases, of the actual amount CMS Energy would have to pay in any settlement, or, in the Wisconsin case, that the Wisconsin court would approve any such settlement. If settlement does not occur and the outcome after appeals is unfavorable to CMS Energy, these cases could negatively affect CMS Energy's liquidity, financial condition, and results of operations.

Bay Harbor: CMS Land retained environmental remediation obligations for the collection and treatment of leachate at Bay Harbor after selling its interests in the development in 2002. Leachate is produced when water enters into cement kiln dust piles left over from former cement plant operations at the site. In 2012, CMS Land and EGLE finalized an agreement that established the final remedies and the future water quality criteria at the site. CMS Land completed all construction necessary to implement the remedies required by the agreement and will continue to maintain and operate a system to discharge treated leachate into Little Traverse Bay under an NPDES permit issued in 2010 and renewed in 2016. The renewed NPDES permit is valid through September 2020.

At December 31, 2019, CMS Energy had a recorded liability of $46 million for its remaining obligations for environmental remediation. CMS Energy calculated this liability based on discounted projected costs, using a discount rate of 4.34 percent and an inflation rate of one percent on annual operating and maintenance costs. The undiscounted amount of the remaining obligation is $58 million. CMS Energy expects to pay the following amounts for long-term leachate disposal and operating and maintenance costs in each of the next five years:

In Millions

	2020	2021	2022	2023	2024
CMS Energy					
Long-term leachate disposal and operating and maintenance costs	$ 5	$ 4	$ 4	$ 4	$ 4

CMS Energy's estimate of response activity costs and the timing of expenditures could change if there are changes in circumstances or assumptions used in calculating the liability. Although a liability for its present estimate of remaining response activity costs has been recorded, CMS Energy cannot predict the ultimate financial impact or outcome of this matter.

Equatorial Guinea Tax Claim: In 2002, CMS Energy sold its oil, gas, and methanol investments in Equatorial Guinea. The government of Equatorial Guinea claims that, in connection with the sale, CMS Energy owes $152 million in taxes, plus substantial penalties and interest that could be up to or exceed the amount of the taxes claimed. In 2015, the matter was proceeding to formal arbitration; however, since then, the government of Equatorial Guinea has stopped communicating. CMS Energy has concluded that the government's tax claim is without merit and will continue to contest the claim, but cannot predict the financial impact or outcome of the matter. An unfavorable outcome could have a material adverse effect on CMS Energy's liquidity, financial condition, and results of operations.

Consumers Electric Utility Contingencies

Electric Environmental Matters: Consumers' operations are subject to environmental laws and regulations. Historically, Consumers has generally been able to recover, in customer rates, the costs to operate its facilities in compliance with these laws and regulations.

Cleanup and Solid Waste: Consumers expects to incur remediation and other response activity costs at a number of sites under the NREPA. Consumers believes that these costs should be recoverable in rates, but cannot guarantee that outcome. Consumers estimates that its liability for NREPA sites for which it can estimate a range of loss will be between $3 million and $4 million. At December 31, 2019, Consumers had a recorded liability of $3 million, the minimum amount in the range of its estimated probable NREPA liability, as no amount in the range was considered a better estimate than any other amount.

Consumers is a potentially responsible party at a number of contaminated sites administered under CERCLA. CERCLA liability is joint and several. In 2010, Consumers received official notification from the EPA that identified Consumers as a potentially responsible party for cleanup of PCBs at the Kalamazoo River CERCLA site. The notification claimed that the EPA has reason to believe that Consumers disposed of PCBs and arranged for the disposal and treatment of PCB-containing materials at portions of the site. In 2011, Consumers received a follow-up letter from the EPA requesting that Consumers agree to participate in a removal action plan along with several other companies for an area of lower Portage Creek, which is connected to the Kalamazoo River. All parties, including Consumers, that were asked to participate in the removal action plan declined to accept liability. Until further information is received from the EPA, Consumers is unable to estimate a range of potential liability for cleanup of the river.

Based on its experience, Consumers estimates that its share of the total liability for known CERCLA sites will be between $3 million and $8 million. Various factors, including the number and creditworthiness of potentially responsible parties involved with each site, affect Consumers' share of the total liability. At December 31, 2019, Consumers had a recorded liability of $3 million for its share of the total liability at these sites, the minimum amount in the range of its estimated probable CERCLA liability, as no amount in the range was considered a better estimate than any other amount.

The timing of payments related to Consumers' remediation and other response activities at its CERCLA and NREPA sites is uncertain. Consumers periodically reviews these cost estimates. A change in the underlying assumptions, such as an increase in the number of sites, different remediation techniques, the nature and extent of contamination, and legal and regulatory requirements, could affect its estimates of NREPA and CERCLA liability.

Ludington PCB: In 1998, during routine maintenance activities, Consumers identified PCB as a component in certain paint, grout, and sealant materials at Ludington. Consumers removed part of the PCB material and replaced it with non-PCB material. Consumers has had several communications with the EPA regarding this matter, but cannot predict the financial impact or outcome.

MCV PPA: In 2017, the MCV Partnership initiated arbitration against Consumers, asserting a breach of contract associated with the MCV PPA. Under this PPA, Consumers pays the MCV Partnership a fixed energy charge based on Consumers' annual average baseload coal generating plant operating and maintenance cost, fuel inventory, and administrative and general expenses. The MCV Partnership asserts that, under the Clean Air Act, Consumers should have installed pollution control equipment on coal-fueled electric generating units years before they were retired. The MCV Partnership also asserts that Consumers should have installed pollution control equipment earlier on its remaining coal-fueled electric generating units. Additionally, the MCV Partnership claims that Consumers improperly characterized certain costs included in the calculation of the fixed energy charge.

In January 2019, an arbitration panel issued an order concluding that the MCV Partnership is not entitled to any damages associated with its claim against Consumers related to the Clean Air Act; the majority of the MCV Partnership's claim, which estimated damages and interest in excess of $270 million, was related to this dismissed claim. Consumers believes that the MCV Partnership's remaining claims are without merit, but cannot predict the financial impact or outcome of the matter.

Underwater Cables in Straits of Mackinac: Consumers owns certain underwater electric cables in the Straits of Mackinac, which were de-energized and retired in 1990. Consumers was notified that some of these cables were damaged as a result of vessel activity in April 2018. Following the notification, Consumers located, inspected, sampled, capped, and returned the damaged retired cables to their original location on the lake bottom, and did not find any substantive evidence of environmental contamination. After collaborating with the State of Michigan, local Native American tribes, and other stakeholders, Consumers submitted a permit application and removal work plan with EGLE and the U.S. Army Corps of Engineers in December 2019 for partial removal of all Consumers-owned cables. Upon EGLE's issuance of a permit or certificate of coverage, which is expected in early 2020, Consumers will record an ARO for the cost to remove partially its cables, estimated to be up to $5 million. If Consumers were required to remove all the cables, it could incur costs of up to $10 million. Consumers filed suit against the companies that own the vessels that allegedly caused the damage and settled that matter. Consumers will seek recovery from customers of any costs incurred.

Consumers Gas Utility Contingencies

Gas Environmental Matters: Consumers expects to incur remediation and other response activity costs at a number of sites under the NREPA. These sites include 23 former MGP facilities. Consumers operated the facilities on these sites for some part of their operating lives. For some of these sites, Consumers has no present ownership interest or may own only a portion of the original site.

At December 31, 2019, Consumers had a recorded liability of $68 million for its remaining obligations for these sites. This amount represents the present value of long-term projected costs, using a discount rate of 2.57 percent and an inflation rate of 2.5 percent. The undiscounted amount of the remaining obligation is $73 million. Consumers expects to pay the following amounts for remediation and other response activity costs in each of the next five years:

In Millions

	2020	2021	2022	2023	2024
Consumers					
Remediation and other response activity costs	$ 12	$ 8	$ 20	$ 11	$ 2

Consumers periodically reviews these cost estimates. Any significant change in the underlying assumptions, such as an increase in the number of sites, changes in remediation techniques, or legal and regulatory requirements, could affect Consumers' estimates of annual response activity costs and the MGP liability.

Pursuant to orders issued by the MPSC, Consumers defers its MGP-related remediation costs and recovers them from its customers over a ten-year period. At December 31, 2019, Consumers had a regulatory asset of $130 million related to the MGP sites.

Consumers estimates that its liability to perform remediation and other response activities at NREPA sites other than the MGP sites could reach $3 million. At December 31, 2019, Consumers had a recorded liability of less than $1 million, the minimum amount in the range of its estimated probable liability, as no amount in the range was considered a better estimate than any other amount.

Ray Compressor Station: On January 30, 2019, Consumers experienced a fire at the Ray Compressor Station, which resulted in the Ray Storage Field being off-line or operating at significantly reduced capacity, which negatively affected Consumers' natural gas supply and delivery capacity. This incident, which occurred during the extreme polar vortex weather condition, required Consumers to request voluntary reductions in customer load, to implement contingency gas supply purchases, and to implement

a curtailment of natural gas deliveries for industrial and large commercial customers pursuant to Consumers' MPSC curtailment tariff. The curtailment and request for voluntary reductions of customer loads were canceled as of midnight, February 1, 2019. Consumers investigated the cause of the incident, and filed a report on the incident with the MPSC in April 2019. In response, the MPSC issued an order in July 2019, directing Consumers to file additional reports regarding the incident and to include detail of the resulting costs in a future rate proceeding. The compressor station is presently operating at full capacity.

As a result of the fire and the resulting curtailment, Consumers could be subject to disallowances of gas purchased and costs associated with the repairs to the Ray Compressor Station. Consumers' incremental cost of gas purchased during the incident was $7 million. Additionally, at December 31, 2019, Consumers had incurred capital expenditures of $12 million to restore the compressor station.Consumers may also be subject to various claims from impacted customers, claims for damages, or regulatory penalties. At this time, Consumers cannot predict the outcome of these matters or other gas-related incidents and a reasonable estimate of a total loss cannot be made, but they could have a material adverse effect on Consumers' results of operations, financial condition, or liquidity, and could subject Consumers' gas utility to increased regulatory scrutiny.

Consumers Electric and Gas Utility Contingencies

Electric and Gas Staking: In June 2019, the MPSC ordered Consumers to show cause as to why it should not be found in violation of the MISS DIG Act. The MPSC alleges that Consumers violated the law by failing to respond in a timely manner to over 20,000 requests to mark the location of underground facilities in April and May 2019 and only partially responding to others. The law provides the MPSC with discretion in setting fines for violations, if any; however, the fines cannot exceed $5,000 per violation. Consumers resolved the backlog of staking requests, and Consumers, the MPSC Staff, and the Michigan Attorney General filed an agreement with the MPSC settling this matter for an amount of less than $1 million. The MPSC approved the settlement agreement in January 2020.

Guarantees

Presented in the following table are CMS Energy's and Consumers' guarantees at December 31, 2019:

In Millions

Guarantee Description	Issue Date	Expiration Date	Maximum Obligation	Carrying Amount
CMS Energy, including Consumers				
Indemnity obligations from stock and asset sale agreements[1]	various	indefinite	$ 153	$ 2
Guarantees[2]	various	indefinite	36	—
Consumers				
Guarantee[2]	July 2011	indefinite	$ 30	$ —

1 These obligations arose from stock and asset sale agreements under which CMS Energy or a subsidiary of CMS Energy indemnified the purchaser for losses resulting from various matters, primarily claims related to taxes. The maximum obligation amount is mostly related to the Equatorial Guinea tax claim discussed in the CMS Energy Contingencies section of this Note. CMS Energy believes the likelihood of material loss to be remote for the indemnity obligations not recorded as liabilities.

2 At Consumers, this obligation comprises a guarantee provided to the U.S. Department of Energy in connection with a settlement agreement regarding damages resulting from the department's failure to accept spent nuclear fuel from nuclear power plants formerly owned by Consumers. At CMS Energy, the

guarantee obligations comprise Consumers' guarantee to the U.S. Department of Energy and CMS Energy's 1994 guarantee of non-recourse revenue bonds issued by Genesee. For additional details on this guarantee, see Note 21, Variable Interest Entities.

Additionally, in the normal course of business, CMS Energy, Consumers, and certain other subsidiaries of CMS Energy have entered into various agreements containing tax and other indemnity provisions for which they are unable to estimate the maximum potential obligation. The carrying value of these indemnity obligations is $1 million. CMS Energy and Consumers consider the likelihood that they would be required to perform or incur substantial losses related to these indemnities to be remote.

Other Contingencies

In addition to the matters disclosed in this Note and Note 3, Regulatory Matters, there are certain other lawsuits and administrative proceedings before various courts and governmental agencies, as well as unasserted claims that may result in such proceedings, arising in the ordinary course of business to which CMS Energy, Consumers, and certain other subsidiaries of CMS Energy are parties. These other lawsuits, proceedings, and unasserted claims may involve personal injury, property damage, contracts, environmental matters, federal and state taxes, rates, licensing, employment, and other matters. Further, CMS Energy and Consumers occasionally self-report certain regulatory non-compliance matters that may or may not eventually result in administrative proceedings. CMS Energy and Consumers believe that the outcome of any one of these proceedings and potential claims will not have a material negative effect on their consolidated results of operations, financial condition, or liquidity.

Contractual Commitments

Purchase Obligations: Purchase obligations arise from long-term contracts for the purchase of commodities and related services, and construction and service agreements. The commodities and related services include long-term PPAs, natural gas and associated transportation, and coal and associated transportation. Related-party PPAs are between Consumers and certain affiliates of CMS Enterprises. Presented in the following table are CMS Energy's and Consumers' contractual purchase obligations at December 31, 2019 for each of the periods shown:

In Millions

	Payments Due						
	Total	2020	2021	2022	2023	2024	Beyond 2024
CMS Energy, including Consumers							
Total PPAs	$ 9,336	$ 1,030	$ 1,035	$ 750	$ 608	$ 605	$ 5,308
Other	3,244	1,685	520	451	210	199	179
Consumers							
PPAs							
MCV PPA	$ 3,295	$ 313	$ 287	$ 272	$ 225	$ 201	$ 1,997
Palisades PPA	899	388	398	113	—	—	—
Related-party PPAs	472	71	72	74	74	75	106
Other PPAs	4,670	258	278	291	309	329	3,205
Total PPAs	$ 9,336	$ 1,030	$ 1,035	$ 750	$ 608	$ 605	$ 5,308
Other	2,865	1,638	477	413	174	162	1

MCV PPA: Consumers has a 35-year PPA that began in 1990 with the MCV Partnership to purchase 1,240 MW of electricity. The MCV PPA, as amended and restated, provides for:

- a capacity charge of $10.14 per MWh of available capacity
- a fixed energy charge based on Consumers' annual average baseload coal generating plant operating and maintenance cost, fuel inventory, and administrative and general expenses
- a variable energy charge based on the MCV Partnership's cost of production when the plant is dispatched
- a $5 million annual contribution by the MCV Partnership to a renewable resources program
- an option for Consumers to extend the MCV PPA for five years or purchase the MCV Facility at the conclusion of the MCV PPA's term in March 2025; although Consumers is not obligated to exercise either of these options, the table above presents the impact on future cash flows of extending the MCV PPA through 2030

Capacity and energy charges under the MCV PPA were $318 million in 2019, $353 million in 2018, and $321 million in 2017.

Palisades PPA: Consumers has a PPA expiring in 2022 with Entergy to purchase virtually all of the capacity and energy produced by Palisades, up to the annual average capacity of 798 MW. For all delivered energy, the Palisades PPA has escalating capacity and variable energy charges. Total capacity and energy charges under the Palisades PPA were $395 million in 2019, $375 million in 2018, and $366 million in 2017. For further details about Palisades, see Note 10, Leases and Palisades Financing.

Other PPAs: Consumers has PPAs expiring through 2040 with various counterparties. The majority of the PPAs have capacity and energy charges for delivered energy. In addition, CMS Energy and Consumers account for several of their PPAs as leases. Capacity and energy charges under these PPAs were $336 million in 2019, $350 million in 2018, and $349 million in 2017. See Note 10, Leases and Palisades Financing for more information about CMS Energy's and Consumers' lease obligations.

5: Financings and Capitalization

Presented in the following table is CMS Energy's long-term debt at December 31:

In Millions

	Interest Rate (%)	Maturity	2019	2018
CMS Energy, including Consumers				
CMS Energy, parent only				
Senior notes	5.050	2022	$ 300	$ 300
	3.875	2024	250	250
	3.600	2025	250	250
	3.000	2026	300	300
	2.950	2027	275	275
	3.450	2027	350	350
	4.700	2043	250	250
	4.875	2044	300	300
Total senior notes			$ 2,275	$ 2,275
Term loans and revolving credit agreements	variable	2019	—	180
	variable	2023	—	30
			$ —	$ 210
Junior subordinated notes[1]	5.625	2078	200	200
	5.875	2078	280	280
	5.875	2079	630	—
			$ 1,110	$ 480
Total CMS Energy, parent only			$ 3,385	$ 2,965
CMS Energy subsidiaries				
CMS Enterprises, including subsidiaries				
Term loan facility	variable [2]	2025	$ 92	$ 98
EnerBank				
Certificates of deposit	2.445 [3]	2020-2027	2,389	1,758
Consumers			7,322	6,862
Total principal amount outstanding			$ 13,188	$ 11,683
Current amounts			(1,111)	(974)
Unamortized discounts			(27)	(21)
Unamortized issuance costs			(99)	(73)
Total long-term debt			$ 11,951	$ 10,615

[1] These unsecured obligations rank subordinate and junior in right of payment to all of CMS Energy's existing and future senior indebtedness.

[2] A subsidiary of CMS Enterprises issued non-recourse debt to finance the acquisition of a wind generation project in Northwest Ohio. The debt bears interest at an annual interest rate of LIBOR plus 1.500 percent through October 2022 (3.445 percent at December 31, 2019 and 4.303 percent at December 31, 2018). Beginning in October 2022, the debt will bear interest at an annual interest rate of LIBOR plus 1.750 percent. The same subsidiary of CMS Enterprises entered into interest rate swaps with the lending banks to fix the interest charges associated with the debt, at a rate of 4.702 percent through October 2022 and 4.952 percent beginning in October 2022. Principal and interest payments are made quarterly. For information about the interest rate swaps, see Note 6, Fair Value Measurements.

[3] The weighted-average interest rate for EnerBank's certificates of deposit was 2.445 percent at December 31, 2019 and 2.440 percent at December 31, 2018. EnerBank's primary deposit product consists of brokered certificates of deposit with varying maturities and having a face value of $1,000.

Presented in the following table is Consumers' long-term debt at December 31:

In Millions

	Interest Rate (%)	Maturity	2019	2018
Consumers				
First mortgage bonds	5.650	2020	$ —	$ 300
	3.770	2020	100	100
	2.850	2022	375	375
	5.300	2022	250	250
	3.375	2023	325	325
	3.125	2024	250	250
	3.190	2024	52	52
	3.680	2027	100	100
	3.390	2027	35	35
	3.800	2028	300	300
	3.180	2032	100	100
	5.800	2035	175	175
	3.520	2037	335	335
	4.010	2038	215	215
	6.170	2040	50	50
	4.970	2040	50	50
	4.310	2042	263	263
	3.950	2043	425	425
	4.100	2045	250	250
	3.250	2046	450	450
	3.950	2047	350	350
	4.050	2048	550	550
	4.350	2049	550	550
	3.750	2050	300	—
	3.100	2050	550	—
	3.860	2052	50	50
	4.280	2057	185	185
	4.350	2064	250	250
	variable [1]	2069	76	—
Total first mortgage bonds			$ 6,961	$ 6,335
Tax-exempt revenue bonds	variable [2]	2035	35	35
	1.800 [3]	2049	75	—
			$ 110	$ 35
Securitization bonds	3.220 [4]	2025-2029 [5]	251	277
Revolving credit agreements	variable	2020-2023	—	215
Total principal amount outstanding			$ 7,322	$ 6,862
Current amounts			(202)	(26)
Unamortized discounts			(23)	(16)
Unamortized issuance costs			(49)	(41)
Total long-term debt			$ 7,048	$ 6,779

[1] The variable-rate bonds bear interest quarterly at a rate of three-month LIBOR minus 0.300 percent (1.594 percent at December 31, 2019).

[2] The interest rate on these tax-exempt revenue bonds is reset weekly and was 1.740 percent at December 31, 2019 and 1.780 percent at December 31, 2018.

[3] The interest rate on these tax-exempt revenue bonds will reset on October 1, 2024.

[4] The weighted-average interest rate for Consumers' securitization bonds issued through its subsidiary, Consumers 2014 Securitization Funding, was 3.220 percent at December 31, 2019 and 3.057 percent at December 31, 2018.

[5] Principal and interest payments are made semiannually.

Financings: Presented in the following table is a summary of major long-term debt issuances during the year ended December 31, 2019:

	Principal (In Millions)	Interest Rate (%)	Issuance Date	Maturity Date
CMS Energy, parent only				
Term loan facility	$ 300	variable	January	December 2019
Junior subordinated notes[1]	630	5.875	February	March 2079
Term loan facility	165	variable	June	June 2020
Total CMS Energy, parent only	$ 1,095			
Consumers				
First mortgage bonds	$ 300	3.750	May	February 2050
First mortgage bonds	550	3.100	September	August 2050
First mortgage bonds	76	variable	September	September 2069
Tax-exempt revenue bonds	75	1.800	October	October 2049
Total Consumers	$ 1,001			
Total CMS Energy	$ 2,096			

[1] These unsecured obligations rank subordinate and junior in right of payment to all of CMS Energy's existing and future senior indebtedness.

Presented in the following table is a summary of major long-term debt retirements during the year ended December 31, 2019:

	Principal (In Millions)	Interest Rate (%)	Retirement Date	Maturity Date
CMS Energy, parent only				
Term loan facility	$ 300	variable	February	December 2019
Term loan facility	180	variable	February	April 2019
Term loan facility	165	variable	August-December	June 2020
Total CMS Energy, parent only	$ 645			
Consumers				
First mortgage bonds	$ 300	5.650%	May	April 2020
Total Consumers	$ 300			
Total CMS Energy	$ 945			

Term Loan Credit Agreement: In January 2020, Consumers entered into a $300 million unsecured term loan credit agreement. The term loan matures in January 2021.

First Mortgage Bonds: Consumers secures its first mortgage bonds by a mortgage and lien on substantially all of its property. Consumers' ability to issue first mortgage bonds is restricted by certain provisions in the First Mortgage Bond Indenture and the need for regulatory approvals under federal law. Restrictive issuance provisions in the First Mortgage Bond Indenture include achieving a two-times interest coverage ratio and having sufficient unfunded net property additions.

Regulatory Authorization for Financings: Consumers is required to maintain FERC authorization for financings. Its current authorization terminates on August 31, 2021. Any long-term issuances during the authorization period are exempt from FERC's competitive bidding and negotiated placement requirements.

Securitization Bonds: Certain regulatory assets held by Consumers' subsidiary, Consumers 2014 Securitization Funding, collateralize Consumers' securitization bonds. The bondholders have no recourse to Consumers' assets except for those held by the subsidiary that issued the bonds. Consumers collects securitization surcharges to cover the principal and interest on the bonds as well as certain other qualified costs. The surcharges collected are remitted to a trustee and are not available to creditors of Consumers or creditors of Consumers' affiliates other than the subsidiary that issued the bonds.

Debt Maturities: At December 31, 2019, the aggregate annual contractual maturities for long-term debt for the next five years were:

In Millions

	2020	2021	2022	2023	2024
CMS Energy, including Consumers					
Long-term debt	$ 1,111	$ 538	$ 1,354	$ 669	$ 808
Consumers					
Long-term debt	$ 202	$ 27	$ 653	$ 354	$ 332

Revolving Credit Facilities: The following revolving credit facilities with banks were available at December 31, 2019:

In Millions

Expiration Date	Amount of Facility	Amount Borrowed	Letters of Credit Outstanding	Amount Available
CMS Energy, parent only				
June 5, 2023[1]	$ 550	$ —	$ 6	$ 544
CMS Enterprises, including subsidiaries				
September 30, 2025[2]	$ 18	$ —	$ 8	$ 10
Consumers[3]				
June 5, 2023	$ 850	$ —	$ 7	$ 843
November 19, 2021	250	—	10	240
April 18, 2022	30	—	30	—

[1] During the year ended December 31, 2019, CMS Energy's average borrowings totaled $5 million with a weighted-average interest rate of 3.859 percent.

[2] Under this facility, $8 million is available solely for the purpose of issuing letters of credit. Obligations under this facility are secured by the collateral accounts with the lending bank. There were no borrowings under this facility during the year ended December 31, 2019.

[3] Obligations under these facilities are secured by first mortgage bonds of Consumers. During the year ended December 31, 2019, Consumers' average borrowings totaled $2 million with a weighted-average interest rate of 3.225 percent.

Short-term Borrowings: Under Consumers' commercial paper program, Consumers may issue, in one or more placements, investment-grade commercial paper notes with maturities of up to 365 days at market interest rates. These issuances are supported by Consumers' revolving credit facilities and may have an aggregate principal amount outstanding of up to $500 million. While the amount of outstanding commercial paper does not reduce the available capacity of the revolving credit facilities, Consumers does not intend to issue commercial paper in an amount exceeding the available capacity of the facilities. At December 31, 2019, there were $90 million commercial paper notes outstanding under this program at an annual interest rate of 2.050 percent, recorded as current notes payable on the consolidated balance sheets of CMS Energy and Consumers.

Dividend Restrictions: At December 31, 2019, payment of dividends by CMS Energy on its common stock was limited to $5.0 billion under provisions of the Michigan Business Corporation Act of 1972.

Under the provisions of its articles of incorporation, at December 31, 2019, Consumers had $1.4 billion of unrestricted retained earnings available to pay dividends on its common stock to CMS Energy. Provisions of the Federal Power Act and the Natural Gas Act appear to restrict dividends payable by Consumers to the amount of Consumers' retained earnings. Several decisions from FERC suggest that, under a variety of circumstances, dividends from Consumers on its common stock would not be limited to amounts in Consumers' retained earnings. Any decision by Consumers to pay dividends on its common stock in excess of retained earnings would be based on specific facts and circumstances and would be subject to a formal regulatory filing process.

For the year ended December 31, 2019, Consumers paid $592 million in dividends on its common stock to CMS Energy.

Capitalization: The authorized capital stock of CMS Energy consists of:

- 350 million shares of CMS Energy Common Stock, par value $0.01 per share
- 10 million shares of CMS Energy Preferred Stock, par value $0.01 per share

Issuance of Common Stock: In 2018, CMS Energy entered into an equity offering program under which it may sell, from time to time, shares of CMS Energy common stock having an aggregate sales price of up to $250 million. Under this program, CMS Energy may sell its common stock in privately negotiated transactions, in "at the market" offerings, through forward sales transactions or otherwise. CMS Energy has entered into forward sales contracts having an aggregate sales price of $250 million. Presented in the following table are details of these contracts:

Contract Date	Maturity Date	Number of Shares	Initial Forward Price Per Share
November 16, 2018	May 16, 2020	2,017,783	$ 49.06
November 20, 2018	May 20, 2020	777,899	50.91
February 21, 2019	August 21, 2020	2,083,340	52.27

These contracts allow CMS Energy to either physically settle the contracts by issuing shares of its common stock at the then-applicable forward sale price specified by the agreement or net settle the contracts through the delivery or receipt of cash or shares. CMS Energy may settle the contracts at any time through their maturity dates, and presently intends to physically settle the contracts by delivering shares of its common stock.

The initial forward price in the forward equity sale contracts includes a deduction for commissions and will be adjusted on a daily basis over the term based on an interest rate factor and decreased on certain dates by certain predetermined amounts to reflect expected dividend payments.

No amounts have or will be recorded on CMS Energy's consolidated balance sheets until settlements of the forward equity sale contracts occur. If CMS Energy had elected to net share settle the contracts as of December 31, 2019, CMS Energy would have been required to deliver 992,596 shares.

Preferred Stock of Subsidiary: Consumers' preferred stock is traded on the New York Stock Exchange under the symbol CMS-PB. Presented in the following table are details of Consumers' preferred stock at December 31, 2019 and 2018:

	Par Value	Optional Redemption Price	Number of Shares Authorized	Number of Shares Outstanding
Cumulative, with no mandatory redemption	$ 100	$ 110	7,500,000	373,148

6: Fair Value Measurements

Accounting standards define fair value as the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants. When measuring fair value, CMS Energy and Consumers are required to incorporate all assumptions that market participants would use in pricing an asset or liability, including assumptions about risk. A fair value hierarchy prioritizes inputs used to measure fair value according to their observability in the market. The three levels of the fair value hierarchy are as follows:

- Level 1 inputs are unadjusted quoted prices in active markets for identical assets or liabilities.
- Level 2 inputs are observable, market-based inputs, other than Level 1 prices. Level 2 inputs may include quoted prices for similar assets or liabilities in active markets, quoted prices in inactive markets, and inputs derived from or corroborated by observable market data.
- Level 3 inputs are unobservable inputs that reflect CMS Energy's or Consumers' own assumptions about how market participants would value their assets and liabilities.

CMS Energy and Consumers classify fair value measurements within the fair value hierarchy based on the lowest level of input that is significant to the fair value measurement in its entirety.

Assets and Liabilities Measured at Fair Value on a Recurring Basis

Presented in the following table are CMS Energy's and Consumers' assets and liabilities recorded at fair value on a recurring basis:

In Millions

	CMS Energy, including Consumers		Consumers	
December 31	2019	2018	2019	2018
Assets[1]				
Cash equivalents	$ —	$ 27	$ —	$ —
Restricted cash and cash equivalents	17	21	17	17
CMS Energy common stock	—	—	1	1
Nonqualified deferred compensation plan assets	18	14	14	10
Other non-current assets	—	1	—	—
Derivative instruments	1	1	1	1
Total	$ 36	$ 64	$ 33	$ 29
Liabilities[1]				
Nonqualified deferred compensation plan liabilities	$ 18	$ 14	$ 14	$ 10
Derivative instruments	8	3	—	—
Total	$ 26	$ 17	$ 14	$ 10

[1] All assets and liabilities were classified as Level 1 with the exception of derivative contracts, which were classified as Level 2 or Level 3.

Cash Equivalents: Cash equivalents and restricted cash equivalents consist of money market funds with daily liquidity. For further details, see Note 18, Cash and Cash Equivalents.

Nonqualified Deferred Compensation Plan Assets and Liabilities: The nonqualified deferred compensation plan assets consist of mutual funds, which are valued using the daily quoted net asset values. CMS Energy and Consumers value their nonqualified deferred compensation plan liabilities based on the fair values of the plan assets, as they reflect the amount owed to the plan participants in accordance with their investment elections. CMS Energy and Consumers report the assets in other non-current assets and the liabilities in other non-current liabilities on their consolidated balance sheets.

Derivative Instruments: CMS Energy and Consumers value their derivative instruments using either a market approach that incorporates information from market transactions, or an income approach that discounts future expected cash flows to a present value amount. CMS Energy's and Consumers' derivatives are classified as Level 2 or Level 3.

The derivatives classified as Level 2 are interest rate swaps at CMS Energy, which are valued using market-based inputs. CMS Energy uses interest rate swaps to manage its interest rate risk on certain long-term debt obligations and certain notes receivable at EnerBank.

In 2018, a subsidiary of CMS Enterprises entered into floating-to-fixed interest rate swaps to reduce the impact of interest rate fluctuations associated with future interest payments on certain long-term variable-rate debt. The interest rate swaps are accounted for as cash flow hedges of the future variability of interest payments on debt with a notional amount of $92 million at December 31, 2019. Gains or losses on these swaps are initially reported in AOCI and then, as interest payments are made on the hedged debt, are recognized in earnings within other interest expense on CMS Energy's consolidated statements of income. CMS Energy recorded losses in AOCI of $4 million for the year ended December 31, 2019 and $2 million for the year ended December 31, 2018. There were no material impacts on other interest expense associated with these swaps during the years presented. The fair value of these swaps recorded in other liabilities on CMS Energy's consolidated balance sheets totaled $5 million at December 31, 2019 and $2 million at December 31, 2018. CMS Energy also has other interest rate swaps that economically hedge interest rate risk on debt, but that do not qualify for cash flow hedge accounting; the amounts associated with these swaps were not material for the years presented.

In 2019, EnerBank entered into fixed-to-floating interest rate swaps to manage interest rate risk exposure associated with changes in the fair value of certain long-term fixed-rate loans. The interest rate swaps qualify as fair value hedges of long-term, fixed-rate notes receivable with a notional amount of $134 million at December 31, 2019. The fair value of these interest rate swaps recorded in other liabilities was $1 million at December 31, 2019. CMS Energy is adjusting the carrying value of the hedged notes receivable for the change in their fair value due to the hedged risk. Both gains and losses on the swaps and the changes to the carrying value of the hedged notes receivable are recorded within operating revenue on CMS Energy's consolidated statements of income. There were no material amounts recognized in operating revenue associated with these swaps for the year ended December 31, 2019.

The majority of derivatives classified as Level 3 are FTRs held by Consumers. Due to the lack of quoted pricing information, Consumers determines the fair value of its FTRs based on Consumers' average historical settlements. There was no material activity within the Level 3 categories of assets and liabilities during the years presented.

7: Financial Instruments

Presented in the following table are the carrying amounts and fair values, by level within the fair value hierarchy, of CMS Energy's and Consumers' financial instruments that are not recorded at fair value. The table excludes cash, cash equivalents, short-term financial instruments, and trade accounts receivable and payable whose carrying amounts approximate their fair values. For information about assets and liabilities

recorded at fair value and for additional details regarding the fair value hierarchy, see Note 6, Fair Value Measurements.

In Millions

	December 31, 2019					December 31, 2018				
		Fair Value					Fair Value			
	Carrying		Level			Carrying		Level		
	Amount	Total	1	2	3	Amount	Total	1	2	3
CMS Energy, including Consumers										
Assets										
Long-term receivables[1]	$ 20	$ 20	$ —	$ —	$ 20	$ 22	$ 22	$ —	$ —	$ 22
Notes receivable[2]	2,500	2,652	—	—	2,652	1,857	1,967	—	—	1,967
Securities held to maturity	26	26	—	26	—	22	21	—	21	—
Liabilities										
Long-term debt[3]	13,062	14,185	1,197	11,048	1,940	11,589	11,630	459	9,404	1,767
Long-term payables[4]	30	32	—	—	32	27	27	—	—	27
Consumers										
Assets										
Long-term receivables[1]	$ 20	$ 20	$ —	$ —	$ 20	$ 22	$ 22	$ —	$ —	$ 22
Notes receivable – related party[5]	103	103	—	—	103	106	106	—	—	106
Liabilities										
Long-term debt[6]	7,250	8,010	—	6,070	1,940	6,805	6,833	—	5,066	1,767

1 Includes current portion of long-term accounts receivable of $13 million at December 31, 2019 and $14 million at December 31, 2018.

2 Includes current portion of notes receivable of $242 million at December 31, 2019 and $233 million at December 31, 2018. For further details, see Note 8, Notes Receivable.

3 Includes current portion of long-term debt of $1.1 billion at December 31, 2019 and $1.0 billion at December 31, 2018.

4 Includes current portion of long-term payables of $1 million at December 31, 2019 and December 31, 2018.

5 Includes current portion of notes receivable – related party of $7 million at December 31, 2019 and December 31, 2018. For further details on this note receivable, see the DB SERP discussion below.

6 Includes current portion of long-term debt of $202 million at December 31, 2019 and $26 million at December 31, 2018.

The effects of third-party credit enhancements were excluded from the fair value measurements of long-term debt. The principal amount of CMS Energy's long-term debt supported by third-party credit enhancements was $35 million at December 31, 2019 and December 31, 2018. The entirety of these amounts was at Consumers.

DB SERP Securities: Presented in the following table is a summary of the sales activity for investment securities held within the DB SERP and classified as available for sale:

In Millions

Years Ended December 31	2019	2018	2017
CMS Energy, including Consumers			
Proceeds from sales of investment securities	$ —	$ 142	$ 145
Consumers			
Proceeds from sales of investment securities	$ —	$ 103	$ 105

In 2018, CMS Energy and Consumers sold the DB SERP debt securities and CMS Energy issued a $146 million demand note payable to the DB SERP rabbi trust. The demand note bears interest at an annual rate of 4.10 percent and has a maturity date of 2028. The demand note payable and associated DB SERP investment were eliminated on CMS Energy's consolidated balance sheets. The portion of the demand note attributable to Consumers was recorded as a note receivable – related party on Consumers' consolidated balance sheets.

During 2017, CMS Energy and Consumers sold mutual fund securities held within the DB SERP and used the proceeds to purchase the debt securities, which were later sold in 2018. CMS Energy reclassified gains of $2 million ($1 million, net of tax) from AOCI and included this amount in other income on the consolidated statements of income. This amount included Consumers' gains of $2 million ($1 million, net of tax).

Debt securities classified as held to maturity consisted primarily of mortgage-backed securities and Utah Housing Corporation bonds held by EnerBank. Presented in the following table are these investment securities:

In Millions

	December 31, 2019				December 31, 2018			
	Cost	Unrealized Gains	Unrealized Losses	Fair Value	Cost	Unrealized Gains	Unrealized Losses	Fair Value
CMS Energy								
Debt securities	$ 26	$ —	$ —	$ 26	$ 22	$ —	$ 1	$ 21

8: Notes Receivable

Presented in the following table are details of CMS Energy's and Consumers' current and non-current notes receivable:

				In Millions
December 31		2019		2018
CMS Energy, including Consumers				
Current				
EnerBank notes receivable, net of allowance for loan losses	$	223	$	233
EnerBank notes receivable held for sale		19		—
Non-current				
EnerBank notes receivable		2,258		1,624
Total notes receivable	$	2,500	$	1,857
Consumers				
Current				
DB SERP note receivable – related party	$	7	$	7
Non-current				
DB SERP note receivable – related party		96		99
Total notes receivable	$	103	$	106

EnerBank Notes Receivable

EnerBank notes receivable are primarily unsecured consumer installment loans, largely for financing home improvements. EnerBank records its notes receivable at cost, less an allowance for loan losses. During 2019, EnerBank completed sales of notes receivable, receiving proceeds of $67 million and recording immaterial gains. At December 31, 2019, $19 million of notes receivable were classified as held for sale; the fair value of notes receivable held for sale exceeded their carrying value. These notes are expected to be sold in 2020.

During 2019, EnerBank purchased a portfolio of secured and unsecured consumer installment loans with a principal value of $373 million.

Authorized contractors pay fees to EnerBank to provide borrowers with same-as-cash, zero interest, or reduced interest loans. Unearned income associated with the loan fees, which is recorded as a reduction to notes receivable on CMS Energy's consolidated balance sheets, was $134 million at December 31, 2019 and $102 million at December 31, 2018. Unearned income associated with loan fees for notes receivable held for sale was $2 million at December 31, 2019.

The allowance for loan losses is a valuation allowance to reflect estimated credit losses. The allowance is increased by the provision for loan losses and decreased by loan charge-offs net of recoveries. Management estimates the allowance balance required by taking into consideration historical loan loss experience, the nature and volume of the portfolio, economic conditions, and other factors. Loan losses are charged against the allowance when the loss is confirmed, but no later than the point at which a loan becomes 120 days past due.

Presented in the following table are the changes in the allowance for loan losses:

In Millions

Years Ended December 31	2019	2018
Balance at beginning of period	$ 24	$ 20
Charge-offs	(35)	(24)
Recoveries	6	3
Provision for loan losses	38	25
Balance at end of period	$ 33	$ 24

Loans that are 30 days or more past due are considered delinquent. The balance of EnerBank's delinquent consumer loans was $33 million at December 31, 2019 and $21 million at December 31, 2018. At December 31, 2019 and December 31, 2018, EnerBank's loans that had been modified as troubled debt restructurings were immaterial.

EnerBank has entered into interest rate swaps on $134 million of its loans (notes receivable). For information about interest rate swaps, see Note 6, Fair Value Measurements.

DB SERP Note Receivable – Related Party

The DB SERP note receivable – related party is Consumers' portion of a demand note payable issued by CMS Energy to the DB SERP rabbi trust. The demand note bears interest at an annual rate of 4.10 percent and has a maturity date of 2028.

9: Plant, Property, and Equipment

Presented in the following table are details of CMS Energy's and Consumers' plant, property, and equipment:

In Millions

December 31	Estimated Depreciable Life in Years	2019	2018
CMS Energy, including Consumers			
Plant, property, and equipment, gross			
Consumers	3 — 125	$ 24,963	$ 23,963
Enterprises			
Independent power production[1]	3 — 40	403	410
Other	3 — 5	2	2
EnerBank	1 — 7	22	25
Plant, property, and equipment, gross		$ 25,390	$ 24,400
Construction work in progress		896	763
Accumulated depreciation and amortization		(7,360)	(7,037)
Total plant, property, and equipment		$ 18,926	$ 18,126
Consumers			
Plant, property, and equipment, gross			
Electric			
Generation	22 — 125	$ 5,942	$ 6,305
Distribution	20 — 75	8,519	7,957
Transmission	46 — 75	113	154
Other	5 — 50	1,258	1,316
Assets under finance leases and other financing[2]		326	295
Gas			
Distribution	20 — 85	5,235	4,651
Transmission	17 — 75	1,752	1,521
Underground storage facilities[3]	27 — 75	987	910
Other	5 — 50	797	823
Assets under finance leases[2]		14	14
Other non-utility property	3 — 51	20	17
Plant, property, and equipment, gross		$ 24,963	$ 23,963
Construction work in progress		879	756
Accumulated depreciation and amortization		(7,272)	(6,958)
Total plant, property, and equipment[4]		$ 18,570	$ 17,761

1 The majority of independent power production assets are leased to others under operating leases. For information regarding CMS Energy's operating leases of owned assets, see Note 10, Leases and Palisades Financing.

2 For information regarding the amortization terms of Consumers' assets under finance leases and other financing, see Note 10, Leases and Palisades Financing.

[3] Underground storage includes base natural gas of $26 million at December 31, 2019 and 2018. Base natural gas is not subject to depreciation.

[4] For the year ended December 31, 2019, Consumers' plant additions were $2.0 billion and plant retirements were $380 million. For the year ended December 31, 2018, Consumers' plant additions were $1.8 billion and plant retirements were $190 million. Consumers plans to retire the D.E. Karn 1 & 2 coal-fueled electric generating units in 2023. Accordingly, in 2019, Consumers removed from total plant, property, and equipment $667 million, representing the remaining book value of the two units upon their retirement, and recorded it as a regulatory asset. For additional details, see Note 3, Regulatory Matters.

Intangible Assets: Included in net plant, property, and equipment are intangible assets. Presented in the following table are details about CMS Energy's and Consumers' intangible assets:

In Millions

		December 31, 2019		December 31, 2018	
Description	Amortization Life in Years	Gross Cost[1]	Accumulated Amortization	Gross Cost[1]	Accumulated Amortization
CMS Energy, including Consumers					
Software development	1 — 15	$ 882	$ 529	$ 1,024	$ 603
Rights of way	50 — 85	180	55	167	52
Franchises and consents	5 — 50	16	9	15	9
Leasehold improvements	various[2]	9	7	9	7
Other intangibles	various	27	15	27	15
Total		$ 1,114	$ 615	$ 1,242	$ 686
Consumers					
Software development	3 — 15	$ 869	$ 521	$ 1,009	$ 595
Rights of way	50 — 85	180	55	167	52
Franchises and consents	5 — 50	16	9	15	9
Leasehold improvements	various[2]	9	7	9	7
Other intangibles	various	26	15	26	15
Total		$ 1,100	$ 607	$ 1,226	$ 678

[1] For the year ended December 31, 2019, Consumers' intangible asset additions were $67 million and intangible asset retirements were $193 million. For the year ended December 31, 2018, Consumers' intangible asset additions were $90 million and intangible asset retirements were $7 million.

[2] Leasehold improvements are amortized over the life of the lease, which may change whenever the lease is renewed or extended.

Capitalization: CMS Energy and Consumers record plant, property, and equipment at original cost when placed into service. The cost includes labor, material, applicable taxes, overhead such as pension and other benefits, and AFUDC, if applicable. Consumers' plant, property, and equipment is generally recoverable through its general ratemaking process.

With the exception of utility property for which the remaining book value has been securitized, mothballed utility property stays in rate base and continues to be depreciated at the same rate as before the mothball period. When utility property is retired or otherwise disposed of in the ordinary course of business, Consumers records the original cost to accumulated depreciation, along with associated cost of removal, net of salvage. CMS Energy and Consumers recognize gains or losses on the retirement or disposal of non-regulated assets in income. Consumers records cost of removal collected from customers, but not spent, as a regulatory liability.

Software: CMS Energy and Consumers capitalize the costs to purchase and develop internal-use computer software. These costs are expensed evenly over the estimated useful life of the internal-use computer software. If computer software is integral to computer hardware, then its cost is capitalized and depreciated with the hardware.

AFUDC: Consumers capitalizes AFUDC on regulated major construction projects, except pollution control facilities on its fossil-fuel-fired power plants. AFUDC represents the estimated cost of debt and authorized return-on-equity funds used to finance construction additions. Consumers records the offsetting credit as a reduction of interest for the amount representing the borrowed funds component and as other income for the equity funds component on the consolidated statements of income. When construction is completed and the property is placed in service, Consumers depreciates and recovers the capitalized AFUDC from customers over the life of the related asset. Presented in the following table are Consumers' average AFUDC capitalization rates:

Years Ended December 31	2019	2018	2017
Electric	6.4%	6.9%	6.8%
Gas	5.8	5.9	6.0

Assets Under Finance Leases and Other Financing: Presented in the following table are further details about changes in Consumers' assets under finance leases and other financing:

In Millions

Years Ended December 31	2019	2018
Consumers		
Balance at beginning of period	$ 309	$ 312
Additions	26	—
Net retirements and other adjustments	5	(3)
Balance at end of period	$ 340	$ 309

Assets under finance leases and other financing are presented as gross amounts. Accumulated amortization of assets under finance leases and other financing was $239 million at December 31, 2019 and $212 million at December 31, 2018 for Consumers.

Depreciation and Amortization: Presented in the following table are further details about CMS Energy's and Consumers' accumulated depreciation and amortization:

In Millions

December 31	2019	2018
CMS Energy, including Consumers		
Utility plant assets	$ 7,269	$ 6,956
Non-utility plant assets	91	81
Consumers		
Utility plant assets	$ 7,269	$ 6,956
Non-utility plant assets	3	2

Consumers depreciates utility property on an asset-group basis, in which it applies a single MPSC-approved depreciation rate to the gross investment in a particular class of property within the electric and

gas segments. Consumers performs depreciation studies periodically to determine appropriate group lives. Presented in the following table are the composite depreciation rates for Consumers' segment properties:

Years Ended December 31	2019	2018	2017
Electric utility property	3.9%	3.9%	3.9%
Gas utility property	2.9	2.9	2.9
Other property	10.0	10.1	10.0

CMS Energy and Consumers record property repairs and minor property replacement as maintenance expense. CMS Energy and Consumers record planned major maintenance activities as operating expense unless the cost represents the acquisition of additional long-lived assets or the replacement of an existing long-lived asset.

Presented in the following table are the components of CMS Energy's and Consumers' depreciation and amortization expense:

In Millions

Years Ended December 31	2019	2018	2017
CMS Energy, including Consumers			
Depreciation expense – plant, property, and equipment	$ 842	$ 778	$ 739
Amortization expense			
Software	121	127	114
Other intangible assets	3	3	3
Securitized regulatory assets	26	25	25
Total depreciation and amortization expense	$ 992	$ 933	$ 881
Consumers			
Depreciation expense – plant, property, and equipment	$ 827	$ 768	$ 732
Amortization expense			
Software	119	125	112
Other intangible assets	3	3	3
Securitized regulatory assets	26	25	25
Total depreciation and amortization expense	$ 975	$ 921	$ 872

Presented in the following table is CMS Energy's and Consumers' estimated amortization expense on intangible assets for each of the next five years:

In Millions

	2020	2021	2022	2023	2024
CMS Energy, including Consumers					
Intangible asset amortization expense	$ 118	$ 112	$ 107	$ 87	$ 70
Consumers					
Intangible asset amortization expense	$ 116	$ 110	$ 106	$ 87	$ 70

Jointly Owned Regulated Utility Facilities

Presented in the following table are Consumers' investments in jointly owned regulated utility facilities at December 31, 2019:

In Millions, Except Ownership Share

	J.H. Campbell Unit 3	Ludington	Other
Ownership share	93.3%	51.0%	various
Utility plant in service	$ 1,731	$ 486	$ 233
Accumulated depreciation	(753)	(166)	(68)
Construction work in progress	16	64	15
Net investment	$ 994	$ 384	$ 180

Consumers includes its share of the direct expenses of the jointly owned plants in operating expenses. Consumers shares operation, maintenance, and other expenses of these jointly owned utility facilities in proportion to each participant's undivided ownership interest. Consumers is required to provide only its share of financing for the jointly owned utility facilities.

10: Leases and Palisades Financing

Lessee

CMS Energy and Consumers lease various assets from third parties, including coal-carrying railcars, real estate, service vehicles, and gas pipeline capacity. In addition, CMS Energy and Consumers account for several of their PPAs as leases.

CMS Energy and Consumers do not record right-of-use assets or lease liabilities on their consolidated balance sheets for rentals with lease terms of 12 months or less, most of which are for the lease of real estate and service vehicles. Lease expense for these rentals is recognized on a straight-line basis over the lease term.

CMS Energy and Consumers include future payments for all renewal options, fair market value extensions, and buyout provisions reasonably certain of exercise in their measurement of lease right-of-use assets and lease liabilities. In addition, certain leases for service vehicles contain end-of-lease adjustment clauses based on proceeds received from the sale or disposition of the vehicles. CMS Energy and Consumers also include executory costs in the measurement of their right-of-use assets and lease liabilities, except for maintenance costs related to their coal-carrying railcar leases.

Most of Consumers' PPAs contain provisions at the end of the initial contract terms to renew the agreements annually under mutually agreed-upon terms at the time of renewal. Energy and capacity payments that vary depending on quantities delivered are recognized as variable lease costs when incurred. Consumers accounts for a PPA with one of CMS Energy's equity method subsidiaries as a finance lease.

Presented in the following table is information about CMS Energy's and Consumers' lease right-of-use assets and lease liabilities:

In Millions, Except as Noted

December 31, 2019	CMS Energy, including Consumers	Consumers
Operating leases		
Right-of-use assets[1]	$ 47	$ 40
Lease liabilities		
Current lease liabilities[2]	9	8
Non-current lease liabilities[3]	37	32
Finance leases		
Right-of-use assets	$ 71	$ 71
Lease liabilities[4]		
Current lease liabilities	6	6
Non-current lease liabilities	60	60
Weighted-average remaining lease term (in years)		
Operating leases	17	14
Finance leases	12	12
Weighted-average discount rate		
Operating leases	3.8%	3.7%
Finance leases[5]	1.9	1.9

1 CMS Energy's and Consumers' operating right-of-use lease assets are reported as other non-current assets on their consolidated balance sheets.

2 The current portion of CMS Energy's and Consumers' operating lease liabilities are reported as other current liabilities on their consolidated balance sheets.

3 The non-current portion of CMS Energy's and Consumers' operating lease liabilities are reported as other non-current liabilities on their consolidated balance sheets.

4 This includes $25 million for leases with related parties, of which less than $1 million is current.

5 This rate excludes the impact of Consumers' pipeline agreements and long-term PPAs accounted for as finance leases. The required capacity payments under these agreements, when compared to the underlying fair value of the leased assets, result in effective interest rates that exceed market rates for leases with similar terms.

CMS Energy and Consumers report operating, variable, and short-term lease costs as operating expenses on their consolidated statements of income, except for certain amounts that may be capitalized to other assets. Presented in the following table is a summary of CMS Energy's and Consumers' total lease costs:

In Millions

Year Ended December 31, 2019	CMS Energy, including Consumers	Consumers
Operating lease costs	$ 11	$ 9
Finance lease costs		
Amortization of right-of-use assets	6	6
Interest on lease liabilities	18	18
Variable lease costs	95	95
Total lease costs	$ 130	$ 128

Presented in the following table is cash flow information related to amounts paid on CMS Energy's and Consumers' lease liabilities:

In Millions

Year Ended December 31, 2019	CMS Energy, including Consumers	Consumers
Cash paid for amounts included in the measurement of lease liabilities		
Cash used in operating activities for operating leases	$ 11	$ 9
Cash used in operating activities for finance leases	18	18
Cash used in financing activities for finance leases	7	7

Presented in the following table are the minimum rental commitments under CMS Energy's and Consumers' non-cancelable leases:

In Millions

		Finance Leases		
December 31, 2019	Operating Leases	Pipelines and PPAs	Other	Total
CMS Energy, including Consumers				
2020	$ 11	$ 17	$ 6	$ 23
2021	11	17	6	23
2022	5	14	5	19
2023	3	13	5	18
2024	2	13	3	16
2025 and thereafter	35	78	12	90
Total minimum lease payments	$ 67	$ 152	$ 37	$ 189
Less discount	21	119	4	123
Present value of minimum lease payments	$ 46	$ 33	$ 33	$ 66
Consumers				
2020	$ 9	$ 17	$ 6	$ 23
2021	9	17	6	23
2022	4	14	5	19
2023	3	13	5	18
2024	2	13	3	16
2025 and thereafter	29	78	12	90
Total minimum lease payments	$ 56	$ 152	$ 37	$ 189
Less discount	16	119	4	123
Present value of minimum lease payments	$ 40	$ 33	$ 33	$ 66

Lessor

CMS Energy and Consumers are the lessor under power sales and natural gas delivery agreements that are accounted for as leases.

CMS Energy has power sales agreements that are accounted for as operating leases. In addition to fixed payments, these agreements have variable payments based on energy delivered. For the year ended December 31, 2019, CMS Energy's lease revenue from its power sales agreements was $174 million, which included variable lease payments of $119 million.

Presented in the following table are the minimum rental payments to be received under CMS Energy's non-cancelable operating leases:

		In Millions
December 31, 2019		
2020	$	55
2021		55
2022		48
2023		43
2024		43
2025 and thereafter		62
Total minimum lease payments	$	306

Consumers has an agreement to build, own, operate, and maintain a compressed natural gas fueling station through December 2038. This agreement is accounted for as a direct finance lease, under which the lessee has the option to purchase the natural gas fueling station at the end of the lease term. Fixed monthly payments escalate annually with inflation.

Beginning in December 2018, Consumers and a subsidiary of CMS Energy executed a 20-year natural gas transportation agreement, related to a pipeline owned by Consumers. This agreement is accounted for as a direct finance lease and will automatically extend annually unless terminated by either party. The effects of the lease are eliminated on CMS Energy's consolidated financial statements.

Minimum rental payments to be received under Consumers' direct financing leases are $1 million for each of the next five years and $19 million for the years thereafter. The lease receivable was $10 million as of December 31, 2019, which does not include unearned income of $14 million.

Minimum rental payments to be received under CMS Energy's direct finance lease are less than $1 million for each of the next five years and $10 million for the years thereafter. The lease receivable was $5 million as of December 31, 2019, which does not include unearned income of $5 million.

Palisades Financing

In 2007, Consumers sold Palisades to Entergy and entered into a 15-year PPA to purchase virtually all of the capacity and energy produced by Palisades, up to the annual average capacity of 798 MW. Consumers accounted for this transaction as a financing because of its continuing involvement with Palisades through security provided to Entergy for the PPA obligation and other arrangements. Palisades has therefore remained on Consumers' consolidated balance sheets and Consumers has continued to depreciate it. At the time of the sale, Consumers recorded the sales proceeds as a financing obligation, and has subsequently recorded a portion of the payments under the PPA as interest expense and as a reduction of the financing obligation.

Total amortization and interest charges under the financing were $15 million for the year ended December 31, 2019, $16 million for the year ended December 31, 2018, and $17 million for the year ended December 31, 2017. At December 31, 2019, the Palisades asset and financing obligation both had a balance of $29 million.

Presented in the following table are the minimum Palisades PPA payments included in the financing obligation:

		In Millions
December 31, 2019		
2020	$	14
2021		14
2022		3
Total minimum payments	$	31
Less discount		2
Financing obligation	$	29
Less current portion		13
Non-current portion	$	16

11: Asset Retirement Obligations

CMS Energy and Consumers record the fair value of the cost to remove assets at the end of their useful lives, if there is a legal obligation to remove them. If a reasonable estimate of fair value cannot be made in the period in which the ARO is incurred, such as for assets with indeterminate lives, the liability is recognized when a reasonable estimate of fair value can be made. CMS Energy and Consumers have not recorded liabilities for assets that have immaterial cumulative disposal costs, such as substation batteries.

CMS Energy and Consumers calculate the fair value of ARO liabilities using an expected present-value technique that reflects assumptions about costs and inflation, and uses a credit-adjusted risk-free rate to discount the expected cash flows. CMS Energy's ARO liabilities are primarily at Consumers.

Presented below are the categories of assets that CMS Energy and Consumers have legal obligations to remove at the end of their useful lives and for which they have an ARO liability recorded:

Company and ARO Description	In-Service Date	Long-Lived Assets
CMS Energy, including Consumers		
Closure of gas treating plant and gas wells	various	Gas transmission and storage
Closure of coal ash disposal areas	various	Generating plants coal ash areas
Gas distribution cut, purge, and cap	various	Gas distribution mains and services
Asbestos abatement	1973	Electric and gas utility plant
Closure of renewable generation assets	various	Wind and solar generation facilities
Gas wells plug and abandon	various	Gas transmission and storage
Consumers		
Closure of coal ash disposal areas	various	Generating plants coal ash areas
Gas distribution cut, purge, and cap	various	Gas distribution mains and services
Asbestos abatement	1973	Electric and gas utility plant
Closure of renewable generation assets	various	Wind and solar generation facilities
Gas wells plug and abandon	various	Gas transmission and storage

No assets have been restricted for purposes of settling AROs.

Presented in the following tables are the changes in CMS Energy's and Consumers' ARO liabilities:

In Millions

Company and ARO Description	ARO Liability 12/31/2018	Incurred	Settled	Accretion	Cash Flow Revisions	ARO Liability 12/31/2019
CMS Energy, including Consumers						
Consumers	$ 428	$ 55	$ (37)	$ 21	$ 7	$ 474
Gas treating plant and gas wells	1	—	(1)	—	—	—
Renewable generation assets	3	—	—	—	—	3
Total CMS Energy	$ 432	$ 55	$ (38)	$ 21	$ 7	$ 477
Consumers						
Coal ash disposal areas	$ 179	$ —	$ (27)	$ 7	$ 7	$ 166
Gas distribution cut, purge, and cap	205	22	(8)	12	—	231
Asbestos abatement	33	—	(1)	2	—	34
Renewable generation assets	11	10	—	—	—	21
Gas wells plug and abandon	—	23	(1)	—	—	22
Total Consumers	$ 428	$ 55	$ (37)	$ 21	$ 7	$ 474

In Millions

Company and ARO Description	ARO Liability 12/31/2017	Incurred	Settled	Accretion	Cash Flow Revisions	ARO Liability 12/31/2018
CMS Energy, including Consumers						
Consumers	$ 429	$ 17	$ (40)	$ 22	$ —	$ 428
Gas treating plant and gas wells	1	—	—	—	—	1
Renewable generation assets	—	3	—	—	—	3
Total CMS Energy	$ 430	$ 20	$ (40)	$ 22	$ —	$ 432
Consumers						
Coal ash disposal areas	$ 191	$ —	$ (20)	$ 8	$ —	$ 179
Gas distribution cut, purge, and cap	186	17	(9)	11	—	205
Asbestos abatement	42	—	(11)	2	—	33
Renewable generation assets	10	—	—	1	—	11
Total Consumers	$ 429	$ 17	$ (40)	$ 22	$ —	$ 428

12: Retirement Benefits

Benefit Plans: CMS Energy and Consumers provide pension, OPEB, and other retirement benefits to employees under a number of different plans. These plans include:

- non-contributory, qualified DB Pension Plans (closed to new non-union participants as of July 1, 2003 and closed to new union participants as of September 1, 2005)
- a non-contributory, qualified DCCP for employees hired on or after July 1, 2003
- benefits to certain management employees under a non-contributory, nonqualified DB SERP (closed to new participants as of March 31, 2006)
- a non-contributory, nonqualified DC SERP for certain management employees hired or promoted on or after April 1, 2006
- a contributory, qualified defined contribution 401(k) plan
- health care and life insurance benefits under an OPEB Plan

DB Pension Plans: Participants in the pension plans include present and former employees of CMS Energy and Consumers, including certain present and former affiliates and subsidiaries. Pension plan trust assets are not distinguishable by company. Effective December 31, 2017, CMS Energy's and Consumers' then-existing pension plan was amended to include only retired and former employees already covered; this amended plan is referred to as DB Pension Plan B. Also effective December 31, 2017, active employees were moved to a newly created pension plan, referred to as DB Pension Plan A, whose benefits mirror those provided under DB Pension Plan B. Maintaining separate plans for the two groups allows CMS Energy and Consumers to employ a more targeted investment strategy and provides additional opportunities to mitigate risk and volatility.

DCCP: CMS Energy and Consumers provide an employer contribution to the DCCP 401(k) plan for employees hired on or after July 1, 2003. The contribution ranges from five to seven percent of base pay, depending on years of service. Employees are not required to contribute in order to receive the plan's employer contribution. DCCP expense for CMS Energy, including Consumers, was $30 million for the year ended December 31, 2019, $26 million for the year ended December 31, 2018, and $23 million for the year ended December 31, 2017. DCCP expense for Consumers was $28 million for the year ended December 31, 2019, $25 million for the year ended December 31, 2018, and $22 million for the year ended December 31, 2017.

DB SERP: The DB SERP is a nonqualified plan as defined by the Internal Revenue Code. DB SERP benefits are paid from a rabbi trust established in 1988. The trust assets are not considered plan assets under ASC 715. DB SERP rabbi trust earnings are taxable. Presented in the following table are the fair values of trust assets, ABO, and contributions for CMS Energy's and Consumers' DB SERP:

In Millions

Years Ended December 31	2019	2018
CMS Energy, including Consumers		
Trust assets	$ 143	$ 147
ABO	149	137
Contributions	—	8
Consumers		
Trust assets	$ 104	$ 106
ABO	107	98
Contributions	—	5

DC SERP: On April 1, 2006, CMS Energy and Consumers implemented a DC SERP and froze further new participation in the DB SERP. The DC SERP provides participants benefits ranging from 5 percent to 15 percent of total compensation. The DC SERP requires a minimum of five years of participation before vesting. CMS Energy's and Consumers' contributions to the plan, if any, are placed in a grantor trust. For CMS Energy and Consumers, trust assets were $8 million at December 31, 2019 and $5 million at December 31, 2018. DC SERP assets are included in other non-current assets on CMS Energy's and Consumers' consolidated balance sheets. CMS Energy's and Consumers' DC SERP expense was $2 million for the year ended December 31, 2019, and $1 million for each of the years ended December 31, 2018 and 2017.

401(k) Plan: The 401(k) plan employer match equals 100 percent of eligible contributions up to the first three percent of an employee's wages and 50 percent of eligible contributions up to the next two percent of an employee's wages. The total 401(k) plan cost for CMS Energy, including Consumers, was $28 million for the year ended December 31, 2019, $27 million for the year ended December 31, 2018, and $26 million for the year ended December 31, 2017. The total 401(k) plan cost for Consumers was $27 million for the year ended December 31, 2019, $26 million for the year ended December 31, 2018, and $25 million for the year ended December 31, 2017.

OPEB Plan: Participants in the OPEB Plan include all regular full-time employees covered by the employee health care plan on the day before retirement from either CMS Energy or Consumers at age 55 or older with at least ten full years of applicable continuous service. Regular full-time employees who qualify for disability retirement under the DB Pension Plans or are disabled and covered by the DCCP and who have 15 years of applicable continuous service may also participate in the OPEB Plan. Retiree health care costs were based on the assumption that costs would increase 6.75 percent in 2020 and 7.00 percent in 2019 for those under 65 and would increase 7.25 percent in 2020 and 7.75 percent in 2019 for those over 65. The rate of increase was assumed to decline to 4.75 percent by 2027 and thereafter for all retirees.

In 2017, CMS Energy and Consumers approved certain amendments to the OPEB Plan. Under these amendments, effective January 1, 2019, certain Medicare-eligible retirees will purchase health care plans from private Medicare exchanges. CMS Energy and Consumers performed a remeasurement of the OPEB Plan as of October 31, 2017, resulting in a significant reduction in the benefit obligation. In July 2018, CMS Energy and Consumers approved an amendment to the OPEB Plan to improve survivor benefits for certain Medicare-eligible retirees, effective January 1, 2019, resulting in a $26 million increase in the benefit obligation.

Assumptions: Presented in the following table are the weighted-average assumptions used in CMS Energy's and Consumers' retirement benefits plans to determine benefit obligations and net periodic benefit cost:

December 31	2019	2018	2017
CMS Energy, including Consumers			
Weighted average for benefit obligations[1]			
Discount rate[2]			
DB Pension Plan A	3.37%	4.48%	3.78%
DB Pension Plan B	3.17	4.32	3.64
DB SERP	3.15	4.32	3.65
OPEB Plan	3.32	4.42	3.74
Rate of compensation increase			
DB Pension Plan A	3.50	3.50	3.50
DB SERP	5.50	5.50	5.50
Weighted average for net periodic benefit cost[1]			
Service cost discount rate[2,3]			
DB Pension Plan A[4]	4.55	3.85	
DB SERP	4.58	3.83	4.51
OPEB Plan	4.63	3.93	4.89
Interest cost discount rate[2,3]			
DB Pension Plan A[4]	4.08	3.39	
DB Pension Plan B[4]	3.93	3.24	
DB SERP	3.94	3.26	3.51
OPEB Plan	4.03	3.35	3.79
Expected long-term rate of return on plan assets[5]			
DB Pension Plans	7.00	7.00	7.25
OPEB Plan	7.00	7.00	7.25
Rate of compensation increase			
DB Pension Plan A[4]	3.50	3.50	
DB SERP	5.50	5.50	5.50

1 The mortality assumption for benefit obligations was based on the Pri-2012 mortality table for 2019 and on the RP-2014 mortality table for 2018 and 2017, with projection scales MP-2019 for 2019, MP-2018 for 2018, and MP-2017 for 2017. The mortality assumption for net periodic benefit cost for 2019, 2018, and 2017 was based on the RP-2014 mortality table, with projection scales MP-2018 for 2019, MP-2017 for 2018, and MP-2016 for 2017.

2 The discount rate reflects the rate at which benefits could be effectively settled and is equal to the equivalent single rate resulting from a yield-curve analysis. This analysis incorporated the projected benefit payments specific to CMS Energy's and Consumers' DB Pension Plans and OPEB Plan and the yields on high-quality corporate bonds rated Aa or better.

3 CMS Energy and Consumers have elected to use a full-yield-curve approach in the estimation of service cost and interest cost; this approach applies individual spot rates along the yield curve to future projected benefit payments based on the time of payment.

[4] Effective December 31, 2017, CMS Energy's and Consumers' existing defined benefit pension plan was amended to include only retired or inactive employees; this amended plan is referred to as DB Pension Plan B. Active employees were moved to a newly created pension plan, referred to as DB Pension Plan A.

The assumptions used to measure the plan cost of the previous defined benefit pension plan at December 31, 2017 were:

- service cost discount rate of 4.53 percent
- interest cost discount rate of 3.56 percent
- weighted-average rate of compensation increase of 3.60 percent

[5] CMS Energy and Consumers determined the long-term rate of return using historical market returns, the present and expected future economic environment, the capital market principles of risk and return, and the expert opinions of individuals and firms with financial market knowledge. CMS Energy and Consumers considered the asset allocation of the portfolio in forecasting the future expected total return of the portfolio. The goal was to determine a long-term rate of return that could be incorporated into the planning of future cash flow requirements in conjunction with the change in the liability. Annually, CMS Energy and Consumers review for reasonableness and appropriateness the forecasted returns for various classes of assets used to construct an expected return model. CMS Energy's and Consumers' expected long-term rate of return on the assets of the DB Pension Plans was 7.00 percent in 2019. The actual return (loss) on the assets of the DB Pension Plans was 21.0 percent in 2019, (6.7) percent in 2018, and 18.0 percent in 2017.

Costs: Presented in the following table are the costs (credits) and other changes in plan assets and benefit obligations incurred in CMS Energy's and Consumers' retirement benefits plans:

In Millions

	DB Pension Plans and DB SERP			OPEB Plan		
Years Ended December 31	2019	2018	2017	2019	2018	2017
CMS Energy, including Consumers						
Net periodic cost (credit)						
Service cost	$ 41	$ 48	$ 45	$ 14	$ 17	$ 19
Interest cost	103	95	93	41	34	51
Expected return on plan assets	(162)	(149)	(153)	(88)	(97)	(90)
Amortization of:						
Net loss	50	76	82	26	15	29
Prior service cost (credit)	1	3	5	(62)	(67)	(40)
Net periodic cost (credit)	$ 33	$ 73	$ 72	$ (69)	$ (98)	$ (31)
Consumers						
Net periodic cost (credit)						
Service cost	$ 40	$ 47	$ 44	$ 13	$ 16	$ 19
Interest cost	97	88	90	40	33	49
Expected return on plan assets	(153)	(139)	(149)	(82)	(91)	(84)
Amortization of:						
Net loss	47	73	79	26	16	29
Prior service cost (credit)	1	3	4	(61)	(65)	(39)
Net periodic cost (credit)	$ 32	$ 72	$ 68	$ (64)	$ (91)	$ (26)

CMS Energy and Consumers amortize net gains and losses in excess of ten percent of the greater of the PBO or the MRV over the average remaining service period for DB Pension Plan A and the OPEB Plan and, began in 2018, over the average remaining life expectancy of participants for DB Pension Plan B.

For DB Pension Plan A, the estimated period of amortization of gains and losses was nine years for the years ended December 31, 2019 and 2018. For DB Pension Plan B, the estimated period of amortization of gains and losses was 20 years for the years ended December 31, 2019 and 2018. The estimated period of amortization for gains and losses for CMS Energy and Consumers was ten years for the DB Pension Plans for the year ended December 31, 2017. For the OPEB Plan, the estimated amortization period was ten years for the year ended December 31, 2019 and 2018 and 11 years for the year ended December 31, 2017.

Prior service cost (credit) amortization is established in the year in which the prior service cost (credit) first occurred, and is based on the same amortization period for all future years until the prior service cost (credit) is fully amortized. CMS Energy and Consumers had new prior service costs (credits) for OPEB in 2018 and 2017. The estimated period of amortization of these new prior service costs (credits) for CMS Energy and Consumers is nine years.

CMS Energy and Consumers determine the MRV for the assets of the DB Pension Plans as the fair value of plan assets on the measurement date, adjusted by the gains or losses that will not be admitted into the MRV until future years. CMS Energy and Consumers reflect each year’s gain or loss in the MRV in equal amounts over a five-year period beginning on the date the original amount was determined. CMS Energy and Consumers determine the MRV for OPEB Plan assets as the fair value of assets on the measurement date.

Reconciliations: Presented in the following table are reconciliations of the funded status of CMS Energy's and Consumers' retirement benefits plans with their retirement benefits plans' liabilities:

In Millions

	DB Pension Plans		DB SERP		OPEB Plan	
Years Ended December 31	2019	2018	2019	2018	2019	2018
CMS Energy, including Consumers						
Benefit obligation at beginning of period	$ 2,512	$ 2,780	$ 140	$ 154	$ 1,045	$ 1,097
Service cost	41	48	—	—	14	17
Interest cost	98	90	5	5	41	34
Plan amendments	—	—	—	—	—	26
Actuarial loss (gain)	476 [1]	(258) [1]	15	(10)	110 [1]	(74) [1]
Benefits paid	(154)	(148)	(10)	(9)	(45)	(55)
Benefit obligation at end of period	$ 2,973	$ 2,512	$ 150	$ 140	$ 1,165	$ 1,045
Plan assets at fair value at beginning of period	$ 2,247	$ 2,305	$ —	$ —	$ 1,280	$ 1,420
Actual return on plan assets	453	(150)	—	—	273	(86)
Company contribution	—	240	10	9	—	—
Actual benefits paid	(154)	(148)	(10)	(9)	(44)	(54)
Plan assets at fair value at end of period	$ 2,546	$ 2,247	$ —	$ —	$ 1,509	$ 1,280
Funded status	$ (427) [2]	$ (265) [2]	$ (150)	$ (140)	$ 344	$ 235
Consumers						
Benefit obligation at beginning of period			$ 101	$ 112	$ 1,004	$ 1,053
Service cost			—	—	13	16
Interest cost			4	4	40	33
Plan amendments			—	—	—	25
Actuarial loss (gain)			11	(8)	106 [1]	(70) [1]
Benefits paid			(7)	(7)	(43)	(53)
Benefit obligation at end of period			$ 109	$ 101	$ 1,120	$ 1,004
Plan assets at fair value at beginning of period			$ —	$ —	$ 1,197	$ 1,329
Actual return on plan assets			—	—	255	(80)
Company contribution			7	7	—	—
Actual benefits paid			(7)	(7)	(42)	(52)
Plan assets at fair value at end of period			$ —	$ —	$ 1,410	$ 1,197
Funded status			$ (109)	$ (101)	$ 290	$ 193

[1] The actuarial loss for 2019 for the DB Pension Plans was primarily the result of lower discount rates and lower interest rates used to calculate the value of lump-sum payments. The actuarial gain for 2018 was primarily the result of higher discount rates. The actuarial loss for 2019 for the OPEB Plan was primarily the result of lower discount rates. The actuarial gain for 2018 was primarily the result of higher discount rates.

[2] The total funded status of the DB Pension Plans attributable to Consumers, based on an allocation of expenses, was $408 million at December 31, 2019 and $246 million at December 31, 2018.

Presented in the following table is the classification of CMS Energy's and Consumers' retirement benefit plans' assets and liabilities:

In Millions

December 31	2019	2018
CMS Energy, including Consumers		
Non-current assets		
DB Pension Plans	$ 104	$ 38
OPEB Plan	344	235
Current liabilities		
DB SERP	10	10
Non-current liabilities		
DB Pension Plans	531	303
DB SERP	140	130
Consumers		
Non-current assets		
DB Pension Plans	$ 109	$ 49
OPEB Plan	290	193
Current liabilities		
DB SERP	7	7
Non-current liabilities		
DB Pension Plans	517	295
DB SERP	102	94

The ABO for the DB Pension Plans was $2.6 billion at December 31, 2019 and $2.2 billion at December 31, 2018. Presented in the following table is information related to the defined benefit pension plan for which the PBO and the ABO exceed plan assets:

In Millions

December 31	2019	2018
CMS Energy, including Consumers		
PBO	$ 1,736	$ 1,363
ABO	1,398	1,091
Fair value of plan assets	1,205	1,059

Items Not Yet Recognized as a Component of Net Periodic Benefit Cost: Presented in the following table are the amounts recognized in regulatory assets and AOCI that have not been recognized as components of net periodic benefit cost. For additional details on regulatory assets, see Note 3, Regulatory Matters.

In Millions

	DB Pension Plans and DB SERP		OPEB Plan	
Years Ended December 31	2019	2018	2019	2018
CMS Energy, including Consumers				
Regulatory assets				
Net loss	$ 1,114	$ 978	$ 308	$ 402
Prior service cost (credit)	8	9	(300)	(361)
Regulatory assets	$ 1,122	$ 987	$ 8	$ 41
AOCI				
Net loss (gain)	105	90	(6)	2
Prior service credit	—	—	(8)	(9)
Total amounts recognized in regulatory assets and AOCI	$ 1,227	$ 1,077	$ (6)	$ 34
Consumers				
Regulatory assets				
Net loss	$ 1,114	$ 978	$ 308	$ 402
Prior service cost (credit)	8	9	(300)	(361)
Regulatory assets	$ 1,122	$ 987	$ 8	$ 41
AOCI				
Net loss	36	27	—	—
Total amounts recognized in regulatory assets and AOCI	$ 1,158	$ 1,014	$ 8	$ 41

Plan Assets: Presented in the following tables are the fair values of the assets of CMS Energy's DB Pension Plans and OPEB Plan, by asset category and by level within the fair value hierarchy. For additional details regarding the fair value hierarchy, see Note 6, Fair Value Measurements.

In Millions

	DB Pension Plans					
	December 31, 2019			December 31, 2018		
	Total	Level 1	Level 2	Total	Level 1	Level 2
CMS Energy, including Consumers						
Cash and short-term investments	$ 44	$ 44	$ —	$ 242	$ 242	$ —
U.S. government and agencies securities	66	—	66	11	—	11
Corporate debt	493	—	493	400	—	400
State and municipal bonds	17	—	17	6	—	6
Foreign corporate bonds	33	—	33	35	—	35
Mutual funds	640	640	—	552	552	—
	$ 1,293	$ 684	$ 609	$ 1,246	$ 794	$ 452
Pooled funds	1,253			1,001		
Total	$ 2,546			$ 2,247		

In Millions

	OPEB Plan					
	December 31, 2019			December 31, 2018		
	Total	Level 1	Level 2	Total	Level 1	Level 2
CMS Energy, including Consumers						
Cash and short-term investments	$ 9	$ 9	$ —	$ 36	$ 36	$ —
U.S. government and agencies securities	10	—	10	2	—	2
Corporate debt	71	—	71	55	—	55
State and municipal bonds	2	—	2	1	—	1
Foreign corporate bonds	5	—	5	5	—	5
Common stocks	55	55	—	41	41	—
Mutual funds	713	713	—	594	594	—
	$ 865	$ 777	$ 88	$ 734	$ 671	$ 63
Pooled funds	644			546		
Total	$ 1,509			$ 1,280		

Cash and Short-Term Investments: Cash and short-term investments consist of money market funds with daily liquidity.

U.S. Government and Agencies Securities: U.S. government and agencies securities consist of U.S. Treasury notes and other debt securities backed by the U.S. government and related agencies. These securities are valued based on quoted market prices.

Corporate Debt: Corporate debt investments consist of investment grade bonds of U.S. issuers from diverse industries. These securities are valued based on quoted market prices, when available, or yields available on comparable securities of issuers with similar credit ratings.

State and Municipal Bonds: State and municipal bonds are valued using a matrix-pricing model that incorporates Level 2 market-based information. The fair value of the bonds is derived from various observable inputs, including benchmark yields, reported securities trades, broker/dealer quotes, bond ratings, and general information on market movements for investment grade state and municipal securities normally considered by market participants when pricing such debt securities.

Foreign Corporate Bonds: Foreign corporate debt securities are valued based on quoted market prices, when available, or on yields available on comparable securities of issuers with similar credit ratings.

Common Stocks: Common stocks in the OPEB Plan consist of equity securities that are actively managed and tracked to the S&P 500 Index. These securities are valued at their quoted closing prices.

Mutual Funds: Mutual funds represent shares in registered investment companies that are priced based on the daily quoted net asset values that are publicly available and are the basis for transactions to buy or sell shares in the funds.

Pooled Funds: Pooled funds include both common and collective trust funds as well as special funds that contain only employee benefit plan assets from two or more unrelated benefit plans. These funds primarily consist of U.S. and foreign equity securities, but also include U.S. and foreign fixed-income securities and multi-asset investments. Since these investments are valued at their net asset value as a practical expedient, they are not classified in the fair value hierarchy.

Asset Allocations: Presented in the following table are the investment components of the assets of CMS Energy's DB Pension Plans and OPEB Plan as of December 31, 2019:

	DB Pension Plans	OPEB Plan
Equity securities	55%	48%
Fixed-income securities	39	33
Multi-asset investments	6	19
	100%	100%

CMS Energy's target asset allocation for the assets of the DB Pension Plans is 53 percent equity, 35 percent fixed income, and 12 percent multi-asset investments. This target asset allocation is expected to continue to maximize the long-term return on plan assets, while maintaining a prudent level of risk. The level of acceptable risk is a function of the liabilities of the plan. Equity investments are diversified mostly across the S&P 500 Index, with lesser allocations to the S&P MidCap and SmallCap Indexes and Foreign Equity Funds. Fixed-income investments are diversified across investment grade instruments of government and corporate issuers as well as high-yield and global bond funds. Multi-assets are diversified across absolute return investment approaches and global tactical asset allocation, such as inflation protected securities, real estate investment trusts, commodities, currency, and preferred stock. CMS Energy uses annual liability measurements, quarterly portfolio reviews, and periodic asset/liability studies to evaluate the need for adjustments to the portfolio allocation.

CMS Energy established union and non-union VEBA trusts to fund future retiree health and life insurance benefits. These trusts are funded through the ratemaking process for Consumers and through direct contributions from the non-utility subsidiaries. CMS Energy's target asset allocation for the health trusts is 50 percent equity, 30 percent fixed income, and 20 percent multi-asset investments. CMS Energy's target asset allocation for the life trusts is 42 percent equity, 28 percent fixed income, and 30 percent multi-asset investments. These target allocations are expected to continue to maximize the long-term return on plan assets, while maintaining a prudent level of risk. The level of acceptable risk is a function of the liabilities of the plans. Equity investments are diversified mostly across the S&P 500 Index, with lesser allocations to the S&P SmallCap Index and Foreign Equity Funds. Fixed-income investments are diversified across investment grade instruments of government and corporate issuers. Multi-assets are diversified across absolute return investment approaches and global tactical asset allocation, such as inflation protected securities, real estate investment trusts, commodities, currency and preferred stock. CMS Energy uses annual liability measurements, quarterly portfolio reviews, and periodic asset/liability studies to evaluate the need for adjustments to the portfolio allocation.

Contributions: Presented in the following table are the contributions to CMS Energy's and Consumers' DB Pension Plans:

In Millions

Years Ended December 31	2019	2018
CMS Energy, including Consumers		
DB Pension Plans	$ —	$ 240
Consumers		
DB Pension Plans	$ —	$ 234

Contributions comprise required amounts and discretionary contributions. Neither CMS Energy nor Consumers contributed to the OPEB Plan in 2019 and 2018. CMS Energy, including Consumers, contributed $531 million to the DB Pension Plans in January 2020. Consumers contributed $518 million

to the DB Pension Plans in January 2020. Neither CMS Energy nor Consumers plans to contribute to the OPEB Plan in 2020. Actual future contributions will depend on future investment performance, discount rates, and various factors related to the participants of the DB Pension Plans and OPEB Plan.
CMS Energy and Consumers will, at a minimum, contribute to the plans as needed to comply with federal funding requirements.

Benefit Payments: Presented in the following table are the expected benefit payments for each of the next five years and the five-year period thereafter:

In Millions

	DB Pension Plans	DB SERP	OPEB Plan
CMS Energy, including Consumers			
2020	$ 174	$ 10	$ 58
2021	176	10	60
2022	177	10	62
2023	177	10	63
2024	175	10	64
2025-2029	870	46	319
Consumers			
2020	$ 165	$ 7	$ 56
2021	166	7	58
2022	167	7	59
2023	167	7	60
2024	166	7	61
2025-2029	825	32	305

Collective Bargaining Agreements: At December 31, 2019, unions represented 35 percent of CMS Energy's employees and 37 percent of Consumers' employees. The UWUA represents Consumers' operating, maintenance, construction, and call center employees. The USW represents Zeeland plant employees. Union contracts expire in 2020.

13: Stock-Based Compensation

CMS Energy and Consumers provide a PISP to officers, employees, and non-employee directors based on their contributions to the successful management of the company. The PISP has a ten-year term, expiring in May 2024.

In 2019, all awards were in the form of restricted stock or restricted stock units. The PISP also allows for unrestricted common stock, stock options, stock appreciation rights, phantom shares, performance units, and incentive options, none of which was granted in 2019, 2018, or 2017.

Shares awarded or subject to stock options, phantom shares, or performance units may not exceed 6.5 million shares from June 2014 through May 2024, nor may such awards to any recipient exceed 500,000 shares in any calendar year. CMS Energy and Consumers may issue awards of up to 3,258,000 shares of common stock under the PISP as of December 31, 2019. Shares for which payment or exercise is in cash, as well as shares that expire, terminate, or are canceled or forfeited, may be awarded or granted again under the PISP.

All awards under the PISP vest fully upon death. Upon a change of control of CMS Energy or termination under an officer separation agreement, the awards will vest in accordance with specific officer agreements. If stated in the award, for restricted stock recipients who terminate employment due to retirement or disability, a pro-rata portion of the award will vest upon termination, with any market-based award also contingent upon the outcome of the market condition and any performance-based award contingent upon the outcome of the performance condition. The pro-rata portion is equal to the portion of the service period served between the award grant date and the employee's termination date. The remaining portion of the awards will be forfeited. All awards for directors vest fully upon retirement. Restricted shares may be forfeited if employment terminates for any other reason or if the minimum service requirements are not met, as described in the award document.

Restricted Stock Awards: Restricted stock awards for employees under the PISP are in the form of performance-based, market-based, and time-lapse restricted stock. Award recipients receive shares of CMS Energy common stock that have dividend and voting rights. The dividends on time-lapse restricted stock are paid in cash or in CMS Energy common stock. The dividends on performance-based and market-based restricted stock are paid in restricted shares equal to the value of the dividends. These additional restricted shares are subject to the same vesting conditions as the underlying restricted stock shares.

Performance-based restricted stock vesting is contingent on meeting at least a 36-month service requirement and a performance condition. The performance condition is based on an adjusted measure of CMS Energy's EPS growth relative to a peer group over a three-year period. The awards granted in 2019, 2018, and 2017 require a 38-month service period. Market-based restricted stock vesting is generally contingent on meeting a three-year service requirement and a market condition. The market condition is based on a comparison of CMS Energy's total shareholder return with the median total shareholder return of a peer group over the same three-year period. Depending on the outcome of the performance condition or the market condition, a recipient may earn a total award ranging from zero to 200 percent of the initial grant. Time-lapse restricted stock generally vests after a service period of three years.

Restricted Stock Units: In 2019, 2018, and 2017, CMS Energy and Consumers granted restricted stock units to certain non-employee directors who elected to defer their restricted stock awards. The restricted stock units generally vest after a service period of one year or, if earlier, at the next annual meeting. The restricted stock units will be distributed to the recipients as shares in accordance with the directors' deferral agreements. Restricted stock units do not have voting rights, but do have dividend rights. In lieu of cash dividend payments, the dividends on restricted stock units are paid in additional units equal to the value of the dividends. These additional restricted stock units are subject to the same vesting and distribution conditions as the underlying restricted stock units. No restricted stock units were forfeited during 2019.

Presented in the following tables is the activity for restricted stock and restricted stock units under the PISP:

	CMS Energy, including Consumers		Consumers	
Year Ended December 31, 2019	Number of Shares	Weighted-Average Grant Date Fair Value per Share	Number of Shares	Weighted-Average Grant Date Fair Value per Share
Nonvested at beginning of period	1,211,229	$ 39.70	1,158,836	$ 39.71
Granted				
Restricted stock	488,594	43.57	464,485	43.57
Restricted stock units	14,899	50.35	14,050	51.15
Vested				
Restricted stock	(468,308)	31.09	(447,214)	31.11
Restricted stock units	(12,503)	41.59	(11,836)	42.35
Forfeited – restricted stock	(46,949)	45.81	(40,139)	45.69
Nonvested at end of period	1,186,962	$ 44.56	1,138,182	$ 44.57

Year Ended December 31, 2019	CMS Energy, including Consumers	Consumers
Granted		
Time-lapse awards	119,167	113,627
Market-based awards	144,963	137,636
Performance-based awards	144,963	137,636
Director restricted stock units	13,575	13,005
Dividend equivalents on market-based awards	12,779	12,176
Dividend equivalents on performance-based awards	15,899	15,145
Dividend equivalents on restricted stock units	1,324	1,045
Additional market-based shares based on achievement of condition	15,320	14,550
Additional performance-based shares based on achievement of condition	35,503	33,715
Total granted	503,493	478,535

CMS Energy and Consumers charge the fair value of the restricted stock awards to expense over the required service period and charge the fair value of the restricted stock units to expense immediately. For performance-based awards, CMS Energy and Consumers estimate the number of shares expected to vest at the end of the performance period based on the probable achievement of the performance objective. Performance-based and market-based restricted stock awards have graded vesting features for retirement-eligible employees, and CMS Energy and Consumers recognize expense for those awards on a graded vesting schedule over the required service period. Expense for performance-based and market-based restricted stock awards for non-retirement-eligible employees and time-lapse awards is recognized on a straight-line basis over the required service period.

The fair value of performance-based and time-lapse restricted stock and restricted stock units is based on the price of CMS Energy's common stock on the grant date. The fair value of market-based restricted stock awards is calculated on the grant date using a Monte Carlo simulation. CMS Energy and Consumers base expected volatilities on the historical volatility of the price of CMS Energy common stock. The risk-free rate for valuation of the market-based restricted stock awards was based on the three-year U.S. Treasury yield at the award grant date.

Presented in the following table are the most important assumptions used to estimate the fair value of the market-based restricted stock awards:

Years Ended December 31	2019	2018	2017
Expected volatility	14.9%	16.7%	18.0%
Expected dividend yield	2.8	2.8	3.0
Risk-free rate	2.5	2.1	1.5

Presented in the following table is the weighted-average grant-date fair value of all awards under the PISP:

Years Ended December 31	2019	2018	2017
CMS Energy, including Consumers			
Weighted-average grant-date fair value per share			
Restricted stock granted	$ 43.57	$ 26.49	$ 28.61
Restricted stock units granted	50.35	41.77	41.98
Consumers			
Weighted-average grant-date fair value per share			
Restricted stock granted	$ 43.57	$ 26.51	$ 28.67
Restricted stock units granted	51.15	42.01	41.97

Presented in the following table are amounts related to restricted stock awards and restricted stock units:

In Millions

Years Ended December 31	2019	2018	2017
CMS Energy, including Consumers			
Fair value of shares that vested during the year	$ 26	$ 27	$ 37
Compensation expense recognized	22	17	17
Income tax benefit recognized	1	1	7
Consumers			
Fair value of shares that vested during the year	$ 25	$ 26	$ 35
Compensation expense recognized	21	16	16
Income tax benefit recognized	1	1	7

At December 31, 2019, $21.7 million of total unrecognized compensation cost was related to restricted stock for CMS Energy, including Consumers, and $20.8 million of total unrecognized compensation cost was related to restricted stock for Consumers. CMS Energy and Consumers expect to recognize this cost over a weighted-average period of two years.

14: Income Taxes

CMS Energy and its subsidiaries file a consolidated U.S. federal income tax return as well as a Michigan Corporate Income Tax return for the unitary business group and various other state unitary group combined income tax returns. Income taxes are allocated based on each company's separate taxable income in accordance with the CMS Energy tax sharing agreement.

In December 2017, the TCJA was enacted, which changed existing federal tax law and included numerous provisions that affect businesses, with the primary impact being a reduction of the corporate tax rate from 35 percent to 21 percent.

Presented in the following table is the difference between actual income tax expense on continuing operations and income tax expense computed by applying the statutory U.S. federal income tax rate:

In Millions, Except Tax Rate

Years Ended December 31	2019	2018	2017
CMS Energy, including Consumers			
Income from continuing operations before income taxes	$ 829	$ 774	$ 886
Income tax expense at statutory rate	174	163	310
Increase (decrease) in income taxes from:			
State and local income taxes, net of federal effect[1]	48	46	26
TCJA excess deferred taxes[2]	(31)	(26)	—
Production tax credits	(20)	(14)	(8)
Accelerated flow-through of regulatory tax benefits[3]	(13)	(39)	(39)
Research and development tax credits, net[4]	(2)	(11)	(1)
Impact of the TCJA[5]	—	(4)	148
Other, net	(9)	—	(12)
Income tax expense	$ 147	$ 115	$ 424
Effective tax rate	17.7%	14.9%	47.9%
Consumers			
Income from continuing operations before income taxes	$ 928	$ 847	$ 971
Income tax expense at statutory rate	195	178	340
Increase (decrease) in income taxes from:			
State and local income taxes, net of federal effect[1]	53	51	30
TCJA excess deferred taxes[2]	(31)	(26)	—
Accelerated flow-through of regulatory tax benefits[3]	(13)	(39)	(39)
Production tax credits	(12)	(12)	(8)
Research and development tax credits, net[4]	(2)	(11)	(1)
Impact of the TCJA[5]	—	1	33
Other, net	(5)	—	(16)
Income tax expense	$ 185	$ 142	$ 339
Effective tax rate	19.9%	16.8%	34.9%

[1] In 2017, CMS Energy completed the evaluation of its methodology for the state apportionment of Consumers' electricity sales to MISO, taking into account recent state tax law developments in the electric utility sector. To recognize the anticipated refund and the impact of the expected lower effective tax rate on their deferred state tax liabilities, CMS Energy, including Consumers, recorded a $14 million income tax benefit in 2017. These tax benefits were net of reserves for uncertain tax positions and primarily

attributable to Consumers. In 2018, CMS Energy amended its 2013 Michigan Corporate Income Tax return and submitted a refund claim for taxes previously paid. The refund claim was denied by the State of Michigan. In 2019, CMS Energy received an unfavorable informal conference decision and filed a petition with the Michigan Tax Tribunal. A trial is anticipated in 2020. CMS Energy's uncertain tax position on this matter remains unchanged.

[2] In December 2017, Consumers remeasured its deferred tax assets and liabilities at the new federal tax rate enacted by the TCJA and recorded a net $1.6 billion regulatory liability. As a result of an order received in September 2019, Consumers began refunding these excess deferred taxes to customers. For additional details on the order received, see Note 3, Regulatory Matters.

[3] In 2013, the MPSC issued an order authorizing Consumers to accelerate the flow-through to electric and gas customers of certain income tax benefits associated primarily with the cost of removal of plant placed in service before 1993. Consumers implemented this regulatory treatment beginning in 2014, with the electric portion ending in 2018 and the gas portion continuing through 2025.

[4] In March 2018, Consumers finalized a study of research and development tax credits for the tax years 2012 through 2016. As a result, Consumers recognized an $8 million increase in the credit, net of reserves for uncertain tax positions, at that time.

[5] In December 2017, CMS Energy and Consumers recorded a reasonable estimate to measure and account for the impact of the TCJA. In December 2018, CMS Energy recorded a true-up of their estimate and eliminated the $9 million valuation allowance on the sequestration of alternative minimum tax credits.

Presented in the following table are the significant components of income tax expense on continuing operations:

In Millions

Years Ended December 31	2019	2018	2017
CMS Energy, including Consumers			
Current income taxes			
Federal	$ (31)	$ (67)	$ —
State and local	28	—	6
	$ (3)	$ (67)	$ 6
Deferred income taxes			
Federal	$ 97	$ 112	$ 368
State and local	32	58	36
	$ 129	$ 170	$ 404
Deferred income tax credit	21	12	14
Tax expense	$ 147	$ 115	$ 424
Consumers			
Current income taxes			
Federal	$ 107	$ 6	$ 159
State and local	41	13	17
	$ 148	$ 19	$ 176
Deferred income taxes			
Federal	$ (10)	$ 60	$ 120
State and local	26	51	29
	$ 16	$ 111	$ 149
Deferred income tax credit	21	12	14
Tax expense	$ 185	$ 142	$ 339

For the year ended December 31, 2017, the impact of the TCJA was a $148 million increase in deferred income tax expense at CMS Energy, including Consumers, and a $33 million increase in deferred income tax expense at Consumers. The TCJA had no impact on current income tax expense in 2017.

Presented in the following table are the principal components of deferred income tax assets (liabilities) recognized:

In Millions

December 31	2019	2018
CMS Energy, including Consumers		
Deferred income tax assets		
Tax loss and credit carryforwards	$ 239	$ 385
Net regulatory tax liability	385	395
Reserves and accruals	43	39
Total deferred income tax assets	$ 667	$ 819
Valuation allowance	(2)	(8)
Total deferred income tax assets, net of valuation allowance	$ 665	$ 811
Deferred income tax liabilities		
Plant, property, and equipment	$ (2,033)	$ (1,955)
Employee benefits	(172)	(165)
Securitized costs	(59)	(65)
Gas inventory	(32)	(35)
Other	(24)	(78)
Total deferred income tax liabilities	$ (2,320)	$ (2,298)
Total net deferred income tax liabilities	$ (1,655)	$ (1,487)
Consumers		
Deferred income tax assets		
Net regulatory tax liability	$ 385	$ 395
Tax loss and credit carryforwards	20	64
Reserves and accruals	24	21
Total deferred income tax assets	$ 429	$ 480
Deferred income tax liabilities		
Plant, property, and equipment	$ (1,995)	$ (1,943)
Employee benefits	(178)	(172)
Securitized costs	(59)	(65)
Gas inventory	(32)	(35)
Other	(29)	(74)
Total deferred income tax liabilities	$ (2,293)	$ (2,289)
Total net deferred income tax liabilities	$ (1,864)	$ (1,809)

Deferred tax assets and liabilities are recognized for the estimated future tax effect of temporary differences between the tax basis of assets or liabilities and the reported amounts on CMS Energy's and Consumers' consolidated financial statements.

Presented in the following table are the tax loss and credit carryforwards at December 31, 2019:

In Millions

	Gross Amount	Tax Attribute	Expiration
CMS Energy, including Consumers			
Local net operating loss carryforwards	$ 389	$ 4	2023 – 2036
General business credits	206	206	2026 – 2039
Alternative minimum tax credits	29	29	Not applicable
Total tax attributes		$ 239	
Consumers			
General business credits	$ 20	$ 20	2027 – 2039
Total tax attributes		$ 20	

CMS Energy has provided a valuation allowance of $2 million for the local tax loss carryforward. The TCJA repealed the corporate alternative minimum tax and requires companies to recover (through offsets of regular tax and through cash refunds) all alternative minimum tax credits over the four-year period ending in 2021. Therefore, for the year ended December 31, 2019, CMS Energy reclassified $31 million of alternative minimum tax credits to a current receivable.

CMS Energy and Consumers expect to utilize fully their tax loss and credit carryforwards for which no valuation allowance has been provided. It is reasonably possible that further adjustments will be made to the valuation allowances within one year.

Presented in the following table is a reconciliation of the beginning and ending amount of uncertain tax benefits:

In Millions

Years Ended December 31	2019	2018	2017
CMS Energy, including Consumers			
Balance at beginning of period	$ 19	$ 14	$ 5
Additions for current-year tax positions	1	1	10
Additions for prior-year tax positions	3	4	—
Reductions for prior-year tax positions	—	—	(1)
Balance at end of period	$ 23	$ 19	$ 14
Consumers			
Balance at beginning of period	$ 28	$ 21	$ 5
Additions for current-year tax positions	1	2	17
Additions for prior-year tax positions	5	5	—
Reductions for prior-year tax positions	—	—	(1)
Balance at end of period	$ 34	$ 28	$ 21

If recognized, all of these uncertain tax benefits would affect CMS Energy's and Consumers' annual effective tax rates in future years.

CMS Energy and Consumers recognize accrued interest and penalties, where applicable, as part of income tax expense. CMS Energy, including Consumers, recognized no interest or penalties for the years ended December 31, 2019, 2018, or 2017.

The amount of income taxes paid is subject to ongoing audits by federal, state, local, and foreign tax authorities, which can result in proposed assessments. CMS Energy's federal income tax returns for 2016 and subsequent years remain subject to examination by the IRS. CMS Energy's Michigan Corporate Income Tax returns for 2013 and subsequent years remain subject to examination by the State of Michigan. CMS Energy's and Consumers' estimate of the potential outcome for any uncertain tax issue is highly judgmental. CMS Energy and Consumers believe that their accrued tax liabilities at December 31, 2019 were adequate for all years.

15: Earnings Per Share—CMS Energy

Presented in the following table are CMS Energy's basic and diluted EPS computations based on net income:

In Millions, Except Per Share Amounts

Years Ended December 31	2019	2018	2017
Income available to common stockholders			
Net income	$ 682	$ 659	$ 462
Less income attributable to noncontrolling interests	2	2	2
Net income available to common stockholders – basic and diluted	$ 680	$ 657	$ 460
Average common shares outstanding			
Weighted-average shares – basic	283.0	282.2	280.0
Add dilutive nonvested stock awards	0.7	0.7	0.8
Add dilutive forward equity sale contracts	0.6	—	—
Weighted-average shares – diluted	284.3	282.9	280.8
Net income per average common share available to common stockholders			
Basic	$ 2.40	$ 2.33	$ 1.64
Diluted	2.39	2.32	1.64

Nonvested Stock Awards

CMS Energy's nonvested stock awards are composed of participating and non-participating securities. The participating securities accrue cash dividends when common stockholders receive dividends. Since the recipient is not required to return the dividends to CMS Energy if the recipient forfeits the award, the nonvested stock awards are considered participating securities. As such, the participating nonvested stock awards were included in the computation of basic EPS. The non-participating securities accrue stock dividends that vest concurrently with the stock award. If the recipient forfeits the award, the stock dividends accrued on the non-participating securities are also forfeited. Accordingly, the non-participating awards and stock dividends were included in the computation of diluted EPS, but not in the computation of basic EPS.

Forward Equity Sale Contracts

In November 2018 and February 2019, CMS Energy entered into forward equity sale contracts. These forward equity sale contracts are non-participating securities. While the forward sale price in the forward equity sale contract is decreased on certain dates by certain predetermined amounts to reflect expected dividend payments, these price adjustments were set upon inception of the agreement and the forward contract does not give the owner the right to participate in undistributed earnings. Accordingly, the forward equity sale contracts were included in the computation of diluted EPS, but not in the computation

of basic EPS. For further details on the forward equity sale contracts, see Note 5, Financings and Capitalization.

16: Revenue

Presented in the following tables are the components of operating revenue:

In Millions

Year Ended December 31, 2019	Electric Utility	Gas Utility	Enterprises[1]	EnerBank	Consolidated
CMS Energy, including Consumers					
Consumers utility revenue	$ 4,407	$ 1,922	$ —	$ —	$ 6,329
Other	—	—	74	—	74
Revenue recognized from contracts with customers	$ 4,407	$ 1,922	$ 74	$ —	$ 6,403
Leasing income	—	—	174	—	174
Financing income	9	5	—	221	235
Consumers alternative-revenue programs	23	10	—	—	33
Total operating revenue – CMS Energy	$ 4,439	$ 1,937	$ 248	$ 221	$ 6,845
Consumers					
Consumers utility revenue					
Residential	$ 1,988	$ 1,316	$ —	$ —	$ 3,304
Commercial	1,502	372	—	—	1,874
Industrial	669	51	—	—	720
Other	248	183	—	—	431
Revenue recognized from contracts with customers	$ 4,407	$ 1,922	$ —	$ —	$ 6,329
Financing income	9	5	—	—	14
Alternative-revenue programs	23	10	—	—	33
Total operating revenue – Consumers	$ 4,439	$ 1,937	$ —	$ —	$ 6,376

[1] Amounts represent the enterprises segment's operating revenue from independent power production and CMS ERM's sales of energy commodities in support of the independent power production portfolio.

In Millions

Year Ended December 31, 2018	Electric Utility	Gas Utility	Enterprises[1]	EnerBank	Consolidated
CMS Energy, including Consumers					
Consumers utility revenue	$ 4,528	$ 1,882	$ —	$ —	$ 6,410
Other	—	—	92	—	92
Revenue recognized from contracts with customers	$ 4,528	$ 1,882	$ 92	$ —	$ 6,502
Leasing income	—	—	160	—	160
Financing income	10	5	—	157	172
Consumers alternative-revenue programs	23	16	—	—	39
Total operating revenue – CMS Energy	$ 4,561	$ 1,903	$ 252	$ 157	$ 6,873
Consumers					
Consumers utility revenue					
Residential	$ 2,049	$ 1,284	$ —	$ —	$ 3,333
Commercial	1,545	367	—	—	1,912
Industrial	674	55	—	—	729
Other	260	176	—	—	436
Revenue recognized from contracts with customers	$ 4,528	$ 1,882	$ —	$ —	$ 6,410
Financing income	10	5	—	—	15
Alternative-revenue programs	23	16	—	—	39
Total operating revenue – Consumers	$ 4,561	$ 1,903	$ —	$ —	$ 6,464

[1] Amounts represent the enterprises segment's operating revenue from independent power production and CMS ERM's sales of energy commodities in support of the independent power production portfolio.

Electric and Gas Utilities

Consumers Utility Revenue: Consumers recognizes revenue primarily from the sale of electric and gas utility services at tariff-based rates regulated by the MPSC. Consumers' customer base consists of a mix of residential, commercial, and diversified industrial customers. Consumers' tariff-based sales performance obligations are described below.

- Consumers has performance obligations for the service of standing ready to deliver electricity or natural gas to customers, and it satisfies these performance obligations over time. Consumers recognizes revenue at a fixed rate as it provides these services. These arrangements generally do not have fixed terms and remain in effect as long as the customer consumes the utility service. The rates are set by the MPSC through the rate-making process and represent the stand-alone selling price of Consumers' service to stand ready to deliver.

- Consumers has performance obligations for the service of delivering the commodity of electricity or natural gas to customers, and it satisfies these performance obligations upon delivery. Consumers recognizes revenue at a price per unit of electricity or natural gas delivered, based on the tariffs established by the MPSC. These arrangements generally do not have fixed terms and remain in effect as long as the customer consumes the utility service. The rates are set by the MPSC through the rate-making process and represent the stand-alone selling price of a bundled product comprising the commodity, electricity or natural gas, and the service of delivering such commodity.

In some instances, Consumers has specific fixed-term contracts with large commercial and industrial customers to provide electricity or gas at certain tariff rates or to provide gas transportation services at contracted rates. The amount of electricity and gas to be delivered under these contracts and the associated future revenue to be received are generally dependent on the customers' needs. Accordingly, Consumers recognizes revenues at the tariff or contracted rate as electricity or gas is delivered to the customer. Consumers also has other miscellaneous contracts with customers related to pole and other property rentals, appliance service plans, and utility contract work. Generally, these contracts are short term or evergreen in nature.

Accounts Receivable and Unbilled Revenues: Accounts receivable comprise trade receivables and unbilled receivables. CMS Energy and Consumers record their accounts receivable at cost, which approximates fair value. CMS Energy and Consumers establish an allowance for uncollectible accounts based on historical losses, management's assessment of existing economic conditions, customer payment trends, and other factors. CMS Energy and Consumers assess late payment fees on trade receivables based on contractual past-due terms established with customers. CMS Energy and Consumers charge off accounts deemed uncollectible to operating expense. Uncollectible expense for CMS Energy and Consumers was $29 million for the year ended December 31, 2019 and $29 million for the year ended December 31, 2018.

Consumers' customers are billed monthly in cycles having billing dates that do not generally coincide with the end of a calendar month. This results in customers having received electricity or natural gas that they have not been billed for as of the month-end. Consumers estimates its unbilled revenues by applying an average billed rate to total unbilled deliveries for each customer class. Unbilled revenues, which are recorded as accounts receivable on CMS Energy's and Consumers' consolidated balance sheets, were $426 million at December 31, 2019 and $409 million at December 31, 2018.

Alternative-Revenue Programs: The energy waste reduction incentive mechanism provides a financial incentive if the energy savings of Consumers' customers exceed annual targets established by the MPSC. Consumers accounts for this program as an alternative-revenue program that meets the criteria for recognizing revenue related to the incentive as soon as energy savings exceed the annual targets established by the MPSC.

Under a gas revenue decoupling mechanism authorized by the MPSC, Consumers is allowed to adjust future gas rates for differences between Consumers' actual weather-normalized, non-fuel revenues and the revenues approved by the MPSC. Consumers accounts for this program as an alternative-revenue program that meets the criteria for recognizing the effects of decoupling adjustments on revenue as gas is delivered.

Consumers does not reclassify revenue from its alternative-revenue program to revenue from contracts with customers at the time the amounts are collected from customers.

17: Other Income and Other Expense

Other income was not significant for any of the periods presented except for a $14 million gain on the sale of CMS Energy common stock by Consumers in 2017. This gain was eliminated on CMS Energy's consolidated statements of income.

Presented in the following table are the components of other expense at CMS Energy and Consumers:

In Millions

Years Ended December 31	2019	2018	2017
CMS Energy, including Consumers			
Donations	$ (3)	$ (13)	$ (31)
Civic and political expenditures	(6)	(6)	(27)
Loss on reacquired and extinguished debt	—	(16)	(18)
All other	(4)	(13)	—
Total other expense – CMS Energy	$ (13)	$ (48)	$ (76)
Consumers			
Donations	$ (3)	$ (13)	$ (31)
Civic and political expenditures	(6)	(6)	(27)
All other	(4)	(11)	—
Total other expense – Consumers	$ (13)	$ (30)	$ (58)

18: Cash and Cash Equivalents

Presented in the following table are the components of total cash and cash equivalents, including restricted amounts, and their location on CMS Energy's and Consumers' consolidated balance sheets:

In Millions

December 31	2019	2018
CMS Energy, including Consumers		
Cash and cash equivalents	$ 140	$ 153
Restricted cash and cash equivalents	17	21
Other non-current assets	—	1
Cash and cash equivalents, including restricted amounts	$ 157	$ 175
Consumers		
Cash and cash equivalents	$ 11	$ 39
Restricted cash and cash equivalents	17	17
Cash and cash equivalents, including restricted amounts	$ 28	$ 56

Cash and Cash Equivalents: Cash and cash equivalents include short-term, highly liquid investments with original maturities of three months or less.

Restricted Cash and Cash Equivalents: Restricted cash and cash equivalents are held primarily for the repayment of securitization bonds and funds held in escrow. Cash and cash equivalents may also be restricted to pay other contractual obligations such as leasing of coal railcars. These amounts are classified as current assets since they relate to payments that could or will occur within one year.

19: Reportable Segments

Reportable segments consist of business units defined by the products and services they offer. CMS Energy and Consumers evaluate the performance of each segment based on its contribution to net income available to CMS Energy's common stockholders.

Accounting policies for CMS Energy's and Consumers' segments are as described in Note 1, Significant Accounting Policies. The consolidated financial statements reflect the assets, liabilities, revenues, and expenses of the individual segments when appropriate. Accounts are allocated among the segments when common accounts are attributable to more than one segment. The allocations are based on certain measures of business activities, such as revenue, labor dollars, customers, other operating and maintenance expense, construction expense, leased property, taxes, or functional surveys. For example, customer receivables are allocated based on revenue, and pension provisions are allocated based on labor dollars.

Inter-segment sales and transfers are accounted for at current market prices and are eliminated in consolidated net income available to common stockholders by segment.

CMS Energy

The segments reported for CMS Energy are:

- electric utility, consisting of regulated activities associated with the generation, purchase, transmission, distribution, and sale of electricity in Michigan
- gas utility, consisting of regulated activities associated with the purchase, transmission, storage, distribution, and sale of natural gas in Michigan
- enterprises, consisting of various subsidiaries engaging in domestic independent power production, including the development and operation of renewable generation, and the marketing of independent power production
- EnerBank, a Utah state-chartered, FDIC-insured industrial bank providing unsecured consumer installment loans, largely for financing home improvements

CMS Energy presents corporate interest and other expenses and Consumers' other consolidated entities within other reconciling items. In 2019, EnerBank's assets exceeded ten percent of CMS Energy's consolidated assets.

Consumers

The segments reported for Consumers are:

- electric utility, consisting of regulated activities associated with the generation, purchase, transmission, distribution, and sale of electricity in Michigan
- gas utility, consisting of regulated activities associated with the purchase, transmission, storage, distribution, and sale of natural gas in Michigan

Consumers' other consolidated entities are presented within other reconciling items.

Presented in the following tables is financial information by segment:

In Millions

Years Ended December 31	2019	2018	2017
CMS Energy, including Consumers			
Operating revenue			
Electric utility	$ 4,439	$ 4,561	$ 4,448
Gas utility	1,937	1,903	1,774
Enterprises	248	252	229
EnerBank	221	157	132
Total operating revenue – CMS Energy	$ 6,845	$ 6,873	$ 6,583
Consumers			
Operating revenue			
Electric utility	$ 4,439	$ 4,561	$ 4,448
Gas utility	1,937	1,903	1,774
Total operating revenue – Consumers	$ 6,376	$ 6,464	$ 6,222
CMS Energy, including Consumers			
Depreciation and amortization			
Electric utility	$ 713	$ 682	$ 654
Gas utility	261	239	218
Enterprises	14	8	6
EnerBank	3	4	3
Other reconciling items	1	—	—
Total depreciation and amortization – CMS Energy	$ 992	$ 933	$ 881
Consumers			
Depreciation and amortization			
Electric utility	$ 713	$ 682	$ 654
Gas utility	261	239	218
Other reconciling items	1	—	—
Total depreciation and amortization – Consumers	$ 975	$ 921	$ 872
CMS Energy, including Consumers			
Income from equity method investees[1]			
Enterprises	$ 10	$ 9	$ 15
Total income from equity method investees – CMS Energy	$ 10	$ 9	$ 15
CMS Energy, including Consumers			
Interest charges			
Electric utility	$ 213	$ 209	$ 201
Gas utility	83	79	74
Enterprises	7	2	—
EnerBank	59	32	19
Other reconciling items	157	136	144
Total interest charges – CMS Energy	$ 519	$ 458	$ 438

In Millions

Years Ended December 31	2019	2018	2017
Consumers			
Interest charges			
Electric utility	$ 213	$ 209	$ 201
Gas utility	83	79	74
Other reconciling items	1	1	1
Total interest charges – Consumers	$ 297	$ 289	$ 276
CMS Energy, including Consumers			
Income tax expense (benefit)			
Electric utility	$ 134	$ 109	$ 245
Gas utility	51	33	96
Enterprises	2	2	72
EnerBank	16	12	22
Other reconciling items	(56)	(41)	(11)
Total income tax expense – CMS Energy	$ 147	$ 115	$ 424
Consumers			
Income tax expense (benefit)			
Electric utility	$ 134	$ 109	$ 245
Gas utility	51	33	96
Other reconciling items	—	—	(2)
Total income tax expense – Consumers	$ 185	$ 142	$ 339
CMS Energy, including Consumers			
Net income (loss) available to common stockholders			
Electric utility	$ 509	$ 535	$ 455
Gas utility	233	169	173
Enterprises	33	34	(27)
EnerBank	49	38	28
Other reconciling items	(144)	(119)	(169)
Total net income available to common stockholders – CMS Energy	$ 680	$ 657	$ 460
Consumers			
Net income (loss) available to common stockholder			
Electric utility	$ 509	$ 535	$ 455
Gas utility	233	169	173
Other reconciling items	(1)	(1)	2
Total net income available to common stockholder – Consumers	$ 741	$ 703	$ 630
CMS Energy, including Consumers			
Plant, property, and equipment, gross			
Electric utility[2,3]	$ 16,158	$ 16,027	$ 15,221
Gas utility[2]	8,785	7,919	7,080
Enterprises	405	412	167
EnerBank	22	25	21
Other reconciling items	20	17	17
Total plant, property, and equipment, gross – CMS Energy	$ 25,390	$ 24,400	$ 22,506

In Millions

Years Ended December 31	2019	2018	2017
Consumers			
Plant, property, and equipment, gross			
Electric utility[2,3]	$ 16,158	$ 16,027	$ 15,221
Gas utility[2]	8,785	7,919	7,080
Other reconciling items	20	17	17
Total plant, property, and equipment, gross – Consumers	$ 24,963	$ 23,963	$ 22,318
CMS Energy, including Consumers			
Investments in equity method investees[1]			
Enterprises	$ 71	$ 69	$ 64
Total investments in equity method investees – CMS Energy	$ 71	$ 69	$ 64
CMS Energy, including Consumers			
Total assets			
Electric utility[2]	$ 14,911	$ 14,079	$ 13,906
Gas utility[2]	8,659	7,806	7,139
Enterprises	527	540	342
EnerBank	2,692	2,006	1,453
Other reconciling items	48	98	210
Total assets – CMS Energy	$ 26,837	$ 24,529	$ 23,050
Consumers			
Total assets			
Electric utility[2]	$ 14,973	$ 14,143	$ 13,907
Gas utility[2]	8,706	7,853	7,139
Other reconciling items	20	29	53
Total assets – Consumers	$ 23,699	$ 22,025	$ 21,099
CMS Energy, including Consumers			
Capital expenditures[4]			
Electric utility[5]	$ 1,162	$ 865	$ 882
Gas utility[5]	971	958	800
Enterprises	5	246	33
EnerBank	8	10	6
Other reconciling items	1	2	1
Total capital expenditures – CMS Energy	$ 2,147	$ 2,081	$ 1,722
Consumers			
Capital expenditures[4]			
Electric utility[5]	$ 1,162	$ 865	$ 882
Gas utility[5]	971	958	800
Other reconciling items	1	2	1
Total capital expenditures – Consumers	$ 2,134	$ 1,825	$ 1,683

1 Consumers had no significant equity method investments.

2 Amounts include a portion of Consumers' other common assets attributable to both the electric and gas utility businesses.

[3] Costs related to coal-fueled electric generating units to be retired in 2023 were removed and recorded as a regulatory asset in June 2019. For additional details, see Note 3, Regulatory Matters.

[4] Amounts include finance lease additions.

[5] Amounts include a portion of Consumers' capital expenditures for plant and equipment attributable to both the electric and gas utility businesses.

20: Related-Party Transactions—Consumers

Consumers enters into a number of transactions with related parties in the normal course of business. These transactions include:

- purchases of electricity from affiliates of CMS Enterprises
- payments to and from CMS Energy related to parent company overhead costs

Transactions involving power supply purchases from certain affiliates of CMS Enterprises are based on avoided costs under PURPA, state law, and competitive bidding. The payment of parent company overhead costs is based on the use of accepted industry allocation methodologies. These payments are for costs that occur in the normal course of business.

Presented in the following table is Consumers' expense recorded from related-party transactions for the years ended December 31:

In Millions

Description	Related Party	2019	2018	2017
Purchases of capacity and energy	Affiliates of CMS Enterprises	$ 75	$ 83	$ 90

Amounts payable to related parties for purchased power and other services were $26 million at December 31, 2019 and $20 million at December 31, 2018. Accounts receivable from related parties were $8 million at December 31, 2019 and $13 million at December 31, 2018.

In 2018, CMS Energy and Consumers sold the DB SERP debt securities and CMS Energy issued a demand note payable to the DB SERP rabbi trust. The portion of the demand note attributable to Consumers was recorded as a note receivable – related party on Consumers' consolidated balance sheets at December 31, 2019 and December 31, 2018. For additional details about the note receivable – related party, see Note 7, Financial Instruments and Note 8, Notes Receivable.

Beginning in December 2018, Consumers and a subsidiary of CMS Energy executed a 20-year natural gas transportation agreement, related to a pipeline owned by Consumers. For additional details about the agreement, see Note 10, Leases and Palisades Financing.

Consumers owned shares of CMS Energy common stock with a fair value of $1 million at December 31, 2019 and December 31, 2018.

In January 2020, Consumers renewed a short-term credit agreement with CMS Energy, permitting Consumers to borrow up to $300 million. At December 31, 2019, there were no outstanding loans under the agreement.

21: Variable Interest Entities

CMS Energy has variable interests in T.E.S. Filer City, Grayling, Genesee, and Craven. While CMS Energy owns 50 percent of each partnership, it is not the primary beneficiary of any of these partnerships because decision making is shared among unrelated parties, and no one party has the ability to direct the activities that most significantly impact the entities' economic performance, such as operations and maintenance, plant dispatch, and fuel strategy. The partners must agree on all major decisions for each of the partnerships.

Presented in the following table is information about these partnerships:

Name	Nature of the Entity	Nature of CMS Energy's Involvement
T.E.S. Filer City	Coal-fueled power generator	Long-term PPA between partnership and Consumers Employee assignment agreement
Grayling	Wood waste-fueled power generator	Long-term PPA between partnership and Consumers Reduced dispatch agreement with Consumers[1] Operating and management contract
Genesee	Wood waste-fueled power generator	Long-term PPA between partnership and Consumers Reduced dispatch agreement with Consumers[1] Operating and management contract Guarantee of fixed rate debt[2] Deferred collection of certain receivables[3]
Craven	Wood waste-fueled power generator	Operating and management contract

1 Reduced dispatch agreements allow the facilities to be dispatched based on the market price of power compared with the cost of production of the plants. This results in fuel cost savings that each partnership shares with Consumers' customers.

2 CMS Energy's guarantee is capped at $3 million annually through 2021. For additional details on this guarantee, see Note 4, Contingencies and Commitments—Guarantees.

3 CMS Energy's maximum exposure to loss from these receivables is $10 million.

The creditors of these partnerships do not have recourse to the general credit of CMS Energy or Consumers, except as noted in the table above. Consumers has not provided any financial or other support during the periods presented that was not previously contractually required.

CMS Energy's investment in these partnerships is included in investments on its consolidated balance sheets in the amount of $71 million as of December 31, 2019 and $69 million as of December 31, 2018.

22: Asset Sales and Exit Activities

Enterprises

In April 2019, DIG completed a sale of transmission equipment to ITC and recognized a pre-tax gain of $16 million within maintenance and other operating expenses on CMS Energy's consolidated statements of income.

Consumers

Asset Sale: In September 2019, Consumers completed a sale of a portion of its electric utility's substation transmission equipment to METC. In December 2019, Consumers filed an application with the MPSC requesting approval to share voluntarily half of the gain from the sale with customers. As a result, during 2019, Consumers recorded a regulatory liability of $17 million and recognized a pre-tax gain of $17 million within maintenance and other operating expenses on its consolidated statements of income. For additional details on the sharing of the gain with customers, see Note 3, Regulatory Matters.

Exit Activities: Under its Clean Energy Plan, Consumers plans to retire the D.E. Karn 1 & 2 coal-fueled electric generating units in 2023. For additional details on Consumers' plans to request recovery of the remaining book value of the two units upon their retirement, see Note 3, Regulatory Matters.

In October 2019, Consumers announced a retention incentive program to ensure necessary staffing at the D.E. Karn generating complex through the anticipated retirement of the coal-fueled electric generating units. Based on the number of employees that have chosen to participate, the aggregate cost of the program through 2023 is estimated to be $35 million. Consumers will seek recovery of these costs from customers.

In 2019, Consumers' electric utility recognized $6 million related to retention and severance benefits within maintenance and other operating expenses on Consumers' consolidated statements of income. The amount was reported as other liabilities on its consolidated balance sheets at December 31, 2019, which included $2 million of current liabilities.

23: Quarterly Financial and Common Stock Information (Unaudited)

In Millions, Except Per Share Amounts

	2019			
Quarters Ended	March 31	June 30	Sept 30	Dec 31
CMS Energy, including Consumers				
Operating revenue	$ 2,059	$ 1,445	$ 1,546	$ 1,795
Operating income	359	218	351	311
Net income	213	94	207	168
Income attributable to noncontrolling interests	—	1	—	1
Net income available to common stockholders	213	93	207	167
Basic earnings per average common share[1]	0.75	0.33	0.73	0.59
Diluted earnings per average common share[1]	0.75	0.33	0.73	0.58
Consumers				
Operating revenue	$ 1,943	$ 1,334	$ 1,429	$ 1,670
Operating income	328	175	319	308
Net income	226	98	213	206
Preferred stock dividends	—	1	—	1
Net income available to common stockholder	226	97	213	205

[1] The sum of the quarters may not equal annual EPS due to changes in the number of shares outstanding.

In Millions, Except Per Share Amounts

	2018			
Quarters Ended	March 31	June 30	Sept 30	Dec 31
CMS Energy, including Consumers				
Operating revenue	$ 1,953	$ 1,492	$ 1,599	$ 1,829
Operating income	363	255	294	250
Net income	241	140	169	109
Income attributable to noncontrolling interests	—	1	—	1
Net income available to common stockholders	241	139	169	108
Basic earnings per average common share[1]	0.86	0.49	0.60	0.38
Diluted earnings per average common share[1]	0.86	0.49	0.59	0.38
Consumers				
Operating revenue	$ 1,855	$ 1,395	$ 1,502	$ 1,712
Operating income	334	229	271	231
Net income	242	152	180	131
Preferred stock dividends	—	1	—	1
Net income available to common stockholder	242	151	180	130

[1] The sum of the quarters may not equal annual EPS due to changes in the number of shares outstanding.

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Report of Independent Registered Public Accounting Firm

To the Board of Directors and Stockholders of CMS Energy Corporation

Opinions on the Financial Statements and Internal Control over Financial Reporting

We have audited the accompanying consolidated balance sheets of CMS Energy Corporation and its subsidiaries (the "Company") as of December 31, 2019 and 2018, and the related consolidated statements of income, comprehensive income, changes in equity and cash flows for each of the three years in the period ended December 31, 2019, including the related notes and financial statement schedules of CMS Energy Corporation listed in the index appearing under Item 15 (collectively referred to as the "consolidated financial statements"). We also have audited the Company's internal control over financial reporting as of December 31, 2019, based on criteria established in *Internal Control — Integrated Framework* (2013) issued by the Committee of Sponsoring Organizations of the Treadway Commission (COSO).

In our opinion, the consolidated financial statements referred to above present fairly, in all material respects, the financial position of the Company as of December 31, 2019 and 2018, and the results of its operations and its cash flows for each of the three years in the period ended December 31, 2019 in conformity with accounting principles generally accepted in the United States of America. Also in our opinion, the Company maintained, in all material respects, effective internal control over financial reporting as of December 31, 2019, based on criteria established in *Internal Control — Integrated Framework* (2013) issued by the COSO.

Basis for Opinions

The Company's management is responsible for these consolidated financial statements, for maintaining effective internal control over financial reporting, and for its assessment of the effectiveness of internal control over financial reporting, included in Management's Annual Report on Internal Control Over Financial Reporting appearing under Item 9A. Our responsibility is to express opinions on the Company's consolidated financial statements and on the Company's internal control over financial reporting based on our audits. We are a public accounting firm registered with the Public Company Accounting Oversight Board (United States) (PCAOB) and are required to be independent with respect to the Company in accordance with the U.S. federal securities laws and the applicable rules and regulations of the Securities and Exchange Commission and the PCAOB.

We conducted our audits in accordance with the standards of the PCAOB. Those standards require that we plan and perform the audits to obtain reasonable assurance about whether the consolidated financial statements are free of material misstatement, whether due to error or fraud, and whether effective internal control over financial reporting was maintained in all material respects.

Our audits of the consolidated financial statements included performing procedures to assess the risks of material misstatement of the consolidated financial statements, whether due to error or fraud, and performing procedures that respond to those risks. Such procedures included examining, on a test basis, evidence regarding the amounts and disclosures in the consolidated financial statements. Our audits also included evaluating the accounting principles used and significant estimates made by management, as well as evaluating the overall presentation of the consolidated financial statements. Our audit of internal control over financial reporting included obtaining an understanding of internal control over financial reporting, assessing the risk that a material weakness exists, and testing and evaluating the design and operating effectiveness of internal control based on the assessed risk. Our audits also included performing such other procedures as we considered necessary in the circumstances. We believe that our audits provide a reasonable basis for our opinions.

Definition and Limitations of Internal Control over Financial Reporting

A company's internal control over financial reporting is a process designed to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles. A company's internal control over financial reporting includes those policies and procedures that (i) pertain to the maintenance of records that, in reasonable detail, accurately and fairly reflect the transactions and dispositions of the assets of the company; (ii) provide reasonable assurance that transactions are recorded as necessary to permit preparation of financial statements in accordance with generally accepted accounting principles, and that receipts and expenditures of the company are being made only in accordance with authorizations of management and directors of the company; and (iii) provide reasonable assurance regarding prevention or timely detection of unauthorized acquisition, use, or disposition of the company's assets that could have a material effect on the financial statements.

Because of its inherent limitations, internal control over financial reporting may not prevent or detect misstatements. Also, projections of any evaluation of effectiveness to future periods are subject to the risk that controls may become inadequate because of changes in conditions, or that the degree of compliance with the policies or procedures may deteriorate.

Critical Audit Matters

The critical audit matter communicated below is a matter arising from the current period audit of the consolidated financial statements that was communicated or required to be communicated to the audit committee and that (i) relates to accounts or disclosures that are material to the consolidated financial statements and (ii) involved our especially challenging, subjective, or complex judgments. The communication of critical audit matters does not alter in any way our opinion on the consolidated financial statements, taken as a whole, and we are not, by communicating the critical audit matter below, providing a separate opinion on the critical audit matter or on the accounts or disclosures to which it relates.

Accounting for the Effects of New Regulatory Matters

As described in Note 3 to the consolidated financial statements, the Company is a utility and must apply regulatory accounting when its rates are designed to recover specific costs of providing regulated services. Under regulatory accounting, the Company records regulatory assets or liabilities for certain transactions that would have been treated as expense or revenue by a non-regulated business. As of December 31, 2019, the Company has recognized a total of $2,522 million of regulatory assets and $3,829 million of regulatory liabilities. As described by management, there are multiple participants to rate case proceedings who often challenge various aspects of those proceedings, including the prudence of the Company's policies and practices. These participants often seek cost disallowances and other relief and have appealed significant decisions reached by the regulators. The recovery of regulatory assets and the settlement of regulatory liabilities are contingent upon the outcomes of rate cases and regulatory proceedings.

The principal considerations for our determination that performing procedures relating to management's accounting for the effects of new regulatory matters is a critical audit matter are (i) there was a high degree of auditor judgment and subjectivity applied to evaluate management's assessment of the potential outcomes and related accounting impacts associated with pending rate case proceedings, (ii) in some cases, there was significant audit effort necessary to assess contrary evidence from various parties involved in rate case proceedings, and (iii) there was significant audit effort necessary to evaluate audit evidence related to the recovery of regulatory assets and the settlement of regulatory liabilities.

Addressing the matter involved performing procedures and evaluating audit evidence in connection with forming our overall opinion on the consolidated financial statements. These procedures included testing the effectiveness of controls relating to management's assessment of regulatory proceedings, including the probability of recovering incurred costs and the related accounting and disclosure impacts. These procedures also included, among others, obtaining and evaluating the Company's correspondence with regulators, evaluating the reasonableness of management's assessment regarding whether recovery of regulatory assets and settlement of regulatory liabilities is probable and evaluating the sufficiency of the disclosures in the consolidated financial statements. Procedures were performed to evaluate the regulatory assets and liabilities, including those subject to pending rate cases, based on provisions and formulas outlined in rate orders, other regulatory correspondence, or application of relevant regulatory precedents.

/s/ PricewaterhouseCoopers LLP

Detroit, Michigan
February 6, 2020

We have served as the Company's auditor since 2007.

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Report of Independent Registered Public Accounting Firm

To the Board of Directors and Stockholder of Consumers Energy Company

Opinions on the Financial Statements and Internal Control over Financial Reporting

We have audited the accompanying consolidated balance sheets of Consumers Energy Company and its subsidiaries (the "Company") as of December 31, 2019 and 2018, and the related consolidated statements of income, comprehensive income, changes in equity and cash flows for each of the three years in the period ended December 31, 2019, including the related notes and financial statement schedule of Consumers Energy Company listed in the index appearing under Item 15 (collectively referred to as the "consolidated financial statements"). We also have audited the Company's internal control over financial reporting as of December 31, 2019, based on criteria established in *Internal Control — Integrated Framework* (2013) issued by the Committee of Sponsoring Organizations of the Treadway Commission (COSO).

In our opinion, the consolidated financial statements referred to above present fairly, in all material respects, the financial position of the Company as of December 31, 2019 and 2018, and the results of its operations and its cash flows for each of the three years in the period ended December 31, 2019 in conformity with accounting principles generally accepted in the United States of America. Also in our opinion, the Company maintained, in all material respects, effective internal control over financial reporting as of December 31, 2019, based on criteria established in *Internal Control — Integrated Framework* (2013) issued by the COSO.

Basis for Opinions

The Company's management is responsible for these consolidated financial statements, for maintaining effective internal control over financial reporting, and for its assessment of the effectiveness of internal control over financial reporting, included in Management's Annual Report on Internal Control Over Financial Reporting appearing under Item 9A. Our responsibility is to express opinions on the Company's consolidated financial statements and on the Company's internal control over financial reporting based on our audits. We are a public accounting firm registered with the Public Company Accounting Oversight Board (United States) (PCAOB) and are required to be independent with respect to the Company in accordance with the U.S. federal securities laws and the applicable rules and regulations of the Securities and Exchange Commission and the PCAOB.

We conducted our audits in accordance with the standards of the PCAOB. Those standards require that we plan and perform the audits to obtain reasonable assurance about whether the consolidated financial statements are free of material misstatement, whether due to error or fraud, and whether effective internal control over financial reporting was maintained in all material respects.

Our audits of the consolidated financial statements included performing procedures to assess the risks of material misstatement of the consolidated financial statements, whether due to error or fraud, and performing procedures that respond to those risks. Such procedures included examining, on a test basis, evidence regarding the amounts and disclosures in the consolidated financial statements. Our audits also included evaluating the accounting principles used and significant estimates made by management, as well as evaluating the overall presentation of the consolidated financial statements. Our audit of internal control over financial reporting included obtaining an understanding of internal control over financial reporting, assessing the risk that a material weakness exists, and testing and evaluating the design and operating effectiveness of internal control based on the assessed risk. Our audits also included performing such other procedures as we considered necessary in the circumstances. We believe that our audits provide a reasonable basis for our opinions.

Definition and Limitations of Internal Control over Financial Reporting

A company's internal control over financial reporting is a process designed to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles. A company's internal control over financial reporting includes those policies and procedures that (i) pertain to the maintenance of records that, in reasonable detail, accurately and fairly reflect the transactions and dispositions of the assets of the company; (ii) provide reasonable assurance that transactions are recorded as necessary to permit preparation of financial statements in accordance with generally accepted accounting principles, and that receipts and expenditures of the company are being made only in accordance with authorizations of management and directors of the company; and (iii) provide reasonable assurance regarding prevention or timely detection of unauthorized acquisition, use, or disposition of the company's assets that could have a material effect on the financial statements.

Because of its inherent limitations, internal control over financial reporting may not prevent or detect misstatements. Also, projections of any evaluation of effectiveness to future periods are subject to the risk that controls may become inadequate because of changes in conditions, or that the degree of compliance with the policies or procedures may deteriorate.

/s/ PricewaterhouseCoopers LLP

Detroit, Michigan
February 6, 2020

We have served as the Company's auditor since 2007.

Item 9. Changes in and Disagreements with Accountants on Accounting and Financial Disclosure

None.

Item 9A. Controls and Procedures

CMS Energy

Conclusion Regarding the Effectiveness of Disclosure Controls and Procedures: Under the supervision and with the participation of management, including its CEO and CFO, CMS Energy conducted an evaluation of its disclosure controls and procedures (as such term is defined in Rules 13a-15(e) and 15d-15(e) under the Exchange Act). Based on such evaluation, CMS Energy's CEO and CFO have concluded that its disclosure controls and procedures were effective as of December 31, 2019.

Management's Annual Report on Internal Control Over Financial Reporting: CMS Energy's management is responsible for establishing and maintaining adequate internal control over financial reporting, as defined in Exchange Act Rules 13a-15(f) and 15d-15(f). CMS Energy's internal control over financial reporting is a process designed to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with GAAP and includes policies and procedures that:

- pertain to the maintenance of records that, in reasonable detail, accurately and fairly reflect the transactions and dispositions of the assets of CMS Energy
- provide reasonable assurance that transactions are recorded as necessary to permit preparation of financial statements in accordance with GAAP, and that receipts and expenditures of CMS Energy are being made only in accordance with authorizations of management and directors of CMS Energy
- provide reasonable assurance regarding prevention or timely detection of unauthorized acquisition, use, or disposition of CMS Energy's assets that could have a material effect on its financial statements

Management, including its CEO and CFO, does not expect that its internal controls will prevent or detect all errors and all fraud. A control system, no matter how well designed and operated, can provide only reasonable, not absolute, assurance that the objectives of the control system are met. Further, the design of a control system must reflect the fact that there are resource constraints, and the benefits of controls must be considered relative to their costs. In addition, any evaluation of the effectiveness of controls is subject to risks that those internal controls may become inadequate in future periods because of changes in business conditions, or that the degree of compliance with the policies or procedures deteriorates.

Under the supervision and with the participation of management, including its CEO and CFO, CMS Energy conducted an evaluation of the effectiveness of its internal control over financial reporting as of December 31, 2019. In making this evaluation, management used the criteria set forth in the framework in Internal Control—Integrated Framework (2013) issued by the Committee of Sponsoring Organizations of the Treadway Commission. Based on such evaluation, CMS Energy's management concluded that its internal control over financial reporting was effective as of December 31, 2019. The effectiveness of CMS Energy's internal control over financial reporting as of December 31, 2019 has been

audited by PricewaterhouseCoopers LLP, an independent registered public accounting firm, as stated in their report which appears under Item 8. Financial Statements and Supplementary Data.

Changes in Internal Control over Financial Reporting: There have been no changes in CMS Energy's internal control over financial reporting during the most recently completed fiscal quarter that have materially affected, or are reasonably likely to affect materially, its internal control over financial reporting.

Consumers

Conclusion Regarding the Effectiveness of Disclosure Controls and Procedures: Under the supervision and with the participation of management, including its CEO and CFO, Consumers conducted an evaluation of its disclosure controls and procedures (as such term is defined in Rules 13a-15(e) and 15d-15(e) under the Exchange Act). Based on such evaluation, Consumers' CEO and CFO have concluded that its disclosure controls and procedures were effective as of December 31, 2019.

Management's Annual Report on Internal Control Over Financial Reporting: Consumers' management is responsible for establishing and maintaining adequate internal control over financial reporting, as defined in Exchange Act Rules 13a-15(f) and 15d-15(f). Consumers' internal control over financial reporting is a process designed to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with GAAP and includes policies and procedures that:

- pertain to the maintenance of records that, in reasonable detail, accurately and fairly reflect the transactions and dispositions of the assets of Consumers
- provide reasonable assurance that transactions are recorded as necessary to permit preparation of financial statements in accordance with GAAP, and that receipts and expenditures of Consumers are being made only in accordance with authorizations of management and directors of Consumers
- provide reasonable assurance regarding prevention or timely detection of unauthorized acquisition, use, or disposition of Consumers' assets that could have a material effect on its financial statements

Management, including its CEO and CFO, does not expect that its internal controls will prevent or detect all errors and all fraud. A control system, no matter how well designed and operated, can provide only reasonable, not absolute, assurance that the objectives of the control system are met. Further, the design of a control system must reflect the fact that there are resource constraints, and the benefits of controls must be considered relative to their costs. In addition, any evaluation of the effectiveness of controls is subject to risks that those internal controls may become inadequate in future periods because of changes in business conditions, or that the degree of compliance with the policies or procedures deteriorates.

Under the supervision and with the participation of management, including its CEO and CFO, Consumers conducted an evaluation of the effectiveness of its internal control over financial reporting as of December 31, 2019. In making this evaluation, management used the criteria set forth in the framework in Internal Control—Integrated Framework (2013) issued by the Committee of Sponsoring Organizations of the Treadway Commission. Based on such evaluation, Consumers' management concluded that its internal control over financial reporting was effective as of December 31, 2019. The effectiveness of Consumers' internal control over financial reporting as of December 31, 2019 has been audited by PricewaterhouseCoopers LLP, an independent registered public accounting firm, as stated in their report which appears under Item 8. Financial Statements and Supplementary Data.

Changes in Internal Control over Financial Reporting: There have been no changes in Consumers' internal control over financial reporting during the most recently completed fiscal quarter that have materially affected, or are reasonably likely to affect materially, its internal control over financial reporting.

Item 9B. Other Information

None.

Part III

Item 10. Directors, Executive Officers and Corporate Governance

CMS Energy

Information that is required in Item 10 of this Form 10-K regarding executive officers is included in the Item 1. Business—Information About CMS Energy's and Consumers' Executive Officers section, which is incorporated by reference herein.

Information that is required in Item 10 of this Form 10-K regarding directors, executive officers, and corporate governance is incorporated by reference from CMS Energy's and Consumers' definitive proxy statement for their 2020 Annual Meetings of Shareholders to be held May 1, 2020. The proxy statement will be filed with the SEC, pursuant to Regulation 14A under the Exchange Act, within 120 days after the end of the fiscal year covered by this Form 10-K, all of which information is hereby incorporated by reference in, and made part of, this Form 10-K.

Code of Ethics

CMS Energy has adopted an employee code of ethics, entitled "CMS Energy 2020 Code of Conduct" ("Employee Code") that applies to its CEO, CFO, and CAO, as well as all other officers and employees of CMS Energy and its affiliates, except for EnerBank, which has its own code of conduct. The Employee Code is administered by the Chief Compliance Officer of CMS Energy, who reports directly to the Audit Committee of the Board of Directors of CMS Energy. CMS Energy has also adopted a director code of ethics entitled "2020 Board of Directors Code of Conduct" ("Director Code") that applies to its directors. The Director Code is administered by the Audit Committee of the Board of Directors of CMS Energy. Any alleged violation of the Director Code by a director will be investigated by disinterested members of the Audit Committee of the Board of Directors of CMS Energy, or if none, by disinterested members of the entire Board of Directors of CMS Energy. The Employee Code and Director Code and any waivers of, or amendments or exceptions to, a provision of the Employee Code that applies to CMS Energy's CEO, CFO, CAO or persons performing similar functions and any waivers of, or amendments or exceptions to, a provision of CMS Energy's Director Code will be disclosed on CMS Energy's website at www.cmsenergy.com/corporate-governance/compliance-and-ethics.

Consumers

Information that is required in Item 10 of this Form 10-K regarding executive officers is included in the Item 1. Business—Information About CMS Energy's and Consumers' Executive Officers section, which is incorporated by reference herein.

Information that is required in Item 10 of this Form 10-K regarding directors, executive officers, and corporate governance is incorporated by reference from CMS Energy's and Consumers' definitive proxy statement for their 2020 Annual Meetings of Shareholders to be held May 1, 2020. The proxy statement will be filed with the SEC, pursuant to Regulation 14A under the Exchange Act, within 120 days after the end of the fiscal year covered by this Form 10-K, all of which information is hereby incorporated by reference in, and made part of, this Form 10-K.

Code of Ethics

Consumers has adopted an employee code of ethics, entitled "CMS Energy 2020 Code of Conduct" ("Employee Code") that applies to its CEO, CFO, and CAO, as well as all other officers and employees of Consumers and its affiliates, except for EnerBank, which has its own code of conduct. The Employee Code is administered by the Chief Compliance Officer of Consumers, who reports directly to the Audit Committee of the Board of Directors of Consumers. Consumers has also adopted a director code of ethics entitled "2020 Board of Directors Code of Conduct" ("Director Code") that applies to its directors. The Director Code is administered by the Audit Committee of the Board of Directors of Consumers. Any alleged violation of the Director Code by a director will be investigated by disinterested members of the Audit Committee of the Board of Directors of Consumers, or if none, by disinterested members of the entire Board of Directors of Consumers. The Employee Code and Director Code and any waivers of, or amendments or exceptions to, a provision of the Employee Code that applies to Consumers' CEO, CFO, CAO or persons performing similar functions and any waivers of, or amendments or exceptions to, a provision of Consumers' Director Code will be disclosed on Consumers' website at www.cmsenergy.com/corporate-governance/compliance-and-ethics.

Item 11. Executive Compensation

See the note below.

Item 12. Security Ownership of Certain Beneficial Owners and Management and Related Stockholder Matters

Securities Authorized for Issuance Under Equity Compensation Plans

Presented in the following table is information regarding CMS Energy's equity compensation plans as of December 31, 2019:

Plan Category	(a) Number of securities to be issued upon exercise of outstanding options, warrants, and rights	(b) Weighted-average exercise price of outstanding options, warrants, and rights	(c) Number of securities remaining available for future issuance under equity compensation plans (excluding securities reflected in column (a))
Equity compensation plan approved by shareholders	—	$ —	3,258,000

Also see the note below.

Item 13. Certain Relationships and Related Transactions, and Director Independence

See the note below.

Item 14. Principal Accountant Fees and Services

See the note below.

NOTE: Information that is required by Part III—Items 11, 12, 13, and 14 of this Form 10-K is incorporated by reference from CMS Energy's and Consumers' definitive proxy statement for their 2020 Annual Meetings of Shareholders to be held May 1, 2020. The proxy statement will be filed with the SEC, pursuant to Regulation 14A under the Exchange Act, within 120 days after the end of the fiscal year covered by this Form 10-K, all of which information is hereby incorporated by reference in, and made part of, this Form 10-K.

Part IV

Item 15. Exhibits and Financial Statement Schedules

The following financial statements are filed as part of this report under Item 8. Financial Statements and Supplementary Data:

- Consolidated Statements of Income of CMS Energy for the years ended December 31, 2019, 2018, and 2017
- Consolidated Statements of Comprehensive Income of CMS Energy for the years ended December 31, 2019, 2018, and 2017
- Consolidated Statements of Cash Flows of CMS Energy for the years ended December 31, 2019, 2018, and 2017
- Consolidated Balance Sheets of CMS Energy at December 31, 2019 and 2018
- Consolidated Statements of Changes in Equity of CMS Energy for the years ended December 31, 2019, 2018, and 2017
- Consolidated Statements of Income of Consumers for the years ended December 31, 2019, 2018, and 2017
- Consolidated Statements of Comprehensive Income of Consumers for the years ended December 31, 2019, 2018, and 2017
- Consolidated Statements of Cash Flows of Consumers for the years ended December 31, 2019, 2018, and 2017
- Consolidated Balance Sheets of Consumers at December 31, 2019 and 2018
- Consolidated Statements of Changes in Equity of Consumers for the years ended December 31, 2019, 2018, and 2017
- Notes to the Consolidated Financial Statements
- Report of Independent Registered Public Accounting Firm for CMS Energy
- Report of Independent Registered Public Accounting Firm for Consumers

The following financial statement schedules are included below:

- Schedule I — Condensed Financial Information of Registrant, CMS Energy—Parent Company at December 31, 2019 and 2018 and for the years ended December 31, 2019, 2018, and 2017
- Schedule II — Valuation and Qualifying Accounts and Reserves of CMS Energy for the years ended December 31, 2019, 2018, and 2017
- Schedule II — Valuation and Qualifying Accounts and Reserves of Consumers for the years ended December 31, 2019, 2018, and 2017

Schedule I — Condensed Financial Information of Registrant

CMS Energy—Parent Company
Condensed Statements of Income

In Millions

Years Ended December 31	2019	2018	2017
Operating Expenses			
Other operating expenses	$ (38)	$ (7)	$ (9)
Total operating expenses	(38)	(7)	(9)
Operating Loss	(38)	(7)	(9)
Other Income (Expense)			
Equity earnings of subsidiaries	826	780	633
Nonoperating retirement benefits, net	(1)	(1)	(1)
Interest income	1	2	1
Other income	1	—	2
Other expense	—	(17)	(31)
Total other income	827	764	604
Interest Charges			
Interest on long-term debt	156	135	143
Intercompany interest expense and other	10	7	3
Total interest charges	166	142	146
Income Before Income Taxes	623	615	449
Income Tax Benefit	(57)	(42)	(11)
Net Income Available to Common Stockholders	$ 680	$ 657	$ 460

The accompanying notes are an integral part of these statements.

Schedule I — Condensed Financial Information of Registrant (Continued)

CMS Energy—Parent Company
Condensed Statements of Cash Flows

In Millions

Years Ended December 31	2019	2018	2017
Cash Flows from Operating Activities			
Net cash provided by operating activities	$ 697	$ 702	$ 433
Cash Flows from Investing Activities			
Investment in subsidiaries	(683)	(363)	(447)
Proceeds from DB SERP investments	—	22	—
Net cash used in investing activities	(683)	(341)	(447)
Cash Flows from Financing Activities			
Proceeds from issuance of debt	1,158	560	799
Issuance of common stock	12	41	83
Retirement of long-term debt	(738)	(675)	(425)
Debt prepayment costs	—	(16)	(18)
Payment of dividends on common stock	(434)	(405)	(375)
Debt issuance costs and financing fees	(18)	(8)	(3)
Change in notes payable – intercompany	6	142	(47)
Net cash provided by (used in) financing activities	(14)	(361)	14
Net Increase in Cash and Cash Equivalents, Including Restricted Amounts	—	—	—
Cash and Cash Equivalents, Including Restricted Amounts, Beginning of Period	—	—	—
Cash and Cash Equivalents, Including Restricted Amounts, End of Period	$ —	$ —	$ —

The accompanying notes are an integral part of these statements.

Schedule I — Condensed Financial Information of Registrant (Continued)

CMS Energy—Parent Company
Condensed Balance Sheets

ASSETS

In Millions

December 31	2019	2018
Current Assets		
Notes and accrued interest receivable	$ 2	$ 2
Accounts receivable – intercompany and related parties	9	7
Federal income tax receivable	18	44
Accrued taxes	—	26
Prepayments and other current assets	1	1
Total current assets	30	80
Other Non-current Assets		
Deferred income taxes	126	180
Investments in subsidiaries	8,526	7,706
Other investments	4	3
Other	16	10
Total other non-current assets	8,672	7,899
Total Assets	$ 8,702	$ 7,979

LIABILITIES AND EQUITY

In Millions

December 31	2019	2018
Current Liabilities		
Current portion of long-term debt	$ —	$ 180
Accounts and notes payable – intercompany	123	113
Accrued interest, including intercompany	34	32
Accrued taxes	5	—
Other current liabilities	38	7
Total current liabilities	200	332
Non-current Liabilities		
Long-term debt	3,334	2,750
Notes payable – intercompany	112	116
Postretirement benefits	21	17
Other non-current liabilities	17	9
Total non-current liabilities	3,484	2,892
Equity		
Common stockholders' equity	5,018	4,755
Total Liabilities and Equity	$ 8,702	$ 7,979

The accompanying notes are an integral part of these statements.

Schedule I — Condensed Financial Information of Registrant (Continued)

CMS Energy—Parent Company
Notes to the Condensed Financial Statements

1: Basis of Presentation

CMS Energy's condensed financial statements have been prepared on a parent-only basis. In accordance with Rule 12-04 of Regulation S-X, these parent-only financial statements do not include all of the information and notes required by GAAP for annual financial statements, and therefore these parent-only financial statements and other information included should be read in conjunction with CMS Energy's audited consolidated financial statements contained within Item 8. Financial Statements and Supplementary Data.

2: Contingencies

Gas Index Price Reporting Litigation: CMS Energy, along with CMS MST, CMS Field Services, Cantera Natural Gas, Inc., and Cantera Gas Company, were named as defendants in four class action lawsuits and one individual lawsuit arising as a result of alleged inaccurate natural gas price reporting to publications that report trade information. Allegations include price-fixing conspiracies, restraint of trade, and artificial inflation of natural gas retail prices in Kansas, Missouri, and Wisconsin. In 2016, CMS Energy entities reached a settlement with the plaintiffs in the Kansas and Missouri class action cases for an amount that was not material to CMS Energy. In 2017, the federal district court approved the settlement.

CMS Energy and the plaintiffs in each of the Kansas and the Wisconsin actions engaged in settlement discussions and CMS Energy has recorded a $30 million liability at December 31, 2019 as a probable estimate to settle these two cases. CMS Energy can give no assurances that it can reach a final settlement with the plaintiffs in these two cases, of the actual amount CMS Energy would have to pay in any settlement, or, in the Wisconsin case, that the Wisconsin court would approve any such settlement. If settlement does not occur and the outcome after appeals is unfavorable to CMS Energy, these cases could negatively affect CMS Energy's liquidity, financial condition, and results of operations.

3: Guarantees

CMS Energy has issued guarantees with a maximum potential obligation of $430 million on behalf of some of its wholly owned subsidiaries and related parties. CMS Energy's maximum potential obligation consists primarily of potential payments:

- to third parties under certain commodity purchase and swap agreements entered into with CMS ERM
- to third parties under certain agreements entered into with Grand River Wind, LLC, a wholly owned subsidiary of CMS Enterprises
- to third parties in support of non-recourse revenue bonds issued by Genesee
- to EGLE on behalf of CMS Land and CMS Capital, for environmental remediation obligations at Bay Harbor
- to the U.S. Department of Energy on behalf of Consumers, in connection with Consumers' 2011 settlement agreement with the U.S. Department of Energy regarding damages resulting from the department's failure to accept spent nuclear fuel from nuclear power plants formerly owned by Consumers

The expiry dates of these guarantees vary, depending upon contractual provisions or upon the statute of limitations under the relevant governing law.

4: Note Payable—Intercompany

In July 2018, CMS Energy issued a demand note payable to the DB SERP rabbi trust, of which $124 million was attributable to CMS Energy's subsidiaries. The demand note bears interest at an annual rate of 4.10 percent and has a maturity date of 2028. This note payable is not recorded at fair value; however, its carrying value approximates fair value at December 31, 2019. This fair value measurement is classified in Level 3 within the fair value hierarchy.

Schedule II — Valuation and Qualifying Accounts and Reserves

CMS Energy Corporation

Years Ended December 31, 2019, 2018, and 2017

In Millions

Description	Balance at Beginning of Period	Charged to Expense	Charged to Other Accounts	Deductions	Balance at End of Period
Allowance for uncollectible accounts[1]					
2019	$ 20	$ 29	$ —	$ 29	$ 20
2018	20	29	—	29	20
2017	24	29	—	33	20
Deferred tax valuation allowance					
2019	$ 8	$ —	$ —	$ 6	$ 2
2018	15	2	—	9	8
2017	5	10	—	—	15
Allowance for notes receivable[1]					
2019	$ 24	$ 38	$ —	$ 29	$ 33
2018	20	25	—	21	24
2017	16	20	—	16	20

[1] Deductions represent write-offs of uncollectible accounts, net of recoveries.

Consumers Energy Company

Years Ended December 31, 2019, 2018, and 2017

In Millions

Description	Balance at Beginning of Period	Charged to Expense	Charged to Other Accounts	Deductions	Balance at End of Period
Allowance for uncollectible accounts[1]					
2019	$ 20	$ 29	$ —	$ 29	$ 20
2018	20	29	—	29	20
2017	24	29	—	33	20

[1] Deductions represent write-offs of uncollectible accounts, net of recoveries.

Exhibit Index

The agreements included as exhibits to this Form 10-K filing are included solely to provide information regarding the terms of the agreements and are not intended to provide any other factual or disclosure information about CMS Energy, Consumers, or other parties to the agreements. The agreements may contain representations and warranties made by each of the parties to each of the agreements that were made exclusively for the benefit of the parties involved in each of the agreements and should not be treated as statements of fact. The representations and warranties were made as a way to allocate risk if one or more of those statements prove to be incorrect. The statements were qualified by disclosures of the parties to each of the agreements that may not be reflected in each of the agreements. The agreements may apply standards of materiality that are different than standards applied to other investors. Additionally, the statements were made as of the date of the agreements or as specified in the agreements and have not been updated.

The representations and warranties may not describe the actual state of affairs of the parties to each agreement. Additional information about CMS Energy and Consumers may be found in this filing, at www.cmsenergy.com, at www.consumersenergy.com, and through the SEC's website at www.sec.gov.

	Previously Filed			
Exhibits	With File Number	As Exhibit Number		Description
3.1[1]	1-9513	(3)(a)	—	Restated Articles of Incorporation of CMS Energy, effective June 1, 2004, as amended May 22, 2009 (Form 10-Q for the quarterly period ended June 30, 2009)
3.2[1]	1-9513	3.2	—	CMS Energy Bylaws, amended and restated effective February 8, 2016 (Form 8-K filed February 8, 2016)
3.3	1-5611	3(c)	—	Restated Articles of Incorporation of Consumers effective June 7, 2000 (Form 10-K for the fiscal year ended December 31, 2000)
3.4	1-5611	3.2	—	Consumers Bylaws, amended and restated as of January 24, 2013 (Form 8-K filed January 29, 2013)
4.1	2-65973	(b)(1)–4	—	Indenture dated as of September 1, 1945 between Consumers and Chemical Bank (successor to Manufacturers Hanover Trust Company), as Trustee, including therein indentures supplemental thereto through the Forty-third Supplemental Indenture dated as of May 1, 1979 (Form S-16 filed November 13, 1979)
				Indentures Supplemental thereto:
4.1.a	1-5611	4.2	—	104th dated as of 8/11/05 (Form 8-K filed August 11, 2005)
4.1.b	1-5611	4.1	—	112th dated as of 9/1/10 (Form 8-K filed September 7, 2010)
4.1.c	1-5611	4.1	—	113th dated as of 10/15/10 (Form 8-K filed October 20, 2010)
4.1.d	1-5611	4.1	—	114th dated as of 3/31/11 (Form 8-K filed April 6, 2011)
4.1.e	1-5611	4.1	—	116th dated as of 9/1/11 (Form 10-Q for the quarterly period ended September 30, 2011)
4.1.f	1-5611	4.1	—	117th dated as of 5/8/12 (Form 8-K filed May 8, 2012)
4.1.g	1-5611	4.1	—	119th dated as of 8/3/12 (Form 10-Q for the quarterly period ended September 30, 2012)
4.1.h	1-5611	4.1	—	120th dated as of 12/17/12 (Form 8-K filed December 20, 2012)

Exhibits	Previously Filed: With File Number	Previously Filed: As Exhibit Number		Description
4.1.i	1-5611	4.1	—	121st dated as of 5/17/13 (Form 8-K filed May 17, 2013)
4.1.j	1-5611	4.1	—	122nd dated as of 8/9/13 (Form 8-K filed August 9, 2013)
4.1.k	1-5611	4.1	—	123rd dated as of 12/20/13 (Form 8-K filed December 27, 2013)
4.1.l	1-5611	4.1	—	124th dated as of 8/18/2014 (Form 8-K filed August 18, 2014)
4.1.m	1-5611	4.1	—	125th dated as of 11/6/2015 (Form 8-K filed November 6, 2015)
4.1.n	1-5611	4.1	—	126th dated as of 11/23/2015 (Form 8-K filed November 25, 2015)
4.1.o	1-5611	4.1	—	127th dated as of 8/10/16 (Form 8-K filed August 10, 2016)
4.1.p	1-5611	4.1	—	128th dated as of 2/22/17 (Form 8-K filed February 22, 2017)
4.1.q	1-5611	4.1	—	129th dated as of 9/28/17 (Form 8-K filed September 28, 2017)
4.1.r	1-5611	4.1	—	130th dated as of 11/15/17 (Form 8-K filed November 15, 2017)
4.1.s	1-5611	4.1	—	131st dated as of 5/14/18 (Form 8-K filed May 14, 2018)
4.1.t	1-5611	4.1	—	132nd dated as of 6/5/18 (Form 8-K filed June 5, 2018)
4.1.u	1-5611	4.1	—	133rd dated as of 10/1/18 (Form 8-K filed October 1, 2018)
4.1.v	1-5611	4.1	—	134th dated as of 11/13/18 (Form 8-K filed November 13, 2018)
4.1.w	1-5611	4.1	—	135th dated as of 5/28/19 (Form 8-K filed May 28, 2019)
4.1.x	1-5611	4.1	—	136th dated as of 9/3/19 (Form 8-K filed September 3, 2019)
4.1.y	1-5611	4.1	—	137th dated as of 9/19/19 (Form 8-K filed September 19, 2019)
4.1.z	1-5611	4.3	—	138th dated as of 10/1/19 (Form 10-Q for the quarterly period ended September 30, 2019)
4.2	1-5611	(4)(b)	—	Indenture dated as of January 1, 1996 between Consumers and The Bank of New York Mellon, as Trustee (Form 10-K for the fiscal year ended December 31, 1995)
4.3	1-5611	(4)(c)	—	Indenture dated as of February 1, 1998 between Consumers and The Bank of New York Mellon (formerly The Chase Manhattan Bank), as Trustee (Form 10-K for the fiscal year ended December 31, 1997)
4.4[1]	33-47629	(4)(a)	—	Indenture dated as of September 15, 1992 between CMS Energy and NBD Bank, as Trustee (Form S-3 filed May 1, 1992)
				Indentures Supplemental thereto:
4.4.a[1]	1-9513	4.1	—	28th dated as of 3/12/12 (Form 8-K filed March 12, 2012)
4.4.b[1]	1-9513	4.1	—	29th dated as of 3/22/13 (Form 8-K filed March 22, 2013)
4.4.c[1]	1-9513	4.1	—	30th dated as of 2/27/14 (Form 8-K filed February 27, 2014)
4.4.d[1]	1-9513	4.2	—	31st dated as of 2/27/14 (Form 8-K filed February 27, 2014)
4.4.e[1]	1-9513	4.1	—	32nd dated as of 11/9/15 (Form 8-K filed November 9, 2015)
4.4.f[1]	1-9513	4.1	—	33rd dated as of 5/5/16 (Form 8-K filed May 5, 2016)
4.4.g[1]	1-9513	4.1	—	34th dated as of 11/3/16 (Form 8-K filed November 3, 2016)
4.4.h[1]	1-9513	4.1	—	35th dated as of 2/13/17 (Form 8-K filed February 13, 2017)

Exhibits	Previously Filed: With File Number	Previously Filed: As Exhibit Number		Description
4.5[1]	1-9513	(4a)	—	Indenture dated as of June 1, 1997 between CMS Energy and The Bank of New York Mellon, as Trustee (Form 8-K filed July 1, 1997)
				Indentures Supplemental thereto:
4.5.a[1]	1-9513	4.5.a	—	5th dated as of 2/13/18 (Form 10-K for the fiscal year ended December 31, 2017)
4.5.b[1]	1-9513	4.1	—	6th dated as of 3/8/18 (Form 8-K filed March 8, 2018)
4.5.c[1]	1-9513	4.1	—	7th dated as of 9/26/18 (Form 8-K filed September 26, 2018)
4.5.d[1]	1-9513	4.1	—	8th dated as of 2/20/19 (Form 8-K filed February 20, 2019)
4.6[1]			—	Description of CMS Energy Securities
4.7			—	Description of Consumers Securities
10.1[2]	1-9513	10.1	—	CMS Energy Performance Incentive Stock Plan, effective March 12, 2018 (Form 8-K filed March 14, 2018)
10.2[2]	1-9513	10.3	—	CMS Energy's Deferred Salary Savings Plan, as amended and restated, effective January 1, 2019 (Form 10-K for the fiscal year ended December 31, 2018)
10.3[2]	1-9513	10.5	—	CMS Energy and Consumers Director's Deferred Compensation Plan, effective as of November 30, 2007 (Form 10-K for the fiscal year ended December 31, 2014)
10.4[2]	1-9513	10.6	—	Supplemental Executive Retirement Plan for Employees of CMS Energy/Consumers effective on January 1, 1982 and as amended effective April 1, 2011 (Form 10-Q for the quarterly period ended March 31, 2011)
10.5[2]	1-9513	10.7	—	Defined Contribution Supplemental Executive Retirement Plan, as amended and restated, effective May 1, 2019 (Form 10-K for the fiscal year ended December 31, 2018)
10.6[2]			—	Form of Officer Separation Agreement as of January 2020
10.7[1]	1-9513	(10)(y)	—	Environmental Agreement dated as of June 1, 1990 made by CMS Energy to The Connecticut National Bank and Others (Form 10-K for the fiscal year ended December 31, 1990)
10.8[1,2]	1-9513	(10)(a)	—	Form of Indemnification Agreement between CMS Energy and its Directors, effective as of November 1, 2007 (Form 10-Q for the quarterly period ended September 30, 2007)
10.9[2]	1-5611	(10)(b)	—	Form of Indemnification Agreement between Consumers and its Directors, effective as of November 1, 2007 (Form 10-Q for the quarterly period ended September 30, 2007)
10.10[2]			—	CMS Incentive Compensation Plan for CMS Energy and Consumers Officers as amended, effective as of January 16, 2020
10.11[2]	1-9513	10.1	—	2016 Form of Change in Control Agreement (Form 8-K filed June 23, 2016)
10.12[2]			—	Annual Employee Incentive Compensation Plan for Consumers as amended, effective as of December 1, 2019

Exhibits	Previously Filed: With File Number	Previously Filed: As Exhibit Number		Description
10.13[2]			—	Annual CMS Enterprises Employee Incentive Compensation for CMS Enterprises as amended, effective as of December 1, 2019
10.14[1]	1-9513	10.1	—	$550 million Fourth Amended and Restated Revolving Credit Agreement dated as of June 5, 2018 among CMS Energy, the Banks, as defined therein, and Barclays, as Agent (Form 8-K filed June 5, 2018)
10.15	1-5611	10.2	—	$850 million Fifth Amended and Restated Revolving Credit Agreement dated as of June 5, 2018 among Consumers, the Banks, as defined therein, and JPMorgan, as Agent (Form 8-K filed June 5, 2018)
10.16	1-5611	10.1	—	$250 million Amended and Restated Revolving Credit Agreement dated as of November 19, 2018 among Consumers, the Banks, as defined therein, and The Bank of Nova Scotia, as Agent (Form 8-K filed November 20, 2018)
10.16.a	1-5611	10.1	—	Description of the Extension to the Amended and Restated $250 million Secured Revolving Credit Agreement (Form 8-K filed November 19, 2019)
10.17[2]	1-9513	10.1	—	Consumers and other CMS Energy Companies Retired Executives Survivor Benefit Plan for Management/ Executive Employees, distributed July 1, 2011 (Form 10-Q for the quarterly period ended September 30, 2011)
10.18	1-5611	10.1	—	Form of Commercial Paper Dealer Agreement between Consumers, as Issuer, and the Dealer party thereto (Form 10-Q for the quarterly period ended September 30, 2014)
21.1			—	Subsidiaries of CMS Energy and Consumers
23.1			—	Consent of PricewaterhouseCoopers LLP for CMS Energy
23.2			—	Consent of PricewaterhouseCoopers LLP for Consumers
31.1			—	CMS Energy's certification of the CEO pursuant to Section 302 of the Sarbanes-Oxley Act of 2002
31.2			—	CMS Energy's certification of the CFO pursuant to Section 302 of the Sarbanes-Oxley Act of 2002
31.3			—	Consumers' certification of the CEO pursuant to Section 302 of the Sarbanes-Oxley Act of 2002
31.4			—	Consumers' certification of the CFO pursuant to Section 302 of the Sarbanes-Oxley Act of 2002
32.1			—	CMS Energy's certifications pursuant to Section 906 of the Sarbanes-Oxley Act of 2002
32.2			—	Consumers' certifications pursuant to Section 906 of the Sarbanes-Oxley Act of 2002
99.1[1]	333-221134	99.1	—	CMS Energy Stock Purchase Plan, as amended and restated October 26, 2017 (Form S-3ASR filed October 26, 2017)

Exhibits	Previously Filed: With File Number	Previously Filed: As Exhibit Number	Description
101.INS		—	Inline XBRL Instance Document
101.SCH		—	Inline XBRL Taxonomy Extension Schema
101.CAL		—	Inline XBRL Taxonomy Extension Calculation Linkbase
101.DEF		—	Inline XBRL Taxonomy Extension Definition Linkbase
101.LAB		—	Inline XBRL Taxonomy Extension Labels Linkbase
101.PRE		—	Inline XBRL Taxonomy Extension Presentation Linkbase
104		—	Cover Page Interactive Data File (the cover page XBRL tags are embedded in the Inline XBRL document)

[1] Obligations of CMS Energy or its subsidiaries, but not of Consumers.

[2] Management contract or compensatory plan or arrangement.

Exhibits that have been previously filed with the SEC, designated above, are incorporated herein by reference and made a part hereof.

Item 16. Form 10-K Summary

None.

Signatures

Pursuant to the requirements of Section 13 or 15(d) of the Securities Exchange Act of 1934, CMS Energy Corporation has duly caused this Annual Report to be signed on its behalf by the undersigned, thereunto duly authorized.

/s/ Patricia K. Poppe

Name: Patricia K. Poppe
Title: President and Chief Executive Officer
Date: February 6, 2020

Pursuant to the requirements of the Securities Exchange Act of 1934, this Annual Report has been signed below by the following persons on behalf of CMS Energy Corporation and in the capacities indicated and on February 6, 2020.

/s/ Patricia K. Poppe
Patricia K. Poppe
President and Chief Executive Officer, and Director
(Principal Executive Officer)

/s/ Rejji P. Hayes
Rejji P. Hayes
Executive Vice President and Chief Financial Officer
(Principal Financial Officer)

/s/ Glenn P. Barba
Glenn P. Barba
Vice President, Controller, and Chief Accounting Officer
(Controller)

/s/ Jon E. Barfield
Jon E. Barfield, Director

/s/ Deborah H. Butler
Deborah H. Butler, Director

/s/ Kurt L. Darrow
Kurt L. Darrow, Director

/s/ Stephen E. Ewing
Stephen E. Ewing, Director

/s/ William D. Harvey
William D. Harvey, Director

/s/ John G. Russell
John G. Russell, Director

/s/ Suzanne F. Shank
Suzanne F. Shank, Director

/s/ Myrna M. Soto
Myrna M. Soto, Director

/s/ John G. Sznewajs
John G. Sznewajs, Director

/s/ Ronald J. Tanski
Ronald J. Tanski, Director

/s/ Laura H. Wright
Laura H. Wright, Director

Signatures

Pursuant to the requirements of Section 13 or 15(d) of the Securities Exchange Act of 1934, Consumers Energy Company has duly caused this Annual Report to be signed on its behalf by the undersigned, thereunto duly authorized.

/s/ Patricia K. Poppe

Name: Patricia K. Poppe
Title: President and Chief Executive Officer
Date: February 6, 2020

Pursuant to the requirements of the Securities Exchange Act of 1934, this Annual Report has been signed below by the following persons on behalf of Consumers Energy Company and in the capacities indicated and on February 6, 2020.

/s/ Patricia K. Poppe
Patricia K. Poppe
President and Chief Executive Officer, and Director
(Principal Executive Officer)

/s/ Rejji P. Hayes
Rejji P. Hayes
Executive Vice President and Chief Financial Officer
(Principal Financial Officer)

/s/ Glenn P. Barba
Glenn P. Barba
Vice President, Controller, and Chief Accounting Officer
(Controller)

/s/ Jon E. Barfield
Jon E. Barfield, Director

/s/ Deborah H. Butler
Deborah H. Butler, Director

/s/ Kurt L. Darrow
Kurt L. Darrow, Director

/s/ Stephen E. Ewing
Stephen E. Ewing, Director

/s/ William D. Harvey
William D. Harvey, Director

/s/ John G. Russell
John G. Russell, Director

/s/ Suzanne F. Shank
Suzanne F. Shank, Director

/s/ Myrna M. Soto
Myrna M. Soto, Director

/s/ John G. Sznewajs
John G. Sznewajs, Director

/s/ Ronald J. Tanski
Ronald J. Tanski, Director

/s/ Laura H. Wright
Laura H. Wright, Director

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CMS Energy Corporation
Consumers Energy Company
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Jackson, MI 49201-2357