UNITED STATES SECURITIES AND EXCHANGE COMMISSION

Washington, D.C. 20549

FORM 10-Q

x **QUARTERLY REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934**
For the quarterly period ended September 30, 2017
OR
o 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

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 x No o **Consumers Energy Company:** Yes x No o

Indicate by check mark whether the registrant has submitted electronically and posted on its corporate Web site, if any, every Interactive Data file required to be submitted and posted 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 and post such files).

CMS Energy Corporation: Yes x No o **Consumers Energy Company:** Yes x No o

Indicate by check mark whether the registrant is a large accelerated filer, an accelerated filer, a non-accelerated filer, 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:

Large accelerated filer x	Accelerated filer o
Non-accelerated filer o (Do not check if a smaller reporting company)	Smaller reporting company o
Emerging growth company o	

Consumers Energy Company:

Large accelerated filer o	Accelerated filer o
Non-accelerated filer x (Do not check if a smaller reporting company)	Smaller reporting company o
Emerging growth company o	

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: o **Consumers Energy Company:** o

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 o No x **Consumers Energy Company:** Yes o No x

Indicate the number of shares outstanding of each of the issuer s classes of common stock at October 10, 2017:

CMS Energy Corporation:	
CMS Energy Common Stock, $0.01 par value (including 443,148 shares owned by Consumers Energy Company)	282,083,585
Consumers Energy Company:	
Consumers Common Stock, $10 par value, privately held by CMS Energy Corporation	84,108,789

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CMS Energy Corporation

Consumers Energy Company

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GLOSSARY

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

2016 Energy Law
Comprehensive energy reform package enacted in Michigan in 2016

2016 Form 10-K
Each of CMS Energy s and Consumers Annual Report on Form 10-K for the year ended December 31, 2016

ABATE
Association of Businesses Advocating Tariff Equity

AOCI
Accumulated other comprehensive income (loss)

ARO
Asset retirement obligation

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

CCR
Coal combustion residual

CEO
Chief Executive Officer

CERCLA
Comprehensive Environmental Response, Compensation, and Liability Act of 1980

CFO
Chief Financial Officer

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

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

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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 Field Services
CMS Field Services, Inc., a former wholly owned subsidiary of 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 Energy Resource Management Company in 2004

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

CSAPR
The Cross-State Air Pollution Rule

DB Pension Plan
Defined benefit pension plan of CMS Energy and Consumers, including certain present and former affiliates and subsidiaries

DB SERP
Defined Benefit 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

EBITDA
Earnings before interest, taxes, depreciation, and amortization

EEI
Edison Electric Institute, an association representing all U.S. investor-owned electric companies

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

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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

Forsite
Forsite Development, Inc. and its subsidiaries, each a non-affiliated company

FTR
Financial transmission right

GAAP
U.S. Generally Accepted Accounting Principles

Gas AMR
Consumers gas automated meter reading project, which involves the installation of communication modules to allow drive-by meter reading

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

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

Ludington
Ludington pumped-storage plant, jointly owned by Consumers and DTE Electric Company, a non-affiliated company

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

MD&A
Management s Discussion and Analysis of Financial Condition and Results of Operations

MDEQ
Michigan Department of Environmental Quality

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MGP
Manufactured gas plant

Michigan Mercury Rule
Michigan Air Pollution Control Rules, Part 15, Emission Limitations and Prohibitions Mercury, addressing mercury emissions from coal-fueled electric generating units

MISO
Midcontinent Independent System Operator, Inc.

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

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

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

NREPA
Part 201 of the Michigan Natural Resources and Environmental Protection Act, a statute that covers environmental activities including remediation

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

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

PCB
Polychlorinated biphenyl

PPA
Power purchase agreement

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PSCR
Power supply cost recovery

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 a Michigan statute enacted in 2000

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

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

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FILING FORMAT

This combined Form 10-Q is separately filed by CMS Energy and Consumers. Information in this combined Form 10-Q 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.

This report should be read in its entirety. No one section of this report deals with all aspects of the subject matter of this report. This report should be read in conjunction with the consolidated financial statements and related notes and with MD&A included in the 2016 Form 10-K.

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.

FORWARD-LOOKING STATEMENTS AND INFORMATION

This Form 10-Q 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, 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, Michigan Electric Transmission Company, LLC, 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 and ROA, infrastructure integrity or security,

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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; and electric transmission and distribution or gas pipeline system constraints

- 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 the MDEQ, EPA, and/or U.S. Army Corps of Engineers, and potential environmental remediation costs associated with these interpretations or decisions, including those that may affect Bay Harbor or 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 investment performance of the assets of CMS Energy s and Consumers pension and benefit plans, the discount rates 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

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- 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, 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 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, or operations 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, 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

- 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

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- 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 Part I Item 1. Financial Statements MD&A Outlook and Notes to the Unaudited Consolidated Financial Statements Note 2, Regulatory Matters and Note 3, Contingencies and Commitments; and Part II Item 1A. Risk Factors.

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Part I Financial Information

Item 1. Financial Statements

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CMS Energy Corporation

Consumers Energy Company

Management s Discussion and Analysis of Financial Condition and Results of Operations

This MD&A 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, and CMS Enterprises, primarily a domestic independent power producer. 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, owns and operates power generation facilities.

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

CMS Energy and Consumers earn revenue and generate cash from operations by providing electric and natural gas utility services; electric distribution, transmission, and generation; gas transmission, storage, and distribution; and other energy-related services. Their businesses are affected primarily by:

- regulation and regulatory matters
- economic conditions
- weather
- energy commodity prices

- interest rates
- their securities credit ratings

CMS Energy s purpose is to achieve world class performance while delivering hometown service. CMS Energy is focused on the triple bottom line of people, planet, and profit, which is underpinned by performance. This purpose and focus enhance and are supported by CMS Energy s and Consumers business strategy, whose key elements are safe and excellent operations, customer value, utility investment, fair and timely regulation, and consistent financial performance. The companies are committed to sustainable business practices and to a strong ethical culture. Consideration of climate change risk and other environmental risks are embedded in the companies strategy, business planning, and enterprise risk management processes. Consumers 2017 Sustainability Report, which is available to the public, describes the progress that Consumers has made in the four foundational areas of safe and excellent operations, environmental quality, social responsibility, and economic prosperity. In a 2016 report published by Sustainalytics, a global leader in sustainability research and analysis, CMS Energy scored the highest among 54 U.S. utilities in environmental, social, and governance performance.

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Safe and Excellent Operations

The safety of employees, customers, and the general public remains 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. The number of recordable safety incidents in 2016 was the lowest in Consumers history and its incident rate was the lowest among its EEI peer group.

Customer Value

Consumers places a high priority on customer value. Consumers customer-driven investment program is aimed at improving safety and increasing electric and gas reliability, which has resulted in measureable improvements in customer satisfaction.

Additionally, Consumers has undertaken several initiatives to keep electricity and natural gas affordable for its customers. These initiatives include the adoption of a lean operating model that is focused on completing work safely and correctly the first time, thus minimizing rework and waste, while delivering services on time. Other cost-saving initiatives undertaken by Consumers include accelerated pension funding, employee and retiree health care cost sharing, replacement of coal-fueled generation with more efficient gas-fueled generation, targeted infrastructure investment, including the installation of smart meters, negotiated labor agreements, information and control system efficiencies, and productivity improvements. In addition, Consumers gas commodity costs declined by 68 percent from 2006 through 2016, 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.

Utility Investment

Consumers expects to spend $18 billion on infrastructure upgrades and replacements and electric supply projects from 2017 through 2026. While it has substantially more investment opportunities that would add customer value, Consumers has prioritized its spending based on the criteria of enhancing public safety, increasing reliability, and maintaining affordability for its customers. 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 initiatives, should allow Consumers to maintain sustainable customer base rate increases (excluding PSCR and GCR charges) at or below the rate of inflation.

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Presented in the following illustration are planned capital expenditures of $9.0 billion that Consumers expects to make from 2017 through 2021:

Gas distribution
($4.0 billion)

Electric distribution
($4.0 billion)

Electric supply ($1.0 billion)

Consumers plans to spend $8.0 billion over the next five years to maintain and upgrade its gas and electric distribution systems in order to enhance reliability and improve customer satisfaction. These infrastructure projects comprise $4.0 billion at the gas utility to sustain deliverability, enhance pipeline integrity and safety, replace mains and services, and enhance transmission and storage systems, and $4.0 billion at the electric utility to strengthen circuits and substations and replace poles. Consumers also expects to spend $1.0 billion on electric supply projects, representing new generation, including renewable generation, and environmental investments needed to comply with state and federal laws and regulations.

Regulation

Regulatory matters are a key aspect of CMS Energy s and Consumers businesses, particularly Consumers rate cases and regulatory proceedings before the MPSC. Important regulatory events and developments are summarized below.

- **Electric Rate Case:** In March 2017, Consumers filed an application with the MPSC seeking an annual rate increase of $173 million, based on a 10.5 percent authorized return on equity. In September 2017, Consumers reduced its requested annual rate increase to $148 million. In October 2017, Consumers self-implemented an annual rate increase of $130 million, subject to refund with interest and potential penalties.

- **Gas Rate Case:** In August 2016, Consumers filed an application with the MPSC seeking an annual rate increase of $90 million, based on a 10.6 percent authorized return on equity. In January 2017, Consumers self-implemented an annual rate increase of $20 million.

The MPSC issued an order in July 2017, authorizing an annual rate increase of $29 million beginning in August 2017. The MPSC also approved an investment recovery mechanism that will provide for additional annual rate increases of $18 million beginning in 2018 and another $18 million beginning in 2019 for incremental investments that Consumers plans to make in those

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years, subject to reconciliation. The investment recovery surcharge will remain in effect until rates are reset in a subsequent general rate case.

- **Palisades PPA:** In December 2016, Consumers and Entergy reached an agreement to terminate their PPA in May 2018, four years ahead of schedule, contingent on the MPSC s approval of Consumers recovery of the negotiated termination payment in electric rates. In February 2017, Consumers requested authorization to recover the termination payment through securitization. In September 2017, the MPSC issued a securitization financing order authorizing Consumers to recover only a portion of the termination payment. As a result, Consumers and Entergy agreed not to terminate the PPA, which is now expected to continue until April 2022 under its original terms.

In December 2016, Michigan s governor signed the 2016 Energy Law, which became effective in April 2017. Among other things, the 2016 Energy Law:

- raises the renewable energy standard from the present ten-percent requirement to 12.5 percent in 2019 and 15 percent in 2021
- establishes a goal of 35 percent combined renewable energy and energy waste reduction by 2025
- authorizes incentives for demand response programs and expands existing incentives for energy efficiency programs
- authorizes incentives for new PPAs with non-affiliates
- establishes an integrated planning process for new generation resources
- shortens from twelve months to ten months the time by which the MPSC must issue a final order in general rate cases, but prohibits electric and gas utilities from filing general rate cases for increases in rates more often than once every twelve months
- eliminates utilities self-implementation of rates under general rate cases
- requires the MPSC to implement equitable cost-of-service rates for customers participating in a net metering program

The 2016 Energy Law also establishes a path to ensure that forward capacity is secured for all electric customers in Michigan, including customers served by alternative electric suppliers under ROA. Under existing Michigan law, electric customers in Consumers service territory are allowed to buy electric generation service from alternative electric suppliers in an aggregate amount up to ten percent of Consumers weather-adjusted retail sales for the preceding calendar year. The 2016 Energy Law retains the ten percent cap on ROA, with certain exceptions. The new law also authorizes 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 March 2017, the MPSC indicated that it plans to achieve this objective through the use of a state reliability mechanism. Under the mechanism proposed by the MPSC, if an alternative electric supplier did not demonstrate that it had procured its capacity requirements for the four-year forward period, ROA customers could pay a charge to the utility for capacity that is not provided by the alternative electric supplier.

CMS Energy s and Consumers operations are subject to various state and federal environmental and health and safety laws and regulations. The companies are monitoring numerous legislative and regulatory initiatives, including those to regulate greenhouse gases, and related litigation. They are also monitoring potential changes in policy under the Trump administration. While CMS Energy and Consumers cannot predict the outcome of these matters, they intend to continue to move forward with their clean energy plan, their carbon reduction goals, and their emphasis on supply diversity. Environmental statutes and regulations are expected to continue to have a material effect on CMS Energy and Consumers.

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Financial Performance

For the nine months ended September 30, 2017, CMS Energy s net income available to common stockholders was $463 million and diluted EPS were $1.65. This compares with net income available to common stockholders of $474 million and diluted EPS of $1.70 for the nine months ended September 30, 2016. In 2017, benefits from electric and gas rate increases and higher weather-adjusted electric and gas deliveries were offset by higher depreciation on increased plant in service and by the impacts of mild weather on electric and gas sales.

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 occurs in the winter due to colder temperatures and the resulting use of natural gas as heating fuel. 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. 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 expects that continued economic growth in its service territory will drive its total electric deliveries to increase annually by about one-half percent on average through 2021, net of the impacts of energy waste reduction programs. Consumers is projecting that its gas deliveries will remain stable through 2021. This outlook reflects growth in gas demand offset by energy efficiency and conservation.

As Consumers seeks to continue to receive fair and timely regulatory treatment, delivering customer value will remain a key strategic priority. In order to minimize increases in customer base rates, Consumers will continue to pursue cost savings through its lean operations model, and will continue to give priority to infrastructure investments that increase customer value or lower costs.

Consumers expects to continue to have sufficient borrowing capacity to fund its investment-based growth plans. CMS Energy also expects its sources of liquidity to remain sufficient to meet its cash requirements. To identify potential implications for CMS Energy s and Consumers businesses and future financial needs, the companies will continue to monitor developments in the financial and credit markets, as well as government policy responses to those developments.

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RESULTS OF OPERATIONS

CMS Energy Consolidated Results of Operations

In Millions, Except Per Share Amounts

	Three Months Ended			Nine Months Ended		
September 30	2017	2016	Change	2017	2016	Change
Net Income Available to Common Stockholders	$ 172	$ 186	$ (14)	$ 463	$ 474	$ (11)
Basic Earnings Per Share	$ 0.61	$ 0.67	$ (0.06)	$ 1.65	$ 1.71	$ (0.06)
Diluted Earnings Per Share	$ 0.61	$ 0.67	$ (0.06)	$ 1.65	$ 1.70	$ (0.05)

In Millions

	Three Months Ended			Nine Months Ended		
September 30	2017	2016	Change	2017	2016	Change
Electric utility	$ 176	$ 191	$ (15)	$ 394	$ 395	$ (1)
Gas utility	5	3	2	101	102	(1)
Enterprises	8	8	-	27	17	10
Corporate interest and other	(17)	(16)	(1)	(59)	(40)	(19)
Net Income Available to Common Stockholders	$ 172	$ 186	$ (14)	$ 463	$ 474	$ (11)

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

In Millions

	September 30, 2017 better/(worse) than 2016					
Reasons for the change	Three Months Ended			Nine Months Ended		
Consumers electric utility and gas utility						
Electric sales						
Weather	$ (37)			$ (44)		
Non-weather	4	$ (33)		17	$ (27)	
Gas sales						
Weather	2			(12)		
Non-weather	(3)	(1)		8	(4)	
Electric rate increase		7			40	
Gas rate increase		2			8	
State income tax benefit in 2017		16			16	
Voluntary separation program costs in 2016		7			7	
Property tax settlement in 2017		-			7	
Depreciation and amortization		(5)			(33)	
Other, including intercompany gain in 2017		(6)	$ (13)		(16)	$ (2)
Enterprises						

Subsidiary earnings	-	10
Corporate interest and other		
Elimination of intercompany gain in 2017	-	(9)
Michigan tax settlement in 2016	-	(5)
Other	(1)	(5)
Total change	$ (14)	$ (11)

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Consumers Electric Utility Results of Operations

In Millions

	Three Months Ended			Nine Months Ended		
September 30	2017	2016	Change	2017	2016	Change
Net Income Available to Common Stockholders	$ 176	$ 191	$ (15)	$ 394	$ 395	$ (1)
Reasons for the change						
Electric deliveries and rate increases			$ (45)			$ 19
Power supply costs and related revenue			3			3
Maintenance and other operating expenses			-			(20)
Depreciation and amortization			(9)			(39)
General taxes			-			7
Other income, net of expenses			(2)			2
Interest charges			(1)			(5)
Income taxes			39			32
Total change			$ (15)			$ (1)

Following is a discussion of significant changes to net income available to common stockholders.

Electric Deliveries and Rate Increases: For the three months ended September 30, 2017, electric delivery revenues decreased $45 million compared with 2016. This change reflected a $61 million decrease in sales due primarily to milder summer weather, offset partially by a $12 million rate increase and a $4 million increase in energy efficiency program revenues. Deliveries to end-use customers were 10.0 billion kWh in 2017 and 10.7 billion kWh in 2016.

For the nine months ended September 30, 2017, electric delivery revenues increased $19 million compared with 2016. This change reflected a $66 million rate increase, a $12 million increase in energy efficiency program revenues, and a $2 million increase in other revenues. These increases were offset partially by a $61 million decrease in sales due primarily to milder summer weather. Deliveries to end-use customers were 28.2 billion kWh in 2017 and 28.9 billion kWh in 2016.

Maintenance and Other Operating Expenses: For the three months ended September 30, 2017, maintenance and other operating expenses were unchanged compared with 2016. A $6 million reduction in expenses reflected the absence, in 2017, of a 2016 voluntary separation plan. Additionally, postretirement benefit costs decreased $2 million, comprising a $5 million reduction associated with the early adoption of a new accounting standard, offset partially by $3 million of cost increases. For additional details on the implementation of this standard, see Note 1, New Accounting Standards. These decreases were offset fully by a $4 million increase in energy efficiency program costs and a $4 million increase in service restoration and other operating and maintenance expenses.

For the nine months ended September 30, 2017, maintenance and other operating expenses increased $20 million compared with 2016. This change reflected increases of $17 million in service restoration costs following severe storms, $12 million in energy efficiency program costs, $4 million in forestry expenses, and $5 million in other operating and maintenance expenses. Also contributing to the change was the absence, in 2017, of a $4 million benefit associated with a Michigan use tax settlement in 2016. These increases were offset partially by the absence, in 2017, of $8 million in expenses at the seven coal-fuel electric generating units that Consumers retired in April 2016, and $6 million associated with a 2016 voluntary separation plan. Additionally, postretirement benefit costs decreased $8 million, comprising a $15 million reduction associated with the early adoption of a new accounting standard, offset partially by

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$7 million of cost increases. For additional details on the implementation of this standard, see Note 1, New Accounting Standards.

Depreciation and Amortization: For the three months ended September 30, 2017, depreciation and amortization expense increased $9 million compared with 2016, and for the nine months ended September 30, 2017, depreciation and amortization expense increased $39 million compared with 2016. These increases were due primarily to increased plant in service.

General Taxes: For the nine months ended September 30, 2017, general taxes decreased $7 million compared with 2016. This change was due to a $10 million benefit from the settlement of a property tax appeal related to Consumers Zeeland plant, offset partially by a $3 million increase in property taxes.

Other Income, Net of Expenses: For the three months ended September 30, 2017, other income, net of expenses, decreased $2 million compared with 2016. This change was due to a $4 million reduction in nonoperating retirement benefit credits associated with the early adoption of a new accounting standard, offset partially by a $2 million decrease in donations in 2017. For additional details on the implementation of this standard, see Note 1, New Accounting Standards.

For the nine months ended September 30, 2017, other income, net of expenses, increased $2 million compared with 2016. This change was due to a $9 million gain on a donation of CMS Energy stock by Consumers, which was eliminated on CMS Energy s consolidated statements of income, and a $5 million increase due primarily to lower donations in 2017. These increases were offset partially by a $12 million reduction in nonoperating retirement benefit credits associated with the early adoption of a new accounting standard. For additional details on the implementation of this standard, see Note 1, New Accounting Standards.

Interest Charges: For the nine months ended September 30, 2017, interest charges increased $5 million compared with 2016, due primarily to higher average debt levels.

Income Taxes: For the three months ended September 30, 2017, income taxes decreased $39 million compared with 2016, and for the nine months ended September 30, 2017, income taxes decreased $32 million compared with 2016. These changes were attributable primarily to lower electric utility earnings, to a $6 million decrease associated with lower non-deductible lobbying expenses, and to the $12 million impact of a reduction in Consumers effective state income tax rate. For further details on this reduction in Consumers effective state tax rate, see Note 9, Income Taxes.

Consumers Gas Utility Results of Operations

						In Millions
	Three Months Ended			Nine Months Ended		
September 30	2017	2016	Change	2017	2016	Change
Net Income Available to Common Stockholders	$ 5	$ 3	$ 2	$ 101	$ 102	$ (1)
Reasons for the change						
Gas deliveries and rate increases			$ 2			$ 8
Maintenance and other operating expenses			1			11
Depreciation and amortization			-			(15)
General taxes			1			(3)
Other income, net of expenses			(4)			(6)
Interest charges			(1)			(2)
Income taxes			3			6
Total change			$ 2			$ (1)

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Following is a discussion of significant changes to net income available to common stockholders.

Gas Deliveries and Rate Increases: For the three months ended September 30, 2017, gas delivery revenues increased $2 million compared with 2016. This change reflected a $4 million rate increase, and $2 million in higher sales, offset partially by a $4 million reduction in energy efficiency program revenues. Deliveries to end-use customers were 27 bcf in 2017 and 26 bcf in 2016.

For the nine months ended September 30, 2017, gas delivery revenues increased $8 million compared with 2016. This change reflected a $14 million rate increase, and a $4 million increase in other revenues, offset partially by a $10 million decrease in sales due primarily to milder winter weather. Deliveries to end-use customers were 189 bcf in 2017 and 196 bcf in 2016.

Maintenance and Other Operating Expenses: For the three months ended September 30, 2017, maintenance and other operating expenses decreased $1 million compared with 2016. This change reflected the absence, in 2017, of $4 million associated with a voluntary separation plan in 2016, a $4 million decrease in energy efficiency program costs, and a $2 million decrease in postretirement benefit costs, comprising a $4 million reduction associated with the early adoption of a new accounting standard, offset partially by $2 million of cost increases. For additional details on the implementation of this standard, see Note 1, New Accounting Standards. These decreases were offset largely by a $4 million increase in pipeline integrity expenses and $5 million in higher gas distribution and customer operations expense.

For the nine months ended September 30, 2017, maintenance and other operating expenses decreased $11 million compared with 2016. This change reflected a $6 million decrease in postretirement benefit costs, comprising an $11 million reduction associated with the early adoption of a new accounting standard, offset partially by $5 million of cost increases. For additional details on the implementation of this standard, see Note 1, New Accounting Standards. Also contributing to the change was the absence, in 2017, of $4 million associated with a 2016 voluntary separation plan, and a $3 million decline in uncollectible accounts expense. These reductions were offset partially by a $2 million increase in other gas operating and maintenance expenses.

Depreciation and Amortization: For the nine months ended September 30, 2017, depreciation and amortization expense increased $15 million compared with 2016, due primarily to increased plant in service.

Other Income, Net of Expenses: For the three months ended September 30, 2017, other income, net of expenses, decreased $4 million compared with 2016. This change was due to a $3 million reduction in nonoperating retirement benefit credits associated with the early adoption of a new accounting standard and a $1 million increase in other expenses. For additional details on the implementation of this standard, see Note 1, New Accounting Standards.

For the nine months ended September 30, 2017, other income, net of expenses, decreased $6 million compared with 2016. This change was due to an $8 million reduction in nonoperating retirement benefit credits associated with the early adoption of a new accounting standard and a $3 million decrease in other income, net of expenses. For additional details on the implementation of this standard, see Note 1, New Accounting Standards. These reductions were offset partially by a $5 million gain on a donation of CMS Energy stock by Consumers, which was eliminated on CMS Energy s consolidated statements of income.

Income Taxes: For the three months ended September 30, 2017, income taxes decreased $3 million compared with 2016 and for the nine months ended September 30, 2017, income taxes decreased $6 million compared with 2016. These changes were attributable primarily to lower gas utility earnings and to the $4 million impact of a reduction in Consumers effective state income tax rate. For further details on this reduction in Consumers effective state tax rate, see Note 9, Income Taxes.

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Enterprises Results of Operations

						In Millions
	Three Months Ended			Nine Months Ended		
September 30	2017	2016	Change	2017	2016	Change
Net Income Available to Common Stockholders	$ 8	$ 8	$ -	$ 27	$ 17	$ 10

For the nine months ended September 30, 2017, net income of the enterprises segment increased $10 million compared with 2016, due primarily to higher prices for capacity and demand revenue at DIG.

Corporate Interest and Other Results of Operations

						In Millions
	Three Months Ended			Nine Months Ended		
September 30	2017	2016	Change	2017	2016	Change
Net Income (Loss) Available to Common Stockholders	$ (17)	$ (16)	$ (1)	$ (59)	$ (40)	$ (19)

For the nine months ended September 30, 2017, corporate interest and other net expenses increased $19 million compared with 2016, due primarily to the absence, in 2017, of a settlement reached with the Michigan Department of Treasury that resulted in a $2 million after-tax reduction in general taxes and a $3 million reduction in income tax expense. Also contributing to the increase were $4 million of higher administrative and other corporate expenses, and $1 million of lower net earnings at EnerBank. For the nine months ended September 30, 2017, corporate interest and other net expenses also reflected the elimination in consolidation of a $9 million after-tax intercompany gain resulting from the donation of CMS Energy stock by Consumers.

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CASH POSITION, INVESTING, AND FINANCING

At September 30, 2017, CMS Energy had $173 million of consolidated cash and cash equivalents, which included $31 million of restricted cash and cash equivalents. At September 30, 2017, Consumers had $85 million of consolidated cash and cash equivalents, which included $30 million of restricted cash and cash equivalents. For additional details, see Note 11, Cash and Cash Equivalents.

Operating Activities

Presented in the following table are specific components of net cash provided by operating activities for the nine months ended September 30, 2017 and 2016:

			In Millions
Nine Months Ended September 30	2017	2016	Change
CMS Energy, including Consumers			
Net income	$ 464	$ 475	$ (11)
Non-cash transactions[1]	928	870	58
Changes in core working capital[2]	18	62	(44)
Postretirement benefits contributions	(9)	(6)	(3)
Changes in other assets and liabilities, net	(202)	(160)	(42)
Net cash provided by operating activities	$ 1,199	$ 1,241	$ (42)
Consumers			
Net income	$ 496	$ 499	$ (3)
Non-cash transactions[1]	921	857	64
Changes in core working capital[2]	13	76	(63)
Postretirement benefits contributions	(6)	(4)	(2)
Changes in other assets and liabilities, net	(215)	(140)	(75)
Net cash provided by operating activities	$ 1,209	$ 1,288	$ (79)

1 Non-cash transactions comprise depreciation and amortization, changes in deferred income taxes, 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.

For the nine months ended September 30, 2017, net cash provided by operating activities at CMS Energy decreased $42 million compared with 2016 and net cash provided by operating activities at Consumers decreased $79 million compared with 2016. At both CMS Energy and Consumers, the decrease was due primarily to gas purchases at higher prices, increased spending on environmental remediation activities, and lower gas sales as a result of milder weather, offset partially by higher collections from customers. The change at Consumers also reflected the absence, in 2017, of a reimbursement received from CMS Energy in 2016 for a prior-year postretirement benefits contribution.

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Investing Activities

Presented in the following table are specific components of net cash used in investing activities for the nine months ended September 30, 2017 and 2016:

			In Millions
Nine Months Ended September 30	2017	2016	Change
CMS Energy, including Consumers			
Capital expenditures	$ (1,208)	$ (1,224)	$ 16
Increase in EnerBank notes receivable	(87)	(87)	-
Proceeds from the sale of EnerBank notes receivable	19	-	19
Costs to retire property and other investing activities	(78)	(87)	9
Net cash used in investing activities	$ (1,354)	$ (1,398)	$ 44
Consumers			
Capital expenditures	$ (1,196)	$ (1,214)	$ 18
Costs to retire property and other investing activities	(82)	(87)	5
Net cash used in investing activities	$ (1,278)	$ (1,301)	$ 23

For the nine months ended September 30, 2017, net cash used in investing activities at CMS Energy decreased $44 million compared with 2016 and net cash used in investing activities at Consumers decreased $23 million compared with 2016. These changes were due primarily to lower capital expenditures at Consumers. The change at CMS Energy also reflected proceeds from the sale of EnerBank notes receivable in 2017.

Financing Activities

Presented in the following table are specific components of net cash provided by (used in) financing activities for the nine months ended September 30, 2017 and 2016:

			In Millions
Nine Months Ended September 30	2017	2016	Change
CMS Energy, including Consumers			
Issuance of debt	$ 1,108	$ 775	$ 333
Issuance of common stock	80	69	11
Net increase in EnerBank certificates of deposit	40	64	(24)
Payment of dividends on common and preferred stock	(282)	(260)	(22)
Retirement of debt	(668)	(215)	(453)
Decrease in notes payable	(168)	(174)	6
Payment of capital leases and other financing activities	(39)	(22)	(17)
Net cash provided by financing activities	$ 71	$ 237	$ (166)
Consumers			
Issuance of debt	$ 534	$ 446	$ 88
Stockholder contribution from CMS Energy	450	275	175
Payment of dividends on common and preferred stock	(348)	(362)	14
Retirement of debt	(443)	(185)	(258)
Decrease in notes payable	(168)	(174)	6
Payment of capital leases and other financing activities	(23)	(8)	(15)

Net cash provided by (used in) financing activities	$ 2	$ (8)	$ 10

For the nine months ended September 30, 2017, net cash provided by financing activities at CMS Energy decreased $166 million compared with 2016 and net cash provided by financing activities at Consumers increased $10 million compared with 2016. These changes reflected higher debt retirements offset partially by higher debt issuances. At Consumers, the increase was due primarily to a larger stockholder contribution from CMS Energy.

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 Note 4, Financings and Capitalization Dividend Restrictions. For the nine months ended September 30, 2017, Consumers paid $347 million in dividends on its common stock to CMS Energy.

As a result of federal tax legislation passed in 2015 that extends bonus depreciation, CMS Energy expects to be able to extend the use of federal net operating loss carryforwards and, accordingly, defer its federal income tax payments through 2020. As a consequence, however, CMS Energy expects to receive lower tax-sharing payments from Consumers during that period. This may require CMS Energy to maintain higher levels of debt in order to invest in its businesses, pay dividends, and fund its general obligations. Despite this, CMS Energy does not anticipate a need for a block equity offering.

In March 2017, CMS Energy entered into an updated continuous equity offering program. Under this program, CMS Energy may sell, from time to time in at the market offerings, common stock having an aggregate sales price of up to $100 million. In June 2017, CMS Energy issued common stock under this program and received net proceeds of $70 million.

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. Consumers anticipates continued strong cash flows from operating activities for the remainder of 2017 and beyond.

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 September 30, 2017, CMS Energy had $549 million of its secured revolving credit facility available and Consumers had $893 million available. 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 and that bear interest at fixed or floating 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. At September 30, 2017, $230 million of commercial paper notes were outstanding under this program. For additional details on CMS Energy s and Consumers secured revolving credit facilities and commercial paper program, see Note 4, Financings and Capitalization.

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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 September 30, 2017, 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 September 30, 2017, as presented in the following table:

	September 30, 2017	
Credit Agreement, Indenture, or Facility	Limit	Actual
CMS Energy, parent only		
Debt to EBITDA[1]	≤ 6.0 to 1.0	4.4 to 1.0
Consumers		
Debt to Capital[2]	≤ 0.65 to 1.0	0.47 to 1.0

1 Applies to CMS Energy s $550 million revolving and $180 million term loan credit agreements.

2 Applies to Consumers $650 million and $250 million revolving credit agreements and its $68 million, $35 million, and $30 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 2017 and beyond.

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. Indemnities are usually agreements to reimburse a counterparty that may incur losses due to outside claims or breach of contract terms. The maximum payment that could be required under a number of these indemnity obligations is not estimable; the maximum obligation under indemnities for which such amounts were estimable was $153 million at September 30, 2017. While CMS Energy and Consumers believe it is unlikely that they will incur any material losses related to indemnities they have not recorded as liabilities, they cannot predict the impact of these contingent obligations on their liquidity and financial condition. For additional details on these and other guarantee arrangements, see Note 3, Contingencies and Commitments Guarantees.

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; Note 2, Regulatory Matters; Note 3, Contingencies and Commitments; and Part II Item 1A. Risk Factors.

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Consumers Electric Utility and Gas Utility Outlook and Uncertainties

Energy Waste Reduction Plan: The 2016 Energy Law, which became effective in April 2017, expands the existing energy optimization program to include demand response programs, calling the combined initiatives energy waste reduction. The 2016 Energy Law:

- extends 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
- removes limits on investments under the program and provides for a higher return on those investments; together, these provisions effectively double the financial incentives Consumers may earn for exceeding the statutory targets
- establishes a goal of 35 percent combined renewable energy and energy waste reduction by 2025

Under its existing energy optimization 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. In March 2017, Consumers filed applications with the MPSC for approval of an energy waste reduction plan that would amend and expand its existing energy optimization plan and allow for recovery of increased investments to meet the requirements of the 2016 Energy Law. In July and August 2017, the MPSC issued orders that approved the amendments to Consumers 2017 energy optimization plan, authorizing Consumers to increase investments during the year and expanding the financial incentive that it may earn for exceeding savings targets during the year.

Smart Energy and Gas AMR: Consumers expects to complete the full-scale deployment of smart meters by the end of 2017, with a total of 1.8 million smart meters installed throughout its service territory. Smart meters allow customers to monitor and manage their energy usage, which Consumers expects will help reduce demand during critical peak times, resulting in lower peak electric capacity requirements. In addition, Consumers is able to disconnect and reconnect service, read, and bill from smart meters remotely. Consumers will continue to add further functionality to its smart meters. In areas where Consumers provides both electricity and natural gas to customers, it is also installing communication modules on gas meters, allowing it to read and bill from gas meters remotely. Consumers expects that it will have installed 660,000 communication modules by the end of 2017.

In areas where it provides only natural gas to customers, Consumers began the deployment of Gas AMR technology in 2017 and expects to complete it in 2019. Under this program, Consumers plans to install communication modules on 1.1 million gas meters, allowing it to conduct drive-by meter reading. As of September 30, 2017, Consumers had installed 16,000 communication modules.

Consumers Electric Utility Outlook and Uncertainties

Energy Resource Planning: Consumers continues to experience increasing demand for electricity due to Michigan s growing economy and increased use of air conditioning, consumer electronics, and other electric devices, offset partially by the predicted effects of energy efficiency and conservation.

In April 2016, Consumers retired seven of its coal-fueled electric generating units, representing 950 MW of capacity. Even with the retirements of these units, Consumers expects to meet the capacity requirements of its full-service customers through:

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- energy waste reduction
- expanded use of renewable energy
- the use of the Jackson plant, a 540-MW natural gas-fueled electric generating plant purchased in 2015
- construction or purchase of electric generating units
- continued operation or upgrade of existing units, including upgrades at Ludington
- renegotiations of existing PPAs
- purchases of short-term market capacity

Additionally, in May 2017, Consumers reached an agreement with T.E.S. Filer City to amend their PPA in anticipation of the conversion of T.E.S. Filer City s plant to use natural gas as its primary fuel instead of coal. The conversion is expected to increase the amount of capacity and energy produced by the plant from 73 MW to 225 MW. Under the amendment to the PPA, Consumers will purchase the increased capacity and electricity generated by the converted facility for 15 years. The original PPA was set to expire in 2025. The amendment is contingent on approval by the MPSC, on a finding by FERC that sales made under the amended PPA are exempt from, or authorized under, Section 205 of the Federal Power Act, and on commercial operation of the converted facility on or before June 1, 2022.

During 2017, Consumers issued a request for proposals to acquire a natural gas-fueled generating plant, and it completed an auction to purchase generation capacity. The request for proposals and the contracts entered into as a result of the auction were contingent on the anticipated early termination of Consumers PPA with Entergy, under which Consumers purchases virtually all of the capacity and energy produced by Palisades. Following the MPSC s September 2017 order authorizing only partial recovery of the termination payment that Consumers had negotiated with Entergy, Consumers and Entergy agreed not to terminate the PPA, which is now expected to continue until April 2022 under its original terms. As a result, Consumers has rescinded the capacity contracts and is presently assessing whether to pursue any of the proposals received to acquire a natural gas-fueled generating plant. For additional details regarding the MPSC s order on the Palisades PPA, see the Electric Rate Matters discussion in this section.

Renewable Energy Plan: The 2016 Energy Law raises the renewable energy standard from the present ten-percent requirement 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.

In conjunction with its renewable energy plan, Consumers signed a 15-year agreement in 2015 to purchase renewable capacity, energy, and RECs from a 100-MW wind park to be constructed in Huron County, Michigan. The wind park is expected to be operational by the end of 2017. In addition, Consumers has obtained the MPSC s approval to construct two additional phases at its Cross Winds® Energy Park. Phase II of the park, with a nameplate capacity of 44 MW, is expected to be operational in early 2018, while Phase III, with a nameplate capacity of 76 MW, is expected to be operational in 2020. Consumers began construction of Phase II in June 2017. Both phases of the project are expected to qualify for certain federal production tax credits, which are expected to generate cost savings that will be passed on to customers.

In June 2017, Consumers issued requests for proposals to acquire wind and solar generation projects within MISO s service territory, specifically wind generation projects ranging in size from 100 MW to 200 MW and solar generation projects at least 10 MW in size. In September 2017, Consumers filed amendments to its renewable energy plan with the MPSC, requesting approval to acquire up to 525 MW of new wind generation projects and up to 100 MW of new solar generation projects in order to meet its

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renewable energy requirement. Any contracts entered into as a result of the request for proposals would be subject to MPSC approval.

Voluntary Large Customer Renewable Energy Pilot Program: In May 2017, Consumers filed an application with the MPSC proposing a pilot program that would provide large full-service electric customers with the opportunity to advance the development of renewable energy beyond the requirements of the 2016 Energy Law. Under the pilot program, customers would have the ability to match up to 100 percent of their energy use with renewable energy generated from wind resources. In August 2017, the MPSC conditionally approved a portion of the pilot program and instructed Consumers to submit the program for review as a voluntary green pricing program under provisions of the 2016 Energy Law.

Electric Customer Deliveries and Revenue: Consumers electric customer deliveries are largely dependent on Michigan s economy. Consumers expects weather-adjusted electric deliveries to increase in 2017 by about one-half percent compared with 2016.

Over the next five years, Consumers plans conservatively for average electric delivery growth of about one-half percent annually. This increase reflects growth in electric demand, offset partially by the predicted effects of energy waste reduction programs and appliance efficiency standards. 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: Under existing Michigan law, electric customers in Consumers service territory are allowed to buy electric generation service from alternative electric suppliers in an aggregate amount up to ten percent of Consumers weather-adjusted retail sales for the preceding calendar year. At September 30, 2017, electric deliveries under the ROA program were at the ten-percent limit. Of Consumers 1.8 million electric customers, 300 customers, or 0.02 percent, purchased electric generation service under the ROA program.

The 2016 Energy Law, which became effective in April 2017, retains the ten percent cap on ROA, with certain exceptions, but establishes 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 authorizes the MPSC to ensure that alternative electric suppliers have procured enough capacity to cover their anticipated capacity requirements for the four-year forward period. To this end, the MPSC issued an order in March 2017, directing Consumers to file an application to implement a state reliability mechanism. Under the mechanism proposed by the MPSC, if an alternative electric supplier did not demonstrate that it had procured its capacity requirements for the four-year forward period, ROA customers could pay a charge to the utility for capacity that is not provided by the alternative electric supplier. Consumers filed its application in April 2017.

Electric Rate Matters: Rate matters are critical to Consumers electric utility business. For additional details on rate matters, see Note 2, Regulatory Matters.

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Electric Rate Case: In March 2017, Consumers filed an application with the MPSC seeking an annual rate increase of $173 million, based on a 10.5 percent authorized return on equity. The filing requested authority to recover new investment in system reliability, environmental compliance, and technology enhancements. In September 2017, Consumers reduced its requested annual rate increase to $148 million. Presented in the following table are the components of the requested increase in revenue:

	In Millions
Components of the rate increase	
Investment in rate base	$ 45
Operating and maintenance costs	42
Gross margin	42
Cost of capital	28
Working capital	(9)
Total	$ 148

In October 2017, Consumers self-implemented an annual rate increase of $130 million, subject to refund with interest and potential penalties.

Palisades PPA: In December 2016, Consumers agreed to pay Entergy $172 million to terminate their PPA in May 2018, four years ahead of schedule, contingent on the MPSC s approval of Consumers recovery of the payment in electric rates. Under the PPA, Consumers purchases virtually all of the capacity and energy produced by Palisades, up to the annual average capacity of 798 MW. In February 2017, Consumers requested authorization to recover the termination payment through securitization. In September 2017, the MPSC issued a securitization financing order authorizing Consumers to recover only $137 million of the $172 million termination payment. As a result, Consumers and Entergy agreed not to terminate the PPA, which is now expected to continue until April 2022 under its original terms.

Depreciation Rate Case: In November 2016, Consumers filed a depreciation rate case related to its Ludington electric utility property, requesting to increase depreciation expense by $15 million annually. In July 2017, the MPSC approved a settlement agreement authorizing Consumers to recover an increase in depreciation expense of $2 million annually, based on December 31, 2015 balances. The new depreciation rates will go into effect with a final order in Consumers next electric rate case following the electric rate case filed in 2017.

Sale of Coal-Fueled Generating Units: In October 2017, Consumers completed the sale of its retired B.C. Cobb and J.R. Whiting coal-fueled electric generating units to Forsite. Under the terms of the agreement, which the MPSC approved in September 2017, Consumers transferred the generating units and associated land to Forsite and agreed to pay $63 million to decommission the units and perform cleanup activities at the sites. Consumers securitized the generating units in 2014; thus, the carrying value of the assets was zero. Upon the closing of the sale, Consumers recorded a liability of $63 million with an offsetting reduction to its cost of removal regulatory liability. Additionally, Consumers removed from its consolidated balance sheets a $16 million ARO related to asbestos removal. Consumers estimates that this divestiture will save its electric customers $30 million in decommissioning costs.

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 $0.5 billion from 2017 through 2021 to continue to comply with the Clean Air Act, Clean Water 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: CSAPR, which became effective in 2015, requires Michigan and 27 other states to improve air quality by reducing power plant emissions that, according to EPA computer models, contribute to

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ground-level ozone and fine particle pollution in other downwind states. In September 2016, the EPA finalized new ozone season standards for CSAPR, which became effective in May 2017. CSAPR is presently being litigated; however, any decision will not 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, based on Section 112 of the Clean Air Act, calling the final rule MATS. 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, but any decision is not expected to impact Consumers MATS compliance strategy. In addition, Consumers must comply with the Michigan Mercury Rule and with its settlement agreement with the EPA entered into in 2014 concerning opacity and NSR.

In 2015, the EPA released its new rule to lower the NAAQS for ozone. The new ozone NAAQS will make it more difficult to construct or modify power plants in many areas of the country, including some parts of Michigan, if the areas are designated to be in nonattainment of the new standard. The NAAQS for ozone are presently being litigated and the EPA s decision on nonattainment areas is expected by the end of 2017. Consumers is monitoring the designation process of this rule, as well as the litigation, but does not anticipate any impact on its electric generating units.

Consumers strategy to comply with air quality regulations, including CSAPR, NAAQS, and MATS, involved the installation 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 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. New coal-fueled units will not be able to meet this limit without installing carbon dioxide control equipment using such methods as carbon capture and sequestration. In addition, the EPA finalized new rules pursuant to Section 111(b) of the Clean Air Act to limit carbon dioxide emissions from modified or reconstructed electric generating units. Both of these rules are being litigated.

Also in 2015, the EPA published final rules pursuant to Section 111(d) of the Clean Air Act to limit carbon dioxide emissions from existing electric generating units, calling the rules the Clean Power Plan. The rules required a 32-percent nationwide reduction in carbon emissions from existing power plants by 2030 (based on 2005 levels), and states choosing not to develop their own implementation plans would be subject to the federal plan. Certain states, corporations, and industry groups initiated litigation opposing the proposed Clean Power Plan, and in 2016, the U.S. Supreme Court stayed the Clean Power Plan while the litigation proceeded. In March 2017, the Trump administration issued an executive order directing the EPA and other federal agencies to review rules and policies that burden domestic energy production, including the Clean Power Plan. The EPA subsequently filed motions to hold the Section 111(b) and

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Clean Power Plan litigation in abeyance while it reconsiders the rule. In October 2017, the EPA published a proposal to repeal the Clean Power Plan, with a public comment period through mid-December 2017. The EPA has also announced that it intends to begin the rulemaking process for a replacement rule that conforms to the new legal interpretation set forth in the published proposed repeal of the Clean Power Plan. It is expected that the EPA will propose a replacement rule in 2018. Consumers does not expect that any changes to the Clean Power Plan will have an adverse impact on its environmental strategy.

In 2015, a group of 195 countries finalized the Paris Agreement, which governs carbon dioxide reduction measures beginning in 2020. As part of this agreement, the United States pledged a 26-percent reduction in greenhouse gas emissions by 2025 (with aspirations to achieve a 28-percent reduction) compared with 2005 levels. These non-binding targets are in line with the now-stayed Clean Power Plan targets. The Trump administration has withdrawn from the Paris Agreement, but also stated a desire to renegotiate a new agreement in the future. 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 policy under the Trump administration 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 target, and its emphasis on supply diversity. Consumers will continue to monitor regulatory activity regarding greenhouse gas emissions standards that may affect electric generating units.

Litigation, as well as federal laws, EPA regulations regarding greenhouse gases, or similar treaties, state laws, or rules, if enacted or ratified, could ultimately require Consumers to replace equipment, install additional emission control equipment, purchase emission allowances, curtail operations, arrange for alternative sources of supply, 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, such as coal ash, 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. The rule also sets out conditions under which CCR units would be forced to cease receiving CCR and non-CCR waste and initiate closure based on the inability to achieve minimum safety standards, meet a location standard, or meet minimum groundwater standards. Consumers continues to develop work plans for submission to the MDEQ for concurrence to ensure coordination between federal and state requirements. Furthermore, Congress passed legislation in December 2016 that allows states to develop a permitting program for CCR under RCRA, and Michigan is taking steps to adopt such a program. As a result, Consumers may need to adjust its recorded ARO associated with coal ash disposal sites depending on the outcome of its submissions to the MDEQ and on a future RCRA permitting program under MDEQ, if the EPA approves a state-level program. Consumers has historically been authorized to recover in electric rates costs incurred related to cleanup and closure of coal ash disposal sites.

Water: The EPA s rule to regulate existing electric generating plant cooling water intake systems under Section 316(b) of the Clean Water Act became effective in 2014. The rule is aimed at reducing alleged harmful impacts on fish and shellfish. In 2015, the EPA released its final effluent limitation guidelines, which set stringent new requirements for the discharge from electric generating units into wastewater streams. In April 2017, the EPA announced a decision to reconsider the final effluent limitation guidelines, which are being litigated, and administratively stayed and delayed the compliance dates for two years. In August 2017, the EPA announced that it will undertake a rulemaking to replace specific portions of the rule. Consumers does not expect any adverse changes to its environmental strategy as a result of any revisions to the rule.

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In June 2015, the EPA and the U.S. Army Corps of Engineers published a final rule redefining waters of the United States, which designates the EPA s jurisdiction under the Clean Water Act. Numerous states and other interested parties, including Michigan s Attorney General, have filed suits in federal courts to block the rule, which was stayed in October 2015. The Trump administration issued an executive order in February 2017 directing the EPA and the U.S. Army Corps of Engineers to re-examine the waters of the United States rule. In June 2017, the EPA and the U.S. Army Corps of Engineers indicated that they intend to rescind the rule and revert to regulatory language that had been in effect prior to the June 2015 final rule. Consumers does not expect any adverse changes to its environmental strategy as a result of these events.

Many of Consumers facilities maintain NPDES permits, which are valid for five years and vital to the facilities operations. Failure of the MDEQ to renew any NPDES permit, a successful appeal against a permit, or onerous terms contained in a permit could have a significant detrimental effect on the operations of a facility.

PCBs: In 2010, the EPA issued an Advance Notice of Proposed Rulemaking, indicating that it is considering a variety of regulatory actions with respect to PCBs. The timing of any future rulemaking is uncertain as the Trump administration has not indicated that a PCB rulemaking is a priority. Additionally, the proposed rulemaking is no longer on the federal rulemaking agenda.

Environmental Stewardship: In an effort to reduce Consumers environmental footprint and the impact of present and future regulations, Consumers has adopted the following voluntary environmental stewardship goals for air emissions, water use, and waste reduction:

- Committed to a 20-percent reduction of carbon dioxide emissions intensity (pounds of carbon dioxide per MWh generated) by 2025 from a 2008 baseline. In 2016, Consumers achieved a reduction in total tons of carbon dioxide emitted of over 30 percent compared to 2008.
- Committed to a 20-percent reduction in water usage (gallons per MWh generated) by 2020, and expects to meet that goal by the end of 2018.
- Committed to a cumulative waste reduction goal of one million cubic yards of landfill space avoided by 2019, and met that goal in 2017.

Other Matters: Other electric environmental matters could have a material impact on Consumers outlook. For additional details on other electric environmental matters, see Note 3, Contingencies and Commitments Consumers Electric Utility Contingencies Electric Environmental Matters.

Consumers Gas Utility Outlook and Uncertainties

Gas Deliveries: Consumers expects weather-adjusted gas deliveries in 2017 and over the next five years to remain stable relative to 2016. 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 due to:

- 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 Note 2, Regulatory Matters.

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Gas Transmission: In September 2016, Consumers filed an application with the MPSC to invest $610 million in the construction of a 95-mile, 24-inch-diameter natural gas pipeline in Saginaw, Genesee, and Oakland Counties, Michigan. The MPSC issued an order in March 2017 authorizing Consumers to construct and operate the pipeline. Consumers expects the pipeline to be operational by the end of 2020.

Gas Environmental Outlook: Consumers expects to incur response activity costs at a number of sites, including 23 former MGP sites. For additional details, see Note 3, Contingencies and Commitments Consumers Gas Utility Contingencies Gas Environmental Matters.

Enterprises Outlook and Uncertainties

The primary focus with respect to CMS Energy s non-utility businesses is to maximize the value of their generating assets, which represent 1,086 MW of capacity, and to pursue opportunities for the development of renewable generation projects.

T.E.S. Filer City plans to convert its plant to use natural gas as its primary fuel instead of coal. The conversion is expected to increase the amount of capacity and energy produced by the plant from 73 MW to 225 MW. In May 2017, in anticipation of the planned conversion, T.E.S. Filer City reached an agreement with Consumers to amend their PPA. Under the amendment to the PPA, Consumers will purchase the increased capacity and electricity generated by the converted facility for 15 years. The original PPA was set to expire in 2025. The amendment is contingent on approval by the MPSC, on a finding by FERC that sales made under the amended PPA are exempt from, or authorized under, Section 205 of the Federal Power Act, and on commercial operation of the converted facility on or before June 1, 2022.

In May 2017, CMS Enterprises completed the construction and began operations of a 2.5-MW solar generation facility in Phillips, Wisconsin. Energy produced by the solar generation facility is sold through a 25-year PPA to Dairyland Power Cooperative, a non-affiliated company.

In September 2017, CMS Enterprises purchased a 24-MW solar generation project in Delta Township, Michigan. The project is presently under development and will be completed in two phases in 2018. Energy produced by the solar generation project will be sold under a 25-year PPA to Lansing Board of Water and Light, a non-affiliated company.

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

- changes in energy and capacity prices
- 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
- indemnity and environmental remediation obligations at Bay Harbor
- 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 Note 3, Contingencies and Commitments.

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Other Outlook and Uncertainties

EnerBank: EnerBank is a Utah state-chartered, FDIC-insured industrial bank providing unsecured consumer installment loans for financing home improvements. EnerBank represented four percent of CMS Energy s net assets at September 30, 2017 and five percent of CMS Energy s net income available to common stockholders for the nine months ended September 30, 2017. The carrying value of EnerBank s loan portfolio was $1.3 billion at September 30, 2017. Its loan portfolio was funded primarily by certificates of deposit of $1.2 billion. The twelve-month rolling average net default rate on loans held by EnerBank was 1.2 percent at September 30, 2017. 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 September 30, 2017.

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 Note 2, Regulatory Matters and Note 3, Contingencies and Commitments.

NEW ACCOUNTING STANDARDS

For details regarding new accounting standards issued but not yet effective, see Note 1, New Accounting Standards.

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CMS Energy Corporation

Consolidated Statements of Income (Unaudited)

In Millions, Except Per Share Amounts

	Three Months Ended		Nine Months Ended	
September 30	2017	2016	2017	2016
Operating Revenue	$ 1,527	$ 1,587	$ 4,805	$ 4,759
Operating Expenses				
Fuel for electric generation	144	145	386	367
Purchased and interchange power	426	454	1,132	1,165
Purchased power related parties	21	22	64	65
Cost of gas sold	47	45	494	490
Maintenance and other operating expenses	304	301	909	890
Depreciation and amortization	193	183	652	597
General taxes	62	62	209	209
Total operating expenses	1,197	1,212	3,846	3,783
Operating Income	330	375	959	976
Other Income (Expense)				
Interest income	3	1	10	4
Allowance for equity funds used during construction	1	3	5	9
Income from equity method investees	3	5	10	12
Nonoperating retirement benefits, net	3	11	10	31
Other income	2	2	4	7
Other expense	(2)	(6)	(6)	(13)
Total other income	10	16	33	50
Interest Charges				
Interest on long-term debt	101	103	304	306
Other interest expense	10	8	26	22
Allowance for borrowed funds used during construction	-	(1)	(2)	(4)
Total interest charges	111	110	328	324
Income Before Income Taxes	229	281	664	702
Income Tax Expense	57	95	200	227
Net Income	172	186	464	475
Income Attributable to Noncontrolling Interests	-	-	1	1
Net Income Available to Common Stockholders	$ 172	$ 186	$ 463	$ 474
Basic Earnings Per Average Common Share	$ 0.61	$ 0.67	$ 1.65	$ 1.71
Diluted Earnings Per Average Common Share	$ 0.61	$ 0.67	$ 1.65	$ 1.70
Dividends Declared Per Common Share	$ 0.3325	$ 0.3100	$ 0.9975	$ 0.9300

The accompanying notes are an integral part of these statements.

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CMS Energy Corporation

Consolidated Statements of Comprehensive Income (Unaudited)

In Millions

	Three Months Ended		Nine Months Ended	
September 30	2017	2016	2017	2016
Net Income	$ 172	$ 186	$ 464	$ 475
Retirement Benefits Liability				
Amortization of net actuarial loss, net of tax of $1, $-, $1, and $-	-	1	1	2
Amortization of prior service credit, net of tax of $- for all periods	-	-	-	(1)
Investments				
Unrealized gain on investments, net of tax of $-, $-, $1, and $-	1	1	2	1
Other Comprehensive Income	1	2	3	2
Comprehensive Income	173	188	467	477
Comprehensive Income Attributable to Noncontrolling Interests	-	-	1	1
Comprehensive Income Attributable to CMS Energy	$ 173	$ 188	$ 466	$ 476

The accompanying notes are an integral part of these statements.

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CMS Energy Corporation

Consolidated Statements of Cash Flows (Unaudited)

		In Millions
Nine Months Ended September 30	2017	2016
Cash Flows from Operating Activities		
Net income	$ 464	$ 475
Adjustments to reconcile net income to net cash provided by operating activities		
Depreciation and amortization	652	597
Deferred income taxes and investment tax credit	198	219
Other non-cash operating activities and reconciling adjustments	78	54
Cash provided by (used in) changes in assets and liabilities		
Accounts and notes receivable and accrued revenue	185	51
Inventories	(161)	35
Accounts payable and accrued refunds	(6)	(24)
Other current and non-current assets and liabilities	(211)	(166)
Net cash provided by operating activities	1,199	1,241
Cash Flows from Investing Activities		
Capital expenditures (excludes assets placed under capital lease)	(1,208)	(1,224)
Increase in EnerBank notes receivable	(87)	(87)
Proceeds from the sale of EnerBank notes receivable	19	-
Cost to retire property and other investing activities	(78)	(87)
Net cash used in investing activities	(1,354)	(1,398)
Cash Flows from Financing Activities		
Proceeds from issuance of debt	1,108	775
Issuance of common stock	80	69
Net increase in EnerBank certificates of deposit	40	64
Payment of dividends on common and preferred stock	(282)	(260)
Retirement of long-term debt	(668)	(215)
Decrease in notes payable	(168)	(174)
Payment of capital lease obligations and other financing costs	(39)	(22)
Net cash provided by financing activities	71	237
Net Increase (Decrease) in Cash and Cash Equivalents, Including Restricted Amounts	(84)	80
Cash and Cash Equivalents, Including Restricted Amounts, Beginning of Period	257	288
Cash and Cash Equivalents, Including Restricted Amounts, End of Period	$ 173	$ 368
Other non-cash investing and financing activities		
Non-cash transactions		
Capital expenditures not paid	$ 153	$ 159
Note receivable recorded for future refund of use taxes paid and capitalized	-	29

The accompanying notes are an integral part of these statements.

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CMS Energy Corporation

Consolidated Balance Sheets (Unaudited)

ASSETS

	In Millions	
	September 30 2017	December 31 2016
Current Assets		
Cash and cash equivalents	$ 142	$ 235
Restricted cash and cash equivalents	27	19
Accounts receivable and accrued revenue, less allowance of $22 in 2017 and $24 in 2016	631	821
Notes receivable, less allowance of $19 in 2017 and $16 in 2016	197	180
Notes receivable held for sale	31	39
Accounts receivable related parties	12	12
Inventories at average cost		
Gas in underground storage	584	446
Materials and supplies	126	119
Generating plant fuel stock	77	61
Deferred property taxes	157	250
Regulatory assets	19	17
Prepayments and other current assets	118	81
Total current assets	2,121	2,280
Plant, Property, and Equipment		
Plant, property, and equipment, gross	21,966	21,010
Less accumulated depreciation and amortization	6,403	6,056
Plant, property, and equipment, net	15,563	14,954
Construction work in progress	881	761
Total plant, property, and equipment	16,444	15,715
Other Non-current Assets		
Regulatory assets	2,038	2,091
Accounts and notes receivable	1,177	1,118
Investments	71	65
Other	269	353
Total other non-current assets	3,555	3,627
Total Assets	$ 22,120	$ 21,622

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LIABILITIES AND EQUITY

	September 30 2017	December 31 2016
		In Millions
Current Liabilities		
Current portion of long-term debt, capital leases, and financing obligation	$ 980	$ 886
Notes payable	230	398
Accounts payable	624	598
Accounts payable related parties	8	12
Accrued rate refunds	35	21
Accrued interest	79	98
Accrued taxes	90	348
Regulatory liabilities	85	95
Other current liabilities	130	199
Total current liabilities	2,261	2,655
Non-current Liabilities		
Long-term debt	9,024	8,640
Non-current portion of capital leases and financing obligation	97	110
Regulatory liabilities	2,066	2,041
Postretirement benefits	760	789
Asset retirement obligations	443	447
Deferred investment tax credit	88	73
Deferred income taxes	2,501	2,287
Other non-current liabilities	308	290
Total non-current liabilities	15,287	14,677
Commitments and Contingencies (Notes 2 and 3)		
Equity		
Common stockholders equity		
Common stock, authorized 350.0 shares; outstanding 281.6 shares in 2017 and 279.2 shares in 2016	3	3
Other paid-in capital	5,013	4,916
Accumulated other comprehensive loss	(47)	(50)
Accumulated deficit	(434)	(616)
Total common stockholders equity	4,535	4,253
Noncontrolling interests	37	37
Total equity	4,572	4,290
Total Liabilities and Equity	$ 22,120	$ 21,622

The accompanying notes are an integral part of these statements.

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CMS Energy Corporation

Consolidated Statements of Changes in Equity (Unaudited)

				In Millions
	Three Months Ended		Nine Months Ended	
September 30	2017	2016	2017	2016
Total Equity at Beginning of Period	$ 4,486	$ 4,193	$ 4,290	$ 3,975
Common Stock				
At beginning and end of period	3	3	3	3
Other Paid-in Capital				
At beginning of period	5,006	4,906	4,916	4,837
Common stock issued	7	3	95	82
Common stock repurchased	-	(1)	(13)	(11)
Common stock reissued	-	-	15	-
At end of period	5,013	4,908	5,013	4,908
Accumulated Other Comprehensive Loss				
At beginning of period	(48)	(47)	(50)	(47)
Retirement benefits liability				
At beginning of period	(49)	(43)	(50)	(43)
Amortization of net actuarial loss	-	1	1	2
Amortization of prior service credit	-	-	-	(1)
At end of period	(49)	(42)	(49)	(42)
Investments				
At beginning of period	1	(4)	-	(4)
Unrealized gain on investments	1	1	2	1
At end of period	2	(3)	2	(3)
At end of period	(47)	(45)	(47)	(45)
Accumulated Deficit				
At beginning of period	(512)	(706)	(616)	(855)
Cumulative effect of change in accounting principle	-	-	-	33
Net income attributable to CMS Energy	172	186	463	474
Dividends declared on common stock	(94)	(87)	(281)	(259)
At end of period	(434)	(607)	(434)	(607)
Noncontrolling Interests				
At beginning of period	37	37	37	37
Income attributable to noncontrolling interests	-	-	1	1
Distributions and other changes in noncontrolling interests	-	-	(1)	(1)
At end of period	37	37	37	37
Total Equity at End of Period	$ 4,572	$ 4,296	$ 4,572	$ 4,296

The accompanying notes are an integral part of these statements.

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Consumers Energy Company

Consolidated Statements of Income (Unaudited)

In Millions

	Three Months Ended		Nine Months Ended	
September 30	2017	2016	2017	2016
Operating Revenue	$ 1,437	$ 1,498	$ 4,536	$ 4,514
Operating Expenses				
Fuel for electric generation	115	118	304	290
Purchased and interchange power	424	445	1,124	1,148
Purchased power related parties	23	23	67	66
Cost of gas sold	42	39	479	477
Maintenance and other operating expenses	274	274	824	816
Depreciation and amortization	191	182	646	592
General taxes	60	61	203	207
Total operating expenses	1,129	1,142	3,647	3,596
Operating Income	308	356	889	918
Other Income (Expense)				
Interest income	2	1	8	3
Interest and dividend income related parties	-	-	-	1
Allowance for equity funds used during construction	1	3	5	9
Nonoperating retirement benefits, net	3	9	8	28
Other income	1	2	15	7
Other expense	(2)	(6)	(6)	(13)
Total other income	5	9	30	35
Interest Charges				
Interest on long-term debt	66	65	198	195
Other interest expense	4	3	11	9
Allowance for borrowed funds used during construction	-	(1)	(2)	(4)
Total interest charges	70	67	207	200
Income Before Income Taxes	243	298	712	753
Income Tax Expense	62	103	216	254
Net Income	181	195	496	499
Preferred Stock Dividends	-	-	1	1
Net Income Available to Common Stockholder	$ 181	$ 195	$ 495	$ 498

The accompanying notes are an integral part of these statements.

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Consumers Energy Company

Consolidated Statements of Comprehensive Income (Unaudited)

				In Millions
	Three Months Ended		Nine Months Ended	
September 30	2017	2016	2017	2016
Net Income	$ 181	$ 195	$ 496	$ 499
Retirement Benefits Liability				
Amortization of net actuarial loss, net of tax of $- for all periods	-	-	1	-
Investments				