CMS ENERGY CORP
Form 10-K
February 14, 2018
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UNITED STATES SECURITIES AND EXCHANGE COMMISSION

Washington, D.C. 20549

FORM 10-K

x **ANNUAL REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934**

For the fiscal year ended December 31, 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

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

Registrant	**Title of Class**	**Name of Each Exchange on Which Registered**
CMS Energy Corporation	Common Stock, $0.01 par value	New York Stock Exchange
Consumers Energy Company	Cumulative Preferred Stock, $100 par value: $4.50 Series	New York Stock Exchange

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

Indicate by check mark if the registrant is a well-known seasoned issuer, as defined in Rule 405 of the Securities Act.

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

Indicate by check mark if the registrant is not required to file reports pursuant to Section 13 or Section 15(d) of the Act.

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

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 if disclosure of delinquent filers pursuant to Item 405 of Regulation S-K is not contained herein, and will not be contained, to the best of registrant s knowledge, in definitive proxy or information statements incorporated by reference in Part III of this Form 10-K or any amendment to this Form 10-K. x

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

The aggregate market value of CMS Energy voting and non-voting common equity held by non-affiliates was $12.948 billion for the 279,964,146 CMS Energy Common Stock shares outstanding on June 30, 2017 based on the closing sale price of $46.25 for CMS Energy Common Stock, as reported by the New York Stock Exchange on such date. There were no shares of Consumers common equity held by non-affiliates as of June 30, 2017.

There were 282,420,406 shares of CMS Energy Common Stock outstanding on January 31, 2018, including 20,316 shares owned by Consumers Energy Company. On January 31, 2018, CMS Energy held all 84,108,789 outstanding shares of common equity of Consumers.

Documents incorporated by reference in Part III: CMS Energy s and Consumers proxy statement relating to their 2018 Annual Meetings of Shareholders to be held May 4, 2018.

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CMS Energy Corporation

Consumers Energy Company

Annual Reports on Form 10-K to the Securities and Exchange Commission for the Year Ended December 31, 2017

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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

ABATE
Association of Businesses Advocating Tariff Equity

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

AFUDC
Allowance for borrowed and equity funds used during construction

AOCI
Accumulated other comprehensive income (loss)

ARO
Asset retirement obligation

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

ASC 740
Financial Accounting Standards Board Accounting Standards Codification Topic 740, Income Taxes

ASU
Financial Accounting Standards Board Accounting Standards Update

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

bcf
Billion cubic feet

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

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

CAO
Chief Accounting Officer

CCR
Coal combustion residual

CEO
Chief Executive Officer

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

CFO
Chief Financial Officer

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

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

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

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

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

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

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

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

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

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

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

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

Consumers 2014 Securitization Funding
Consumers 2014 Securitization Funding LLC, a wholly owned consolidated bankruptcy-remote subsidiary of Consumers and special-purpose entity organized for the sole purpose of purchasing and owning securitization property, issuing securitization bonds, and pledging its interest in securitization property to a trustee to collateralize the securitization bonds

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

CSAPR
The Cross-State Air Pollution Rule

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

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

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

DB SERP
Defined Benefit Supplemental Executive Retirement Plan

DCCP
Defined Company Contribution Plan

DC SERP
Defined Contribution Supplemental Executive Retirement Plan

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

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

DTE Electric
DTE Electric Company, a non-affiliated company

DTE Gas
DTE Gas Company, a non-affiliated company

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

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

Entergy
Entergy Corporation, a non-affiliated company

EPA
U.S. Environmental Protection Agency

EPS
Earnings per share

Exchange Act
Securities Exchange Act of 1934

FDIC
Federal Deposit Insurance Corporation

FERC
The Federal Energy Regulatory Commission

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

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

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

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

GCR
Gas cost recovery

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

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

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

IRS
Internal Revenue Service

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

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

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

LIBOR
The London Interbank Offered Rate

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

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

mcf
Thousand cubic feet

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

MCV Partnership
Midland Cogeneration Venture Limited Partnership

MCV PPA
PPA between Consumers and the MCV Partnership

MDEQ
Michigan Department of Environmental Quality

METC
Michigan Electric Transmission Company, LLC, a non-affiliated company

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

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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

MRV
Market-related value of plan assets

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

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

NAAQS
National Ambient Air Quality Standards

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

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

NREPA
Part 201 of 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

PBO
Projected benefit obligation

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PCB
Polychlorinated biphenyl

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

PISP
Performance Incentive Stock Plan

PPA
Power purchase agreement

PSCR
Power supply cost recovery

PURPA
The Public Utility Regulatory Policies Act of 1978

RCRA
The Federal Resource Conservation and Recovery Act of 1976

REC
Renewable energy credit

ROA
Retail Open Access, which allows electric generation customers to choose alternative electric suppliers pursuant to a Michigan statute enacted in 2000, as amended

S&P
Standard & Poor s Financial Services LLC

SEC
U.S. Securities and Exchange Commission

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

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

TCJA
P.L. 115-97, commonly referred to as the Tax Cuts and Jobs Act

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

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

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UWUA
Utility Workers Union of America, AFL-CIO

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

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FILING FORMAT

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

FORWARD-LOOKING STATEMENTS AND INFORMATION

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

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

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

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

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

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

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- 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

- 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

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- factors affecting development of electric generation projects and gas and electric transmission and distribution infrastructure replacement, conversion, and expansion projects, including factors related to project site identification, construction material pricing, schedule delays, availability of qualified construction personnel, permitting, acquisition of property rights, and government approvals
- potential disruption to, interruption of, or other impacts on facilities, utility infrastructure, operations, or backup systems due to accidents, explosions, physical disasters, cyber incidents, vandalism, war, or terrorism, and the ability to obtain or maintain insurance coverage for these events
- changes or disruption in fuel supply, including but not limited to supplier bankruptcy and delivery disruptions
- potential costs, lost revenues, or other consequences resulting from misappropriation of assets or sensitive information, corruption of data, or operational disruption in connection with a cyber attack or other cyber incident
- potential disruption to, interruption or failure of, or other impacts on information technology backup or disaster recovery systems
- technological developments in energy production, storage, delivery, usage, and metering
- the ability to implement technology successfully
- the impact of CMS Energy s and Consumers integrated business software system and its effects on their operations, including utility customer billing and collections
- adverse consequences resulting from any past, present, or future assertion of indemnity or warranty claims associated with assets and businesses previously owned by CMS Energy or Consumers, including claims resulting from attempts by foreign or domestic governments to assess taxes on or to impose environmental liability associated with past operations or transactions
- the outcome, cost, and other effects of any legal or administrative claims, proceedings, investigations, or settlements
- the reputational impact on CMS Energy and Consumers of operational incidents, violations of corporate policies, regulatory violations, inappropriate use of social media, and other events

- restrictions imposed by various financing arrangements and regulatory requirements on the ability of Consumers and other subsidiaries of CMS Energy to transfer funds to CMS Energy in the form of cash dividends, loans, or advances

- earnings volatility resulting from the application of fair value accounting to certain energy commodity contracts or interest rate contracts

- changes in financial or regulatory accounting principles or policies

- other matters that may be disclosed from time to time in CMS Energy s and Consumers SEC filings, or in other public documents

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

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Part I

Item 1. Business

GENERAL

CMS Energy

CMS Energy was formed as a corporation in Michigan in 1987 and is an energy company operating primarily in Michigan. It is the parent holding company of several subsidiaries, including Consumers, an electric and gas utility, and CMS Enterprises, primarily a domestic independent power producer. Consumers serves individuals and businesses operating in the alternative energy, automotive, chemical, metal, and food products industries, as well as a diversified group of other industries. CMS Enterprises, through its subsidiaries and equity investments, is engaged in domestic independent power production, the marketing of independent power production, and the development of renewable generation.

CMS Energy manages its businesses by the nature of services each provides, and operates principally in three business segments: electric utility, gas utility, and enterprises, its non-utility operations and investments. Consumers consolidated operations account for the substantial majority of CMS Energy s total assets, income, and operating revenue. CMS Energy s consolidated operating revenue was $6.6 billion in 2017, $6.4 billion in 2016, and $6.5 billion in 2015.

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

Consumers

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

Consumers consolidated operating revenue was $6.2 billion in 2017, $6.1 billion in 2016, and $6.2 billion in 2015. For further information about operating revenue, income, and assets and liabilities attributable to Consumers electric and gas utility operations, see Item 6. Selected Financial Data and Item 8. Financial Statements and Supplementary Data Consumers Consolidated Financial Statements and Notes to the Consolidated Financial Statements.

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

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In 2017, Consumers served 1.8 million electric customers and 1.8 million gas customers in Michigan s Lower Peninsula. Presented in the following map are Consumers service territories:

Electric Service Territory

Gas Service Territory

Combination Electric and
Gas Service Territory

Electric Generation Facilities

CMS Energy and Consumers The Triple Bottom Line

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, is engaged in domestic independent power production, the marketing of independent power production, and the development of renewable generation.

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 s and Consumers businesses are affected primarily by:

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

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The Triple Bottom Line

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

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

Consumers 2017 Sustainability Report, which is available to the public, describes the company s commitment to world class performance and to the triple bottom line and discusses its progress in the areas of safety, environmental stewardship, social responsibility, and economic development.

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

The safety of employees, customers, and the general public is a priority of CMS Energy and Consumers. Accordingly, CMS Energy and Consumers have worked to integrate a set of safety principles into their business operations and culture. These principles include complying with applicable safety, health, and security regulations and implementing programs and processes aimed at continually improving safety and security conditions. The number of recordable safety incidents in 2017 was 65, compared with 73 in 2016 and 106 in 2015. The number of recordable safety incidents in 2017 was the lowest in Consumers history, and Consumers is on track to have the best safety results of its EEI peer group, as it did in 2016.

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

Central to Consumers commitment to its customers are the initiatives it has undertaken to keep electricity and natural gas affordable. These initiatives include the adoption of its 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:

- replacement of coal-fueled generation with cleaner and more efficient gas-fueled generation, renewable energy, and energy waste reduction and demand response programs
- targeted infrastructure investment, including the installation of smart meters
- information and control system efficiencies
- employee and retiree health care cost sharing
- workforce productivity enhancements

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In addition, Consumers gas commodity costs declined by 60 percent from 2007 through 2017, due not only to a decrease in market prices but also to Consumers improvements to its gas infrastructure and optimization of its gas purchasing and storage strategy. These gas commodity savings are passed on to customers.

Planet: The planet element of the triple bottom line represents CMS Energy s and Consumers commitment to protect the environment; this commitment extends beyond complying with the various state and federal environmental and health and safety laws and regulations to which CMS Energy and Consumers are subject. Consideration of climate change risk and other environmental risks is embedded in the companies strategy, business planning, and enterprise risk management processes.

CMS Energy and Consumers continue to focus on opportunities to reduce their carbon footprint by replacing coal-fueled generation with gas-fueled generation and renewable energy. In 2016, Consumers retired seven of its coal-fueled electric generating units, representing 33 percent of its owned coal-fueled generating capacity. As a result of these retirements and other actions taken by CMS Energy and Consumers, the companies combined percentage of electric supply (self-generated and purchased) from coal has decreased by 16 percentage points since 2015. Presented in the following illustration are CMS Energy s, including Consumers , sources of electric supply during 2017:

Gas (38%)

Coal (26%)

Nuclear (17%)

Renewables (9%)

Pumped Storage (2%)

Net interchange power and other (8%)

Additionally, over the last 20 years, Consumers has reduced its sulfur dioxide emissions by 80 percent, its nitrogen oxide emissions by 90 percent, and its particulate matter emissions by 80 percent. Over the last ten years, Consumers has reduced its mercury emissions by 70 percent.

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Going forward, Consumers will continue to invest in renewable generation and energy waste reduction programs in order to meet the requirements set by the 2016 Energy Law and to fulfill customer demand beyond the renewable energy standard. CMS Energy will continue to pursue further opportunities for the development of renewable generation projects through its non-utility businesses.

The 2016 Energy Law aligns with Consumers clean and lean strategy, which focuses on increasing its generation of renewable energy, helping its customers use less energy, and offering demand response programs to reduce demand during critical peak times. Among other things, the 2016 Energy Law:

- raised the renewable energy standard from the present ten-percent requirement to 12.5 percent by 2019 and 15 percent by 2021
- established a goal of 35 percent combined renewable energy and energy waste reduction by 2025
- authorized incentives for demand response programs and expanded existing incentives for energy efficiency programs, referring to the combined initiatives as energy waste reduction programs

In a further effort to advance its environmental stewardship and to meet the requirements of present and future regulations, Consumers has adopted the following voluntary 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 surpassed that goal in 2017 with a 35-percent reduction in water used to generate electricity.
- Committed to a cumulative waste reduction goal of one million cubic yards of landfill space avoided by 2019, and met that goal in 2017.

CMS Energy and Consumers are monitoring numerous legislative and regulatory initiatives, including those to regulate greenhouse gases, and related litigation. They are also monitoring potential changes in policies under the Trump administration. While CMS Energy and Consumers cannot predict the outcome of these matters, which could have a material effect on the companies, they intend to continue to move forward with their clean energy plan, their carbon reduction goals, and their emphasis on supply diversity.

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

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BUSINESS SEGMENTS

Consumers Electric Utility

Electric Utility Operations: Consumers electric utility operations, which include the generation, purchase, transmission, distribution, and sale of electricity, generated operating revenue of $4.4 billion in 2017, $4.4 billion in 2016, and $4.2 billion in 2015. Consumers electric utility customer base consists of a mix of primarily residential, commercial, and diversified industrial customers in Michigan s Lower Peninsula.

Presented in the following illustration is Consumers 2017 electric utility operating revenue of $4.4 billion by customer class:

Residential (43%)

Commercial (34%)

Industrial (17%)

Other (6%)

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

In 2017, Consumers electric deliveries were 37 billion kWh, which included ROA deliveries of three billion kWh, resulting in net bundled sales of 34 billion kWh. In 2016, Consumers electric deliveries were 38 billion kWh, which included ROA deliveries of four billion kWh, resulting in net bundled sales of 34 billion kWh.

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

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Presented in the following illustration are Consumers monthly weather-adjusted electric deliveries (deliveries adjusted to reflect normal weather conditions) to its customers, including ROA deliveries, during 2017 and 2016:

Consumers 2017 summer peak demand was 7,634 MW, which included ROA demand of 577 MW. For the 2016-2017 winter season, Consumers peak demand was 5,924 MW, which included ROA demand of 475 MW. As required by MISO reserve margin requirements, Consumers owns or controls, through long-term PPAs and short-term capacity purchases, all of the capacity required to supply its projected firm peak load and necessary reserve margin for summer 2018.

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

- 214 miles of transmission overhead lines operating at 138 kilovolts
- 188 miles of high-voltage distribution overhead lines operating at 138 kilovolts
- 4 miles of high-voltage distribution underground lines operating at 138 kilovolts
- 4,431 miles of high-voltage distribution overhead lines operating at 46 kilovolts and 69 kilovolts

- 19 miles of high-voltage distribution underground lines operating at 46 kilovolts
- 56,098 miles of electric distribution overhead lines
- 10,665 miles of underground distribution lines
- substations with an aggregate transformer capacity of 25 million kVA

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

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Electric Utility Generation and Supply Mix: Presented in the following table are details about Consumers 2017 electric generation and supply mix:

Name and Location (Michigan)	Number of Units and Year Entered Service	2017 Generation Capacity[1] (MW)	2017 Electric Supply (GWh)
Coal steam generation			
J.H. Campbell 1 & 2 West Olive	2 Units, 1962-1967	607	2,162
J.H. Campbell 3 West Olive[2]	1 Unit, 1980	780	5,400
D.E. Karn 1 & 2 Essexville	2 Units, 1959-1961	515	2,536
		1,902	10,098
Oil/Gas steam generation			
D.E. Karn 3 & 4 Essexville	2 Units, 1975-1977	1,208	96
Hydroelectric			
Ludington Ludington	6 Units, 1973	1,100[3]	(290)[4]
Conventional hydro generation various locations	35 Units, 1906-1949	75	479
		1,175	189
Gas combined cycle			
Jackson Jackson	1 Unit, 2002	542	1,890
Zeeland Zeeland	3 Units, 2002	527	3,051
		1,069	4,941
Gas/Oil combustion turbine			
Zeeland (simple cycle) Zeeland	2 Units, 2001	316	164
Various plants various locations[5]	8 Units, 1966-1971	52	1
		368	165
Wind generation			
Cross Winds® Energy Park Tuscola County	62 Turbines, 2014	18	336
Lake Winds® Energy Park Mason County	56 Turbines, 2012	17	257
		35	593
Solar generation			
Solar Gardens Allendale and Kalamazoo	15,100 Panels, 2016	2	6
Total owned generation		5,759	16,088
Purchased power[6]			
Coal generation primarily Filer City		60	491
Gas generation MCV Facility[7]		1,240	4,355
Other gas generation various locations		371	1,166
Nuclear generation Palisades[7]		764	6,780
Wind generation various locations		53	951
Other renewable generation various locations		208	1,337
		2,696	15,080
Net interchange power[8]		-	4,384
Total purchased and interchange power		2,696	19,464
Total supply		8,455	35,552
Less generation and transmission use/loss			1,938
Total net bundled sales			33,614

1 Represents generation capacity during the summer months. For wind and solar generation, the amount represents the effective load-carrying capability.

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

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3 Represents Consumers 51-percent share of the capacity of Ludington. DTE Electric holds the remaining 49-percent ownership interest.

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

5 Includes units that were mothballed beginning on various dates between October 2010 and October 2014.

6 Represents purchases under long-term PPAs.

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

8 Represents purchases from the MISO capacity and energy markets.

Consumers generation capacity is a measure of the maximum electric output that Consumers has available to meet peak load requirements. As shown in the following illustration, Consumers 2017 generation capacity of 8,455 MW, including purchased capacity of 2,696 MW, relied on a variety of fuel sources:

Gas (40%)

Coal (23%)

Pumped Storage (13%)

Oil (10%)

Nuclear (9%)

Renewables (5%)

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

			GWh
Years Ended December 31	2017	2016	2015
Owned generation			
Coal	10,098	9,739	15,833
Gas	5,190	6,194	3,601
Renewable energy	1,078	1,083	1,056
Oil	12	8	-
Net pumped storage[1]	(290)	(316)	(186)
Total owned generation	16,088	16,708	20,304
Purchased power[2]			
Gas generation	5,521	6,139	4,301
Nuclear generation	6,780	6,927	6,909
Renewable energy generation	2,288	2,229	2,163
Coal generation	491	512	510
Net interchange power[3]	4,384	3,688	1,327
Total purchased and interchange power	19,464	19,495	15,210
Total supply	35,552	36,203	35,514

1 Represents Consumers share of net pumped-storage generation. During 2017, the pumped-storage facility consumed 997 GWh of electricity to pump water during off-peak hours for storage in order to generate 707 GWh of electricity later during peak-demand hours.

2 Represents purchases under long-term PPAs.

3 Represents purchases from the MISO energy market.

During 2017, Consumers acquired 55 percent of the electricity it provided to customers through long-term PPAs and the MISO energy market. Consumers offers its generation into the MISO energy market on a day-ahead and real-time basis and bids for power in the market to serve the demand of its customers. Consumers is a net purchaser of power and supplements its generation capability with purchases from the MISO energy market to meet its customers needs during peak demand periods.

At December 31, 2017, Consumers had unrecognized future commitments (amounts for which, in accordance with GAAP, liabilities have not been recorded on its balance sheet) to purchase capacity and energy under long-term PPAs with various generating plants. These contracts require monthly capacity payments based on the plants availability or deliverability. The payments for 2018 through 2036 are estimated to total $9 billion and, for each of the next five years, $1 billion annually. These amounts may vary depending on plant availability and fuel costs. For further information about Consumers future capacity and energy purchase obligations, see Item 7. Management s Discussion and Analysis of Financial Condition and Results of Operations Capital Resources and Liquidity and Item 8. Financial Statements and Supplementary Data Note 4, Contingencies and Commitments Contractual Commitments.

During 2017, 28 percent of the energy Consumers provided to customers was generated by its coal-fueled generating units, which burned six million tons of coal and produced a combined total of 10,098 GWh of electricity.

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In order to obtain the coal it needs, Consumers enters into physical coal supply contracts. At December 31, 2017, Consumers had contracts to purchase coal through December 2019; payment obligations under these contracts totaled $82 million. Most of Consumers rail-supplied coal contracts have fixed prices, although some contain market-based pricing. Consumers vessel-supplied coal contracts have fixed base prices that are adjusted monthly to reflect changes to the fuel cost of vessel transportation. At December 31, 2017, Consumers had 79 percent of its 2018 expected coal requirements under contract, as well as a 53-day supply of coal on hand.

In conjunction with its coal supply contracts, Consumers leases a fleet of railcars and has transportation contracts with various companies to provide rail and vessel services for delivery of purchased coal to Consumers generating facilities. Consumers coal transportation contracts expire on various dates through December 2019; payment obligations under these contracts totaled $294 million at December 31, 2017.

During 2017, 15 percent of the energy Consumers provided to customers was generated by its natural gas-fueled generating units, which burned 39 bcf of natural gas and produced a combined total of 5,190 GWh of electricity.

In order to obtain the gas it needs for electric generation fuel, Consumers electric utility purchases gas from the market near the time of consumption, at prices that allow it to compete in the electric wholesale market. For units 3 and 4 of D.E. Karn and for the Jackson and Zeeland plants, Consumers utilizes an agent that owns firm transportation rights to each plant to purchase gas from the market and transport the gas to the facilities. For its smaller combustion turbines, Consumers electric utility purchases and transports gas to its facilities as a bundled-rate tariff customer of either the gas utility or DTE Gas.

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

Under 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 December 31, 2017, electric deliveries under the ROA program were at the ten-percent limit. Of Consumers 1.8 million electric customers, 287 customers, or 0.02 percent, purchased generation service under the ROA program. For additional information see Item 7. Management s Discussion and Analysis of Financial Condition and Results of Operations Outlook Consumers Electric Utility Outlook and Uncertainties.

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

- aggressively controlling operating, maintenance, and fuel costs and passing savings on to customers
- providing renewable energy options
- providing competitive rate-design options, particularly for large energy-intensive customers

- offering tariff-based incentives that support economic development
- providing non-energy services and value to customers
- monitoring activity in adjacent geographical areas

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Consumers Gas Utility

Gas Utility Operations: Consumers gas utility operations, which include the purchase, transmission, storage, distribution, and sale of natural gas, generated operating revenue of $1.8 billion in 2017, $1.7 billion in 2016, and $1.9 billion in 2015. Consumers gas utility customer base consists of a mix of primarily residential, commercial, and diversified industrial customers in Michigan s Lower Peninsula.

Presented in the following illustration is Consumers 2017 gas utility operating revenue of $1.8 billion by customer class:

Residential (58%)

GCC (19%)

Commercial (13%)

Industrial (4%)

Other (6%)

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

In 2017, deliveries of natural gas through Consumers pipeline and distribution network, including off-system transportation deliveries, totaled 352 bcf, which included GCC deliveries of 42 bcf. In 2016, deliveries of natural gas, including off-system transportation deliveries, through Consumers pipeline and distribution network, totaled 358 bcf, which included GCC deliveries of 46 bcf. Consumers gas utility operations are seasonal. The consumption of natural gas typically increases in the winter, due primarily to colder temperatures and the resulting use of natural gas as a heating fuel. Consumers injects natural gas into storage during the summer months for use during the winter months. During 2017, 47 percent of the natural gas supplied to all customers during the winter months was supplied from storage.

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Presented in the following illustration are Consumers monthly weather-adjusted natural gas deliveries (deliveries adjusted to reflect normal weather conditions) to its customers, including GCC deliveries, during 2017 and 2016:

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

- 1,672 miles of transmission lines
- 15 gas storage fields with a total storage capacity of 309 bcf and a working gas volume of 151 bcf
- 28,194 miles of distribution mains
- eight compressor stations with a total of 181,814 installed and available horsepower

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Gas Utility Supply: In 2017, Consumers purchased 80 percent of the gas it delivered from U.S. producers and two percent from Canadian producers. The remaining 18 percent was purchased from authorized GCC suppliers and delivered by Consumers to customers in the GCC program. Presented in the following illustration are the supply arrangements for the gas Consumers delivered to GCC and GCR customers during 2017:

GCR firm city-gate

contracts (43%)

GCR firm gas transportation
contracts (39%)

GCC suppliers (18%)

Firm gas transportation or firm city-gate contracts are those that define a fixed amount, price, and delivery time frame. Consumers firm gas transportation contracts are with Panhandle Eastern Pipe Line Company and Trunkline Gas Company, LLC, each a non-affiliated company. Under these contracts, Consumers purchases and transports gas to Michigan for ultimate delivery to its customers. Consumers firm gas transportation contracts expire on various dates through 2023 and provide for the delivery of 37 percent of Consumers total gas supply requirements in 2018. Consumers purchases the balance of its required gas supply under firm city-gate contracts and through authorized suppliers under the GCC program.

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

Enterprises Segment Non-Utility Operations and Investments

CMS Energy s enterprises segment, through various subsidiaries and certain equity investments, is engaged in domestic independent power production, the marketing of independent power production, and the development of renewable generation. The enterprises segment s operating revenue was $229 million in 2017, $215 million in 2016, and $190 million in 2015.

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Independent Power Production: Presented in the following table is information about the independent power plants in which CMS Energy had an ownership interest at December 31, 2017:

Location	Ownership Interest (%)	Primary Fuel Type	Gross Capacity[1] (MW)	2017 Net Generation (GWh)
Dearborn, Michigan	100	Natural gas	770	4,463
Gaylord, Michigan	100	Natural gas	156	7
Comstock, Michigan	100	Natural gas	73	6
Phillips, Wisconsin	100	Solar	3	3
Filer City, Michigan	50	Coal	73	487
New Bern, North Carolina	50	Wood waste	50	375
Flint, Michigan	50	Wood waste	40	98
Grayling, Michigan	50	Wood waste	38	160
Total			1,203	5,599

1 Represents the intended full-load sustained output of each plant. The amount of capacity relating to CMS Energy s ownership interest was 1,102 MW at December 31, 2017.

The operating revenue from independent power production was $16 million in 2017, $16 million in 2016, and $17 million in 2015.

Energy Resource Management: CMS ERM purchases and sells energy commodities in support of CMS Energy s generating facilities with a focus on optimizing CMS Energy s independent power production portfolio. In 2017, CMS ERM marketed six bcf of natural gas and 4,954 GWh of electricity. Electricity marketed by CMS ERM was generated by independent power production of the enterprises segment and by unrelated third parties. CMS ERM s operating revenue was $213 million in 2017, $199 million in 2016, and $173 million in 2015.

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

Other Businesses

EnerBank: EnerBank is a Utah state-chartered, FDIC-insured industrial bank providing unsecured consumer installment loans for financing home improvements. EnerBank s operating revenue was $132 million in 2017, $120 million in 2016, and $101 million in 2015.

CMS ENERGY AND CONSUMERS REGULATION

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

FERC and NERC

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

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transmission owners and operators, load serving entities, purchase and sale entities, and others with regard to reliability of the bulk power system.

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

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

MPSC

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

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

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

Other Regulation

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

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

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

Energy Legislation

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

- raised the renewable energy standard from the present ten-percent requirement to 12.5 percent by 2019 and 15 percent by 2021
- established a goal of 35 percent combined renewable energy and energy waste reduction by 2025
- authorized incentives for demand response programs and expanded existing incentives for energy efficiency programs, referring to the combined initiatives as energy waste reduction programs
- authorized incentives for new PPAs with non-affiliates
- established an integrated planning process for new generation resources
- shortened from twelve months to ten months the time by which the MPSC must issue a final order in general rate cases, but prohibited electric and gas utilities from filing general rate cases for increases in rates more often than once every twelve months

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- eliminated utilities self-implementation of rates in general rate cases filed after the effective date of the 2016 Energy Law
- required the MPSC to implement equitable cost-of-service rates for customers participating in a net metering program

The 2016 Energy Law also established a path to ensure that forward capacity is secured for all electric customers in Michigan, including customers served by alternative electric suppliers under ROA. Under 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. For additional information see Item 7. Management s Discussion and Analysis of Financial Condition and Results of Operations Outlook Consumers Electric Utility Outlook and Uncertainties.

CMS ENERGY AND CONSUMERS ENVIRONMENTAL STRATEGY

CMS Energy and Consumers are committed to protecting the environment; this commitment extends beyond compliance with applicable laws and regulations. In 2017, Consumers was ranked as the top company in Michigan, and the ninth in the nation, in Newsweek s annual Green Rankings, a survey that ranks the 500 largest publicly traded companies in the U.S. on environmental performance and considers such factors as support for clean energy, reduction of carbon emissions, and efforts to reduce and divert waste. CMS Energy and Consumers continue to focus on opportunities to reduce their carbon footprint in electric generation. In 2016, Consumers retired 33 percent of its owned coal-fueled generating capacity and presently provides ten percent of its electricity from renewable sources. Consumers has opened two solar generation facilities in Michigan, and CMS Energy is developing two more that are scheduled to begin operations in 2018. In addition, Consumers is expanding its Cross Winds® Energy Park. For additional information on stewardship goals, see Item 7. Management s Discussion and Analysis of Financial Condition and Results of Operations Executive Overview.

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

CMS Energy has recorded a $48 million liability for its subsidiaries obligations associated with Bay Harbor and Consumers has recorded an $88 million liability for its obligations at a number of MGP sites. For additional information, see Item 1A. Risk Factors and Item 8. Financial Statements and Supplementary Data Notes to the Consolidated Financial Statements Note 4, Contingencies and Commitments.

Solid Waste Disposal: Costs related to the construction, operation, and closure of solid waste disposal facilities for coal ash are significant. Consumers solid waste disposal areas are regulated under Michigan s solid waste rules. 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 has converted all of its fly ash handling systems to dry systems to minimize applicable requirements. In addition, all of Consumers ash facilities have programs designed to protect the environment and are subject to quarterly MDEQ

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inspections. Consumers preliminary estimate of capital and cost of removal expenditures to comply with regulations relating to ash disposal is $215 million from 2018 through 2022.

Water: Consumers uses substantial amounts of water to operate and cool its electric generating plants. Water discharge quality is regulated and administered by the MDEQ under the federal NPDES program. To comply with such regulation, Consumers facilities have discharge monitoring programs. The EPA issued final regulations for wastewater discharges from electric generating plants in 2015 and amended them in September 2017. Consumers preliminary estimate of capital expenditures to comply with these regulations as presently promulgated is $49 million from 2018 through 2022.

In 2014, the EPA finalized its cooling water intake rule, which requires Consumers to evaluate the biological impact of its cooling water intake systems and ensure that it is using the best technology available to minimize adverse environmental impacts. Consumers preliminary estimate of capital expenditures to comply with these regulations is $89 million from 2018 through 2022.

Air: Consumers is subject to federal and state environmental regulations that require extensive reductions in nitrogen oxides, sulfur dioxides, particulate matter, and mercury emissions. To comply with these regulations, Consumers has invested in emissions control equipment at its electric generating plants. Consumers preliminary estimate of additional capital expenditures to comply with these regulations is $14 million from 2018 through 2022.

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

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

INSURANCE

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

CMS Energy s and Consumers present insurance program may not entirely cover the risks of certain environmental costs, such as the cleanup of sites owned by CMS Energy or Consumers, claims for the long-term storage or disposal of pollutants, or claims related to air pollution.

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EMPLOYEES

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

December 31	2017	2016	2015
CMS Energy, including Consumers[1]			
Full-time employees	7,822	7,699	7,711
Seasonal employees[2]	74	52	39
Part-time employees	56	49	54
Total employees	7,952	7,800	7,804
Consumers[1]			
Full-time employees	7,408	7,301	7,339
Seasonal employees[2]	74	52	39
Part-time employees	14	13	16
Total employees	7,496	7,366	7,394

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

2 Consumers seasonal workforce peaked at 598 employees during 2017, 522 employees during 2016, and 477 employees during 2015. Seasonal employees work primarily during the construction season and are subject to yearly layoffs.

CMS ENERGY AND CONSUMERS EXECUTIVE OFFICERS

Presented in the following table are the company positions held during the last five years for each of CMS Energy s and Consumers executive officers as of February 1, 2018:

Name, Age, Position(s)	Period	
Patricia K. Poppe (age 49)		
CMS Energy		
President and CEO	7/2016	Present
Director	5/2016	Present
Senior Vice President	3/2015	7/2016
Consumers		
President and CEO	7/2016	Present
Director	5/2016	Present
Senior Vice President	3/2015	7/2016

Vice President	1/2011	3/2015
CMS Enterprises		
Chairman of the Board, CEO, and Director	7/2016	Present
President	7/2016	9/2017
Rejji P. Hayes (age 43)1		
CMS Energy		
Executive Vice President and CFO	5/2017	Present
Consumers		
Executive Vice President and CFO	5/2017	Present
CMS Enterprises		
Executive Vice President, CFO, and Director	5/2017	Present

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Name, Age, Position(s)	Period	
Jean-Francois Brossoit (age 50)2		
CMS Energy		
Senior Vice President	4/2017	Present
Vice President	11/2016	4/2017
Consumers		
Senior Vice President	4/2017	Present
Vice President	11/2016	4/2017
Catherine A. Hendrian (age 49)		
CMS Energy		
Senior Vice President	4/2017	Present
Vice President	3/2015	4/2017
Director of Human Resources	10/2012	3/2015
Consumers		
Senior Vice President	4/2017	Present
Vice President	3/2015	4/2017
Director of Human Resources	10/2012	3/2015
Brandon J. Hofmeister (age 41)3		
CMS Energy		
Senior Vice President	7/2017	Present
Consumers		
Senior Vice President	7/2017	Present
Vice President	7/2016	7/2017
Executive Director, Policy Research, Analysis, and Public Affairs	6/2015	7/2016
Executive Director, Policy Research and Analysis	9/2013	6/2015
CMS Enterprises		
Senior Vice President	9/2017	Present
Venkat Dhenuvakonda Rao (age 47)		
CMS Energy		
Senior Vice President	9/2016	Present
Vice President	7/2012	9/2016
Consumers		
Senior Vice President	9/2016	Present
Vice President	7/2012	9/2016
CMS Enterprises		
Director	11/2017	Present
Senior Vice President	9/2016	Present
Vice President	7/2012	9/2016
Catherine M. Reynolds (age 60)		
CMS Energy		
Senior Vice President and General Counsel	10/2013	Present
Vice President, Deputy General Counsel, and Corporate Secretary	1/2012	10/2013
Consumers		
Senior Vice President and General Counsel	10/2013	Present
Vice President, Deputy General Counsel, and Corporate Secretary	1/2012	10/2013
CMS Enterprises		
Senior Vice President, General Counsel, and Director	1/2014	Present
Vice President and Secretary	9/2006	1/2014

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Name, Age, Position(s)	Period	
Brian F. Rich (age 43)4		
CMS Energy		
Senior Vice President and Chief Information Officer	7/2016	Present
Vice President and Chief Information Officer	7/2014	7/2016
Consumers		
Senior Vice President and Chief Information Officer	7/2016	Present
Vice President and Chief Information Officer	7/2014	7/2016
Garrick J. Rochow (age 43)		
CMS Energy		
Senior Vice President	7/2016	Present
Vice President	3/2015	7/2016
Consumers		
Senior Vice President	7/2016	Present
Vice President	10/2010	7/2016
Glenn P. Barba (age 52)		
CMS Energy		
Vice President, Controller, and CAO	2/2003	Present
Consumers		
Vice President, Controller, and CAO	1/2003	Present
CMS Enterprises		
Vice President, Controller, and CAO	11/2007	Present

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

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

3 Prior to joining CMS Energy and Consumers, Mr. Hofmeister was an assistant professor of law at Wayne State University, a non-affiliated organization. Mr. Hofmeister started with Wayne State University in 2010.

4 Prior to joining CMS Energy and Consumers, Mr. Rich was vice president of business technology for Pacific Gas and Electric Company, a non-affiliated company. Mr. Rich started with Pacific Gas and Electric Company in 2010.

There are no family relationships among executive officers and directors of CMS Energy or Consumers. The list of directors and their biographies are included in CMS Energy s and Consumers definitive proxy statement for their 2018 Annual Meetings of Shareholders to be held May 4, 2018. The term of office of each of the executive officers extends to the first meeting of the Board of Directors of CMS Energy and Consumers after the next annual election of Directors of CMS Energy and Consumers (to be held on May 4, 2018).

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AVAILABLE INFORMATION

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

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

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

Any materials CMS Energy files with the SEC may also be read and copied at the SEC s Public Reference Room at 100 F Street, N.E., Washington, D.C. 20549. Information on the operation of the Public Reference Room may be obtained by calling the SEC at 1-800-SEC-0330. The SEC also maintains an internet site that contains reports, proxy and information statements, and other information regarding issuers that file electronically with the SEC. The address is www.sec.gov.

Item 1A. Risk Factors

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

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

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

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

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

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

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

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

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

CMS Energy and Consumers may be subject to liquidity demands under commercial commitments, guarantees, indemnities, letters of credit, and other contingent liabilities. Consumers capital requirements are expected to be substantial over the next several years as it decommissions older facilities and invests in electric grid modernization technology, construction or acquisition of power generation, environmental controls, conversions and expansions, and other electric and gas infrastructure to upgrade delivery systems. Those requirements may increase if additional laws or regulations are adopted or implemented.

CMS Energy and Consumers rely on the capital markets, particularly for publicly offered debt, as well as on bank syndications, to meet their financial commitments and short-term liquidity needs if sufficient internal funds are not available from Consumers operations and, in the case of CMS Energy, from dividends paid by Consumers and its other subsidiaries. CMS Energy and Consumers also use letters of credit issued under certain of their revolving credit facilities to support certain operations and investments.

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

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CMS Energy continues to explore financing opportunities to supplement its financial strategy. These potential opportunities include refinancing and/or issuing new debt, preferred stock and/or common equity, commercial paper, and bank financing. Similarly, Consumers may seek funds through the capital markets, commercial lenders, and leasing arrangements. Entering into new financings is subject in part to capital market receptivity to utility industry securities in general and to CMS Energy s and Consumers securities in particular. CMS Energy and Consumers cannot guarantee the capital markets acceptance of their securities or predict the impact of factors beyond their control, such as actions of rating agencies.

Certain of CMS Energy s and Consumers securities and those of their affiliates are rated by various credit rating agencies. Any reduction or withdrawal of one or more of its credit ratings could have a material adverse impact on CMS Energy s or Consumers ability to access capital on acceptable terms and maintain commodity lines of credit, could increase its cost of borrowing, and could cause CMS Energy or Consumers to reduce capital expenditures. If it were unable to maintain commodity lines of credit, CMS Energy or Consumers might have to post collateral or make prepayments to certain suppliers under existing contracts. Further, since Consumers provides dividends to CMS Energy, any adverse developments affecting Consumers that result in a lowering of its credit ratings could have an adverse effect on CMS Energy s credit ratings. CMS Energy and Consumers cannot guarantee that any of their present ratings will remain in effect for any given period of time or that a rating will not be lowered or withdrawn entirely by a rating agency.

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

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

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

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

- regulatory cost recovery

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

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

The 2016 Energy Law allows electric customers in Consumers service territory to buy electric generation service from alternative electric suppliers in an aggregate amount capped at ten percent, with certain exceptions, of Consumers weather-adjusted retail sales of the preceding calendar year. Lower natural gas prices due to a large supply of natural gas on the market, coupled with low capacity prices in the electric

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supply market, are placing increasing competitive pressure on the cost of Consumers electric supply. Presently, Consumers electric rates are above the Midwest average, while the ROA level on Consumers system is at the ten-percent limit and the proportion of Consumers electric deliveries under the ROA program and on the ROA waiting list is 24 percent. If the ROA limit were increased or if electric generation service in Michigan were deregulated, it could have a material adverse effect on Consumers financial results and operations.

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

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

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

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

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

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

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

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

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

Government-mandated power purchases from renewable energy projects may have an adverse effect on CMS Energy s and Consumers businesses.

PURPA requires Consumers to purchase power from qualifying cogeneration and small power production facilities at a price approved by the MPSC that is meant to represent Consumers avoided cost of generating power or purchasing power from another source. In November 2017, the MPSC issued an order establishing a new avoided-cost formula to determine the price that Consumers must pay to purchase power under PURPA. Among other things, the MPSC s order changes the basis of Consumers avoided cost from the cost of coal-fueled generating units to that of natural gas-fueled generating units. The MPSC order also assigns more capacity value to qualifying facilities that are consistently able to generate electricity during peak times. The MPSC order could result in mandated purchases of generation, potentially at above-market prices, and reduce Consumers need for new owned generation. This in turn could have a material adverse effect on Consumers capital investment plan, the affordability of future customer rates, and CMS Energy s and Consumers liquidity, financial condition, investment plans, and results of operations.

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

CMS Energy and Consumers are subject to costly and stringent environmental regulations that will likely require additional significant capital expenditures for emissions control equipment, CCR disposal and storage, cooling water intake equipment, effluent treatment, and PCB remediation. Present and reasonably anticipated state and federal environmental statutes and regulations, including but not limited to the Clean Air Act, the Clean Water Act, RCRA, CERCLA, and NREPA, will continue to have a material effect on CMS Energy and Consumers.

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CMS Energy and Consumers have interests in fossil-fuel-fired power plants and other types of power plants that produce greenhouse gases. Federal and state environmental laws and rules, as well as international accords and treaties, could require CMS Energy and Consumers to install additional equipment for emission controls, purchase carbon emissions allowances, curtail operations, invest in generating capacity with fewer carbon dioxide emissions, or take other significant steps to manage or lower the emission of greenhouse gases. 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, which are being challenged in court, required a 32-percent nationwide reduction in carbon emissions from existing power plants by 2030 (based on 2005 levels). In October 2017, the EPA published a proposal to repeal the Clean Power Plan. The EPA has also announced that it intends to begin the rulemaking process for a replacement 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.

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

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

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

Consumers expects to collect fully from its customers, through the ratemaking process, expenditures incurred to comply with environmental regulations, but cannot guarantee this outcome. If Consumers were unable to recover these expenditures from customers in rates, it could negatively affect CMS Energy s and/or Consumers liquidity, results of operations, and financial condition and CMS Energy and/or Consumers could be required to seek significant additional financing to fund these expenditures.

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

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

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

- prevent the construction of new facilities
- prevent the continued operation and sale of energy from existing facilities
- prevent the suspension of operations at existing facilities

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- prevent the modification of existing facilities
- result in significant additional costs that could have a material adverse effect on their liquidity, financial condition, and results of operations

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

Consumers expects to incur additional substantial costs related to the remediation of its former MGP sites. Based upon prior MPSC orders, Consumers expects to be able to recover the costs of these cleanup activities through its gas rates, but cannot guarantee that outcome.

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

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

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

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

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

- retain specified preexisting liabilities, such as for taxes, pensions, or environmental conditions
- indemnify the buyers against specified risks, including the inaccuracy of representations and warranties that CMS Energy and Consumers make

- make payments to the buyers depending on the outcome of post-closing adjustments, litigation, audits, or other reviews, including claims resulting from attempts by foreign or domestic governments to assess taxes on past operations or transactions

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

In 2002, CMS Energy sold its oil, gas, and methanol investments in Equatorial Guinea. The government of Equatorial Guinea claims that CMS Energy owes $152 million in taxes, plus significant penalties and interest, in connection with the sale. In 2015, the matter was proceeding to formal arbitration; however, since then the government of Equatorial Guinea has stopped communicating. CMS Energy will continue

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to contest the claim, but cannot predict the financial impact or outcome of the matter. An unfavorable outcome could have a material adverse effect on CMS Energy s liquidity, financial condition, and results of operations.

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

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

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

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

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

In the regular course of business, CMS Energy and Consumers handle a range of sensitive security and customer information. CMS Energy and Consumers are subject to laws and rules issued by various agencies concerning safeguarding and maintaining the confidentiality of this information. A security breach of CMS Energy s and Consumers information or control systems could involve theft or the inappropriate release of certain types of information, such as confidential customer information or, separately, system operating information. These events could disrupt operations, subject CMS Energy and Consumers to possible financial liability, damage their reputation and diminish the confidence of customers, and have a material adverse effect on CMS Energy s and Consumers liquidity, financial conditions, and results of operations.

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

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distribution systems are part of an interconnected system, a disruption caused by a cyber incident at another utility, electric generator, system operator, or commodity supplier could also adversely affect CMS Energy s or Consumers businesses, financial condition, and results of operations.

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

CMS Energy s and Consumers businesses have liability risks.

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

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

The impact of natural disasters, severe weather, wars, terrorist acts, vandalism, cyber incidents, pandemics, and other catastrophic events on the facilities and operations of CMS Energy and Consumers could have a material adverse effect on CMS Energy s and Consumers liquidity, financial condition, and results of operations. These events could result in severe damage to CMS Energy s and Consumers assets beyond what could be recovered through insurance policies, could require CMS Energy and Consumers to incur significant upfront costs, and could severely disrupt operations, resulting in loss of service to customers. There is also a risk that regulators could, after the fact, conclude that Consumers preparedness or response to such an event was inadequate and take adverse actions as a result.

CMS Energy and Consumers are exposed to significant reputational risks.

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

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

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

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

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

Consumers is exposed to changes in market prices for natural gas, coal, electric capacity, electric energy, emission allowances, gasoline, diesel fuel, and RECs. Prices for these commodities may fluctuate substantially over relatively short periods of time and expose Consumers to price risk. A substantial portion of Consumers operating expenses for its electric generating plants and vehicle fleet consists of the costs of obtaining these commodities. The contracts associated with Consumers fuel and purchased power costs are executed in conjunction with the PSCR mechanism, which is designed to allow Consumers to recover prudently incurred costs associated with those positions. If the MPSC determined that any of these contracts or related contracting policies were imprudent, recovery of these costs could be disallowed. Consumers manages commodity price risk using established policies and procedures, and it may use various contracts to manage this risk, including swaps, options, futures, and forward contracts. No assurance can be made that these strategies will be successful in managing Consumers pricing risk or that they will not result in net liabilities to Consumers as a result of future volatility in these markets.

Natural gas prices in particular have been historically volatile. Consumers routinely enters into contracts to mitigate exposure to the risks of demand, market effects of weather, and changes in commodity prices associated with its gas distribution business. These contracts are executed in conjunction with the GCR mechanism, which is designed to allow Consumers to recover prudently incurred costs associated with those positions. If the MPSC determined that any of these contracts or related contracting policies were imprudent, recovery of these costs could be disallowed. Consumers does not always hedge the entire exposure of its operations from commodity price volatility. Furthermore, the ability to hedge exposure to commodity price volatility depends on liquid commodity markets. As a result, to the extent the commodity markets are illiquid, Consumers might not be able to execute its risk management strategies, which could result in larger unhedged positions than preferred at a given time. To the extent that unhedged positions exist, fluctuating commodity prices could have a negative effect on CMS Energy s and Consumers liquidity, financial condition, and results of operations. Changes in laws that limit Consumers ability to hedge could also have a negative effect on CMS Energy s and Consumers liquidity, financial condition, and results of operations.

CMS Energy and Consumers are exposed to counterparty risk.

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

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

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

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

If, for its electric generating capacity, Consumers were unable to obtain its natural gas or coal requirements under existing or future natural gas and coal supply and transportation contracts, or to obtain resources under existing or future PPAs, it could be required to purchase natural gas or coal at higher prices or forced to purchase electricity from higher-cost generating resources in the MISO energy market. If, for natural gas delivery to its customers, Consumers were unable to obtain its natural gas supply requirements under existing or future natural gas supply and transportation contracts, it could be required to purchase natural gas at higher prices from other sources or implement its natural gas curtailment program filed with the MPSC. These alternatives could increase Consumers working capital requirements and could decrease its revenues.

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

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

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

Unions represent 40 percent of Consumers employees. Consumers union agreements expire in 2020. If these employees were to engage in a strike, work stoppage, or other slowdown, Consumers could experience a significant disruption in its operations and higher ongoing labor costs.

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

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

Unplanned power plant outages could be costly for Consumers.

Unforeseen maintenance of Consumers power plants may be required for many reasons, including catastrophic events such as fires, explosions, extreme weather, floods or other acts of God, failures of equipment or materials, operator error, or the need to comply with environmental or safety regulations. When unplanned maintenance work is required on power plants or other equipment, Consumers will not only incur unexpected maintenance expenses, but it may also have to make spot market purchases of replacement electricity that exceed Consumers costs of generation or be forced to retire a given unit if the cost or timing of the maintenance is not reasonable and prudent. Additionally, unplanned maintenance work could reduce the capacity credit Consumers receives from MISO and could cause Consumers to incur additional capacity costs in future years. If Consumers were unable to recover any of these increased costs in rates, it could have a material adverse effect on Consumers liquidity, financial condition, and results of operations.

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

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

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

In December 2017, President Trump signed the TCJA, which changed existing federal tax law and included numerous provisions that affect businesses. CMS Energy and Consumers have made reasonable estimates in measuring and accounting for the effects of the TCJA, which have been reflected in the December 31, 2017 financial statements. Given expected changes to U.S. Treasury regulations, interpretations of the TCJA by the U.S. Treasury, interpretations of the application of ASC 740, and the companies analysis of their historical records, the final transition impacts of the TCJA may differ from the estimates provided elsewhere in this report.

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

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

All companies that directly or indirectly control an FDIC-insured bank are required to serve as a source of financial strength for that institution. As a result, CMS Energy could be called upon by the FDIC to infuse additional capital into EnerBank to the extent that EnerBank fails to satisfy its capital requirements. In addition, CMS Energy is contractually required (i) to make cash capital contributions to EnerBank in the event that EnerBank does not maintain required minimum capital ratios and (ii) to provide EnerBank financial support, in an amount and duration as may be necessary for EnerBank to meet the cash needs of its depositors and other operations. EnerBank has exceeded these requirements historically and exceeds them as of February 2018.

In addition, the Dodd-Frank Act provides for regulation by the Commodity Futures Trading Commission of certain commodity-related contracts. Although CMS Energy, Consumers, and CMS ERM qualify for an end-user exception from mandatory clearing of commodity-related swaps, these regulations could affect the ability of these entities to participate in these markets and could add additional regulatory oversight over their contracting activities.

Item 1B. Unresolved Staff Comments

None.

Item 2. Properties

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

- General CMS Energy

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

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Item 3. Legal Proceedings

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

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

Item 4. Mine Safety Disclosures

Not applicable.

Part II

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

CMS ENERGY

CMS Energy s common stock is traded on the New York Stock Exchange under the symbol CMS. Market prices for CMS Energy s common stock and related security holder matters are contained in Item 6. Selected Financial Data and Item 8. Financial Statements and Supplementary Data Notes to the Consolidated Financial Statements Note 21, Quarterly Financial and Common Stock Information (Unaudited), which are incorporated by reference herein. At January 31, 2018, the number of registered holders of CMS Energy s common stock totaled 30,736, based on the number of record holders. Presented in the following table are CMS Energy s dividends on its common stock:

				Per Share
Period	February	May	August	November
2017	$ 0.3325	$ 0.3325	$ 0.3325	$ 0.3325

2016	0.3100	0.3100	0.3100	0.3100

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

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Comparison of Five-Year Cumulative Total Return

	Five-Year Cumulative Total Return					
Company/Index	2012	2013	2014	2015	2016	2017
CMS Energy	$ 100	$ 114	$ 153	$ 165	$ 196	$ 229
S&P 500 Index	100	132	150	153	171	208
Dow Jones Utility Index	100	113	147	143	169	191
S&P 400 Utilities Index	100	127	151	142	181	201

These cumulative total returns assume reinvestments of dividends.

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CONSUMERS

Consumers common stock is privately held by its parent, CMS Energy, and does not trade in the public market. Presented in the following table are Consumers cash dividends on its common stock:

				In Millions
Period	February	May	August	November
2017	$ 148	$ 88	$ 111	$ 175
2016	155	58	148	138

For additional information regarding dividends and dividend restrictions, see Item 8. Financial Statements and Supplementary Data Notes to the Consolidated Financial Statements Note 5, Financings and Capitalization.

ISSUER REPURCHASES OF EQUITY SECURITIES

Presented in the following table are CMS Energy s repurchases of equity securities for the three months ended December 31, 2017:

Period	Total Number of Shares Purchased[1]	Average Price Paid per Share	Total Number of Shares Purchased as Part of Publicly Announced Plans or Programs	Maximum Number of Shares That May Yet Be Purchased Under Publicly Announced Plans or Programs
October 1, 2017 to October 31, 2017	2,176	$ 47.26	-	-
November 1, 2017 to November 30, 2017	6,148	48.11	-	-
December 1, 2017 to December 31, 2017	2,646	49.74	-	-
Total	10,970	$ 48.33	-	-

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

UNREGISTERED SALES OF EQUITY SECURITIES

None.

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Item 6. Selected Financial Data

CMS Energy Corporation

		2017	2016	2015	2014	2013
Operating revenue (in millions)	($)	6,583	6,399	6,456	7,179	6,566