UNITED STATES SECURITIES AND EXCHANGE COMMISSION
Washington, D.C. 20549

FORM 10-Q

☒ QUARTERLY REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934
For the quarterly period ended September 30, 2020
OR
☐ TRANSITION REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934
For the transition period from _____to_____

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

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

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

Indicate by check mark whether the registrant (1) has filed all reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 during the preceding 12 months (or for such shorter period that the Registrant was required to file such reports), and (2) has been subject to such filing requirements for the past 90 days.

CMS Energy Corporation: Yes ☒ No ☐ **Consumers Energy Company:** Yes ☒ No ☐

Indicate by check mark whether the registrant has submitted electronically every Interactive Data File required to be submitted pursuant to Rule 405 of Regulation S-T (§232.405 of this chapter) during the preceding 12 months (or for such shorter period that the registrant was required to submit such files).

CMS Energy Corporation: Yes ☒ No ☐ **Consumers Energy Company:** Yes ☒ No ☐

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

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

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

CMS Energy Corporation: ☐ **Consumers Energy Company:** ☐

Indicate by check mark whether the registrant is a shell company (as defined in Rule 12b-2 of the Exchange Act).

CMS Energy Corporation: Yes ☐ No ☒ **Consumers Energy Company:** Yes ☐ No ☒

Indicate the number of shares outstanding of each of the issuer’s classes of common stock at October 8, 2020:

CMS Energy Corporation:

CMS Energy Common Stock, $0.01 par value (including 12,322 shares owned by Consumers Energy)	286,334,466
Consumers Energy Company:	
Consumers Common Stock, $10 par value, privately held by CMS Energy Corporation	84,108,789

CMS Energy Corporation
Consumers Energy Company
Quarterly Reports on Form 10-Q to the Securities and Exchange Commission for the Period Ended September 30, 2020

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Glossary

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

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

2019 Form 10-K
Each of CMS Energy's and Consumers' Annual Report on Form 10-K for the year ended December 31, 2019

ABATE
The Association of Businesses Advocating Tariff Equity

AOCI
Accumulated other comprehensive income (loss)

ARO
Asset retirement obligation

ASU
Financial Accounting Standards Board Accounting Standards Update

Aviator Wind
Aviator Wind, LLC, a VIE in which Aviator Wind Equity Holdings holds a Class B membership interest

Aviator Wind Equity Holdings
Aviator Wind Equity Holdings, LLC, a VIE in which Grand River Wind, LLC, a wholly owned subsidiary of CMS Enterprises, has a 51-percent interest

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

CARES Act
Coronavirus Aid, Relief, and Economic Security Act of 2020

CCR
Coal combustion residual

CDC
U.S. Centers for Disease Control and Prevention

CEO
Chief Executive Officer

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

CFO
Chief Financial Officer

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

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

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

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

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

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

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

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

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

COVID-19
Coronavirus disease 2019, a respiratory illness that was declared a pandemic in March 2020 and to which public and private agencies have responded by instituting social-distancing and other measures designed to slow the spread of the disease

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

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

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

DB SERP
Defined Benefit Supplemental Executive Retirement Plan

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

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

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

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

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

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

FICO
Fair Isaac Corporation, a non-affiliated company providing data analytic services, with a focus on credit scoring services

FTR
Financial transmission right

GAAP
U.S. Generally Accepted Accounting Principles

GCR
Gas cost recovery

IRP
Integrated resource plan

IRS
Internal Revenue Service

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 Company, a non-affiliated company

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

MCV Partnership
Midland Cogeneration Venture Limited Partnership

MCV PPA
PPA between Consumers and the MCV Partnership

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

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

MGP
Manufactured gas plant

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

MISO
Midcontinent Independent System Operator, Inc.

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

owners in MISO must request approval to mothball a unit, and MISO then evaluates the request for reliability impacts

MPSC
Michigan Public Service Commission

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

NAAQS
National Ambient Air Quality Standards

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

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

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

OPEB
Other Post-Employment Benefits

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

OSHA
Occupational Safety and Health Administration

PCB
Polychlorinated biphenyl

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

PPA
Power purchase agreement

PSCR
Power supply cost recovery

PURPA
The Public Utility Regulatory Policies Act of 1978

RCRA
The Federal Resource Conservation and Recovery Act of 1976

REC
Renewable energy credit

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

SEC
U.S. Securities and Exchange Commission

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

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

TCJA
Tax Cuts and Jobs Act of 2017

UWUA
Utility Workers Union of America, AFL-CIO

VIE
Variable interest entity

Filing Format

This combined Form 10-Q is separately filed by CMS Energy and Consumers. Information in this combined Form 10-Q relating to each individual registrant is filed by such registrant on its own behalf. Consumers makes no representation regarding information relating to any other companies affiliated with CMS Energy other than its own subsidiaries. None of CMS Energy, CMS Enterprises, EnerBank, 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, EnerBank, nor any of CMS Energy's other subsidiaries (other than Consumers and its own subsidiaries (in relevant circumstances)) in making a decision with respect to Consumers' debt securities. Similarly, neither Consumers nor any other subsidiary of CMS Energy has any obligation in respect of debt securities of CMS Energy.

This report should be read in its entirety. No one section of this report deals with all aspects of the subject matter of this report. This report should be read in conjunction with the consolidated financial statements and related notes and with MD&A included in the 2019 Form 10-K.

Available Information

CMS Energy's internet address is www.cmsenergy.com. CMS Energy routinely posts important information on its website and considers the Investor Relations section, www.cmsenergy.com/investor-relations, a channel of distribution. Information contained on CMS Energy's website is not incorporated herein.

Forward-Looking Statements and Information

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

- the impact of the COVID-19 pandemic and the related economic disruption on CMS Energy's and Consumers' revenues, expenses, uncollectible accounts, energy efficiency programs, pension funding, PSCR and GCR costs, capital investment programs, cash flows, liquidity, maintenance of existing assets, and other operating expenses
- 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 or challenges to federal or state laws or regulations or changes in applicable laws, rules, regulations, principles, or practices, or in their interpretation, such as those related to energy policy, ROA, PURPA, infrastructure integrity or security, gas pipeline safety, gas pipeline capacity, energy waste reduction, the environment, regulation or deregulation, reliability, health care reforms (including comprehensive health care reform enacted in 2010), taxes, accounting matters, climate change, air emissions, renewable energy, the Dodd-Frank Act, and other business issues that could have an impact on CMS Energy's, Consumers', or any of their affiliates' businesses or financial results

- factors affecting operations, such as costs and availability of personnel, equipment, and materials; weather conditions; natural disasters; catastrophic weather-related damage; scheduled or unscheduled equipment outages; maintenance or repairs; environmental incidents; failures of equipment or materials; electric transmission and distribution or gas pipeline system constraints; interconnection requirements; political and social unrest; general strikes; the government and/or paramilitary response to political or social events; and changes in trade policies or regulations

- the ability of Consumers to execute its cost-reduction strategies

- potentially adverse regulatory or legal interpretations or decisions regarding environmental matters, or delayed regulatory treatment or permitting decisions that are or could come before EGLE, the EPA, and/or the U.S. Army Corps of Engineers, and potential environmental remediation costs associated with these interpretations or decisions, including those that may affect Consumers' routine maintenance, repair, and replacement classification under NSR regulations

- changes in energy markets, including availability and price of electric capacity and the timing and extent of changes in commodity prices and availability and deliverability of coal, natural gas, natural gas liquids, electricity, oil, and certain related products

- the price of CMS Energy common stock, the credit ratings of CMS Energy and Consumers, capital and financial market conditions, and the effect of these market conditions on CMS Energy's and Consumers' interest costs and access to the capital markets, including availability of financing to CMS Energy, Consumers, or any of their affiliates

- the potential effects of a future transition from LIBOR to an alternative reference interest rate in the credit and capital markets

- the investment performance of the assets of CMS Energy's and Consumers' pension and benefit plans, the discount rates, mortality assumptions, and future medical costs used in calculating the plans' obligations, and the resulting impact on future funding requirements

- the impact of the economy, particularly in Michigan, and potential future volatility in the financial and credit markets on CMS Energy's, Consumers', or any of their affiliates' revenues, ability to collect accounts receivable from customers, or cost and availability of capital

- changes in the economic and financial viability of CMS Energy's and Consumers' suppliers, customers, and other counterparties and the continued ability of these third parties, including those in bankruptcy, to meet their obligations to CMS Energy and Consumers

- population changes in the geographic areas where CMS Energy and Consumers conduct business
- national, regional, and local economic, competitive, and regulatory policies, conditions, and developments
- loss of customer demand for electric generation supply to alternative electric suppliers, increased use of distributed generation, or energy waste reduction and storage
- increases in demand for renewable energy by customers seeking to meet sustainability goals
- adverse consequences of employee, director, or third-party fraud or non-compliance with codes of conduct or with laws or regulations
- federal regulation of electric sales and transmission of electricity, including periodic re-examination by federal regulators of CMS Energy's and Consumers' market-based sales authorizations
- the impact of credit markets, economic conditions, increased competition, and any new banking and consumer protection regulations on EnerBank
- the availability, cost, coverage, and terms of insurance, the stability of insurance providers, and the ability of Consumers to recover the costs of any insurance from customers
- the effectiveness of CMS Energy's and Consumers' risk management policies, procedures, and strategies, including strategies to hedge risk related to interest rates and future prices of electricity, natural gas, and other energy-related commodities
- factors affecting development of electric generation projects and gas and electric transmission and distribution infrastructure replacement, conversion, and expansion projects, including factors related to project site identification, construction material pricing, schedule delays, availability of qualified construction personnel, permitting, acquisition of property rights, and government approvals
- potential disruption to, interruption of, or other impacts on facilities, utility infrastructure, operations, or backup systems due to accidents, explosions, physical disasters, global pandemics, cyber incidents, vandalism, civil unrest, war, or terrorism, and the ability to obtain or maintain insurance coverage for these events
- changes or disruption in fuel supply, including but not limited to supplier bankruptcy and delivery disruptions
- potential costs, lost revenues, reputational harm, or other consequences resulting from misappropriation of assets or sensitive information, corruption of data, or operational disruption in connection with a cyber attack or other cyber incident
- potential disruption to, interruption or failure of, or other impacts on information technology backup or disaster recovery systems
- technological developments in energy production, storage, delivery, usage, and metering
- the ability to implement technology successfully

- the impact of CMS Energy's and Consumers' integrated business software system and its effects on their operations, including utility customer billing and collections
- adverse consequences resulting from any past, present, or future assertion of indemnity or warranty claims associated with assets and businesses previously owned by CMS Energy or Consumers, including claims resulting from attempts by foreign or domestic governments to assess taxes on or to impose environmental liability associated with past operations or transactions
- the outcome, cost, and other effects of any legal or administrative claims, proceedings, investigations, or settlements
- the reputational impact on CMS Energy and Consumers of operational incidents, violations of corporate policies, regulatory violations, inappropriate use of social media, and other events
- restrictions imposed by various financing arrangements and regulatory requirements on the ability of Consumers and other subsidiaries of CMS Energy to transfer funds to CMS Energy in the form of cash dividends, loans, or advances
- earnings volatility resulting from the application of fair value accounting to certain energy commodity contracts or interest rate contracts
- changes in financial or regulatory accounting principles or policies (e.g., the adoption of the hypothetical liquidation at book value method of accounting for certain non-regulated renewable energy projects)
- other matters that may be disclosed from time to time in CMS Energy's and Consumers' SEC filings, or in other public documents

All forward-looking statements should be considered in the context of the risk and other factors described above and as detailed from time to time in CMS Energy's and Consumers' SEC filings. For additional details regarding these and other uncertainties, see Part I—Item 1. Financial Statements—MD&A—Outlook and Notes to the Unaudited Consolidated Financial Statements—Note 2, Regulatory Matters and Note 3, Contingencies and Commitments; and Part II—Item 1A. Risk Factors.

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Part I—Financial Information

Item 1. Financial Statements

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CMS Energy Corporation
Consumers Energy Company
Management’s Discussion and Analysis of Financial Condition and Results of Operations

This MD&A is a combined report of CMS Energy and Consumers.

Executive Overview

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

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

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

COVID-19 Pandemic

CMS Energy and Consumers continue to respond to the public health emergency caused by the COVID-19 pandemic by instituting and maintaining measures consistent with guidance provided by local, state, and federal agencies. CMS Energy and Consumers maintain over 60 departmental business continuity plans; these plans were reviewed and enhanced in early 2020 to ensure readiness for the COVID-19 pandemic. CMS Energy and Consumers continue to take steps to protect the safety of employees, customers, and contractors, and have executed their business continuity plans to ensure the continued delivery of critical energy services. Additionally, CMS Energy and Consumers have mitigated the potential impact of the pandemic on their liquidity by completing financing transactions and reducing the need for additional external funding.

The COVID-19 pandemic is a continually evolving situation. As a result of the pandemic, Consumers has experienced a decline in electric deliveries to commercial and industrial customers, offset partially by an increase in deliveries to residential customers. It has also experienced increased uncollectible accounts and workforce-related expenses, among other cost increases directly attributable to the pandemic. Consumers anticipates that these trends will continue in the near term. In April 2020, the MPSC issued an order authorizing Consumers to defer incremental uncollectible accounts expense associated with the pandemic.

Additionally, EnerBank anticipates it could experience slower lending growth, higher loan write-offs, and increased loan modifications in the future as a result of the pandemic. The companies cannot predict the long-term impact of the pandemic on their business, results of operations, financial condition, capital investment program, liquidity, and cash flows. More detailed discussion of the near-term impacts of and future uncertainties related to the COVID-19 pandemic can be found throughout this MD&A and in Part II—Item 1A. Risk Factors.

The Triple Bottom Line

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

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

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

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

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

In response to the COVID-19 pandemic, CMS Energy and Consumers have issued a response plan that is focused on the health and safety of their co-workers, customers, and communities. CMS Energy and Consumers have aligned with safety and health guidelines from the CDC, OSHA, and the Michigan Department of Health and Human Services in order to protect their employees, customers, and contractors to ensure the continued delivery of critical energy services. To align with, and in addition to, these guidelines, CMS Energy and Consumers have:

- secured the supply chain necessary to provide front-line workers with appropriate personal protective equipment and cleaning supplies
- when necessary, sequestered employees with critical roles at generating plants, gas compression facilities, and electric control rooms
- implemented a 14-day paid self-quarantine requirement for employees who are exhibiting symptoms of COVID-19 or who have come into contact with a person suspected to have COVID-19
- prohibited business-related international travel and instituted a mandatory ten-day work remote period for employees who return from personal travel to heavily impacted areas
- required employees to work remotely when possible
- when necessary, reduced service at 13 direct payment offices to drop box and drive-through services only
- initially adjusted work to focus on emergent and critical activities such as electric outages, gas leaks, and other public safety and reliability work; as work restrictions have gradually lifted in Michigan, the companies have resumed normal work with safety measures in place
- contracted a chief medical officer to guide the companies' response and provide rapid support and supplies for the workforce
- limited access to company facilities, enhanced cleaning protocols, and established a mask-wearing policy
- offered additional paid leave to employees to alleviate child care-related burdens and implemented other interim workforce policies to offer flexibility and reduce employee concerns

In response to the pandemic, CMS Energy and Consumers initially suspended shut-offs of service for non-payment and extended payment protection plans for low-income and senior customers. CMS Energy and Consumers slowly began resuming shut-offs of service for non-payment in late July 2020 for commercial and industrial customers and in October 2020 for residential customers. CMS Energy and Consumers remain committed to assisting customers impacted by the pandemic. In September 2020, Consumers announced that it will provide $12 million to help Michigan residents and small businesses who are experiencing difficulty paying their energy bill due to the pandemic.

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

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

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

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

Planet: The planet element of the triple bottom line represents CMS Energy's and Consumers' commitment to protect the environment. This commitment extends beyond compliance with various state and federal environmental, health, and safety laws and regulations. Management considers climate change and other environmental risks in the companies' strategy development, business planning, and enterprise risk management processes.

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

- decreased their combined percentage of electric supply (self-generated and purchased) from coal by 18 percentage points since 2015
- reduced carbon dioxide emissions by over 35 percent since 2005
- reduced the amount of water used to generate electricity by over 35 percent since 2012
- reduced landfill waste disposal by over 1.3 million tons since 1992
- reduced methane emissions by 12 percent since 2012

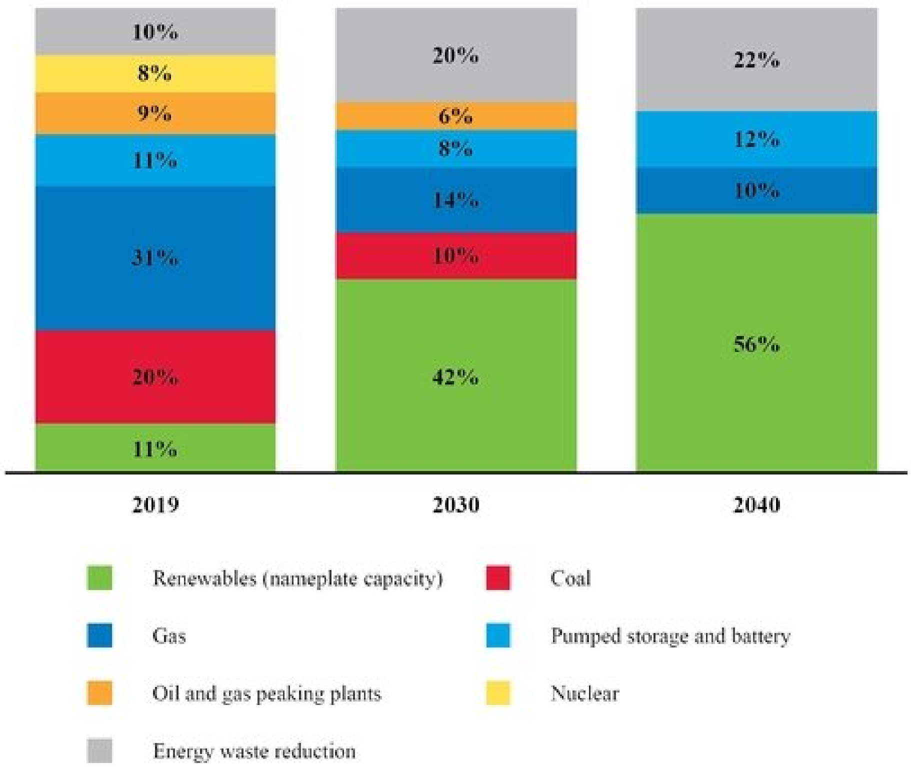
Additionally, over the last 20 years, Consumers has reduced its sulfur dioxide, nitrogen oxide, particulate matter, and mercury emissions by over 90 percent.

The 2016 Energy Law:

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

In 2019, the MPSC approved the IRP that Consumers filed in 2018, which details its Clean Energy Plan. Under its Clean Energy Plan, Consumers will meet the requirements of the 2016 Energy Law using its clean and lean strategy, which focuses on increasing the generation of renewable energy, helping customers use less energy, and offering demand response programs to reduce demand during critical peak times. Further, Consumers plans to replace its coal-fueled generation predominantly with investment in renewable energy, which will enable Consumers to meet and exceed the 2016 Energy Law renewable energy requirements and fulfill increasing customer demand for renewable energy. Through its Clean Energy Plan, Consumers expects to reduce carbon emissions of its owned generation by more than 90 percent from its 2005 levels by 2040. Additionally, the Clean Energy Plan will allow Consumers to achieve a breakthrough goal of at least 50 percent combined renewable energy and energy waste reduction by 2030.

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



In September 2020, Michigan's Governor signed an executive order creating the Michigan Healthy Climate Plan, which outlines goals for Michigan to achieve economy-wide net-zero greenhouse gas emissions and to be carbon neutral by 2050. The executive order aims for a 28-percent reduction below 2005 levels of greenhouse gas emissions by 2025. Consumers has already surpassed the 28-percent reduction milestone in its electric business and previously announced, in February 2020, a goal of achieving net-zero carbon emissions by 2040. As part of this net-zero goal, Consumers will significantly reduce its carbon emissions from its electric business and offset any remaining emissions through strategies including, but not limited to, carbon sequestration, landfill methane capture, and large-scale tree planting. The goal includes not only emissions from Consumers' owned generation, but also emissions from the generation of power purchased through long-term PPAs and from the MISO energy market.

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

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

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

CMS Energy, through CMS Enterprises, continues to pursue further opportunities for the development of renewable generation projects. In July 2020, CMS Enterprises purchased an ownership interest in Aviator Wind, a 525-MW wind generation project in Coke County, Texas. The project was completed and became operational in September 2020.

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

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

For the nine months ended September 30, 2020, CMS Energy's net income available to common stockholders was $597 million, and diluted EPS were $2.09. This compares with net income available to common stockholders of $513 million and diluted EPS of $1.81 for the nine months ended September 30, 2019. In 2020, the benefits from electric and gas rate increases, higher electric sales due primarily to favorable weather, and lower operating and maintenance expenses were offset partially by lower gas sales due primarily to unfavorable weather in the first quarter, higher depreciation and amortization, and the absence of a 2019 gain on sale of transmission assets. A more detailed discussion of the factors affecting CMS Energy's and Consumers' performance can be found in the Results of Operations section that follows this Executive Overview.

Consumers has experienced and anticipates it will continue to experience a decline in electric deliveries to commercial and industrial customers in the near term as a result of the COVID-19 pandemic. Over the next five years, Consumers expects weather-normalized electric deliveries to decrease slightly and weather-normalized gas deliveries to remain stable. This outlook reflects the effects of energy waste reduction programs offset largely by modest growth in electric and gas demand.

Performance: Impacting the Triple Bottom Line

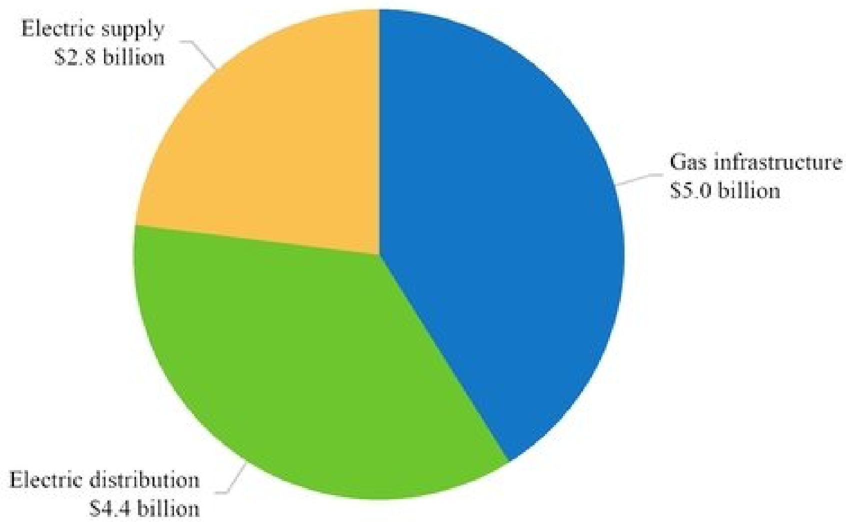
CMS Energy and Consumers remain committed to achieving world class performance while delivering hometown service and positively impacting the triple bottom line of people, planet, and profit. During 2020, CMS Energy and Consumers:

- realized over $100 million in cost reductions by leveraging the Consumers Energy Way and through other initiatives
- named a Chief Diversity Officer responsible for setting and monitoring the companies' diversity, equity, and inclusion strategy
- announced a new parental leave policy for employees, allowing six months of paid leave to mothers and four months of paid leave to a nonbirthing parent
- pledged to join five other energy companies in facilitating the construction of a Midwest electric vehicle charging network

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

Investment Plan: Consumers expects to make capital investments of $25 billion over the next ten years. Over the next five years, Consumers expects to make significant expenditures on infrastructure upgrades and replacements and electric supply projects. While it has a large number of potential investment opportunities that would add customer value, Consumers has prioritized its spending based on the criteria of enhancing public safety, increasing reliability, maintaining affordability for its customers, and advancing its environmental stewardship. Consumers' investment program is expected to result in annual rate-base growth of six to eight percent. This rate-base growth, together with cost-control measures, should allow Consumers to maintain affordable customer prices.

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



Of this amount, Consumers plans to spend $9.4 billion over the next five years to maintain and upgrade its gas infrastructure and electric distribution systems in order to enhance safety and reliability, improve customer satisfaction, and reduce energy waste on those systems. The gas infrastructure projects comprise $5.0 billion to sustain deliverability and enhance pipeline integrity and safety. These projects, which involve replacement of mains and services and enhancement of transmission and storage systems, should reduce the minor quantity of methane emissions released as gas is transported. The electric distribution projects comprise $4.4 billion to strengthen circuits and substations and replace poles. Consumers also expects to spend $2.8 billion on electric supply projects, primarily new renewable generation. In response to the COVID-19 pandemic, Consumers has rescheduled some capital investment projects, but has not made any changes to its long-term capital investment program at this time.

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

- **2019 Gas Rate Case:** In December 2019, Consumers filed an application with the MPSC seeking an annual rate increase of $245 million, based on a 10.5 percent authorized return on equity. In May 2020, Consumers reduced its requested annual rate increase to $229 million. In September 2020, the MPSC approved a settlement agreement authorizing an annual rate increase of $144 million, based on a 9.9 percent authorized return on equity, effective October 1, 2020. As part of that agreement, Consumers agreed not to file a new gas rate case prior to December 2021. The MPSC also approved the continuation of a revenue decoupling mechanism, which annually reconciles Consumers' actual weather-normalized non-fuel revenues with the revenues approved by the MPSC.

- **2020 Electric Rate Case:** In February 2020, Consumers filed an application with the MPSC seeking an annual rate increase of $244 million, based on a 10.5 percent authorized return on equity. In July 2020, Consumers reduced its requested annual rate increase to $230 million. The filing also seeks approval to recover $13 million associated with Consumers' deferral of depreciation and property tax expense and the overall rate of return on distribution-related capital investments exceeding certain threshold amounts. Additionally, the filing seeks approval of a method of recovering amounts earned under the financial compensation mechanism approved by the MPSC in Consumers' IRP. This mechanism allows Consumers to earn a financial incentive on PPAs approved by the MPSC after January 1, 2019. Consumers also proposes in the filing a new distributed generation tariff to replace the current net metering tariff, pursuant to the 2016 Energy Law.

Looking Forward

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

Results of Operations

CMS Energy Consolidated Results of Operations

In Millions, Except Per Share Amounts

	Three Months Ended			Nine Months Ended		
September 30	2020	2019	Change	2020	2019	Change
Net Income Available to Common Stockholders	$ 218	$ 207	$ 11	$ 597	$ 513	$ 84
Basic Earnings Per Average Common Share	$ 0.76	$ 0.73	$ 0.03	$ 2.10	$ 1.81	$ 0.29
Diluted Earnings Per Average Common Share	$ 0.76	$ 0.73	$ 0.03	$ 2.09	$ 1.81	$ 0.28

In Millions

	Three Months Ended			Nine Months Ended		
September 30	2020	2019	Change	2020	2019	Change
Electric utility	$ 226	$ 223	$ 3	$ 463	$ 418	$ 45
Gas utility	4	(10)	14	162	119	43
Enterprises[1]	13	7	6	34	30	4
EnerBank[1]	12	11	1	34	32	2
Corporate interest and other[1]	(37)	(24)	(13)	(96)	(86)	(10)
Net Income Available to Common Stockholders	$ 218	$ 207	$ 11	$ 597	$ 513	$ 84

[1] Prior period amounts have been reclassified to reflect changes in segment reporting.

Presented in the following table are specific after-tax changes to net income available to common stockholders for the three and nine months ended September 30, 2020 versus 2019:

In Millions

	Three Months Ended		Nine Months Ended	
September 30, 2019		$ 207		$ 513
Reasons for the change				
Consumers electric utility and gas utility				
Electric sales	$ 6		$ 14	
Gas sales	4		(30)	
Electric rate increase, including return on higher renewable capital spending	5		14	
Gas rate increase	8		72	
Lower distribution, transmission, generation, and compression expenses	12		38	
Lower OPEB expenses	4		15	
Lower service restoration costs	4		13	
Research and development tax credits[1]	—		8	
Higher mutual insurance distribution	—		5	
Depreciation and amortization	(10)		(27)	
Absence of 2019 gain on sale of electric transmission assets	(25)		(25)	
Higher property tax, reflecting higher capital spending	(5)		(14)	
Retention benefits related to D.E. Karn[2]	(3)		(9)	
Voluntary separation plan expenses	—		(8)	
Disallowance of incremental gas purchased during the Ray Compressor Station fire[3]	(5)		(5)	
Other	22		27	
		$ 17		$ 88
Enterprises				
Higher earnings due primarily to improved receivables management	—		6	
Higher earnings from the Aviator Wind project[4]	6		6	
Increased income tax benefit due to restoring previously sequestered alternative minimum tax credits[1]	—		4	
Absence of 2019 gain on sale of transmission equipment	—		(12)	
		6		4
EnerBank				
Higher earnings due primarily to growth in consumer lending	5		13	
Implementation of new credit losses standard[5]	(4)		(11)	
		1		2
Corporate interest and other				
Higher (lower) income tax benefit	(4)		5	
Higher fixed charges due to higher debt	(5)		(10)	
Absence of 2019 tax benefits recognized as a result of asset sales	(4)		(4)	
Other income tax and expenses	—		(1)	
		(13)		(10)
September 30, 2020		$ 218		$ 597

1 See Note 9, Income Taxes.

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2 See Note 14, Asset Sale and Exit Activities.

3 See Note 3, Contingencies and Commitments.

4 See Note 15, Purchase of Variable Interest Entity.

5 See Note 1, New Accounting Standards.

Consumers Electric Utility Results of Operations

Presented in the following table are the detailed changes to the electric utility's net income available to common stockholders for the three months ended September 30, 2020 versus 2019 (amounts are presented pre-tax, with the exception of income tax changes):

Three Months Ended September 30, 2019		$ 223
Reasons for the change		
Electric deliveries[1] and rate increases		
Higher sales due primarily to favorable weather and sales mix, offset partially by lower deliveries to commercial and industrial customers	$ 6	
Rate increase associated with return on higher renewable capital spending	6	
Higher energy waste reduction program revenues	4	
Higher other revenues	2	
		$ 18
Maintenance and other operating expenses		
Lower service restoration costs	6	
Lower distribution and transmission expenses	6	
Absence of 2019 gain on sale of transmission assets	(34)	
Higher energy waste reduction program costs	(4)	
Retention benefits related to D.E. Karn[2]	(4)	
Lower maintenance and other operating expenses	22	
		(8)
Depreciation and amortization		
Increased plant in service, reflecting higher capital spending		(10)
General taxes		(3)
Other income, net of expenses		
Lower OPEB expenses		3
Interest charges		(1)
Income taxes		
Lower electric utility pre-tax earnings	3	
Lower other income taxes	1	
		4
Three Months Ended September 30, 2020		$ 226

1 Deliveries to end-use customers were 10.1 billion kWh in 2020 and 2019.

2 See Note 14, Asset Sale and Exit Activities.

Presented in the following table are the detailed changes to the electric utility's net income available to common stockholders for the nine months ended September 30, 2020 versus 2019 (amounts are presented pre-tax, with the exception of income tax changes):

				In Millions
Nine Months Ended September 30, 2019			$	418
Reasons for the change				
Electric deliveries[1] and rate increases				
Higher sales due primarily to favorable weather and sales mix, offset partially by lower deliveries to commercial and industrial customers	$	22		
Rate increase, including return on higher renewable capital spending		18		
Lower other revenues		(6)		
			$	34
Maintenance and other operating expenses				
Lower distribution, transmission, and generation expenses		29		
Lower service restoration costs		18		
Higher mutual insurance distribution		7		
Absence of 2019 gain on sale of transmission assets		(34)		
Retention benefits related to D.E. Karn[2]		(11)		
Absence of favorable 2019 litigation settlement		(8)		
Voluntary separation plan expenses		(6)		
Lower maintenance and other operating expenses		29		
				24
Depreciation and amortization				
Increased plant in service, reflecting higher capital spending				(21)
General taxes				
Higher property tax, reflecting higher capital spending				(8)
Other income, net of expenses				
Lower OPEB expenses		11		
Higher other income, net of expenses		1		
				12
Interest charges				(7)
Income taxes				
Lower tax expense due primarily to research and development tax credits[3]		7		
Higher electric utility pre-tax earnings		(4)		
Lower other income taxes		8		
				11
Nine Months Ended September 30, 2020			$	463

1 Deliveries to end-use customers were 26.9 billion kWh in 2020 and 27.9 billion kWh in 2019.

2 See Note 14, Asset Sale and Exit Activities.

3 See Note 9, Income Taxes.

Consumers Gas Utility Results of Operations

Presented in the following table are the detailed changes to the gas utility's net income available to common stockholders for the three months ended September 30, 2020 versus 2019 (amounts are presented pre-tax, with the exception of income tax changes):

				In Millions
Three Months Ended September 30, 2019			$	(10)
Reasons for the change				
Gas deliveries[1] and rate increases				
Rate increase	$	11		
Higher energy waste reduction program revenues		5		
Higher sales due primarily to favorable weather		3		
Disallowance of incremental gas purchased during the Ray Compressor Station fire[2]		(7)		
Other revenues		1		
			$	13
Maintenance and other operating expenses				
Lower distribution, transmission, and compression expenses		7		
Higher energy waste reduction program costs		(5)		
Lower maintenance and other operating expenses		11		
				13
Depreciation and amortization				
Increased plant in service, reflecting higher capital spending				(3)
General taxes				(2)
Other income, net of expenses				1
Interest charges				(5)
Income taxes				
Higher gas utility pre-tax earnings		(5)		
Lower other income taxes		2		
				(3)
Three Months Ended September 30, 2020			$	4

1 Deliveries to end-use customers were 27 bcf in 2020 and 26 bcf in 2019.

2 See Note 3, Contingencies and Commitments.

Presented in the following table are the detailed changes to the gas utility's net income available to common stockholders for the nine months ended September 30, 2020 versus 2019 (amounts are presented pre-tax, with the exception of income tax changes):

		In Millions
Nine Months Ended September 30, 2019		$ 119
Reasons for the change		
Gas deliveries[1] and rate increases		
Rate increase	$ 97	
Lower sales due primarily to unfavorable weather	(52)	
Disallowance of incremental gas purchased during the Ray Compressor Station fire[2]	(7)	
Lower energy waste reduction program revenues	(4)	
Other revenues	11	
		$ 45
Maintenance and other operating expenses		
Lower distribution, transmission, and compression expenses	23	
Lower energy waste reduction program costs	4	
Voluntary separation plan expenses	(4)	
Lower maintenance and other operating expenses	17	
		40
Depreciation and amortization		
Increased plant in service, reflecting higher capital spending		(15)
General taxes		
Higher property tax, reflecting higher capital spending		(9)
Other income, net of expenses		
Lower OPEB expenses	10	
Lower other income, net of expenses	(4)	
		6
Interest charges		(15)
Income taxes		
Higher gas utility pre-tax earnings	(13)	
Lower tax expense due primarily to research and development tax credits[3]	1	
Lower other income taxes	3	
		(9)
Nine Months Ended September 30, 2020		$ 162

1 Deliveries to end-use customers were 194 bcf in 2020 and 217 bcf in 2019.

2 See Note 3, Contingencies and Commitments.

3 See Note 9, Income Taxes.

Enterprises Results of Operations

Presented in the following table are the detailed after-tax changes to the enterprises segment's net income available to common stockholders for the three months ended September 30, 2020 versus 2019:

		In Millions
Three Months Ended September 30, 2019	$	7
Reason for the change		
Higher earnings from the Aviator Wind project[1]	$	6
Three Months Ended September 30, 2020	$	13

[1] See Note 15, Purchase of Variable Interest Entity.

Presented in the following table are the detailed after-tax changes to the enterprises segment's net income available to common stockholders for the nine months ended September 30, 2020 versus 2019:

		In Millions
Nine Months Ended September 30, 2019	$	30
Reasons for the change		
Higher earnings due primarily to improved receivables management	$	6
Higher earnings from the Aviator Wind project[1]		6
Increased income tax benefit due to restoring previously sequestered alternative minimum tax credits[2]		4
Absence of 2019 gain on sale of transmission equipment		(12)
Nine Months Ended September 30, 2020	$	34

[1] See Note 15, Purchase of Variable Interest Entity.

[2] See Note 9, Income Taxes.

EnerBank Results of Operations

Presented in the following table are the detailed after-tax changes to EnerBank's net income available to common stockholders for the three months ended September 30, 2020 versus 2019:

		In Millions
Three Months Ended September 30, 2019	$	11
Reason for the change		
Higher earnings due primarily to growth in consumer lending	$	5
Implementation of new credit losses standard[1]		(4)
Three Months Ended September 30, 2020	$	12

[1] See Note 1, New Accounting Standards.

Presented in the following table are the detailed after-tax changes to EnerBank's net income available to common stockholders for the nine months ended September 30, 2020 versus 2019:

		In Millions
Nine Months Ended September 30, 2019	$	32
Reasons for the change		
Higher earnings due primarily to growth in consumer lending	$	13
Implementation of new credit losses standard[1]		(11)
Nine Months Ended September 30, 2020	$	34

[1] See Note 1, New Accounting Standards.

Corporate Interest and Other Results of Operations

Presented in the following table are the detailed after-tax changes to corporate interest and other results for the three months ended September 30, 2020 versus 2019:

		In Millions
Three Months Ended September 30, 2019	$	(24)
Reasons for the change		
Higher fixed charges due to higher debt	$	(5)
Absence of 2019 tax benefits recognized as a result of asset sales		(4)
Lower income tax benefit due primarily to lower production tax credits		(4)
Three Months Ended September 30, 2020	$	(37)

Presented in the following table are the detailed after-tax changes to corporate interest and other results for the nine months ended September 30, 2020 versus 2019:

		In Millions
Nine Months Ended September 30, 2019	$	(86)
Reasons for the change		
Higher income tax benefit due to restoring previously sequestered alternative minimum tax credits[1]	$	5
Higher fixed charges due to higher debt		(10)
Absence of 2019 tax benefits recognized as a result of asset sales		(4)
Other income tax and expenses		(1)
Nine Months Ended September 30, 2020	$	(96)

[1] See Note 9, Income Taxes.

Cash Position, Investing, and Financing

At September 30, 2020, CMS Energy had $558 million of consolidated cash and cash equivalents, which included $39 million of restricted cash and cash equivalents. At September 30, 2020, Consumers had $223 million of consolidated cash and cash equivalents, which included $24 million of restricted cash and cash equivalents.

Operating Activities

Presented in the following table are specific components of the changes to net cash provided by operating activities for the nine months ended September 30, 2020 versus 2019:

		In Millions
CMS Energy, including Consumers		
Nine Months Ended September 30, 2019	$	1,395
Reasons for the change		
Higher net income	$	76
Non-cash transactions[1]		124
Higher pension contributions		(531)
Favorable impact of changes in core working capital,[2] due primarily to lower vendor payments, offset partially by lower customer receipts		47
Favorable impact of changes in other assets and liabilities, due primarily to the absence of 2019 refunds to customers related to the TCJA and self-implemented electric rates, offset partially by a payment to settle litigation, higher property tax payments, and higher deposits with MISO		33
Nine Months Ended September 30, 2020	$	1,144
Consumers		
Nine Months Ended September 30, 2019	$	1,251
Reasons for the change		
Higher net income	$	88
Non-cash transactions[1]		139
Higher pension contributions		(518)
Favorable impact of changes in core working capital,[2] due primarily to lower vendor payments, offset partially by lower customer receipts		83
Favorable impact of changes in other assets and liabilities, due primarily to the absence of 2019 refunds to customers related to the TCJA and self-implemented electric rates and lower income taxes payments to CMS Energy, offset partially by higher property tax payments and higher deposits with MISO		42
Nine Months Ended September 30, 2020	$	1,085

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

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

Investing Activities

Presented in the following table are specific components of net cash used in investing activities for the nine months ended September 30, 2020 versus 2019:

		In Millions
CMS Energy, including Consumers		
Nine Months Ended September 30, 2019	$	(2,212)
Reasons for the change		
Higher capital expenditures	$	(127)
Changes in EnerBank notes receivable, reflecting growth in consumer lending		(152)
Lower purchases of notes receivable by EnerBank		290
Absence of 2019 proceeds from sale of transmission equipment		(96)
Other investing activities, primarily higher costs to retire property		(1)
Nine Months Ended September 30, 2020	$	(2,298)
Consumers		
Nine Months Ended September 30, 2019	$	(1,583)
Reasons for the change		
Higher capital expenditures	$	(36)
Absence of 2019 proceeds from sale of transmission equipment		(76)
Other investing activities, primarily higher costs to retire property		(5)
Nine Months Ended September 30, 2020	$	(1,700)

Financing Activities

Presented in the following table are specific components of net cash provided by financing activities for the nine months ended September 30, 2020 versus 2019:

		In Millions
CMS Energy, including Consumers		
Nine Months Ended September 30, 2019	$	1,075
Reasons for the change		
Higher debt issuances	$	277
Higher debt retirements		(124)
Changes in EnerBank certificates of deposit, reflecting lower borrowings		(166)
Lower repayments under Consumers' commercial paper program		7
Higher issuances of common stock, primarily the settlement of an equity forward sale contract		98
Higher payments of dividends on common stock		(25)
Proceeds from the sale of membership interest in VIE to tax equity investor		417
Contribution from noncontrolling interest		31
Other financing activities, primarily higher debt prepayment costs and lower customer advances for construction, offset partially by lower debt issuance costs		(35)
Nine Months Ended September 30, 2020	$	1,555
Consumers		
Nine Months Ended September 30, 2019	$	560
Reasons for the change		
Higher debt issuances	$	610
Higher debt retirements		(245)
Lower repayments under Consumers' commercial paper program		7
Lower stockholder contribution from CMS Energy		(25)
Higher payments of dividends on common stock		(53)
Other financing activities, primarily higher debt prepayment costs and lower customer advances for construction		(44)
Nine Months Ended September 30, 2020	$	810

Capital Resources and Liquidity

CMS Energy uses dividends and tax-sharing payments from its subsidiaries and external financing and capital transactions to invest in its utility and non-utility businesses, retire debt, pay dividends, and fund its other obligations. The ability of CMS Energy's subsidiaries, including Consumers, to pay dividends to CMS Energy depends upon each subsidiary's revenues, earnings, cash needs, and other factors. In addition, Consumers' ability to pay dividends is restricted by certain terms included in its debt covenants and articles of incorporation and potentially by FERC requirements and provisions under the Federal Power Act and the Natural Gas Act. For additional details on Consumers' dividend restrictions, see Note 4, Financings and Capitalization—Dividend Restrictions. For the nine months ended September 30, 2020, Consumers paid $449 million in dividends on its common stock to CMS Energy.

Consumers uses cash flows generated from operations and external financing transactions, as well as stockholder contributions from CMS Energy, to fund capital expenditures, retire debt, pay dividends, and fund its other obligations. Consumers also uses these sources of funding to contribute to its employee benefit plans.

CMS Energy and Consumers expect to have sufficient liquidity to fund their commitments despite potential material uncertainties that may impact their cash management and financing strategies as a result of the COVID-19 pandemic. CMS Energy and Consumers rely on the capital markets to fund their robust capital plan and those markets have faced significant strain. CMS Energy and Consumers have mitigated the potential impact of the pandemic on their liquidity by completing financing transactions and reducing the need for additional external funding. For more information on CMS Energy's and Consumers' financing transactions, see Note 4, Financings and Capitalization.

Barring any sustained market dislocations or disruptions, CMS Energy and Consumers expect to continue to have ready access to the financial and capital markets and will continue to explore possibilities to take advantage of market opportunities as they arise with respect to future funding needs. If access to these markets were to diminish or otherwise become restricted, CMS Energy and Consumers would implement contingency plans to address debt maturities, which could include reduced capital spending. The COVID-19 pandemic is a continually evolving situation and CMS Energy and Consumers cannot predict the ultimate impact it will have on their debt covenants, business, results of operations, financial condition, capital investment program, liquidity, and cash flows.

As a result of a provision in the TCJA, as amended by the CARES Act, CMS Energy recovered all of its remaining alternative minimum tax credits in 2020. CMS Energy utilized $7 million of these credits on its 2019 consolidated tax return, and received the remaining $69 million through a cash refund. The CARES Act also provides for the deferral of payroll taxes, which will allow CMS Energy and Consumers to defer remittance of $40 million of payroll taxes in 2020; half of the deferred amount will be due at the end of 2021 and the other half will be due at the end of 2022.

In 2018 and 2020, CMS Energy entered into equity offering programs under which it may sell, from time to time, shares of CMS Energy common stock. Under both programs, CMS Energy may sell its common stock in privately negotiated transactions, in "at the market" offerings, through forward sales transactions or otherwise. During 2018 and 2019, CMS Energy entered into forward sales contracts having an aggregate sales price of $250 million, the maximum allowed under the 2018 program. Under the 2020 program, CMS Energy may sell shares of its common stock having an aggregate sales price of up to $500 million. In September 2020, CMS Energy entered into a forward sales contract having an aggregate sale price of $52 million.

These contracts allow CMS Energy to either physically settle the contracts by issuing shares of its common stock at the then-applicable forward sale price specified by the agreement or net settle the contracts through the delivery or receipt of cash or shares. CMS Energy may settle the contracts at any time through their maturity dates, and presently intends to physically settle the contracts by delivering shares of its common stock. For more information on the forward sale contracts, see Note 4, Financings and Capitalization—Issuance of Common Stock.

At September 30, 2020, CMS Energy had $545 million of its revolving credit facility available and Consumers had $1.1 billion available under its revolving credit facilities. CMS Energy and Consumers use these credit facilities for general working capital purposes and to issue letters of credit. An additional source of liquidity is Consumers' commercial paper program, which allows Consumers to issue, in one or more placements, up to $500 million in the aggregate in commercial paper notes with maturities of up to 365 days at market interest rates. These issuances are supported by Consumers' revolving credit facilities. While the amount of outstanding commercial paper does not reduce the available capacity of the revolving credit facilities, Consumers does not intend to issue commercial paper in an amount exceeding the available capacity of the facilities. At September 30, 2020, there were no commercial paper notes outstanding under this program. For additional details on CMS Energy's and Consumers' revolving credit facilities and commercial paper program, see Note 4, Financings and Capitalization.

Certain of CMS Energy's and Consumers' credit agreements, debt indentures, and other facilities contain covenants that require CMS Energy and Consumers to maintain certain financial ratios, as defined therein. At September 30, 2020, no default had occurred with respect to any financial covenants contained in CMS Energy's and Consumers' credit agreements, debt indentures, or other facilities. CMS Energy and Consumers were each in compliance with these covenants as of September 30, 2020, as presented in the following table:

		September 30, 2020	
Credit Agreement, Indenture, or Facility		Limit	Actual
CMS Energy, parent only			
Debt to Capital[1]	≤	0.70 to 1.0	0.60 to 1.0
Consumers			
Debt to Capital[2]	≤	0.65 to 1.0	0.48 to 1.0

1 Applies to CMS Energy's $550 million revolving credit agreement and $300 million term loan credit agreement. In April 2020, amendments to these agreements changed the required financial covenant from a leverage ratio to a capitalization ratio.

2 Applies to Consumers' $850 million and $250 million revolving credit agreements, its $30 million letter of credit agreement, and its $300 million term loan credit agreement.

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

Off-Balance-Sheet Arrangements

CMS Energy, Consumers, and certain of their subsidiaries enter into various arrangements in the normal course of business to facilitate commercial transactions with third parties. These arrangements include indemnities, surety bonds, letters of credit, and financial and performance guarantees. Additionally, CMS Energy has entered into forward sales contracts to sell its common stock in order to invest in its utility and non-utility businesses; as of September 30, 2020, these contracts have an aggregate sales price of $195 million and mature in 2021. For additional details on the companies' indemnity and guarantee arrangements, see Note 3, Contingencies and Commitments—Guarantees. For additional details on letters of credit and CMS Energy's forward sales contracts, see Note 4, Financings and Capitalization.

Outlook

Several business trends and uncertainties may affect CMS Energy's and Consumers' financial condition and results of operations. These trends and uncertainties could have a material impact on CMS Energy's and Consumers' consolidated income, cash flows, or financial position. For additional details regarding these and other uncertainties, see Forward-Looking Statements and Information; Note 2, Regulatory Matters; Note 3, Contingencies and Commitments; and Part II—Item 1A. Risk Factors.

Consumers Electric Utility Outlook and Uncertainties

Clean Energy Plan: In 2019, the MPSC approved the IRP that Consumers filed in 2018, which details its Clean Energy Plan. Through its Clean Energy Plan, Consumers expects to reduce carbon emissions of its owned generation by more than 90 percent from its 2005 levels by 2040 and eliminate the use of coal to generate electricity by 2040. The Clean Energy Plan also provides the foundation for Consumers' goal to achieve net-zero carbon emissions by 2040. Under this net-zero goal, Consumers plans to eliminate the impact of carbon emissions created by the electricity it generates or purchases for customers.

Specifically, the Clean Energy Plan provides for:

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

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

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

Consumers will competitively bid new capacity and at least 50 percent of the new capacity will be built and owned by third parties; the remainder will be owned and operated by Consumers. In support of its Clean Energy Plan, Consumers issued requests for proposals in September 2019 and July 2020, each to acquire up to 300 MW of new capacity from projects to be operational in Michigan's Lower Peninsula by May 2023. Specifically, Consumers solicited offers to enter into PPAs with or purchase solar generation projects ranging in size from 20 MW to 150 MW and to enter into PPAs with PURPA qualifying facilities up to 20 MW. Any contracts entered into as a result of the request for proposals would be subject to MPSC approval.

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

Under Consumers' renewable energy plan, the MPSC has approved the acquisition of up to 525 MW of new wind generation projects and authorized Consumers to earn a 10.7 percent return on equity on any projects approved by the MPSC. Specifically, the MPSC has approved the following:

- purchase of a wind generation project under development, with capacity of up to 150 MW, in Gratiot County, Michigan; on-site construction began during the fourth quarter of 2019 and the project is slated to be complete and operational in 2020

- purchase of a wind generation project under development, with capacity of up to 166 MW, in Hillsdale, Michigan; Consumers is slated to take full ownership and begin commercial operation of the project in 2020

- execution of a 20-year PPA under which Consumers will purchase 100 MW of renewable capacity, energy, and RECs from a 149-MW solar generating facility to be constructed in Calhoun County, Michigan; the facility is expected to be operational in 2022

Consumers has received force majeure notifications from the turbine supplier for the 150-MW wind generation project and from the seller of the 166-MW wind generation project. These notifications cited the COVID-19 pandemic as a force majeure event. At this time, construction activities continue and Consumers does not anticipate any changes to the projects' expected commercial operation dates, overall costs, or ability to qualify for production tax credits, but Consumers cannot predict the ultimate impact of the force majeure notifications.

Electric Customer Deliveries and Revenue: Consumers' electric customer deliveries are seasonal and largely dependent on Michigan's economy. The consumption of electric energy typically increases in the summer months, due primarily to the use of air conditioners and other cooling equipment. In addition, Consumers' electric rates, which follow a seasonal rate design, are higher in the summer months than in the remaining months of the year.

As a result of the COVID-19 pandemic, Consumers has delayed implementation of a summer peak time-of-use rate for electric residential customers, originally planned to begin in June 2020. The summer peak time-of-use rate will allow customers to take advantage of lower-cost energy during off-peak times during the summer months. Customers could reduce their electric bills by shifting their consumption from on-peak to off-peak times. The MPSC approved delaying implementation of the summer peak time-of-use rate to 2021, recognizing that more customers may be at home during the pandemic and may not have the same opportunities to manage peak power consumption.

In response to the COVID-19 pandemic, Michigan's Governor issued various executive orders requiring all non-essential businesses to close temporarily and Michigan residents to stay home during the period from March 23, 2020 to June 8, 2020. Subsequent executive orders gradually eased restrictions. In October 2020, the Michigan Supreme Court issued an opinion that limits the governor's authority to issue executive orders relating to the COVID-19 pandemic. Subsequently, the Michigan Department of Health and Human Services and other governmental entities issued replacement orders and Michigan's Governor has been working with the State Legislature to pass bills covering previous executive orders. Presently, most businesses are now open at limited capacity and with safety measures in place.

During the period from April 1, 2020 through September 30, 2020, a period covering the majority of the pandemic to date, weather-normalized electric deliveries were approximately seven percent lower than deliveries during the same period in 2019, due mainly to a decline in deliveries to commercial and industrial customers of approximately 14 percent. This decline, however, was offset partially by an increase of approximately eight percent in deliveries to residential customers. Consumers cannot predict the long-term impact of the COVID-19 pandemic, but anticipates a decline of less than ten percent in deliveries to commercial and industrial customers for the full-year 2020 compared to 2019.

In response to the pandemic, Consumers initially suspended shut-offs of service for non-payment and extended payment protection plans for low-income and senior customers. Consumers slowly began resuming shut-offs of service for non-payment in late July 2020 for commercial and industrial customers and in October 2020 for residential customers. Consumers has experienced and anticipates it will continue to experience increased uncollectible accounts in the near term, but cannot predict the long-term impact of the pandemic on Michigan's economy or its customers.

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

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

Electric ROA: Michigan law allows electric customers in Consumers’ service territory to buy electric generation service from alternative electric suppliers in an aggregate amount capped at ten percent, with certain exceptions. At September 30, 2020, electric deliveries under the ROA program were at the ten-percent limit. Of Consumers’ 1.8 million electric customers, fewer than 300, or 0.02 percent, purchased electric generation service under the ROA program.

The 2016 Energy Law established a path to ensure that forward capacity is secured for all electric customers in Michigan, including customers served by alternative electric suppliers under ROA. The new law also authorized the MPSC to ensure that alternative electric suppliers have procured enough capacity to cover their anticipated capacity requirements for the four-year forward period. In 2017, the MPSC issued an order establishing a state reliability mechanism for Consumers. Under this mechanism, beginning June 2018, if an alternative electric supplier does not demonstrate that it has procured its capacity requirements for the four-year forward period, its customers will pay a set charge to the utility for capacity that is not provided by the alternative electric supplier. All alternative electric suppliers have demonstrated that they have procured their capacity requirements through the MISO planning year beginning June 1, 2023.

During 2017, the MPSC issued orders finding that it has statutory authority to determine and implement a local clearing requirement, which requires all electric suppliers to demonstrate that a portion of the capacity procured to serve customers during peak demand times is located in the MISO footprint in Michigan’s Lower Peninsula. In 2018, the Michigan Court of Appeals issued a decision that the MPSC does not have statutory authority to implement such a requirement for individual alternative electric suppliers. In April 2020, the Michigan Supreme Court issued a unanimous opinion reversing the Court of Appeals’ decision and determined that the 2016 Energy Law authorizes the MPSC to implement a local clearing requirement on individual alternative electric suppliers. The Michigan Supreme Court remanded the case to the Court of Appeals to consider a procedural challenge previously undecided by the Court of Appeals; this challenge concerns the process that the MPSC used in 2017 to consider a local clearing requirement and does not affect the substance of the MPSC’s authority to implement a local clearing requirement for future planning periods. In April 2020, ABATE filed a motion for rehearing of the Michigan Supreme Court’s decision; the Michigan Supreme Court denied ABATE’s motion in May 2020. In June 2020, the Michigan Court of Appeals issued a letter resubmitting the case for its consideration of the Michigan Supreme Court’s remand of the procedural issue.

In September 2020, ABATE and another intervenor filed a complaint against the MPSC in the U.S. District Court for the Eastern District of Michigan challenging the constitutionality of a local clearing requirement. The complaint requests the federal court to issue a permanent injunction prohibiting the MPSC from implementing a local clearing requirement on individual electric providers. Consumers plans to file a motion to intervene and defend the local clearing requirement in that federal litigation.

Electric Rate Matters: Rate matters are critical to Consumers’ electric utility business. For additional details on rate matters, see Note 2, Regulatory Matters and Note 3, Contingencies and Commitments.

2020 Electric Rate Case: In February 2020, Consumers filed an application with the MPSC seeking an annual rate increase of $244 million, based on a 10.5 percent authorized return on equity and a projected twelve-month period ending December 31, 2021. The filing requests authority to recover new investment in distribution system reliability and technology enhancements. In July 2020, Consumers reduced its requested annual rate increase to $230 million. Presented in the following table are the components of the revised requested increase in revenue:

		In Millions
Projected Twelve-Month Period Ending December 31		2021
Components of the requested rate increase		
Investment in rate base	$	179
Operating and maintenance costs		97
Cost of capital		20
Sales		(30)
TCJA deferred federal income taxes amortization		(36)
Total	$	230

The filing also seeks approval to recover $13 million associated with Consumers' deferral of depreciation and property tax expense and the overall rate of return on distribution-related capital investments exceeding certain threshold amounts. This deferred accounting treatment was approved by the MPSC in January 2019.

Additionally, the filing seeks approval of a method of recovering amounts earned under the financial compensation mechanism approved by the MPSC in Consumers' IRP. This mechanism allows Consumers to earn a financial incentive on PPAs approved by the MPSC after January 1, 2019. In the filing, Consumers requests recovery of $3 million, beginning in January 2021, for incentives earned and to be earned on PPA payments during 2019 through 2021.

Consumers also proposes in the filing a new distributed generation tariff to replace the current net metering tariff, pursuant to the 2016 Energy Law. The proposed distributed generation tariff is consistent with other distributed generation tariffs already approved by the MPSC and would substantially reduce the subsidies paid by non-distributed generation customers under the current net metering program.

Depreciation Rate Case: In July 2020, Consumers filed a depreciation case related to Ludington, requesting to increase depreciation expense, and its recovery of that expense, by $17 million annually.

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

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

CSAPR, which became effective in 2015, requires Michigan and many other states to improve air quality by reducing power plant emissions that, according to EPA computer models, contribute to ground-level ozone and fine particle pollution in other downwind states. In 2016, the EPA finalized new ozone season standards for CSAPR, which became effective in 2017. In October 2020, in response to a court-ordered remand due to litigation, the EPA proposed a revised CSAPR rule to reflect updated emission reductions from electric generating units in 12 states, including Michigan. The EPA intends to finalize the rule by

March 2021, and has made provisions for program implementation by May 2021, with continued emission reductions through 2024. Consumers is evaluating its emission compliance strategy for existing units based on the proposed number of allowances allocated to Michigan for 2021 through 2024.

In 2012, the EPA published emission standards for electric generating units, known as MATS, based on Section 112 of the Clean Air Act. Under MATS, all of Consumers' existing coal-fueled electric generating units were required to add additional controls for hazardous air pollutants. Consumers met the deadline for five coal-fueled units and two oil/gas-fueled units it continues to operate and retired its seven remaining coal-fueled units. In addition, the EPA recently finalized changes to the supporting analysis used to enact MATS, but did not make any changes to the MATS regulations. These changes do not impact Consumers' MATS compliance strategy because, if the MATS regulations were repealed, Consumers would then be required to comply with the Michigan Mercury Rule, which has similar requirements to MATS. In addition, Consumers must comply with emission limits in its renewable operating permits concerning opacity and NSR, which has similar emission requirements to MATS.

In 2015, the EPA lowered the NAAQS for ozone. The 2015 ozone NAAQS made it more difficult to construct or modify power plants and other emission sources in areas of the country that have not met the 2015 ozone standard. In 2018, the EPA designated certain areas of Michigan as not meeting the ozone standard. None of Consumers' fossil-fuel-fired generating units are located in these areas. Some of Consumers' compressor stations are located in areas impacted by the rule, but Consumers expects only minor permitting impacts if those units are modified in the future. In August 2020, the EPA proposed to retain the 2015 NAAQS for ozone, but has not finalized this proposal. Consumers does not expect that any litigation involving NAAQS for ozone will have a material adverse impact on its generating assets.

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

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

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

In 2015, the EPA finalized new rules pursuant to Section 111(b) of the Clean Air Act to limit carbon dioxide emissions from new electric generating units, as well as modified or reconstructed electric generating units. New coal-fueled units would not be able to meet this limit without installing carbon dioxide control equipment using such methods as carbon capture and sequestration.

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

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

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

In September 2020, Michigan's Governor signed an executive order creating the Michigan Healthy Climate Plan, which outlines goals for Michigan to achieve economy-wide net-zero greenhouse gas emissions and to be carbon neutral by 2050. The executive order aims for a 28-percent reduction below 2005 levels of greenhouse gas emissions by 2025. Consumers has already surpassed the 28-percent reduction milestone in its electric business and previously announced, in February 2020, a goal of achieving net-zero carbon emissions by 2040. The order directs EGLE to develop and oversee an action plan for achieving these goals. In addition, the Governor established the Council on Climate Solutions, an advisory group of key stakeholders to be appointed by the Governor that will assist EGLE in implementing the plan. These goals are aspirational in nature and any changes in law or regulation to achieve these goals would need to be approved by Michigan Legislature or the relevant regulatory agency. The MPSC has requested comments from utilities and other stakeholders on how the Governor's goal should be incorporated into future IRP filings. Consumers does not expect any adverse changes to its environmental strategy as a result of these events.

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

Increased frequency of severe weather events, including those due to climate change, could materially impact Consumers' facilities, energy sales, and results of operations. Consumers is unable to predict these events or their financial impact; however, Consumers evaluates the potential physical impacts of climate change on its operations, including increased storm activity, increased rainfall, and higher lake and river levels. Consumers is taking steps to mitigate these risks as appropriate.

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

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

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

Separately, Congress passed legislation in 2016 allowing participating states to develop permitting programs for CCRs under RCRA. In 2018, the Michigan Legislature adopted a permitting program, which requires the EPA’s authorization. This program should reduce costly, duplicative oversight over CCRs and provide local oversight to CCR issues unique to Michigan. In April 2020, EGLE submitted a regulatory package for Michigan’s permit program to the EPA for its review. Federal rulemaking challenges may delay EPA approval of the Michigan permitting program.

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

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

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

In 2015, the EPA released its final effluent limitation guidelines for steam electric generating plants. These guidelines, which are presently being litigated, set stringent new requirements for the discharge from electric generating units into wastewater streams. The EPA published a final rule in October 2020, with an effective date of December 2020, relaxing the 2015 guidelines related to the discharge of wastewater streams from electric generating units. The rule also extends the compliance deadline from the end of 2023 to the end of 2025, which would need to be agreed upon by EGLE through the NPDES permitting process. Consumers does not expect any adverse changes to its environmental strategy as a result of these revisions to the rule.

In recent years, the EPA and the U.S. Army Corps of Engineers have proposed rules redefining “Waters of the United States,” which defines the scope of federal jurisdiction under the Clean Water Act, and other changes to the Clean Water Act regulations. For example, the EPA recently finalized a rule repealing the 2015 definition of “Waters of the United States” and, in January 2020, released a rule with its new definition. The new definition narrows the scope of federal jurisdiction and reduces the frequency of dual jurisdiction in states with authority to regulate the same waters; Michigan is one such state. Consumers does not expect adverse changes to its environmental strategy as a result of the new definition, which is presently being litigated in multiple jurisdictions.

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

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

Retention Incentive Program: In October 2019, Consumers announced a retention incentive program to ensure necessary staffing at the D.E. Karn generating complex through the anticipated retirement of the coal-fueled generating units. Based on the number of employees that have chosen to participate, the aggregate cost of the program through 2023 is estimated to be $35 million. Consumers expects to recognize up to $15 million of expense related to retention benefits in 2020. Consumers is seeking recovery of these costs from customers in its 2020 electric rate case. For additional details on this program, see Note 14, Asset Sale and Exit Activities.

Consumers Gas Utility Outlook and Uncertainties

Gas Deliveries: Consumers' gas customer deliveries are seasonal. The peak demand for natural gas typically occurs in the winter due to colder temperatures and the resulting use of natural gas as heating fuel.

Consumers does not anticipate that the COVID-19 pandemic will have a material impact on near-term gas deliveries, but cannot predict the impact on full-year 2020 deliveries at this time. Consumers has experienced and anticipates it will continue to experience increased uncollectible accounts in the near term, but cannot predict the long-term impact of the pandemic on Michigan's economy or its customers.

Over the next five years, Consumers expects weather-normalized gas deliveries to remain stable relative to 2019. This outlook reflects modest growth in gas demand offset by the predicted effects of energy efficiency and conservation. Actual delivery levels from year to year may vary from this expectation as a result of:

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

Gas Rate Matters: Rate matters are critical to Consumers' gas utility business. For additional details on rate matters, see Note 2, Regulatory Matters and Note 3, Contingencies and Commitments.

2019 Gas Rate Case: In December 2019, Consumers filed an application with the MPSC seeking an annual rate increase of $245 million, based on a 10.5 percent authorized return on equity and a projected twelve-month period ending September 30, 2021. In May 2020, Consumers reduced its requested annual rate increase to $229 million. In September 2020, the MPSC approved a settlement agreement authorizing an annual rate increase of $144 million, based on a 9.9 percent authorized return on equity, effective October 1, 2020. As part of that agreement, Consumers agreed not to file a new gas rate case prior to December 2021. The MPSC also approved the continuation of a revenue decoupling mechanism, which annually reconciles Consumers' actual weather-normalized non-fuel revenues with the revenues approved by the MPSC. This reconciliation would start in October 2021 and continue until the MPSC resets rates in a subsequent rate case.

Additionally, the MPSC authorized Consumers to accelerate:

- the refund of a regulatory liability associated with the unprotected, non-property-related excess deferred income taxes resulting from the TCJA; Consumers was previously authorized to refund this through 2029
- the flow-through of certain income tax benefits associated primarily with the cost of removal of gas plant assets placed in service before 1993; Consumers was previously authorized to pass these benefits to customers through 2025

Under the settlement agreement approved by the MPSC, these benefits, which total $84 million, will now be passed through to customers by September 2022. For additional details, see Note 9, Income Taxes.

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

In February 2020, PHMSA finalized an interim rule it had published in 2016; this rule established minimum federal safety standards for underground natural gas storage facilities. To comply with the rule, Consumers incurred increased capital and operating and maintenance costs to expand inspections, maintenance, and monitoring of its underground gas storage facilities.

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

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

Greenhouse Gases: Consumers is making voluntary efforts to reduce its gas utility's methane emissions. In October 2019, Consumers set a goal of net-zero methane emissions from its natural gas delivery system by 2030. Under its Methane Reduction Plan, Consumers plans to reduce methane emissions from its system by about 80 percent by accelerating the replacement of aging pipe, rehabilitating or retiring outdated infrastructure, and adopting new technologies and practices. The remaining emissions will be eliminated by purchasing and/or producing renewable natural gas.

In September 2020, Michigan's Governor signed an executive order creating the Michigan Healthy Climate Plan, which outlines goals for Michigan to achieve economy-wide net-zero greenhouse gas emissions and to be carbon neutral by 2050. The executive order aims for a 28-percent reduction below 2005 levels of greenhouse gas emissions by 2025. These new goals could have an impact on Consumers' gas business over the long term. For additional details on the executive order, see Consumers Electric Utility Outlook and Uncertainties—Electric Environmental Outlook.

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

Consumers Electric Utility and Gas Utility Outlook and Uncertainties

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

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

Additionally, the MPSC has approved the recovery of demand response costs and an associated financial incentive based on demand response target performance.

Under its energy waste reduction plan, Consumers provides its customers with incentives to reduce usage by offering energy audits, rebates and discounts on purchases of highly efficient appliances, and other incentives and programs. The COVID-19 pandemic may impact Consumers' ability to execute energy efficiency programs effectively and, accordingly, could affect Consumers' ability to exceed its statutory savings targets and earn the maximum energy waste reduction incentive for 2020. Consumers cannot predict the ultimate financial impact of the pandemic on its 2020 energy waste reduction incentive.

Enterprises Outlook and Uncertainties

CMS Energy's primary focus with respect to its enterprises businesses is to maximize the value of generating assets, its share of which represents 1,502 MW of capacity, and to pursue opportunities for the development of renewable generation projects.

In July 2020, CMS Enterprises purchased an ownership interest in Aviator Wind, a 525-MW wind generation project in Coke County, Texas. The project was completed and became operational in September 2020. Of the project's 525-MW nameplate capacity, 420 MW has been committed under long-term PPAs. For additional details, see Note 15, Purchase of Variable Interest Entity.

The enterprises segment's assets may be affected by environmental laws and regulations. The 2015 ozone NAAQS made it more difficult to construct or modify power plants and other emission sources in areas of the country that have not met the 2015 ozone standard. In 2018, the EPA designated certain areas of Michigan as not meeting the ozone standard. The enterprises segment's DIG plant located in Dearborn, Michigan is in one such area and, as a result, would be subject to additional permitting restrictions in the event of any future modifications. For additional details regarding the new ozone NAAQS, see Consumers Electric Utility Outlook and Uncertainties—Electric Environmental Outlook.

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

- investment in and financial benefits received from renewable energy and energy storage projects
- changes in energy and capacity prices
- severe weather events and climate change associated with increasing levels of greenhouse gases
- changes in commodity prices and interest rates on certain derivative contracts that do not qualify for hedge accounting and must be marked to market through earnings
- changes in various environmental laws, regulations, principles, or practices, or in their interpretation
- indemnity and environmental remediation obligations at Bay Harbor, including an inability to renew an NPDES permit in 2020
- obligations related to a tax claim from the government of Equatorial Guinea
- representations, warranties, and indemnities provided by CMS Energy in connection with previous sales of assets

For additional details regarding the enterprises segment's uncertainties, see Note 3, Contingencies and Commitments.

EnerBank Outlook and Uncertainties

EnerBank is a Utah state-chartered, FDIC-insured industrial bank providing primarily unsecured, fixed-rate installment loans throughout the U.S. to finance home improvements. The carrying value of EnerBank's loan portfolio was $2.9 billion at September 30, 2020. The 12-month rolling average net default rate on loans held by EnerBank was 1.2 percent at September 30, 2020. For additional details regarding EnerBank's loan portfolio, see Note 7, Notes Receivable.

EnerBank's loan portfolio was funded primarily by certificates of deposit of $2.8 billion at September 30, 2020. CMS Energy is required both by law and by contract to provide financial support, including infusing additional capital, to ensure that EnerBank satisfies mandated capital requirements and has sufficient liquidity to operate. With its self-funding plan, EnerBank has exceeded these requirements historically and exceeded them as of September 30, 2020.

With its loan portfolio funded by certificates of deposit, EnerBank has not had to rely on access to the financial and capital markets in order to fund loan growth during the COVID-19 pandemic. As a result, EnerBank has experienced market share gains as new customers have transitioned from less financially stable competitors. Accordingly, EnerBank has experienced increased lending growth in recent months and expects this trend to continue during the remainder of 2020. Over the next five years, EnerBank expects lending growth to average approximately seven percent annually.

In response to the COVID-19 pandemic, and consistent with FDIC guidance, EnerBank offered new payment accommodations for current qualifying customers. EnerBank cannot predict the longer-term impacts of the pandemic, but could experience slower lending growth, higher loan write-offs, and increased loan modifications.

Other Outlook and Uncertainties

Employee Separation Program: In December 2019, CMS Energy and Consumers announced a voluntary separation program for non-union employees. For the nine months ended September 30, 2020, CMS Energy and Consumers recorded an after-tax charge of $8 million related to the program, under which 140 employees accepted and were approved for early separation. As a result of the program, CMS Energy and Consumers expect to benefit from future cost savings, as employee staffing levels will be better matched to workload demand, which reflects the companies' ongoing workforce productivity improvements.

Union Contract: The present UWUA agreement for operating, maintenance, and construction employees expired in June 2020. A new agreement was reached and ratified by UWUA members in October 2020. This agreement provides a three-percent pay increase to operating, maintenance, and construction employees effective on June 1, 2020.

Litigation: CMS Energy, Consumers, and certain of their subsidiaries are named as parties in various litigation matters, as well as in administrative proceedings before various courts and governmental agencies, arising in the ordinary course of business. For additional details regarding these and other legal matters, see Note 2, Regulatory Matters and Note 3, Contingencies and Commitments.

Retirement Benefits

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

In September 2020, CMS Energy and Consumers determined it was probable that 2020 lump-sum payments to retired employees under DB Pension Plan A would exceed the plan's service cost and interest cost components of net periodic cost for the year. These lump-sum payments constitute pension plan liability settlements; once such settlements meet the service and interest cost threshold, recognition in earnings is required. As a result, in accordance with GAAP, CMS Energy, including Consumers, performed a remeasurement of DB Pension Plan A as of August 31, 2020. For additional details on the pension settlement, see Note 8, Retirement Benefits.

Presented in the following table are estimates of costs and cash contributions through 2022 for the DB Pension Plans and OPEB Plan. Projected pension costs increased, and OPEB credits decreased, from December 31, 2019 mainly due to lower discount rate assumptions as of August 31, 2020. Actual future costs and contributions will depend on future investment performance, discount rates, and various factors related to the participants of the DB Pension Plans and OPEB Plan. CMS Energy and Consumers will, at a minimum, contribute to the plans as needed to comply with federal funding requirements.

In Millions

	DB Pension Plans		OPEB Plan	
	Cost	Contribution[1]	Credit	Contribution
CMS Energy, including Consumers				
2020	$ 34	$ 531	$ (92)	$ —
2021	40	—	(83)	—
2022	32	—	(84)	—
Consumers[2]				
2020	$ 34	$ 518	$ (86)	$ —
2021	42	—	(77)	—
2022	34	—	(78)	—

1 Contribution occurred in January 2020.

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

CMS Energy Corporation
Consolidated Statements of Income (Unaudited)

In Millions, Except Per Share Amounts

	Three Months Ended		Nine Months Ended	
September 30	2020	2019	2020	2019
Operating Revenue	$ 1,575	$ 1,546	$ 4,882	$ 5,050
Operating Expenses				
Fuel for electric generation	108	130	274	391
Purchased and interchange power	430	413	1,149	1,147
Purchased power – related parties	13	19	45	53
Cost of gas sold	35	35	390	545
Maintenance and other operating expenses	317	313	983	1,010
Depreciation and amortization	228	215	767	729
General taxes	75	70	264	247
Total operating expenses	1,206	1,195	3,872	4,122
Operating Income	369	351	1,010	928
Other Income (Expense)				
Interest income	1	2	3	5
Interest income – related parties	—	—	7	—
Allowance for equity funds used during construction	1	2	4	7
Income from equity method investees	—	5	1	6
Nonoperating retirement benefits, net	29	22	90	68
Other income	1	—	3	3
Other expense	(4)	—	(9)	(8)
Total other income	28	31	99	81
Interest Charges				
Interest on long-term debt	124	111	361	327
Interest expense – related parties	3	3	9	6
Other interest expense	17	20	53	55
Allowance for borrowed funds used during construction	(1)	(1)	(2)	(3)
Total interest charges	143	133	421	385
Income Before Income Taxes	254	249	688	624
Income Tax Expense	44	42	98	110
Net Income	210	207	590	514
Income (Loss) Attributable to Noncontrolling Interests	(8)	—	(7)	1
Net Income Available to Common Stockholders	$ 218	$ 207	$ 597	$ 513
Basic Earnings Per Average Common Share	$ 0.76	$ 0.73	$ 2.10	$ 1.81
Diluted Earnings Per Average Common Share	$ 0.76	$ 0.73	$ 2.09	$ 1.81

The accompanying notes are an integral part of these statements.

CMS Energy Corporation
Consolidated Statements of Comprehensive Income (Unaudited)

In Millions

	Three Months Ended		Nine Months Ended	
September 30	2020	2019	2020	2019
Net Income	$ 210	$ 207	$ 590	$ 514
Retirement Benefits Liability				
Net loss arising during the period, net of tax of $(2), $-, $(2), and $-	(5)	—	(5)	—
Settlement arising during the period, net of tax of $- for all periods	1	—	1	—
Amortization of net actuarial loss, net of tax of $-, $-, $1, and $-	1	—	3	2
Amortization of prior service credit, net of tax of $- for all periods	—	—	(1)	(1)
Derivatives				
Unrealized loss on derivative instruments, net of tax of $-, $-, $(1), and $(1)	(1)	—	(5)	(3)
Reclassification adjustments included in net income, net of tax of $- for all periods	1	—	1	—
Other Comprehensive Loss	(3)	—	(6)	(2)
Comprehensive Income	207	207	584	512
Comprehensive Income (Loss) Attributable to Noncontrolling Interests	(8)	—	(7)	1
Comprehensive Income Attributable to CMS Energy	$ 215	$ 207	$ 591	$ 511

The accompanying notes are an integral part of these statements.

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CMS Energy Corporation
Consolidated Statements of Cash Flows (Unaudited)

		In Millions
Nine Months Ended September 30	2020	2019
Cash Flows from Operating Activities		
Net income	$ 590	$ 514
Adjustments to reconcile net income to net cash provided by operating activities		
Depreciation and amortization	767	729
Deferred income taxes and investment tax credits	140	89
Pension contributions	(531)	—
Other non-cash operating activities and reconciling adjustments	24	(11)
Cash provided by (used in) changes in assets and liabilities		
Accounts and notes receivable and accrued revenue	218	297
Inventories	(34)	(49)
Accounts payable and accrued rate refunds	29	(82)
Other current and non-current assets and liabilities	(59)	(92)
Net cash provided by operating activities	1,144	1,395
Cash Flows from Investing Activities		
Capital expenditures (excludes assets placed under finance lease)	(1,697)	(1,570)
Increase in EnerBank notes receivable	(480)	(328)
Purchase of notes receivable by EnerBank	(17)	(307)
Proceeds from sale of transmission equipment	—	96
Cost to retire property and other investing activities	(104)	(103)
Net cash used in investing activities	(2,298)	(2,212)
Cash Flows from Financing Activities		
Proceeds from issuance of debt	2,353	2,076
Retirement of debt	(1,294)	(1,170)
Increase in EnerBank certificates of deposit	456	622
Decrease in notes payable	(90)	(97)
Issuance of common stock, net of issuance costs	107	9
Payment of dividends on common and preferred stock	(351)	(326)
Proceeds from the sale of membership interest in VIE to tax equity investor	417	—
Contribution from noncontrolling interest	31	—
Other financing costs	(74)	(39)
Net cash provided by financing activities	1,555	1,075
Net Increase in Cash and Cash Equivalents, Including Restricted Amounts	401	258
Cash and Cash Equivalents, Including Restricted Amounts, Beginning of Period	157	175
Cash and Cash Equivalents, Including Restricted Amounts, End of Period	$ 558	$ 433
Other Non-cash Investing and Financing Activities		
Non-cash transactions		
Capital expenditures not paid	$ 140	$ 135

The accompanying notes are an integral part of these statements.

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CMS Energy Corporation
Consolidated Balance Sheets (Unaudited)

ASSETS

In Millions

	September 30 2020	December 31 2019
Current Assets		
Cash and cash equivalents	$ 519	$ 140
Restricted cash and cash equivalents	39	17
Accounts receivable and accrued revenue, less allowance of $30 in 2020 and $20 in 2019	648	886
Notes receivable, less allowance of $35 in 2020 and $33 in 2019	272	242
Accounts and notes receivable – related parties	21	17
Inventories at average cost		
Gas in underground storage	420	399
Materials and supplies	154	140
Generating plant fuel stock	65	66
Deferred property taxes	199	305
Regulatory assets	9	33
Prepayments and other current assets	148	86
Total current assets	2,494	2,331
Plant, Property, and Equipment		
Plant, property, and equipment, gross	27,036	25,390
Less accumulated depreciation and amortization	7,845	7,360
Plant, property, and equipment, net	19,191	18,030
Construction work in progress	1,439	896
Total plant, property, and equipment	20,630	18,926
Other Non-current Assets		
Regulatory assets	2,745	2,489
Accounts and notes receivable, less allowance of $81 in 2020 and $- in 2019	2,655	2,281
Investments	68	71
Other	688	739
Total other non-current assets	6,156	5,580
Total Assets	$ 29,280	$ 26,837

LIABILITIES AND EQUITY

	In Millions September 30 2020	December 31 2019
Current Liabilities		
Current portion of long-term debt, finance leases, and other financing	$ 1,799	$ 1,130
Notes payable	—	90
Accounts payable	662	622
Accounts payable – related parties	5	13
Accrued rate refunds	28	35
Accrued interest	108	104
Accrued taxes	128	437
Regulatory liabilities	69	87
Other current liabilities	193	186
Total current liabilities	2,992	2,704
Non-current Liabilities		
Long-term debt	13,275	11,951
Non-current portion of finance leases and other financing	61	76
Regulatory liabilities	3,796	3,742
Postretirement benefits	382	674
Asset retirement obligations	510	477
Deferred investment tax credit	116	120
Deferred income taxes	1,821	1,655
Other non-current liabilities	429	383
Total non-current liabilities	20,390	19,078
Commitments and Contingencies (Notes 2 and 3)		
Equity		
Common stockholders' equity		
Common stock, authorized 350.0 shares; outstanding 286.3 shares in 2020 and 283.9 shares in 2019	3	3
Other paid-in capital	5,225	5,113
Accumulated other comprehensive loss	(79)	(73)
Retained earnings (accumulated deficit)	171	(25)
Total common stockholders' equity	5,320	5,018
Noncontrolling interests	578	37
Total equity	5,898	5,055
Total Liabilities and Equity	$ 29,280	$ 26,837

The accompanying notes are an integral part of these statements.

CMS Energy Corporation
Consolidated Statements of Changes in Equity (Unaudited)

In Millions, Except Per Share Amounts

	Three Months Ended		Nine Months Ended	
September 30	2020	2019	2020	2019
Total Equity at Beginning of Period	$ 5,251	$ 4,888	$ 5,055	$ 4,792
Common Stock				
At beginning and end of period	3	3	3	3
Other Paid-in Capital				
At beginning of period	5,217	5,097	5,113	5,088
Common stock issued	8	8	125	25
Common stock repurchased	—	(1)	(13)	(9)
At end of period	5,225	5,104	5,225	5,104
Accumulated Other Comprehensive Loss				
At beginning of period	(76)	(67)	(73)	(65)
Retirement benefits liability				
At beginning of period	(68)	(62)	(69)	(63)
Net loss arising during the period	(5)	—	(5)	—
Settlement arising during the period	1	—	1	—
Amortization of net actuarial loss	1	—	3	2
Amortization of prior service credit	—	—	(1)	(1)
At end of period	(71)	(62)	(71)	(62)
Derivative instruments				
At beginning of period	(8)	(5)	(4)	(2)
Unrealized loss on derivative instruments	(1)	—	(5)	(3)
Reclassification adjustments included in net income	1	—	1	—
At end of period	(8)	(5)	(8)	(5)
At end of period	(79)	(67)	(79)	(67)
Retained Earnings (Accumulated Deficit)				
At beginning of period	70	(182)	(25)	(271)
Cumulative effect of change in accounting principle	—	—	(51)	—
Net income attributable to CMS Energy	218	207	597	513
Dividends declared on common stock	(117)	(108)	(350)	(325)
At end of period	171	(83)	171	(83)

In Millions, Except Per Share Amounts

	Three Months Ended		Nine Months Ended	
September 30	2020	2019	2020	2019
Noncontrolling Interests				
At beginning of period	37	37	37	37
Impact of purchase and consolidation of VIE	101	—	101	—
Sale of membership interest in VIE to tax equity investor	417	—	417	—
Contribution from noncontrolling interest	31	—	31	—
Income (loss) attributable to noncontrolling interests	(8)	—	(7)	1
Distributions and other changes in noncontrolling interests	—	—	(1)	(1)
At end of period	578	37	578	37
Total Equity at End of Period	$ 5,898	$ 4,994	$ 5,898	$ 4,994
Dividends Declared Per Common Share	$ 0.4075	$ 0.3825	$ 1.2225	$ 1.1475

The accompanying notes are an integral part of these statements.

Consumers Energy Company
Consolidated Statements of Income (Unaudited)

In Millions

	Three Months Ended		Nine Months Ended	
September 30	2020	2019	2020	2019
Operating Revenue	$ 1,450	$ 1,429	$ 4,524	$ 4,706
Operating Expenses				
Fuel for electric generation	85	101	207	295
Purchased and interchange power	420	408	1,121	1,132
Purchased power – related parties	13	19	45	53
Cost of gas sold	33	32	383	537
Maintenance and other operating expenses	266	272	846	911
Depreciation and amortization	223	210	753	716
General taxes	72	68	256	240
Total operating expenses	1,112	1,110	3,611	3,884
Operating Income	338	319	913	822
Other Income (Expense)				
Interest income	1	2	3	4
Interest and dividend income – related parties	2	1	4	3
Allowance for equity funds used during construction	1	2	4	7
Nonoperating retirement benefits, net	28	21	85	64
Other income	1	—	3	2
Other expense	(4)	—	(9)	(8)
Total other income	29	26	90	72
Interest Charges				
Interest on long-term debt	76	69	227	206
Interest expense – related parties	3	3	9	6
Other interest expense	4	4	9	11
Allowance for borrowed funds used during construction	(1)	(1)	(2)	(3)
Total interest charges	82	75	243	220
Income Before Income Taxes	285	270	760	674
Income Tax Expense	55	57	135	137
Net Income	230	213	625	537
Preferred Stock Dividends	—	—	1	1
Net Income Available to Common Stockholder	$ 230	$ 213	$ 624	$ 536

The accompanying notes are an integral part of these statements.

Consumers Energy Company
Consolidated Statements of Comprehensive Income (Unaudited)

In Millions

	Three Months Ended		Nine Months Ended	
September 30	2020	2019	2020	2019
Net Income	$ 230	$ 213	$ 625	$ 537
Retirement Benefits Liability				
Amortization of net actuarial loss, net of tax of $-, $-, $1, and $-	1	—	1	1
Other Comprehensive Income	1	—	1	1
Comprehensive Income	$ 231	$ 213	$ 626	$ 538

The accompanying notes are an integral part of these statements.

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Consumers Energy Company
Consolidated Statements of Cash Flows (Unaudited)

In Millions

Nine Months Ended September 30		2020		2019
Cash Flows from Operating Activities				
Net income	$	625	$	537
Adjustments to reconcile net income to net cash provided by operating activities				
Depreciation and amortization		753		716
Deferred income taxes and investment tax credits		136		37
Pension contributions		(518)		—
Other non-cash operating activities and reconciling adjustments		(21)		(24)
Cash provided by (used in) changes in assets and liabilities				
Accounts and notes receivable and accrued revenue		190		230
Inventories		(34)		(52)
Accounts payable and accrued rate refunds		29		(76)
Other current and non-current assets and liabilities		(75)		(117)
Net cash provided by operating activities		1,085		1,251
Cash Flows from Investing Activities				
Capital expenditures (excludes assets placed under finance lease)		(1,595)		(1,559)
Proceeds from sale of transmission equipment		—		76
Cost to retire property and other investing activities		(105)		(100)
Net cash used in investing activities		(1,700)		(1,583)
Cash Flows from Financing Activities				
Proceeds from issuance of debt		1,528		918
Retirement of debt		(773)		(528)
Decrease in notes payable		(90)		(97)
Stockholder contribution		650		675
Payment of dividends on common and preferred stock		(450)		(397)
Other financing costs		(55)		(11)
Net cash provided by financing activities		810		560
Net Increase in Cash and Cash Equivalents, Including Restricted Amounts		195		228
Cash and Cash Equivalents, Including Restricted Amounts, Beginning of Period		28		56
Cash and Cash Equivalents, Including Restricted Amounts, End of Period	$	223	$	284
Other Non-cash Investing and Financing Activities				
Non-cash transactions				
Capital expenditures not paid	$	156	$	123

The accompanying notes are an integral part of these statements.

Consumers Energy Company
Consolidated Balance Sheets (Unaudited)

ASSETS

In Millions

	September 30 2020	December 31 2019
Current Assets		
Cash and cash equivalents	$ 199	$ 11
Restricted cash and cash equivalents	24	17
Accounts receivable and accrued revenue, less allowance of $30 in 2020 and $20 in 2019	620	827
Accounts and notes receivable – related parties	8	9
Inventories at average cost		
Gas in underground storage	420	399
Materials and supplies	149	135
Generating plant fuel stock	62	63
Deferred property taxes	199	305
Regulatory assets	9	33
Prepayments and other current assets	126	73
Total current assets	1,816	1,872
Plant, Property, and Equipment		
Plant, property, and equipment, gross	25,893	24,963
Less accumulated depreciation and amortization	7,747	7,272
Plant, property, and equipment, net	18,146	17,691
Construction work in progress	1,422	879
Total plant, property, and equipment	19,568	18,570
Other Non-current Assets		
Regulatory assets	2,745	2,489
Accounts receivable	26	29
Accounts and notes receivable – related parties	106	102
Other	575	637
Total other non-current assets	3,452	3,257
Total Assets	$ 24,836	$ 23,699

LIABILITIES AND EQUITY

		In Millions
	September 30 2020	December 31 2019
Current Liabilities		
Current portion of long-term debt, finance leases, and other financing	$ 557	$ 221
Notes payable	—	90
Accounts payable	626	593
Accounts payable – related parties	10	20
Accrued rate refunds	28	35
Accrued interest	78	67
Accrued taxes	134	481
Regulatory liabilities	69	87
Other current liabilities	124	118
Total current liabilities	1,626	1,712
Non-current Liabilities		
Long-term debt	7,458	7,048
Non-current portion of finance leases and other financing	61	76
Regulatory liabilities	3,796	3,742
Postretirement benefits	339	622
Asset retirement obligations	486	474
Deferred investment tax credit	116	120
Deferred income taxes	2,042	1,864
Other non-current liabilities	349	304
Total non-current liabilities	14,647	14,250
Commitments and Contingencies (Notes 2 and 3)		
Equity		
Common stockholder's equity		
Common stock, authorized 125.0 shares; outstanding 84.1 shares in both periods	841	841
Other paid-in capital	6,024	5,374
Accumulated other comprehensive loss	(27)	(28)
Retained earnings	1,688	1,513
Total common stockholder's equity	8,526	7,700
Cumulative preferred stock, $4.50 series	37	37
Total equity	8,563	7,737
Total Liabilities and Equity	$ 24,836	$ 23,699

The accompanying notes are an integral part of these statements.

Consumers Energy Company
Consolidated Statements of Changes in Equity (Unaudited)

In Millions

	Three Months Ended		Nine Months Ended	
September 30	2020	2019	2020	2019
Total Equity at Beginning of Period	$ 8,505	$ 7,647	$ 7,737	$ 6,920
Common Stock				
At beginning and end of period	841	841	841	841
Other Paid-in Capital				
At beginning of period	6,024	5,374	5,374	4,699
Stockholder contribution	—	—	650	675
At end of period	6,024	5,374	6,024	5,374
Accumulated Other Comprehensive Loss				
At beginning of period	(28)	(20)	(28)	(21)
Retirement benefits liability				
At beginning of period	(28)	(20)	(28)	(21)
Amortization of net actuarial loss	1	—	1	1
At end of period	(27)	(20)	(27)	(20)
At end of period	(27)	(20)	(27)	(20)
Retained Earnings				
At beginning of period	1,631	1,415	1,513	1,364
Net income	230	213	625	537
Dividends declared on common stock	(173)	(124)	(449)	(396)
Dividends declared on preferred stock	—	—	(1)	(1)
At end of period	1,688	1,504	1,688	1,504
Preferred Stock				
At beginning and end of period	37	37	37	37
Total Equity at End of Period	$ 8,563	$ 7,736	$ 8,563	$ 7,736

The accompanying notes are an integral part of these statements.

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

These interim consolidated financial statements have been prepared by CMS Energy and Consumers in accordance with GAAP for interim financial information and with the instructions to Form 10-Q and Article 10 of Regulation S-X. As a result, CMS Energy and Consumers have condensed or omitted certain information and note disclosures normally included in consolidated financial statements prepared in accordance with GAAP. CMS Energy and Consumers may have reclassified certain prior period amounts to conform to the presentation in the present period and to reflect the implementation of new accounting standards. CMS Energy and Consumers are required to make estimates using assumptions that may affect reported amounts and disclosures; actual results could differ from these estimates. In management's opinion, the unaudited information contained in this report reflects all adjustments of a normal recurring nature necessary to ensure that CMS Energy's and Consumers' financial position, results of operations, and cash flows for the periods presented are fairly stated. The notes to the unaudited consolidated financial statements and the related unaudited consolidated financial statements should be read in conjunction with the consolidated financial statements and related notes contained in the 2019 Form 10-K. Due to the seasonal nature of CMS Energy's and Consumers' operations, the results presented for this interim period are not necessarily indicative of results to be achieved for the fiscal year.

1: New Accounting Standards

Implementation of New Accounting Standards

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

The standard required an increase to the allowance for loan losses at EnerBank. Prior to the standard, the allowance reflected expected credit losses over a 12-month period, but the new guidance requires the allowance to reflect expected credit losses over the entire life of the loans. As a result, CMS Energy recorded a $65 million increase to its expected credit loss reserves on January 1, 2020, with the offsetting adjustment recorded to retained earnings, net of taxes of $14 million. The standard also requires an increase in the initial provision for loan losses recognized in net income for new loans originated in 2020 and beyond. The adoption of this standard resulted in a $15 million reduction to CMS Energy's income before income taxes for the nine months ended September 30, 2020. For further information on EnerBank's loans and the related allowance for loan losses, see Note 7, Notes Receivable. At Consumers, the standard applies to the allowance for uncollectible accounts, but did not result in any significant changes to the allowance methodology and did not have a material impact on Consumers' consolidated financial statements.

ASU 2020-04, Facilitation of the Effects of Reference Rate Reform on Financial Reporting: This standard, which was effective as of March 12, 2020 for CMS Energy and Consumers, provides optional guidance intended to ease the potential burden in accounting for the expected discontinuation of LIBOR as a reference rate in the financial markets. The guidance can be applied to modifications made to certain contracts to replace LIBOR with a new reference rate. The guidance, if elected, will permit entities to treat such modifications as the continuation of the original contract, without any required accounting reassessments or remeasurements. The guidance will also facilitate the continuation of hedge accounting for derivatives that may have to be modified to incorporate a new rate. The guidance is effective through December 31, 2022. CMS Energy and Consumers presently have various contracts that reference LIBOR and they are assessing how this standard may be applied to specific contract modifications.

2: Regulatory Matters

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

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

COVID-19 Costs Accounting Deferral: In April 2020, the MPSC issued an order authorizing Consumers to defer uncollectible accounts expense incurred beginning March 24, 2020 that are in excess of the amount used to set existing rates. At September 30, 2020, Consumers had recorded $5 million of incremental uncollectible accounts expense as a non-current regulatory asset.

Voluntary Transmission Asset Sale Gain Share: In September 2019, Consumers completed a sale of a portion of its electric utility's substation transmission equipment to METC. In December 2019, Consumers filed an application with the MPSC requesting approval to share voluntarily half of the gain from the sale with customers; this application was approved by the MPSC in April 2020. As a result, Consumers deferred $17 million of the gain as a regulatory liability in December 2019 and shared that gain with customers in 2020.

Energy Waste Reduction Plan Incentive: Consumers filed its 2019 waste reduction reconciliation in June 2020, requesting the MPSC's approval to collect from customers the maximum performance incentive of $34 million for exceeding its statutory savings targets in 2019. Consumers recognized incentive revenue under this program of $34 million in 2019.

3: Contingencies and Commitments

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

CMS Energy Contingencies

Gas Index Price Reporting Litigation: CMS Energy, along with CMS MST, CMS Field Services, Cantera Natural Gas, Inc., and Cantera Gas Company, were named as defendants in four class action lawsuits and one individual lawsuit arising as a result of alleged inaccurate natural gas price reporting to publications that report trade information. Allegations include price-fixing conspiracies, restraint of trade, and artificial inflation of natural gas retail prices in Kansas, Missouri, and Wisconsin. In 2016, CMS Energy entities reached a settlement with the plaintiffs in the Kansas and Missouri class action cases for an amount that was not material to CMS Energy. In 2017, the federal district court approved the settlement. Plaintiffs made claims for treble damages, full consideration damages, exemplary damages, costs, interest, and/or attorneys' fees.

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

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

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

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

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

In 2019, CMS Energy and the plaintiffs in each of the Kansas and the Wisconsin actions engaged in settlement discussions and CMS Energy recorded a $30 million liability at December 31, 2019 as the probable estimate to settle the two cases. The parties executed a settlement agreement in the Kansas case in February 2020, and that case is now complete. In the Wisconsin case, a settlement agreement was approved in August 2020 and that case is now complete.

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

CMS Land submitted a renewal request for the permit in April 2020. CMS Land is allowed to continue operating under the previous NPDES permit until a response is received from EGLE.

At September 30, 2020, CMS Energy had a recorded liability of $44 million for its remaining obligations for environmental remediation. CMS Energy calculated this liability based on discounted projected costs, using a discount rate of 4.34 percent and an inflation rate of one percent on annual operating and maintenance costs. The undiscounted amount of the remaining obligation is $55 million. CMS Energy expects to pay the following amounts for long-term leachate disposal and operating and maintenance costs during the remainder of 2020 and in each of the next five years:

In Millions

	2020	2021	2022	2023	2024	2025
CMS Energy						
Long-term leachate disposal and operating and maintenance costs	$ 1	$ 4	$ 4	$ 4	$ 4	$ 4

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

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

Consumers Electric Utility Contingencies

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

Cleanup and Solid Waste: Consumers expects to incur remediation and other response activity costs at a number of sites under the NREPA. Consumers believes that these costs should be recoverable in rates, but cannot guarantee that outcome. Consumers estimates that its liability for NREPA sites for which it can estimate a range of loss will be between $3 million and $4 million. At September 30, 2020, Consumers had a recorded liability of $3 million, the minimum amount in the range of its estimated probable NREPA liability, as no amount in the range was considered a better estimate than any other amount.

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

Based on its experience, Consumers estimates that its share of the total liability for known CERCLA sites will be between $3 million and $8 million. Various factors, including the number and creditworthiness of potentially responsible parties involved with each site, affect Consumers' share of the total liability. At September 30, 2020, Consumers had a recorded liability of $3 million for its share of the total liability at these sites, the minimum amount in the range of its estimated probable CERCLA liability, as no amount in the range was considered a better estimate than any other amount.

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

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

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

In January 2019, an arbitration panel issued an order concluding that the MCV Partnership is not entitled to any damages associated with its claim against Consumers related to the Clean Air Act; the majority of the MCV Partnership's claim, which estimated damages and interest in excess of $270 million, was related to this dismissed claim. In April 2020, the MCV Partnership and Consumers signed a term sheet outlining a settlement in principle of all outstanding disputes between the parties. The settlement and associated agreements will require MPSC approval. Once those are approved, the parties will dismiss this matter with prejudice. If settlement is not approved, the arbitration panel will issue an order. Consumers believes that the MCV Partnership's claims are without merit, but cannot predict the financial impact or outcome of the matter.

Underwater Cables in Straits of Mackinac: Consumers owns certain underwater electric cables in the Straits of Mackinac, which were de-energized and retired in 1990. Consumers was notified that some of these cables were damaged as a result of vessel activity in 2018. Following the notification, Consumers located, inspected, sampled, capped, and returned the damaged retired cables to their original location on the lake bottom, and did not find any substantive evidence of environmental contamination. After collaborating with the State of Michigan, local Native American tribes, and other stakeholders, Consumers submitted a permit application and removal work plan with EGLE and the U.S. Army Corps of Engineers in December 2019 for partial removal of all Consumers-owned cables. In March 2020, EGLE issued a permit for the removal work and, as a result, Consumers recorded an ARO liability of

$5 million for the cost to remove partially its cables. Removal work was completed in September 2020. Consumers recovers the cost of recorded AROs through MPSC-approved depreciation rates.

Consumers Gas Utility Contingencies

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

At September 30, 2020, Consumers had a recorded liability of $57 million for its remaining obligations for these sites. This amount represents the present value of long-term projected costs, using a discount rate of 2.57 percent and an inflation rate of 2.5 percent. The undiscounted amount of the remaining obligation is $62 million. Consumers expects to pay the following amounts for remediation and other response activity costs during the remainder of 2020 and in each of the next five years:

In Millions

	2020	2021	2022	2023	2024	2025
Consumers						
Remediation and other response activity costs	$ 1	$ 2	$ 8	$ 23	$ 10	$ 1

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

Pursuant to orders issued by the MPSC, Consumers defers its MGP-related remediation costs and recovers them from its customers over a ten-year period. At September 30, 2020, Consumers had a regulatory asset of $122 million related to the MGP sites.

Consumers estimates that its liability to perform remediation and other response activities at NREPA sites other than the MGP sites could reach $3 million. At September 30, 2020, Consumers had a recorded liability of less than $1 million, the minimum amount in the range of its estimated probable liability, as no amount in the range was considered a better estimate than any other amount.

Ray Compressor Station: On January 30, 2019, Consumers experienced a fire at the Ray Compressor Station, which resulted in the Ray Storage Field being off-line or operating at significantly reduced capacity, which negatively affected Consumers' natural gas supply and delivery capacity. This incident, which occurred during the extreme polar vortex weather condition, required Consumers to request voluntary reductions in customer load, to implement contingency gas supply purchases, and to implement a curtailment of natural gas deliveries for industrial and large commercial customers pursuant to Consumers' MPSC curtailment tariff. The curtailment and request for voluntary reductions of customer loads were canceled as of midnight, February 1, 2019. Consumers investigated the cause of the incident, and filed a report on the incident with the MPSC in April 2019. In response, the MPSC issued an order in July 2019, directing Consumers to file additional reports regarding the incident and to include detail of the resulting costs in a future rate proceeding. The compressor station is presently operating at full capacity.

In September 2020, the MPSC disallowed the recovery of $7 million in incremental gas purchases related to the fire. Consumers could be subject to disallowances of costs associated with the repair and modification of the Ray Compressor Station. At September 30, 2020, Consumers had incurred capital expenditures of $17 million to restore and modify the compressor station.

In May 2020, the MPSC approved an administrative settlement agreement between Consumers and the MPSC Staff, which resulted in a $10,000 civil penalty in connection with the fire. Consumers may also be subject to various claims from impacted customers and claims for damages. At this time, Consumers cannot predict the outcome of these matters or other gas-related incidents and a reasonable estimate of a total loss cannot be made, but they could have a material adverse effect on Consumers' results of operations, financial condition, or liquidity, and could subject Consumers' gas utility to increased regulatory scrutiny.

Guarantees

Presented in the following table are CMS Energy's and Consumers' guarantees at September 30, 2020:

In Millions

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

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

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

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

Other Contingencies

In addition to the matters disclosed in this Note and Note 2, Regulatory Matters, there are certain other lawsuits and administrative proceedings before various courts and governmental agencies, as well as unasserted claims that may result in such proceedings, arising in the ordinary course of business to which CMS Energy, Consumers, and certain other subsidiaries of CMS Energy are parties. These other lawsuits, proceedings, and unasserted claims may involve personal injury, property damage, contracts, environmental matters, federal and state taxes, rates, licensing, employment, and other matters. Further, CMS Energy and Consumers occasionally self-report certain regulatory non-compliance matters that may or may not eventually result in administrative proceedings. CMS Energy and Consumers believe that the outcome of any one of these proceedings and potential claims will not have a material negative effect on their consolidated results of operations, financial condition, or liquidity.

4: Financings and Capitalization

Financings: Presented in the following table is a summary of major long-term debt issuances during the nine months ended September 30, 2020:

		Principal (In Millions)	Interest Rate	Issuance Date	Maturity Date
CMS Energy, parent only					
Term loan facility[1]	$	300	variable	February	February 2021
Junior subordinated notes[2]		500	4.750%	May	June 2050
Total CMS Energy, parent only	$	800			
Consumers					
Term loan facility[3]	$	300	variable	January	January 2021
First mortgage bonds		575	3.500%	March	August 2051
First mortgage bonds		525	2.500%	May	May 2060
First mortgage bonds[4]		134	variable	May	May 2070
Total Consumers	$	1,534			
Total CMS Energy	$	2,334			

1 At September 30, 2020, the interest rate on the balance of this term loan facility was 0.606 percent, based on an interest rate of one-week LIBOR plus 0.500 percent.

2 These unsecured obligations rank subordinate and junior in right of payment to all of CMS Energy's existing and future senior indebtedness. On June 1, 2030, and every five years thereafter, the notes will reset to an interest rate equal to the five-year treasury rate plus 4.116 percent.

3 At September 30, 2020, the interest rate on the balance of this term loan facility was 0.556 percent, based on an interest rate of one-week LIBOR plus 0.450 percent.

4 The variable-rate bonds bear interest quarterly at a rate of three-month LIBOR minus 0.300 percent, subject to a zero-percent floor (zero percent at September 30, 2020).

In October 2020, Consumers issued $127 million in variable-rate first mortgage bonds that mature in October 2070 and bear interest at a rate of three-month LIBOR minus 0.300 percent, subject to a zero-percent floor.

Presented in the following table is a summary of major long-term debt retirements during the nine months ended September 30, 2020:

	Principal (In Millions)	Interest Rate	Retirement Date	Maturity Date
Consumers				
First mortgage bonds	$ 100	3.770%	April	October 2020
First mortgage bonds	250	5.300%	June	September 2022
First mortgage bonds	375	2.850%	September	May 2022
Total Consumers	$ 725			
Total CMS Energy	$ 725			

In July 2020, Consumers purchased, in lieu of redemption, $35 million of variable-rate tax-exempt revenue bonds due April 2035. At September 30, 2020, Consumers held the variable-rate tax-exempt revenue bonds and may remarket the bonds or replace them with debt instruments of an equivalent value.

Credit Facilities: The following credit facilities with banks were available at September 30, 2020:

In Millions

Expiration Date	Amount of Facility	Amount Borrowed	Letters of Credit Outstanding	Amount Available
CMS Energy, parent only				
June 5, 2023	$ 550	$ —	$ 5	$ 545
CMS Enterprises, including subsidiaries				
September 25, 2025[1]	$ 39	$ —	$ 39	$ —
September 30, 2025[2]	18	—	8	10
Consumers[3]				
June 5, 2023	$ 850	$ —	$ 7	$ 843
November 19, 2021	250	—	1	249
April 18, 2022	30	—	30	—

1 This letter of credit facility is available to Aviator Wind Equity Holdings. For information regarding the acquisition of Aviator Wind Equity Holdings, see Note 15, Purchase of Variable Interest Entity.

2 Under this facility, $8 million is available solely for the purpose of issuing letters of credit. Obligations under this facility are secured by the collateral accounts with the lending bank.

3 Obligations under these facilities are secured by first mortgage bonds of Consumers.

Short-term Borrowings: Under Consumers' commercial paper program, Consumers may issue, in one or more placements, investment-grade commercial paper notes with maturities of up to 365 days at market interest rates. These issuances are supported by Consumers' revolving credit facilities and may have an aggregate principal amount outstanding of up to $500 million. While the amount of outstanding commercial paper does not reduce the available capacity of the revolving credit facilities, Consumers does not intend to issue commercial paper in an amount exceeding the available capacity of the facilities. At September 30, 2020, there were no commercial paper notes outstanding under this program.

Dividend Restrictions: At September 30, 2020, payment of dividends by CMS Energy on its common stock was limited to $5.3 billion under provisions of the Michigan Business Corporation Act of 1972.

Under the provisions of its articles of incorporation, at September 30, 2020, Consumers had $1.6 billion of unrestricted retained earnings available to pay dividends on its common stock to CMS Energy. Provisions of the Federal Power Act and the Natural Gas Act appear to restrict dividends payable by Consumers to the amount of Consumers' retained earnings. Several decisions from FERC suggest that, under a variety of circumstances, dividends from Consumers on its common stock would not be limited to amounts in Consumers' retained earnings. Any decision by Consumers to pay dividends on its common stock in excess of retained earnings would be based on specific facts and circumstances and would be subject to a formal regulatory filing process.

For the nine months ended September 30, 2020, Consumers paid $449 million in dividends on its common stock to CMS Energy.

Issuance of Common Stock: In 2018 and 2020, CMS Energy entered into equity offering programs under which it may sell, from time to time, shares of CMS Energy common stock. Under both programs, CMS Energy may sell its common stock in privately negotiated transactions, in "at the market" offerings, through forward sales transactions or otherwise.

During 2018 and 2019, CMS Energy entered into forward sales contracts having an aggregate sales price of $250 million, the maximum allowed under the 2018 program. In March 2020, CMS Energy settled one of these contracts by issuing 2,017,783 shares of common stock for $47.95 per share, resulting in net proceeds of $97 million.

Under the 2020 program, CMS Energy may sell shares of its common stock having an aggregate sales price of up to $500 million. In September 2020, CMS Energy entered into a forward sales contract having an aggregate sale price of $52 million.

Presented in the following table are details of CMS Energy's remaining forward sales contracts under these programs at September 30, 2020:

			Forward Price Per Share	
Contract Date	Maturity Date	Number of Shares	Initial	September 30, 2020
November 20, 2018	March 31, 2021	777,899	$ 50.91	$ 48.83
February 21, 2019	March 31, 2021	2,083,340	52.27	50.39
September 15, 2020	December 31, 2021	846,759	$ 61.06	$ 61.04

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

The initial forward price in the forward equity sale contracts includes a deduction for commissions and will be adjusted on a daily basis over the term based on an interest rate factor and decreased on certain dates by certain predetermined amounts to reflect expected dividend payments. No amounts are recorded on CMS Energy's consolidated balance sheets until settlements of the forward equity sale contracts occur. If CMS Energy had elected to net share settle the contracts as of September 30, 2020, CMS Energy would have been required to deliver 538,335 shares.

5: Fair Value Measurements

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

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

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

Assets and Liabilities Measured at Fair Value on a Recurring Basis

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

In Millions

	CMS Energy, including Consumers		Consumers	
	September 30 2020	December 31 2019	September 30 2020	December 31 2019
Assets[1]				
Restricted cash equivalents	$ 39	$ 17	$ 24	$ 17
CMS Energy common stock	—	—	1	1
Nonqualified deferred compensation plan assets	20	18	16	14
Derivative instruments	2	1	2	1
Total	$ 61	$ 36	$ 43	$ 33
Liabilities[1]				
Nonqualified deferred compensation plan liabilities	$ 20	$ 18	$ 16	$ 14
Derivative instruments	20	8	1	—
Total	$ 40	$ 26	$ 17	$ 14

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

Restricted Cash Equivalents: Restricted cash equivalents consist of money market funds with daily liquidity. For further details, see Note 12, Cash and Cash Equivalents.

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

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

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

A subsidiary of CMS Enterprises uses floating-to-fixed interest rate swaps to reduce the impact of interest rate fluctuations associated with future interest payments on certain long-term variable-rate debt. The interest rate swaps are accounted for as cash flow hedges of the future variability of interest payments on debt with a notional amount of $88 million at September 30, 2020. Gains or losses on these swaps are initially reported in other comprehensive income (loss) and then, as interest payments are made on the hedged debt, are recognized in earnings within other interest expense on CMS Energy's consolidated statements of income. The amount of losses recorded in other comprehensive loss was $1 million for the three months ended September 30, 2020, and there were no gains or losses recorded in other comprehensive loss for the three months ended September 30, 2019. The amount of losses recorded in other comprehensive loss was $6 million for the nine months ended September 30, 2020 and $4 million for the nine months ended September 30, 2019. There were no material impacts on other interest expense associated with these swaps during the periods presented. The fair value of these swaps recorded in other liabilities on CMS Energy's consolidated balance sheets totaled $9 million at September 30, 2020 and $5 million at December 31, 2019. CMS Energy also has other interest rate swaps that economically hedge interest rate risk on debt, but that do not qualify for cash flow hedge accounting; the amounts associated with these swaps were not material for the three and nine months ended September 30, 2020 and 2019.

EnerBank uses fixed-to-floating interest rate swaps to manage interest rate risk exposure associated with changes in the fair value of certain long-term fixed-rate loans. The interest rate swaps qualify as fair value hedges of long-term, fixed-rate notes receivable with a notional amount of $134 million at September 30, 2020. The fair value of these interest rate swaps recorded in other liabilities was $7 million at September 30, 2020 and $1 million at December 31, 2019. CMS Energy is adjusting the carrying value of the hedged notes receivable for the change in their fair value due to the hedged risk. Both gains and losses on the swaps and the changes to the carrying value of the hedged notes receivable are recorded within operating revenue on CMS Energy's consolidated statements of income. The net impact of these hedges on operating revenue was not material for the three and nine months ended September 30, 2020 and 2019.

The majority of derivatives classified as Level 3 are FTRs held by Consumers. Consumers uses FTRs to manage price risk related to electricity transmission congestion. An FTR is a financial instrument that entitles its holder to receive compensation or requires its holder to remit payment for congestion-related transmission charges. Due to the lack of quoted pricing information, Consumers determines the fair value of its FTRs based on Consumers' average historical settlements. There was no material activity within the Level 3 categories of assets and liabilities during the periods presented.

6: Financial Instruments

Presented in the following table are the carrying amounts and fair values, by level within the fair value hierarchy, of CMS Energy's and Consumers' financial instruments that are not recorded at fair value. The table excludes cash, cash equivalents, short-term financial instruments, and trade accounts receivable and payable whose carrying amounts approximate their fair values. For information about assets and liabilities recorded at fair value and for additional details regarding the fair value hierarchy, see Note 5, Fair Value Measurements.

In Millions

	September 30, 2020					December 31, 2019				
		Fair Value					Fair Value			
	Carrying		Level			Carrying		Level		
	Amount	Total	1	2	3	Amount	Total	1	2	3
CMS Energy, including Consumers										
Assets										
Long-term receivables[1]	$ 18	$ 18	$ —	$ —	$ 18	$ 20	$ 20	$ —	$ —	$ 20
Notes receivable[2]	2,907	3,259	—	—	3,259	2,500	2,652	—	—	2,652
Securities held to maturity	30	31	—	31	—	26	26	—	26	—
Liabilities										
Long-term debt[3]	15,054	17,104	1,185	13,992	1,927	13,062	14,185	1,197	11,048	1,940
Long-term payables[4]	31	33	—	—	33	30	32	—	—	32
Consumers										
Assets										
Long-term receivables[1]	$ 18	$ 18	$ —	$ —	$ 18	$ 20	$ 20	$ —	$ —	$ 20
Notes receivable – related party[5]	108	108	—	—	108	103	103	—	—	103
Liabilities										
Long-term debt[6]	7,995	9,440	—	7,513	1,927	7,250	8,010	—	6,070	1,940

1 Includes current portion of long-term accounts receivable of $12 million at September 30, 2020 and $13 million at December 31, 2019.

2 Includes current portion of notes receivable of $272 million at September 30, 2020 and $242 million at December 31, 2019. For further details, see Note 7, Notes Receivable.

3 Includes current portion of long-term debt of $1.8 billion at September 30, 2020 and $1.1 billion at December 31, 2019.

4 Includes current portion of long-term payables of $6 million at September 30, 2020 and $1 million at December 31, 2019.

[5] Includes current portion of notes receivable – related party of $7 million at September 30, 2020 and December 31, 2019. For further details, see Note 7, Notes Receivable.

[6] Includes current portion of long-term debt of $537 million at September 30, 2020 and $202 million at December 31, 2019.

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

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

In Millions

	September 30, 2020				December 31, 2019			
	Cost	Unrealized Gains	Unrealized Losses	Fair Value	Cost	Unrealized Gains	Unrealized Losses	Fair Value
CMS Energy								
Debt securities	$ 30	$ 1	$ —	$ 31	$ 26	$ —	$ —	$ 26

7: Notes Receivable

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

In Millions

	September 30, 2020	December 31, 2019
CMS Energy, including Consumers		
Current		
EnerBank notes receivable, net of allowance for loan losses	$ 272	$ 242
Non-current		
EnerBank notes receivable, net of allowance for loan losses	2,635	2,258
Total notes receivable	$ 2,907	$ 2,500
Consumers		
Current		
DB SERP note receivable – related party	$ 7	$ 7
Non-current		
DB SERP note receivable – related party	101	96
Total notes receivable	$ 108	$ 103

EnerBank Notes Receivable

EnerBank notes receivable are primarily unsecured, fixed-rate installment loans provided throughout the U.S. to finance home improvements. EnerBank records its notes receivable at cost, less an allowance for loan losses. Authorized contractors pay fees to EnerBank to provide borrowers with same-as-cash, zero interest, or reduced interest loans. Unearned income associated with the loan fees, which is recorded as a reduction to notes receivable on CMS Energy's consolidated balance sheets, was $137 million at September 30, 2020 and $134 million at December 31, 2019.

During the nine months ended September 30, 2020, EnerBank purchased portfolios of secured and unsecured consumer installment loans with a principal value of $20 million.

EnerBank utilizes FICO scores as a key credit quality indicator when underwriting new loans and in assessing the credit exposures in its loan portfolio. The score is determined at the time of a borrower's application and is generally not updated since the average duration of loans is about two years. At September 30, 2020, 86 percent of EnerBank's loans had a FICO score rating between good and excellent. At September 30, 2020, 97 percent of EnerBank's loan portfolio was originated within the past five years.

The allowance for loan losses at September 30, 2020 reflects expected credit losses over the entire lifetime of the loan portfolio. EnerBank estimates the allowance by using the "weighted-average remaining maturity" methodology for their term loans, and the "probability of default and loss given default" methodology for their same-as-cash loans. These methodologies consider historical loan loss experience, prepayment expectations, and credit quality indicators. EnerBank considers current and projected economic conditions, and other reasonable and supportable forecast information to determine if adjustments to the allowance are necessary. The allowance is increased by the provision for loan losses and decreased by loan charge-offs net of recoveries. Loan losses are charged against the allowance when the loss is confirmed, but no later than the point at which a loan becomes 120 days past due. Presented in the following table are the changes in the allowance for loan losses:

In Millions

September 30, 2020	Three Months Ended	Nine Months Ended
Balance at beginning of period	$ 104	$ 33
Effects of new accounting standard[1]	—	62
Provisions for loan losses	19	45
Charge-offs	(9)	(29)
Recoveries	2	5
Balance at end of period	$ 116	$ 116

1 The allowance for loan losses at December 31, 2019 reflected expected credit losses over a 12-month period. On January 1, 2020, in accordance with *ASU 2016-13, Measurement of Credit Losses on Financial Instruments*, the allowance for loan losses was adjusted to reflect expected credit losses over the life of the loan. Additionally, EnerBank recorded $3 million for expected credit losses related to unfunded loan commitments. For further details, see Note 1, New Accounting Standards.

Loans that are 30 days or more past due are considered delinquent. The balance of EnerBank's delinquent loans was $26 million at September 30, 2020 and $33 million at December 31, 2019. At September 30, 2020 and December 31, 2019, EnerBank's loans that had been modified as troubled debt restructurings were immaterial.

In response to the COVID-19 pandemic, and consistent with FDIC guidance, EnerBank offered new payment accommodations for current qualifying customers. At September 30, 2020, EnerBank had not experienced increased delinquent loans, charge-offs, or increased loan modifications due to the COVID-19 pandemic. EnerBank did not make any material adjustments to their allowance for loan losses at September 30, 2020 due to the COVID-19 pandemic. EnerBank cannot predict the longer-term impacts of the pandemic, but could experience slower lending growth, higher loan write-offs, and increased loan modifications.

EnerBank issues loan commitments to meet customer-financing needs. These commitments are agreements to provide credit as long as certain conditions are met and expire after 120 days. EnerBank uses the same credit policies in making these commitments as it uses for loans. EnerBank had $473 million of off-balance-sheet unfunded loan commitments at September 30, 2020, and had recorded a liability of $9 million for expected credit losses on those commitments.

EnerBank has entered into interest rate swaps on $134 million of its loans (notes receivable). For information about interest rate swaps see Note 5, Fair Value Measurements.

DB SERP Note Receivable – Related Party

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

8: Retirement Benefits

CMS Energy and Consumers provide pension, OPEB, and other retirement benefits to employees under a number of different plans.

In September 2020, CMS Energy and Consumers determined it was probable that 2020 lump-sum payments to retired employees under DB Pension Plan A would exceed the plan's service cost and interest cost components of net periodic cost for the year. These lump-sum payments constitute pension plan liability settlements; once such settlements meet the service and interest cost threshold, recognition in earnings is required. As a result, in accordance with GAAP, CMS Energy, including Consumers, performed a remeasurement of DB Pension Plan A as of August 31, 2020 and recognized a settlement loss of $36 million; of this amount, $35 million was deferred as a regulatory asset. Consumers recognized a settlement loss of $35 million, all of which was deferred as a regulatory asset. CMS Energy and Consumers will amortize the regulatory asset over nine years.

As a result of the remeasurement, the liability for DB Pension Plan A increased by $252 million at CMS Energy, with an offsetting increase in the associated regulatory asset of $245 million and a $7 million loss to AOCI. At Consumers, the liability and associated regulatory asset increased by $245 million.

Costs: Presented in the following table are the costs (credits) and other changes in plan assets and benefit obligations incurred in CMS Energy's and Consumers' retirement benefits plans:

In Millions

	DB Pension Plans				OPEB Plan			
	Three Months Ended		Nine Months Ended		Three Months Ended		Nine Months Ended	
September 30	2020	2019	2020	2019	2020	2019	2020	2019
CMS Energy, including Consumers								
Net periodic cost (credit)								
Service cost	$ 12	$ 11	$ 37	$ 31	$ 4	$ 3	$ 12	$ 10
Interest cost	20	24	61	73	8	11	25	31
Expected return on plan assets	(47)	(40)	(143)	(121)	(25)	(22)	(75)	(66)
Settlement loss	1	—	1	—	—	—	—	—
Amortization of:								
Net loss	23	12	67	36	4	7	11	20
Prior service cost (credit)	—	—	1	1	(14)	(16)	(42)	(47)
Net periodic cost (credit)	$ 9	$ 7	$ 24	$ 20	$ (23)	$ (17)	$ (69)	$ (52)
Consumers								
Net periodic cost (credit)								
Service cost	$ 12	$ 10	$ 36	$ 30	$ 3	$ 3	$ 11	$ 10
Interest cost	20	23	59	69	8	10	24	30
Expected return on plan assets	(45)	(38)	(136)	(114)	(23)	(21)	(70)	(62)
Amortization of:								
Net loss	22	12	64	35	4	7	11	20
Prior service cost (credit)	—	—	1	1	(13)	(15)	(40)	(46)
Net periodic cost (credit)	$ 9	$ 7	$ 24	$ 21	$ (21)	$ (16)	$ (64)	$ (48)

Contributions: In January 2020, CMS Energy, including Consumers, contributed $531 million and Consumers contributed $518 million to the DB Pension Plans.

9: Income Taxes

Presented in the following table is a reconciliation of the statutory U.S. federal income tax rate to the effective income tax rate from continuing operations:

Nine Months Ended September 30	2020	2019
CMS Energy, including Consumers		
U.S. federal income tax rate	21.0 %	21.0 %
Increase (decrease) in income taxes from:		
State and local income taxes, net of federal effect	4.7	5.4
TCJA excess deferred taxes[1]	(4.0)	(3.4)
Production tax credits	(3.0)	(2.5)
Research and development tax credits, net[2]	(1.5)	(0.2)
Accelerated flow-through of regulatory tax benefits[3]	(1.5)	(1.5)
Refund of alternative minimum tax sequestration[4]	(1.3)	—
Other, net	(0.2)	(1.2)
Effective tax rate	14.2 %	17.6 %
Consumers		
U.S. federal income tax rate	21.0 %	21.0 %
Increase (decrease) in income taxes from:		
State and local income taxes, net of federal effect	5.0	5.7
TCJA excess deferred taxes[1]	(3.6)	(3.2)
Production tax credits	(1.9)	(1.6)
Research and development tax credits, net[2]	(1.3)	(0.2)
Accelerated flow-through of regulatory tax benefits[3]	(1.1)	(1.0)
Other, net	(0.3)	(0.4)
Effective tax rate	17.8 %	20.3 %

1 In December 2017, Consumers remeasured its deferred tax assets and liabilities at the new federal tax rate enacted by the TCJA and recorded a net $1.6 billion regulatory liability. As a result of an order received in September 2019, Consumers began refunding these excess deferred taxes to customers. In September 2020, the MPSC approved a settlement agreement in Consumers' 2019 gas rate case including Consumers request to accelerate the amortization of its regulatory liability associated with the unprotected, non-property-related excess deferred income taxes resulting from the TCJA. Consumers will increase its TCJA amortization to fully refund this regulatory liability during the period October 2021 through September 2022 instead of the previous amortization schedule through 2029.

2 In March 2020, CMS Energy finalized a study of research and development tax credits for tax years 2012 through 2018. As a result, for the nine months ended September 30, 2020, CMS Energy, including Consumers, recognized a $9 million increase in the credit, net of reserves for uncertain tax positions. Of this amount, $8 million was recognized at Consumers.

3 In 2013, the MPSC issued an order authorizing Consumers to accelerate the flow-through to electric and gas customers of certain income tax benefits associated primarily with the cost of removal of plant placed in service before 1993. Consumers implemented this regulatory treatment beginning in 2014, with the electric portion ending in 2018 and the gas portion expected to continue through 2025. This change, which also accelerates Consumers' recognition of the income tax benefits, reduced Consumers' income tax expense by $8 million for the nine months ended September 30, 2020 and by $7 million for the nine months ended September 30, 2019. In September 2020, the MPSC approved a settlement agreement in Consumers' 2019 gas rate case including Consumers request to accelerate the amortization of this income

tax benefit to fully amortize the balance during the period October 2021 through September 2022 instead of the previous amortization schedule through 2025.

4 In January 2020, the IRS issued a decision restoring alternative minimum tax credit refunds sequestered in years prior to 2018. As a result, for the nine months ended September 30, 2020, CMS Energy recognized a $9 million income tax benefit for sequestered amounts related to its 2017 tax return. CMS Energy received the refund in April 2020.

10: Earnings Per Share—CMS Energy

Presented in the following table are CMS Energy’s basic and diluted EPS computations based on net income:

In Millions, Except Per Share Amounts

	Three Months Ended		Nine Months Ended	
September 30	2020	2019	2020	2019
Income available to common stockholders				
Net income	$ 210	$ 207	$ 590	$ 514
Less income (loss) attributable to noncontrolling interests	(8)	—	(7)	1
Net income available to common stockholders – basic and diluted	$ 218	$ 207	$ 597	$ 513
Average common shares outstanding				
Weighted-average shares – basic	285.6	283.0	284.8	282.9
Add dilutive nonvested stock awards	0.8	0.8	0.9	0.8
Add dilutive forward equity sale contracts	0.5	0.8	0.6	0.5
Weighted-average shares – diluted	286.9	284.6	286.3	284.2
Net income per average common share available to common stockholders				
Basic	$ 0.76	$ 0.73	$ 2.10	$ 1.81
Diluted	0.76	0.73	2.09	1.81

Nonvested Stock Awards

CMS Energy’s nonvested stock awards are composed of participating and non-participating securities. The participating securities accrue cash dividends when common stockholders receive dividends. Since the recipient is not required to return the dividends to CMS Energy if the recipient forfeits the award, the nonvested stock awards are considered participating securities. As such, the participating nonvested stock awards were included in the computation of basic EPS. The non-participating securities accrue stock dividends that vest concurrently with the stock award. If the recipient forfeits the award, the stock dividends accrued on the non-participating securities are also forfeited. Accordingly, the non-participating awards and stock dividends were included in the computation of diluted EPS, but not in the computation of basic EPS.

Forward Equity Sale Contracts

CMS Energy has entered into forward equity sale contracts. These forward equity sale contracts are non-participating securities. While the forward sale price in the forward equity sale contract is decreased on certain dates by certain predetermined amounts to reflect expected dividend payments, these price adjustments were set upon inception of the agreement and the forward contract does not give the owner the right to participate in undistributed earnings. Accordingly, the forward equity sale contracts were included in the computation of diluted EPS, but not in the computation of basic EPS. For further details on the forward equity sale contracts, see Note 4, Financings and Capitalization.

11: Revenue

Presented in the following tables are the components of operating revenue:

In Millions

Three Months Ended September 30, 2020	Electric Utility	Gas Utility	Enterprises[1]	EnerBank	Consolidated
CMS Energy, including Consumers					
Consumers utility revenue	$ 1,255	$ 192	$ —	$ —	$ 1,447
Other	—	—	21	—	21
Revenue recognized from contracts with customers	$ 1,255	$ 192	$ 21	$ —	$ 1,468
Leasing income	—	—	36	—	36
Financing income	2	1	—	68	71
Total operating revenue – CMS Energy	$ 1,257	$ 193	$ 57	$ 68	$ 1,575
Consumers					
Consumers utility revenue					
Residential	$ 624	$ 120			$ 744
Commercial	413	27			440
Industrial	161	5			166
Other	57	40			97
Revenue recognized from contracts with customers	$ 1,255	$ 192			$ 1,447
Financing income	2	1			3
Total operating revenue – Consumers	$ 1,257	$ 193			$ 1,450

[1] Amounts represent the enterprises segment's operating revenue from independent power production and its sales of energy commodities. The enterprises segment's sales of energy commodities are accounted for as operating leases. In addition to fixed payments, these agreements have variable payments based on energy delivered. The enterprises segment's leasing income included variable lease payments of $23 million for the three months ended September 30, 2020.

In Millions

Three Months Ended September 30, 2019	Electric Utility	Gas Utility	Enterprises[1]	EnerBank	Consolidated
CMS Energy, including Consumers					
Consumers utility revenue	$ 1,247	$ 178	$ —	$ —	$ 1,425
Other	—	—	17	—	17
Revenue recognized from contracts with customers	$ 1,247	$ 178	$ 17	$ —	$ 1,442
Leasing income	—	—	42	—	42
Financing income	3	1	—	58	62
Total operating revenue – CMS Energy	$ 1,250	$ 179	$ 59	$ 58	$ 1,546
Consumers					
Consumers utility revenue					
Residential	$ 585	$ 111			$ 696
Commercial	427	27			454
Industrial	175	3			178
Other	60	37			97
Revenue recognized from contracts with customers	$ 1,247	$ 178			$ 1,425
Financing income	3	1			4
Total operating revenue – Consumers	$ 1,250	$ 179			$ 1,429

1 Amounts represent the enterprises segment's operating revenue from independent power production and its sales of energy commodities. The enterprises segment's sales of energy commodities are accounted for as operating leases. In addition to fixed payments, these agreements have variable payments based on energy delivered. The enterprises segment's leasing income included variable lease payments of $28 million for the three months ended September 30, 2019.

In Millions

Nine Months Ended September 30, 2020	Electric Utility	Gas Utility	Enterprises[1]	EnerBank	Consolidated
CMS Energy, including Consumers					
Consumers utility revenue	$ 3,300	$ 1,212	$ —	$ —	$ 4,512
Other	—	—	57	—	57
Revenue recognized from contracts with customers	$ 3,300	$ 1,212	$ 57	$ —	$ 4,569
Leasing income	—	—	110	—	110
Financing income	7	5	—	191	203
Total operating revenue – CMS Energy	$ 3,307	$ 1,217	$ 167	$ 191	$ 4,882
Consumers					
Consumers utility revenue					
Residential	$ 1,612	$ 819			$ 2,431
Commercial	1,093	227			1,320
Industrial	427	32			459
Other	168	134			302
Revenue recognized from contracts with customers	$ 3,300	$ 1,212			$ 4,512
Financing income	7	5			12
Total operating revenue – Consumers	$ 3,307	$ 1,217			$ 4,524

[1] Amounts represent the enterprises segment's operating revenue from independent power production and its sales of energy commodities. The enterprises segment's sales of energy commodities are accounted for as operating leases. In addition to fixed payments, these agreements have variable payments based on energy delivered. The enterprises segment's leasing income included variable lease payments of $69 million for the nine months ended September 30, 2020.

In Millions

Nine Months Ended September 30, 2019	Electric Utility	Gas Utility	Enterprises[1]	EnerBank	Consolidated
CMS Energy, including Consumers					
Consumers utility revenue	$ 3,373	$ 1,321	$ —	$ —	$ 4,694
Other	—	—	52	—	52
Revenue recognized from contracts with customers	$ 3,373	$ 1,321	$ 52	$ —	$ 4,746
Leasing income	—	—	132	—	132
Financing income	7	5	—	160	172
Total operating revenue – CMS Energy	$ 3,380	$ 1,326	$ 184	$ 160	$ 5,050
Consumers					
Consumers utility revenue					
Residential	$ 1,531	$ 898			$ 2,429
Commercial	1,140	259			1,399
Industrial	511	36			547
Other	191	128			319
Revenue recognized from contracts with customers	$ 3,373	$ 1,321			$ 4,694
Financing income	7	5			12
Total operating revenue – Consumers	$ 3,380	$ 1,326			$ 4,706

1 Amounts represent the enterprises segment's operating revenue from independent power production and its sales of energy commodities. The enterprises segment's sales of energy commodities are accounted for as operating leases. In addition to fixed payments, these agreements have variable payments based on energy delivered. The enterprises segment's leasing income included variable lease payments of $91 million for the nine months ended September 30, 2019.

Electric and Gas Utilities

Consumers Utility Revenue: Consumers recognizes revenue primarily from the sale of electric and gas utility services at tariff-based rates regulated by the MPSC. Consumers' customer base consists of a mix of residential, commercial, and diversified industrial customers. Consumers' tariff-based sales performance obligations are described below.

- Consumers has performance obligations for the service of standing ready to deliver electricity or natural gas to customers, and it satisfies these performance obligations over time. Consumers recognizes revenue at a fixed rate as it provides these services. These arrangements generally do not have fixed terms and remain in effect as long as the customer consumes the utility service. The rates are set by the MPSC through the rate-making process and represent the stand-alone selling price of Consumers' service to stand ready to deliver.

- Consumers has performance obligations for the service of delivering the commodity of electricity or natural gas to customers, and it satisfies these performance obligations upon delivery. Consumers recognizes revenue at a price per unit of electricity or natural gas delivered, based on the tariffs established by the MPSC. These arrangements generally do not have fixed terms and remain in effect as long as the customer consumes the utility service. The rates are set by the MPSC through the rate-making process and represent the stand-alone selling price of a bundled product comprising the commodity, electricity or natural gas, and the service of delivering such commodity.

In some instances, Consumers has specific fixed-term contracts with large commercial and industrial customers to provide electricity or gas at certain tariff rates or to provide gas transportation services at contracted rates. The amount of electricity and gas to be delivered under these contracts and the associated future revenue to be received are generally dependent on the customers' needs. Accordingly, Consumers recognizes revenues at the tariff or contracted rate as electricity or gas is delivered to the customer. Consumers also has other miscellaneous contracts with customers related to pole and other property rentals, appliance service plans, and utility contract work. Generally, these contracts are short term or evergreen in nature.

Accounts Receivable and Unbilled Revenues: Accounts receivable comprise trade receivables and unbilled receivables. CMS Energy and Consumers record their accounts receivable at cost, less an allowance for uncollectible accounts. The allowance is increased for uncollectible accounts expense and decreased for account write-offs net of recoveries. CMS Energy and Consumers establish the allowance based on historical losses, management's assessment of existing economic conditions, customer payment trends, and reasonable and supported forecast information. CMS Energy and Consumers assess late payment fees on trade receivables based on contractual past-due terms established with customers. Accounts are written off when deemed uncollectible, which is generally when they become six months past due.

CMS Energy and Consumers recorded uncollectible accounts expense of $5 million for the three months ended September 30, 2020 and $9 million for the three months ended September 30, 2019. CMS Energy and Consumers recorded uncollectible accounts expense of $18 million for the nine months ended September 30, 2020 and $21 million for the nine months ended September 30, 2019. At September 30, 2020, Consumers had deferred $5 million of incremental uncollectible accounts expense as a non-current regulatory asset. For additional information see Note 2, Regulatory Matters.

Consumers' customers are billed monthly in cycles having billing dates that do not generally coincide with the end of a calendar month. This results in customers having received electricity or natural gas that they have not been billed for as of the month-end. Consumers estimates its unbilled revenues by applying an average billed rate to total unbilled deliveries for each customer class. Unbilled revenues, which are recorded as accounts receivable and accrued revenue on CMS Energy's and Consumers' consolidated balance sheets, were $267 million at September 30, 2020 and $426 million at December 31, 2019.

12: Cash and Cash Equivalents

Presented in the following table are the components of total cash and cash equivalents, including restricted amounts, and their location on CMS Energy's and Consumers' consolidated balance sheets:

In Millions

	September 30, 2020	December 31, 2019
CMS Energy, including Consumers		
Cash and cash equivalents	$ 519	$ 140
Restricted cash and cash equivalents	39	17
Cash and cash equivalents, including restricted amounts	$ 558	$ 157
Consumers		
Cash and cash equivalents	$ 199	$ 11
Restricted cash and cash equivalents	24	17
Cash and cash equivalents, including restricted amounts	$ 223	$ 28

Cash and Cash Equivalents: Cash and cash equivalents include short-term, highly liquid investments with original maturities of three months or less.

Restricted Cash and Cash Equivalents: Restricted cash and cash equivalents are held primarily for the repayment of securitization bonds and funds held in escrow. Cash and cash equivalents may also be restricted to pay other contractual obligations such as leasing of coal railcars. These amounts are classified as current assets since they relate to payments that could or will occur within one year.

13: Reportable Segments

Reportable segments consist of business units defined by the products and services they offer. CMS Energy and Consumers evaluate the performance of each segment based on its contribution to net income available to CMS Energy's common stockholders.

CMS Energy

The segments reported for CMS Energy are:

- electric utility, consisting of regulated activities associated with the generation, purchase, transmission, distribution, and sale of electricity in Michigan
- gas utility, consisting of regulated activities associated with the purchase, transmission, storage, distribution, and sale of natural gas in Michigan
- enterprises, consisting of various subsidiaries engaging in domestic independent power production, including the development and operation of renewable generation, and the marketing of independent power production
- EnerBank, a Utah state-chartered, FDIC-insured industrial bank providing primarily unsecured, fixed-rate installment loans throughout the U.S. to finance home improvements

CMS Energy presents corporate interest and other expenses and Consumers' other consolidated entities within other reconciling items.

Consumers

The segments reported for Consumers are:

- electric utility, consisting of regulated activities associated with the generation, purchase, transmission, distribution, and sale of electricity in Michigan
- gas utility, consisting of regulated activities associated with the purchase, transmission, storage, distribution, and sale of natural gas in Michigan

Consumers' other consolidated entities are presented within other reconciling items.

Presented in the following tables is financial information by segment:

In Millions

	Three Months Ended		Nine Months Ended	
September 30	2020	2019	2020	2019
CMS Energy, including Consumers				
Operating revenue				
Electric utility	$ 1,257	$ 1,250	$ 3,307	$ 3,380
Gas utility	193	179	1,217	1,326
Enterprises	57	59	167	184
EnerBank	68	58	191	160
Total operating revenue – CMS Energy	$ 1,575	$ 1,546	$ 4,882	$ 5,050
Consumers				
Operating revenue				
Electric utility	$ 1,257	$ 1,250	$ 3,307	$ 3,380
Gas utility	193	179	1,217	1,326
Total operating revenue – Consumers	$ 1,450	$ 1,429	$ 4,524	$ 4,706
CMS Energy, including Consumers				
Net income (loss) available to common stockholders				
Electric utility	$ 226	$ 223	$ 463	$ 418
Gas utility	4	(10)	162	119
Enterprises[1]	13	7	34	30
EnerBank[1]	12	11	34	32
Other reconciling items[1]	(37)	(24)	(96)	(86)
Total net income available to common stockholders – CMS Energy	$ 218	$ 207	$ 597	$ 513
Consumers				
Net income (loss) available to common stockholder				
Electric utility	$ 226	$ 223	$ 463	$ 418
Gas utility	4	(10)	162	119
Other reconciling items	—	—	(1)	(1)
Total net income available to common stockholder – Consumers	$ 230	$ 213	$ 624	$ 536

[1] Prior period amounts have been reclassified to reflect changes in segment reporting.

		In Millions
	September 30, 2020	December 31, 2019
CMS Energy, including Consumers		
Plant, property, and equipment, gross		
Electric utility[1]	$ 16,668	$ 16,158
Gas utility[1]	9,204	8,785
Enterprises	1,109	405
EnerBank	34	22
Other reconciling items	21	20
Total plant, property, and equipment, gross – CMS Energy	$ 27,036	$ 25,390
Consumers		
Plant, property, and equipment, gross		
Electric utility[1]	$ 16,668	$ 16,158
Gas utility[1]	9,204	8,785
Other reconciling items	21	20
Total plant, property, and equipment, gross – Consumers	$ 25,893	$ 24,963
CMS Energy, including Consumers		
Total assets		
Electric utility[1]	$ 15,556	$ 14,911
Gas utility[1]	9,148	8,659
Enterprises	1,250	527
EnerBank	3,125	2,692
Other reconciling items	201	48
Total assets – CMS Energy	$ 29,280	$ 26,837
Consumers		
Total assets		
Electric utility[1]	$ 15,621	$ 14,973
Gas utility[1]	9,196	8,706
Other reconciling items	19	20
Total assets – Consumers	$ 24,836	$ 23,699

[1] Amounts include a portion of Consumers’ other common assets attributable to both the electric and gas utility businesses.

14: Asset Sale and Exit Activities

Asset Sale: In October 2020, Consumers completed a sale of electric transmission assets to METC. Consumers sold these assets at a price above their book value and will recognize a gain in the fourth quarter of 2020.

Exit Activities: Under its Clean Energy Plan, Consumers plans to retire the D.E. Karn 1 & 2 coal-fueled generating units in 2023. In October 2019, Consumers announced a retention incentive program to ensure necessary staffing at the D.E. Karn generating complex through the anticipated retirement of the coal-fueled generating units. Based on the number of employees that have chosen to participate, the aggregate cost of the program through 2023 is estimated to be $35 million. Consumers is seeking recovery of these costs from customers in its 2020 electric rate case.

As of September 30, 2020, the cumulative cost incurred and charged to expense related to this program was $14 million; an amount of $2 million has been capitalized as a cost of plant, property, and equipment. Presented in the following table is a reconciliation of the retention benefit liability recorded in other liabilities on Consumers' consolidated balance sheets:

In Millions

September 30, 2020	Nine Months Ended	
Retention benefit liability at beginning of period	$	4
Costs incurred and charged to maintenance and other operating expenses[1]		11
Costs incurred and capitalized		1
Retention benefit liability at the end of the period[2]	$	16

[1] Includes $4 million for the three months ended September 30, 2020.

[2] Includes current portion of other liabilities of $7 million.

15: Purchase of Variable Interest Entity

In July 2020, CMS Enterprises purchased a 51-percent ownership interest in Aviator Wind Equity Holdings. At that time, Aviator Wind Equity Holdings owned 100 percent of Aviator Wind, a 525-MW wind generation project being developed and constructed in Coke County, Texas. Of Aviator Wind's 525-MW nameplate capacity, 420 MW has been committed under long-term PPAs.

Aviator Wind became operational in September 2020 and, at that time, Aviator Wind Equity Holdings sold a Class A membership interest in Aviator Wind to a tax equity investor, BHE Renewables, LLC, a subsidiary of Berkshire Hathaway Energy Company. Aviator Wind Equity Holdings retained a Class B membership interest in Aviator Wind. Earnings, tax attributes, and cash flows generated by Aviator Wind are allocated among and distributed to the membership classes in accordance with the ratios specified in the associated limited liability company operating agreement; these ratios change over time and are not representative of the ownership interest percentages of each membership class.

Since Aviator Wind's income and cash flows are not distributed among its investors based on ownership interest percentages, CMS Enterprises allocates Aviator Wind's income (loss) among its investors by applying the hypothetical liquidation at book value method. This method calculates each investor's earnings based on a hypothetical liquidation of Aviator Wind at the net book value of its underlying assets as of the balance sheet date. The liquidation tax gain (loss) is allocated to each investor's capital account, resulting in income (loss) equal to the period change in the investor's capital account balance.

CMS Enterprises then receives 51 percent of the earnings, tax attributes, and cash flows that were allocated to Aviator Wind Equity Holdings.

Aviator Wind Equity Holdings and Aviator Wind represent VIEs. In accordance with the associated limited liability company operating agreement, the tax equity investor is guaranteed preferred returns from Aviator Wind. However, CMS Enterprises manages and controls the operating activities of Aviator Wind Equity Holdings and, ultimately, Aviator Wind. As a result, CMS Enterprises is the primary beneficiary of Aviator Wind Equity Holdings and Aviator Wind, as it has the power to direct the activities that most significantly impact the economic performance of the companies, as well as the obligation to absorb losses or the right to receive benefits from the companies. CMS Enterprises consolidates Aviator Wind Equity Holdings and Aviator Wind and presents the Class A membership interest and 49 percent of the Class B membership interest in Aviator Wind as noncontrolling interests. No gain or loss was recognized upon initial consolidation of Aviator Wind Equity Holdings and Aviator Wind.

Presented in the following table are the carrying values of the VIEs' assets and liabilities included in CMS Energy's consolidated balance sheets:

In Millions

	September 30, 2020
Current	
Cash and cash equivalents	$ 3
Restricted cash and cash equivalents	12
Accounts receivable	1
Non-current	
Plant, property, and equipment, net	696
Total assets[1]	$ 712
Current	
Accounts payable	$ 7
Non-current	
Asset retirement obligations	21
Total liabilities	$ 28

[1] Assets may be used only to meet VIEs' obligations and commitments.

Item 2. Management's Discussion and Analysis of Financial Condition and Results of Operations

Management's discussion and analysis of financial condition and results of operations for CMS Energy and Consumers is contained in Part I—Item 1. Financial Statements—MD&A, which is incorporated by reference herein.

Item 3. Quantitative and Qualitative Disclosures About Market Risk

There have been no material changes to market risk as previously disclosed in Part II—Item 7A. Quantitative and Qualitative Disclosures About Market Risk, in the 2019 Form 10-K.

Item 4. Controls and Procedures

CMS Energy

Disclosure Controls and Procedures: CMS Energy's management, with the participation of its CEO and CFO, has evaluated the effectiveness of its disclosure controls and procedures (as such term is defined in Rules 13a-15(e) and 15d-15(e) under the Exchange Act) as of the end of the period covered by this report. Based on such evaluation, CMS Energy's CEO and CFO have concluded that, as of the end of such period, its disclosure controls and procedures are effective.

Internal Control Over Financial Reporting: There have not been any changes in CMS Energy's internal control over financial reporting (as such term is defined in Rules 13a-15(f) and 15d-15(f) under the Exchange Act) during the last fiscal quarter that have materially affected, or are reasonably likely to affect materially, its internal control over financial reporting.

Consumers

Disclosure Controls and Procedures: Consumers' management, with the participation of its CEO and CFO, has evaluated the effectiveness of its disclosure controls and procedures (as such term is defined in Rules 13a-15(e) and 15d-15(e) under the Exchange Act) as of the end of the period covered by this report. Based on such evaluation, Consumers' CEO and CFO have concluded that, as of the end of such period, its disclosure controls and procedures are effective.

Internal Control Over Financial Reporting: There have not been any changes in Consumers' internal control over financial reporting (as such term is defined in Rules 13a-15(f) and 15d-15(f) under the Exchange Act) during the last fiscal quarter that have materially affected, or are reasonably likely to affect materially, its internal control over financial reporting.

Part II—Other Information

Item 1. Legal Proceedings

CMS Energy, Consumers, and certain of their affiliates are parties to various lawsuits and regulatory matters in the ordinary course of business. For information regarding material legal proceedings, including updates to information reported under Part I—Item 3. Legal Proceedings, of the 2019 Form 10-K, see Part I—Item 1. Financial Statements—Notes to the Unaudited Consolidated Financial Statements—Note 2, Regulatory Matters and Note 3, Contingencies and Commitments.

Item 1A. Risk Factors

The following Risk Factor is in addition to our Risk Factors included in Part I—Item 1A. Risk Factors in the 2019 Form 10-K. 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 and in Part I—Item 1A. Risk Factors in the 2019 Form 10-K. 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 Factor, 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.

The COVID-19 pandemic could materially and adversely affect each of CMS Energy's and Consumers' business, results of operations, financial condition, capital investment program, liquidity, and cash flows.

The COVID-19 pandemic has had widespread impacts on people, businesses, economies, and financial markets globally, in the U.S., and in markets where CMS Energy and Consumers conduct business. Future impacts of the pandemic could include a prolonged reduction in economic activity, extended disruption to supply chains and operations, and reduced availability of labor and productivity. CMS Energy and Consumers provide essential services, which means that CMS Energy and Consumers must keep employees, who operate facilities or interact with customers, safe and minimize unnecessary risk of exposure to COVID-19. CMS Energy and Consumers have taken extra precautions in an effort to protect the health of employees working in the field and in CMS Energy's and Consumers' facilities. CMS Energy and Consumers have also implemented work-from-home policies where possible. In response to the pandemic, CMS Energy and Consumers initially suspended shut-offs of service for non-payment and extended payment protection plans for low-income and senior customers. CMS Energy and Consumers slowly began resuming shut-offs of service for non-payment in late July 2020 for commercial and industrial customers and in October 2020 for residential customers. This is a continually evolving situation; CMS Energy and Consumers will continue to monitor developments and will take additional necessary precautions in order to keep employees, customers, contractors, and communities safe.

The ultimate impact of the COVID-19 pandemic depends on factors beyond CMS Energy's and Consumers' knowledge or control. In the near term, Consumers has experienced a decline in electric deliveries to commercial and industrial customers and increased uncollectible accounts. Over the long term, the pandemic could have numerous and significant adverse effects on CMS Energy and Consumers, including but not limited to adverse effects on their business, operations, sales, uncollectible accounts, capital expenditures, energy efficiency programs, pension expenses, and PSCR and GCR costs. The companies' business and operations could also be adversely affected by an inability to obtain necessary approvals or authorizations from the MPSC, FERC, courts, or other governmental authorities in a timely manner and by the nature of any emergency or other actions taken by such agencies, courts, or authorities. Additionally, EnerBank could experience slower lending growth, higher loan write-offs, and increased loan modifications.

CMS Energy and Consumers cannot predict how or to what extent the COVID-19 pandemic will negatively impact CMS Energy's and Consumers' business, results of operations, financial condition, capital investment program, liquidity, and cash flows. To the extent the COVID-19 pandemic adversely affects CMS Energy's and Consumers' business, results of operations, financial condition, capital investment program, liquidity, and cash flows, it may also have the effect of heightening many of the other risks described in Part I—Item 1A. Risk Factors in the 2019 Form 10-K. The degree to which COVID-19 will impact CMS Energy and Consumers will depend in part on future developments, including the severity and duration of the outbreak, actions or inactions that may be taken by governmental authorities, and to what extent and when normal economic and operational conditions can resume.

Item 2. Unregistered Sales of Equity Securities and Use of Proceeds

Unregistered Sales of Equity Securities

None.

Issuer Repurchases of Equity Securities

Presented in the following table are CMS Energy’s repurchases of equity securities for the three months ended September 30, 2020:

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
July 1, 2020 to July 31, 2020	—	$ —	—	—
August 1, 2020 to August 31, 2020	992	63.58	—	—
September 1, 2020 to September 30, 2020	—	—	—	—
Total	992	$ 63.58	—	—

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 Performance Incentive Stock Plan. The value of shares repurchased is based on the market price on the vesting date.

Item 3. Defaults Upon Senior Securities

None.

Item 4. Mine Safety Disclosures

Not applicable.

Item 5. Other Information

None.

Item 6. Exhibits

CMS Energy's and Consumers' Exhibit Index

The agreements included as exhibits to this Form 10-Q filing are included solely to provide information regarding the terms of the agreements and are not intended to provide any other factual or disclosure information about CMS Energy, Consumers, or other parties to the agreements. The agreements may contain representations and warranties made by each of the parties to each of the agreements that were made exclusively for the benefit of the parties involved in each of the agreements and should not be treated as statements of fact. The representations and warranties were made as a way to allocate risk if one or more of those statements prove to be incorrect. The statements were qualified by disclosures of the parties to each of the agreements that may not be reflected in each of the agreements. The agreements may apply standards of materiality that are different than standards applied to other investors. Additionally, the statements were made as of the date of the agreements or as specified in the agreements and have not been updated. The representations and warranties may not describe the actual state of affairs of the parties to each agreement.

Additional information about CMS Energy and Consumers may be found in this filing, at www.cmsenergy.com, at www.consumersenergy.com, and through the SEC's website at www.sec.gov.

Exhibits		Description
4.1	—	142nd Supplemental Indenture dated as of October 7, 2020 between Consumers Energy and The Bank of New York Mellon, as Trustee (Exhibit 4.1 to Form 8-K filed October 7, 2020 and incorporated herein by reference)
31.1	—	CMS Energy's certification of the CEO pursuant to Section 302 of the Sarbanes-Oxley Act of 2002
31.2	—	CMS Energy's certification of the CFO pursuant to Section 302 of the Sarbanes-Oxley Act of 2002
31.3	—	Consumers' certification of the CEO pursuant to Section 302 of the Sarbanes-Oxley Act of 2002
31.4	—	Consumers' certification of the CFO pursuant to Section 302 of the Sarbanes-Oxley Act of 2002
32.1	—	CMS Energy's certifications pursuant to Section 906 of the Sarbanes-Oxley Act of 2002
32.2	—	Consumers' certifications pursuant to Section 906 of the Sarbanes-Oxley Act of 2002
99.1[1]	—	CMS Energy Stock Purchase Plan, as amended and restated October 23, 2020 (Exhibit 99.1 to Form S-3ASR filed October 23, 2020 and incorporated herein by reference)
101.INS	—	Inline XBRL Instance Document – the instance document does not appear in the Interactive Data File because its XBRL tags are embedded within the Inline XBRL document
101.SCH	—	Inline XBRL Taxonomy Extension Schema
101.CAL	—	Inline XBRL Taxonomy Extension Calculation Linkbase
101.DEF	—	Inline XBRL Taxonomy Extension Definition Linkbase
101.LAB	—	Inline XBRL Taxonomy Extension Labels Linkbase
101.PRE	—	Inline XBRL Taxonomy Extension Presentation Linkbase
104.1	—	Included in the cover page, formatted in Inline XBRL

1 Obligation of CMS Energy or its subsidiaries, but not of Consumers.

Signatures

Pursuant to the requirements of the Securities Exchange Act of 1934, each registrant has duly caused this report to be signed on its behalf by the undersigned thereunto duly authorized. The signature for each undersigned company shall be deemed to relate only to matters having reference to such company or its subsidiary.

CMS ENERGY CORPORATION

Dated: October 29, 2020	By:	/s/ Rejji P. Hayes
		Rejji P. Hayes
		Executive Vice President and Chief Financial Officer

CONSUMERS ENERGY COMPANY

Dated: October 29, 2020	By:	/s/ Rejji P. Hayes
		Rejji P. Hayes
		Executive Vice President and Chief Financial Officer

Exhibit 31.1

Certification of Patricia K. Poppe

I, Patricia K. Poppe, certify that:

1. I have reviewed this quarterly report on Form 10-Q of CMS Energy Corporation;

2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;

3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;

4. The registrant's other certifying officer and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the registrant and have:

   a) Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;

   b) Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;

   c) Evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and

   d) Disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter (the registrant's fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and

5. The registrant's other certifying officer and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of the registrant's board of directors (or persons performing the equivalent functions):

   a) All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and

   b) Any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

Dated: October 29, 2020 By: /s/ Patricia K. Poppe

Patricia K. Poppe
President and Chief Executive Officer

Exhibit 31.2

Certification of Rejji P. Hayes

I, Rejji P. Hayes, certify that:

1. I have reviewed this quarterly report on Form 10-Q of CMS Energy Corporation;

2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;

3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;

4. The registrant's other certifying officer and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the registrant and have:

   a) Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;

   b) Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;

   c) Evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and

   d) Disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter (the registrant's fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and

5. The registrant's other certifying officer and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of the registrant's board of directors (or persons performing the equivalent functions):

   a) All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and

   b) Any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

Dated: October 29, 2020 By: /s/ Rejji P. Hayes

Rejji P. Hayes

Executive Vice President and Chief Financial Officer

Exhibit 31.3

Certification of Patricia K. Poppe

I, Patricia K. Poppe, certify that:

1. I have reviewed this quarterly report on Form 10-Q of Consumers Energy Company;

2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;

3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;

4. The registrant's other certifying officer and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the registrant and have:

   a) Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;

   b) Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;

   c) Evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and

   d) Disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter (the registrant's fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and

5. The registrant's other certifying officer and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of the registrant's board of directors (or persons performing the equivalent functions):

   a) All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and

   b) Any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

Dated: October 29, 2020	By:	/s/ Patricia K. Poppe
		Patricia K. Poppe
		President and Chief Executive Officer

Certification of Rejji P. Hayes

I, Rejji P. Hayes, certify that:

1. I have reviewed this quarterly report on Form 10-Q of Consumers Energy Company;

2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;

3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;

4. The registrant's other certifying officer and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the registrant and have:

   a) Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;

   b) Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;

   c) Evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and

   d) Disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter (the registrant's fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and

5. The registrant's other certifying officer and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of the registrant's board of directors (or persons performing the equivalent functions):

   a) All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and

   b) Any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

Dated: October 29, 2020 By: /s/ Rejji P. Hayes

Rejji P. Hayes

Executive Vice President and Chief Financial Officer

Certification of CEO and CFO Pursuant to 18 U.S.C. Section 1350, as Adopted Pursuant to Section 906 of the Sarbanes-Oxley Act of 2002

In connection with the Quarterly Report on Form 10-Q of CMS Energy Corporation (the "Company") for the quarterly period ended September 30, 2020 as filed with the Securities and Exchange Commission on the date hereof (the "Report"), Patricia K. Poppe, as President and Chief Executive Officer of the Company, and Rejji P. Hayes, as Executive Vice President and Chief Financial Officer of the Company, each hereby certifies, pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002, that, to the best of his or her knowledge:

1. The Report fully complies with the requirements of Section 13(a) or 15(d) of the Securities Exchange Act of 1934; and
2. The information contained in the Report fairly presents, in all material respects, the financial condition and results of operations of the Company.

/s/ Patricia K. Poppe

Name:	Patricia K. Poppe
Title:	President and Chief Executive Officer
Date:	October 29, 2020

/s/ Rejji P. Hayes

Name:	Rejji P. Hayes
Title:	Executive Vice President and Chief Financial Officer
Date:	October 29, 2020

Exhibit 32.2

Certification of CEO and CFO Pursuant to 18 U.S.C. Section 1350, as Adopted Pursuant to Section 906 of the Sarbanes-Oxley Act of 2002

In connection with the Quarterly Report on Form 10-Q of Consumers Energy Company (the “Company”) for the quarterly period ended September 30, 2020 as filed with the Securities and Exchange Commission on the date hereof (the “Report”), Patricia K. Poppe, as President and Chief Executive Officer of the Company, and Rejji P. Hayes, as Executive Vice President and Chief Financial Officer of the Company, each hereby certifies, pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002, that, to the best of his or her knowledge:

1. The Report fully complies with the requirements of Section 13(a) or 15(d) of the Securities Exchange Act of 1934; and

2. The information contained in the Report fairly presents, in all material respects, the financial condition and results of operations of the Company.

/s/ Patricia K. Poppe

Name:	Patricia K. Poppe
Title:	President and Chief Executive Officer
Date:	October 29, 2020

/s/ Rejji P. Hayes

Name:	Rejji P. Hayes
Title:	Executive Vice President and Chief Financial Officer
Date:	October 29, 2020