

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, 2022

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 |
| CMS Energy Corporation Depository Shares, each representing a 1/1,000th interest in a share of 4.200% Cumulative Redeemable Perpetual Preferred Stock, Series C | CMS PRC | 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 | <input checked="" type="checkbox"/> | Large accelerated filer | <input type="checkbox"/> |
| Non-accelerated filer | <input type="checkbox"/> | Non-accelerated filer | <input checked="" type="checkbox"/> |
| Accelerated filer | <input type="checkbox"/> | Accelerated filer | <input type="checkbox"/> |
| Smaller reporting company | <input type="checkbox"/> | Smaller reporting company | <input type="checkbox"/> |
| Emerging growth company | <input type="checkbox"/> | Emerging growth company | <input type="checkbox"/> |

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 10, 2022:

| | | |
|--|--|-------------|
| CMS Energy Corporation: | | |
| CMS Energy Corporation Common Stock, \$0.01 par value | | 290,251,602 |
| Consumers Energy Company: | | |
| Consumers Common Stock, \$10 par value, privately held by CMS Energy Corporation | | 84,108,789 |

CMS Energy Corporation

Consumers Energy Company

Report on Form 10-Q to the Securities and Exchange Commission for the Quarterly Period Ended September 30, 2022

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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

2021 Form 10-K

Each of CMS Energy's and Consumers' Annual Report on Form 10-K for the year ended December 31, 2021

ABATE

Association of Businesses Advocating Tariff Equity

ARO

Asset retirement obligation

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 NorthStar Clean Energy, 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

CCR

Coal combustion residual

CEO

Chief Executive Officer

CERCLA

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, NorthStar Clean Energy, and, until October 1, 2021, EnerBank

CMS ERM

CMS Energy Resource Management Company, a wholly owned subsidiary of NorthStar Clean Energy

CMS Generation Michigan Power

CMS Generation Michigan Power L.L.C., a wholly owned subsidiary of HYDRA-CO Enterprises, Inc., a wholly owned subsidiary of NorthStar Clean Energy

CMS Land

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

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 initially responded by instituting social-distancing and other measures designed to slow the spread of the disease

Craven

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

CSAPR

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 NorthStar Clean Energy

DTE Electric

DTE Electric Company, a non-affiliated company

EGLE

Michigan Department of Environment, Great Lakes, and Energy

EnerBank

EnerBank USA, until October 1, 2021, a wholly owned subsidiary of CMS Capital, L.L.C., a wholly owned subsidiary of CMS Energy; on October 1, 2021, EnerBank was acquired by Regions Bank

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

FERC

Federal Energy Regulatory Commission

FTR

Financial transmission right

GAAP

U.S. Generally Accepted Accounting Principles

GCR

Gas cost recovery

Genesee

Genesee Power Station Limited Partnership, a VIE in which HYDRA-CO Enterprises, Inc., a wholly owned subsidiary of NorthStar Clean Energy, has a 50-percent interest

Grayling

Grayling Generating Station Limited Partnership, a VIE in which HYDRA-CO Enterprises, Inc., a wholly owned subsidiary of NorthStar Clean Energy, has a 50-percent interest

IRP

Integrated resource plan

IRS

Internal Revenue Service

kWh

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

LIBOR

London Interbank Offered Rate

Ludington

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

MATS

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

MD&A

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

MGP

Manufactured gas plant

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

NorthStar Clean Energy

NorthStar Clean Energy Company, a wholly owned subsidiary of CMS Energy, formerly known as CMS Enterprises Company

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

NWO Holdco

NWO Holdco, L.L.C., a VIE in which NWO Holdco I, LLC, a wholly owned subsidiary of Grand River Wind, LLC, a wholly owned subsidiary of NorthStar Clean Energy, holds a Class B membership interest

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

PCB

Polychlorinated biphenyl

PPA

Power purchase agreement

PSCR

Power supply cost recovery

RCRA

Federal Resource Conservation and Recovery Act of 1976

REC

Renewable energy credit

Regions Bank

A subsidiary of Regions Financial Corporation, a non-affiliated company

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

SOFR

Secured overnight financing rate calculated and published by the Federal Reserve Bank of New York and selected as the recommended alternative to replace LIBOR for dollar-denominated financial contracts by the Alternative Reference Rates Committee

TAES

Toshiba America Energy Systems Corporation, a non-affiliated company

TCJA

Tax Cuts and Jobs Act of 2017

T.E.S. Filer City

T.E.S. Filer City Station Limited Partnership, a VIE in which HYDRA-CO Enterprises, Inc., a wholly owned subsidiary of NorthStar Clean Energy, has a 50-percent interest

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.

CMS Energy is the parent holding company of several subsidiaries, including Consumers and NorthStar Clean Energy (formerly known as CMS Enterprises Company). None of CMS Energy, NorthStar Clean Energy, nor any of CMS Energy's other subsidiaries (other than Consumers) has any obligation in respect of Consumers' debt securities or preferred stock and holders of such securities should not consider the financial resources or results of operations of CMS Energy, NorthStar Clean Energy, 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 or preferred stock. Similarly, neither Consumers nor any other subsidiary of CMS Energy has any obligation in respect of 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 2021 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 for material information. 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 and effect of recent events, such as the war in Ukraine, the COVID-19 pandemic, and the responses to these events, and related economic disruptions including, but not limited to, labor shortages, inflation, and supply chain disruptions, all of which could impact CMS Energy's and Consumers' workforce, operations, revenues, expenses, uncollectible accounts, energy efficiency programs, postretirement benefits 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, Michigan Electric Transmission Company, LLC (a non-affiliated company), 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, the Public Utility Regulatory Policies Act of 1978, infrastructure integrity or security, cybersecurity, 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 Wall Street Reform and Consumer Protection Act of 2010, 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 CMS Energy and Consumers to execute 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 agencies such as EGLE, the EPA, FERC, 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 New Source Review, a construction-permitting program under the Clean Air Act
- 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, gasoline, diesel fuel, 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 on the credit and capital markets of the future transition from LIBOR to an alternative reference interest rate, including SOFR, which may perform differently than LIBOR and could result in increased interest rate expense

- 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 self-generation including distributed generation, or energy waste reduction and storage
- increased renewable energy demand due to customers seeking to meet their own sustainability goals
- the reputational or other impact on CMS Energy and Consumers of the failure to achieve ambitions related to reducing their impact on climate change
- 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, including periodic re-examination by federal regulators of CMS Energy’s and Consumers’ market-based sales authorizations
- any event, change, development, occurrence, or circumstance that could impact the implementation of the 2021 IRP, including any action by a regulatory authority or other third party to prohibit, delay, or impair the implementation of the 2021 IRP
- 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, gas transmission, and gas and electric 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, civil unrest, vandalism, war, or terrorism, and the ability to obtain or maintain insurance coverage for these events

- changes or disruption in fuel supply, including but not limited to supplier bankruptcy and delivery disruptions
- potential costs, lost revenues, reputational harm, or other consequences resulting from misappropriation of assets or sensitive information, corruption of data, or operational disruption in connection with a cyberattack 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 1, Regulatory Matters and Note 2, Contingencies and Commitments; and Part I—Item 1A. Risk Factors in the 2021 Form 10-K.

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Part I—Financial Information

Item 1. Financial Statements

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CMS Energy Corporation

Consumers Energy Company

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

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

Executive Overview

CMS Energy is an energy company operating primarily in Michigan. It is the parent holding company of several subsidiaries, including Consumers, an electric and gas utility, and NorthStar Clean Energy (formerly known as CMS Enterprises Company), primarily a domestic independent power producer and marketer. Consumers' electric utility operations include the generation, purchase, 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 primarily residential, commercial, and diversified industrial customers. NorthStar Clean Energy, 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. CMS Energy was also the parent holding company of EnerBank, an industrial bank located in Utah, until October 1, 2021 when EnerBank was acquired by Regions Bank.

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

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

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, CMS Energy and Consumers employ the "CE 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 CMS Energy and Consumers create for customers and investors, but also their responsibility to social and environmental goals. The triple bottom line balances the interests of employees, customers, suppliers, regulators, creditors, Michigan's residents,

the investment community, and other stakeholders, and it reflects the broader societal impacts of CMS Energy's and Consumers' activities.



CMS Energy's Environmental, Social, Governance and Sustainability Report, which is available to the public, describes CMS Energy's and Consumers' 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 they 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. Since 2010, Consumers' Occupational Safety and Health Administration recordable incident rate has decreased by 40 percent.

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

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

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

While CMS Energy and Consumers have experienced some supply chain disruptions, they continue to provide safe and reliable service 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 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 through 2021, CMS Energy and Consumers have:

- decreased their combined percentage of electric supply (self-generated and purchased) from coal by 13 percentage points since 2015
- reduced carbon dioxide emissions by over 30 percent since 2005
- reduced the amount of water used to generate electricity by nearly 30 percent since 2012
- reduced landfill waste disposal by over 1.6 million tons since 1992
- reduced methane emissions by nearly 20 percent since 2012

Since 2005, Consumers has reduced its sulfur dioxide and particulate matter emissions by over 90 percent and its nitrogen oxides emissions by over 80 percent. Consumers began tracking mercury emissions in 2007; since that time, it has reduced such emissions by nearly 90 percent.

The 2016 Energy Law:

- raised the renewable energy standard to 15 percent in 2021; Consumers met the 15-percent requirement in 2021 and expects to meet the requirement in future years 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 achieved 30 percent combined renewable energy and energy waste reduction through 2021
- authorized incentives for demand response programs and energy efficiency programs, referring to the combined initiatives as energy waste reduction programs
- established an integrated planning process for new capacity and energy resources

Consumers' Clean Energy Plan details its strategy to meet customers' long-term energy needs. The Clean Energy Plan was originally outlined in Consumers' 2018 IRP, which was approved by the MPSC in 2019. Under its Clean Energy Plan, Consumers will meet the requirements of the 2016 Energy Law using its clean and lean strategy, which focuses on increasing the generation of renewable energy, helping customers use less energy, and offering demand response programs to reduce demand during critical peak times.

In June 2021, Consumers filed its 2021 IRP with the MPSC, proposing updates to the Clean Energy Plan. In April 2022, Consumers and a broad coalition of key stakeholders, including customer groups, environmental organizations, the MPSC Staff, energy industry representatives, and the Michigan Attorney General, filed a settlement agreement with the MPSC resolving Consumers' 2021 IRP. The MPSC approved that settlement agreement in June 2022.

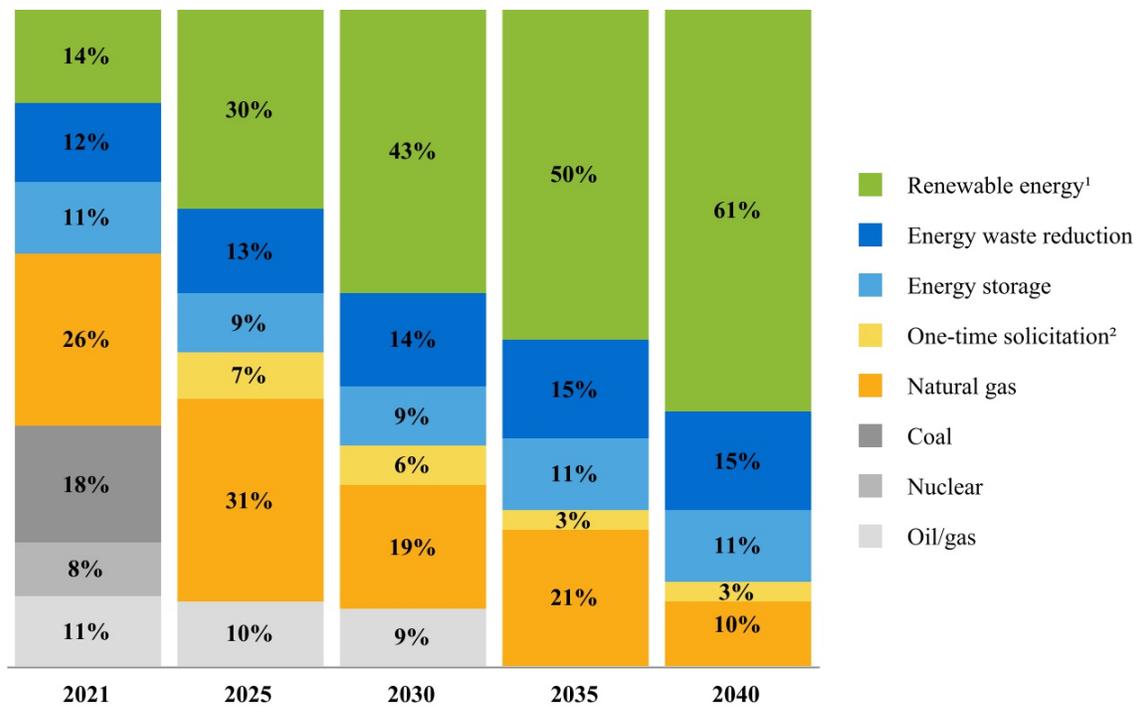
The 2021 IRP outlines Consumers’ long-term strategy for delivering clean, reliable, resilient, and affordable energy to its customers, including plans to:

- end the use of coal-fueled generation in 2025, 15 years sooner than initially planned
- purchase an existing natural gas-fueled generating unit, providing an additional 1,176 MW of nameplate capacity and allowing Consumers to continue providing controllable sources of electricity to customers
- solicit approximately 700 MW of capacity through PPAs from sources in Michigan’s Lower Peninsula beginning in 2025
- expand its investment in renewable energy, adding nearly 8,000 MW of solar generation by 2040

Under the 2021 IRP, Consumers will continue to earn a return equal to its weighted-average cost of capital on payments made under new competitively bid PPAs approved by the MPSC.

The 2021 IRP will allow Consumers to exceed its breakthrough goal of at least 50 percent combined renewable energy and energy waste reduction by 2030.

Presented in the following illustration is Consumers’ 2021 capacity portfolio and its future capacity portfolio under its 2021 IRP. This illustration includes the effects of purchased capacity and energy waste reduction and uses the nameplate capacity for all energy sources:



¹ Does not include RECs.

² These amounts and fuel sources will vary and are dependent on a one-time competitive solicitation to acquire approximately 700 MW of capacity through PPAs from sources in Michigan’s Lower Peninsula beginning in 2025.

In addition to its plan to eliminate its use of coal-fueled generation in 2025, Consumers has set the net-zero emissions goals discussed below.

Net-zero methane emissions from 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 likely be offset by purchasing and/or producing renewable natural gas.

Net-zero carbon emissions from electric business by 2040: This 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. Consumers expects to meet 90 percent of its customers' needs with clean energy sources by 2040 through execution of its Clean Energy Plan. New technologies and carbon offset measures including, but not limited to, carbon sequestration, methane emission capture, forest preservation, and reforestation may be used to close the gap to achieving net-zero carbon emissions.

Net-zero greenhouse gas emissions target for entire natural gas system by 2050: This goal, announced in March 2022, includes suppliers and customers, and has an interim goal of reducing customer emissions by 20 percent by 2030. Consumers expects to meet this goal through carbon offset measures, renewable natural gas, energy efficiency and demand response programs, and adopting emerging technologies.

Additionally, to advance its environmental stewardship in Michigan and to minimize the impact of future regulations, Consumers announced the following targets in 2022:

- to enhance, restore, or protect 6,500 acres of land by 2026
- to increase the rate of waste diverted from landfills (through waste reduction, recycling, and reuse) to 90 percent from a baseline of 88 percent

CMS Energy and Consumers are monitoring numerous legislative, policy, and regulatory initiatives, including those to regulate and report greenhouse gases, and related litigation. While CMS Energy and Consumers cannot predict the outcome of these matters, which could affect them materially, 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, 2022, CMS Energy's net income available to common stockholders was \$659 million, and diluted EPS were \$2.27. This compares with net income available to common stockholders of \$711 million and diluted EPS of \$2.46 for the nine months ended September 30, 2021. In 2022, higher gas sales due primarily to favorable weather were more than offset by the absence of 2021 earnings from discontinued operations and by higher maintenance and other operating expenses. 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.

Over the next five years, Consumers expects weather-normalized electric and gas deliveries to remain stable relative to 2021. 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

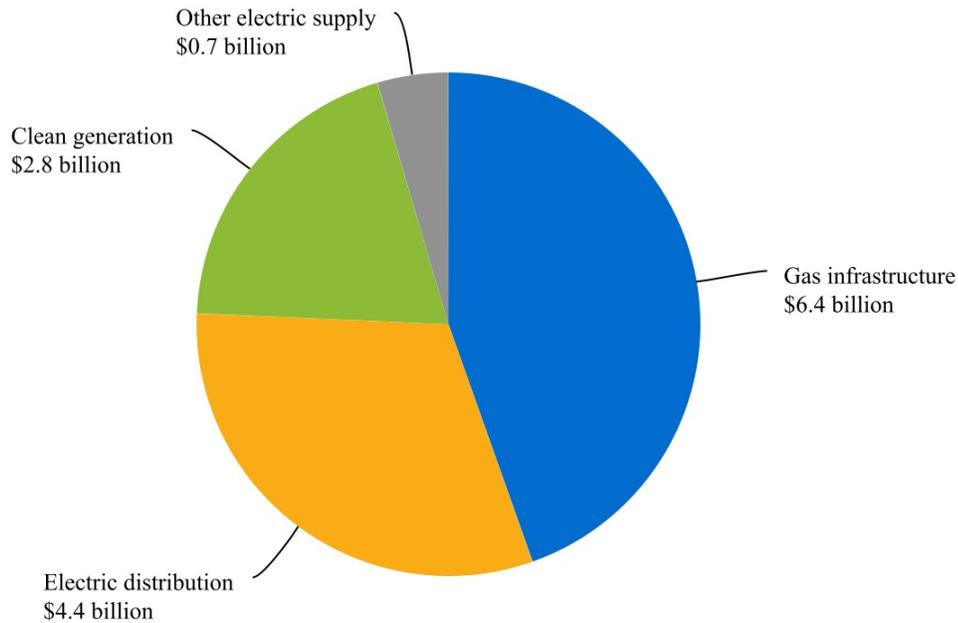
CMS Energy and Consumers remain committed to achieving world class performance while delivering hometown service and positively impacting the triple bottom line of people, planet, and profit. During 2022, CMS Energy and Consumers:

- committed to power over 1,200 Michigan public buildings with 100-percent clean energy
- reached an agreement with General Motors Company, a non-affiliated company, to power all of its auto plants within Consumers' electric service territory with 100-percent clean energy
- announced the "Clean Air" program for residential and business customers who want to offset carbon emissions from their natural gas use and help protect the planet's atmosphere
- installed five new units at the Freedom Compressor Station, continuing progress toward achieving Consumers' Natural Gas Delivery Plan, making its gas system even more safe, reliable, affordable, and clean
- participated in the state's economic development efforts that resulted in Gotion, Inc., a non-affiliated global battery components producer, committing to construct a manufacturing facility in Big Rapids, Michigan
- received recognition as #1 utility company in the U.S. for America's Best Employers for Women and America's Best Employers for Diversity by Forbes®

CMS Energy and Consumers will continue to utilize the CE 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.

The 2021 IRP will potentially add nearly \$1.0 billion of capital expenditures to the \$14.3 billion that Consumers already expects to make from 2022 through 2026, which are presented in the following illustration:



Of this amount, Consumers plans to spend \$10.8 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, reduce energy waste on those systems, and facilitate its clean energy transformation. The gas infrastructure projects comprise \$6.4 billion to sustain deliverability, enhance pipeline integrity and safety, and reduce methane emissions. The electric distribution projects comprise \$4.4 billion to strengthen circuits and substations, replace poles, and interconnect clean energy resources. Consumers also expects to spend \$2.8 billion on new clean generation, which includes investments in wind, solar, and hydro electric generation resources, and \$0.7 billion on other electric supply projects.

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.

2022 Electric Rate Case: In April 2022, Consumers filed an application with the MPSC seeking a rate increase of \$272 million, made up of two components. First, Consumers requested a \$266 million annual rate increase, based on a 10.25-percent authorized return on equity for the projected twelve-month period ending December 31, 2023. The filing requested authority to recover future investments associated with distribution system reliability, solar generation, environmental compliance, and enhanced technology. Second, Consumers requested approval of a surcharge for the recovery of \$6 million of distribution investments made in 2021 that exceeded what was authorized in rates in accordance with the December 2020 electric rate order. In September 2022, Consumers revised its requested increase to \$292 million.

2021 Gas Rate Case: In December 2021, Consumers filed an application with the MPSC seeking an annual rate increase of \$278 million, based on a 10.5-percent authorized return on equity and a projected

twelve-month period ending September 30, 2023. In July 2022, the MPSC approved a settlement agreement authorizing an annual rate increase of \$170 million, based on a 9.9-percent authorized return on equity, effective October 1, 2022. 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.

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 CE 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

| September 30 | Three Months Ended | | | Nine Months Ended | | |
|---|--------------------|---------|-----------|-------------------|---------|-----------|
| | 2022 | 2021 | Change | 2022 | 2021 | Change |
| Net Income Available to Common Stockholders | \$ 163 | \$ 186 | \$ (23) | \$ 659 | \$ 711 | \$ (52) |
| Basic Earnings Per Average Common Share | \$ 0.56 | \$ 0.64 | \$ (0.08) | \$ 2.27 | \$ 2.46 | \$ (0.19) |
| Diluted Earnings Per Average Common Share | \$ 0.56 | \$ 0.64 | \$ (0.08) | \$ 2.27 | \$ 2.46 | \$ (0.19) |

In Millions

| September 30 | Three Months Ended | | | Nine Months Ended | | |
|---|--------------------|--------|---------|-------------------|--------|---------|
| | 2022 | 2021 | Change | 2022 | 2021 | Change |
| Electric utility | \$ 194 | \$ 195 | \$ (1) | \$ 501 | \$ 504 | \$ (3) |
| Gas utility | (13) | (9) | (4) | 239 | 208 | 31 |
| NorthStar Clean Energy | 11 | 7 | 4 | 26 | 26 | — |
| Corporate interest and other | (29) | (37) | 8 | (111) | (109) | (2) |
| Discontinued operations | — | 30 | (30) | 4 | 82 | (78) |
| Net Income Available to Common Stockholders | \$ 163 | \$ 186 | \$ (23) | \$ 659 | \$ 711 | \$ (52) |

Presented in the following table is a summary of after-tax changes to net income available to common stockholders for the three and nine months ended September 30, 2022 versus 2021:

| | <i>In Millions</i> | |
|--|--------------------|-------------------|
| | Three Months Ended | Nine Months Ended |
| September 30, 2021 | \$ 186 | \$ 711 |
| <i>Reasons for the change</i> | | |
| <i>Consumers electric utility and gas utility</i> | | |
| Electric sales | \$ (19) | \$ (14) |
| Gas sales | 3 | 61 |
| Electric rate increase | 4 | 13 |
| Lower non-operating retirement benefits expenses | 10 | 23 |
| Lower income tax expense | 3 | 20 |
| Gain on sale of radio tower assets, net of voluntary gain sharing ¹ | — | 5 |
| Lower (higher) maintenance and other operating expenses | 3 | (28) |
| Higher property taxes, reflecting higher capital spending | (5) | (14) |
| Voluntary separation plan expenses | — | (8) |
| Ray Compressor Station impairment ² | — | (7) |
| Higher interest charges | (4) | (6) |
| Other | — | (17) |
| | \$ (5) | \$ 28 |
| <i>NorthStar Clean Energy</i> | 4 | — |
| <i>Corporate interest and other</i> | 8 | (2) |
| <i>Discontinued operations</i> | (30) | (78) |
| September 30, 2022 | \$ 163 | \$ 659 |

¹ See Note 1, Regulatory Matters.

² See Note 2, Contingencies and Commitments.

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 and nine months ended September 30, 2022 versus 2021 (amounts are presented pre-tax, with the exception of income tax changes):

| | <i>In Millions</i> | |
|---|--------------------|-------------------|
| | Three Months Ended | Nine Months Ended |
| September 30, 2021 | \$ 195 | \$ 504 |
| <i>Reasons for the change</i> | | |
| <i>Electric deliveries¹ and rate increases</i> | | |
| Rate increase, including return on higher renewable capital spending | \$ 6 | \$ 18 |
| Lower revenue due primarily to weather and sales mix | (21) | (6) |
| Lower other revenues | (4) | (18) |
| | <u>\$ (19)</u> | <u>\$ (6)</u> |
| <i>Maintenance and other operating expenses</i> | | |
| Lower service restoration costs | 36 | 28 |
| Gain on sale of radio tower assets, net of voluntary gain sharing ² | — | 5 |
| Higher forestry costs | (5) | (11) |
| Higher distribution, transmission, and generation expenses | (1) | (8) |
| Higher uncollectible accounts expense | (4) | (7) |
| Higher demand response costs | (1) | (6) |
| Voluntary separation plan expenses | — | (6) |
| Higher maintenance and other operating expenses | (24) | (17) |
| | <u>1</u> | <u>(22)</u> |
| <i>Depreciation and amortization</i> | | |
| Lower expense from depreciation rate case settlement, offset by higher capital spending | 12 | 20 |
| <i>General taxes</i> | | |
| Higher property taxes, reflecting higher capital spending, and other | (5) | (11) |
| <i>Other income, net of expenses</i> | | |
| Lower non-operating retirement benefits expenses | 9 | 21 |
| Lower other income, net of expenses | (1) | (10) |
| | <u>8</u> | <u>11</u> |
| <i>Interest charges</i> | (3) | (3) |
| <i>Income taxes</i> | 5 | 8 |
| September 30, 2022 | <u>\$ 194</u> | <u>\$ 501</u> |

¹ For the three months ended September 30, deliveries to end-use customers were 10.2 billion kWh in 2022 and 10.1 billion kWh in 2021. For the nine months ended September 30, deliveries to end-use customers were 28.5 billion kWh in 2022 and 27.5 billion kWh in 2021.

² See Note 1, Regulatory Matters.

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 and nine months ended September 30, 2022 versus 2021 (amounts are presented pre-tax, with the exception of income tax changes):

| | <i>In Millions</i> | |
|--|--------------------|-------------------|
| | Three Months Ended | Nine Months Ended |
| September 30, 2021 | \$ (9) | \$ 208 |
| <i>Reasons for the change</i> | | |
| <i>Gas deliveries¹ and rate increases</i> | | |
| Higher revenue due primarily to favorable weather and sales mix | \$ 4 | \$ 83 |
| Higher other revenues | 3 | 1 |
| | <u>\$ 7</u> | <u>\$ 84</u> |
| <i>Maintenance and other operating expenses</i> | | |
| Gain on sale of radio tower assets, net of voluntary gain sharing ² | — | 2 |
| Ray Compressor Station impairment ³ | — | (10) |
| Higher uncollectible accounts expense | (3) | (6) |
| Lower (higher) distribution, transmission, and compression expenses | 3 | (5) |
| Voluntary separation plan expenses | — | (4) |
| Higher maintenance and other operating expenses | (4) | (10) |
| | <u>(4)</u> | <u>(33)</u> |
| <i>Depreciation and amortization</i> | | |
| Increased plant in service, reflecting higher capital spending | (3) | (17) |
| <i>General taxes</i> | | |
| Higher property taxes, reflecting higher capital spending | (3) | (12) |
| <i>Other income, net of expenses</i> | | |
| Lower non-operating retirement benefits expenses | 5 | 11 |
| Lower other income, net of expenses | (1) | (5) |
| | <u>4</u> | <u>6</u> |
| <i>Interest charges</i> | | |
| | (3) | (5) |
| <i>Income taxes</i> | | |
| Lower (higher) income tax expense due primarily to accelerated amortization of excess deferred income taxes ⁴ | (1) | 8 |
| Lower (higher) income tax expense due primarily to acceleration of tax benefits associated with cost of removal ⁴ | (1) | 6 |
| Higher gas utility pre-tax earnings | — | (6) |
| | <u>(2)</u> | <u>8</u> |
| September 30, 2022 | \$ (13) | \$ 239 |

¹ For the three months ended September 30, deliveries to end-use customers were 31 bcf in 2022 and 26 bcf in 2021. For the nine months ended September 30, deliveries to end-use customers were 222 bcf in 2022 and 195 bcf in 2021.

² See Note 1, Regulatory Matters.

³ See Note 2, Contingencies and Commitments.

⁴ See Note 8, Income Taxes.

NorthStar Clean Energy Results of Operations

Presented in the following table are the detailed after-tax changes to NorthStar Clean Energy's net income available to common stockholders for the three and nine months ended September 30, 2022 versus 2021:

| | <i>In Millions</i> | |
|--|--------------------|-------------------|
| | Three Months Ended | Nine Months Ended |
| September 30, 2021 | \$ 7 | \$ 26 |
| <i>Reason for the change</i> | | |
| Higher earnings from renewable wind projects | \$ 2 | \$ 6 |
| Higher (lower) earnings at DIG and equity method investees | 2 | (6) |
| September 30, 2022 | \$ 11 | \$ 26 |

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 and nine months ended September 30, 2022 versus 2021:

| | <i>In Millions</i> | |
|-------------------------------|--------------------|-------------------|
| | Three Months Ended | Nine Months Ended |
| September 30, 2021 | \$ (37) | \$ (109) |
| <i>Reasons for the change</i> | | |
| Preferred stock dividends | \$ 1 | \$ (4) |
| Consolidated tax adjustment | 6 | (1) |
| Other | 1 | 3 |
| September 30, 2022 | \$ (29) | \$ (111) |

Results of Discontinued Operations

In October 2021, EnerBank was acquired by Regions Bank. As a result, EnerBank's results of operations through the date of the sale are presented as income from discontinued operations on CMS Energy's consolidated statements of income for the three and nine months ended September 30, 2021. For additional details see, Note 14, Exit Activities and Discontinued Operations.

Presented in the following table are the detailed after-tax changes to discontinued operations for the three and nine months ended September 30, 2022 versus 2021:

| | <i>In Millions</i> | |
|---|--------------------|-------------------|
| | Three Months Ended | Nine Months Ended |
| September 30, 2021 | \$ 30 | \$ 82 |
| <i>Reason for the change</i> | | |
| Additional EnerBank sale proceeds, net of tax and transaction costs | \$ — | \$ 4 |
| Absence of 2021 earnings from discontinued operations | (30) | (82) |
| September 30, 2022 | \$ — | \$ 4 |

Cash Position, Investing, and Financing

At September 30, 2022, CMS Energy had \$195 million of consolidated cash and cash equivalents, which included \$27 million of restricted cash and cash equivalents. At September 30, 2022, Consumers had \$110 million of consolidated cash and cash equivalents, which included \$27 million of restricted cash and cash equivalents.

Operating Activities

Presented in the following table are specific components of net cash provided by operating activities for the nine months ended September 30, 2022 versus 2021:

| | <i>In Millions</i> | |
|--|--------------------|-------|
| CMS Energy, including Consumers | | |
| Nine Months Ended September 30, 2021 | \$ | 1,483 |
| <i>Reasons for the change</i> | | |
| Lower net income | \$ | (46) |
| Non-cash transactions ¹ | | (43) |
| Gain from post-closing adjustment to 2021 sale of EnerBank ² | | (5) |
| Absence of cash used in discontinued operations in 2021 ² | | 111 |
| Unfavorable impact of changes in core working capital, ³ due primarily to gas purchased at higher prices and underrecovery of power supply costs ⁴ | | (897) |
| Favorable impact of changes in other assets and liabilities, due primarily to higher energy waste reduction collections and lower deposits for electric margins | | 64 |
| Nine Months Ended September 30, 2022 | \$ | 667 |
| Consumers | | |
| Nine Months Ended September 30, 2021 | \$ | 1,583 |
| <i>Reasons for the change</i> | | |
| Higher net income | \$ | 33 |
| Non-cash transactions ¹ | | (44) |
| Unfavorable impact of changes in core working capital, ³ due primarily to gas purchased at higher prices and underrecovery of power supply costs ⁴ | | (891) |
| Favorable impact of changes in other assets and liabilities, due primarily to higher energy waste reduction collections and lower deposits for electric margins | | 80 |
| Nine Months Ended September 30, 2022 | \$ | 761 |

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 For information regarding the sale of EnerBank, see Note 14, Exit Activities and Discontinued Operations.

³ Core working capital comprises accounts receivable, accrued revenue, inventories, accounts payable, and accrued rate refunds.

⁴ For information regarding the underrecovery of power supply costs, see Note 1, Regulatory Matters.

Investing Activities

Presented in the following table are specific components of net cash used in investing activities for the nine months ended September 30, 2022 versus 2021:

| | <i>In Millions</i> |
|--|--------------------|
| CMS Energy, including Consumers | |
| Nine Months Ended September 30, 2021 | \$ (1,460) |
| <i>Reasons for the change</i> | |
| Higher capital expenditures | \$ (296) |
| Additional proceeds from post-closing adjustment related to 2021 sale of EnerBank and the absence of associated transaction costs in 2021 ¹ | 13 |
| Absence of cash provided by discontinued operations in 2021 ¹ | (78) |
| Other investing activities, primarily higher proceeds from the sale of assets, offset partially by higher costs to retire property | 13 |
| Nine Months Ended September 30, 2022 | \$ (1,808) |
| Consumers | |
| Nine Months Ended September 30, 2021 | \$ (1,519) |
| <i>Reasons for the change</i> | |
| Higher capital expenditures | \$ (209) |
| Other investing activities, primarily higher proceeds from the sale of assets, offset partially by higher costs to retire property | 13 |
| Nine Months Ended September 30, 2022 | \$ (1,715) |

¹ For information regarding the sale of EnerBank, see Note 14, Exit Activities and Discontinued Operations.

Financing Activities

Presented in the following table are specific components of net cash provided by (used in) financing activities for the nine months ended September 30, 2022 versus 2021:

| | <i>In Millions</i> | |
|---|--------------------|-------|
| CMS Energy, including Consumers | | |
| Nine Months Ended September 30, 2021 | \$ | 28 |
| <i>Reasons for the change</i> | | |
| Higher debt issuances | \$ | 1,049 |
| Higher debt retirements | | (74) |
| Lower issuances of common stock | | (13) |
| Issuance of preferred stock in 2021 | | (224) |
| Higher payments of dividends on common and preferred stock | | (30) |
| Proceeds from the sale of membership interest in VIE to tax equity investor ¹ | | 49 |
| Absence of cash used in discontinued operations in 2021 ² | | 84 |
| Other financing activities, primarily the payment of a long-term contract liability, offset partially by the collection of customer advances for construction | | (9) |
| Nine Months Ended September 30, 2022 | \$ | 860 |
| Consumers | | |
| Nine Months Ended September 30, 2021 | \$ | (44) |
| <i>Reasons for the change</i> | | |
| Higher debt issuances | \$ | 1,049 |
| Higher debt retirements | | (1) |
| Higher repayments of borrowings from CMS Energy | | (85) |
| Higher stockholder contribution from CMS Energy | | 110 |
| Higher payments of dividends on common stock | | (23) |
| Other financing activities, primarily the collection of customer advances for construction | | 14 |
| Nine Months Ended September 30, 2022 | \$ | 1,020 |

¹ For information regarding the sale of a membership interest to a tax equity investor, see Note 13, Variable Interest Entities.

² For information regarding the sale of EnerBank, see Note 14, Exit Activities and Discontinued Operations.

Capital Resources and Liquidity

CMS Energy and Consumers expect to have sufficient liquidity to fund their present and future commitments. 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 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 Notes to the Unaudited Consolidated Financial Statements—Note 3, Financings and Capitalization—Dividend Restrictions. During the nine months ended September 30, 2022, Consumers paid \$593 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.

Financing and Capital Resources: CMS Energy and Consumers rely on the capital markets to fund their robust capital plan. 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.

In 2020, CMS Energy entered into an equity offering program under which it may sell shares of its common stock having an aggregate sales price of up to \$500 million in privately negotiated transactions, in "at the market" offerings, through forward sales transactions, or otherwise.

CMS Energy has entered into forward sales transactions under this program, which 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. As of September 30, 2022, these contracts have an aggregate sales price of \$493 million, maturing through February 26, 2024. For more information on these forward sale contracts, see Notes to the Unaudited Consolidated Financial Statements—Note 3, Financings and Capitalization—Issuance of Common Stock.

At September 30, 2022, CMS Energy had \$536 million of its revolving credit facility available and Consumers had \$1.0 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 aggregate principal amount of 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, 2022, there were no commercial paper notes outstanding under this program.

In July 2022, Consumers entered into a delayed-draw \$1.0 billion unsecured term loan credit agreement with an interest rate of SOFR plus 0.650 percent. At September 30, 2022, there was \$550 million outstanding under the term loan credit facility. Consumers may draw on the remaining capacity under the term loan credit agreement before November 30, 2022. The proceeds of the loan will be used to fund working capital and for general corporate purposes. The term loan matures in January 2024.

For additional details on CMS Energy's and Consumers' revolving credit facilities, the commercial paper program, and the term loan, see Notes to the Unaudited Consolidated Financial Statements—Note 3, Financings and Capitalization.

Certain of CMS Energy's and Consumers' credit agreements contain covenants that require CMS Energy and Consumers to maintain certain financial ratios, as defined therein. At September 30, 2022, no default had occurred with respect to any financial covenants contained in CMS Energy's and Consumers' credit agreements. CMS Energy and Consumers were each in compliance with these covenants as of September 30, 2022, as presented in the following table:

| | Limit | Actual |
|--------------------------------|---------------|-------------|
| CMS Energy, parent only | | |
| Debt to Capital ¹ | ≤ 0.70 to 1.0 | 0.57 to 1.0 |
| Consumers | | |
| Debt to Capital ² | ≤ 0.65 to 1.0 | 0.49 to 1.0 |

¹ Applies to CMS Energy's revolving credit agreement and letter of credit reimbursement agreement.

² Applies to Consumers' revolving credit agreements and term loan.

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; Notes to the Unaudited Consolidated Financial Statements—Note 1, Regulatory Matters and Note 2, Contingencies and Commitments; and Part II—Item 1A. Risk Factors.

Consumers Electric Utility Outlook and Uncertainties

Clean Energy Plan: Consumers' Clean Energy Plan details its strategy to meet customers' long-term energy needs and provides the foundation for its goal to achieve net-zero carbon emissions from its electric business 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. Additionally, through its Clean Energy Plan, Consumers continues to make progress on expanding its customer programs, namely its demand response, energy efficiency, and conservation voltage reduction programs, as well as increasing its renewable energy and pumped storage generation.

The Clean Energy Plan was originally outlined in Consumers' 2018 IRP, which was approved by the MPSC in 2019. In June 2021, Consumers filed its 2021 IRP with the MPSC, proposing updates to the Clean Energy Plan. In April 2022, Consumers and a broad coalition of key stakeholders, including customer groups, environmental organizations, the MPSC Staff, energy industry representatives, and the Michigan Attorney General, filed a settlement agreement with the MPSC resolving Consumers' 2021 IRP. The MPSC approved that settlement agreement in June 2022.

Under its 2021 IRP, Consumers will eliminate the use of coal-fueled generation in 2025 and expects to meet 90 percent of its customers' needs with clean energy sources by 2040. Specifically, the 2021 IRP provides for:

- the retirement of the D.E. Karn coal-fueled generating units, totaling 515 MW of nameplate capacity, in 2023
- the retirement of the J.H. Campbell coal-fueled generating units, totaling 1,407 MW of nameplate capacity, in 2025
- the retirement of the D.E. Karn oil and gas-fueled generating units, totaling 1,219 MW of nameplate capacity, in 2031, the units' original retirement date

The MPSC has authorized Consumers to issue securitization bonds to finance the recovery of and return on the D.E. Karn coal-fueled generating units. Under the 2021 IRP, Consumers will receive regulatory asset treatment to recover the remaining book value of the J.H. Campbell coal-fueled generating units, as well as a 9.0-percent return on equity, commencing in 2025.

Under the 2021 IRP, Consumers will bridge the transition away from coal generation with:

- the purchase of the New Covert Generating Facility, a natural gas-fueled generating unit with 1,176 MW of nameplate capacity in Van Buren County, Michigan, for \$815 million, subject to certain adjustments, in 2023; the purchase is subject to FERC approval
- a one-time competitive solicitation to acquire approximately 700 MW of capacity through PPAs from sources in Michigan's Lower Peninsula beginning in 2025; of this amount, 500 MW would be from dispatchable sources

These actions are expected to allow Consumers to continue providing controllable sources of electricity to customers while expanding its investment in renewable energy. The 2021 IRP forecasts renewable energy capacity levels of 30 percent in 2025, 43 percent in 2030, and 61 percent in 2040, including the addition of nearly 8,000 MW of solar generation. Additionally, the 2021 IRP will accelerate Consumers' deployment of battery storage from 2030 to 2024, with 75 MW of energy storage by 2027 and an additional 475 MW by 2040.

Under its 2021 IRP, Consumers will continue to bid new capacity competitively and will own and operate approximately 50 percent of new capacity, with the remainder being built and owned by third parties. Additionally, Consumers will continue to earn a return equal to its weighted-average cost of capital on payments made under new competitively bid PPAs approved by the MPSC.

As a result of requests for proposals, Consumers has entered into PPAs to purchase renewable capacity, energy, and RECs from solar generating facilities and build transfer agreements to purchase solar generating facilities, as presented in the following table:

| Type of Agreement | Capacity (MW) | Location of Facility | Targeted Commercial Operation ¹ | Date of Agreement | Date of MPSC Approval |
|-----------------------------|---------------|----------------------------|--|-------------------|-----------------------|
| <i>2019 request</i> | | | | | |
| PPA (25 years) | 140 | Calhoun County, Michigan | 2022 | December 2020 | April 2021 |
| Build transfer agreement | 150 | Southeastern Michigan | 2024 | January 2021 | April 2021 |
| PPA (20 years) | 10 | Ingham County, Michigan | 2023 | May 2022 | October 2022 |
| <i>2020 request</i> | | | | | |
| PPA (20 years) | 30 | Manistee, Michigan | 2022 | May 2021 | September 2021 |
| PPA (25 years) ² | 100 | Calhoun County, Michigan | 2023 | October 2021 | November 2021 |
| PPA (20 years) ² | 125 | Jackson County, Michigan | 2025 | October 2021 | November 2021 |
| Build transfer agreement | 150 | Southeastern Michigan | 2024 | October 2021 | November 2021 |
| <i>2021 request</i> | | | | | |
| PPA (25 years) ³ | 150 | Hillsdale County, Michigan | 2024 | March 2022 | October 2022 |

¹ For build transfer agreements, represents the date Consumers expects to take full ownership and begin commercial operation.

² This agreement provides Consumers the option to purchase the associated solar generating facility after ten years.

³ This agreement provides Consumers a right of first refusal option to purchase the associated solar generating facility.

As a result of the 2021 request for proposals, Consumers had entered into a PPA to purchase renewable capacity, energy, and RECs from a 150-MW solar generating facility to be constructed in Genesee and Saginaw Counties. However, in October 2022, the PPA was terminated because the developer of the facility was unable to obtain the appropriate land use permits.

The 2021 request for proposals also resulted in the selection of a solar generation project that Consumers will develop and construct in Muskegon, Michigan, with capacity of up to 250 MW. The facility is expected to be operational in 2025.

In support of its 2021 IRP, Consumers issued a request for proposals in September 2022 to acquire approximately 700 MW of capacity through PPAs from sources in Michigan’s Lower Peninsula beginning in 2025. Specifically, Consumers solicited offers to acquire 500 MW of capacity from dispatchable sources and 200 MW of capacity from intermittent resources and dispatchable, non-intermittent clean capacity resources (including battery storage resources).

In March 2022, the U.S. Department of Commerce announced it is opening inquiries into whether manufacturers of solar modules that are produced in certain countries using supplies obtained from China are circumventing antidumping and countervailing duties which apply to Chinese modules. The U.S. Department of Commerce's inquiry process is expected to last until at least early 2023. In June 2022, the Biden Administration paused the imposition of duties that might result from the U.S. Department of Commerce's pending inquiries. In addition, the Uyghur Forced Labor Prevention Act, which was enacted in December 2021 and became effective in June 2022, along with an earlier withhold release order that U.S. Customs and Border Protection issued in mid-2021, restrict the importation of goods sourced from the Xinjiang region of China. Solar modules whose raw materials come from the Xinjiang region are a key focus of these import laws. Consumers continues to closely monitor these matters and their potential impacts on availability of solar modules and timing associated with pending and planned solar projects.

Renewable Energy Plan: The 2016 Energy Law raised the renewable energy standard to 15 percent in 2021. 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 met the 15-percent requirement in 2021 and expects to meet the requirement in future years 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 and construction of a 150-MW wind generation project in Gratiot County, Michigan; the project became operational and Consumers took full ownership in 2020
- purchase of a 166-MW wind generation project in Hillsdale, Michigan; the project became operational and Consumers took full ownership in February 2021
- purchase of a wind generation project under development, with capacity of up to 201 MW, in Gratiot County, Michigan; Consumers expects to take full ownership and begin commercial operation of the project in 2023

The MPSC also approved the 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 targeted to be operational in 2022.

Voluntary Large Customer Renewable Energy Program: Consumers provides service under a program that provides large full-service electric customers with the opportunity to advance the development of renewable energy beyond the requirements of the 2016 Energy Law. In September 2021, the MPSC approved Consumers' request to amend its renewable energy plan to remove the annual subscription limit associated with this program. The MPSC also approved up to 1,000 MW of new wind and solar generation projects between 2024 and 2027 to meet customer demand for the program. Consumers will competitively solicit for additional renewable energy assets based on customer applications and will construct the assets based on customer subscriptions to the program.

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. Each year in June, electric residential customers transition to a summer peak time-of-use rate that allows them to take advantage of lower-cost energy during off-peak times during the summer months. Thus, customers can reduce their electric bills by shifting their consumption from on-peak to off-peak times.

Over the next five years, Consumers expects weather-normalized electric deliveries to remain stable relative to 2021. This outlook reflects the effects of energy waste reduction programs 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, electric vehicle adoption, 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 of Consumers’ sales, with certain exceptions. At September 30, 2022, electric deliveries under the ROA program were at the ten-percent limit. Of Consumers’ 1.9 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 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, 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.

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 2020, the Michigan Supreme Court affirmed the MPSC’s statutory authority to implement a local clearing requirement on individual electric providers.

In 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 filed a motion to intervene and defend the local clearing requirement in that federal litigation; this motion was granted in January 2021 and the complaint is pending decision by the court after a non-jury trial.

Electric Rate Matters: Rate matters are critical to Consumers’ electric utility business. For additional details on rate matters, see Notes to the Unaudited Consolidated Financial Statements—Note 1, Regulatory Matters and Note 2, Contingencies and Commitments.

MPSC Reliability Report and Audit: In October 2022, the MPSC ordered the state’s two largest electric utilities, including Consumers, to report on their compliance with regulations and past MPSC orders governing the utilities’ response to outages and downed lines. Also, the MPSC Staff was directed to engage a third-party auditor to review all equipment and operations of the two utilities’ distribution systems.

Consumers is in the process of responding to the MPSC’s order and is committed to working with other state utilities, the third-party auditor, and the MPSC to continue improving electric reliability and safety in Michigan.

2022 Electric Rate Case: In April 2022, Consumers filed an application with the MPSC seeking a rate increase of \$272 million, made up of two components. First, Consumers requested a \$266 million annual rate increase, based on a 10.25-percent authorized return on equity for the projected twelve-month period ending December 31, 2023. The filing requested authority to recover future investments associated with distribution system reliability, solar generation, environmental compliance, and enhanced technology. Second, Consumers requested approval of a surcharge for the recovery of \$6 million of distribution investments made in 2021 that exceeded what was authorized in rates in accordance with the December 2020 electric rate order. In its application, Consumers provided extensive cost/benefit analysis and other information to support the prudence of certain categories of capital expenditures, as requested by the MPSC in its final order in Consumers' 2021 electric rate case. For additional details on the 2021 electric rate case, see Notes to the Unaudited Consolidated Financial Statements—Note 1, Regulatory Matters.

In September 2022, Consumers revised its requested increase to \$292 million. Presented in the following table are the components of the requested increase in revenue:

| | <i>In Millions</i> |
|--|--------------------|
| Projected Twelve-Month Period Ending December 31 | 2023 |
| <i>Components of the requested rate increase</i> | |
| Investment in rate base | \$ 118 |
| Operating and maintenance costs | 77 |
| Cost of capital | 42 |
| Sales and other revenue | 49 |
| Subtotal | \$ 286 |
| Surcharge | 6 |
| Total | \$ 292 |

Retention Incentive Program: Under its Clean Energy Plan, Consumers plans to retire the D.E. Karn coal-fueled electric generating units in 2023. In 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. In its order in Consumers' 2020 electric rate case, the MPSC approved deferred accounting treatment for these costs. Consumers expects to recognize \$5 million of retention benefit costs in 2022; this expense will be deferred as a regulatory asset.

Under the 2021 IRP, Consumers will retire the J.H. Campbell coal-fueled generating units in 2025. Similar to the D.E. Karn program, Consumers is providing a retention incentive program to ensure necessary staffing at the J.H. Campbell generating complex through retirement. Based on the number of employees that have chosen to participate, the aggregate cost of the program through 2025 is estimated to be \$50 million. Consumers expects to recognize \$20 million of retention benefit costs in 2022. The 2021 IRP provides deferred accounting treatment for retention costs recognized during 2022; deferral of costs beyond 2022 will be addressed in future rate cases. For additional details on these programs, see Notes to the Unaudited Consolidated Financial Statements—Note 14, Exit Activities and Discontinued Operations.

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 \$255 million from 2022 through 2026 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. Multiple environmental laws and regulations are subject to litigation. 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' electric utility.

In 2012, the EPA published emission standards for electric generating units, known as MATS, based on Section 112 of the Clean Air Act. Consumers has complied, and continues to comply, with the MATS regulation, and does not expect MATS to materially impact its environmental strategy.

CSAPR, which initially became effective in 2015, requires Michigan and many other states to improve air quality by reducing power plant emissions that, according to EPA modeling, contribute to ground-level ozone and fine particle pollution in other downwind states. In 2016, the EPA finalized ozone season standards for CSAPR. In 2020, the EPA proposed a revised CSAPR rule to reflect updated emission reductions from electric generating units in 12 states, including Michigan. The EPA finalized this revised rule in March 2021, with continued emission reductions through 2024. Consumers believes the impact of this rule on its operations should be minimal.

In March 2022, the EPA proposed another revision to CSAPR that affects Michigan. If finalized, this revision would replace the 2020 CSAPR rule requirement for the 2023 ozone season. The EPA is proposing to reduce allowance budgets from those provided under the 2020 rule and to change the mechanism for allocating such nitrogen oxides allowances on a year-over-year basis. While prior CSAPR regulations have primarily focused on electric generating units, this latest proposal also includes other nitrogen oxides emission sources. If the EPA finalizes the proposed CSAPR revision in its current form, Consumers may incur significant costs in allowance purchases and equipment retrofits. Consumers will continue to monitor this rulemaking and its impact on Consumers' electric operations.

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. Consumers will continue to monitor NAAQS rulemakings and evaluate potential impacts to its generating assets.

Consumers' strategy to comply with air quality statutes and regulations 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, executive orders, treaties, and congressional actions. 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 operated
- 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 and reporting of greenhouse gases. Consumers continues to monitor and comment on these initiatives, as appropriate.

In June 2022, the EPA announced its plan to propose a new rule to address greenhouse gas emissions from existing fossil-fueled electric generating units. Under its 2021 IRP, Consumers will eliminate the use

of coal-fueled generation in 2025. Therefore, it is unlikely that the proposed rule will materially impact Consumers over the remaining operating lives of these facilities. However, Consumers cannot predict the form and extent of such potential regulation on its natural gas-fueled generation until this rule is released.

In 2015, a group of 195 countries, including the U.S., finalized the Paris Agreement, which addresses carbon dioxide reduction measures beginning in 2020. The commitment made by the U.S. is to reduce greenhouse gas emissions by 50 to 52 percent from 2005 levels by 2030. Under its 2021 IRP, Consumers plans to reduce carbon emissions by 60 percent from 2005 levels in 2025. At this time, Consumers does not expect any adverse changes to its environmental strategy as a result of these events, as its plans exceed the nationally-committed reduction. The commitment made by the U.S. is not binding without new Congressional legislation.

In 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 goals are aspirational in nature and any changes in law or regulation to achieve these goals would need to be approved by the Michigan Legislature or the relevant regulatory agency. Additionally, Consumers has already surpassed the 28-percent reduction milestone for its owned electric generation and previously announced a goal of achieving net-zero carbon emissions from its electric business by 2040. Consumers does not expect any adverse changes to its environmental strategy as a result of these events.

Increased frequency of severe or extreme 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 temperature, increased storm activity, increased precipitation, and changes in lake and river levels. Consumers released a report addressing the physical risks of climate change on its infrastructure in February 2022. Consumers is taking steps to mitigate these risks as appropriate.

While Consumers cannot predict the outcome of changes in U.S. policy or of other legislative, executive, or regulatory initiatives involving the potential regulation of greenhouse gases, it intends to move forward with its Clean Energy Plan, its present net-zero goals, and its emphasis on reliable and resilient supply. Litigation, international treaties, executive orders, federal laws and regulations (including regulations by the EPA), and state laws and regulations, if enacted or ratified, could ultimately impact Consumers. Consumers may be required to replace equipment; install additional emission control equipment; purchase emission allowances or credits (including potential greenhouse gas offset credits); curtail operations; arrange for alternative sources of supply; purchase facilities that generate fewer emissions; 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 in rates consistent with the recovery of other reasonable costs of complying with environmental laws and regulations.

CCRs: In 2015, the EPA published a rule regulating CCRs under RCRA. This 2015 rule adopts minimum standards for beneficially using and disposing of non-hazardous CCRs. The rule establishes new minimum requirements for CCR unit location, design, structural stability, groundwater monitoring and correction action, flood protection, fugitive dust control, recordkeeping, and public disclosure of certain records, including any groundwater protection standard exceedances. The 2015 rule also sets out conditions under which some 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. Due to litigation, many aspects of the

2015 CCR rule have been remanded to the EPA, which has resulted in numerous proposed rules and three final rules. One of the final rules is in litigation. Anticipated litigation related to remanded aspects that have not been addressed will add uncertainty around requirements for compliance and state permit programs.

The EPA amended the conditions of forced closure in a rule published in 2020. The 2020 rule required all unlined CCR units to initiate closure by mid-April 2021, unless conditions that satisfied an alternate closure schedule were approved by the EPA. Consumers, with agreement from EGLE, completed the work necessary to initiate closure by excavating CCRs or placing a final cover over each of its relevant CCR units prior to the April 2021 closure initiation deadline.

Separate from the 2015 and 2020 rules, Congress passed legislation in 2016 allowing participating states to develop permitting programs for CCRs under RCRA Subtitle D. In 2018, the Michigan Legislature adopted standards for 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 2020, EGLE submitted a regulatory package for Michigan's permit program to the EPA for its review, which is still pending. Federal rulemaking challenges may delay EPA approval of the Michigan permitting program.

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. The rules seek to reduce 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 surface waters. The EPA published a final rule in October 2020, revising the 2015 guidelines related to the discharge of certain wastewater streams from electric generating units. The rule also allows for extension of the compliance deadline from the end of 2023 to the end of 2025, upon approval by EGLE through the NPDES permitting process. Consumers received such an extension to 2025 for its Campbell generating facility in 2021. Consumers does not expect any adverse changes to its environmental strategy as a result of these revisions to the rule or any litigation of the guidelines.

In 2020, the EPA and the U.S. Army Corps of Engineers finalized a rule under the Clean Water Act that repealed a 2015 definition of "Waters of the United States," narrowed the scope of federal jurisdiction, and reduced the frequency of dual jurisdiction in states with authority to regulate the same waters; Michigan is one such state. In November 2021, the EPA and the U.S. Army Corps of Engineers proposed to revise the 2020 "Waters of the United States" definition to revert to the 2015 "Waters of the United States" definition, with changes reflecting the EPA's interpretation of intervening U.S. Supreme Court decisions. The proposed November 2021 rulemaking may change how Consumers interacts with federal jurisdictional waters within Michigan, which may add additional requirements to existing compliance programs or may require additional permitting for infrastructure projects. However, Consumers does not expect adverse changes to its environmental strategy as a result of the current interpretations.

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.

Protected Wildlife: Multiple regulations apply, or may apply, to Consumers relating to protected species and habitats.

Statutes like the Endangered Species Act, the Migratory Bird Treaty Act, and the Bald and Golden Eagle Protection Act may impact operations at Consumers' facilities. In May 2021, the U.S. Fish and Wildlife Service proposed to repeal a January 2021 rule related to incidental take of migratory birds. In November 2021, the U.S. Fish and Wildlife Service published an advanced notice of proposed rulemaking outlining its intent to regulate incidental take under the Migratory Bird Treaty Act. Permitting and monitoring fees and restrictions on operations associated with these rules, if finalized, could impact Consumers' existing and future operations, including wind and solar generation facilities.

Additionally, Consumers is monitoring proposed changes to the listing status of several species within its operational area due to an increase in wildlife-related regulatory activity at federal and state levels. A change in species listed under the Endangered Species Act may impact Consumers' costs to mitigate its impact on protected species and habitats at certain existing facilities as well as siting choices for new facilities.

Other Matters: Other electric environmental matters could have a material impact on Consumers' outlook. For additional details on other electric environmental matters, see Notes to the Unaudited Consolidated Financial Statements—Note 2, Contingencies and Commitments—Consumers Electric Utility Contingencies—Electric Environmental Matters.

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.

Over the next five years, Consumers expects weather-normalized gas deliveries to remain stable relative to 2021. This outlook reflects the effects of energy waste reduction programs offset largely by modest growth in gas demand. Actual delivery levels will depend on:

- weather fluctuations
- use by power producers
- availability and development of renewable energy sources
- gas price changes
- Michigan's economic conditions, including population trends and housing activity
- the price or demand 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 Notes to the Unaudited Consolidated Financial Statements—Note 1, Regulatory Matters and Note 2, Contingencies and Commitments.

2021 Gas Rate Case: In December 2021, Consumers filed an application with the MPSC seeking an annual rate increase of \$278 million, based on a 10.5-percent authorized return on equity and a projected twelve-month period ending September 30, 2023. In April 2022, Consumers reduced its requested annual rate increase to \$233 million, based on a 10.25-percent authorized return on equity. In July 2022, the MPSC approved a settlement agreement authorizing an annual rate increase of \$170 million, based on a 9.9-percent authorized return on equity, effective October 1, 2022. 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.

Depreciation Rate Case: In December 2021, Consumers filed a depreciation case related to its gas utility plant property. In this case, Consumers requested a decrease in depreciation expense of \$1 million annually based on December 31, 2020 balances. In September 2022, the MPSC approved a settlement agreement authorizing a decrease in depreciation expense of \$29 million annually. The decrease in depreciation expense will become effective concurrent with Consumers' next gas rate case.

Gas Pipeline and Storage Integrity and Safety: The U.S. Department of Transportation's Pipeline and Hazardous Materials Safety Administration has published various rules that expand federal safety standards for gas transmission pipelines and underground storage facilities. To comply with these rules, Consumers will incur increased capital and operating and maintenance costs to install and remediate pipelines and to expand inspections, maintenance, and monitoring of its existing pipelines and storage facilities. The initial requirements in the regulation took effect in 2020, with future regulation phases to be released over numerous years.

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 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 Notes to the Unaudited Consolidated Financial Statements—Note 2, Contingencies and Commitments—Consumers Gas Utility Contingencies—Gas Environmental Matters.

Consumers' operations are subject to various state and federal environmental laws and regulations. Multiple environmental laws and regulations are subject to litigation. 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' gas utility.

In 2015, the EPA lowered the NAAQS for ozone. The 2015 ozone NAAQS made it more difficult to construct or modify natural gas compressor stations 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. Seven counties in southeastern Michigan were not in attainment with the 2015 ozone standard by an August 2021 regulatory deadline, and thus may have their ozone nonattainment designations increased from marginal to moderate. The EPA also recently elevated the nonattainment status of three counties in western Michigan from marginal to moderate. Some of Consumers' compressor stations are located in these areas. Consumers may incur costs to retrofit equipment in order to lower emissions at some of its compressor stations in 2023 and 2024. In addition,

due to their age, some stations may eventually need to be retrofitted or replaced with lower-emitting stations.

In March 2022, the EPA proposed a revision to CSAPR that affects Michigan. This proposed rule seeks to reduce interstate transport issues that EPA modeling suggests contribute to downwind states attaining or maintaining compliance with the 2015 NAAQS for ozone. While prior CSAPR regulations have primarily focused on electric generating units, the proposed rule includes other nitrogen oxides emission sources, including natural gas compressor stations. If the EPA finalizes the proposed CSAPR revision in its current form, Consumers may incur costs to retrofit or replace equipment at some compressor stations.

Greenhouse Gases: Consumers is making voluntary efforts to reduce its gas utility's methane emissions. In 2019, Consumers released its Methane Reduction Plan, which set a goal of net-zero methane emissions from its natural gas delivery system by 2030. 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 likely be offset by purchasing and/or producing renewable natural gas.

In March 2022, Consumers also announced a net-zero greenhouse gas emissions target for its entire natural gas system by 2050. This includes suppliers and customers, and has an interim goal of reducing customer emissions by 20 percent by 2030.

In November 2021, the EPA released a proposed rule to regulate methane emissions for the oil and gas sector. This proposed rule is not expected to have a material adverse impact on Consumers' gas storage, compressor stations, and distribution systems, as it applies upstream of Consumers' facilities.

In 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 impact Consumers' gas business over the long term. Consumers is evaluating decarbonization options for its gas business including energy efficiency, renewable natural gas, carbon offsets, and other decarbonization methods. As one strategy, which was approved by the MPSC, Consumers launched a program allowing gas customers to purchase carbon offset credits on a voluntary basis. Similarly, in December 2021, Consumers announced plans to begin development of a renewable natural gas facility that will capture methane from manure generated at a Michigan-based farm and convert it into renewable natural gas. For additional details on the executive order, see Consumers Electric Utility Outlook and Uncertainties—Electric Environmental Outlook.

In 2015, a group of 195 countries, including the U.S., finalized the Paris Agreement, which addresses carbon dioxide reduction measures beginning in 2020. The commitment made by the U.S. is to reduce greenhouse gas emissions by 50 to 52 percent from 2005 levels by 2030. Under its 2021 IRP, Consumers plans to reduce carbon emissions by 60 percent from 2005 levels in 2025. At this time, Consumers does not expect any adverse changes to its environmental strategy as a result of these events, as its plans exceed the nationally-committed reduction. The commitment made by the U.S. is not binding without new Congressional legislation.

There is increasing interest at the federal, state, and local levels involving potential regulation of greenhouse gases or their sources. Such regulation, if adopted, may involve requirements to reduce methane emissions from Consumers' gas utility operations and carbon dioxide emissions from customer use of natural gas. 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 energy efficiency programs, referring to the combined initiatives as energy waste reduction programs. The law also set a 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 and established a goal of 35 percent combined renewable energy and energy waste reduction by 2025. Consumers achieved 30 percent combined renewable energy and energy waste reduction through 2021.

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.

NorthStar Clean Energy Outlook and Uncertainties

CMS Energy's primary focus with respect to its NorthStar Clean Energy businesses is to maximize the value of generating assets, its share of which represents 1,483 MW of capacity, and to pursue opportunities for the development of renewable generation projects.

In June 2021, DIG, CMS Generation Michigan Power, and CMS ERM entered into an agreement with Consumers to sell, for \$515 million, subject to certain adjustments, NorthStar Clean Energy's three natural gas-fueled generating units, totaling 1,001 MW of nameplate capacity:

- the 770-MW DIG plant located in Dearborn, Michigan
- a 156-MW peaking generating unit located in Gaylord, Michigan
- a 75-MW peaking generating unit located in Comstock, Michigan

Consumers had proposed purchasing these generating units as part of its 2021 IRP. However, in accordance with the terms of the settlement agreement of its 2021 IRP, which was approved by the MPSC in June 2022, Consumers will not purchase these generating units.

NorthStar Clean Energy'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 DIG plant is in one such area and, as a result, would be subject to additional permitting restrictions in the event of any future modifications.

In March 2022, the EPA proposed a revision to CSAPR that affects Michigan. This proposed rule seeks to reduce interstate transport issues that EPA modeling suggests contribute to downwind states attaining or maintaining compliance with the 2015 NAAQS for ozone. If the EPA finalizes the proposed CSAPR revision in its current form, NorthStar Clean Energy may incur significant costs in allowance purchases and equipment retrofits. NorthStar Clean Energy will continue to monitor this rulemaking and its impact on its emission sources.

For additional details regarding the new ozone NAAQS or CSAPR rule, see Consumers Electric Utility Outlook and Uncertainties—Electric Environmental Outlook.

Trends, uncertainties, and other matters related to NorthStar Clean Energy 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 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 obligations assumed in connection with the purchase or ownership of an interest in one or more facilities that involve tax equity financing
- representations, warranties, and indemnities provided by CMS Energy in connection with previous sales of assets

In March 2022, the U.S. Department of Commerce announced it is opening inquiries into whether manufacturers of solar modules that are produced in certain countries using supplies obtained from China are circumventing antidumping and countervailing duties which apply to Chinese modules. The U.S. Department of Commerce's inquiry process is expected to last until at least early 2023. In June 2022, the Biden Administration paused the imposition of duties that might result from the U.S. Department of Commerce's pending inquiries. In addition, the Uyghur Forced Labor Prevention Act, which was enacted in December 2021 and became effective in June 2022, along with an earlier withhold release order that U.S. Customs and Border Protection issued in mid-2021, restrict the importation of goods sourced from the Xinjiang region of China. Solar modules whose raw materials come from the Xinjiang region are a key focus of these import laws. CMS Energy continues to closely monitor these matters and their potential impacts on availability of solar modules and timing associated with pending and planned solar projects.

For additional details regarding NorthStar Clean Energy's uncertainties, see Notes to the Unaudited Consolidated Financial Statements—Note 2, Contingencies and Commitments—Guarantees.

Other Outlook and Uncertainties

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 Notes to the Unaudited Consolidated Financial Statements—Note 1, Regulatory Matters and Note 2, Contingencies and Commitments.

Employee Separation Program: In April 2022, CMS Energy and Consumers announced a voluntary separation program for salaried non-union employees. For the nine months ended September 30, 2022, CMS Energy and Consumers recorded an after-tax charge of \$8 million related to the program, under which more than 170 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.

As a result of this announcement, CMS Energy and Consumers determined it was probable that 2022 lump-sum payments to participants 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 it is probable such settlements will 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 March 31, 2022, June 30, 2022, and September 30, 2022. For additional details on the pension settlement, see Notes to the Unaudited Consolidated Financial Statements—Note 7, Retirement Benefits.

Presented in the following table are estimates of credits and cash contributions through 2024 for the DB Pension Plans and OPEB Plan. Actual future costs, credits, 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.

| | <i>In Millions</i> | | | |
|--|--------------------|--------------|-----------|--------------|
| | DB Pension Plans | | OPEB Plan | |
| | Credit | Contribution | Credit | Contribution |
| CMS Energy, including Consumers | | | | |
| 2022 | \$ (33) | \$ — | \$ (120) | \$ — |
| 2023 | (31) | — | (53) | — |
| 2024 | (30) | — | (47) | — |
| Consumers¹ | | | | |
| 2022 | \$ (30) | \$ — | \$ (113) | \$ — |
| 2023 | (28) | — | (51) | — |
| 2024 | (28) | — | (44) | — |

¹ Consumers' pension and OPEB costs are recoverable through its general ratemaking process.

Tax Legislation: CMS Energy and Consumers are subject to changing tax laws. In August 2022, President Biden signed the Inflation Reduction Act. Among other things, this Act expands production tax credits and investment tax credits, allows for the transferability of such credits, and implements a 15-percent corporate alternative minimum tax on companies with an average adjusted financial statement income of more than \$1.0 billion. While CMS Energy and Consumers are still assessing the overall impacts of the bill, they do not believe the corporate alternative minimum tax will have a material impact on their business.

New Accounting Standards

There are no new accounting standards issued but not yet effective that are expected to have a material impact on CMS Energy's or Consumers' consolidated financial statements.

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CMS Energy Corporation

Consolidated Statements of Income (Unaudited)

In Millions, Except Per Share Amounts

| September 30 | Three Months Ended | | Nine Months Ended | |
|---|--------------------|---------------|-------------------|---------------|
| | 2022 | 2021 | 2022 | 2021 |
| Operating Revenue | \$ 2,024 | \$ 1,725 | \$ 6,318 | \$ 5,296 |
| Operating Expenses | | | | |
| Fuel for electric generation | 312 | 184 | 720 | 438 |
| Purchased and interchange power | 572 | 462 | 1,510 | 1,230 |
| Purchased power – related parties | 21 | 21 | 56 | 56 |
| Cost of gas sold | 118 | 57 | 802 | 432 |
| Maintenance and other operating expenses | 413 | 410 | 1,139 | 1,076 |
| Depreciation and amortization | 243 | 250 | 830 | 832 |
| General taxes | 87 | 81 | 308 | 290 |
| Total operating expenses | 1,766 | 1,465 | 5,365 | 4,354 |
| Operating Income | 258 | 260 | 953 | 942 |
| Other Income (Expense) | | | | |
| Interest income | 1 | — | 3 | 2 |
| Allowance for equity funds used during construction | 1 | 2 | 4 | 5 |
| Income from equity method investees | 1 | 4 | 1 | 8 |
| Non-operating retirement benefits, net | 54 | 40 | 154 | 121 |
| Other income | 2 | 1 | 3 | 7 |
| Other expense | (5) | (3) | (20) | (7) |
| Total other income | 54 | 44 | 145 | 136 |
| Interest Charges | | | | |
| Interest on long-term debt | 127 | 120 | 370 | 359 |
| Interest expense – related parties | 3 | 3 | 9 | 9 |
| Other interest expense | — | 3 | 2 | 8 |
| Allowance for borrowed funds used during construction | — | (1) | (1) | (2) |
| Total interest charges | 130 | 125 | 380 | 374 |
| Income Before Income Taxes | 182 | 179 | 718 | 704 |
| Income Tax Expense | 19 | 26 | 72 | 90 |
| Income From Continuing Operations | 163 | 153 | 646 | 614 |
| Income From Discontinued Operations, Net of Tax of \$—, \$9, \$1, and \$25 | — | 30 | 4 | 82 |
| Net Income | 163 | 183 | 650 | 696 |
| Loss Attributable to Noncontrolling Interests | (2) | (6) | (16) | (18) |
| Net Income Attributable to CMS Energy | 165 | 189 | 666 | 714 |
| Preferred Stock Dividends | 2 | 3 | 7 | 3 |
| Net Income Available to Common Stockholders | \$ 163 | \$ 186 | \$ 659 | \$ 711 |

In Millions, Except Per Share Amounts

| September 30 | Three Months Ended | | Nine Months Ended | |
|---|--------------------|---------|-------------------|---------|
| | 2022 | 2021 | 2022 | 2021 |
| Basic Earnings Per Average Common Share | | | | |
| Income from continuing operations per average common share available to common stockholders | \$ 0.56 | \$ 0.54 | \$ 2.26 | \$ 2.18 |
| Income from discontinued operations per average common share available to common stockholders | — | 0.10 | 0.01 | 0.28 |
| Basic earnings per average common share | \$ 0.56 | \$ 0.64 | \$ 2.27 | \$ 2.46 |
| Diluted Earnings Per Average Common Share | | | | |
| Income from continuing operations per average common share available to common stockholders | \$ 0.56 | \$ 0.54 | \$ 2.26 | \$ 2.18 |
| Income from discontinued operations per average common share available to common stockholders | — | 0.10 | 0.01 | 0.28 |
| Diluted earnings per average common share | \$ 0.56 | \$ 0.64 | \$ 2.27 | \$ 2.46 |

The accompanying notes are an integral part of these statements.

CMS Energy Corporation

Consolidated Statements of Comprehensive Income (Unaudited)

In Millions

| September 30 | Three Months Ended | | Nine Months Ended | |
|---|--------------------|--------|-------------------|--------|
| | 2022 | 2021 | 2022 | 2021 |
| Net Income | \$ 163 | \$ 183 | \$ 650 | \$ 696 |
| Retirement Benefits Liability | | | | |
| Net gain (loss) arising during the period, net of tax of \$(1), \$—, \$—, and \$— | (1) | — | 1 | — |
| Amortization of net actuarial loss, net of tax of \$—, \$—, \$1, and \$1 | 1 | 1 | 3 | 5 |
| Amortization of prior service credit, net of tax of \$— for all periods | — | — | — | (1) |
| Derivatives | | | | |
| Unrealized gain on derivative instruments, net of tax of \$—, \$—, \$1, and \$— | — | — | 2 | 1 |
| Reclassification adjustments included in net income, net of tax of \$—, \$—, \$—, and \$1 | — | — | 1 | — |
| Other Comprehensive Income | — | 1 | 7 | 5 |
| Comprehensive Income | 163 | 184 | 657 | 701 |
| Comprehensive Loss Attributable to Noncontrolling Interests | (2) | (6) | (16) | (18) |
| Comprehensive Income Attributable to CMS Energy | \$ 165 | \$ 190 | \$ 673 | \$ 719 |

The accompanying notes are an integral part of these statements.

CMS Energy Corporation

Consolidated Statements of Cash Flows (Unaudited)

| | <i>In Millions</i> | |
|---|--------------------|---------------|
| Nine Months Ended September 30 | 2022 | 2021 |
| Cash Flows from Operating Activities | | |
| Net income | \$ 650 | \$ 696 |
| <i>Adjustments to reconcile net income to net cash provided by operating activities</i> | | |
| Depreciation and amortization | 830 | 832 |
| Deferred income taxes and investment tax credits | 58 | 110 |
| Gain from sale of EnerBank | (5) | — |
| Other non-cash operating activities and reconciling adjustments | (60) | (71) |
| Net cash used in discontinued operations | — | (111) |
| <i>Changes in assets and liabilities</i> | | |
| Accounts receivable and accrued revenue | (257) | 129 |
| Inventories | (637) | (185) |
| Accounts payable and accrued rate refunds | 25 | 84 |
| Other current assets and liabilities | 18 | (30) |
| Other non-current assets and liabilities | 45 | 29 |
| Net cash provided by operating activities | 667 | 1,483 |
| Cash Flows from Investing Activities | | |
| Capital expenditures (excludes assets placed under finance lease) | (1,738) | (1,442) |
| Net proceeds from sale of EnerBank | 5 | (8) |
| Net cash provided by discontinued operations | — | 78 |
| Cost to retire property and other investing activities | (75) | (88) |
| Net cash used in investing activities | (1,808) | (1,460) |
| Cash Flows from Financing Activities | | |
| Proceeds from issuance of debt | 1,349 | 300 |
| Retirement of debt | (92) | (18) |
| Issuance of common stock | 10 | 23 |
| Issuance of preferred stock, net of issuance costs | — | 224 |
| Payment of dividends on common and preferred stock | (410) | (380) |
| Proceeds from the sale of membership interest in VIE to tax equity investor | 49 | — |
| Net cash used in discontinued operations | — | (84) |
| Other financing costs | (46) | (37) |
| Net cash provided by financing activities | 860 | 28 |
| Net Increase (Decrease) in Cash and Cash Equivalents, Including Restricted Amounts | (281) | 51 |
| Cash and Cash Equivalents, Including Restricted Amounts, Beginning of Period | 476 | 185 |
| Cash and Cash Equivalents, Including Restricted Amounts, End of Period | \$ 195 | \$ 236 |
| Other Non-cash Investing and Financing Activities | | |
| <i>Non-cash transactions</i> | | |
| Capital expenditures not paid | \$ 227 | \$ 172 |

The accompanying notes are an integral part of these statements.

CMS Energy Corporation

Consolidated Balance Sheets (Unaudited)

ASSETS

| | <i>In Millions</i> | |
|--|----------------------|---------------------|
| | September 30 2022 | December 31 2021 |
| Current Assets | | |
| Cash and cash equivalents | \$ 168 | \$ 452 |
| Restricted cash and cash equivalents | 27 | 24 |
| Accounts receivable and accrued revenue, less allowance of \$26 in 2022 and \$20 in 2021 | 1,161 | 931 |
| Accounts receivable – related parties | 14 | 12 |
| <i>Inventories at average cost</i> | | |
| Gas in underground storage | 1,057 | 462 |
| Materials and supplies | 196 | 168 |
| Generating plant fuel stock | 51 | 37 |
| Deferred property taxes | 234 | 356 |
| Regulatory assets | 15 | 46 |
| Prepayments and other current assets | 103 | 139 |
| Total current assets | 3,026 | 2,627 |
| Plant, Property, and Equipment | | |
| Plant, property, and equipment, gross | 30,125 | 29,893 |
| Less accumulated depreciation and amortization | 8,863 | 8,502 |
| Plant, property, and equipment, net | 21,262 | 21,391 |
| Construction work in progress | 1,078 | 961 |
| Total plant, property, and equipment | 22,340 | 22,352 |
| Other Non-current Assets | | |
| Regulatory assets | 3,427 | 2,259 |
| Accounts receivable | 28 | 30 |
| Investments | 70 | 71 |
| Other | 1,481 | 1,414 |
| Total other non-current assets | 5,006 | 3,774 |
| Total Assets | \$ 30,372 | \$ 28,753 |

LIABILITIES AND EQUITY
In Millions

| | September 30 2022 | December 31 2021 |
|--|----------------------|---------------------|
| Current Liabilities | | |
| Current portion of long-term debt, finance leases, and other financing | \$ 1,000 | \$ 382 |
| Accounts payable | 949 | 875 |
| Accounts payable – related parties | 7 | 11 |
| Accrued rate refunds | — | 12 |
| Accrued interest | 117 | 107 |
| Accrued taxes | 178 | 515 |
| Regulatory liabilities | 67 | 146 |
| Other current liabilities | 170 | 156 |
| Total current liabilities | 2,488 | 2,204 |
| Non-current Liabilities | | |
| Long-term debt | 12,685 | 12,046 |
| Non-current portion of finance leases and other financing | 70 | 46 |
| Regulatory liabilities | 3,862 | 3,802 |
| Postretirement benefits | 136 | 142 |
| Asset retirement obligations | 747 | 628 |
| Deferred investment tax credit | 130 | 112 |
| Deferred income taxes | 2,367 | 2,210 |
| Other non-current liabilities | 383 | 375 |
| Total non-current liabilities | 20,380 | 19,361 |
| Commitments and Contingencies (Notes 1, 2, and 14) | | |
| Equity | | |
| <i>Common stockholders' equity</i> | | |
| Common stock, authorized 350.0 shares; outstanding 290.3 shares in 2022 and 289.8 shares in 2021 | 3 | 3 |
| Other paid-in capital | 5,423 | 5,406 |
| Accumulated other comprehensive loss | (52) | (59) |
| Retained earnings | 1,315 | 1,057 |
| Total common stockholders' equity | 6,689 | 6,407 |
| Cumulative redeemable perpetual preferred stock, Series C, authorized 9.2 depositary shares; outstanding 9.2 depositary shares in both periods | 224 | 224 |
| Total stockholders' equity | 6,913 | 6,631 |
| Noncontrolling interests | 591 | 557 |
| Total equity | 7,504 | 7,188 |
| Total Liabilities and Equity | \$ 30,372 | \$ 28,753 |

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

| September 30 | Three Months Ended | | Nine Months Ended | |
|--|--------------------|----------|-------------------|----------|
| | 2022 | 2021 | 2022 | 2021 |
| Total Equity at Beginning of Period | \$ 7,471 | \$ 6,366 | \$ 7,188 | \$ 6,077 |
| Common Stock | | | | |
| At beginning and end of period | 3 | 3 | 3 | 3 |
| Other Paid-in Capital | | | | |
| At beginning of period | 5,417 | 5,389 | 5,406 | 5,365 |
| Common stock issued | 6 | 8 | 27 | 41 |
| Common stock repurchased | — | — | (10) | (9) |
| At end of period | 5,423 | 5,397 | 5,423 | 5,397 |
| Accumulated Other Comprehensive Loss | | | | |
| At beginning of period | (52) | (82) | (59) | (86) |
| <i>Retirement benefits liability</i> | | | | |
| At beginning of period | (52) | (77) | (56) | (80) |
| Net gain (loss) arising during the period | (1) | — | 1 | — |
| Amortization of net actuarial loss | 1 | 1 | 3 | 5 |
| Amortization of prior service credit | — | — | — | (1) |
| At end of period | (52) | (76) | (52) | (76) |
| <i>Derivative instruments</i> | | | | |
| At beginning of period | — | (5) | (3) | (6) |
| Unrealized gain on derivative instruments | — | — | 2 | 1 |
| Reclassification adjustments included in net income | — | — | 1 | — |
| At end of period | — | (5) | — | (5) |
| At end of period | (52) | (81) | (52) | (81) |
| Retained Earnings | | | | |
| At beginning of period | 1,286 | 487 | 1,057 | 214 |
| Net income attributable to CMS Energy | 165 | 189 | 666 | 714 |
| Dividends declared on common stock | (134) | (126) | (401) | (378) |
| Dividends declared on preferred stock | (2) | (3) | (7) | (3) |
| At end of period | 1,315 | 547 | 1,315 | 547 |
| Cumulative Redeemable Perpetual Preferred Stock, Series C | | | | |
| At beginning of period | 224 | — | 224 | — |
| Preferred stock issued, net of issuance costs | — | 224 | — | 224 |
| At end of period | 224 | 224 | 224 | 224 |

In Millions, Except Per Share Amounts

| September 30 | Three Months Ended | | Nine Months Ended | |
|---|--------------------|-----------|-------------------|-----------|
| | 2022 | 2021 | 2022 | 2021 |
| Noncontrolling Interests | | | | |
| At beginning of period | 593 | 569 | 557 | 581 |
| Sale of membership interest in VIE to tax equity investor | — | — | 49 | — |
| Contribution from noncontrolling interest | — | — | 2 | 1 |
| Loss attributable to noncontrolling interests | (2) | (6) | (16) | (18) |
| Distributions and other changes in noncontrolling interests | — | — | (1) | (1) |
| At end of period | 591 | 563 | 591 | 563 |
| Total Equity at End of Period | \$ 7,504 | \$ 6,653 | \$ 7,504 | \$ 6,653 |
| Dividends declared per common share | \$ 0.4600 | \$ 0.4350 | \$ 1.3800 | \$ 1.3050 |
| Dividends declared per preferred stock Series C depositary share | \$ 0.2625 | \$ 0.3063 | \$ 0.7875 | \$ 0.3063 |

The accompanying notes are an integral part of these statements.

Consumers Energy Company

Consolidated Statements of Income (Unaudited)

In Millions

| September 30 | Three Months Ended | | Nine Months Ended | |
|---|--------------------|---------------|-------------------|---------------|
| | 2022 | 2021 | 2022 | 2021 |
| Operating Revenue | \$ 1,886 | \$ 1,644 | \$ 5,971 | \$ 5,074 |
| Operating Expenses | | | | |
| Fuel for electric generation | 233 | 147 | 530 | 340 |
| Purchased and interchange power | 556 | 450 | 1,461 | 1,200 |
| Purchased power – related parties | 21 | 21 | 56 | 56 |
| Cost of gas sold | 114 | 53 | 792 | 425 |
| Maintenance and other operating expenses | 393 | 390 | 1,076 | 1,021 |
| Depreciation and amortization | 233 | 241 | 802 | 804 |
| General taxes | 84 | 77 | 299 | 277 |
| Total operating expenses | 1,634 | 1,379 | 5,016 | 4,123 |
| Operating Income | 252 | 265 | 955 | 951 |
| Other Income (Expense) | | | | |
| Interest income | 1 | 1 | 2 | 2 |
| Interest and dividend income – related parties | 1 | 1 | 4 | 4 |
| Allowance for equity funds used during construction | 1 | 2 | 4 | 5 |
| Non-operating retirement benefits, net | 52 | 37 | 146 | 113 |
| Other income | 1 | 1 | 2 | 7 |
| Other expense | (5) | (3) | (19) | (7) |
| Total other income | 51 | 39 | 139 | 124 |
| Interest Charges | | | | |
| Interest on long-term debt | 81 | 74 | 231 | 220 |
| Interest expense – related parties | 3 | 3 | 9 | 9 |
| Other interest expense | 1 | 2 | 2 | 6 |
| Allowance for borrowed funds used during construction | — | (1) | (1) | (2) |
| Total interest charges | 85 | 78 | 241 | 233 |
| Income Before Income Taxes | 218 | 226 | 853 | 842 |
| Income Tax Expense | 29 | 40 | 108 | 130 |
| Net Income | 189 | 186 | 745 | 712 |
| Preferred Stock Dividends | — | — | 1 | 1 |
| Net Income Available to Common Stockholder | \$ 189 | \$ 186 | \$ 744 | \$ 711 |

The accompanying notes are an integral part of these statements.

Consumers Energy Company

Consolidated Statements of Comprehensive Income (Unaudited)

In Millions

| September 30 | Three Months Ended | | Nine Months Ended | |
|---|--------------------|--------|-------------------|--------|
| | 2022 | 2021 | 2022 | 2021 |
| Net Income | \$ 189 | \$ 186 | \$ 745 | \$ 712 |
| Retirement Benefits Liability | | | | |
| Amortization of net actuarial loss, net of tax of \$— for all periods | 1 | 1 | 2 | 2 |
| Other Comprehensive Income | 1 | 1 | 2 | 2 |
| Comprehensive Income | \$ 190 | \$ 187 | \$ 747 | \$ 714 |

The accompanying notes are an integral part of these statements.

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Consumers Energy Company

Consolidated Statements of Cash Flows (Unaudited)

| | <i>In Millions</i> | |
|---|--------------------|--------------|
| Nine Months Ended September 30 | 2022 | 2021 |
| Cash Flows from Operating Activities | | |
| Net income | \$ 745 | \$ 712 |
| <i>Adjustments to reconcile net income to net cash provided by operating activities</i> | | |
| Depreciation and amortization | 802 | 804 |
| Deferred income taxes and investment tax credits | 79 | 129 |
| Other non-cash operating activities and reconciling adjustments | (57) | (65) |
| <i>Changes in assets and liabilities</i> | | |
| Accounts and notes receivable and accrued revenue | (242) | 137 |
| Inventories | (636) | (186) |
| Accounts payable and accrued rate refunds | (2) | 60 |
| Other current assets and liabilities | 38 | (24) |
| Other non-current assets and liabilities | 34 | 16 |
| Net cash provided by operating activities | 761 | 1,583 |
| Cash Flows from Investing Activities | | |
| Capital expenditures (excludes assets placed under finance lease) | (1,642) | (1,433) |
| Cost to retire property and other investing activities | (73) | (86) |
| Net cash used in investing activities | (1,715) | (1,519) |
| Cash Flows from Financing Activities | | |
| Proceeds from issuance of debt | 1,349 | 300 |
| Retirement of debt | (14) | (13) |
| Decrease in notes payable – related parties | (392) | (307) |
| Stockholder contribution | 685 | 575 |
| Payment of dividends on common and preferred stock | (594) | (571) |
| Other financing costs | (14) | (28) |
| Net cash provided by (used in) financing activities | 1,020 | (44) |
| Net Increase in Cash and Cash Equivalents, Including Restricted Amounts | 66 | 20 |
| Cash and Cash Equivalents, Including Restricted Amounts, Beginning of Period | 44 | 35 |
| Cash and Cash Equivalents, Including Restricted Amounts, End of Period | \$ 110 | \$ 55 |
| Other Non-cash Investing and Financing Activities | | |
| <i>Non-cash transactions</i> | | |
| Capital expenditures not paid | \$ 216 | \$ 168 |

The accompanying notes are an integral part of these statements.

Consumers Energy Company

Consolidated Balance Sheets (Unaudited)

ASSETS

| | <i>In Millions</i> | |
|--|----------------------|---------------------|
| | September 30 2022 | December 31 2021 |
| Current Assets | | |
| Cash and cash equivalents | \$ 83 | \$ 22 |
| Restricted cash and cash equivalents | 27 | 22 |
| Accounts receivable and accrued revenue, less allowance of \$26 in 2022 and \$20 in 2021 | 1,121 | 905 |
| Accounts and notes receivable – related parties | 9 | 9 |
| <i>Inventories at average cost</i> | | |
| Gas in underground storage | 1,057 | 462 |
| Materials and supplies | 190 | 163 |
| Generating plant fuel stock | 46 | 33 |
| Deferred property taxes | 234 | 356 |
| Regulatory assets | 15 | 46 |
| Prepayments and other current assets | 85 | 103 |
| Total current assets | 2,867 | 2,121 |
| Plant, Property, and Equipment | | |
| Plant, property, and equipment, gross | 28,978 | 28,771 |
| Less accumulated depreciation and amortization | 8,704 | 8,371 |
| Plant, property, and equipment, net | 20,274 | 20,400 |
| Construction work in progress | 939 | 915 |
| Total plant, property, and equipment | 21,213 | 21,315 |
| Other Non-current Assets | | |
| Regulatory assets | 3,427 | 2,259 |
| Accounts receivable | 34 | 36 |
| Accounts and notes receivable – related parties | 99 | 102 |
| Other | 1,352 | 1,307 |
| Total other non-current assets | 4,912 | 3,704 |
| Total Assets | \$ 28,992 | \$ 27,140 |

LIABILITIES AND EQUITY

| | <i>In Millions</i> | |
|--|----------------------|---------------------|
| | September 30 2022 | December 31 2021 |
| Current Liabilities | | |
| Current portion of long-term debt, finance leases, and other financing | \$ 1,000 | \$ 374 |
| Notes payable – related parties | — | 392 |
| Accounts payable | 881 | 835 |
| Accounts payable – related parties | 12 | 16 |
| Accrued rate refunds | — | 12 |
| Accrued interest | 86 | 75 |
| Accrued taxes | 218 | 529 |
| Regulatory liabilities | 67 | 146 |
| Other current liabilities | 147 | 109 |
| Total current liabilities | 2,411 | 2,488 |
| Non-current Liabilities | | |
| Long-term debt | 8,756 | 8,050 |
| Non-current portion of finance leases and other financing | 47 | 46 |
| Regulatory liabilities | 3,862 | 3,802 |
| Postretirement benefits | 100 | 104 |
| Asset retirement obligations | 723 | 605 |
| Deferred investment tax credit | 130 | 112 |
| Deferred income taxes | 2,516 | 2,340 |
| Other non-current liabilities | 330 | 314 |
| Total non-current liabilities | 16,464 | 15,373 |
| Commitments and Contingencies (Notes 1 and 2) | | |
| Equity | | |
| <i>Common stockholder's equity</i> | | |
| Common stock, authorized 125.0 shares; outstanding 84.1 shares in both periods | 841 | 841 |
| Other paid-in capital | 7,284 | 6,599 |
| Accumulated other comprehensive loss | (30) | (32) |
| Retained earnings | 1,985 | 1,834 |
| Total common stockholder's equity | 10,080 | 9,242 |
| Cumulative preferred stock, \$4.50 series, authorized 7.5 shares; outstanding 0.4 shares in both periods | 37 | 37 |
| Total equity | 10,117 | 9,279 |
| Total Liabilities and Equity | \$ 28,992 | \$ 27,140 |

The accompanying notes are an integral part of these statements.

Consumers Energy Company

Consolidated Statements of Changes in Equity (Unaudited)

In Millions

| September 30 | Three Months Ended | | Nine Months Ended | |
|---|--------------------|----------|-------------------|----------|
| | 2022 | 2021 | 2022 | 2021 |
| Total Equity at Beginning of Period | \$ 10,087 | \$ 8,977 | \$ 9,279 | \$ 8,556 |
| Common Stock | | | | |
| At beginning and end of period | 841 | 841 | 841 | 841 |
| Other Paid-in Capital | | | | |
| At beginning of period | 7,284 | 6,299 | 6,599 | 6,024 |
| Stockholder contribution | — | 300 | 685 | 575 |
| At end of period | 7,284 | 6,599 | 7,284 | 6,599 |
| Accumulated Other Comprehensive Loss | | | | |
| At beginning of period | (31) | (35) | (32) | (36) |
| <i>Retirement benefits liability</i> | | | | |
| At beginning of period | (31) | (35) | (32) | (36) |
| Amortization of net actuarial loss | 1 | 1 | 2 | 2 |
| At end of period | (30) | (34) | (30) | (34) |
| At end of period | (30) | (34) | (30) | (34) |
| Retained Earnings | | | | |
| At beginning of period | 1,956 | 1,835 | 1,834 | 1,690 |
| Net income | 189 | 186 | 745 | 712 |
| Dividends declared on common stock | (160) | (190) | (593) | (570) |
| Dividends declared on preferred stock | — | — | (1) | (1) |
| At end of period | 1,985 | 1,831 | 1,985 | 1,831 |
| Cumulative Preferred Stock | | | | |
| At beginning and end of period | 37 | 37 | 37 | 37 |
| Total Equity at End of Period | \$ 10,117 | \$ 9,274 | \$ 10,117 | \$ 9,274 |

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 have reclassified certain prior period amounts to conform to the presentation in the present period.

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 2021 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: Regulatory Matters

Regulatory matters are critical to Consumers. The Michigan Attorney General, ABATE, the MPSC Staff, the Residential Customer Group, 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 MPSC's authority to approve voluntary revenue refunds, and other matters. Consumers is unable to predict the outcome of these appeals.

Electric Rate Case Proceedings: In Consumers' recent electric rate proceedings, the MPSC and the MPSC Staff have recommended that Consumers be disallowed recovery of certain categories of capital expenditures.

In December 2021, the MPSC issued a final order in Consumers' 2021 general electric rate case, disallowing cost recovery for fleet assets and certain other categories of recently completed capital expenditures incurred by Consumers. As a result, Consumers impaired a portion of these capital expenditures in 2021.

For other categories of capital expenditures, the MPSC ordered Consumers to provide additional cost/benefit analysis and other information to support cost recovery. Consumers believes it has provided such analysis and information in its 2022 electric rate case. In August 2022, the MPSC Staff recommended

disallowance of additional categories of capital expenditures incurred by Consumers during 2022. Further, some of these are joint (or common) projects undertaken by both the electric and gas business units. Consumers has incurred \$19 million related to these programs as of September 30, 2022 and, for certain ongoing projects, expects to incur additional capital expenditures during the remainder of 2022 and beyond.

While Consumers has provided the additional analysis and information requested by the MPSC as supporting evidence of the prudence of such capital expenditures in its pending electric rate case proceeding, it is reasonably possible that the MPSC will disallow some or all of these capital expenditures. Any material disallowance of incurred capital costs could negatively affect CMS Energy's and Consumers' future results of operations. Consumers expects the MPSC to issue a final order in its pending electric rate case by March 2023. Consumers cannot predict the outcome of this proceeding.

In January 2022, Consumers filed a petition for rehearing that, among other things, requested that the MPSC reconsider its disallowance in the 2021 electric rate case of \$11 million in capital expenditures for which the MPSC had already approved recovery in a previous rate order. In March 2022, the MPSC approved Consumers' rehearing petition in full and authorized that the \$11 million of capital expenditures be included in rate base, which resulted an additional annual rate increase of \$5 million prospectively.

Energy Waste Reduction Plan Incentive: Consumers filed its 2021 energy waste reduction reconciliation in May 2022, requesting the MPSC's approval to collect from customers the maximum performance incentive of \$46 million for exceeding statutory savings targets in 2021. Consumers recognized incentive revenue under this program of \$46 million in 2021.

Costs of Coal-fueled Electric Generating Units to be Retired: In June 2022, the MPSC approved the settlement agreement reached in Consumers' 2021 IRP, under which Consumers plans to retire the J.H. Campbell coal-fueled generating units in 2025. Under the 2021 IRP, upon the units' retirement, Consumers will receive regulatory asset treatment to recover their remaining book value, as well as a 9.0-percent return on equity, over their original design lives. Until retirement, the book value of the generating units will remain in rate base and receive full regulatory returns in general rate cases.

In June 2022, Consumers removed from total plant, property, and equipment an amount of \$1.3 billion, representing the projected remaining book value of the electric generating units upon their retirement, and recorded it as a non-current regulatory asset on its consolidated balance sheets.

Voluntary Radio Tower Asset Sale Gain Share: In May 2022, Consumers completed a sale of various radio tower assets. In June 2022, Consumers filed an application with the MPSC requesting approval to share voluntarily half of the gain from the sale with its electric and gas utility customers. Of the amount to be shared with customers, Consumers proposes to share two-thirds with electric customers through additional spending for tree trimming in 2022 and one-third with gas customers through a donation to nonprofit agencies that provide customer energy bill assistance. As a result, Consumers deferred \$7 million of the gain in June 2022, and recorded it as a non-current regulatory liability on its consolidated balance sheets.

GCR and PSCR: Due to rising natural gas prices, Consumers' gas fuel costs for the nine months ended September 30, 2022 were higher than those projected in its 2022-2023 GCR plan. As a result, Consumers had recorded a \$45 million underrecovery in accounts receivable and accrued revenue on its consolidated balance sheets at September 30, 2022. Consumers expects that higher gas fuel costs will continue into the 2022-2023 GCR plan year. Consequently, in June 2022, Consumers filed with the MPSC a revised GCR plan requesting an increase to the GCR factor and self-implemented that increased factor in October 2022.

The recent spikes in fuel prices also increased the cost of electric generation and resulted in higher market prices for electricity. As a result, Consumers' power supply costs for the nine months ended September 30, 2022 were significantly higher than those projected in the 2022 PSCR plan it submitted to the MPSC in September 2021. Consequently, Consumers had recorded a \$375 million underrecovery in accounts receivable and accrued revenue on its consolidated balance sheets at September 30, 2022. Consumers included a projection of its full-year 2022 underrecovery in its 2023 PSCR plan filed with the MPSC in September 2022.

2: 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

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 was renewed in January 2022 and is valid through 2025.

At September 30, 2022, 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 \$54 million. CMS Energy expects to pay the following amounts for long-term leachate disposal and operating and maintenance costs during the remainder of 2022 and in each of the next five years:

| | <i>In Millions</i> | | | | | |
|---|--------------------|------|------|------|------|------|
| | 2022 | 2023 | 2024 | 2025 | 2026 | 2027 |
| 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.

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 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 \$2 million and \$4 million. At September 30, 2022, Consumers had a recorded liability of \$2 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, 2022, Consumers had a recorded liability of \$3 million for its share of the total liability at these sites, the minimum amount in the range of its estimated probable CERCLA liability, as no amount in the range was considered a better estimate than any other amount.

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

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

Ludington Plant Overhaul Contract Dispute: Consumers and DTE Electric, co-owners of Ludington, are parties to a 2010 engineering, procurement, and construction contract with TAES, under which TAES is charged with performing a major overhaul and upgrade of Ludington. TAES' performance has been unsatisfactory and resulted in overhaul project delays. Consumers and DTE Electric have demanded that TAES provide a comprehensive plan to resolve quality control concerns, including adherence to its warranty commitments and other contractual obligations. Consumers and DTE Electric have taken extensive efforts to resolve these issues with TAES, including a formal demand to TAES' parent, Toshiba Corporation, under a parent guaranty it provided in the contract. TAES has not provided a comprehensive plan or otherwise met its performance obligations.

In order to enforce the contract, Consumers and DTE Electric filed a complaint against TAES and Toshiba Corporation in the U.S. District Court for the Eastern District of Michigan in April 2022. In June 2022, TAES and Toshiba Corporation filed a motion to dismiss the complaint, along with an answer and counterclaims seeking approximately \$15 million in damages related to payments allegedly owed under the parties' contract. As a co-owner of Ludington, Consumers would be liable for 51 percent of any such damages. In September 2022, the court denied the motion to dismiss filed by TAES and Toshiba Corporation. Consumers believes the counterclaims are without merit, but cannot predict the financial impact or outcome of this matter. An unfavorable outcome could have a material adverse effect on CMS Energy's and Consumers' financial condition, results of operations, or liquidity.

J.H. Campbell 3 Plant Retirement Contract Dispute: In May 2022, Consumers filed a complaint against Wolverine Power Supply Cooperative, Inc. in the Ottawa County Circuit Court and requested a ruling that Consumers has sole authority to decide to retire the J.H. Campbell 3 coal-fueled generating unit under the unit's Joint Ownership and Operating Agreement. In July 2022, Wolverine Power Supply Cooperative, Inc. filed an answer, affirmative defenses, and a counterclaim seeking approximately \$37 million in damages allegedly caused by Consumers' decision to retire the unit before the end of its useful life. In July 2022, Consumers filed a motion for summary disposition, which was heard in August 2022. In October 2022, the state circuit court judge found that Consumers may, in its sole discretion, retire the J.H. Campbell 3 coal-fueled generating unit, provided that Consumers continues to operate and make necessary improvements to the unit while the litigation concerning Wolverine Power Supply Cooperative, Inc.'s claim for damages is pending. Consumers believes Wolverine Power Supply Cooperative, Inc.'s claim has no merit, but cannot predict the final impact or outcome on this matter. An unfavorable outcome could have a material adverse effect on CMS Energy's and Consumers' financial condition, results of operations, or liquidity.

Consumers Gas Utility Contingencies

Gas Environmental Matters: Consumers expects to incur remediation and other response activity costs at a number of sites under 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, 2022, Consumers had a recorded liability of \$63 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 \$67 million. Consumers expects to pay the following amounts for remediation and other response activity costs during the remainder of 2022 and in each of the next five years:

| | <i>In Millions</i> | | | | | |
|---|--------------------|------|-------|-------|------|------|
| | 2022 | 2023 | 2024 | 2025 | 2026 | 2027 |
| Consumers | | | | | | |
| Remediation and other response activity costs | \$ 1 | \$ 5 | \$ 11 | \$ 31 | \$ 6 | \$ 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, 2022, Consumers had a regulatory asset of \$111 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, 2022, 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. In January 2021, the MPSC denied Consumers' petition for a rehearing challenging this disallowance. In February 2021, Consumers filed an appeal of the MPSC's denial with the Michigan Court of Appeals.

In December 2021, Consumers filed a gas rate case with the MPSC that included a request for recovery of the capital expenditures incurred to restore and modify the compressor station. Consumers incurred capital expenditures of \$17 million during 2020 and 2021 to restore and modify the compressor station.

During the nine months ended September 30, 2022, Consumers received insurance proceeds of \$13 million, representing recovery of costs incurred to restore the compressor station and incremental gas purchases related to the fire. Consumers had recognized the insurance recovery during 2021.

In June 2022, Consumers, the MPSC Staff, and other intervenors reached a settlement of the gas rate case and the MPSC approved it in July 2022. As a part of the settlement agreement, Consumers agreed, at this time, to not seek recovery of the capital expenditures, net of insurance proceeds, related to restoring and modifying the Ray Compressor Station. As a result, Consumers recorded an impairment charge of \$10 million within maintenance and other operating expenses on its consolidated statements of income for the nine months ended September 30, 2022.

Guarantees

Presented in the following table are CMS Energy's and Consumers' guarantees at September 30, 2022:

| Guarantee Description | Issue Date | Expiration Date | <i>In Millions</i> | |
|--|------------|-----------------|--------------------|-----------------|
| | | | Maximum Obligation | Carrying Amount |
| CMS Energy, including Consumers | | | | |
| Indemnity obligations from sale of membership interests in VIEs ¹ | various | indefinite | \$ 336 | \$ — |
| Indemnity obligations from stock and asset sale agreements ² | various | indefinite | 226 | 3 |
| Guarantee ³ | 2011 | indefinite | 30 | — |
| Consumers | | | | |
| Guarantee ³ | 2011 | indefinite | \$ 30 | \$ — |

¹ These obligations arose from the sale of membership interests in NWO Holdco and Aviator Wind to tax equity investors. NorthStar Clean Energy provided certain indemnity obligations that protect the tax equity investors against losses incurred as a result of breaches of representations and warranties under the associated limited liability company agreements. These obligations are generally capped at an amount equal to the tax equity investor's capital contributions plus a specified return, less any distributions and tax benefits it receives, in connection with its membership interest. For any indemnity obligations related to Aviator Wind, NorthStar Clean Energy would recover 49 percent of any amounts paid to the tax equity investor from the other owner of Aviator Wind Equity Holdings. Additionally, Aviator Wind holds insurance coverage that would partially protect against losses incurred as a result of certain failures to qualify for production tax credits. For further details on NorthStar Clean Energy's ownership interest in NWO Holdco and Aviator Wind, see Note 13, Variable Interest Entities.

² 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, including claims related to taxes and breaches of representations and warranties. The maximum obligation amount is mostly related to an Equatorial Guinea tax claim and an indemnity provided in connection with the sale of EnerBank to Regions Bank. For further details on the sale, see Note 14, Exit Activities and Discontinued Operations.

³ 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. CMS Energy and Consumers consider the likelihood that they would be required to perform or incur substantial losses related to these indemnities and those disclosed in the table to be remote.

Other Contingencies

In addition to the matters disclosed in this Note and Note 1, 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.

3: 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, 2022:

| | Principal (In Millions) | Interest Rate | Issuance Date | Maturity Date |
|---------------------------------|----------------------------|---------------|---------------|----------------|
| Consumers | | | | |
| Term loan facility ¹ | \$ 550 | variable | July 2022 | January 2024 |
| First mortgage bonds | 350 | 3.600 % | August 2022 | August 2032 |
| First mortgage bonds | 450 | 4.200 % | August 2022 | September 2052 |

¹ In July 2022, Consumers entered into a delayed-draw \$1.0 billion unsecured term loan credit agreement. Loans under this facility have an interest rate of one-month SOFR plus 0.650 percent. At September 30, 2022, Consumers had loans outstanding of \$300 million at a rate of 3.456 percent and \$250 million at a rate of 3.714 percent.

Presented in the following table is a summary of major long-term debt retirements during the nine months ended September 30, 2022:

| | Principal (In Millions) | Interest Rate | Retirement Date | Maturity Date |
|---|----------------------------|---------------|-----------------|---------------|
| NorthStar Clean Energy, including subsidiaries | | | | |
| Term loan facility | \$ 76 | variable | June 2022 | October 2025 |

In June 2022, NorthStar Clean Energy sold a Class A membership interest in NWO Holdco to a tax equity investor for \$49 million. Proceeds from the sale were used to retire the non-recourse debt held by a subsidiary of NorthStar Clean Energy. For more information, see Note 13, Variable Interest Entities.

Credit Facilities: The following credit facilities with banks were available at September 30, 2022:

| Expiration Date | Amount of Facility | Amount Borrowed | <i>In Millions</i> | |
|---|--------------------|-----------------|-------------------------------|------------------|
| | | | Letters of Credit Outstanding | Amount Available |
| CMS Energy, parent only | | | | |
| June 5, 2024 | \$ 550 | \$ — | \$ 14 | \$ 536 |
| September 22, 2024 | 50 | — | 50 | — |
| NorthStar Clean Energy, including subsidiaries | | | | |
| September 25, 2025 ¹ | \$ 37 | \$ — | \$ 37 | \$ — |
| Consumers² | | | | |
| June 5, 2024 | \$ 850 | \$ — | \$ 29 | \$ 821 |
| November 19, 2023 | 250 | — | 62 | 188 |

- ¹ This letter of credit facility is available to Aviator Wind Equity Holdings. For more information regarding Aviator Wind Equity Holdings, see Note 13, Variable Interest Entities.
- ² Obligations under these facilities are secured by first mortgage bonds of Consumers.

Regulatory Authorization for Financings: Consumers is required to maintain FERC authorization for financings. Any long-term issuances during the authorization period are exempt from FERC's competitive bidding and negotiated placement requirements. In March 2022, the FERC issued an authorization for financings that was set to expire on March 31, 2023. In April 2022, FERC issued a revision of its March authorization for financings that extends the expiration to March 31, 2024.

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, 2022, there were no commercial paper notes outstanding under this program.

In December 2021, Consumers renewed a short-term credit agreement with CMS Energy, permitting Consumers to borrow up to \$500 million at an interest rate of the prior month's average one-month LIBOR minus 0.100 percent. At September 30, 2022, there were no outstanding borrowings under the agreement.

Dividend Restrictions: At September 30, 2022, payment of dividends by CMS Energy on its common stock was limited to \$6.7 billion under provisions of the Michigan Business Corporation Act of 1972.

Under the provisions of its articles of incorporation, at September 30, 2022, Consumers had \$1.9 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.

During the nine months ended September 30, 2022, Consumers paid \$593 million in dividends on its common stock to CMS Energy.

Issuance of Common Stock: Under an existing equity offering program, CMS Energy may sell shares of its common stock having an aggregate sales price of up to \$500 million in privately negotiated transactions, in "at the market" offerings, through forward sales transactions, or otherwise.

Presented in the following table are details of CMS Energy's forward sales contracts under this program at September 30, 2022:

| Contract Date | Maturity Date | Number of Shares | Forward Price Per Share | | |
|--------------------|-------------------|------------------|-------------------------|---------|--------------------|
| | | | | Initial | September 30, 2022 |
| September 15, 2020 | December 31, 2022 | 846,759 | \$ | 61.04 | \$ 57.31 |
| December 22, 2020 | December 31, 2023 | 115,595 | | 61.81 | 58.65 |
| August 3, 2022 | February 1, 2024 | 2,944,207 | | 67.59 | 67.78 |
| August 24, 2022 | February 26, 2024 | 1,677,938 | | 69.46 | 69.59 |
| August 29, 2022 | February 26, 2024 | 1,783,388 | | 68.18 | 68.29 |

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 cash settle the contracts as of September 30, 2022, it would have been required to pay less than \$1 million. If CMS Energy had elected to net share settle the contracts as of September 30, 2022, CMS Energy would have been required to deliver 13,504 shares.

4: 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:

| | CMS Energy, including Consumers | | Consumers | |
|---|---------------------------------|---------------------|----------------------|---------------------|
| | September 30 2022 | December 31 2021 | September 30 2022 | December 31 2021 |
| <i>In Millions</i> | | | | |
| Assets¹ | | | | |
| Restricted cash equivalents | \$ 27 | \$ 24 | \$ 27 | \$ 22 |
| Nonqualified deferred compensation plan assets | 22 | 27 | 17 | 21 |
| Derivative instruments | 3 | 2 | 3 | 2 |
| Total assets | \$ 52 | \$ 53 | \$ 47 | \$ 45 |
| Liabilities¹ | | | | |
| Nonqualified deferred compensation plan liabilities | \$ 22 | \$ 27 | \$ 17 | \$ 21 |
| Derivative instruments | — | 7 | — | — |
| Total liabilities | \$ 22 | \$ 34 | \$ 17 | \$ 21 |

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 11, 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 were interest rate swaps at CMS Energy, which were valued using market-based inputs. CMS Energy used interest rate swaps to manage its interest rate risk on certain long-term debt obligations.

A subsidiary of NorthStar Clean Energy used 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 were accounted for as cash flow hedges of the future variability of interest payments on the debt. In June 2022, NorthStar Clean Energy repaid the hedged debt and terminated the related interest rate swaps. As a result, the associated unrecognized losses recorded in other comprehensive income were recognized in interest on long-term debt on CMS Energy's consolidated statements of income; this amount was immaterial. NorthStar Clean Energy also had other interest rate

swaps that economically hedged interest rate risk on debt, but that did not qualify for cash flow hedge accounting. These swaps were also terminated in June 2022; the amounts associated with these swaps were not material for the periods presented.

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

5: 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 4, Fair Value Measurements.

In Millions

| | September 30, 2022 | | | | | December 31, 2021 | | | | |
|---|--------------------|------------|-------|-------|-------|-------------------|------------|-------|--------|-------|
| | Carrying Amount | Fair Value | | | | Carrying Amount | Fair Value | | | |
| | | Total | Level | | | | Total | Level | | |
| | | | 1 | 2 | 3 | | | 1 | 2 | 3 |
| CMS Energy, including Consumers | | | | | | | | | | |
| <i>Assets</i> | | | | | | | | | | |
| Long-term receivables ¹ | \$ 11 | \$ 11 | \$ — | \$ — | \$ 11 | \$ 14 | \$ 14 | \$ — | \$ — | \$ 14 |
| <i>Liabilities</i> | | | | | | | | | | |
| Long-term debt ² | 13,675 | 11,679 | 1,034 | 8,566 | 2,079 | 12,419 | 13,800 | 1,189 | 10,656 | 1,955 |
| Long-term payables ³ | 9 | 9 | — | — | 9 | 31 | 32 | — | — | 32 |
| Consumers | | | | | | | | | | |
| <i>Assets</i> | | | | | | | | | | |
| Long-term receivables ¹ | \$ 11 | \$ 11 | \$ — | \$ — | \$ 11 | \$ 14 | \$ 14 | \$ — | \$ — | \$ 14 |
| Notes receivable – related party ⁴ | 101 | 101 | — | — | 101 | 104 | 104 | — | — | 104 |
| <i>Liabilities</i> | | | | | | | | | | |
| Long-term debt ⁵ | 9,746 | 8,132 | — | 6,053 | 2,079 | 8,415 | 9,410 | — | 7,455 | 1,955 |

¹ Includes current portion of long-term accounts receivable of \$7 million at September 30, 2022 and \$9 million at December 31, 2021.

² Includes current portion of long-term debt of \$990 million at September 30, 2022 and \$373 million at December 31, 2021.

³ Includes current portion of long-term payables of \$1 million at September 30, 2022 and \$23 million at December 31, 2021.

⁴ Includes current portion of notes receivable – related party of \$7 million at September 30, 2022 and December 31, 2021.

⁵ Includes current portion of long-term debt of \$990 million at September 30, 2022 and \$365 million at December 31, 2021.

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.

6: Asset Retirement Obligations

In September 2022, Consumers increased its ARO liability for coal ash disposal areas. The increase was attributable to a proposed change for closure work at the J.H. Campbell 3 ash disposal landfill and an updated cost estimate for other coal ash disposal areas. These changes provided Consumers with sufficient information to reasonably estimate a revision to the ARO liability associated with the coal ash disposal areas.

Presented in the following table are the changes in CMS Energy’s and Consumers’ ARO liabilities:

| Company and ARO Description | <i>In Millions</i> | | | | | | |
|--|-----------------------------|-------------|----------------|--------------|------------------------|----------------------------|--|
| | ARO Liability 12/31/2021 | Incurring | Settled | Accretion | Cash Flow Revisions | ARO Liability 9/30/2022 | |
| CMS Energy, including Consumers | | | | | | | |
| Consumers | \$ 605 | \$ — | \$ (30) | \$ 19 | \$ 129 | \$ 723 | |
| Renewable generation assets | 23 | — | — | 1 | — | 24 | |
| Total CMS Energy | \$ 628 | \$ — | \$ (30) | \$ 20 | \$ 129 | \$ 747 | |
| Consumers | | | | | | | |
| Coal ash disposal areas | \$ 157 | \$ — | \$ (17) | \$ 4 | \$ 129 | \$ 273 | |
| Gas distribution cut, purge, and cap | 282 | — | (10) | 11 | — | 283 | |
| Asbestos abatement | 38 | — | (1) | 1 | — | 38 | |
| Renewable generation assets | 93 | — | — | 2 | — | 95 | |
| Gas wells plug and abandon | 35 | — | (2) | 1 | — | 34 | |
| Total Consumers | \$ 605 | \$ — | \$ (30) | \$ 19 | \$ 129 | \$ 723 | |

7: Retirement Benefits

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

In March 2022, CMS Energy and Consumers determined it was probable that 2022 lump-sum payments to participants 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 it is probable such settlements will 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 March 31, 2022, June 30, 2022, and September 30, 2022. For the nine months ended September 30, 2022, CMS Energy, including Consumers, recognized a settlement loss of \$19 million; of this amount, \$19 million was deferred as a regulatory asset. Consumers recognized a settlement loss of \$19 million, all of which was deferred as a regulatory asset. CMS Energy and Consumers will amortize the regulatory asset over eight years.

As a result of the remeasurements, the non-current asset for DB Pension Plan A increased by \$69 million from December 31, 2021 at CMS Energy, with an offsetting decrease in the associated regulatory asset of \$67 million and a \$2 million gain to accumulated other comprehensive loss. At Consumers, the non-current asset increased by \$67 million and the associated regulatory asset decreased by \$67 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 benefit plans:

In Millions

| September 30 | DB Pension Plans | | | | OPEB Plan | | | |
|--|--------------------|-------|-------------------|-------|--------------------|---------|-------------------|---------|
| | Three Months Ended | | Nine Months Ended | | Three Months Ended | | Nine Months Ended | |
| | 2022 | 2021 | 2022 | 2021 | 2022 | 2021 | 2022 | 2021 |
| CMS Energy, including Consumers | | | | | | | | |
| <i>Net periodic cost (credit)</i> | | | | | | | | |
| Service cost | \$ 9 | \$ 14 | \$ 32 | \$ 41 | \$ 4 | \$ 5 | \$ 13 | \$ 14 |
| Interest cost | 21 | 14 | 59 | 44 | 7 | 6 | 21 | 17 |
| Expected return on plan assets | (51) | (51) | (155) | (155) | (29) | (28) | (87) | (82) |
| <i>Amortization of:</i> | | | | | | | | |
| Net loss | 5 | 25 | 32 | 76 | — | 2 | 1 | 6 |
| Prior service cost (credit) | 1 | 1 | 3 | 3 | (12) | (14) | (38) | (40) |
| Settlement loss | 2 | 1 | 6 | 4 | — | — | — | — |
| Net periodic cost (credit) | \$ (13) | \$ 4 | \$ (23) | \$ 13 | \$ (30) | \$ (29) | \$ (90) | \$ (85) |
| Consumers | | | | | | | | |
| <i>Net periodic cost (credit)</i> | | | | | | | | |
| Service cost | \$ 9 | \$ 14 | \$ 32 | \$ 40 | \$ 4 | \$ 4 | \$ 13 | \$ 13 |
| Interest cost | 20 | 14 | 56 | 42 | 6 | 6 | 20 | 17 |
| Expected return on plan assets | (48) | (49) | (147) | (147) | (26) | (26) | (80) | (77) |
| <i>Amortization of:</i> | | | | | | | | |
| Net loss | 5 | 24 | 30 | 73 | — | 2 | — | 6 |
| Prior service cost (credit) | 1 | 1 | 3 | 3 | (13) | (12) | (38) | (38) |
| Settlement loss | 2 | 1 | 6 | 4 | — | — | — | — |
| Net periodic cost (credit) | \$ (11) | \$ 5 | \$ (20) | \$ 15 | \$ (29) | \$ (26) | \$ (85) | \$ (79) |

8: 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 | 2022 | 2021 |
|--|--------|--------|
| CMS Energy, including Consumers | | |
| U.S. federal income tax rate | 21.0 % | 21.0 % |
| <i>Increase (decrease) in income taxes from:</i> | | |
| State and local income taxes, net of federal effect | 5.6 | 5.5 |
| TCJA excess deferred taxes ¹ | (7.2) | (5.8) |
| Production tax credits | (5.2) | (4.8) |
| Accelerated flow-through of regulatory tax benefits ² | (4.3) | (3.2) |
| Other, net | 0.1 | 0.1 |
| Effective tax rate | 10.0 % | 12.8 % |
| Consumers | | |
| U.S. federal income tax rate | 21.0 % | 21.0 % |
| <i>Increase (decrease) in income taxes from:</i> | | |
| State and local income taxes, net of federal effect | 5.3 | 5.2 |
| TCJA excess deferred taxes ¹ | (5.9) | (4.6) |
| Production tax credits | (3.8) | (3.5) |
| Accelerated flow-through of regulatory tax benefits ² | (3.5) | (2.2) |
| Other, net | (0.4) | (0.5) |
| Effective tax rate | 12.7 % | 15.4 % |

¹ In September 2020, the MPSC authorized Consumers to accelerate the amortization of a gas regulatory liability associated with unprotected, non-property-related excess deferred income taxes resulting from the TCJA. The regulatory liability, which was previously scheduled to be amortized through 2029, will now be fully amortized by the end of 2022.

² In September 2020, the MPSC authorized Consumers to accelerate the amortization of income tax benefits associated with the cost to remove gas plant assets. These tax benefits, which were previously scheduled to be amortized through 2025, will now be fully amortized by the end of 2022.

9: Earnings Per Share—CMS Energy

Presented in the following table are CMS Energy's basic and diluted EPS computations based on income from continuing operations:

| September 30 | Three Months Ended | | Nine Months Ended | |
|--|--------------------|---------|-------------------|---------|
| | 2022 | 2021 | 2022 | 2021 |
| <i>In Millions, Except Per Share Amounts</i> | | | | |
| <i>Income available to common stockholders</i> | | | | |
| Income from continuing operations | \$ 163 | \$ 153 | \$ 646 | \$ 614 |
| Less loss attributable to noncontrolling interests | (2) | (6) | (16) | (18) |
| Less preferred stock dividends | 2 | 3 | 7 | 3 |
| Income from continuing operations available to common stockholders – basic and diluted | \$ 163 | \$ 156 | \$ 655 | \$ 629 |
| <i>Average common shares outstanding</i> | | | | |
| Weighted-average shares – basic | 289.6 | 289.1 | 289.5 | 288.9 |
| Add dilutive nonvested stock awards | 0.4 | 0.5 | 0.4 | 0.5 |
| Add dilutive forward equity sale contracts | 0.1 | — | 0.1 | — |
| Weighted-average shares – diluted | 290.1 | 289.6 | 290.0 | 289.4 |
| <i>Income from continuing operations per average common share available to common stockholders</i> | | | | |
| Basic | \$ 0.56 | \$ 0.54 | \$ 2.26 | \$ 2.18 |
| Diluted | 0.56 | 0.54 | 2.26 | 2.18 |

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 3, Financings and Capitalization.

10: Revenue

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

In Millions

| Three Months Ended September 30, 2022 | Electric Utility | Gas Utility | NorthStar Clean Energy ¹ | Consolidated |
|--|------------------|-------------|-------------------------------------|--------------|
| CMS Energy, including Consumers | | | | |
| Consumers utility revenue | \$ 1,591 | \$ 294 | \$ — | \$ 1,885 |
| Other | — | — | 70 | 70 |
| Revenue recognized from contracts with customers | \$ 1,591 | \$ 294 | \$ 70 | \$ 1,955 |
| Leasing income | — | — | 68 | 68 |
| Financing income | 3 | 1 | — | 4 |
| Consumers alternative-revenue programs | — | (3) | — | (3) |
| Total operating revenue – CMS Energy | \$ 1,594 | \$ 292 | \$ 138 | \$ 2,024 |
| Consumers | | | | |
| <i>Consumers utility revenue</i> | | | | |
| Residential | \$ 767 | \$ 190 | \$ — | \$ 957 |
| Commercial | 515 | 51 | — | 566 |
| Industrial | 226 | 10 | — | 236 |
| Other | 83 | 43 | — | 126 |
| Revenue recognized from contracts with customers | \$ 1,591 | \$ 294 | \$ — | \$ 1,885 |
| Financing income | 3 | 1 | — | 4 |
| Alternative-revenue programs | — | (3) | — | (3) |
| Total operating revenue – Consumers | \$ 1,594 | \$ 292 | \$ — | \$ 1,886 |

¹ Amounts represent NorthStar Clean Energy's operating revenue from independent power production and its sales of energy commodities. NorthStar Clean Energy'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. NorthStar Clean Energy's leasing income included variable lease payments of \$57 million for the three months ended September 30, 2022.

In Millions

| Three Months Ended September 30, 2021 | Electric Utility | Gas Utility | NorthStar Clean Energy ¹ | Consolidated |
|--|------------------|-------------|-------------------------------------|--------------|
| CMS Energy, including Consumers | | | | |
| Consumers utility revenue | \$ 1,416 | \$ 224 | \$ — | \$ 1,640 |
| Other | — | — | 31 | 31 |
| Revenue recognized from contracts with customers | \$ 1,416 | \$ 224 | \$ 31 | \$ 1,671 |
| Leasing income | — | — | 50 | 50 |
| Financing income | 2 | 1 | — | 3 |
| Consumers alternative-revenue programs | 1 | — | — | 1 |
| Total operating revenue – CMS Energy | \$ 1,419 | \$ 225 | \$ 81 | \$ 1,725 |
| Consumers | | | | |
| <i>Consumers utility revenue</i> | | | | |
| Residential | \$ 718 | \$ 143 | | \$ 861 |
| Commercial | 456 | 36 | | 492 |
| Industrial | 167 | 5 | | 172 |
| Other | 75 | 40 | | 115 |
| Revenue recognized from contracts with customers | \$ 1,416 | \$ 224 | | \$ 1,640 |
| Financing income | 2 | 1 | | 3 |
| Alternative-revenue programs | 1 | — | | 1 |
| Total operating revenue – Consumers | \$ 1,419 | \$ 225 | | \$ 1,644 |

¹ Amounts represent NorthStar Clean Energy's operating revenue from independent power production and its sales of energy commodities. NorthStar Clean Energy'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. NorthStar Clean Energy's leasing income included variable lease payments of \$35 million for the three months ended September 30, 2021.

In Millions

| Nine Months Ended September 30, 2022 | Electric Utility | Gas Utility | NorthStar Clean Energy ¹ | Consolidated |
|--|------------------|-----------------|-------------------------------------|-----------------|
| CMS Energy, including Consumers | | | | |
| Consumers utility revenue | \$ 4,151 | \$ 1,809 | \$ — | \$ 5,960 |
| Other | — | — | 155 | 155 |
| Revenue recognized from contracts with customers | \$ 4,151 | \$ 1,809 | \$ 155 | \$ 6,115 |
| Leasing income | — | — | 192 | 192 |
| Financing income | 8 | 5 | — | 13 |
| Consumers alternative-revenue programs | 1 | (3) | — | (2) |
| Total operating revenue – CMS Energy | \$ 4,160 | \$ 1,811 | \$ 347 | \$ 6,318 |
| Consumers | | | | |
| <i>Consumers utility revenue</i> | | | | |
| Residential | \$ 1,955 | \$ 1,239 | | \$ 3,194 |
| Commercial | 1,319 | 371 | | 1,690 |
| Industrial | 601 | 53 | | 654 |
| Other | 276 | 146 | | 422 |
| Revenue recognized from contracts with customers | \$ 4,151 | \$ 1,809 | | \$ 5,960 |
| Financing income | 8 | 5 | | 13 |
| Alternative-revenue programs | 1 | (3) | | (2) |
| Total operating revenue – Consumers | \$ 4,160 | \$ 1,811 | | \$ 5,971 |

¹ Amounts represent NorthStar Clean Energy's operating revenue from independent power production and its sales of energy commodities. NorthStar Clean Energy'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. NorthStar Clean Energy's leasing income included variable lease payments of \$154 million for the nine months ended September 30, 2022.

In Millions

| Nine Months Ended September 30, 2021 | Electric Utility | Gas Utility | NorthStar Clean Energy ¹ | Consolidated |
|--|------------------|-------------|-------------------------------------|--------------|
| CMS Energy, including Consumers | | | | |
| Consumers utility revenue | \$ 3,705 | \$ 1,357 | \$ — | \$ 5,062 |
| Other | — | — | 86 | 86 |
| Revenue recognized from contracts with customers | \$ 3,705 | \$ 1,357 | \$ 86 | \$ 5,148 |
| Leasing income | — | — | 136 | 136 |
| Financing income | 7 | 4 | — | 11 |
| Consumers alternative-revenue programs | 1 | — | — | 1 |
| Total operating revenue – CMS Energy | \$ 3,713 | \$ 1,361 | \$ 222 | \$ 5,296 |
| Consumers | | | | |
| <i>Consumers utility revenue</i> | | | | |
| Residential | \$ 1,847 | \$ 917 | | \$ 2,764 |
| Commercial | 1,191 | 258 | | 1,449 |
| Industrial | 458 | 36 | | 494 |
| Other | 209 | 146 | | 355 |
| Revenue recognized from contracts with customers | \$ 3,705 | \$ 1,357 | | \$ 5,062 |
| Financing income | 7 | 4 | | 11 |
| Alternative-revenue programs | 1 | — | | 1 |
| Total operating revenue – Consumers | \$ 3,713 | \$ 1,361 | | \$ 5,074 |

¹ Amounts represent NorthStar Clean Energy's operating revenue from independent power production and its sales of energy commodities. NorthStar Clean Energy'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. NorthStar Clean Energy's leasing income included variable lease payments of \$94 million for the nine months ended September 30, 2021.

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.

Alternative-Revenue Program: Consumers accounts for its financial compensation mechanism as an alternative-revenue program. Consumers recognizes revenue related to the financial compensation mechanism as payments are made on MPSC-approved PPAs.

Under a gas revenue decoupling mechanism authorized by the MPSC, Consumers is allowed to adjust future gas rates for differences between Consumers' actual weather-normalized, non-fuel revenues and the revenues approved by the MPSC. Consumers accounts for this program as an alternative-revenue program that meets the criteria for recognizing the effects of decoupling adjustments on revenue as gas is delivered.

Consumers does not reclassify revenue from its alternative-revenue program to revenue from contracts with customers at the time the amounts are collected from customers.

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 \$13 million for the three months ended September 30, 2022 and \$6 million for the three months ended September 30, 2021. CMS Energy and Consumers recorded uncollectible accounts expense of \$31 million for the nine months ended September 30, 2022 and \$17 million for the nine months ended September 30, 2021.

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 \$369 million at September 30, 2022 and \$486 million at December 31, 2021.

11: 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:

| | <i>In Millions</i> | |
|--|--------------------|-------------------|
| | September 30, 2022 | December 31, 2021 |
| CMS Energy, including Consumers | | |
| Cash and cash equivalents | \$ 168 | \$ 452 |
| Restricted cash and cash equivalents | 27 | 24 |
| Cash and cash equivalents, including restricted amounts – CMS Energy | \$ 195 | \$ 476 |
| Consumers | | |
| Cash and cash equivalents | \$ 83 | \$ 22 |
| Restricted cash and cash equivalents | 27 | 22 |
| Cash and cash equivalents, including restricted amounts – Consumers | \$ 110 | \$ 44 |

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.

12: 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, 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
- NorthStar Clean Energy (formerly known as the enterprises segment), 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

In August 2022, CMS Enterprises Company changed its legal name to NorthStar Clean Energy Company. To align the segment reporting with the legal organizational structure and the internal reporting of CMS Energy, the enterprises segment will now be referred to as NorthStar Clean Energy. There were no changes to CMS Energy's reportable segment composition as a result of this name change.

In October 2021, EnerBank was acquired by Regions Bank. As a result, EnerBank was removed from the composition of CMS Energy's reportable segments. EnerBank's results of operations through the date of the sale are presented as income from discontinued operations on CMS Energy's consolidated statements of income. For information regarding the sale of EnerBank, see Note 14, Exit Activities and Discontinued Operations.

CMS Energy presents corporate interest and other expenses, discontinued operations, 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, 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:

| | <i>In Millions</i> | | | |
|--|--------------------|----------|-------------------|----------|
| September 30 | Three Months Ended | | Nine Months Ended | |
| | 2022 | 2021 | 2022 | 2021 |
| CMS Energy, including Consumers | | | | |
| <i>Operating revenue</i> | | | | |
| Electric utility | \$ 1,594 | \$ 1,419 | \$ 4,160 | \$ 3,713 |
| Gas utility | 292 | 225 | 1,811 | 1,361 |
| NorthStar Clean Energy | 138 | 81 | 347 | 222 |
| Total operating revenue – CMS Energy | \$ 2,024 | \$ 1,725 | \$ 6,318 | \$ 5,296 |
| Consumers | | | | |
| <i>Operating revenue</i> | | | | |
| Electric utility | \$ 1,594 | \$ 1,419 | \$ 4,160 | \$ 3,713 |
| Gas utility | 292 | 225 | 1,811 | 1,361 |
| Total operating revenue – Consumers | \$ 1,886 | \$ 1,644 | \$ 5,971 | \$ 5,074 |
| CMS Energy, including Consumers | | | | |
| <i>Net income (loss) available to common stockholders</i> | | | | |
| Electric utility | \$ 194 | \$ 195 | \$ 501 | \$ 504 |
| Gas utility | (13) | (9) | 239 | 208 |
| NorthStar Clean Energy | 11 | 7 | 26 | 26 |
| Other reconciling items | (29) | (7) | (107) | (27) |
| Total net income available to common stockholders – CMS Energy | \$ 163 | \$ 186 | \$ 659 | \$ 711 |
| Consumers | | | | |
| <i>Net income (loss) available to common stockholder</i> | | | | |
| Electric utility | \$ 194 | \$ 195 | \$ 501 | \$ 504 |
| Gas utility | (13) | (9) | 239 | 208 |
| Other reconciling items | 8 | — | 4 | (1) |
| Total net income available to common stockholder – Consumers | \$ 189 | \$ 186 | \$ 744 | \$ 711 |

In Millions

| | September 30, 2022 | December 31, 2021 |
|---|--------------------|-------------------|
| CMS Energy, including Consumers | | |
| <i>Plant, property, and equipment, gross</i> | | |
| Electric utility ¹ | \$ 17,720 | \$ 18,147 |
| Gas utility ¹ | 11,233 | 10,601 |
| NorthStar Clean Energy | 1,146 | 1,122 |
| Other reconciling items | 26 | 23 |
| Total plant, property, and equipment, gross – CMS Energy | \$ 30,125 | \$ 29,893 |
| Consumers | | |
| <i>Plant, property, and equipment, gross</i> | | |
| Electric utility ¹ | \$ 17,720 | \$ 18,147 |
| Gas utility ¹ | 11,233 | 10,601 |
| Other reconciling items | 25 | 23 |
| Total plant, property, and equipment, gross – Consumers | \$ 28,978 | \$ 28,771 |
| CMS Energy, including Consumers | | |
| <i>Total assets</i> | | |
| Electric utility ¹ | \$ 17,362 | \$ 16,493 |
| Gas utility ¹ | 11,499 | 10,517 |
| NorthStar Clean Energy | 1,434 | 1,312 |
| Other reconciling items | 77 | 431 |
| Total assets – CMS Energy | \$ 30,372 | \$ 28,753 |
| Consumers | | |
| <i>Total assets</i> | | |
| Electric utility ¹ | \$ 17,423 | \$ 16,555 |
| Gas utility ¹ | 11,545 | 10,564 |
| Other reconciling items | 24 | 21 |
| Total assets – Consumers | \$ 28,992 | \$ 27,140 |

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

13: Variable Interest Entities

In June 2022, NorthStar Clean Energy sold a Class A membership interest in NWO Holdco to a tax equity investor for \$49 million. NWO Holdco owns 100 percent of Northwest Ohio Wind, LLC, a 105-MW wind generation project in Paulding County, Ohio. NorthStar Clean Energy retained a Class B membership interest in NWO Holdco.

NorthStar Clean Energy has a 51-percent ownership interest in Aviator Wind Equity Holdings, which holds a Class B membership interest in Aviator Wind, a 525-MW wind generation project in Coke County, Texas. The Class A membership interest in Aviator Wind is held by a tax equity investor.

Earnings, tax attributes, and cash flows generated by NWO Holdco and Aviator Wind are allocated among and distributed to the membership classes in accordance with the ratios specified in the associated limited liability company agreements; these ratios change over time and are not representative of the ownership interest percentages of each membership class. Since NWO Holdco's and Aviator Wind's income and cash flows are not distributed among their investors based on ownership interest percentages,

NorthStar Clean Energy allocates the entities' income (loss) among the investors by applying the hypothetical liquidation at book value method. This method calculates each investor's earnings based on a hypothetical liquidation of the entities at the net book value of 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.

NWO Holdco, Aviator Wind Equity Holdings, and Aviator Wind are VIEs. In accordance with the associated limited liability company agreements, the tax equity investors are guaranteed preferred returns from NWO Holdco and Aviator Wind. However, NorthStar Clean Energy manages and controls the operating activities of NWO Holdco and Aviator Wind Equity Holdings (and, thereby, Aviator Wind). As a result, NorthStar Clean Energy is the primary beneficiary, 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. NorthStar Clean Energy consolidates NWO Holdco, Aviator Wind Equity Holdings, and Aviator Wind and presents the Class A membership interests and 49 percent of the Class B membership interest in Aviator Wind as noncontrolling interests.

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

| | <i>In Millions</i> | |
|--------------------------------------|--------------------|-------------------|
| | September 30, 2022 | December 31, 2021 |
| <i>Current</i> | | |
| Cash and cash equivalents | \$ 33 | \$ 21 |
| Restricted cash and cash equivalents | — | 1 |
| Accounts receivable | 6 | 3 |
| Prepayments and other current assets | 3 | 2 |
| <i>Non-current</i> | | |
| Plant, property, and equipment, net | 833 | 856 |
| Total assets ¹ | \$ 875 | \$ 883 |
| <i>Current</i> | | |
| Accounts payable | \$ 15 | \$ 17 |
| Other Liabilities | — | 2 |
| <i>Non-current</i> | | |
| Asset retirement obligations | 24 | 23 |
| Other Liabilities | | 4 |
| Total liabilities | \$ 39 | \$ 46 |

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

NorthStar Clean Energy is obligated under certain indemnities that protect the tax equity investors against losses incurred as a result of breaches of representations and warranties under the associated limited liability company agreements. For additional details on these indemnity obligations, see Note 2, Contingencies and Commitments—Guarantees.

Other VIEs: CMS Energy has variable interests in T.E.S. Filer City, Grayling, Genesee, and Craven. While CMS Energy owns 50 percent of each partnership, it is not the primary beneficiary of any of these partnerships because decision making is shared among unrelated parties, and no one party has the ability to direct the activities that most significantly impact the entities' economic performance, such as operations and maintenance, plant dispatch, and fuel strategy. The partners must agree on all major decisions for each of the partnerships.

Presented in the following table is information about these partnerships:

| Name | Nature of the Entity | Nature of CMS Energy's Involvement |
|-------------------|-----------------------------------|--|
| T.E.S. Filer City | Coal-fueled power generator | Long-term PPA between partnership and Consumers Employee assignment agreement |
| Grayling | Wood waste-fueled power generator | Long-term PPA between partnership and Consumers Reduced dispatch agreement with Consumers ¹ Operating and management contract |
| Genesee | Wood waste-fueled power generator | Long-term PPA between partnership and Consumers Reduced dispatch agreement with Consumers ¹ Operating and management contract |
| Craven | Wood waste-fueled power generator | Operating and management contract |

¹ Reduced dispatch agreements allow the facilities to be dispatched based on the market price of power compared with the cost of production of the plants. This results in fuel cost savings that each partnership shares with Consumers' customers.

The creditors of these partnerships do not have recourse to the general credit of CMS Energy or Consumers. CMS Energy and Consumers have not provided any financial or other support during the periods presented that was not previously contractually required.

CMS Energy's investment in these partnerships is included in investments on its consolidated balance sheets in the amount of \$70 million at September 30, 2022 and \$71 million at December 31, 2021.

14: Exit Activities and Discontinued Operations

Exit Activities: Under its Clean Energy Plan, Consumers plans to retire the D.E. Karn coal-fueled electric generating units in 2023. In 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. In its order in Consumers' 2020 electric rate case, the MPSC approved deferred accounting treatment for these costs; Consumers began deferring these costs as a regulatory asset in 2021.

Under the 2021 IRP, Consumers will retire the J.H. Campbell coal-fueled generating units in 2025. Similar to the D.E. Karn program, Consumers is providing a retention incentive program to ensure necessary staffing at the J.H. Campbell generating complex through retirement. Based on the number of employees that have chosen to participate, the aggregate cost of the program through 2025 is estimated to be \$50 million. Additionally, Consumers recognized \$4 million related to severance benefits during the nine months ended September 30, 2022. This amount was recorded in other non-current liabilities on its consolidated balance sheets at September 30, 2022. The 2021 IRP provides deferred accounting treatment for the retention and severance costs recognized during 2022; deferral of costs beyond 2022 will be addressed in future rate cases.

As of September 30, 2022, the cumulative cost incurred and charged to expense related to the D.E. Karn retention incentive program was \$16 million. Additionally, an amount of \$4 million has been capitalized as a cost of plant, property, and equipment and an amount of \$11 million has been deferred as a regulatory asset. The cumulative cost incurred and deferred as a regulatory asset related to the J.H. Campbell retention incentive program was \$10 million.

Presented in the following table is a reconciliation of the retention benefit liability recorded in other liabilities on Consumers' consolidated balance sheets:

| September 30 | <i>In Millions</i> | |
|---|--------------------|-------|
| | Nine Months Ended | |
| | 2022 | 2021 |
| Retention benefit liability at beginning of period | \$ 14 | \$ 11 |
| Costs deferred as a regulatory asset ¹ | 14 | 5 |
| Costs incurred and capitalized | — | 1 |
| Retention benefit liability at the end of the period ² | \$ 28 | \$ 17 |

¹ Includes \$11 million for the three months ended September 30, 2022 and \$2 million for the three months ended September 30, 2021.

² Includes current portion of other liabilities of \$25 million at September 30, 2022 and \$5 million at September 30, 2021.

Discontinued Operations: In October 2021, EnerBank was acquired by Regions Bank. CMS Energy received proceeds of over \$1.0 billion from the transaction and recognized a pre-tax gain of \$657 million in 2021. In March 2022, CMS Energy received \$6 million of additional proceeds as the result of a post-closing adjustment. Net of related transaction costs, CMS Energy recognized a pre-tax gain of \$5 million during the nine months ended September 30, 2022.

In December 2021, CMS Energy submitted a notice of disagreement to Regions Bank relating to a \$36 million negative post-closing purchase price adjustment that it believed was inconsistent with the merger agreement. In accordance with the merger agreement, the disputed adjustment was submitted to a mutually agreed upon independent accounting firm for final determination. In June 2022, the accounting firm rendered a determination on the disputed items entirely in favor of CMS Energy. As a result, no further adjustment was required in 2022.

EnerBank's results of operations through the date of the sale are presented as income from discontinued operations on CMS Energy's consolidated statements of income for the three and nine months ended

September 30, 2021. The table below presents the financial results of EnerBank included in income from discontinued operations:

| September 30 | <i>In Millions</i> | | | |
|---|--------------------|-------|-------------------|--------|
| | Three Months Ended | | Nine Months Ended | |
| | 2022 | 2021 | 2022 | 2021 |
| Operating revenue | \$ — | \$ 70 | \$ — | \$ 209 |
| <i>Expenses</i> | | | | |
| Operating expenses | — | 17 | — | 60 |
| Interest expense | — | 11 | — | 34 |
| Income before income taxes | \$ — | \$ 42 | \$ — | \$ 115 |
| Gain on sale ¹ | — | (3) | 5 | (8) |
| Income from discontinued operations before income taxes | \$ — | \$ 39 | \$ 5 | \$ 107 |
| Income tax expense | — | 9 | 1 | 25 |
| Income from discontinued operations, net of tax | \$ — | \$ 30 | \$ 4 | \$ 82 |

¹ Amounts in 2021 represent transaction costs.

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 2021 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 2021 Form 10-K, see Part I—Item 1. Financial Statements—Notes to the Unaudited Consolidated Financial Statements—Note 1, Regulatory Matters and Note 2, Contingencies and Commitments.

Item 1A. Risk Factors

There have been no material changes to the Risk Factors as previously disclosed in Part I—Item 1A. Risk Factors in the 2021 Form 10-K, which Risk Factors are incorporated herein by reference.

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 common stock for the three months ended September 30, 2022:

| 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, 2022 to July 31, 2022 | 16 | \$ 69.03 | — | — |
| August 1, 2022 to August 31, 2022 | 430 | 69.86 | — | — |
| September 1, 2022 to September 30, 2022 | 235 | 67.60 | — | — |
| Total | 681 | \$ 69.06 | — | — |

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.

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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 ¹ | — 145th Supplemental Indenture dated as of August 11, 2022 between Consumers Energy and The Bank of New York Mellon, as Trustee (Exhibit 4.1 to Form 8-K filed August 11, 2022 and incorporated herein by reference) |
| 10.1 | — \$1 billion unsecured Term Loan Credit Agreement dated as of July 22, 2022 among Consumers, the Banks defined therein, and U.S. Bank National Association, as Agent (Exhibit 10.1 to Form 10-Q for the quarterly period ended June 30, 2022 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 |
| 101.INS | — Inline XBRL Instance Document |
| 101.SCH | — Inline XBRL Taxonomy Extension Schema |
| 101.CAL | — Inline XBRL Taxonomy Extension Calculation Linkbase |
| 101.DEF | — Inline XBRL Taxonomy Extension Definition Linkbase |
| 101.LAB | — Inline XBRL Taxonomy Extension Labels Linkbase |
| 101.PRE | — Inline XBRL Taxonomy Extension Presentation Linkbase |
| 104 | — Cover Page Interactive Data File (the cover page XBRL tags are embedded in the Inline XBRL document) |

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 27, 2022

By:

/s/ Rejji P. Hayes

Rejji P. Hayes

Executive Vice President and Chief Financial Officer

CONSUMERS ENERGY COMPANY

Dated: October 27, 2022

By:

/s/ Rejji P. Hayes

Rejji P. Hayes

Executive Vice President and Chief Financial Officer

Certification of Garrick J. Rochow

I, Garrick J. Rochow, 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 27, 2022

By:

/s/ Garrick J. Rochow

Garrick J. Rochow
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 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 27, 2022

By:

/s/ Rejji P. Hayes

Rejji P. Hayes

Executive Vice President and Chief Financial Officer

Certification of Garrick J. Rochow

I, Garrick J. Rochow, 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 27, 2022

By:

/s/ Garrick J. Rochow

Garrick J. Rochow
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 27, 2022

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, 2022 as filed with the Securities and Exchange Commission on the date hereof (the “Report”), Garrick J. Rochow, 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 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/ Garrick J. Rochow

Name: Garrick J. Rochow
Title: President and Chief Executive Officer
Date: October 27, 2022

/s/ Rejji P. Hayes

Name: Rejji P. Hayes
Title: Executive Vice President and Chief Financial Officer
Date: October 27, 2022

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, 2022 as filed with the Securities and Exchange Commission on the date hereof (the “Report”), Garrick J. Rochow, 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 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/ Garrick J. Rochow

Name: Garrick J. Rochow
Title: President and Chief Executive Officer
Date: October 27, 2022

/s/ Rejji P. Hayes

Name: Rejji P. Hayes
Title: Executive Vice President and Chief Financial Officer
Date: October 27, 2022