

**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 March 31, 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	<b>CMS ENERGY CORPORATION</b> (A Michigan Corporation) One Energy Plaza, Jackson, Michigan 49201 (517) 788-0550	38-2726431
1-5611	<b>CONSUMERS ENERGY COMPANY</b> (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.

<b>CMS Energy Corporation:</b>		<b>Consumers Energy Company:</b>	
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 April 11, 2022:

<b>CMS Energy Corporation:</b>		
CMS Energy Corporation Common Stock, \$0.01 par value		290,129,103
<b>Consumers Energy Company:</b>		
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 March 31, 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

### **AOCI**

Accumulated other comprehensive income (loss)

### **Aviator Wind**

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

### **Aviator Wind Equity Holdings**

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

### **Bay Harbor**

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

### **bcf**

Billion cubic feet

### **CCR**

Coal combustion residual

### **CDC**

U.S. Centers for Disease Control and Prevention

### **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, CMS Enterprises, and, until October 1, 2021, EnerBank; on October 1, 2021, EnerBank was acquired by Regions Bank

**CMS Enterprises**

CMS Enterprises Company, a wholly owned subsidiary of CMS Energy

**CMS ERM**

CMS Energy Resource Management Company, a wholly owned subsidiary of CMS Enterprises, formerly known as CMS Marketing, Services and Trading Company

**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 CMS Enterprises

**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 CMS Enterprises, 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 CMS Enterprises

**Dodd-Frank Act**

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

**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 CMS Enterprises, has a 50-percent interest

**Grayling**

Grayling Generating Station Limited Partnership, a VIE in which HYDRA-CO Enterprises, Inc., a wholly owned subsidiary of CMS Enterprises, 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

**METC**

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

**MGP**

Manufactured gas plant

**MIOSHA**

Michigan Occupational Safety and Health Administration

**MISO**

Midcontinent Independent System Operator, Inc.

**mothball**

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

**MPSC**

Michigan Public Service Commission

**MW**

Megawatt, a unit of power equal to one million watts

**NAAQS**

National Ambient Air Quality Standards

**NPDES**

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

**NREPA**

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

**NSR**

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

**OPEB**

Other Post-Employment Benefits

**OPEB Plan**

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

**OSHA**

Occupational Safety and Health Administration

**PCB**

Polychlorinated biphenyl

**PHMSA**

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

**PPA**

Power purchase agreement

**PSCR**

Power supply cost recovery

**PURPA**

Public Utility Regulatory Policies Act of 1978

**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

**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 CMS Enterprises, 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 CMS Enterprises. None of CMS Energy, CMS Enterprises, nor any of CMS Energy's other subsidiaries (other than Consumers) has any obligation in respect of Consumers' debt securities or preferred stock and holders of such securities should not consider the financial resources or results of operations of CMS Energy, CMS Enterprises, nor any of CMS Energy's other subsidiaries (other than Consumers and its own subsidiaries (in relevant circumstances)) in making a decision with respect to Consumers' debt securities 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](http://www.cmsenergy.com). CMS Energy routinely posts important information on its website and considers the Investor Relations section, [www.cmsenergy.com/investor-relations](http://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, pension funding, PSCR and GCR costs, capital investment programs, cash flows, liquidity, maintenance of existing assets, and other operating expenses

- the impact of new regulation by the MPSC, FERC, and other applicable governmental proceedings and regulations, including any associated impact on electric or gas rates or rate structures
- potentially adverse regulatory treatment or failure to receive timely regulatory orders affecting Consumers that are or could come before the MPSC, FERC, or other governmental authorities
- changes in the performance of or regulations applicable to MISO, METC, pipelines, railroads, vessels, or other service providers that CMS Energy, Consumers, or any of their affiliates rely on to serve their customers
- the adoption of or challenges to federal or state laws or regulations or changes in applicable laws, rules, regulations, principles, or practices, or in their interpretation, such as those related to energy policy, ROA, PURPA, infrastructure integrity or security, cybersecurity, gas pipeline safety, gas pipeline capacity, energy waste reduction, the environment, regulation or deregulation, reliability, COVID-19 vaccination and testing requirements, health care reforms (including comprehensive health care reform enacted in 2010), taxes, accounting matters, climate change, air emissions, renewable energy, the Dodd-Frank Act, and other business issues that could have an impact on CMS Energy's, Consumers', or any of their affiliates' businesses or financial results
- factors affecting operations, such as costs and availability of personnel, equipment, and materials; weather conditions; natural disasters; catastrophic weather-related damage; scheduled or unscheduled equipment outages; maintenance or repairs; environmental incidents; failures of equipment or materials; electric transmission and distribution or gas pipeline system constraints; interconnection requirements; political and social unrest; general strikes; the government and/or paramilitary response to political or social events; and changes in trade policies or regulations
- the ability of 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 EGLE, the EPA, and/or the U.S. Army Corps of Engineers, and potential environmental remediation costs associated with these interpretations or decisions, including those that may affect Consumers' routine maintenance, repair, and replacement classification under NSR regulations
- changes in energy markets, including availability and price of electric capacity and the timing and extent of changes in commodity prices and availability and deliverability of coal, natural gas, natural gas liquids, electricity, oil, 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 of the future transition from LIBOR to an alternative reference interest rate in the credit and capital markets
- the investment performance of the assets of CMS Energy's and Consumers' pension and benefit plans, the discount rates, mortality assumptions, and future medical costs used in calculating the plans' obligations, and the resulting impact on future funding requirements

- the impact of the economy, particularly in Michigan, and potential future volatility in the financial and credit markets on CMS Energy's, Consumers', or any of their affiliates' revenues, ability to collect accounts receivable from customers, or cost and availability of capital
- changes in the economic and financial viability of CMS Energy's and Consumers' suppliers, customers, and other counterparties and the continued ability of these third parties, including those in bankruptcy, to meet their obligations to CMS Energy and Consumers
- population changes in the geographic areas where CMS Energy and Consumers conduct business
- national, regional, and local economic, competitive, and regulatory policies, conditions, and developments
- loss of customer demand for electric generation supply to alternative electric suppliers, increased use of 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 settlement agreement resolving the 2021 IRP filing or give rise to the termination of the associated purchase agreement, including any action by a regulatory authority or other third party to prohibit, delay, impair, or deny approval for or consent to the 2021 IRP or the consummation of the proposed acquisition
- 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.

# Part I—Financial Information

## Item 1. Financial Statements

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# CMS Energy Corporation

## Consumers Energy Company

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

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

## Executive Overview

CMS Energy is an energy company operating primarily in Michigan. It is the parent holding company of several subsidiaries, including Consumers, an electric and gas utility, and CMS Enterprises, primarily a domestic independent power producer and marketer. 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. 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. CMS Enterprises, through its subsidiaries and equity investments, is engaged in domestic independent power production, including the development and operation of renewable generation, and the marketing of independent power production.

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

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

## 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' OSHA recordable incident rate has decreased by 40 percent.

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

In addition, while CMS Energy and Consumers have experienced some supply chain disruptions, they continue to provide safe and reliable service to customers.

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

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

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

**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, 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 oxide 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 settlement agreement is pending approval by the MPSC.

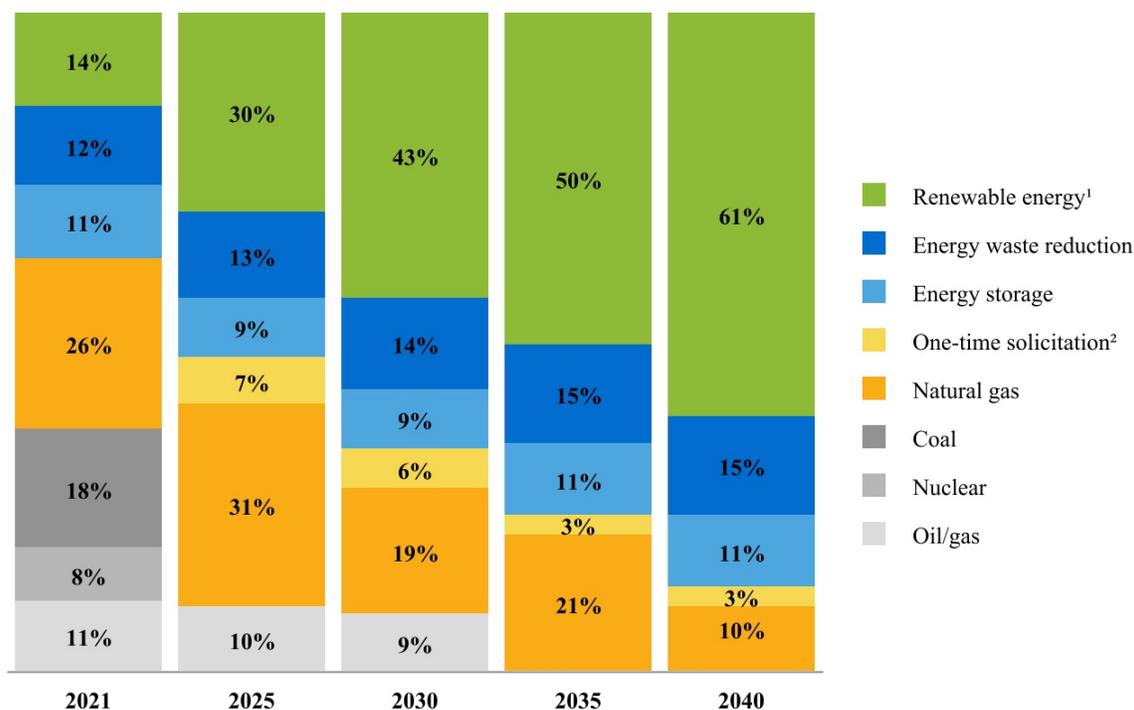
The settlement agreement resolving the 2021 IRP outlines Consumers’ long-term strategy for delivering clean, reliable, resilient, and affordable energy to its customers, including plans to:

- 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 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 settlement agreement resolving the 2021 IRP, Consumers would 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, as settled, would 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 the proposed 2021 IRP settlement. This illustration includes the effects of purchased capacity and energy waste reduction and uses the nameplate capacity for all energy sources:



<sup>1</sup> Does not include RECs.

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

In addition to its plan to eliminate its use of coal-fueled generation by 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. 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 five-year targets during 2018:

- to reduce its water use by one billion gallons; since 2017, Consumers reduced its water usage by over 1.3 billion gallons cumulatively
- to enhance, restore, or protect 5,000 acres of land; since 2017, Consumers enhanced, restored, or protected over 6,000 acres of land cumulatively
- to reduce the amount of waste taken to landfills by 35 percent; compared to 2017, Consumers reduced its landfill waste by 44 percent in 2021

Consumers exceeded each of these targets and is evaluating new targets for the coming years.

CMS Energy and Consumers are monitoring numerous legislative, policy, and regulatory initiatives, including those to regulate greenhouse gases, and related litigation. While CMS Energy and Consumers cannot predict the outcome of these matters, which could 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 three months ended March 31, 2022, CMS Energy's net income available to common stockholders was \$351 million, and diluted EPS were \$1.21. This compares with net income available to common stockholders of \$349 million and diluted EPS of \$1.21 for the three months ended March 31, 2021. In 2022, higher electric and gas sales due primarily to favorable weather were offset partially by increased distribution, transmission, generation, and compression expenses and increased depreciation and property taxes, reflecting higher capital spending. 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

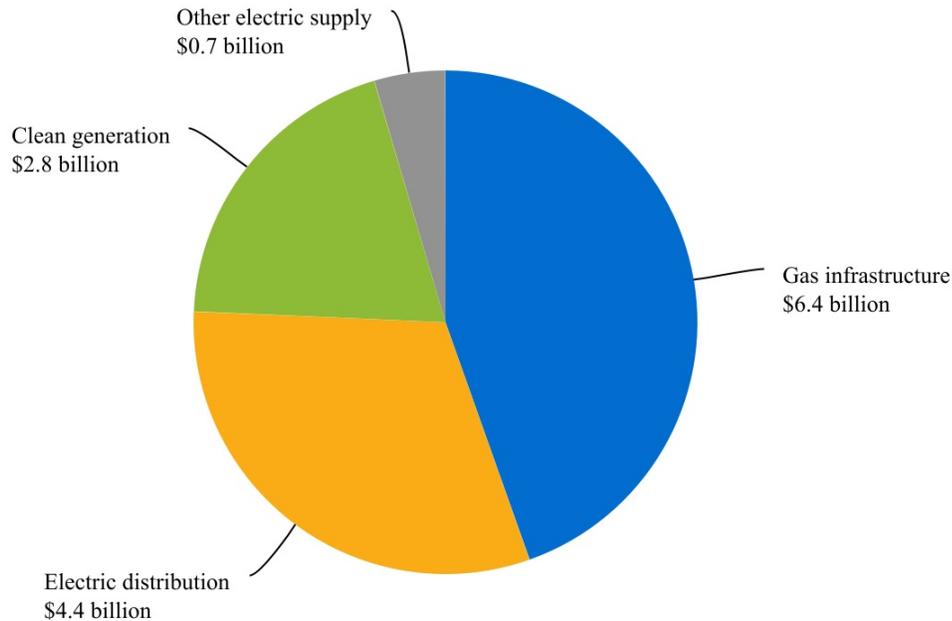
CMS Energy and Consumers remain committed to achieving world class performance while delivering hometown service and positively impacting the triple bottom line of people, planet, and profit. During 2021, CMS Energy and Consumers:

- realized approximately \$55 million in cost reductions by leveraging the CE Way and through other initiatives
- introduced a new economic development rate designed to attract new business to Michigan and encourage existing businesses to expand their operations
- achieved five-year planet goals, set in 2018, to save one billion gallons of water; enhance, restore or protect 5,000 acres of land in Michigan; and reduce waste sent to landfills by 35 percent
- introduced a new three-year electric vehicle pilot program designed to help fleet owners transition to electric vehicles
- announced plans to begin development of a renewable natural gas facility that will convert agricultural waste into clean, renewable natural gas
- expanded their renewable energy programs that assist both business and residential customers in meeting their sustainability goals
- 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 settlement agreement resolving the 2021 IRP, which is subject to MPSC approval, would add nearly \$1 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.

*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. The filing requests authority to recover new infrastructure investment and related costs that are expected to allow Consumers to improve system safety and reliability and reduce fugitive methane emissions. In April 2022, Consumers reduced its requested annual rate increase to \$233 million, based on a 10.25 percent authorized return on equity.

## 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

	<i>In Millions, Except Per Share Amounts</i>		
Three Months Ended March 31	2022	2021	Change
Net Income Available to Common Stockholders	\$ 351	\$ 349	\$ 2
Basic Earnings Per Average Common Share	\$ 1.21	\$ 1.21	\$ —
Diluted Earnings Per Average Common Share	\$ 1.21	\$ 1.21	\$ —

	<i>In Millions</i>		
Three Months Ended March 31	2022	2021	Change
Electric utility	\$ 167	\$ 155	\$ 12
Gas utility	216	181	35
Enterprises	8	14	(6)
Corporate interest and other	(44)	(35)	(9)
Discontinued operations	4	34	(30)
Net Income Available to Common Stockholders	\$ 351	\$ 349	\$ 2

Presented in the following table is a summary of after-tax changes to net income available to common stockholders for the three months ended March 31, 2022 versus 2021:

	<i>In Millions</i>	
Three Months Ended March 31, 2021	\$	349
<i>Reasons for the change</i>		
<i>Consumers electric utility and gas utility</i>		
Electric sales	\$	16
Gas sales		39
Electric rate increase		4
Lower income tax expense		17
Lower non-operating retirement benefits expenses		5
Higher distribution, transmission, generation, and compression expenses		(13)
Higher property taxes, reflecting higher capital spending		(6)
Higher depreciation and amortization		(5)
Higher forestry costs		(4)
Other		(6)
	\$	47
<i>Enterprises</i>		(6)
<i>Corporate interest and other</i>		(9)
<i>Discontinued operations</i>		(30)
Three Months Ended March 31, 2022	\$	351

## Consumers Electric Utility Results of Operations

Presented in the following table are the detailed changes to the electric utility's net income available to common stockholders for the three months ended March 31, 2022 versus 2021 (amounts are presented pre-tax, with the exception of income tax changes):

	<i>In Millions</i>	
Three Months Ended March 31, 2021	\$	155
<i>Reasons for the change</i>		
<i>Electric deliveries<sup>1</sup> and rate increases</i>		
Higher revenue due primarily to favorable weather and sales mix	\$	22
Rate increase, including return on higher renewable capital spending		5
Lower energy waste reduction program revenues		(5)
Lower other revenues		(1)
	\$	21
<i>Maintenance and other operating expenses</i>		
Lower energy waste reduction program costs		5
Higher distribution, transmission, and generation expenses		(8)
Higher forestry costs		(5)
Higher maintenance and other operating expenses		(4)
		(12)
<i>Depreciation and amortization</i>		
Increased plant in service, reflecting higher capital spending, net of impact from depreciation rate case settlement		2
<i>General taxes</i>		
Higher property taxes, reflecting higher capital spending		(3)
<i>Other income, net of expenses</i>		
Lower non-operating retirement benefits expenses and other		4
<i>Interest charges</i>		
		1
<i>Income taxes</i>		
Higher electric utility pre-tax earnings		(3)
Lower other income taxes		2
		(1)
Three Months Ended March 31, 2022	\$	167

<sup>1</sup> Deliveries to end-use customers were 9.2 billion kWh in 2022 and 8.7 billion kWh in 2021.

## Consumers Gas Utility Results of Operations

Presented in the following table are the detailed changes to the gas utility's net income available to common stockholders for the three months ended March 31, 2022 versus 2021 (amounts are presented pre-tax, with the exception of income tax changes):

	<i>In Millions</i>	
Three Months Ended March 31, 2021	\$	181
<i>Reasons for the change</i>		
<i>Gas deliveries<sup>1</sup> and rate increases</i>		
Higher revenue due primarily to favorable weather and sales mix	\$	54
Lower other revenues		(3)
		<u>51</u>
<i>Maintenance and other operating expenses</i>		
Higher distribution, transmission, and compression expenses		(9)
Higher maintenance and other operating expenses		(1)
		<u>(10)</u>
<i>Depreciation and amortization</i>		
Increased plant in service, reflecting higher capital spending		(9)
<i>General taxes</i>		
Higher property taxes, reflecting higher capital spending		(7)
<i>Other income, net of expenses</i>		
Lower non-operating retirement benefits expenses and other		2
<i>Interest charges</i>		
		(1)
<i>Income taxes</i>		
Lower income tax expense due primarily to accelerated amortization of excess deferred income taxes <sup>2</sup>		9
Lower income tax expense due primarily to acceleration of tax benefits associated with cost of removal <sup>2</sup>		7
Higher gas utility pre-tax earnings		(7)
		<u>9</u>
Three Months Ended March 31, 2022	\$	216

<sup>1</sup> Deliveries to end-use customers were 140 bcf in 2022 and 124 bcf in 2021.

<sup>2</sup> See Note 7, Income Taxes.

## Enterprises Results of Operations

Presented in the following table are the detailed after-tax changes to the enterprises segment's net income available to common stockholders for the three months ended March 31, 2022 versus 2021:

	<i>In Millions</i>	
Three Months Ended March 31, 2021	\$	14
<i>Reason for the change</i>		
Lower earnings at DIG and equity method investees	\$	(6)
Three Months Ended March 31, 2022	\$	8

## Corporate Interest and Other Results of Operations

Presented in the following table are the detailed after-tax changes to corporate interest and other results for the three months ended March 31, 2022 versus 2021:

	<i>In Millions</i>	
Three Months Ended March 31, 2021	\$	(35)
<i>Reasons for the change</i>		
Consolidated tax adjustment	\$	(7)
Preferred stock dividends		(2)
Three Months Ended March 31, 2022	\$	(44)

## Results of Discontinued Operations

On October 1, 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 months ended March 31, 2021. For additional details see, Note 13, Exit Activities and Discontinued Operations.

Presented in the following table are the detailed after-tax changes to discontinued operations for the three months ended March 31, 2022 versus 2021:

	<i>In Millions</i>	
Three Months Ended March 31, 2021	\$	34
<i>Reason for the change</i>		
Additional EnerBank sale proceeds, net of tax and transaction costs	\$	4
Absence of 2021 earnings from discontinued operations		(34)
Three Months Ended March 31, 2022	\$	4

## Cash Position, Investing, and Financing

At March 31, 2022, CMS Energy had \$474 million of consolidated cash and cash equivalents, which included \$28 million of restricted cash and cash equivalents. At March 31, 2022, Consumers had \$38 million of consolidated cash and cash equivalents, which included \$26 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 three months ended March 31, 2022 versus 2021:

	<i>In Millions</i>
<b>CMS Energy, including Consumers</b>	
Three Months Ended March 31, 2021	\$ 832
<i>Reasons for the change</i>	
Higher net income	\$ 3
Non-cash transactions <sup>1</sup>	(17)
Gain from post-closing adjustment to 2021 sale of EnerBank <sup>2</sup>	(5)
Unfavorable impact of changes in core working capital, <sup>3</sup> due primarily to the timing of collections on higher gas and electric deliveries in 2022	(125)
Favorable impact of changes in other assets and liabilities, due primarily to an insurance recovery	19
Three Months Ended March 31, 2022	\$ 707
<b>Consumers</b>	
Three Months Ended March 31, 2021	\$ 841
<i>Reasons for the change</i>	
Higher net income	\$ 47
Non-cash transactions <sup>1</sup>	(8)
Unfavorable impact of changes in core working capital, <sup>3</sup> due primarily to the timing of collections on higher gas and electric deliveries in 2022	(144)
Favorable impact of changes in other assets and liabilities, due primarily to an insurance recovery	9
Three Months Ended March 31, 2022	\$ 745

<sup>1</sup> 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.

<sup>2</sup> For information regarding the sale of EnerBank, see Note 13, Exit Activities and Discontinued Operations.

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

## Investing Activities

Presented in the following table are specific components of net cash used in investing activities for the three months ended March 31, 2022 versus 2021:

	<i>In Millions</i>
<b>CMS Energy, including Consumers</b>	
Three Months Ended March 31, 2021	\$ (283)
<i>Reasons for the change</i>	
Higher capital expenditures	\$ (84)
Additional proceeds from post-closing adjustment related to 2021 sale of EnerBank <sup>1</sup>	5
Absence of cash provided by discontinued operations in 2021 <sup>1</sup>	(178)
Other investing activities	1
Three Months Ended March 31, 2022	\$ (539)
<b>Consumers</b>	
Three Months Ended March 31, 2021	\$ (458)
<i>Reasons for the change</i>	
Higher capital expenditures	\$ (73)
Other investing activities	2
Three Months Ended March 31, 2022	\$ (529)

<sup>1</sup> For information regarding the sale of EnerBank, see Note 13, Exit Activities and Discontinued Operations.

## Financing Activities

Presented in the following table are specific components of net cash used in financing activities for the three months ended March 31, 2022 versus 2021:

	<i>In Millions</i>	
<b>CMS Energy, including Consumers</b>		
Three Months Ended March 31, 2021	\$	(210)
<i>Reasons for the change</i>		
Higher debt retirements	\$	(1)
Lower issuances of common stock		(5)
Higher payments of dividends on common and preferred stock		(10)
Absence of cash used in discontinued operations in 2021 <sup>1</sup>		73
Other financing activities, primarily the payment of a long-term contract liability		(17)
Three Months Ended March 31, 2022	\$	(170)
<b>Consumers</b>		
Three Months Ended March 31, 2021	\$	(384)
<i>Reasons for the change</i>		
Higher repayments of borrowings from CMS Energy	\$	(142)
Higher stockholder contribution from CMS Energy		300
Lower payments of dividends on common stock		1
Other financing activities		3
Three Months Ended March 31, 2022	\$	(222)

<sup>1</sup> For information regarding the sale of EnerBank, see Note 13, 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 three months ended March 31, 2022, Consumers paid \$275 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 March 31, 2022, these contracts have an aggregate sales price of \$56 million, maturing through June 2022. 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 March 31, 2022, CMS Energy had \$526 million of its revolving credit facility available and Consumers had \$1.1 billion available under its revolving credit facilities. CMS Energy and Consumers use these credit facilities for general working capital purposes and to issue letters of credit. An additional source of liquidity is Consumers’ commercial paper program, which allows Consumers to issue, in one or more placements, up to \$500 million in the aggregate in commercial paper notes with maturities of up to 365 days at market interest rates. These issuances are supported by Consumers’ revolving credit facilities. While the amount of outstanding commercial paper does not reduce the available capacity of the revolving credit facilities, Consumers does not intend to issue commercial paper in an amount exceeding the available capacity of the facilities. At March 31, 2022, there were no commercial paper notes outstanding under this program. For additional details on CMS Energy’s and Consumers’ revolving credit facilities and commercial paper program, see 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 March 31, 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 March 31, 2022, as presented in the following table:

	Limit	Actual
<b>CMS Energy, parent only</b>		
Debt to Capital <sup>1</sup>	≤ 0.70 to 1.0	0.54 to 1.0
<b>Consumers</b>		
Debt to Capital <sup>2</sup>	≤ 0.65 to 1.0	0.46 to 1.0

<sup>1</sup> Applies to CMS Energy’s revolving credit agreement and letter of credit reimbursement agreement.

<sup>2</sup> Applies to Consumers’ revolving credit agreements and letter of credit agreement.

## 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 settlement agreement is pending approval by the MPSC.

Under the settlement agreement resolving the 2021 IRP, Consumers would eliminate the use of coal-fueled generation in 2025 and would expect to meet 90 percent of its customers' needs with clean energy sources by 2040. Specifically, the settlement agreement includes:

- 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 settlement agreement resolving the 2021 IRP, Consumers would receive regulatory asset treatment to recover the remaining book value of the J.H. Campbell coal-fueled generating units, as well as 9.0 percent return on equity.

The settlement agreement proposes that Consumers 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
- a one-time competitive solicitation to acquire approximately 700 MW of capacity 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 settlement agreement would accelerate Consumers' deployment of battery storage from 2030 to 2024, with 75 MW of energy storage by 2027 and 550 MW by 2040.

Under its 2021 IRP, Consumers would continue to bid new capacity competitively and would own and operate at least 50 percent of new capacity, with the remainder being built and owned by third parties. Under the settlement agreement resolving the 2021 IRP, Consumers would 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.

In support of its Clean Energy Plan, Consumers issued requests for proposals in 2019 and 2020, each to acquire up to 300 MW of new capacity from projects to be operational in Michigan's Lower Peninsula by May 2023. Specifically, Consumers solicited offers to enter into PPAs with or purchase solar generation projects ranging in size from 20 MW to 150 MW and to enter into PPAs with PURPA qualifying facilities up to 20 MW.

In addition, Consumers issued a request for proposals in September 2021 to acquire up to 500 MW of new capacity from projects to be operational in Michigan's Lower Peninsula by December 2024. Specifically, Consumers solicited offers to enter into PPAs with or purchase solar generation projects up to 300 MW in size and to enter into PPAs with PURPA qualifying facilities up to five MW in size. Consumers expects to acquire at least 250 MW through long-term PPAs. Any contracts entered into as a result of the requests for proposals would be subject to MPSC approval.

As a result of the 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 <sup>1</sup>	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
<i>2020 request</i>					
PPA (20 years)	30	Manistee, Michigan	2022	May 2021	September 2021
PPA (25 years) <sup>2</sup>	100	Calhoun County, Michigan	2023	October 2021	November 2021
PPA (20 years) <sup>2</sup>	125	Jackson County, Michigan	2023	October 2021	November 2021
Build transfer agreement	150	Southeastern Michigan	2024	October 2021	November 2021
<i>2021 request</i>					
PPA (25 years) <sup>3</sup>	150	Genesee and Saginaw County, Michigan	2024	March 2022	Pending
PPA (25 years) <sup>3</sup>	150	Hillsdale County, Michigan	2024	March 2022	Pending

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

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

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

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 the second half of 2022 or early 2023. Consumers anticipates that the supply of solar modules into the U.S. from affected countries will be substantially restricted until a final decision is reached and any additional tariffs or duties that may apply are known. Consumers is closely monitoring this situation and its impacts on 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 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 before 2024

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. Consumers issued the first request for proposals in March 2022.

**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. In June 2021, electric residential customers transitioned 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, 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 March 31, 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. All alternative electric suppliers have demonstrated that they have procured their capacity requirements through the MISO planning year beginning June 1, 2024.

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 a non-jury trial is scheduled for August 2022.

**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.

*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.

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	\$ 120
Operating and maintenance costs	55
Cost of capital	42
Sales and other revenue	49
Subtotal	\$ 266
Surcharge	6
Total	\$ 272

**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. Consumers 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.

**Retention Incentive Program:** 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. For additional details on this program, see Notes to the Unaudited Consolidated Financial Statements—Note 13, Exit Activities and Discontinued Operations.

Under the settlement agreement resolving the 2021 IRP, Consumers would retire the J.H. Campbell coal-fueled generating units in 2025. Similar to the D.E. Karn program, Consumers would provide a retention incentive program to ensure necessary staffing at the J.H. Campbell generating complex through retirement. No retention incentive costs related to this program will be recognized unless the MPSC approves the settlement agreement, which provides deferred accounting treatment for these costs.

**Electric Environmental Outlook:** Consumers' operations are subject to various state and federal environmental laws and regulations. Consumers estimates that it will incur capital expenditures of \$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. 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.

In 2012, the EPA published emission standards for electric generating units, known as MATS, based on Section 112 of the Clean Air Act. Under MATS, all of Consumers' existing coal-fueled electric generating units were required to add additional controls for hazardous air pollutants. Consumers met the deadline for five coal-fueled units and two oil/gas-fueled units it continues to operate and retired its seven remaining coal-fueled units. In 2020, the EPA finalized changes to the supporting analysis used to enact the MATS rule. However, in January 2022, the EPA announced a proposed rule to revoke this 2020 finding and reaffirm that it is appropriate and necessary to regulate emissions of hazardous air pollutants from coal- and oil-fueled power plants. The EPA is also considering whether more stringent protections for hazardous air pollution from power plants are feasible and warranted. Consumers will continue to monitor the MATS rule status and any pending litigation. Consumers does not expect any changes to the MATS rule will have a significant impact on its current MATS compliance 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, which became effective in 2017. In 2020, in response to a court-ordered remand due to litigation, the EPA proposed a revised CSAPR rule to reflect updated emission reductions from electric generating units in 12 states, including Michigan. The EPA finalized this revised rule in March 2021, with continued emission reductions through 2024. Consumers has evaluated its emission compliance strategy for existing units based on the proposed number of allowances allocated to Michigan for 2021 through 2024 and believes the impact of this rule should be minimal. In March 2022, the EPA proposed another revision to CSAPR with emission allowance allocations beginning in 2025. Consumers is evaluating this proposed rule and any potential impact on its generating units.

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. Specifically, seven counties in southeastern Michigan and three counties in western Michigan were not in attainment with the ozone standard by an August 2021 regulatory deadline, and thus will have their nonattainment designations increased from marginal to moderate. None of Consumers' fossil-fuel-fired generating units are located in these areas. The State of Michigan has convened industry workgroups to seek implementation and control strategy ideas for statewide compliance of the 2015 ozone standard, which will need to be in place by early 2023. In January 2022, EGLE submitted a request to the EPA for redesignation of the seven counties in southeastern Michigan to be in attainment with the 2015 ozone standard based on the most recent data. The EPA has proposed rulemaking to approve the redesignation request for southeastern Michigan and is expected to finalize the decision following a public comment period, which closed in April 2022. Consumers will continue to stay engaged with EGLE and the workgroups to assess potential impacts to its generating assets.

In 2020, the EPA decided to retain the 2015 NAAQS for ozone without revision. In October 2021, the EPA provided notice that it was going to reconsider the 2020 ozone NAAQS decision. The EPA believes it will complete this reconsideration by December 2023. This action may ultimately result in more ozone nonattainment areas in Michigan. Consumers will evaluate the impacts of the proposed NAAQS for ozone on its operations when the EPA releases its proposal.

In February 2022, the EPA proposed a federal implementation plan to address the "good neighbor" obligations of the Clean Air Act to reduce interstate transport issues that contribute to downwind states attaining or maintaining compliance with the 2015 NAAQS for ozone. The EPA has included 26 states within the federal implementation plan, including Michigan. The EPA is proposing a combination of compliance approaches by reducing allowance budgets under the CSAPR program as well as potentially

addressing non-electric generating unit emission sources. The prior CSAPR regulations have primarily focused on electric generating units, but this latest proposal also includes other emission sources. Consumers is currently evaluating the proposal and will evaluate the applicability and potential impacts to its electric operations.

In June 2021, the EPA announced that it would reconsider its previous decision to retain the current standard of NAAQS for particulate matter. In December 2021, the EPA indicated that the new NAAQS for particulate matter would be proposed in the summer of 2022. The new standard is expected to be significantly lower. Consumers will evaluate the impact of the proposed NAAQS for particulate matter on its operations when the EPA releases its proposal.

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

- a change in Consumers' fuel mix
- changes in the types of generating units Consumers may purchase or build in the future
- changes in how certain units are 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 of greenhouse gases. Consumers continues to monitor and comment on these initiatives and to follow litigation involving greenhouse gases.

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

In 2019, the EPA finalized the Affordable Clean Energy rule, which required individual states to evaluate coal-fueled power plants for heat-rate improvements that could increase overall plant efficiency. In January 2021, the D.C. Circuit Court of Appeals vacated and remanded this rule to the EPA, which, in turn, appealed the rule to the U.S. Supreme Court. In October 2021, the U.S. Supreme Court agreed to hear an appeal of this case, and oral arguments were held in February 2022. A decision is expected by June 2022. Consumers cannot evaluate the potential impact of the rule until any appeals and EPA actions are resolved. It is anticipated that the EPA will propose a new regulation in 2022 addressing greenhouse gas emissions from existing fossil-fueled electric generating units, potentially under the Clean Air Act; however, Consumers cannot predict the form and extent of such potential regulation as it is likely to be impacted by the U.S. Supreme Court's decision on the Affordable Clean Energy rule.

In 2015, a group of 195 countries, including the U.S., finalized the Paris Agreement, which addresses carbon dioxide reduction measures beginning in 2020. While the U.S. had withdrawn from the Paris Agreement, it rejoined the Paris Agreement in 2021. In April 2021, the U.S. announced it is committing to a nationally determined contribution under the Paris Agreement. Nationally determined contributions are the efforts by each country to reduce national greenhouse gas emissions. The commitment made by the U.S. is to reduce greenhouse gas emissions by 50 to 52 percent from 2005 levels by 2030. The settlement agreement resolving Consumers' 2021 IRP, which is pending MPSC approval, proposes a 60-percent reduction in its carbon emissions from 2005 levels by 2025. At this time, Consumers does not

expect any adverse changes to its environmental strategy as a result of these events, as the nationally determined contribution 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. 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. The order directs EGLE to develop and oversee an action plan for achieving these goals. In addition, the Governor established the Council on Climate Solutions, an advisory group of key stakeholders to be appointed by the Governor that will assist EGLE in implementing the plan. These goals are aspirational in nature and any changes in law or regulation to achieve these goals would need to be approved by the Michigan Legislature or the relevant regulatory agency. The MPSC has requested comments from utilities and other stakeholders on how the Governor's goal should be incorporated into future IRP filings, which Consumers has provided. Consumers does not expect any adverse changes to its environmental strategy as a result of these events.

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

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

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 reusing 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 and the corresponding rules that were revised in 2014. 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, with an effective date of December 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.

The EPA recently stated its intent to issue a proposed rule in 2022 revising its effluent limitation guidelines for certain wastewater streams, including bottom ash transport water, combustion residual leachate, and legacy wastewater. Consumers cannot evaluate the impact the potential rule will have on its facilities until the proposed rule is released.

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. The “Waters of the United States” definition continues to be litigated in multiple jurisdictions.

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

*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 the rules 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. 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. The filing requests authority to recover new infrastructure investment and related costs that are expected to allow Consumers to improve system safety and reliability and reduce fugitive methane emissions. In April 2022, Consumers reduced its requested annual rate increase to \$233 million, based on a 10.25 percent authorized return on equity.

Presented in the following table are the components of the revised requested increase in revenue:

	<i>In Millions</i>
Projected Twelve-Month Period Ending September 30	2023
<i>Components of the requested rate increase</i>	
Investment in rate base	\$ 237
Operating and maintenance costs	(22)
Cost of capital	5
Sales	13
Total	\$ 233

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

*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.

**Gas Pipeline and Storage Integrity and Safety:** The PHMSA 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.

*Air Quality:* 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. Specifically, seven counties in southeastern Michigan and three counties in western Michigan were not in attainment with the ozone standard by an August 2021 regulatory deadline, and thus

will have their nonattainment designations increased from marginal to moderate. Some of Consumers' compressor stations are located in these areas. The State of Michigan has convened industry workgroups to seek implementation and control strategy ideas for statewide compliance of the 2015 ozone standard, which will need to be in place by early 2023. In January 2022, EGLE submitted a request to the EPA for redesignation of the seven counties in southeastern Michigan to be in attainment with the 2015 ozone standard based on the most recent data. The EPA has proposed rulemaking to approve the redesignation request for southeastern Michigan and is expected to finalize the decision following a public comment period, which closed in April 2022.

In 2020, the EPA decided to retain the 2015 NAAQS for ozone without revision. In October 2021, the EPA provided notice that it was going to reconsider the 2020 ozone NAAQS decision. The EPA believes it will complete this reconsideration by December 2023. Consumers will continue to stay engaged with EGLE and the workgroups to assess potential impacts to its compressor stations.

In February 2022, the EPA proposed a federal implementation plan to address the "good neighbor" obligations of the Clean Air Act to reduce interstate transport issues that contribute to downwind states attaining or maintaining compliance with the 2015 NAAQS for ozone. The EPA has included 26 states within the federal implementation plan, including Michigan. The EPA is proposing a combination of compliance approaches by reducing allowance budgets under the CSAPR program as well as potentially addressing non-electric generating unit emission sources. The prior CSAPR regulations have primarily focused on electric generating units, but this latest proposal also includes other emission sources, and may impact the large auxiliary boilers and natural gas-fired engines at compressor stations. Consumers is currently evaluating the proposal and will evaluate the applicability and potential impacts to its gas operations.

In June 2021, the EPA announced that it would reconsider its previous decision to retain the current standard of NAAQS for particulate matter. In December 2021, the EPA indicated that the new NAAQS for particulate matter would be proposed in the summer of 2022. The new standard is expected to be significantly lower. Consumers will evaluate the impact of the proposed NAAQS for particulate matter on its operations when the EPA releases its proposal.

*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 for the oil and gas sector. This proposed rule is not expected to have a material adverse impact on Consumers' natural 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

recently approved by the MPSC, Consumers proposed a program that would allow 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 neighboring 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. While the U.S. had withdrawn from the Paris Agreement, it rejoined the Paris Agreement in 2021. In April 2021, the U.S. announced it is committing to a nationally determined contribution under the Paris Agreement. Nationally determined contributions are the efforts by each country to reduce national greenhouse gas emissions. The commitment made by the U.S. is to reduce greenhouse gas emissions by 50 to 52 percent from 2005 levels by 2030. The settlement agreement resolving Consumers' 2021 IRP, which is pending MPSC approval, proposes a 60-percent reduction in its carbon emissions from 2005 levels by 2025. At this time, Consumers does not expect any adverse changes to its environmental strategy as a result of these events, as the nationally determined contribution 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 its sources. Such regulation, if adopted, may involve requirements to reduce methane emissions from Consumers' gas utility operations and carbon dioxide emissions from natural gas customer use. No such measures apply to Consumers at this time. Consumers continues to monitor these initiatives and comment as appropriate. Consumers cannot predict the impact of any potential future legislation or regulation on its gas utility.

## Consumers Electric Utility and Gas Utility Outlook and Uncertainties

**Energy Waste Reduction Plan:** The 2016 Energy Law authorized incentives for demand response programs and 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.

## Enterprises Outlook and Uncertainties

CMS Energy's primary focus with respect to its enterprises businesses is to maximize the value of generating assets, its share of which represents 1,483 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, the enterprises segment'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 its purchase of these generating units as part of its 2021 IRP. In accordance with the terms of the pending settlement of the 2021 IRP, CMS Enterprises does not expect that this sale will occur.

The enterprises segment's assets may be affected by environmental laws and regulations. The 2015 ozone NAAQS made it more difficult to construct or modify power plants and other emission sources in areas of the country that have not met the 2015 ozone standard. In 2018, the EPA designated certain areas of Michigan as not meeting the ozone standard. The 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. For additional details regarding the new ozone NAAQS, see Consumers Electric Utility Outlook and Uncertainties—Electric Environmental Outlook.

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

- investment in and financial benefits received from renewable energy and energy storage projects
- changes in energy and capacity prices
- severe weather events and climate change associated with increasing levels of greenhouse gases
- changes in commodity prices and interest rates on certain derivative contracts that do not qualify for hedge accounting and must be marked to market through earnings
- changes in various environmental laws, regulations, principles, or practices, or in their interpretation
- indemnity and environmental remediation obligations at Bay Harbor
- 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 the second half of 2022 or early 2023. CMS Energy anticipates that the supply of solar modules into the U.S. from affected countries will be substantially restricted until a final decision is reached and any additional tariffs or duties that may apply are known. CMS Energy is closely monitoring this situation and its impacts on pending and planned solar projects.

For additional details regarding the enterprises segment's uncertainties, see Notes to the Unaudited Consolidated Financial Statements—Note 2, Contingencies and Commitments.

## 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. Under the program, employees can elect to request separation, and management will decide which requests to accept. In May 2022, management will communicate its decisions to interested employees, who will have 45 days to decide whether to separate. The program is expected to result in recognition of additional expense in the second quarter of 2022; however, CMS Energy and Consumers expect to benefit from future cost savings, as employee staffing levels will be better matched to workload demand, which reflects the companies' ongoing workforce productivity improvements.

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. Depending on employee participation in the separation program, curtailment of DB Pension Plan A and the OPEB Plan may occur in 2022; CMS Energy and Consumers will continue to monitor for potential curtailment. For additional details on the pension settlement, see Notes to the Unaudited Consolidated Financial Statements—Note 6, Retirement Benefits.

Presented in the following table are estimates of credits and cash contributions through 2024 for the DB Pension Plans, reflecting the remeasurement as of March 31, 2022. 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. CMS Energy and Consumers will, at a minimum, contribute to the plans as needed to comply with federal funding requirements.

	<i>In Millions</i>	
	Credit	Contribution
<b>CMS Energy, including Consumers</b>		
2022	\$ (26)	\$ —
2023	(44)	—
2024	(58)	—
<b>Consumers<sup>1</sup></b>		
2022	\$ (23)	\$ —
2023	(40)	—
2024	(53)	—

<sup>1</sup> Consumers' pension costs are recoverable through its general ratemaking process.

## 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.

# CMS Energy Corporation

## Consolidated Statements of Income (Unaudited)

*In Millions, Except Per Share Amounts*

Three Months Ended March 31	2022	2021
<b>Operating Revenue</b>	\$ 2,374	\$ 2,013
<b>Operating Expenses</b>		
Fuel for electric generation	167	138
Purchased and interchange power	455	377
Purchased power – related parties	17	18
Cost of gas sold	468	279
Maintenance and other operating expenses	334	311
Depreciation and amortization	345	338
General taxes	132	122
Total operating expenses	1,918	1,583
<b>Operating Income</b>	456	430
<b>Other Income (Expense)</b>		
Interest income	1	1
Allowance for equity funds used during construction	2	1
Income from equity method investees	—	2
Non-operating retirement benefits, net	48	41
Other income	1	1
Other expense	(4)	(2)
Total other income	48	44
<b>Interest Charges</b>		
Interest on long-term debt	121	119
Interest expense – related parties	3	3
Other interest expense	1	3
Allowance for borrowed funds used during construction	(1)	(1)
Total interest charges	124	124
<b>Income Before Income Taxes</b>	380	350
<b>Income Tax Expense</b>	39	42
<b>Income From Continuing Operations</b>	341	308
<b>Income From Discontinued Operations, Net of Tax of \$1 and \$9</b>	4	34
<b>Net Income</b>	345	342
<b>Loss Attributable to Noncontrolling Interests</b>	(8)	(7)
<b>Net Income Attributable to CMS Energy</b>	353	349
<b>Preferred Stock Dividends</b>	2	—
<b>Net Income Available to Common Stockholders</b>	\$ 351	\$ 349

*In Millions, Except Per Share Amounts*

Three Months Ended March 31		2022		2021
<b>Basic Earnings Per Average Common Share</b>				
Income from continuing operations per average common share available to common stockholders	\$	1.20	\$	1.09
Income from discontinued operations per average common share available to common stockholders		0.01		0.12
Basic earnings per average common share	\$	1.21	\$	1.21
<b>Diluted Earnings Per Average Common Share</b>				
Income from continuing operations per average common share available to common stockholders	\$	1.20	\$	1.09
Income from discontinued operations per average common share available to common stockholders		0.01		0.12
Diluted earnings per average common share	\$	1.21	\$	1.21

**The accompanying notes are an integral part of these statements.**

# CMS Energy Corporation

## Consolidated Statements of Comprehensive Income (Unaudited)

	<i>In Millions</i>	
Three Months Ended March 31	2022	2021
<b>Net Income</b>	\$ 345	\$ 342
<b>Retirement Benefits Liability</b>		
Net gain arising during the period, net of tax of \$1 and \$—	2	—
Amortization of net actuarial loss, net of tax of \$— for both periods	1	1
<b>Derivatives</b>		
Unrealized gain on derivative instruments, net of tax of \$1 and \$—	2	1
<b>Other Comprehensive Income</b>	5	2
<b>Comprehensive Income</b>	350	344
<b>Comprehensive Loss Attributable to Noncontrolling Interests</b>	(8)	(7)
<b>Comprehensive Income Attributable to CMS Energy</b>	\$ 358	\$ 351

The accompanying notes are an integral part of these statements.

# CMS Energy Corporation

## Consolidated Statements of Cash Flows (Unaudited)

	<i>In Millions</i>	
Three Months Ended March 31	2022	2021
<b>Cash Flows from Operating Activities</b>		
Net income	\$ 345	\$ 342
<i>Adjustments to reconcile net income to net cash provided by operating activities</i>		
Depreciation and amortization	345	338
Deferred income taxes and investment tax credits	33	48
Gain from sale of EnerBank	(5)	—
Other non-cash operating activities and reconciling adjustments	(22)	(13)
<i>Changes in assets and liabilities</i>		
Accounts receivable and accrued revenue	(121)	29
Inventories	213	168
Accounts payable and accrued rate refunds	(129)	(109)
Other current assets and liabilities	7	(12)
Other non-current assets and liabilities	41	41
Net cash provided by operating activities	707	832
<b>Cash Flows from Investing Activities</b>		
Capital expenditures (excludes assets placed under finance lease)	(520)	(436)
Net proceeds from sale of EnerBank	5	—
Net cash provided by discontinued operations	—	178
Cost to retire property and other investing activities	(24)	(25)
Net cash used in investing activities	(539)	(283)
<b>Cash Flows from Financing Activities</b>		
Retirement of debt	(3)	(2)
Issuance of common stock	4	9
Payment of dividends on common and preferred stock	(136)	(126)
Net cash used in discontinued operations	—	(73)
Other financing costs	(35)	(18)
Net cash used in financing activities	(170)	(210)
<b>Net Increase (Decrease) in Cash and Cash Equivalents, Including Restricted Amounts</b>	<b>(2)</b>	<b>339</b>
<b>Cash and Cash Equivalents, Including Restricted Amounts, Beginning of Period</b>	<b>476</b>	<b>185</b>
<b>Cash and Cash Equivalents, Including Restricted Amounts, End of Period</b>	<b>\$ 474</b>	<b>\$ 524</b>
<b>Other Non-cash Investing and Financing Activities</b>		
<i>Non-cash transactions</i>		
Capital expenditures not paid	\$ 128	\$ 87

The accompanying notes are an integral part of these statements.

# CMS Energy Corporation

## Consolidated Balance Sheets (Unaudited)

### ASSETS

	<i>In Millions</i>	
	March 31 2022	December 31 2021
<b>Current Assets</b>		
Cash and cash equivalents	\$ 446	\$ 452
Restricted cash and cash equivalents	28	24
Accounts receivable and accrued revenue, less allowance of \$20 in both periods	1,042	931
Accounts receivable – related parties	10	12
<i>Inventories at average cost</i>		
Gas in underground storage	233	462
Materials and supplies	174	168
Generating plant fuel stock	47	37
Deferred property taxes	287	356
Regulatory assets	34	46
Prepayments and other current assets	158	139
<b>Total current assets</b>	<b>2,459</b>	<b>2,627</b>
<b>Plant, Property, and Equipment</b>		
Plant, property, and equipment, gross	30,199	29,893
Less accumulated depreciation and amortization	8,543	8,502
Plant, property, and equipment, net	21,656	21,391
Construction work in progress	884	961
<b>Total plant, property, and equipment</b>	<b>22,540</b>	<b>22,352</b>
<b>Other Non-current Assets</b>		
Regulatory assets	2,138	2,259
Accounts receivable	30	30
Investments	71	71
Other	1,502	1,414
<b>Total other non-current assets</b>	<b>3,741</b>	<b>3,774</b>
<b>Total Assets</b>	<b>\$ 28,740</b>	<b>\$ 28,753</b>

**LIABILITIES AND EQUITY**
*In Millions*

	March 31 2022	December 31 2021
<b>Current Liabilities</b>		
Current portion of long-term debt, finance leases, and other financing	\$ 382	\$ 382
Accounts payable	687	875
Accounts payable – related parties	8	11
Accrued rate refunds	—	12
Accrued interest	112	107
Accrued taxes	389	515
Regulatory liabilities	92	146
Other current liabilities	144	156
<b>Total current liabilities</b>	<b>1,814</b>	<b>2,204</b>
<b>Non-current Liabilities</b>		
Long-term debt	12,045	12,046
Non-current portion of finance leases and other financing	46	46
Regulatory liabilities	3,874	3,802
Postretirement benefits	140	142
Asset retirement obligations	619	628
Deferred investment tax credit	111	112
Deferred income taxes	2,315	2,210
Other non-current liabilities	371	375
<b>Total non-current liabilities</b>	<b>19,521</b>	<b>19,361</b>
<b>Commitments and Contingencies (Notes 1, 2, and 13)</b>		
<b>Equity</b>		
<i>Common stockholders' equity</i>		
Common stock, authorized 350.0 shares; outstanding 290.1 shares in 2022 and 289.8 shares in 2021	3	3
Other paid-in capital	5,406	5,406
Accumulated other comprehensive loss	(54)	(59)
Retained earnings	1,275	1,057
<b>Total common stockholders' equity</b>	<b>6,630</b>	<b>6,407</b>
Cumulative redeemable perpetual preferred stock, Series C, authorized 9.2 depositary shares; outstanding 9.2 depositary shares in both periods	224	224
<b>Total stockholders' equity</b>	<b>6,854</b>	<b>6,631</b>
Noncontrolling interests	551	557
<b>Total equity</b>	<b>7,405</b>	<b>7,188</b>
<b>Total Liabilities and Equity</b>	<b>\$ 28,740</b>	<b>\$ 28,753</b>

The accompanying notes are an integral part of these statements.

# CMS Energy Corporation

## Consolidated Statements of Changes in Equity (Unaudited)

	<i>In Millions, Except Per Share Amounts</i>	
Three Months Ended March 31	2022	2021
<b>Total Equity at Beginning of Period</b>	\$ 7,188	\$ 6,077
<b>Common Stock</b>		
At beginning and end of period	3	3
<b>Other Paid-in Capital</b>		
At beginning of period	5,406	5,365
Common stock issued	10	15
Common stock repurchased	(10)	(9)
At end of period	5,406	5,371
<b>Accumulated Other Comprehensive Loss</b>		
At beginning of period	(59)	(86)
<i>Retirement benefits liability</i>		
At beginning of period	(56)	(80)
Net gain arising during the period	2	—
Amortization of net actuarial loss	1	1
At end of period	(53)	(79)
<i>Derivative instruments</i>		
At beginning of period	(3)	(6)
Unrealized gain on derivative instruments	2	1
At end of period	(1)	(5)
At end of period	(54)	(84)
<b>Retained Earnings</b>		
At beginning of period	1,057	214
Net income attributable to CMS Energy	353	349
Dividends declared on common stock	(133)	(126)
Dividends declared on preferred stock	(2)	—
At end of period	1,275	437
<b>Cumulative Redeemable Perpetual Preferred Stock, Series C</b>		
At beginning and end of period	224	—
<b>Noncontrolling Interests</b>		
At beginning of period	557	581
Contribution from noncontrolling interest	2	1
Loss attributable to noncontrolling interests	(8)	(7)
At end of period	551	575
<b>Total Equity at End of Period</b>	\$ 7,405	\$ 6,302
<b>Dividends declared per common share</b>	\$ 0.4600	\$ 0.4350
<b>Dividends declared per preferred stock Series C depositary share</b>	\$ 0.2625	\$ —

The accompanying notes are an integral part of these statements.

# Consumers Energy Company

## Consolidated Statements of Income (Unaudited)

*In Millions*

Three Months Ended March 31	2022	2021
<b>Operating Revenue</b>	\$ 2,283	\$ 1,937
<b>Operating Expenses</b>		
Fuel for electric generation	124	106
Purchased and interchange power	437	367
Purchased power – related parties	17	18
Cost of gas sold	465	278
Maintenance and other operating expenses	313	292
Depreciation and amortization	336	329
General taxes	129	118
<b>Total operating expenses</b>	<b>1,821</b>	<b>1,508</b>
<b>Operating Income</b>	<b>462</b>	<b>429</b>
<b>Other Income (Expense)</b>		
Interest income	1	1
Interest and dividend income – related parties	1	1
Allowance for equity funds used during construction	2	1
Non-operating retirement benefits, net	45	38
Other income	—	1
Other expense	(3)	(2)
<b>Total other income</b>	<b>46</b>	<b>40</b>
<b>Interest Charges</b>		
Interest on long-term debt	75	73
Interest expense – related parties	3	3
Other interest expense	1	2
Allowance for borrowed funds used during construction	(1)	(1)
<b>Total interest charges</b>	<b>78</b>	<b>77</b>
<b>Income Before Income Taxes</b>	<b>430</b>	<b>392</b>
<b>Income Tax Expense</b>	<b>47</b>	<b>56</b>
<b>Net Income Available to Common Stockholder</b>	<b>\$ 383</b>	<b>\$ 336</b>

The accompanying notes are an integral part of these statements.

# Consumers Energy Company

## Consolidated Statements of Comprehensive Income (Unaudited)

	<i>In Millions</i>	
Three Months Ended March 31	2022	2021
<b>Net Income</b>	\$ 383	\$ 336
<b>Retirement Benefits Liability</b>		
Amortization of net actuarial loss, net of tax of \$— for both periods	1	—
<b>Other Comprehensive Income</b>	1	—
<b>Comprehensive Income</b>	\$ 384	\$ 336

The accompanying notes are an integral part of these statements.

# Consumers Energy Company

## Consolidated Statements of Cash Flows (Unaudited)

	<i>In Millions</i>	
Three Months Ended March 31	2022	2021
<b>Cash Flows from Operating Activities</b>		
Net income	\$ 383	\$ 336
<i>Adjustments to reconcile net income to net cash provided by operating activities</i>		
Depreciation and amortization	336	329
Deferred income taxes and investment tax credits	47	51
Other non-cash operating activities and reconciling adjustments	(21)	(10)
<i>Changes in assets and liabilities</i>		
Accounts and notes receivable and accrued revenue	(118)	39
Inventories	210	168
Accounts payable and accrued rate refunds	(128)	(99)
Other current assets and liabilities	—	(12)
Other non-current assets and liabilities	36	39
Net cash provided by operating activities	745	841
<b>Cash Flows from Investing Activities</b>		
Capital expenditures (excludes assets placed under finance lease)	(506)	(433)
Cost to retire property and other investing activities	(23)	(25)
Net cash used in investing activities	(529)	(458)
<b>Cash Flows from Financing Activities</b>		
Decrease in notes payable – related parties	(392)	(250)
Stockholder contribution	450	150
Payment of dividends on common stock	(275)	(276)
Other financing costs	(5)	(8)
Net cash used in financing activities	(222)	(384)
<b>Net Decrease in Cash and Cash Equivalents, Including Restricted Amounts</b>	<b>(6)</b>	<b>(1)</b>
<b>Cash and Cash Equivalents, Including Restricted Amounts, Beginning of Period</b>	<b>44</b>	<b>35</b>
<b>Cash and Cash Equivalents, Including Restricted Amounts, End of Period</b>	<b>\$ 38</b>	<b>\$ 34</b>
<b>Other Non-cash Investing and Financing Activities</b>		
<i>Non-cash transactions</i>		
Capital expenditures not paid	\$ 122	\$ 84

The accompanying notes are an integral part of these statements.

# Consumers Energy Company

## Consolidated Balance Sheets (Unaudited)

### ASSETS

	<i>In Millions</i>	
	March 31 2022	December 31 2021
<b>Current Assets</b>		
Cash and cash equivalents	\$ 12	\$ 22
Restricted cash and cash equivalents	26	22
Accounts receivable and accrued revenue, less allowance of \$20 in both periods	1,011	905
Accounts and notes receivable – related parties	8	9
<i>Inventories at average cost</i>		
Gas in underground storage	233	462
Materials and supplies	169	163
Generating plant fuel stock	46	33
Deferred property taxes	287	356
Regulatory assets	34	46
Prepayments and other current assets	121	103
<b>Total current assets</b>	<b>1,947</b>	<b>2,121</b>
<b>Plant, Property, and Equipment</b>		
Plant, property, and equipment, gross	29,076	28,771
Less accumulated depreciation and amortization	8,403	8,371
Plant, property, and equipment, net	20,673	20,400
Construction work in progress	829	915
<b>Total plant, property, and equipment</b>	<b>21,502</b>	<b>21,315</b>
<b>Other Non-current Assets</b>		
Regulatory assets	2,138	2,259
Accounts receivable	36	36
Accounts and notes receivable – related parties	101	102
Other	1,390	1,307
<b>Total other non-current assets</b>	<b>3,665</b>	<b>3,704</b>
<b>Total Assets</b>	<b>\$ 27,114</b>	<b>\$ 27,140</b>

**LIABILITIES AND EQUITY***In Millions*

	March 31 2022	December 31 2021
<b>Current Liabilities</b>		
Current portion of long-term debt, finance leases, and other financing	\$ 374	\$ 374
Notes payable – related parties	—	392
Accounts payable	647	835
Accounts payable – related parties	13	16
Accrued rate refunds	—	12
Accrued interest	80	75
Accrued taxes	396	529
Regulatory liabilities	92	146
Other current liabilities	122	109
<b>Total current liabilities</b>	<b>1,724</b>	<b>2,488</b>
<b>Non-current Liabilities</b>		
Long-term debt	8,051	8,050
Non-current portion of finance leases and other financing	46	46
Regulatory liabilities	3,874	3,802
Postretirement benefits	103	104
Asset retirement obligations	595	605
Deferred investment tax credit	111	112
Deferred income taxes	2,458	2,340
Other non-current liabilities	314	314
<b>Total non-current liabilities</b>	<b>15,552</b>	<b>15,373</b>
<b>Commitments and Contingencies</b> (Notes 1 and 2)		
<b>Equity</b>		
<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	7,049	6,599
Accumulated other comprehensive loss	(31)	(32)
Retained earnings	1,942	1,834
<b>Total common stockholder's equity</b>	<b>9,801</b>	<b>9,242</b>
Cumulative preferred stock, \$4.50 series, authorized 7.5 shares; outstanding 0.4 shares in both periods	37	37
<b>Total equity</b>	<b>9,838</b>	<b>9,279</b>
<b>Total Liabilities and Equity</b>	<b>\$ 27,114</b>	<b>\$ 27,140</b>

The accompanying notes are an integral part of these statements.

# Consumers Energy Company

## Consolidated Statements of Changes in Equity (Unaudited)

*In Millions*

Three Months Ended March 31	2022	2021
<b>Total Equity at Beginning of Period</b>	\$ 9,279	\$ 8,556
<b>Common Stock</b>		
At beginning and end of period	841	841
<b>Other Paid-in Capital</b>		
At beginning of period	6,599	6,024
Stockholder contribution	450	150
At end of period	7,049	6,174
<b>Accumulated Other Comprehensive Loss</b>		
<i>Retirement benefits liability</i>		
At beginning of period	(32)	(36)
Amortization of net actuarial loss	1	—
At end of period	(31)	(36)
<b>Retained Earnings</b>		
At beginning of period	1,834	1,690
Net income	383	336
Dividends declared on common stock	(275)	(276)
At end of period	1,942	1,750
<b>Cumulative Preferred Stock</b>		
At beginning and end of period	37	37
<b>Total Equity at End of Period</b>	\$ 9,838	\$ 8,766

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. The most significant of these reclassifications is related to CMS Energy's sale of EnerBank to Regions Bank in October 2021. EnerBank's results of operations are presented as income from discontinued operations on CMS Energy's consolidated statements of income for the three months ended March 31, 2021.

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.

**General Rate Case Proceedings:** In Consumers' recent electric and gas 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, and Consumers believes it can, provide additional cost/benefit analysis and other information to support cost recovery. Additionally, in Consumers' pending gas rate case, the MPSC Staff has recommended disallowance of cost recovery for similar capital expenditures. Consumers has incurred approximately \$20 million related to these electric and gas programs as of March 31, 2022 and, for certain ongoing projects, expects to incur additional capital expenditures during 2022 and beyond.

While Consumers has provided the additional analysis and information requested by the MPSC to provide evidence of the prudence of such capital expenditures in its pending electric and gas rate case proceedings, it is reasonably possible that the MPSC will disallow some or all of these capital expenditures. A material disallowance of incurred capital costs could negatively affect CMS Energy's and Consumers' future results of operations. Consumers expects a final order in its pending gas rate case by October 2022 and in its pending electric rate case by March 2023. Consumers cannot predict the outcome of these proceedings.

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 will file 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.

## 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 March 31, 2022, CMS Energy had a recorded liability of \$45 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 \$56 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
<b>CMS Energy</b>						
Long-term leachate disposal and operating and maintenance costs	\$ 3	\$ 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 March 31, 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 March 31, 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.

**Electric Lineworker Arbitration:** In February 2021, the Utility Workers Union of America, AFL-CIO requested that Consumers conduct wage reevaluation of various electric lineworker positions. When the union and Consumers did not reach agreement on the appropriate wage levels, the union initiated arbitration proceedings. Arbitration hearings began in October 2021, but were postponed and resumed in January 2022. These hearings are expected to continue through 2022. This arbitration involves numerous and complex disputed factors. Presently, an estimate of the possible loss or range of loss cannot be made; any estimate of liability would be highly speculative. An unfavorable outcome could affect CMS Energy’s and Consumers’ financial condition, results of operation, 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 March 31, 2022, Consumers had a recorded liability of \$57 million for its remaining obligations for these sites. This amount represents the present value of long-term projected costs, using a discount rate of 2.57 percent and an inflation rate of 2.5 percent. The undiscounted amount of the remaining obligation is \$61 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
<b>Consumers</b>						
Remediation and other response activity costs	\$ 3	\$ 9	\$ 24	\$ 11	\$ 1	\$ 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 March 31, 2022, Consumers had a regulatory asset of \$109 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 March 31, 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.

Consumers could also be subject to disallowances of costs associated with the repair and modification of the Ray Compressor Station. In December 2021, Consumers filed a gas rate case with the MPSC that includes a request for recovery of the capital expenditures incurred to restore and modify the compressor station. In testimony filed in April 2022, the MPSC Staff recommended disallowance of cost recovery of such capital expenditures. Consumers incurred capital expenditures of \$17 million during 2020 and 2021 to restore and modify the compressor station.

During the three months ended March 31, 2022, Consumers received an insurance recovery of \$13 million related to the compressor station. Consumers had recognized the insurance recovery during 2021, recording \$6 million as a reduction to plant, property, and equipment, \$3 million as a reduction of maintenance and other operating expenses, and \$4 million as operating revenue, which represented recovery of incremental gas purchases related to the fire.

At this time, Consumers cannot predict the outcome of these matters or other gas-related incidents and a reasonable estimate of a total loss cannot be made, but they could have a material adverse effect on CMS Energy's and Consumers' results of operations, financial condition, or liquidity, and could subject Consumers' gas utility to increased regulatory scrutiny.

## Guarantees

Presented in the following table are CMS Energy's and Consumers' guarantees at March 31, 2022:

Guarantee Description	Issue Date	Expiration Date	<i>In Millions</i>		
			Maximum Obligation	Carrying Amount	
<b>CMS Energy, including Consumers</b>					
Indemnity obligations from purchase of VIE <sup>1</sup>	September 2020	indefinite	\$ 305	\$	—
Indemnity obligations from stock and asset sale agreements <sup>2</sup>	various	indefinite	225		4
Guarantee <sup>3</sup>	July 2011	indefinite	30		—
<b>Consumers</b>					
Guarantee <sup>3</sup>	July 2011	indefinite	\$ 30	\$	—

<sup>1</sup> In conjunction with the purchase of its interest in Aviator Wind Equity Holdings, CMS Enterprises assumed certain indemnity obligations that protect the associated tax equity investor against losses incurred as a result of breaches of representations and warranties provided by Aviator Wind Equity Holdings and its subsidiaries. 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 in Aviator Wind. CMS Enterprises 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 CMS Enterprises' ownership interest in Aviator Wind Equity Holdings, see Note 12, Variable Interest Entities.

- <sup>2</sup> 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 13, Exit Activities and Discontinued Operations. CMS Energy believes the likelihood of material loss to be remote for the indemnity obligations not recorded as liabilities.
- <sup>3</sup> 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. At March 31, 2022, the carrying value of these indemnity obligations was \$1 million. CMS Energy and Consumers consider the likelihood that they would be required to perform or incur substantial losses related to these indemnities to be remote.

## Other Contingencies

In addition to the matters disclosed in this Note; Note 1, Regulatory Matters; and Note 13, Exit Activities and Discontinued Operations, 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

**Credit Facilities:** The following credit facilities with banks were available at March 31, 2022:

<i>In Millions</i>				
Expiration Date	Amount of Facility	Amount Borrowed	Letters of Credit Outstanding	Amount Available
<b>CMS Energy, parent only</b>				
June 5, 2024	\$ 550	\$ —	\$ 24	\$ 526
September 23, 2022 <sup>1</sup>	42	—	42	—
<b>CMS Enterprises, including subsidiaries</b>				
September 25, 2025 <sup>2</sup>	\$ 37	\$ —	\$ 37	\$ —
September 30, 2025 <sup>3</sup>	18	—	8	10
<b>Consumers<sup>4</sup></b>				
June 5, 2024	\$ 850	\$ —	\$ 12	\$ 838
November 19, 2023	250	—	8	242
April 18, 2022	30	—	30	—

<sup>1</sup> The maximum aggregate of letters of credit that may be issued under this facility is \$50 million. The amount remaining under the facility is uncommitted.

<sup>2</sup> This letter of credit facility is available to Aviator Wind Equity Holdings. For more information regarding Aviator Wind Equity Holdings, see Note 12, Variable Interest Entities.

<sup>3</sup> Under this facility, \$8 million is available solely for the purpose of issuing letters of credit. Obligations under this facility are secured by the collateral accounts with the lending bank.

<sup>4</sup> 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 March 31, 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 one-month LIBOR minus 0.100 percent. There were no outstanding borrowings under the agreement at March 31, 2022.

**Dividend Restrictions:** At March 31, 2022, payment of dividends by CMS Energy on its common stock was limited to \$6.6 billion under provisions of the Michigan Business Corporation Act of 1972.

Under the provisions of its articles of incorporation, at March 31, 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 three months ended March 31, 2022, Consumers paid \$275 million in dividends on its common stock to CMS Energy.

**Issuance of Common Stock:** Under an existing equity issuance 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 March 31, 2022:

Contract Date	Maturity Date	Number of Shares	Forward Price Per Share	
			Initial	March 31, 2022
September 15, 2020	June 30, 2022	846,759	\$ 61.04	\$ 57.99
December 22, 2020	June 22, 2022	115,595	61.81	59.17

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 March 31, 2022, it would have been required to pay \$11 million. If CMS Energy had elected to net share settle the contracts as of March 31, 2022, CMS Energy would have been required to deliver 162,487 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:

	<i>In Millions</i>			
	CMS Energy, including Consumers		Consumers	
	March 31 2022	December 31 2021	March 31 2022	December 31 2021
<i>Assets</i> <sup>1</sup>				
Cash equivalents	\$ 40	\$ —	\$ —	\$ —
Restricted cash equivalents	28	24	26	22
Nonqualified deferred compensation plan assets	26	27	20	21
Derivative instruments	1	2	1	2
<b>Total assets</b>	<b>\$ 95</b>	<b>\$ 53</b>	<b>\$ 47</b>	<b>\$ 45</b>
<i>Liabilities</i> <sup>1</sup>				
Nonqualified deferred compensation plan liabilities	\$ 26	\$ 27	\$ 20	\$ 21
Derivative instruments	3	7	—	—
<b>Total liabilities</b>	<b>\$ 29</b>	<b>\$ 34</b>	<b>\$ 20</b>	<b>\$ 21</b>

<sup>1</sup> All assets and liabilities were classified as Level 1 with the exception of derivative contracts, which were classified as Level 2 or Level 3.

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

**Restricted Cash Equivalents:** Restricted cash equivalents consist of money market funds with daily liquidity. For further details, see Note 10, Cash and Cash Equivalents.

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

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

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

A subsidiary of CMS Enterprises uses floating-to-fixed interest rate swaps to reduce the impact of interest rate fluctuations associated with future interest payments on certain long-term variable-rate debt. The interest rate swaps are accounted for as cash flow hedges of the future variability of interest payments on debt with a notional amount of \$76 million at March 31, 2022 and \$78 million at December 31, 2021. Gains or losses on these swaps are initially reported in other comprehensive income (loss) and then, as interest payments are made on the hedged debt, are recognized in earnings within interest on long-term debt on CMS Energy's consolidated statements of income. CMS Energy recorded gains of \$3 million for the three months ended March 31, 2022 and \$1 million for the three months ended March 31, 2021. There were no material impacts on interest on long-term debt associated with these swaps during the periods presented. The fair value of these swaps recorded in other liabilities on CMS Energy's consolidated balance sheets totaled \$1 million at March 31, 2022 and \$4 million at December 31, 2021. CMS Energy also has other interest rate swaps that economically hedge interest rate risk on debt, but that do not qualify for cash flow hedge accounting; the amounts associated with these swaps were not material for the 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*

	March 31, 2022					December 31, 2021				
	Carrying Amount	Fair Value				Carrying Amount	Fair Value			
		Total	Level				Total	Level		
		1	2	3		1	2	3		
<b>CMS Energy, including Consumers</b>										
<i>Assets</i>										
Long-term receivables <sup>1</sup>	\$ 13	\$ 13	\$ —	\$ —	\$ 13	\$ 14	\$ 14	\$ —	\$ —	\$ 14
<i>Liabilities</i>										
Long-term debt <sup>2</sup>	12,418	12,510	1,140	9,578	1,792	12,419	13,800	1,189	10,656	1,955
Long-term payables <sup>3</sup>	9	9	—	—	9	31	32	—	—	32
<b>Consumers</b>										
<i>Assets</i>										
Long-term receivables <sup>1</sup>	\$ 13	\$ 13	\$ —	\$ —	\$ 13	\$ 14	\$ 14	\$ —	\$ —	\$ 14
Notes receivable – related party <sup>4</sup>	103	103	—	—	103	104	104	—	—	104
<i>Liabilities</i>										
Long-term debt <sup>5</sup>	8,416	8,444	—	6,652	1,792	8,415	9,410	—	7,455	1,955

<sup>1</sup> Includes current portion of long-term accounts receivable of \$8 million at March 31, 2022 and \$9 million at December 31, 2021.

<sup>2</sup> Includes current portion of long-term debt of \$373 million at March 31, 2022 and December 31, 2021.

<sup>3</sup> Includes current portion of long-term payables of \$1 million at March 31, 2022 and \$23 million at December 31, 2021.

<sup>4</sup> Includes current portion of notes receivable – related party of \$7 million at March 31, 2022 and December 31, 2021.

<sup>5</sup> Includes current portion of long-term debt of \$365 million at March 31, 2022 and 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: 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 and recognized a settlement loss of \$4 million; of this amount, \$4 million was deferred as a regulatory asset. Consumers recognized a settlement loss of \$4 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 remeasurement, the non-current asset for DB Pension Plan A increased by \$91 million at CMS Energy, with an offsetting decrease in the associated regulatory asset of \$89 million and a \$2 million gain to AOCI. At Consumers, the non-current asset increased by \$89 million and the associated regulatory asset decreased by \$89 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:

	<i>In Millions</i>			
	DB Pension Plans		OPEB Plan	
Three Months Ended March 31	2022	2021	2022	2021
<b>CMS Energy, including Consumers</b>				
<i>Net periodic cost (credit)</i>				
Service cost	\$ 12	\$ 14	\$ 4	\$ 4
Interest cost	18	15	7	6
Expected return on plan assets	(52)	(52)	(29)	(27)
<i>Amortization of:</i>				
Net loss	17	25	—	2
Prior service cost (credit)	1	1	(12)	(13)
Settlement loss	2	1	—	—
Net periodic cost (credit)	\$ (2)	\$ 4	\$ (30)	\$ (28)
<b>Consumers</b>				
<i>Net periodic cost (credit)</i>				
Service cost	\$ 12	\$ 13	\$ 4	\$ 4
Interest cost	16	14	7	6
Expected return on plan assets	(49)	(49)	(27)	(25)
<i>Amortization of:</i>				
Net loss	16	25	—	2
Prior service cost (credit)	1	1	(12)	(13)
Settlement loss	2	1	—	—
Net periodic cost (credit)	\$ (2)	\$ 5	\$ (28)	\$ (26)

## 7: 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:

Three Months Ended March 31	2022	2021
<b>CMS Energy, including Consumers</b>		
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	5.5	5.4
TCJA excess deferred taxes <sup>1</sup>	(7.2)	(5.8)
Production tax credits	(4.7)	(5.1)
Accelerated flow-through of regulatory tax benefits <sup>2</sup>	(4.3)	(3.2)
Other, net	—	(0.3)
Effective tax rate	10.3 %	12.0 %
<b>Consumers</b>		
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	5.0	5.1
TCJA excess deferred taxes <sup>1</sup>	(6.7)	(5.1)
Production tax credits	(2.7)	(2.6)
Accelerated flow-through of regulatory tax benefits <sup>2</sup>	(5.1)	(3.7)
Other, net	(0.6)	(0.4)
Effective tax rate	10.9 %	14.3 %

<sup>1</sup> 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.

<sup>2</sup> 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.

## 8: 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:

Three Months Ended March 31	<i>In Millions, Except Per Share Amounts</i>	
	2022	2021
<i>Income available to common stockholders</i>		
Income from continuing operations	\$ 341	\$ 308
Less loss attributable to noncontrolling interests	(8)	(7)
Less preferred stock dividends	2	—
<b>Income from continuing operations available to common stockholders – basic and diluted</b>	<b>\$ 347</b>	<b>\$ 315</b>
<i>Average common shares outstanding</i>		
Weighted-average shares – basic	289.3	288.6
Add dilutive nonvested stock awards	0.5	0.5
Add dilutive forward equity sale contracts	0.1	—
<b>Weighted-average shares – diluted</b>	<b>289.9</b>	<b>289.1</b>
<i>Income from continuing operations per average common share available to common stockholders</i>		
Basic	\$ 1.20	\$ 1.09
Diluted	1.20	1.09

### 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.

## 9: Revenue

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

	<i>In Millions</i>			
Three Months Ended March 31, 2022	Electric Utility	Gas Utility	Enterprises <sup>1</sup>	Consolidated
<b>CMS Energy, including Consumers</b>				
Consumers utility revenue	\$ 1,238	\$ 1,047	\$ —	\$ 2,285
Other	—	—	33	33
Revenue recognized from contracts with customers	\$ 1,238	\$ 1,047	\$ 33	\$ 2,318
Leasing income	—	—	58	58
Financing income	3	2	—	5
Consumers alternative-revenue programs	—	(7)	—	(7)
Total operating revenue – CMS Energy	\$ 1,241	\$ 1,042	\$ 91	\$ 2,374
<b>Consumers</b>				
<i>Consumers utility revenue</i>				
Residential	\$ 591	\$ 740		\$ 1,331
Commercial	384	221		605
Industrial	168	28		196
Other	95	58		153
Revenue recognized from contracts with customers	\$ 1,238	\$ 1,047		\$ 2,285
Financing income	3	2		5
Alternative-revenue programs	—	(7)		(7)
Total operating revenue – Consumers	\$ 1,241	\$ 1,042		\$ 2,283

<sup>1</sup> Amounts represent the enterprises segment's operating revenue from independent power production and its sales of energy commodities. The enterprises segment's sales of energy commodities are accounted for as operating leases. In addition to fixed payments, these agreements have variable payments based on energy delivered. The enterprises segment's leasing income included variable lease payments of \$44 million for the three months ended March 31, 2022.

*In Millions*

Three Months Ended March 31, 2021	Electric Utility	Gas Utility	Enterprises <sup>1</sup>	Consolidated
<b>CMS Energy, including Consumers</b>				
Consumers utility revenue	\$ 1,131	\$ 801	\$ —	\$ 1,932
Other	—	—	30	30
Revenue recognized from contracts with customers	\$ 1,131	\$ 801	\$ 30	\$ 1,962
Leasing income	—	—	46	46
Financing income	3	2	—	5
Total operating revenue – CMS Energy	\$ 1,134	\$ 803	\$ 76	\$ 2,013
<b>Consumers</b>				
<i>Consumers utility revenue</i>				
Residential	\$ 568	\$ 554		\$ 1,122
Commercial	345	163		508
Industrial	138	23		161
Other	80	61		141
Revenue recognized from contracts with customers	\$ 1,131	\$ 801		\$ 1,932
Financing income	3	2		5
Total operating revenue – Consumers	\$ 1,134	\$ 803		\$ 1,937

<sup>1</sup> Amounts represent the enterprises segment's operating revenue from independent power production and its sales of energy commodities. The enterprises segment's sales of energy commodities are accounted for as operating leases. In addition to fixed payments, these agreements have variable payments based on energy delivered. The enterprises segment's leasing income included variable lease payments of \$33 million for the three months ended March 31, 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:** 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 \$4 million for the three months ended March 31, 2022 and \$6 million for the three months ended March 31, 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 \$491 million at March 31, 2022 and \$486 million at December 31, 2021.

## 10: 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>	
	March 31, 2022	December 31, 2021
<b>CMS Energy, including Consumers</b>		
Cash and cash equivalents	\$ 446	\$ 452
Restricted cash and cash equivalents	28	24
Cash and cash equivalents, including restricted amounts – CMS Energy	\$ 474	\$ 476
<b>Consumers</b>		
Cash and cash equivalents	\$ 12	\$ 22
Restricted cash and cash equivalents	26	22
Cash and cash equivalents, including restricted amounts – Consumers	\$ 38	\$ 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.

## 11: 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
- enterprises, consisting of various subsidiaries engaging in domestic independent power production, including the development and operation of renewable generation, and the marketing of independent power production

On October 1, 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 13, 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>	
Three Months Ended March 31	2022	2021
<b>CMS Energy, including Consumers</b>		
<i>Operating revenue</i>		
Electric utility	\$ 1,241	\$ 1,134
Gas utility	1,042	803
Enterprises	91	76
<b>Total operating revenue – CMS Energy</b>	<b>\$ 2,374</b>	<b>\$ 2,013</b>
<b>Consumers</b>		
<i>Operating revenue</i>		
Electric utility	\$ 1,241	\$ 1,134
Gas utility	1,042	803
<b>Total operating revenue – Consumers</b>	<b>\$ 2,283</b>	<b>\$ 1,937</b>
<b>CMS Energy, including Consumers</b>		
<i>Net income (loss) available to common stockholders</i>		
Electric utility	\$ 167	\$ 155
Gas utility	216	181
Enterprises	8	14
Other reconciling items	(40)	(1)
<b>Total net income available to common stockholders – CMS Energy</b>	<b>\$ 351</b>	<b>\$ 349</b>
<b>Consumers</b>		
<i>Net income available to common stockholder</i>		
Electric utility	\$ 167	\$ 155
Gas utility	216	181
<b>Total net income available to common stockholder – Consumers</b>	<b>\$ 383</b>	<b>\$ 336</b>

*In Millions*

	March 31, 2022	December 31, 2021
<b>CMS Energy, including Consumers</b>		
<i>Plant, property, and equipment, gross</i>		
Electric utility <sup>1</sup>	\$ 18,294	\$ 18,147
Gas utility <sup>1</sup>	10,759	10,601
Enterprises	1,123	1,122
Other reconciling items	23	23
<b>Total plant, property, and equipment, gross – CMS Energy</b>	<b>\$ 30,199</b>	<b>\$ 29,893</b>
<b>Consumers</b>		
<i>Plant, property, and equipment, gross</i>		
Electric utility <sup>1</sup>	\$ 18,294	\$ 18,147
Gas utility <sup>1</sup>	10,759	10,601
Other reconciling items	23	23
<b>Total plant, property, and equipment, gross – Consumers</b>	<b>\$ 29,076</b>	<b>\$ 28,771</b>
<b>CMS Energy, including Consumers</b>		
<i>Total assets</i>		
Electric utility <sup>1</sup>	\$ 16,650	\$ 16,493
Gas utility <sup>1</sup>	10,334	10,517
Enterprises	1,312	1,312
Other reconciling items	444	431
<b>Total assets – CMS Energy</b>	<b>\$ 28,740</b>	<b>\$ 28,753</b>
<b>Consumers</b>		
<i>Total assets</i>		
Electric utility <sup>1</sup>	\$ 16,712	\$ 16,555
Gas utility <sup>1</sup>	10,380	10,564
Other reconciling items	22	21
<b>Total assets – Consumers</b>	<b>\$ 27,114</b>	<b>\$ 27,140</b>

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

## 12: Variable Interest Entities

CMS Enterprises 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, BHE Renewables, LLC, a subsidiary of Berkshire Hathaway Energy Company. Earnings, tax attributes, and cash flows generated by Aviator Wind are allocated among and distributed to the membership classes in accordance with the ratios specified in the associated limited liability company operating agreement; these ratios change over time and are not representative of the ownership interest percentages of each membership class.

Aviator Wind Equity Holdings and Aviator Wind represent VIEs. In accordance with the associated limited liability company operating agreement, the tax equity investor is guaranteed preferred returns from Aviator Wind. However, CMS Enterprises manages and controls the operating activities of Aviator Wind Equity Holdings and, ultimately, Aviator Wind. As a result, CMS Enterprises is the primary

beneficiary of Aviator Wind Equity Holdings and Aviator Wind, as it has the power to direct the activities that most significantly impact the economic performance of the companies, as well as the obligation to absorb losses or the right to receive benefits from the companies. CMS Enterprises consolidates Aviator Wind Equity Holdings and Aviator Wind and presents the Class A membership interest and 49 percent of the Class B membership interest in Aviator Wind as noncontrolling interests.

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>	
	March 31, 2022	December 31, 2021
<i>Current</i>		
Cash and cash equivalents	\$ 14	\$ 20
Accounts receivable	3	3
Prepayments and other current assets	2	1
<i>Non-current</i>		
Plant, property, and equipment, net	665	671
<b>Total assets<sup>1</sup></b>	<b>\$ 684</b>	<b>\$ 695</b>
<i>Current</i>		
Accounts payable	\$ 8	\$ 15
<i>Non-current</i>		
Asset retirement obligations	20	20
<b>Total liabilities</b>	<b>\$ 28</b>	<b>\$ 35</b>

<sup>1</sup> Assets may be used only to meet VIEs' obligations and commitments.

CMS Enterprises is obligated under certain indemnities that protect the tax equity investor against losses incurred as a result of breaches of representations and warranties provided by Aviator Wind Equity Holdings and its subsidiaries. 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' Operating and management contract
Genesee	Wood waste-fueled power generator	Long-term PPA between partnership and Consumers Reduced dispatch agreement with Consumers' Operating and management contract
Craven	Wood waste-fueled power generator	Operating and management contract

<sup>1</sup> 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 \$71 million at March 31, 2022 and December 31, 2021.

### 13: 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 settlement agreement resolving the 2021 IRP, Consumers would retire the J.H. Campbell coal-fueled generating units in 2025. Similar to the D.E. Karn program, Consumers would provide a retention incentive program to ensure necessary staffing at the J.H. Campbell generating complex through retirement. No retention incentive costs related to this program will be recognized unless the MPSC approves the settlement agreement, which provides deferred accounting treatment for these costs.

As of March 31, 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 \$8 million has been deferred as a regulatory asset. Presented in the following table is a reconciliation of the retention benefit liability recorded in other liabilities on Consumers' consolidated balance sheets:

Three Months Ended March 31	<i>In Millions</i>	
	2022	2021
Retention benefit liability at beginning of period	\$ 14	\$ 11
Costs deferred as a regulatory asset	1	2
Retention benefit liability at the end of the period <sup>1</sup>	\$ 15	\$ 13

<sup>1</sup> Includes current portion of other liabilities of \$5 million at March 31, 2022 and \$4 million at March 31, 2021.

**Discontinued Operations:** On October 1, 2021, EnerBank was acquired by Regions Bank. CMS Energy received proceeds of over \$1 billion from the transaction and recognized a pre-tax gain of \$657 million in 2021. In 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 three months ended March 31, 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 believes is inconsistent with the merger agreement. In accordance with the merger agreement, the disputed adjustment has been submitted to a mutually agreed upon independent accounting firm for final determination. While CMS Energy does not believe material loss is probable, it cannot predict the outcome of this matter.

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 months ended March 31, 2021. The table below presents the financial results of EnerBank included in income from discontinued operations:

Three Months Ended March 31	<i>In Millions</i>	
	2022	2021
Operating revenue	\$ —	\$ 70
<i>Expenses</i>		
Operating expenses	—	15
Interest expense	—	12
Income before income taxes	\$ —	\$ 43
Gain on sale	5	—
Income from discontinued operations before income taxes	\$ 5	\$ 43
Income tax expense	1	9
Income from discontinued operations, net of tax	\$ 4	\$ 34

## **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—MD&A—Outlook—Consumers Electric Utility Outlook and Uncertainties and 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 March 31, 2022:

Period	Total Number of Shares Purchased <sup>1</sup>	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
January 1, 2022 to January 31, 2022	88,882	\$ 63.75	—	—
February 1, 2022 to February 28, 2022	236	63.33	—	—
March 1, 2022 to March 31, 2022	60,579	66.13	—	—
Total	149,697	\$ 64.71	—	—

<sup>1</sup> All of the common shares were repurchased to satisfy the minimum statutory income tax withholding obligation for common shares that have vested under the Performance Incentive Stock Plan. The value of shares repurchased is based on the market price on the vesting date.

### Item 3. Defaults Upon Senior Securities

None.

**Item 4. Mine Safety Disclosures**

Not applicable.

**Item 5. Other Information**

None.

## Item 6. Exhibits

### CMS Energy's and Consumers' Exhibit Index

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

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

<b>Exhibits</b>	<b>Description</b>
10.1 <sup>1</sup>	— <a href="#">CMS Incentive Compensation Plan for CMS Energy and Consumers Officers as amended, effective as of January 27, 2022 (Exhibit 10.10 to Form 10-K for the fiscal year ended December 31, 2021 and incorporated herein by reference)</a>
10.2 <sup>1</sup>	— <a href="#">Annual Employee Incentive Compensation Plan for Consumers as amended, effective as of January 27, 2022 (Exhibit 10.12 to Form 10-K for the fiscal year ended December 31, 2021 and incorporated herein by reference)</a>
10.3 <sup>1,2</sup>	— <a href="#">Annual CMS Enterprises Employee Incentive Compensation Plan as amended, effective as of January 27, 2022 (Exhibit 10.13 to Form 10-K for the fiscal year ended December 31, 2021 and incorporated herein by reference)</a>
31.1	— <a href="#">CMS Energy's certification of the CEO pursuant to Section 302 of the Sarbanes-Oxley Act of 2002</a>
31.2	— <a href="#">CMS Energy's certification of the CFO pursuant to Section 302 of the Sarbanes-Oxley Act of 2002</a>
31.3	— <a href="#">Consumers' certification of the CEO pursuant to Section 302 of the Sarbanes-Oxley Act of 2002</a>
31.4	— <a href="#">Consumers' certification of the CFO pursuant to Section 302 of the Sarbanes-Oxley Act of 2002</a>
32.1	— <a href="#">CMS Energy's certifications pursuant to Section 906 of the Sarbanes-Oxley Act of 2002</a>
32.2	— <a href="#">Consumers' certifications pursuant to Section 906 of the Sarbanes-Oxley Act of 2002</a>
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

<b><u>Exhibits</u></b>	<b><u>Description</u></b>
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)

<sup>1</sup> Management contract or compensatory plan or arrangement.

<sup>2</sup> Obligations of CMS Energy or its subsidiaries, but not of Consumers.

## Signatures

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

### CMS ENERGY CORPORATION

Dated: May 3, 2022

By:

/s/ Rejji P. Hayes

Rejji P. Hayes

Executive Vice President and Chief Financial Officer

### CONSUMERS ENERGY COMPANY

Dated: May 3, 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: May 3, 2022

By:

/s/ Garrick J. Rochow

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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: May 3, 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: May 3, 2022

By:

/s/ Garrick J. Rochow

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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: May 3, 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 March 31, 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

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Name: Garrick J. Rochow  
Title: President and Chief Executive Officer  
Date: May 3, 2022

/s/ Rejji P. Hayes

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Name: Rejji P. Hayes  
Title: Executive Vice President and Chief Financial Officer  
Date: May 3, 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 March 31, 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: May 3, 2022

/s/ Rejji P. Hayes

Name: Rejji P. Hayes  
Title: Executive Vice President and Chief Financial Officer  
Date: May 3, 2022