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, 2021
OR
☐ TRANSITION REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934
For the transition period from _____to_____

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

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

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

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

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

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

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

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

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

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

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

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

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

Indicate the number of shares outstanding of each of the issuer’s classes of common stock at April 12, 2021:

CMS Energy Corporation:	
CMS Energy Corporation Common Stock, $0.01 par value	289,459,560
Consumers Energy Company:	
Consumers Common Stock, $10 par value, privately held by CMS Energy Corporation	84,108,789

CMS Energy Corporation
Consumers Energy Company
Quarterly Reports on Form 10-Q to the Securities and Exchange Commission for the Period Ended March 31, 2021

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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

2020 Form 10-K
Each of CMS Energy's and Consumers' Annual Report on Form 10-K for the year ended December 31, 2020

ABATE
The Association of Businesses Advocating Tariff Equity

AOCI
Accumulated other comprehensive income (loss)

ARO
Asset retirement obligation

ASU
Financial Accounting Standards Board Accounting Standards Update

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

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

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

bcf
Billion cubic feet

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

CCR
Coal combustion residual

CDC
U.S. Centers for Disease Control and Prevention

CEO
Chief Executive Officer

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

CFO
Chief Financial Officer

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

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

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

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

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

CMS 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 have 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

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

DB Pension Plan A

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

DB Pension Plans

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

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

Discount Window

Federal Reserve lending program to depository institutions

Dodd-Frank Act

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

EGLE

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

EnerBank

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

energy waste reduction

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

EPA

U.S. Environmental Protection Agency

EPS
Earnings per share

Exchange Act
Securities Exchange Act of 1934

FDIC
Federal Deposit Insurance Corporation

Federal Reserve
Federal Reserve System, the central bank of the U.S.

FERC
The Federal Energy Regulatory Commission

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

FTR
Financial transmission right

GAAP
U.S. Generally Accepted Accounting Principles

GCR
Gas cost recovery

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

IT
Information Technology

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

LIBOR
The London Interbank Offered Rate

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

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

MCV Partnership
Midland Cogeneration Venture Limited Partnership

MCV PPA
PPA between Consumers and the MCV Partnership

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

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

MGP
Manufactured gas plant

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

MIOSHA
The 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
The Occupational Safety and Health Administration

PCB
Polychlorinated biphenyl

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

PPA
Power purchase agreement

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PSCR
Power supply cost recovery

PURPA
The Public Utility Regulatory Policies Act of 1978

RCRA
The Federal Resource Conservation and Recovery Act of 1976

REC
Renewable energy credit

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

SEC
U.S. Securities and Exchange Commission

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

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

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

UWUA
Utility Workers Union of America, AFL-CIO

VIE
Variable interest entity

Filing Format

This combined Form 10-Q is separately filed by CMS Energy and Consumers. Information in this combined Form 10-Q relating to each individual registrant is filed by such registrant on its own behalf. Consumers makes no representation regarding information relating to any other companies affiliated with CMS Energy other than its own subsidiaries. None of CMS Energy, CMS Enterprises, EnerBank, nor any of CMS Energy's other subsidiaries (other than Consumers) has any obligation in respect of Consumers' debt securities or preferred stock and holders of such securities should not consider the financial resources or results of operations of CMS Energy, CMS Enterprises, EnerBank, nor any of CMS Energy's other subsidiaries (other than Consumers and its own subsidiaries (in relevant circumstances)) in making a decision with respect to Consumers' debt securities 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 2020 Form 10-K.

Available Information

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

Forward-Looking Statements and Information

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

- the impact of the COVID-19 pandemic and the related economic disruption on CMS Energy's and Consumers' revenues, expenses, uncollectible accounts, energy efficiency programs, pension funding, PSCR and GCR costs, capital investment programs, cash flows, liquidity, maintenance of existing assets, and other operating expenses

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

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

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

- population changes in the geographic areas where CMS Energy and Consumers conduct business
- national, regional, and local economic, competitive, and regulatory policies, conditions, and developments
- loss of customer demand for electric generation supply to alternative electric suppliers, increased use of 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
- 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
- the impact of credit markets, economic conditions, increased competition, and any new banking and consumer protection regulations on EnerBank
- the availability, cost, coverage, and terms of insurance, the stability of insurance providers, and the ability of Consumers to recover the costs of any insurance from customers
- the effectiveness of CMS Energy's and Consumers' risk management policies, procedures, and strategies, including strategies to hedge risk related to interest rates and future prices of electricity, natural gas, and other energy-related commodities
- factors affecting development of electric generation projects, gas transmission, 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 cyber attack or other cyber incident
- potential disruption to, interruption or failure of, or other impacts on IT 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 II—Item 1A. Risk Factors.

Part I—Financial Information

Item 1. Financial Statements

Index to Financial Statements

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

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

Executive Overview

CMS Energy is an energy company operating primarily in Michigan. It is the parent holding company of several subsidiaries, including Consumers, an electric and gas utility; CMS Enterprises, primarily a domestic independent power producer and marketer; and EnerBank, an industrial bank located in Utah. Consumers' electric utility operations include the generation, purchase, 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. EnerBank provides primarily unsecured, fixed-rate installment loans throughout the U.S. to finance home improvements.

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

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

COVID-19 Pandemic

CMS Energy and Consumers continue to respond to the public health emergency caused by the COVID-19 pandemic by instituting and maintaining measures consistent with guidance provided by local, state, and federal agencies. CMS Energy and Consumers continue to take steps to protect the safety of employees, customers, and contractors, and have executed business continuity plans to ensure the continued delivery of critical energy services.

The COVID-19 pandemic is a continually evolving situation. Since the beginning of the pandemic, Consumers has experienced a decline in electric deliveries to commercial and industrial customers, offset partially by an increase in deliveries to residential customers. Additionally, Consumers recognized increased uncollectible accounts during 2020 and the aggregate outstanding amount of, and the number of its customers with, past-due accounts remains in excess of pre-pandemic levels.

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

The Triple Bottom Line

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

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

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

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

The safety of employees, customers, and the general public is a priority of CMS Energy and Consumers. Accordingly, CMS Energy and Consumers have worked to integrate a set of safety principles into their business operations and culture. These principles include complying with applicable safety, health, and security regulations and implementing programs and processes aimed at continually improving safety and security conditions. Over the last ten years, Consumers' OSHA recordable incident rate has decreased by over 53 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. To align with, and in addition to, these guidelines, CMS Energy and Consumers have:

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

In response to the pandemic, CMS Energy and Consumers initially suspended shut-offs of service for non-payment and extended payment protection plans for low-income and senior customers. CMS Energy and Consumers have resumed shut-offs of service for non-payment for all customers. CMS Energy and Consumers remain committed to assisting customers, Michigan residents, and small businesses as they begin to return to normal operations.

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

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

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

In addition, Consumers' gas commodity costs declined by 68 percent over the last ten years, due not only to a decrease in market prices but also to Consumers' improvements to its gas infrastructure and optimization of its gas purchasing and storage strategy. These gas commodity savings are passed on to customers.

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

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

- decreased their combined percentage of electric supply (self-generated and purchased) from coal by 21 percentage points since 2015
- reduced carbon dioxide emissions by over 35 percent since 2005
- reduced the amount of water used to generate electricity by over 30 percent since 2012
- reduced landfill waste disposal by over 1.5 million tons since 1992
- reduced methane emissions by 16 percent since 2012

Additionally, Consumers has reduced its sulfur dioxide, nitrogen oxide, particulate matter, and mercury emissions by approximately 90 percent since 2005.

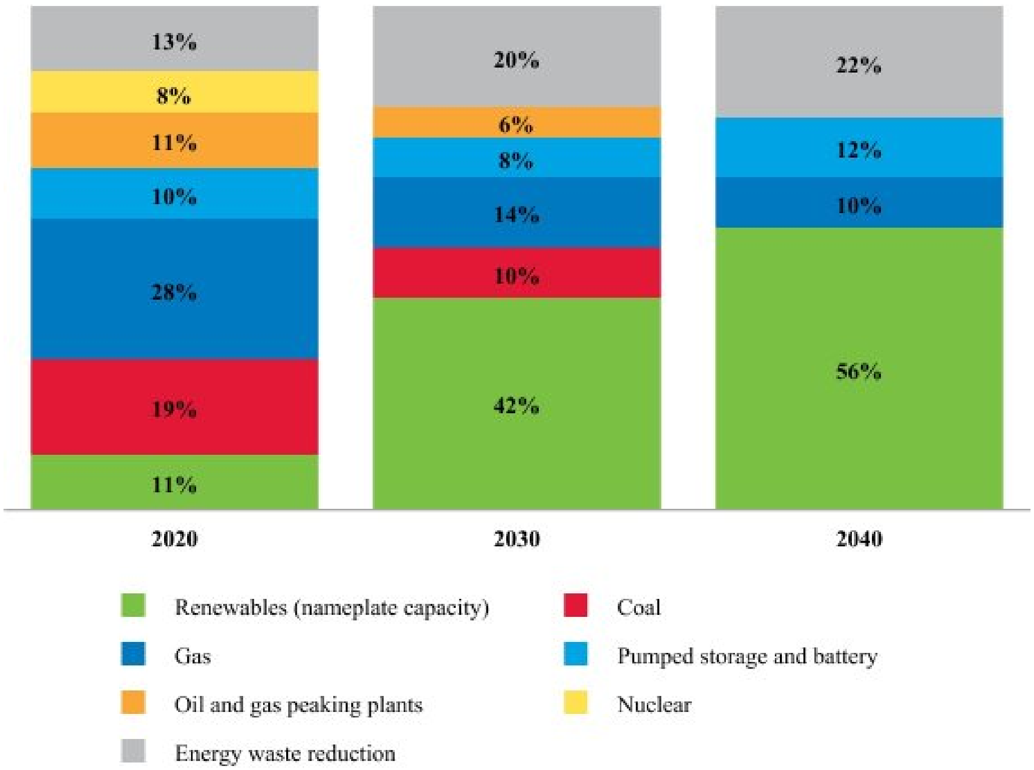
The 2016 Energy Law:

- raised the renewable energy standard to 12.5 percent in 2019 and 15 percent in 2021; Consumers met the 12.5-percent requirement in 2019 and 2020 and expects to meet the 15-percent requirement in 2021 and 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 has achieved 25 percent combined renewable energy and energy waste reduction through 2020
- 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 generation resources

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

In February 2020, Consumers announced a goal of achieving net-zero carbon emissions from its 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 reduce carbon emissions of its owned generation by more than 90 percent from its 2005 levels by 2040 through execution of its Clean Energy Plan. The remaining emissions will be offset through alternative measures, which may include carbon sequestration, landfill methane emission capture, large-scale tree planting, or other measures.

Presented in the following illustration is Consumers' 2020 capacity portfolio and its future capacity portfolio as projected in the IRP. This illustration includes the effects of purchased capacity and energy waste reduction and uses the nameplate capacity of renewable energy sources:



In September 2020, Michigan's Governor signed an executive order creating the Michigan Healthy Climate Plan, which outlines goals for Michigan to achieve economy-wide net-zero greenhouse gas emissions and to be carbon neutral by 2050. The executive order aims for a 28-percent reduction below 2005 levels of greenhouse gas emissions by 2025. Consumers has already surpassed the 28-percent reduction milestone for its owned electric generation and previously announced, in February 2020, a goal of achieving net-zero carbon emissions from its electric business by 2040.

In addition to Consumers' efforts to reduce the electric utility's carbon footprint, it is also making efforts to reduce the gas utility's methane footprint. In 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 be offset by purchasing and/or producing renewable natural gas.

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

- to reduce its water use by one billion gallons; since 2017, Consumers reduced its water usage by over 880 million gallons cumulatively
- to enhance, restore, or protect 5,000 acres of land; since 2017, Consumers enhanced, restored, or protected over 4,600 acres of land cumulatively
- to reduce the amount of waste taken to landfills by 35 percent; compared to 2017, Consumers reduced its waste to landfills by 54 percent in 2020

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

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

For the three months ended March 31, 2021, CMS Energy's net income available to common stockholders was $349 million, and diluted EPS were $1.21. This compares with net income available to common stockholders of $243 million and diluted EPS of $0.85 for the three months ended March 31, 2020. In 2021, the benefits from gas and electric rate increases, higher electric sales, lower income tax expenses, and higher earnings at EnerBank were offset partially by higher 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.

Consumers has experienced a decline in electric deliveries to commercial and industrial customers as a result of the COVID-19 pandemic. Over the next five years, Consumers expects weather-normalized electric and gas deliveries to remain stable relative to 2020. This outlook reflects the effects of energy waste reduction programs offset largely by modest growth in electric and gas demand.

Performance: Impacting the Triple Bottom Line

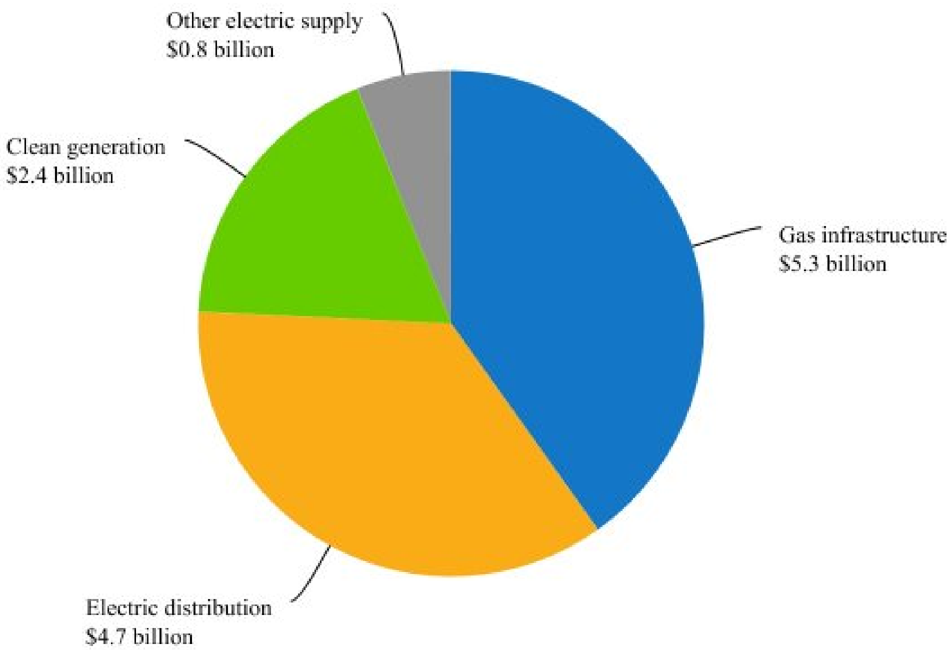
CMS Energy and Consumers remain committed to achieving world class performance while delivering hometown service and positively impacting the triple bottom line of people, planet, and profit. During 2020, CMS Energy and Consumers:

- realized over $100 million in cost reductions by leveraging the Consumers Energy Way and through other initiatives
- named a Chief Diversity Officer responsible for setting and monitoring the companies' diversity, equity, and inclusion strategy
- completed a 90-mile gas pipeline construction project to upgrade gas pipelines and infrastructure throughout three Michigan counties
- announced a new parental leave policy for employees, allowing six months of paid leave to mothers and four months of paid leave to a nonbirthing parent
- pledged to join five other energy companies in facilitating the construction of a Midwest electric vehicle charging network

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

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

Presented in the following illustration are planned capital expenditures of $13.2 billion that Consumers expects to make from 2021 through 2025:



Of this amount, Consumers plans to spend $10 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 $5.3 billion to sustain deliverability, enhance pipeline integrity and safety, and reduce methane emissions. The electric distribution projects comprise $4.7 billion to strengthen circuits and substations, replace poles, and interconnect clean energy resources. Consumers also expects to spend $2.4 billion on new clean generation, which includes investments in wind, solar, and hydro electric generation resources, and $0.8 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.

- **2021 Electric Rate Case:** In March 2021, Consumers filed an application with the MPSC seeking an annual rate increase of $225 million, based on a 10.5 percent authorized return on equity for the projected twelve-month period ending December 31, 2022. The filing requests authority to recover future investments associated with distribution system reliability, solar generation, environmental compliance, and enhanced technology.

Looking Forward

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

Results of Operations

CMS Energy Consolidated Results of Operations

In Millions, Except Per Share Amounts

Three Months Ended March 31	2021	2020	Change
Net Income Available to Common Stockholders	$ 349	$ 243	$ 106
Basic Earnings Per Average Common Share	$ 1.21	$ 0.86	$ 0.35
Diluted Earnings Per Average Common Share	$ 1.21	$ 0.85	$ 0.36

In Millions

Three Months Ended March 31	2021	2020	Change
Electric utility	$ 155	$ 118	$ 37
Gas utility	181	117	64
Enterprises	14	20	(6)
EnerBank	33	14	19
Corporate interest and other	(34)	(26)	(8)
Net Income Available to Common Stockholders	$ 349	$ 243	$ 106

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, 2021 versus 2020:

In Millions

Three Months Ended March 31, 2020		$ 243
Reasons for the change		
Consumers electric utility and gas utility		
Electric sales	$ 15	
Gas sales	1	
Electric rate increase	30	
Gas rate increase	47	
Lower income tax expense	17	
Absence of 2020 voluntary separation plan expenses	8	
Lower non-operating retirement benefits expenses	7	
Lower service restoration costs	3	
Higher depreciation and amortization	(13)	
Higher property tax, reflecting higher capital spending	(7)	
Higher forestry costs	(5)	
Lower mutual insurance distributions	(4)	
Other	2	
		$ 101
Enterprises		(6)
EnerBank		19
Corporate interest and other		(8)
Three Months Ended March 31, 2021		$ 349

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, 2021 versus 2020 (amounts are presented pre-tax, with the exception of income tax changes):

		In Millions
Three Months Ended March 31, 2020		$ 118
Reasons for the change		
Electric deliveries[1] and rate increases		
Rate increase, including return on higher renewable capital spending	$ 40	
Higher revenue due primarily to sales mix	22	
Lower other revenues	(3)	
		$ 59
Maintenance and other operating expenses		
Absence of 2020 voluntary separation plan expenses	6	
Lower service restoration costs	4	
Higher forestry costs	(7)	
Lower mutual insurance distribution	(5)	
Higher maintenance and other operating expenses	(5)	
		(7)
Depreciation and amortization		
Increased plant in service, reflecting higher capital spending		(9)
General taxes		
Higher property tax, reflecting higher capital spending		(3)
Other income, net of expenses		
Lower non-operating retirement benefits expenses	5	
Higher other income, net of expenses	2	
		7
Interest charges		2
Income taxes		
Higher production tax credits attributable primarily to new wind generation projects	6	
Higher electric utility pre-tax earnings	(13)	
Absence of prior years' research and development tax credits[2]	(7)	
Lower other income taxes	2	
		(12)
Three Months Ended March 31, 2021		$ 155

1 Deliveries to end-use customers were 8.7 billion kWh in 2021 and 8.8 billion kWh in 2020.

2 See Note 8, Income Taxes.

Consumers Gas Utility Results of Operations

Presented in the following table are the detailed changes to the gas utility's net income available to common stockholders for the three months ended March 31, 2021 versus 2020 (amounts are presented pre-tax, with the exception of income tax changes):

				In Millions
Three Months Ended March 31, 2020			$	117
Reasons for the change				
Gas deliveries[1] and rate increases				
Rate increase	$	63		
Higher energy waste reduction program revenues		12		
Higher sales and other revenues		4		
			$	79
Maintenance and other operating expenses				
Higher energy waste reduction program costs		(12)		
Absence of 2020 voluntary separation plan expenses		4		
Lower maintenance and other operating expenses		1		
				(7)
Depreciation and amortization				
Increased plant in service, reflecting higher capital spending				(8)
General taxes				
Higher property tax, reflecting higher capital spending		(6)		
Lower other general taxes		1		
				(5)
Other income, net of expenses				
Lower non-operating retirement benefits expenses		4		
Higher other income, net of expenses		2		
				6
Interest charges				(1)
Income taxes				
Lower income tax expense due primarily to acceleration of tax benefits associated with cost of removal[2]		9		
Lower income tax expense due primarily to accelerated amortization of excess deferred income taxes[2]		8		
Higher gas utility pre-tax earnings		(16)		
Absence of prior years' research and development tax credits[2]		(1)		
				—
Three Months Ended March 31, 2021			$	181

[1] Deliveries to end-use customers were 124 bcf in 2021 and 120 bcf in 2020.

[2] See Note 8, 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, 2021 versus 2020:

		In Millions
Three Months Ended March 31, 2020	$	20
Reason for the change		
Absence of 2020 income tax benefit due to restoring previously sequestered alternative minimum tax credits[1]	$	(4)
Absence of 2020 benefit from improved receivables management, offset partially by improved earnings at DIG		(2)
Three Months Ended March 31, 2021	$	14

1 See Note 8, Income Taxes.

EnerBank Results of Operations

Presented in the following table are the detailed after-tax changes to EnerBank's net income available to common stockholders for the three months ended March 31, 2021 versus 2020:

		In Millions
Three Months Ended March 31, 2020	$	14
Reason for the change		
Higher earnings due primarily to growth in consumer lending and favorable credit loss experience	$	12
Gain on sale of notes receivable		7
Three Months Ended March 31, 2021	$	33

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, 2021 versus 2020:

		In Millions
Three Months Ended March 31, 2020	$	(26)
Reasons for the change		
Absence of 2020 income tax benefit due to restoring previously sequestered alternative minimum tax credits[1]	$	(5)
Higher fixed charges due to higher debt		(4)
Other		1
Three Months Ended March 31, 2021	$	(34)

1 See Note 8, Income Taxes.

Cash Position, Investing, and Financing

At March 31, 2021, CMS Energy had $524 million of consolidated cash and cash equivalents, which included $28 million of restricted cash and cash equivalents. At March 31, 2021, Consumers had $34 million of consolidated cash and cash equivalents, which included $25 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, 2021 versus 2020:

		In Millions
CMS Energy, including Consumers		
Three Months Ended March 31, 2020	$	201
Reasons for the change		
Higher net income		99
Non-cash transactions[1]		(21)
Lower pension contributions		531
Unfavorable impact of changes in core working capital,[2] due primarily to higher vendor payments and lower overcollections of PSCR charges in 2021		(5)
Favorable impact of changes in other assets and liabilities, due primarily to the absence of a payment to settle litigation and higher energy waste reduction collections in excess of spending, offset partially by higher payments for environmental remediation activities		27
Three Months Ended March 31, 2021	$	832
Consumers		
Three Months Ended March 31, 2020	$	238
Reasons for the change		
Higher net income		101
Non-cash transactions[1]		14
Lower pension contributions		518
Unfavorable impact of changes in core working capital,[2] due primarily to higher vendor payments and lower overcollections of PSCR charges in 2021		(39)
Favorable impact of changes in other assets and liabilities, due primarily to lower income tax payments to CMS Energy and higher energy waste reduction collections in excess of spending, offset partially by higher payments for environmental remediation activities		9
Three Months Ended March 31, 2021	$	841

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

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

Investing Activities

Presented in the following table are specific components of net cash used in investing activities for the three months ended March 31, 2021 versus 2020:

		In Millions
CMS Energy, including Consumers		
Three Months Ended March 31, 2020	$	(559)
Reasons for the change		
Lower capital expenditures		86
Changes in EnerBank notes receivable, reflecting growth in consumer lending		(72)
Lower purchases of notes receivable by EnerBank		6
Proceeds from sale of EnerBank notes receivable in 2021		263
Other investing activities, primarily higher costs to retire property		(7)
Three Months Ended March 31, 2021	$	(283)
Consumers		
Three Months Ended March 31, 2020	$	(542)
Reasons for the change		
Lower capital expenditures		87
Other investing activities, primarily higher costs to retire property		(3)
Three Months Ended March 31, 2021	$	(458)

Financing Activities

Presented in the following table are specific components of net cash provided by (used in) financing activities for the three months ended March 31, 2021 versus 2020:

		In Millions
CMS Energy, including Consumers		
Three Months Ended March 31, 2020	$	1,062
Reasons for the change		
Lower debt issuances		(1,198)
Lower borrowings of certificates of deposit at EnerBank		(66)
Lower repayments under Consumers' commercial paper program		90
Lower issuances of common stock		(92)
Higher payments of dividends on common stock		(10)
Other financing activities, primarily lower debt issuance costs		4
Three Months Ended March 31, 2021	$	(210)
Consumers		
Three Months Ended March 31, 2020	$	904
Reasons for the change		
Lower debt issuances		(873)
Lower repayments under Consumers' commercial paper program		90
Higher repayments of borrowings from CMS Energy		(250)
Lower stockholder contribution from CMS Energy		(200)
Higher payments of dividends on common stock		(57)
Other financing activities		2
Three Months Ended March 31, 2021	$	(384)

Capital Resources and Liquidity

CMS Energy uses dividends and tax-sharing payments from its subsidiaries and external financing and capital transactions to invest in its utility and non-utility businesses, retire debt, pay dividends, and fund its other obligations. The ability of CMS Energy's subsidiaries, including Consumers, to pay dividends to CMS Energy depends upon each subsidiary's revenues, earnings, cash needs, and other factors. In addition, Consumers' ability to pay dividends is restricted by certain terms included in its 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. For the three months ended March 31, 2021, Consumers paid $276 million in dividends on its common stock to CMS Energy.

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

CMS Energy and Consumers expect to have sufficient liquidity to fund their commitments despite potential material uncertainties that may impact their cash management and financing strategies as a result of the COVID‑19 pandemic. CMS Energy and Consumers rely on the capital markets to fund their robust capital plan and those markets have faced significant strain. Barring any sustained market dislocations or disruptions, CMS Energy and Consumers expect to continue to have ready access to the financial and capital markets and will continue to explore possibilities to take advantage of market opportunities as they arise with respect to future funding needs. If access to these markets were to diminish or otherwise become restricted, CMS Energy and Consumers would implement contingency plans to address debt maturities, which could include reduced capital spending. The COVID‑19 pandemic is a continually evolving situation and CMS Energy and Consumers cannot predict the ultimate impact it will have on their debt covenants, business, results of operations, financial condition, capital investment program, liquidity, and cash flows.

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.

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, 2021, CMS Energy had $532 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, 2021, 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, 2021, 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, 2021, as presented in the following table:

	Limit	Actual
CMS Energy, parent only		
Debt to Capital[1]	≤ 0.70 to 1.0	0.57 to 1.0
Consumers		
Debt to Capital[2]	≤ 0.65 to 1.0	0.48 to 1.0

1 Applies to CMS Energy's revolving credit agreement and term loan credit agreement.

2 Applies to Consumers' revolving credit agreements and letter of credit agreement.

Components of CMS Energy's and Consumers' cash management plan include controlling operating expenses and capital expenditures and evaluating market conditions for financing and refinancing opportunities. CMS Energy's and Consumers' present level of cash and expected cash flows from operating activities, together with access to sources of liquidity, are anticipated to be sufficient to fund the companies' contractual obligations for 2021 and beyond.

CMS Energy is also required both by law and by contract to provide financial support, including infusing additional capital, to ensure that EnerBank satisfies mandated capital requirements and has sufficient liquidity to operate. With its self-funding plan, EnerBank has exceeded these requirements historically and exceeded them as of March 31, 2021. In addition, EnerBank has access to contingent funding sources, including the Discount Window and a $50 million uncommitted federal funds line of credit. Each month, EnerBank pledges a subset of its eligible loans to the Federal Reserve to ensure a seamless borrowing capability should the need arise. At March 31, 2021, there were no outstanding borrowings under EnerBank's contingent funding sources.

Off-Balance-Sheet Arrangements

CMS Energy, Consumers, and certain of their subsidiaries enter into various arrangements in the normal course of business to facilitate commercial transactions with third parties. These arrangements include indemnities, surety bonds, letters of credit, and financial and performance guarantees. Additionally, CMS Energy has entered into forward sales contracts to sell its common stock in order to invest in its utility and non-utility businesses; as of March 31, 2021, these contracts have an aggregate sales price of $58 million, maturing through 2022. For additional details on the companies' indemnity and guarantee arrangements, see Notes to the Unaudited Consolidated Financial Statements—Note 2, Contingencies and Commitments—Guarantees. For additional details on letters of credit and CMS Energy's forward sales contracts, see Notes to the Unaudited Consolidated Financial Statements—Note 3, Financings and Capitalization.

Outlook

Several business trends and uncertainties may affect CMS Energy's and Consumers' financial condition and results of operations. These trends and uncertainties could have a material impact on CMS Energy's and Consumers' consolidated income, cash flows, or financial position. For additional details regarding these and other uncertainties, see Forward-Looking Statements and Information; 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: In 2019, the MPSC approved the IRP that Consumers filed in 2018, which details its Clean Energy Plan. Through its Clean Energy Plan, Consumers expects to reduce carbon emissions of its owned generation by more than 90 percent from its 2005 levels by 2040 and eliminate the use of coal to generate electricity by 2040. The Clean Energy Plan provides the foundation for Consumers' 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. Consumers is required to file a new IRP by June 2021.

Specifically, the Clean Energy Plan provides for:

- the retirement of the D.E. Karn 1 & 2 coal-fueled generating units, totaling 460 MW, in 2023
- the potential retirement of the J.H. Campbell 1 & 2 coal-fueled generating units, totaling 540 MW, in 2031 or earlier

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

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

Consumers will competitively bid new capacity and at least 50 percent of the new capacity will be built and owned by third parties; the remainder will be owned and operated by Consumers.

In support of its Clean Energy Plan, Consumers issued requests for proposals in 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. Any contracts entered into as a result of the request for proposals would be subject to MPSC approval.

As a result of the 2019 request for proposals, in December 2020, Consumers entered into a 25-year PPA under which it will purchase 140 MW of renewable capacity, energy, and RECs from a solar generating facility to be constructed in Calhoun County, Michigan. The facility is expected to be operational in 2022. Also, in January 2021, Consumers entered into an agreement to purchase a solar generating facility under development in Michigan, with capacity of up to 150 MW. Consumers expects to take full ownership and begin commercial operation of the project in 2022. Both of these agreements were approved by the MPSC in April 2021.

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 expects to meet the 15-percent requirement in 2021 and 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 December 2020
- purchase of a 166-MW wind generation project in Hillsdale, Michigan; the project became operational and Consumers took full ownership in February 2021
- purchase of a wind generation project under development, with capacity of up to 201 MW, in Gratiot County, Michigan; Consumers expects to take full ownership and begin commercial operation of the project in 2022

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 expected to be operational in 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. Beginning in June 2021, electric residential customers will transition to a summer peak time-of-use rate that will allow them to take advantage of lower-cost energy during off-peak times during the summer months. Thus, customers could reduce their electric bills by shifting their consumption from on-peak to off-peak times.

In response to the COVID-19 pandemic, Michigan's Governor and the Michigan Department of Health and Human Services have issued numerous orders throughout 2020 and 2021 restricting business, educational, and personal activities at varying levels. Presently, state guidelines include requiring remote work in lieu of in-person work when feasible and restrictions on indoor and outdoor gatherings, certain entertainment venues, and indoor dining at restaurants. Most other businesses are now open with safety measures in place.

Since the beginning of the pandemic, Consumers has experienced a decline in electric deliveries. Specifically, Consumers' weather-normalized electric deliveries to commercial and industrial customers have decreased, offset partially by an increase in deliveries to residential customers. Additionally, Consumers recognized increased uncollectible accounts during 2020 and the aggregate outstanding amount of, and the number of its customers with, past-due accounts remains in excess of pre-pandemic levels. Although Michigan businesses and residents are moving closer to resuming normal activities, the COVID-19 pandemic is a continually evolving situation and Consumers cannot predict the long-term impact of the pandemic on Michigan's economy or its customers.

Over the next five years, Consumers expects weather-normalized electric deliveries to remain stable relative to 2020. This outlook reflects the effects of energy waste reduction programs and appliance efficiency standards offset largely by modest growth in electric demand. Actual delivery levels will depend on:

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

Electric ROA: Michigan law allows electric customers in Consumers' service territory to buy electric generation service from alternative electric suppliers in an aggregate amount capped at ten percent of Consumers' sales, with certain exceptions. At March 31, 2021, 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 April 2020, the Michigan Supreme Court affirmed the MPSC's statutory authority to implement a local clearing requirement on individual electric providers.

In September 2020, ABATE and another intervenor filed a complaint against the MPSC in the U.S. District Court for the Eastern District of Michigan challenging the constitutionality of a local clearing requirement. The complaint requests the federal court to issue a permanent injunction prohibiting the MPSC from implementing a local clearing requirement on individual electric providers. In December 2020, Consumers filed a motion to intervene and defend the local clearing requirement in that federal litigation; this motion was granted in January 2021 and this case remains pending.

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.

2021 Electric Rate Case: In March 2021, Consumers filed an application with the MPSC seeking an annual rate increase of $225 million, based on a 10.5 percent authorized return on equity for the projected twelve-month period ending December 31, 2022. The filing requests authority to recover future investments associated with distribution system reliability, solar generation, environmental compliance, and enhanced technology. Presented in the following table are the components of the requested increase in revenue:

		In Millions
Projected Twelve-Month Period Ending December 31		2022
Components of the requested rate increase		
Investment in rate base	$	121
Operating and maintenance costs		76
Cost of capital		53
Sales and other revenue		(25)
Total	$	225

Depreciation Rate Case: In March 2021, Consumers filed a depreciation case related to its electric and common utility property. In this case, Consumers requested an increase in depreciation expense, and its recovery of that expense, of $43 million annually based on December 31, 2019 balances.

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 $8 million of retention benefit costs in 2021; this expense will be deferred as a regulatory asset. For additional details on this program, see Notes to the Unaudited Consolidated Financial Statements—Note 14, Exit Activities.

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 $260 million from 2021 through 2025 to continue to comply with RCRA, the Clean Water Act, the Clean Air Act, and numerous state and federal environmental regulations. Consumers expects to recover these costs in customer rates, but cannot guarantee this result. Consumers' primary environmental compliance focus includes, but is not limited to, the following matters.

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

CSAPR, which became effective in 2015, requires Michigan and many other states to improve air quality by reducing power plant emissions that, according to EPA computer models, contribute to ground-level ozone and fine particle pollution in other downwind states. In 2016, the EPA finalized new ozone season standards for CSAPR, which became effective in 2017. In October 2020, in response to a court-ordered remand due to litigation, the EPA proposed a revised CSAPR rule to reflect updated emission reductions from electric generating units in 12 states, including Michigan. The EPA finalized the rule in March 2021, and has made provisions for program implementation by May 2021, with continued emission reductions through 2024. Consumers is evaluating its emission compliance strategy for existing units based on the proposed number of allowances allocated to Michigan for 2021 through 2024, and believes the impact of this rule should be minimal.

In 2012, the EPA published emission standards for electric generating units, known as MATS, based on Section 112 of the Clean Air Act. Under MATS, all of Consumers' existing coal-fueled electric generating units were required to add additional controls for hazardous air pollutants. Consumers met the deadline for five coal-fueled units and two oil/gas-fueled units it continues to operate and retired its seven remaining coal-fueled units. In addition, in May 2020, the EPA finalized changes to the supporting analysis used to enact MATS, but did not make any changes to the MATS regulations. These changes do not impact Consumers' MATS compliance strategy because, if the MATS regulations were repealed, Consumers would then be required to comply with the Michigan Mercury Rule, which has similar requirements to MATS. In addition, Consumers must comply with emission limits in its renewable operating permits, which have similar emission requirements to MATS.

In 2015, the EPA lowered the NAAQS for ozone. The 2015 ozone NAAQS made it more difficult to construct or modify power plants and other emission sources in areas of the country that have not met the 2015 ozone standard. In 2018, the EPA designated certain areas of Michigan as not meeting the ozone standard. None of Consumers' fossil-fuel-fired generating units are located in these areas. Additionally, the State of Michigan has convened industry workgroups to seek implementation and control strategy ideas for statewide compliance of the 2015 ozone standard. In August 2020, the EPA proposed to retain the 2015 NAAQS for ozone without revision, and finalized this regulatory decision in December 2020. Consumers does not expect that any litigation involving NAAQS for ozone will have a material adverse impact on its generating assets.

Consumers' strategy to comply with air quality regulations, including CSAPR, NAAQS, and MATS, as well as its legal obligations, involved the installation and operation of emission control equipment at some facilities and the suspension of operations at others; however, Consumers continues to evaluate these rules in conjunction with other EPA and EGLE rulemakings, litigation, 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 used
- the retirement, mothballing, or repowering with an alternative fuel of some of Consumers' generating units
- changes in Consumers' environmental compliance costs

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

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

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

In 2019, the EPA finalized the Affordable Clean Energy rule. The rule requires individual states to evaluate coal-fueled power plants for heat-rate improvements that could increase overall plant efficiency. The evaluations to be performed by the State of Michigan may require Consumers to make heat-rate improvements at its J.H. Campbell plant beginning in the mid-2020s. However, the D.C. Circuit Court of Appeals vacated and remanded this rule to the EPA in January 2021. Consumers cannot evaluate the potential impact of the remand until the EPA acts and any additional appeals are extinguished.

In 2015, a group of 195 countries, including the U.S., finalized the Paris Agreement, which governs carbon dioxide reduction measures beginning in 2020. While the U.S. withdrew 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 50-52 percent from 2005 levels by 2030. At this time, Consumers does not expect any adverse changes to its environmental strategy as a result of these events.

In September 2020, Michigan's Governor signed an executive order creating the Michigan Healthy Climate Plan, which outlines goals for Michigan to achieve economy-wide net-zero greenhouse gas emissions and to be carbon neutral by 2050. The executive order aims for a 28-percent reduction below 2005 levels of greenhouse gas emissions by 2025. Consumers has already surpassed the 28-percent reduction milestone for its owned electric generation and previously announced, in February 2020, 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 Michigan Legislature or the relevant regulatory agency. The MPSC has requested comments from utilities and other stakeholders on how the Governor's goal should be incorporated into future IRP filings. Consumers does not expect any adverse changes to its environmental strategy as a result of these events.

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

Increased frequency of severe weather events, including those due to climate change, could materially impact Consumers' facilities, energy sales, and results of operations. Consumers is unable to predict these events or their financial impact; however, Consumers evaluates the potential physical impacts of climate change on its operations, including increased temperature, increased storm activity, increased rainfall, and higher lake and river levels. 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; 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 and capital expenditures in rates consistent with the recovery of other reasonable costs of complying with environmental laws and regulations.

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

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

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

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

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

The EPA regulates cooling water intake systems of existing electric generating plants under Section 316(b) of the Clean Water Act and the corresponding rules that were revised in 2014. The rules 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 does not expect any adverse changes to its environmental strategy as a result of these revisions to the rule.

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

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

Other Matters: Other electric environmental matters could have a material impact on Consumers' outlook. For additional details on other electric environmental matters, see 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.

The impact of the COVID-19 pandemic on weather-normalized gas deliveries has not been material. Consumers did recognize increased uncollectible accounts during 2020 and the aggregate outstanding amount of, and the number of its customers with, past-due accounts remains in excess of pre-pandemic levels. Although Michigan businesses and residents are moving closer to resuming normal activities, the COVID-19 pandemic is a continually evolving situation and Consumers cannot predict the long-term impact of the pandemic on Michigan's economy or its customers.

Over the next five years, Consumers expects weather-normalized gas deliveries to remain stable relative to 2020. This outlook reflects modest growth in gas demand offset by the predicted effects of energy efficiency and conservation. Actual delivery levels from year to year may vary from this expectation as a result of:

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

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

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

In February 2020, PHMSA established minimum federal safety standards for underground natural gas storage facilities. To comply with the rule, Consumers incurred increased capital and operating and maintenance costs to expand inspections, maintenance, and monitoring of its underground gas storage facilities.

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

Gas Environmental Outlook: Consumers expects to incur response activity costs at a number of sites, including 23 former MGP sites. For additional details, see Notes to the Unaudited Consolidated Financial Statements—Note 2, Contingencies and Commitments—Consumers Gas Utility Contingencies—Gas Environmental Matters.

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

In September 2020, Michigan's Governor signed an executive order creating the Michigan Healthy Climate Plan, which outlines goals for Michigan to achieve economy-wide net-zero greenhouse gas emissions and to be carbon neutral by 2050. The executive order aims for a 28-percent reduction below 2005 levels of greenhouse gas emissions by 2025. These new goals could have an impact on Consumers' gas business over the long term. Consumers is evaluating decarbonization options for its gas business including energy efficiency, renewable natural gas, and hydrogen. 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 governs carbon dioxide reduction measures beginning in 2020. While the U.S. withdrew 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 50-52 percent from 2005 levels by 2030. At this time, Consumers does not expect any adverse changes to its environmental strategy as a result of these events.

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 has achieved 25 percent combined renewable energy and energy waste reduction through 2020.

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

Under its energy waste reduction plan, Consumers provides its customers with incentives to reduce usage by offering energy audits, rebates and discounts on purchases of highly efficient appliances, and other incentives and programs. The COVID-19 pandemic may impact Consumers' ability to execute energy efficiency programs effectively and, accordingly, could affect Consumers' ability to exceed its statutory savings targets and earn the maximum energy waste reduction incentive for 2021. Consumers cannot predict the ultimate financial impact of the pandemic on its 2021 energy waste reduction incentive.

Enterprises Outlook and Uncertainties

CMS Energy's primary focus with respect to its enterprises businesses is to maximize the value of generating assets, its share of which represents 1,480 MW of capacity, and to pursue opportunities for the development of renewable generation projects.

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

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

- investment in and financial benefits received from renewable energy and energy storage projects
- changes in energy and capacity prices
- severe weather events and climate change associated with increasing levels of greenhouse gases
- changes in commodity prices and interest rates on certain derivative contracts that do not qualify for hedge accounting and must be marked to market through earnings
- changes in various environmental laws, regulations, principles, or practices, or in their interpretation
- indemnity and environmental remediation obligations at Bay Harbor, including an inability to renew an NPDES permit
- 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

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

EnerBank Outlook and Uncertainties

EnerBank is a Utah state-chartered, FDIC-insured industrial bank providing primarily unsecured, fixed-rate installment loans throughout the U.S. to finance home improvements. The carrying value of EnerBank's loan portfolio was $2.7 billion at March 31, 2021. The 12-month rolling average net default rate on loans held by EnerBank was 1.1 percent at March 31, 2021. For additional details regarding EnerBank's loan portfolio, see Notes to the Unaudited Consolidated Financial Statements—Note 6, Notes Receivable.

EnerBank's loan portfolio was funded primarily by certificates of deposit of $2.7 billion at March 31, 2021. With its loan portfolio funded by certificates of deposit, EnerBank has not had to rely on access to the financial and capital markets in order to fund loan growth during the COVID-19 pandemic. As a result, EnerBank has experienced market share gains as new customers have transitioned from less financially stable competitors. Accordingly, EnerBank has experienced increased lending growth in recent months and expects this trend to continue during 2021. Over the next five years, EnerBank expects lending growth of approximately seven percent annually. For additional details regarding EnerBank's capital and liquidity, see Capital Resources and Liquidity.

In response to the COVID-19 pandemic, and consistent with FDIC guidance, EnerBank offered new payment accommodations for current qualifying customers. The vast majority of customers that received payment accommodations in 2020 have resumed making their regular monthly payment in a timely manner. EnerBank cannot predict the longer-term impacts of the pandemic, but could experience slower lending growth, higher loan write-offs, and increased loan modifications.

Other Outlook and Uncertainties

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.

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	2021	2020
Operating Revenue	$ 2,083	$ 1,864
Operating Expenses		
Fuel for electric generation	138	103
Purchased and interchange power	377	357
Purchased power – related parties	18	18
Cost of gas sold	279	273
Maintenance and other operating expenses	323	315
Depreciation and amortization	340	316
General taxes	123	114
Total operating expenses	1,598	1,496
Operating Income	485	368
Other Income (Expense)		
Interest income	1	1
Interest income – related parties	—	7
Allowance for equity funds used during construction	1	1
Income from equity method investees	2	3
Non-operating retirement benefits, net	41	31
Other income	1	—
Other expense	(2)	(4)
Total other income	44	39
Interest Charges		
Interest on long-term debt	119	116
Interest expense – related parties	3	3
Other interest expense	15	19
Allowance for borrowed funds used during construction	(1)	(1)
Total interest charges	136	137
Income Before Income Taxes	393	270
Income Tax Expense	51	27
Net Income	342	243
Loss Attributable to Noncontrolling Interests	(7)	—
Net Income Available to Common Stockholders	$ 349	$ 243
Basic Earnings Per Average Common Share	$ 1.21	$ 0.86
Diluted Earnings Per Average Common Share	$ 1.21	$ 0.85

The accompanying notes are an integral part of these statements.

CMS Energy Corporation
Consolidated Statements of Comprehensive Income (Unaudited)

In Millions

Three Months Ended March 31		2021		2020
Net Income	$	342	$	243
Retirement Benefits Liability				
Amortization of net actuarial loss, net of tax of $— for both periods		1		1
Derivatives				
Unrealized gain (loss) on derivative instruments, net of tax of $— and $(1)		1		(4)
Other Comprehensive Income (Loss)		2		(3)
Comprehensive Income		344		240
Comprehensive Loss Attributable to Noncontrolling Interests		(7)		—
Comprehensive Income Attributable to CMS Energy	$	351	$	240

The accompanying notes are an integral part of these statements.

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CMS Energy Corporation
Consolidated Statements of Cash Flows (Unaudited)

In Millions

Three Months Ended March 31	2021	2020
Cash Flows from Operating Activities		
Net income	$ 342	$ 243
Adjustments to reconcile net income to net cash provided by operating activities		
Depreciation and amortization	340	316
Deferred income taxes and investment tax credits	48	67
Other non-cash operating activities and reconciling adjustments	(17)	9
Pension contributions	—	(531)
Changes in assets and liabilities		
Accounts and notes receivable and accrued revenue	30	(17)
Inventories	168	171
Accounts payable and accrued rate refunds	(103)	(54)
Other current and non-current assets and liabilities	24	(3)
Net cash provided by operating activities	832	201
Cash Flows from Investing Activities		
Capital expenditures (excludes assets placed under finance lease)	(437)	(523)
Increase in EnerBank notes receivable	(76)	(4)
Purchase of notes receivable by EnerBank	(2)	(8)
Proceeds from sale of EnerBank notes receivable	263	—
Cost to retire property and other investing activities	(31)	(24)
Net cash used in investing activities	(283)	(559)
Cash Flows from Financing Activities		
Proceeds from issuance of debt	—	1,198
Retirement of debt	(2)	(2)
Decrease in EnerBank certificates of deposit	(73)	(7)
Decrease in notes payable	—	(90)
Issuance of common stock, net of issuance costs	9	101
Payment of dividends on common stock	(126)	(116)
Other financing costs	(18)	(22)
Net cash provided by (used in) financing activities	(210)	1,062
Net Increase in Cash and Cash Equivalents, Including Restricted Amounts	339	704
Cash and Cash Equivalents, Including Restricted Amounts, Beginning of Period	185	157
Cash and Cash Equivalents, Including Restricted Amounts, End of Period	$ 524	$ 861
Other Non-cash Investing and Financing Activities		
Non-cash transactions		
Capital expenditures not paid	$ 87	$ 95

The accompanying notes are an integral part of these statements.

CMS Energy Corporation
Consolidated Balance Sheets (Unaudited)

ASSETS

In Millions

	March 31 2021	December 31 2020
Current Assets		
Cash and cash equivalents	$ 496	$ 168
Restricted cash and cash equivalents	28	17
Accounts receivable and accrued revenue, less allowance of $27 in 2021 and $29 in 2020	839	863
Notes receivable, less allowance of $29 in 2021 and $32 in 2020	284	275
Accounts receivable – related parties	17	19
Inventories at average cost		
Gas in underground storage	195	353
Materials and supplies	162	155
Generating plant fuel stock	50	68
Deferred property taxes	267	332
Regulatory assets	30	42
Prepayments and other current assets	145	112
Total current assets	2,513	2,404
Plant, Property, and Equipment		
Plant, property, and equipment, gross	28,457	27,907
Less accumulated depreciation and amortization	8,178	7,953
Plant, property, and equipment, net	20,279	19,954
Construction work in progress	928	1,085
Total plant, property, and equipment	21,207	21,039
Other Non-current Assets		
Regulatory assets	2,613	2,653
Accounts and notes receivable, less allowance of $89 in 2021 and $91 in 2020	2,445	2,631
Investments	72	70
Other	873	869
Total other non-current assets	6,003	6,223
Total Assets	$ 29,723	$ 29,666

LIABILITIES AND EQUITY

	In Millions	
	March 31 2021	December 31 2020
Current Liabilities		
Current portion of long-term debt, finance leases, and other financing	$ 1,506	$ 1,506
Accounts payable	538	671
Accounts payable – related parties	7	7
Accrued rate refunds	2	20
Accrued interest	113	106
Accrued taxes	360	457
Regulatory liabilities	204	151
Other current liabilities	155	156
Total current liabilities	2,885	3,074
Non-current Liabilities		
Long-term debt	13,561	13,634
Non-current portion of finance leases and other financing	51	56
Regulatory liabilities	3,772	3,744
Postretirement benefits	151	152
Asset retirement obligations	564	553
Deferred investment tax credit	114	115
Deferred income taxes	1,926	1,863
Other non-current liabilities	397	398
Total non-current liabilities	20,536	20,515
Commitments and Contingencies (Notes 1 and 2)		
Equity		
Common stockholders' equity		
Common stock, authorized 350.0 shares; outstanding 289.5 shares in 2021 and 288.9 shares in 2020	3	3
Other paid-in capital	5,371	5,365
Accumulated other comprehensive loss	(84)	(86)
Retained earnings	437	214
Total common stockholders' equity	5,727	5,496
Noncontrolling interests	575	581
Total equity	6,302	6,077
Total Liabilities and Equity	$ 29,723	$ 29,666

The accompanying notes are an integral part of these statements.

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

In Millions, Except Per Share Amounts

Three Months Ended March 31	2021	2020
Total Equity at Beginning of Period	$ 6,077	$ 5,055
Common Stock		
At beginning and end of period	3	3
Other Paid-in Capital		
At beginning of period	5,365	5,113
Common stock issued	15	106
Common stock repurchased	(9)	(12)
At end of period	5,371	5,207
Accumulated Other Comprehensive Loss		
At beginning of period	(86)	(73)
Retirement benefits liability		
At beginning of period	(80)	(69)
Amortization of net actuarial loss	1	1
At end of period	(79)	(68)
Derivative instruments		
At beginning of period	(6)	(4)
Unrealized gain (loss) on derivative instruments	1	(4)
At end of period	(5)	(8)
At end of period	(84)	(76)
Retained Earnings		
At beginning of period	214	(25)
Cumulative effect of change in accounting principle	—	(51)
Net income attributable to CMS Energy	349	243
Dividends declared on common stock	(126)	(116)
At end of period	437	51
Noncontrolling Interests		
At beginning of period	581	37
Contribution from noncontrolling interest	1	—
Loss attributable to noncontrolling interests	(7)	—
At end of period	575	37
Total Equity at End of Period	$ 6,302	$ 5,222
Dividends declared per common share	$ 0.4350	$ 0.4075

The accompanying notes are an integral part of these statements.

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Consumers Energy Company
Consolidated Statements of Income (Unaudited)

In Millions

Three Months Ended March 31	2021	2020
Operating Revenue	$ 1,937	$ 1,744
Operating Expenses		
Fuel for electric generation	106	79
Purchased and interchange power	367	347
Purchased power – related parties	18	18
Cost of gas sold	278	270
Maintenance and other operating expenses	292	278
Depreciation and amortization	329	312
General taxes	118	111
Total operating expenses	1,508	1,415
Operating Income	429	329
Other Income (Expense)		
Interest income	1	1
Interest and dividend income – related parties	1	1
Allowance for equity funds used during construction	1	1
Non-operating retirement benefits, net	38	29
Other income	1	—
Other expense	(2)	(3)
Total other income	40	29
Interest Charges		
Interest on long-term debt	73	74
Interest expense – related parties	3	3
Other interest expense	2	3
Allowance for borrowed funds used during construction	(1)	(1)
Total interest charges	77	79
Income Before Income Taxes	392	279
Income Tax Expense	56	44
Net Income Available to Common Stockholder	$ 336	$ 235

The accompanying notes are an integral part of these statements.

Consumers Energy Company
Consolidated Statements of Comprehensive Income (Unaudited)

In Millions

Three Months Ended March 31	2021	2020
Net Income	$ 336	$ 235
Retirement Benefits Liability		
Amortization of net actuarial loss, net of tax of $— and $1	—	—
Other Comprehensive Income	—	—
Comprehensive Income	$ 336	$ 235

The accompanying notes are an integral part of these statements.

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Consumers Energy Company
Consolidated Statements of Cash Flows (Unaudited)

In Millions

Three Months Ended March 31		2021		2020
Cash Flows from Operating Activities				
Net income	$	336	$	235
Adjustments to reconcile net income to net cash provided by operating activities				
Depreciation and amortization		329		312
Deferred income taxes and investment tax credits		51		44
Other non-cash operating activities and reconciling adjustments		(10)		—
Pension contributions		—		(518)
Changes in assets and liabilities				
Accounts and notes receivable and accrued revenue		39		31
Inventories		168		170
Accounts payable and accrued rate refunds		(99)		(54)
Other current and non-current assets and liabilities		27		18
Net cash provided by operating activities		841		238
Cash Flows from Investing Activities				
Capital expenditures (excludes assets placed under finance lease)		(433)		(520)
Cost to retire property and other investing activities		(25)		(22)
Net cash used in investing activities		(458)		(542)
Cash Flows from Financing Activities				
Proceeds from issuance of debt		—		873
Decrease in notes payable		—		(90)
Decrease in notes payable – related parties		(250)		—
Stockholder contribution		150		350
Payment of dividends on common stock		(276)		(219)
Other financing costs		(8)		(10)
Net cash provided by (used in) financing activities		(384)		904
Net Increase (Decrease) in Cash and Cash Equivalents, Including Restricted Amounts		(1)		600
Cash and Cash Equivalents, Including Restricted Amounts, Beginning of Period		35		28
Cash and Cash Equivalents, Including Restricted Amounts, End of Period	$	34	$	628
Other Non-cash Investing and Financing Activities				
Non-cash transactions				
Capital expenditures not paid	$	84	$	85

The accompanying notes are an integral part of these statements.

Consumers Energy Company
Consolidated Balance Sheets (Unaudited)

ASSETS

In Millions

	March 31 2021	December 31 2020
Current Assets		
Cash and cash equivalents	$ 9	$ 20
Restricted cash and cash equivalents	25	15
Accounts receivable and accrued revenue, less allowance of $27 in 2021 and $29 in 2020	801	828
Accounts and notes receivable – related parties	9	18
Inventories at average cost		
Gas in underground storage	195	353
Materials and supplies	156	149
Generating plant fuel stock	49	67
Deferred property taxes	267	332
Regulatory assets	30	42
Prepayments and other current assets	119	68
Total current assets	1,660	1,892
Plant, Property, and Equipment		
Plant, property, and equipment, gross	27,299	26,757
Less accumulated depreciation and amortization	8,058	7,844
Plant, property, and equipment, net	19,241	18,913
Construction work in progress	887	1,058
Total plant, property, and equipment	20,128	19,971
Other Non-current Assets		
Regulatory assets	2,613	2,653
Accounts receivable	25	25
Accounts and notes receivable – related parties	104	105
Other	750	753
Total other non-current assets	3,492	3,536
Total Assets	$ 25,280	$ 25,399

LIABILITIES AND EQUITY

		In Millions
	March 31 2021	December 31 2020
Current Liabilities		
Current portion of long-term debt, finance leases, and other financing	$ 384	$ 384
Notes payable – related parties	57	307
Accounts payable	501	636
Accounts payable – related parties	12	7
Accrued rate refunds	2	20
Accrued interest	79	72
Accrued taxes	364	458
Regulatory liabilities	204	151
Other current liabilities	106	104
Total current liabilities	1,709	2,139
Non-current Liabilities		
Long-term debt	7,743	7,742
Non-current portion of finance leases and other financing	51	56
Regulatory liabilities	3,772	3,744
Postretirement benefits	111	112
Asset retirement obligations	541	530
Deferred investment tax credit	114	115
Deferred income taxes	2,159	2,094
Other non-current liabilities	314	311
Total non-current liabilities	14,805	14,704
Commitments and Contingencies (Notes 1 and 2)		
Equity		
Common stockholder's equity		
Common stock, authorized 125.0 shares; outstanding 84.1 shares in both periods	841	841
Other paid-in capital	6,174	6,024
Accumulated other comprehensive loss	(36)	(36)
Retained earnings	1,750	1,690
Total common stockholder's equity	8,729	8,519
Cumulative preferred stock, $4.50 series	37	37
Total equity	8,766	8,556
Total Liabilities and Equity	$ 25,280	$ 25,399

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	2021	2020
Total Equity at Beginning of Period	$ 8,556	$ 7,737
Common Stock		
At beginning and end of period	841	841
Other Paid-in Capital		
At beginning of period	6,024	5,374
Stockholder contribution	150	350
At end of period	6,174	5,724
Accumulated Other Comprehensive Loss		
Retirement benefits liability		
At beginning and end of period	(36)	(28)
At beginning and end of period	(36)	(28)
Retained Earnings		
At beginning of period	1,690	1,513
Net income	336	235
Dividends declared on common stock	(276)	(219)
At end of period	1,750	1,529
Cumulative Preferred Stock		
At beginning and end of period	37	37
Total Equity at End of Period	$ 8,766	$ 8,103

The accompanying notes are an integral part of these statements.

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

These interim consolidated financial statements have been prepared by CMS Energy and Consumers in accordance with GAAP for interim financial information and with the instructions to Form 10-Q and Article 10 of Regulation S-X. As a result, CMS Energy and Consumers have condensed or omitted certain information and note disclosures normally included in consolidated financial statements prepared in accordance with GAAP. CMS Energy and Consumers may have reclassified certain prior period amounts to conform to the presentation in the present period and to reflect the implementation of new accounting standards. CMS Energy and Consumers are required to make estimates using assumptions that may affect reported amounts and disclosures; actual results could differ from these estimates. In management's opinion, the unaudited information contained in this report reflects all adjustments of a normal recurring nature necessary to ensure that CMS Energy's and Consumers' financial position, results of operations, and cash flows for the periods presented are fairly stated. The notes to the unaudited consolidated financial statements and the related unaudited consolidated financial statements should be read in conjunction with the consolidated financial statements and related notes contained in the 2020 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, and certain other parties typically participate in MPSC proceedings concerning Consumers, such as Consumers' rate cases and PSCR and GCR processes. These parties often challenge various aspects of those proceedings, including the prudence of Consumers' policies and practices, and seek cost disallowances and other relief. The parties also have appealed significant MPSC orders. Depending upon the specific issues, the outcomes of rate cases and proceedings, including judicial proceedings challenging MPSC orders or other actions, could negatively affect CMS Energy's and Consumers' liquidity, financial condition, and results of operations. Consumers cannot predict the outcome of these proceedings.

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

Reserve for Customer Refunds: In December 2020, the MPSC issued an order authorizing Consumers to refund $28 million voluntarily to utility customers. In February 2021, Consumers submitted a filing proposing that the refund take the form of incremental spending in 2021 above amounts included in rates on various programs, including electric service restoration and gas and electric technology expenses. Consumers' proposal indicates that if it does not achieve the incremental spending, the remaining balance would be provided to electric or gas utility customers through a bill credit. Consumers had recorded a current regulatory liability of $28 million at March 31, 2021 and December 31, 2020 related to this voluntary refund.

Voluntary Transmission Asset Sale Gain Share: In October 2020, Consumers completed a sale of the electric utility's remaining transmission equipment to METC. In December 2020, Consumers filed an application with the MPSC requesting approval to share voluntarily half of the gain from the sale with electric utility customers; this application was approved by the MPSC in February 2021. Consumers will share the gain through incremental service restoration spending in 2021 above amounts included in rates or through a bill credit to electric utility customers in 2022. As a result, the $14 million gain to be shared with customers was recorded on Consumers' consolidated balance sheets as a current regulatory liability at March 31, 2021 and December 31, 2020.

Energy Waste Reduction Plan Incentive: Consumers will file its 2020 energy waste reduction reconciliation in 2021, requesting the MPSC's approval to collect from customers the maximum performance incentive of $42 million for exceeding statutory savings targets in 2020. Consumers recognized incentive revenue under this program of $42 million in 2020.

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

At March 31, 2021, 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 2021 and in each of the next five years:

In Millions

	2021	2022	2023	2024	2025	2026
CMS Energy						
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.

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

Consumers Electric Utility Contingencies

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

Cleanup and Solid Waste: Consumers expects to incur remediation and other response activity costs at a number of sites under 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, 2021, 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, 2021, 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.

MCV PPA: In 2017, the MCV Partnership initiated arbitration against Consumers, asserting a breach of contract associated with the MCV PPA. In 2019, an arbitration panel issued an order concluding that the

MCV Partnership is not entitled to any damages associated with a claim against Consumers that was related to the Clean Air Act. In November 2020, the MCV Partnership and Consumers signed a settlement agreement resolving all remaining disputes between the parties, and filed the settlement and associated agreements with the MPSC for approval. In March 2021, the MPSC approved the settlement and associated agreements.

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, 2021, Consumers had a recorded liability of $56 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 2021 and in each of the next five years:

In Millions

	2021	2022	2023	2024	2025	2026
Consumers						
Remediation and other response activity costs	$ 3	$ 9	$ 23	$ 11	$ 2	$ 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, 2021, Consumers had a regulatory asset of $118 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, 2021, 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 May 2020, the MPSC approved an administrative settlement agreement between Consumers and the MPSC Staff, which resulted in a $10,000 civil penalty in connection with the fire. Consumers may also be subject to various claims from impacted customers and claims for damages.

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. At March 31, 2021, Consumers had incurred capital expenditures of $17 million to restore and modify the compressor station.

As of March 31, 2021, Consumers had recorded an insurance recovery of $10 million related to the compressor station; of this amount, $7 million represented recovery of the costs to repair the station and $3 million represented recovery of incremental gas purchases related to the fire. Consumers recognized $4 million of the insurance recovery as a reduction to plant, property, and equipment, $3 million as a reduction of maintenance and other operating expenses, and $3 million as operating revenue.

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

Guarantees

Presented in the following table are CMS Energy's and Consumers' guarantees at March 31, 2021:

In Millions

Guarantee Description	Issue Date	Expiration Date	Maximum Obligation	Carrying Amount
CMS Energy, including Consumers				
Indemnity obligations from purchase of VIE[1]	September 2020	indefinite	$ 341	$ —
Indemnity obligations from stock and asset sale agreements[2]	various	indefinite	153	2
Guarantee[3]	July 2011	indefinite	30	—
Consumers				
Guarantee[3]	July 2011	indefinite	$ 30	$ —

1 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 13, Variable Interest Entities.

2 These obligations arose from stock and asset sale agreements under which CMS Energy or a subsidiary of CMS Energy indemnified the purchaser for losses resulting from various matters, primarily claims related to taxes. The maximum obligation amount is mostly related to the Equatorial Guinea tax claim discussed in

the CMS Energy Contingencies section of this Note. CMS Energy believes the likelihood of material loss to be remote for the indemnity obligations not recorded as liabilities.

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

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

Other Contingencies

In addition to the matters disclosed in this Note and Note 1, Regulatory Matters, there are certain other lawsuits and administrative proceedings before various courts and governmental agencies, as well as unasserted claims that may result in such proceedings, arising in the ordinary course of business to which CMS Energy, Consumers, and certain other subsidiaries of CMS Energy are parties. These other lawsuits, proceedings, and unasserted claims may involve personal injury, property damage, contracts, environmental matters, federal and state taxes, rates, licensing, employment, and other matters. Further, CMS Energy and Consumers occasionally self-report certain regulatory non-compliance matters that may or may not eventually result in administrative proceedings. CMS Energy and Consumers believe that the outcome of any one of these proceedings and potential claims will not have a material negative effect on their consolidated results of operations, financial condition, or liquidity.

3: Financings and Capitalization

Credit Facilities: The following credit facilities with banks were available at March 31, 2021:

In Millions

Expiration Date	Amount of Facility	Amount Borrowed	Letters of Credit Outstanding	Amount Available
CMS Energy, parent only				
June 5, 2023	$ 550	$ —	$ 18	$ 532
CMS Enterprises, including subsidiaries				
September 25, 2025[1]	$ 39	$ —	$ 39	$ —
September 30, 2025[2]	18	—	8	10
Consumers[3]				
June 5, 2023	$ 850	$ —	$ 12	$ 838
November 19, 2022	250	—	1	249
April 18, 2022	30	—	30	—

1 This letter of credit facility is available to Aviator Wind Equity Holdings. For more information regarding Aviator Wind Equity Holdings, see Note 13, Variable Interest Entities.

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

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

Short-term Borrowings: Under Consumers' commercial paper program, Consumers may issue, in one or more placements, investment-grade commercial paper notes with maturities of up to 365 days at market interest rates. These issuances are supported by Consumers' revolving credit facilities and may have an aggregate principal amount outstanding of up to $500 million. While the amount of outstanding commercial paper does not reduce the available capacity of the revolving credit facilities, Consumers does not intend to issue commercial paper in an amount exceeding the available capacity of the facilities. At March 31, 2021, there were no commercial paper notes outstanding under this program.

In December 2020, Consumers renewed a short-term credit agreement with CMS Energy, permitting Consumers to borrow up to $350 million at an interest rate of one month LIBOR minus 0.100 percent. At March 31, 2021, $57 million was outstanding under the agreement at an interest rate of 0.014 percent.

Dividend Restrictions: At March 31, 2021, payment of dividends by CMS Energy on its common stock was limited to $5.7 billion under provisions of the Michigan Business Corporation Act of 1972.

Under the provisions of its articles of incorporation, at March 31, 2021, Consumers had $1.7 billion of unrestricted retained earnings available to pay dividends on its common stock to CMS Energy. Provisions of the Federal Power Act and the Natural Gas Act appear to restrict dividends payable by Consumers to the amount of Consumers' retained earnings. Several decisions from FERC suggest that, under a variety of circumstances, dividends from Consumers on its common stock would not be limited to amounts in Consumers' retained earnings. Any decision by Consumers to pay dividends on its common stock in excess of retained earnings would be based on specific facts and circumstances and would be subject to a formal regulatory filing process.

For the three months ended March 31, 2021, Consumers paid $276 million in dividends on its common stock to CMS Energy.

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

CMS Energy may sell shares of its common stock having an aggregate sales price of up to $500 million. Presented in the following table are details of CMS Energy's forward sales contracts under this program at March 31, 2021:

			Forward Price Per Share	
Contract Date	Maturity Date	Number of Shares	Initial	March 31, 2021
September 15, 2020	June 30, 2022	846,759	$ 61.04	$ 60.01
December 22, 2020	June 22, 2022	115,595	61.81	61.31

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

The initial forward price in the forward equity sale contracts includes a deduction for commissions and will be adjusted on a daily basis over the term based on an interest rate factor and decreased on certain dates by certain predetermined amounts to reflect expected dividend payments. No amounts are recorded on CMS Energy's consolidated balance sheets until settlements of the forward equity sale contracts occur.

If CMS Energy had elected to net share settle the contracts as of March 31, 2021, CMS Energy would have been required to deliver 16,758 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:

In Millions

	CMS Energy, including Consumers		Consumers	
	March 31 2021	December 31 2020	March 31 2021	December 31 2020
Assets[1]				
Restricted cash equivalents	$ 28	$ 17	$ 25	$ 15
Nonqualified deferred compensation plan assets	24	23	19	18
Derivative instruments	—	1	—	1
Total assets	$ 52	$ 41	$ 44	$ 34
Liabilities[1]				
Nonqualified deferred compensation plan liabilities	$ 24	$ 23	$ 19	$ 18
Derivative instruments	14	17	—	—
Total liabilities	$ 38	$ 40	$ 19	$ 18

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

Restricted Cash Equivalents: Restricted cash equivalents consist of money market funds with daily liquidity. For further details, see Note 11, Cash and Cash Equivalents.

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

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

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

A subsidiary of CMS Enterprises uses floating-to-fixed interest rate swaps to reduce the impact of interest rate fluctuations associated with future interest payments on certain long-term variable-rate debt. The interest rate swaps are accounted for as cash flow hedges of the future variability of interest payments on debt with a notional amount of $83 million at March 31, 2021 and $85 million at December 31, 2020. Gains or losses on these swaps are initially reported in other comprehensive income (loss) and then, as interest payments are made on the hedged debt, are recognized in earnings within interest on long-term debt on CMS Energy's consolidated statements of income. CMS Energy recorded a gain of $1 million in other comprehensive income (loss) for the three months ended March 31, 2021 and a loss of $5 million in other comprehensive income (loss) for the three months ended March 31, 2020. 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 $7 million at March 31, 2021 and $9 million at December 31, 2020. 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.

EnerBank uses fixed-to-floating interest rate swaps to manage interest rate risk exposure associated with changes in the fair value of certain long-term fixed-rate loans. The interest rate swaps qualify as fair value hedges of long-term, fixed-rate notes receivable with a notional amount of $134 million at March 31, 2021 and December 31, 2020. The fair value of these interest rate swaps recorded in other liabilities was $5 million at March 31, 2021 and $6 million at December 31, 2020. CMS Energy is adjusting the carrying value of the hedged notes receivable for the change in their fair value due to the hedged risk. Both gains and losses on the swaps and changes to the carrying value of the hedged notes receivable are recorded within operating revenue on CMS Energy's consolidated statements of income. The net impact of these hedges on operating revenue was not material for the three months ended March 31, 2021 and 2020.

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, 2021					December 31, 2020				
		Fair Value					Fair Value			
			Level					Level		
	Carrying Amount	Total	1	2	3	Carrying Amount	Total	1	2	3
CMS Energy, including Consumers										
Assets										
Long-term receivables[1]	$ 16	$ 16	$ —	$ —	$ 16	$ 17	$ 17	$ —	$ —	$ 17
Notes receivable[2]	2,710	3,006	—	—	3,006	2,887	3,248	—	—	3,248
Securities held to maturity[3]	34	34	—	34	—	28	29	—	29	—
Liabilities										
Long-term debt[4]	15,046	16,233	1,206	13,108	1,919	15,120	17,512	1,249	14,178	2,085
Long-term payables[5]	33	35	—	—	35	33	35	—	—	35
Consumers										
Assets										
Long-term receivables[1]	$ 16	$ 16	$ —	$ —	$ 16	$ 17	$ 17	$ —	$ —	$ 17
Notes receivable – related party[6]	106	106	—	—	106	107	107	—	—	107
Liabilities										
Long-term debt[7]	8,107	8,815	—	6,896	1,919	8,106	9,801	—	7,716	2,085

1 Includes current portion of long-term accounts receivable of $11 million at March 31, 2021 and $12 million at December 31, 2020.

2 Includes current portion of notes receivable of $284 million at March 31, 2021 and $275 million at December 31, 2020. For further details, see Note 6, Notes Receivable.

3 These investment securities consist primarily of mortgage-backed securities and Utah Housing Corporation bonds held by EnerBank. There were no unrealized gains during the three months ended March 31, 2021 and $1 million of unrealized gains during the year ended December 31, 2020.

4 Includes current portion of long-term debt of $1.5 billion at March 31, 2021 and December 31, 2020.

5 Includes current portion of long-term payables of $6 million at March 31, 2021 and December 31, 2020.

6 Includes current portion of notes receivable – related party of $7 million at March 31, 2021 and December 31, 2020. For further details on this note receivable, see Note 6, Notes Receivable.

7 Includes current portion of long-term debt of $364 million at March 31, 2021 and December 31, 2020.

6: Notes Receivable

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

In Millions

	March 31, 2021	December 31, 2020
CMS Energy, including Consumers		
Current		
EnerBank notes receivable, net of allowance for loan losses	$ 284	$ 275
Non-current		
EnerBank notes receivable, net of allowance for loan losses	2,426	2,612
Total notes receivable	$ 2,710	$ 2,887
Consumers		
Current		
DB SERP note receivable – related party	$ 7	$ 7
Non-current		
DB SERP note receivable – related party	99	100
Total notes receivable	$ 106	$ 107

EnerBank Notes Receivable

EnerBank notes receivable are primarily unsecured, fixed-rate installment loans provided throughout the U.S. to finance home improvements. EnerBank records its notes receivable at cost, less an allowance for loan losses.

Authorized contractors pay fees to EnerBank to provide borrowers with same-as-cash, zero interest, or reduced interest loans. Unearned income associated with the loan fees, which is recorded as a reduction to notes receivable on CMS Energy's consolidated balance sheets, was $122 million at March 31, 2021 and $128 million at December 31, 2020.

During the three months ended March 31, 2021, EnerBank purchased portfolios of secured and unsecured consumer installment loans with a principal value of $33 million. During the three months ended March 31, 2021, EnerBank completed sales of notes receivable with a principal value of $279 million and recorded gains of $10 million.

EnerBank utilizes FICO scores as a key credit quality indicator when underwriting new loans and in assessing the credit exposures in its loan portfolio. The score is determined at the time of a borrower's application and is generally not updated since the average duration of loans is about two years. At March 31, 2021, 86 percent of EnerBank's loans had a FICO score rating between good and excellent. At March 31, 2021, 96 percent of EnerBank's loan portfolio was originated within the past five years.

The allowance for loan losses at March 31, 2021 reflects expected credit losses over the entire lifetime of the loan portfolio. EnerBank estimates the allowance by using the "weighted-average remaining maturity" methodology for their term loans, and the "probability of default and loss given default" methodology for their same-as-cash loans. These methodologies consider historical loan loss experience, prepayment expectations, and credit quality indicators. EnerBank considers current and projected economic conditions, and other reasonable and supportable forecast information to determine if adjustments to the allowance are necessary. The allowance is increased by the provision for loan losses and decreased by loan charge-offs net of recoveries. Loan losses are charged against the allowance when the loss is confirmed, but no later than the point at which a loan becomes 120 days past due.

Presented in the following table are the changes in the allowance for loan losses:

In Millions

Three Months Ended March 31	2021	2020
Balance at beginning of period	$ 123	$ 33
Effects of new accounting standard[1]	—	62
Provision for loan losses	5	13
Charge-offs	(12)	(11)
Recoveries	2	2
Balance at end of period	$ 118	$ 99

[1] On January 1, 2020, the allowance for loan losses was adjusted as part of the adoption of *ASU 2016-13, Measurement of Credit Losses on Financial Instruments*.

Loans that are 30 days or more past due are considered delinquent. The balance of EnerBank's delinquent loans was $24 million at March 31, 2021 and $32 million at December 31, 2020. At March 31, 2021 and December 31, 2020, EnerBank's loans that had been modified as troubled debt restructurings were immaterial.

In response to the COVID-19 pandemic, and consistent with FDIC guidance, EnerBank offered new payment accommodations for current qualifying customers. The vast majority of customers that received payment accommodations in 2020 have resumed making their regular monthly payment in a timely manner. At March 31, 2021, EnerBank had not experienced increased delinquent loans, charge-offs, or increased loan modifications due to the COVID-19 pandemic. EnerBank did not make any material adjustments to their allowance for loan losses at March 31, 2021 due to the COVID-19 pandemic. EnerBank cannot predict the longer-term impacts of the pandemic, but could experience slower lending growth, higher loan write-offs, and increased loan modifications.

EnerBank issues loan commitments to meet customer-financing needs. These commitments are agreements to provide credit as long as certain conditions are met and expire after 120 days. EnerBank uses the same credit policies in making these commitments as it uses for loans. EnerBank had $365 million of off-balance-sheet unfunded loan commitments at March 31, 2021, and had recorded a liability of $7 million for expected credit losses on those commitments.

EnerBank has entered into interest rate swaps on $134 million of its loans (notes receivable). For information about interest rate swaps, see Note 4, Fair Value Measurements.

DB SERP Note Receivable – Related Party

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

7: Retirement Benefits

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

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

In Millions

	DB Pension Plans		OPEB Plan	
Three Months Ended March 31	2021	2020	2021	2020
CMS Energy, including Consumers				
Net periodic cost (credit)				
Service cost	$ 14	$ 12	$ 4	$ 4
Interest cost	15	21	6	8
Expected return on plan assets	(52)	(48)	(27)	(25)
Amortization of:				
Net loss	25	22	2	4
Prior service cost (credit)	1	—	(13)	(14)
Settlement loss	1	—	—	—
Net periodic cost (credit)	$ 4	$ 7	$ (28)	$ (23)
Consumers				
Net periodic cost (credit)				
Service cost	$ 13	$ 12	$ 4	$ 4
Interest cost	14	20	6	8
Expected return on plan assets	(49)	(45)	(25)	(23)
Amortization of:				
Net loss	25	21	2	4
Prior service cost (credit)	1	—	(13)	(14)
Settlement loss	1	—	—	—
Net periodic cost (credit)	$ 5	$ 8	$ (26)	$ (21)

8: Income Taxes

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

Three Months Ended March 31	2021	2020
CMS Energy, including Consumers		
U.S. federal income tax rate	21.0 %	21.0 %
Increase (decrease) in income taxes from:		
State and local income taxes, net of federal effect	5.1	4.6
TCJA excess deferred taxes[1]	(5.3)	(3.9)
Production tax credits	(4.7)	(2.8)
Accelerated flow-through of regulatory tax benefits[2]	(3.0)	(1.5)
Research and development tax credits, net[3]	(0.3)	(3.4)
Refund of alternative minimum tax sequestration[4]	—	(3.3)
Other, net	0.2	(0.7)
Effective tax rate	13.0 %	10.0 %
Consumers		
U.S. federal income tax rate	21.0 %	21.0 %
Increase (decrease) in income taxes from:		
State and local income taxes, net of federal effect	5.1	4.9
TCJA excess deferred taxes[1]	(5.1)	(3.4)
Accelerated flow-through of regulatory tax benefits[2]	(3.7)	(1.9)
Production tax credits	(2.6)	(1.4)
Research and development tax credits, net[3]	(0.2)	(3.1)
Other, net	(0.2)	(0.3)
Effective tax rate	14.3 %	15.8 %

[1] In September 2020, the MPSC authorized Consumers to accelerate the amortization of a 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 in 2022.

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

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

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

9: Earnings Per Share—CMS Energy

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

In Millions, Except Per Share Amounts

Three Months Ended March 31	2021	2020
Income available to common stockholders		
Net income	$ 342	$ 243
Less loss attributable to noncontrolling interests	(7)	—
Net income available to common stockholders – basic and diluted	$ 349	$ 243
Average common shares outstanding		
Weighted-average shares – basic	288.6	283.3
Add dilutive nonvested stock awards	0.5	0.8
Add dilutive forward equity sale contracts	—	1.1
Weighted-average shares – diluted	289.1	285.2
Net income per average common share available to common stockholders		
Basic	$ 1.21	$ 0.86
Diluted	1.21	0.85

Nonvested Stock Awards

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

Forward Equity Sale Contracts

CMS Energy has entered into forward equity sale contracts. These forward equity sale contracts are non-participating securities. While the forward sale price in the forward equity sale contract is decreased on certain dates by certain predetermined amounts to reflect expected dividend payments, these price adjustments were set upon inception of the agreement and the forward contract does not give the owner the right to participate in undistributed earnings. Accordingly, the forward equity sale contracts were included in the computation of diluted EPS, but not in the computation of basic EPS. For further details on the forward equity sale contracts, see Note 3, Financings and Capitalization.

10: Revenue

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

In Millions

Three Months Ended March 31, 2021	Electric Utility	Gas Utility	Enterprises[1]	EnerBank	Consolidated
CMS Energy, including Consumers					
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	—	70	75
Total operating revenue – CMS Energy	$ 1,134	$ 803	$ 76	$ 70	$ 2,083
Consumers					
Consumers utility revenue					
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

[1] Amounts represent the enterprises segment's operating revenue from independent power production and its sales of energy commodities. The enterprises segment's sales of energy commodities are accounted for as operating leases. In addition to fixed payments, these agreements have variable payments based on energy delivered. The enterprises segment's leasing income included variable lease payments of $33 million for the three months ended March 31, 2021.

In Millions

Three Months Ended March 31, 2020	Electric Utility	Gas Utility	Enterprises[1]	EnerBank	Consolidated
CMS Energy, including Consumers					
Consumers utility revenue	$ 1,025	$ 714	$ —	$ —	$ 1,739
Other	—	—	19	—	19
Revenue recognized from contracts with customers	$ 1,025	$ 714	$ 19	$ —	$ 1,758
Leasing income	—	—	39	—	39
Financing income	3	2	—	62	67
Total operating revenue – CMS Energy	$ 1,028	$ 716	$ 58	$ 62	$ 1,864
Consumers					
Consumers utility revenue					
Residential	$ 481	$ 493			$ 974
Commercial	339	149			488
Industrial	140	20			160
Other	65	52			117
Revenue recognized from contracts with customers	$ 1,025	$ 714			$ 1,739
Financing income	3	2			5
Total operating revenue – Consumers	$ 1,028	$ 716			$ 1,744

[1] Amounts represent the enterprises segment's operating revenue from independent power production and its sales of energy commodities. The enterprises segment's sales of energy commodities are accounted for as operating leases. In addition to fixed payments, these agreements have variable payments based on energy delivered. The enterprises segment's leasing income included variable lease payments of $25 million for the three months ended March 31, 2020.

Electric and Gas Utilities

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

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

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

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

Accounts Receivable and Unbilled Revenues: Accounts receivable comprise trade receivables and unbilled receivables. CMS Energy and Consumers record their accounts receivable at cost less an allowance for uncollectible accounts. The allowance is increased for uncollectible accounts expense and decreased for account write-offs net of recoveries. CMS Energy and Consumers establish the allowance based on historical losses, management's assessment of existing economic conditions, customer payment trends, and reasonable and supported forecast information. CMS Energy and Consumers assess late payment fees on trade receivables based on contractual past-due terms established with customers. Accounts are written off when deemed uncollectible, which is generally when they become six months past due. CMS Energy and Consumers recorded uncollectible accounts expense of $6 million for the three months ended March 31, 2021 and $5 million for the three months ended March 31, 2020.

Consumers' customers are billed monthly in cycles having billing dates that do not generally coincide with the end of a calendar month. This results in customers having received electricity or natural gas that they have not been billed for as of the month-end. Consumers estimates its unbilled revenues by applying an average billed rate to total unbilled deliveries for each customer class. Unbilled revenues, which are recorded as accounts receivable and accrued revenue on CMS Energy's and Consumers' consolidated balance sheets, were $369 million at March 31, 2021 and $437 million at December 31, 2020.

11: Cash and Cash Equivalents

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

In Millions

	March 31, 2021	December 31, 2020
CMS Energy, including Consumers		
Cash and cash equivalents	$ 496	$ 168
Restricted cash and cash equivalents	28	17
Cash and cash equivalents, including restricted amounts	$ 524	$ 185
Consumers		
Cash and cash equivalents	$ 9	$ 20
Restricted cash and cash equivalents	25	15
Cash and cash equivalents, including restricted amounts	$ 34	$ 35

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

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

12: Reportable Segments

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

CMS Energy

The segments reported for CMS Energy are:

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

CMS Energy presents corporate interest and other expenses and Consumers' other consolidated entities within other reconciling items. Beginning in 2021, CMS Land, which holds the environmental remediation obligations at Bay Harbor, will be included within other reconciling items rather than within the enterprises segment. This change was not material and was made to align segment reporting with the legal organization and internal reporting of CMS Energy.

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:

		In Millions
Three Months Ended March 31	2021	2020
CMS Energy, including Consumers		
Operating revenue		
Electric utility	$ 1,134	$ 1,028
Gas utility	803	716
Enterprises	76	58
EnerBank	70	62
Total operating revenue – CMS Energy	$ 2,083	$ 1,864
Consumers		
Operating revenue		
Electric utility	$ 1,134	$ 1,028
Gas utility	803	716
Total operating revenue – Consumers	$ 1,937	$ 1,744
CMS Energy, including Consumers		
Net income (loss) available to common stockholders		
Electric utility	$ 155	$ 118
Gas utility	181	117
Enterprises	14	20
EnerBank	33	14
Other reconciling items	(34)	(26)
Total net income available to common stockholders – CMS Energy	$ 349	$ 243
Consumers		
Net income available to common stockholder		
Electric utility	$ 155	$ 118
Gas utility	181	117
Total net income available to common stockholder – Consumers	$ 336	$ 235

		In Millions
	March 31, 2021	December 31, 2020
CMS Energy, including Consumers		
Plant, property, and equipment, gross		
Electric utility[1]	$ 17,574	$ 17,155
Gas utility[1]	9,703	9,581
Enterprises	1,118	1,113
EnerBank	40	37
Other reconciling items	22	21
Total plant, property, and equipment, gross – CMS Energy	$ 28,457	$ 27,907
Consumers		
Plant, property, and equipment, gross		
Electric utility[1]	$ 17,574	$ 17,155
Gas utility[1]	9,703	9,581
Other reconciling items	22	21
Total plant, property, and equipment, gross – Consumers	$ 27,299	$ 26,757
CMS Energy, including Consumers		
Total assets		
Electric utility[1]	$ 15,906	$ 15,829
Gas utility[1]	9,244	9,429
Enterprises	1,275	1,276
EnerBank	3,073	3,109
Other reconciling items	225	23
Total assets – CMS Energy	$ 29,723	$ 29,666
Consumers		
Total assets		
Electric utility[1]	$ 15,969	$ 15,893
Gas utility[1]	9,292	9,477
Other reconciling items	19	29
Total assets – Consumers	$ 25,280	$ 25,399

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

13: 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.

Since Aviator Wind's income and cash flows are not distributed among its investors based on ownership interest percentages, CMS Enterprises allocates Aviator Wind's income (loss) among its investors by applying the hypothetical liquidation at book value method. This method calculates each investor's earnings based on a hypothetical liquidation of Aviator Wind at the net book value of its underlying net assets as of the balance sheet date. The liquidation tax gain (loss) is allocated to each investor's capital account, resulting in income (loss) equal to the period change in the investor's capital account balance. CMS Enterprises then receives 51 percent of the earnings, tax attributes, and cash flows that were allocated to Aviator Wind Equity Holdings.

Aviator Wind Equity Holdings and Aviator Wind represent VIEs. In accordance with the associated limited liability company operating agreement, the tax equity investor is guaranteed preferred returns from Aviator Wind. However, CMS Enterprises manages and controls the operating activities of Aviator Wind Equity Holdings and, ultimately, Aviator Wind. As a result, CMS Enterprises is the primary beneficiary of Aviator Wind Equity Holdings and Aviator Wind, as it has the power to direct the activities that most significantly impact the economic performance of the companies, as well as the obligation to absorb losses or the right to receive benefits from the companies. CMS Enterprises consolidates Aviator Wind Equity Holdings and Aviator Wind and presents the Class A membership interest and 49 percent of the Class B membership interest in Aviator Wind as noncontrolling interests.

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

In Millions

	March 31, 2021	December 31, 2020
Current		
Cash and cash equivalents	$ 8	$ 7
Accounts receivable	9	5
Prepayments and other current assets	1	1
Non-current		
Plant, property, and equipment, net	686	692
Total assets[1]	$ 704	$ 705
Current		
Accounts payable	$ 6	$ 3
Non-current		
Asset retirement obligations	19	19
Total liabilities	$ 25	$ 22

[1] 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[1] Operating and management contract
Genesee	Wood waste-fueled power generator	Long-term PPA between partnership and Consumers Reduced dispatch agreement with Consumers[1] Operating and management contract
Craven	Wood waste-fueled power generator	Operating and management contract

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

The creditors of these partnerships do not have recourse to the general credit of CMS Energy or Consumers. Consumers has 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 $72 million as of March 31, 2021 and $70 million as of December 31, 2020.

14: Exit Activities

Under its Clean Energy Plan, Consumers plans to retire the D.E. Karn 1 & 2 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.

As of March 31, 2021, the cumulative cost incurred and charged to expense related to this program was $16 million. Additionally, an amount of $3 million has been capitalized as a cost of plant, property, and equipment and an amount of $2 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:

				In Millions
Three Months Ended March 31		2021		2020
Retention benefit liability at beginning of period	$	11	$	4
Costs incurred and charged to maintenance and other operating expenses		—		4
Costs deferred as a regulatory asset		2		—
Retention benefit liability at the end of the period[1]	$	13	$	8

[1] Includes current portion of other liabilities of $4 million at March 31, 2021 and 2020.

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 2020 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, 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 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 2020 Form 10-K, see Part I—Item 1. Financial Statements—Notes to the Unaudited Consolidated Financial Statements—Note 1, Regulatory Matters and Note 2, Contingencies and Commitments.

Item 1A. Risk Factors

There have been no material changes to the Risk Factors as previously disclosed in Part I—Item 1A. Risk Factors, in the 2020 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 equity securities for the three months ended March 31, 2021:

Period	Total Number of Shares Purchased[1]	Average Price Paid per Share	Total Number of Shares Purchased as Part of Publicly Announced Plans or Programs	Maximum Number of Shares That May Yet Be Purchased Under Publicly Announced Plans or Programs
January 1, 2021 to January 31, 2021	87,722	$ 58.62	—	—
February 1, 2021 to February 28, 2021	1,579	55.75	—	—
March 1, 2021 to March 31, 2021	58,919	58.35	—	—
Total	148,220	$ 58.48	—	—

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

Item 3. Defaults Upon Senior Securities

None.

Item 4. Mine Safety Disclosures

Not applicable.

Item 5. Other Information

None.

Item 6. Exhibits

CMS Energy’s and Consumers’ Exhibit Index

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

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

Exhibits		Description
31.1	—	CMS Energy’s certification of the CEO pursuant to Section 302 of the Sarbanes-Oxley Act of 2002
31.2	—	CMS Energy’s certification of the CFO pursuant to Section 302 of the Sarbanes-Oxley Act of 2002
31.3	—	Consumers’ certification of the CEO pursuant to Section 302 of the Sarbanes-Oxley Act of 2002
31.4	—	Consumers’ certification of the CFO pursuant to Section 302 of the Sarbanes-Oxley Act of 2002
32.1	—	CMS Energy’s certifications pursuant to Section 906 of the Sarbanes-Oxley Act of 2002
32.2	—	Consumers’ certifications pursuant to Section 906 of the Sarbanes-Oxley Act of 2002
101.INS	—	Inline XBRL Instance Document
101.SCH	—	Inline XBRL Taxonomy Extension Schema
101.CAL	—	Inline XBRL Taxonomy Extension Calculation Linkbase
101.DEF	—	Inline XBRL Taxonomy Extension Definition Linkbase
101.LAB	—	Inline XBRL Taxonomy Extension Labels Linkbase
101.PRE	—	Inline XBRL Taxonomy Extension Presentation Linkbase
104	—	Cover Page Interactive Data File (the cover page XBRL tags are embedded in the Inline XBRL document)

Signatures

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

		CMS ENERGY CORPORATION
Dated: April 29, 2021	By:	/s/ Rejji P. Hayes
		Rejji P. Hayes
		Executive Vice President and Chief Financial Officer
		CONSUMERS ENERGY COMPANY
Dated: April 29, 2021	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: April 29, 2021 By: /s/ Garrick J. Rochow

Garrick J. Rochow
President and Chief Executive Officer

Certification of Rejji P. Hayes

I, Rejji P. Hayes, certify that:

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

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

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

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

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

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

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

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

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

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

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

Dated: April 29, 2021 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: April 29, 2021

By: /s/ Garrick J. Rochow
Garrick J. Rochow
President and Chief Executive Officer

Certification of Rejji P. Hayes

I, Rejji P. Hayes, certify that:

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

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

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

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

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

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

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

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

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

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

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

Dated: April 29, 2021 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, 2021 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:	April 29, 2021

/s/ Rejji P. Hayes

Name:	Rejji P. Hayes
Title:	Executive Vice President and Chief Financial Officer
Date:	April 29, 2021

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, 2021 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:	April 29, 2021

/s/ Rejji P. Hayes

Name:	Rejji P. Hayes
Title:	Executive Vice President and Chief Financial Officer
Date:	April 29, 2021