

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, 2023

OR

TRANSITION REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934  
For the transition period from \_\_\_\_ to \_\_\_\_

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

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

Title of each class	Trading Symbol(s)	Name of each exchange on which registered
CMS Energy Corporation Common Stock, \$0.01 par value	CMS	New York Stock Exchange
CMS Energy Corporation 5.625% Junior Subordinated Notes due 2078	CMSA	New York Stock Exchange
CMS Energy Corporation 5.875% Junior Subordinated Notes due 2078	CMSC	New York Stock Exchange
CMS Energy Corporation 5.875% Junior Subordinated Notes due 2079	CMSD	New York Stock Exchange
CMS Energy Corporation Depositary Shares, each representing a 1/1,000th interest in a share of 4.200% Cumulative Redeemable Perpetual Preferred Stock, Series C	CMS PRC	New York Stock Exchange
Consumers Energy Company Cumulative Preferred Stock, \$100 par value: \$4.50 Series	CMS-PB	New York Stock Exchange

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

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

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

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

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

<b>CMS Energy Corporation:</b>	<b>Consumers Energy Company:</b>
Large accelerated filer <input checked="" type="checkbox"/>	Large accelerated filer <input type="checkbox"/>
Non-accelerated filer <input type="checkbox"/>	Non-accelerated filer <input checked="" type="checkbox"/>
Accelerated filer <input type="checkbox"/>	Accelerated filer <input type="checkbox"/>
Smaller reporting company <input type="checkbox"/>	Smaller reporting company <input type="checkbox"/>
Emerging growth company <input type="checkbox"/>	Emerging growth company <input type="checkbox"/>

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

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

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

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

Indicate the number of shares outstanding of each of the issuer's classes of common stock at April 10, 2023:

<b>CMS Energy Corporation:</b>	
CMS Energy Corporation Common Stock, \$0.01 par value	291,656,125
<b>Consumers Energy Company:</b>	
Consumers Common Stock, \$10 par value, privately held by CMS Energy Corporation	84,108,789



**CMS Energy Corporation**  
**Consumers Energy Company**  
**Quarterly Report on Form 10-Q to the Securities and Exchange Commission for the Period**  
**Ended March 31, 2023**

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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

### **ABATE**

Association of Businesses Advocating Tariff Equity

### **Aviator Wind**

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

### **Aviator Wind Equity Holdings**

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

### **Bay Harbor**

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

### **bcf**

Billion cubic feet

### **CCR**

Coal combustion residual

### **CEO**

Chief Executive Officer

### **CERCLA**

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

### **CFO**

Chief Financial Officer

### **Clean Air Act**

Federal Clean Air Act of 1963, as amended

**Clean Energy Plan**

Consumers' long-term strategy for delivering clean, reliable, resilient, and affordable energy to its customers; this plan was originally outlined and approved in Consumers' 2018 IRP and subsequently updated and approved through its 2021 IRP

**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 and NorthStar Clean Energy

**CMS Land**

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

**Consumers**

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

**Craven**

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

**CSAPR**

Cross-State Air Pollution Rule of 2011, as amended

**DB Pension Plans**

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

**DB SERP**

Defined Benefit Supplemental Executive Retirement Plan

**DIG**

Dearborn Industrial Generation, L.L.C., a wholly owned subsidiary of Dearborn Industrial Energy, L.L.C., a wholly owned subsidiary of NorthStar Clean Energy

**Dodd-Frank Act**

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

**DTE Electric**

DTE Electric Company, a non-affiliated company

**EGLE**

Michigan Department of Environment, Great Lakes, and Energy

**energy waste reduction**

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

**EPA**

U.S. Environmental Protection Agency

**EPS**

Earnings per share

**Exchange Act**

Securities Exchange Act of 1934

**FERC**

Federal Energy Regulatory Commission

**FTR**

Financial transmission right

**GAAP**

U.S. Generally Accepted Accounting Principles

**GCR**

Gas cost recovery

**Genesee**

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

**Grayling**

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

**IRP**

Integrated resource plan

**IRS**

Internal Revenue Service

**kWh**

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

**LIBOR**

London Interbank Offered Rate

**Ludington**

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

**MATS**

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

**MD&A**

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

**MGP**

Manufactured gas plant

**MISO**

Midcontinent Independent System Operator, Inc.

**mothball**

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

**MPSC**

Michigan Public Service Commission

**MW**

Megawatt, a unit of power equal to one million watts

**NAAQS**

National Ambient Air Quality Standards

**New Covert Generating Facility**

A 1,176-MW natural gas-fueled generating unit that is expected to be acquired by Consumers in May 2023 and is presently operated by New Covert Generating Company, LLC, a non-affiliated company

**NorthStar Clean Energy**

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

**NOx**

Nitrogen oxides

**NPDES**

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

**NREPA**

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

**NWO Holdco**

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

**OPEB**

Other Post-Employment Benefits

**OPEB Plan**

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

**PCB**

Polychlorinated biphenyl

**PPA**

Power purchase agreement

**PSCR**

Power supply cost recovery

**RCRA**

Federal Resource Conservation and Recovery Act of 1976

**REC**

Renewable energy credit

**ROA**

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

**SEC**

U.S. Securities and Exchange Commission

**securitization**

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

**SOFR**

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

**TAES**

Toshiba America Energy Systems Corporation, a non-affiliated company

**TCJA**

Tax Cuts and Jobs Act of 2017

**T.E.S. Filer City**

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

**VIE**

Variable interest entity

## Filing Format

This combined Form 10-Q is separately filed by CMS Energy and Consumers. Information in this combined Form 10-Q relating to each individual registrant is filed by such registrant on its own behalf. Consumers makes no representation regarding information relating to any other companies affiliated with CMS Energy other than its own subsidiaries.

CMS Energy is the parent holding company of several subsidiaries, including Consumers and NorthStar Clean Energy. None of CMS Energy, NorthStar Clean Energy, nor any of CMS Energy's other subsidiaries (other than Consumers) has any obligation in respect of Consumers' debt securities or preferred stock and holders of such securities should not consider the financial resources or results of operations of CMS Energy, NorthStar Clean Energy, nor any of CMS Energy's other subsidiaries (other than Consumers and its own subsidiaries (in relevant circumstances)) in making a decision with respect to Consumers' debt securities or preferred stock. Similarly, neither Consumers nor any other subsidiary of CMS Energy has any obligation in respect of securities of CMS Energy.

This report should be read in its entirety. No one section of this report deals with all aspects of the subject matter of this report. This report should be read in conjunction with the consolidated financial statements and related notes and with MD&A included in the 2022 Form 10-K.

## Available Information

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

## Forward-Looking Statements and Information

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

- the impact and effect of recent events, such as worsening trade relations and geopolitical tensions with China, and the responses to these events, and related economic disruptions including, but not limited to, labor shortages, inflation, and supply chain disruptions
- the impact of new regulation by the MPSC, FERC, and other applicable governmental proceedings and regulations, including any associated impact on electric or gas rates or rate structures

- potentially adverse regulatory treatment or failure to receive timely regulatory orders affecting Consumers that are or could come before the MPSC, FERC, or other governmental authorities
- changes in the performance of or regulations applicable to MISO, Michigan Electric Transmission Company, LLC (a non-affiliated company), pipelines, railroads, vessels, or other service providers that CMS Energy, Consumers, or any of their affiliates rely on to serve their customers
- the adoption of or challenges to federal or state laws or regulations or changes in applicable laws, rules, regulations, principles, or practices, or in their interpretation, such as those related to energy policy, ROA, the Public Utility Regulatory Policies Act of 1978, infrastructure integrity or security, cybersecurity, gas pipeline safety, gas pipeline capacity, energy waste reduction, the environment, regulation or deregulation, reliability, health care reforms (including comprehensive health care reform enacted in 2010), taxes, accounting matters, climate change, air emissions, renewable energy, the Dodd-Frank 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 and climate conditions; natural disasters; catastrophic weather-related damage; scheduled or unscheduled equipment outages; maintenance or repairs; contractor performance; 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
- increased frequency or intensity of storms and other adverse weather events due to climate change that could negatively impact infrastructure owned by CMS Energy or Consumers
- the ability of CMS Energy and Consumers to execute cost-reduction strategies
- potentially adverse regulatory or legal interpretations or decisions regarding environmental matters, or delayed regulatory treatment or permitting decisions that are or could come before agencies such as EGLE, the EPA, FERC, and/or the U.S. Army Corps of Engineers, and potential environmental remediation costs associated with these interpretations or decisions, including those that may affect Consumers' coal ash management or routine maintenance, repair, and replacement classification under New Source Review, a construction-permitting program under the Clean Air Act
- changes in energy markets, including availability, price, and seasonality of electric capacity and the timing and extent of changes in commodity prices and availability and deliverability of coal, natural gas, natural gas liquids, electricity, oil, gasoline, diesel fuel, and certain related products
- the price of CMS Energy common stock, the credit ratings of CMS Energy and Consumers, capital and financial market conditions, and the effect of these market conditions on CMS Energy's and Consumers' interest costs and access to the capital markets, including availability of financing to CMS Energy, Consumers, or any of their affiliates
- the potential effects on the credit and capital markets of the transition from LIBOR to an alternative reference interest rate, including SOFR, which may perform differently than LIBOR and could result in increased interest rate expense

- the investment performance of the assets of CMS Energy's and Consumers' pension and benefit plans, the discount rates, mortality assumptions, and future medical costs used in calculating the plans' obligations, and the resulting impact on future funding requirements
- the impact of the economy, particularly in Michigan, and potential future volatility in the financial and credit markets on CMS Energy's, Consumers', or any of their affiliates' revenues, ability to collect accounts receivable from customers, or cost and availability of capital
- changes in the economic and financial viability of CMS Energy's and Consumers' suppliers, customers, and other counterparties and the continued ability of these third parties, including those in bankruptcy, to meet their obligations to CMS Energy and Consumers
- population changes in the geographic areas where CMS Energy and Consumers conduct business
- national, regional, and local economic, competitive, and regulatory policies, conditions, and developments
- loss of customer demand for electric generation supply to alternative electric suppliers, increased use of self-generation including distributed generation, energy waste reduction, or energy storage
- loss of customer demand for natural gas due to alternative technologies or fuels
- restricted ability to construct natural gas infrastructure due to environmental regulations or other governmental action
- ability of Consumers to meet increased renewable energy demand due to customers seeking to meet their own sustainability goals in a timely and cost-efficient manner
- the reputational or other impact on CMS Energy and Consumers of the failure to achieve greenhouse gas reduction goals related to reducing their impact on climate change
- adverse consequences of employee, director, or third-party fraud or non-compliance with codes of conduct or with laws or regulations
- federal regulation of electric sales, including periodic re-examination by federal regulators of CMS Energy's and Consumers' market-based sales authorizations
- any event, change, development, occurrence, or circumstance that could impact the implementation of the Clean Energy Plan, including any action by a regulatory authority or other third party to prohibit, delay, or impair the implementation of the Clean Energy Plan
- the availability, cost, coverage, and terms of insurance, the stability of insurance providers, and the ability of Consumers to recover the costs of any insurance from customers
- the effectiveness of CMS Energy's and Consumers' risk management policies, procedures, and strategies, including strategies to hedge risk related to interest rates and future prices of electricity, natural gas, and other energy-related commodities
- factors affecting development of electric generation projects, gas transmission, and gas and electric distribution infrastructure replacement, conversion, and expansion projects, including factors related to project site identification, construction material pricing, schedule delays, availability of qualified construction personnel, permitting, acquisition of property rights, community opposition, and government approvals

- potential disruption to, interruption of, or other impacts on facilities, utility infrastructure, operations, or backup systems due to accidents, explosions, physical disasters, global pandemics, cyber incidents, civil unrest, vandalism, war, or terrorism, and the ability to obtain or maintain insurance coverage for these events
- changes or disruption in fuel supply, including but not limited to supplier bankruptcy and delivery disruptions
- potential costs, lost revenues, reputational harm, or other consequences resulting from misappropriation of assets or sensitive information, corruption of data, or operational disruption in connection with a cyberattack or other cyber incident
- potential disruption to, interruption or failure of, or other impacts on information technology backup or disaster recovery systems
- technological developments in energy production, storage, delivery, usage, and metering
- the ability to implement technology successfully
- the impact of CMS Energy’s and Consumers’ integrated business software system and its effects on their operations, including utility customer billing and collections
- adverse consequences resulting from any past, present, or future assertion of indemnity or warranty claims associated with assets and businesses previously owned by CMS Energy or Consumers, including claims resulting from attempts by foreign or domestic governments to assess taxes on or to impose environmental liability associated with past operations or transactions
- the outcome, cost, and other effects of any legal or administrative claims, proceedings, investigations, or settlements
- the reputational impact on CMS Energy and Consumers of operational incidents, violations of corporate policies, regulatory violations, inappropriate use of social media, and other events
- restrictions imposed by various financing arrangements and regulatory requirements on the ability of Consumers and other subsidiaries of CMS Energy to transfer funds to CMS Energy in the form of cash dividends, loans, or advances
- earnings volatility resulting from the application of fair value accounting to certain energy commodity contracts or interest rate contracts
- changes in financial or regulatory accounting principles or policies (e.g., the adoption of the hypothetical liquidation at book value method of accounting for certain non-regulated renewable energy projects)
- other matters that may be disclosed from time to time in CMS Energy’s and Consumers’ SEC filings, or in other public documents

All forward-looking statements should be considered in the context of the risk and other factors described above and as detailed from time to time in CMS Energy’s and Consumers’ SEC filings. For additional details regarding these and other uncertainties, see Part I—Item 1. Financial Statements—MD&A—Outlook and Notes to the Unaudited Consolidated Financial Statements—Note 1, Regulatory Matters and Note 2, Contingencies and Commitments; and Part I—Item 1A. Risk Factors in the 2022 Form 10-K.

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# Part I—Financial Information

## Item 1. Financial Statements

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# CMS Energy Corporation

## Consumers Energy Company

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

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

## Executive Overview

CMS Energy is an energy company operating primarily in Michigan. It is the parent holding company of several subsidiaries, including Consumers, an electric and gas utility, and NorthStar Clean Energy, primarily a domestic independent power producer and marketer. Consumers' electric utility operations include the generation, purchase, distribution, and sale of electricity, and Consumers' gas utility operations include the purchase, transmission, storage, distribution, and sale of natural gas. Consumers' customer base consists of a mix of primarily residential, commercial, and diversified industrial customers. NorthStar Clean Energy, through its subsidiaries and equity investments, is engaged in domestic independent power production, including the development and operation of renewable generation, and the marketing of independent power production.

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

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

## The Triple Bottom Line

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

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

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



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

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

The safety of employees, customers, and the general public is a priority of CMS Energy and Consumers. Accordingly, CMS Energy and Consumers have worked to integrate a set of safety principles into their business operations and culture. These principles include complying with applicable safety, health, and security regulations and implementing programs and processes aimed at continually improving safety and security conditions. Over the last ten years, Consumers' Occupational Safety and Health Administration recordable incident rate has decreased by 34 percent.

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

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

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

While CMS Energy and Consumers have experienced some supply chain disruptions and inflationary pressures, they have taken steps to mitigate the impact on their ability to provide safe and reliable service to customers.

**Planet:** The planet element of the triple bottom line represents CMS Energy's and Consumers' commitment to protect the environment. This commitment extends beyond compliance with various state

and federal environmental, health, and safety laws and regulations. Management considers climate change and other environmental risks in strategy development, business planning, and enterprise risk management processes.

CMS Energy and Consumers continue to focus on opportunities to protect the environment and to reduce their carbon footprint. As a result of actions already taken through 2022, CMS Energy and Consumers have:

- decreased their combined percentage of electric supply (self-generated and purchased) from coal by 17 percentage points since 2015
- reduced carbon dioxide emissions by over 30 percent since 2005
- reduced the amount of water used to generate electricity by over 35 percent since 2012
- reduced landfill waste disposal by over 1.7 million tons since 1992
- reduced methane emissions by more than 20 percent since 2012

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

The 2016 Energy Law:

- raised the renewable portfolio standard to 15 percent in 2021; Consumers has met the 15-percent requirement and expects to continue meeting the requirement going forward with a combination of newly generated RECs and previously generated RECs carried over from prior years
- established a goal of 35-percent combined renewable energy and energy waste reduction by 2025; Consumers achieved 33-percent combined renewable energy and energy waste reduction through 2022
- 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 electric capacity and energy resources

Consumers' Clean Energy Plan details its strategy to meet customers' long-term energy needs. The Clean Energy Plan was most recently revised and approved by the MPSC in June 2022. 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.

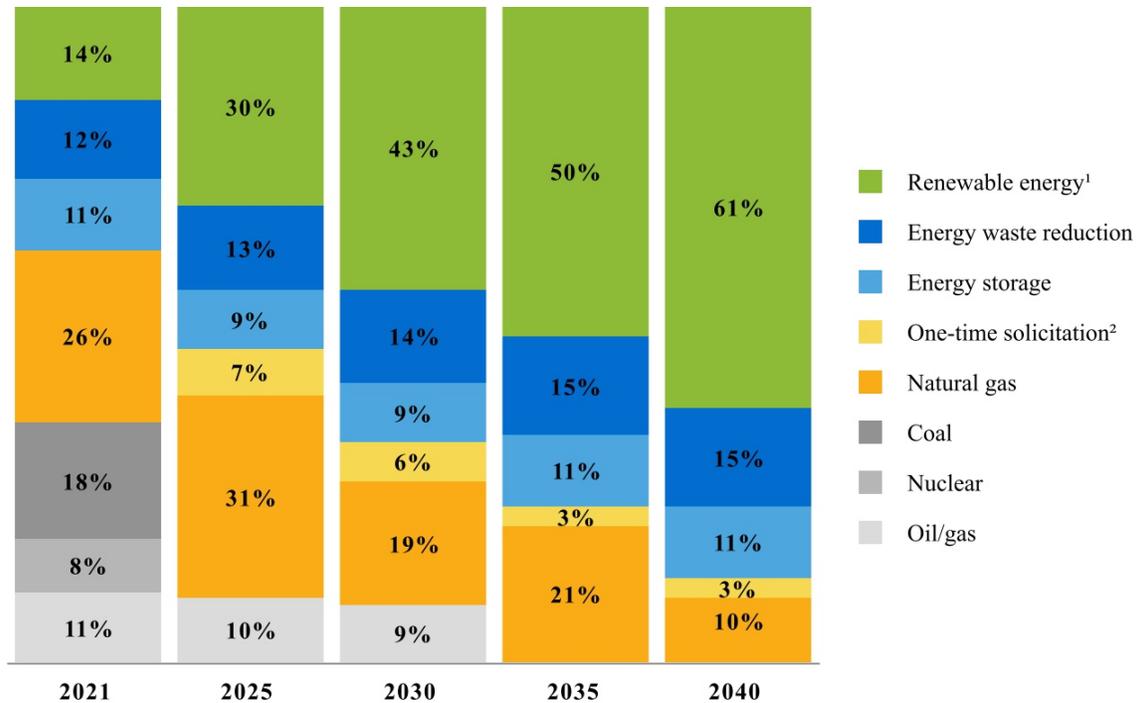
The Clean Energy Plan outlines Consumers' long-term strategy for delivering clean, reliable, resilient, and affordable energy to its customers, including plans to:

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

Under the Clean Energy Plan, Consumers earns a return equal to its weighted-average cost of capital on payments made under new competitively bid PPAs with non-affiliated entities approved by the MPSC.

The Clean Energy Plan will allow Consumers to exceed its breakthrough goal of at least 50-percent combined renewable energy and energy waste reduction by 2030.

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



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

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

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

*Net-zero methane emissions from natural gas delivery system by 2030:* Under its Methane Reduction Plan, Consumers plans to reduce methane emissions from its system by about 80 percent by accelerating the replacement of aging pipe, rehabilitating or retiring outdated infrastructure, and adopting new technologies and practices. The remaining emissions will likely be offset by purchasing and/or producing renewable natural gas.

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

*Net-zero greenhouse gas emissions target for the entire business by 2050:* This goal, announced in March 2022, incorporates greenhouse gas emissions from Consumers' natural gas delivery system, including suppliers and customers, and has an interim goal of reducing customer emissions by 20 percent by 2030. Consumers expects to meet this goal through carbon offset measures, renewable natural gas, energy efficiency and demand response programs, and the adoption of cost-effective emerging technologies once proven and commercially available.

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

- to enhance, restore, or protect 6,500 acres of land by 2026; in 2022, Consumers enhanced, restored, or protected over 700 acres of land
- to reduce water usage by 1.5 billion gallons by 2026; in 2022, Consumers reduced water usage by more than 750 million gallons
- to increase the rate of waste diverted from landfills (through waste reduction, recycling, and reuse) to 90 percent from a baseline of 88 percent through 2023; in 2022, Consumers' rate of waste diverted from landfills was 92 percent

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

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

For the three months ended March 31, 2023, CMS Energy's net income available to common stockholders was \$202 million, and diluted EPS were \$0.69. This compares with net income available to common stockholders of \$351 million and diluted EPS of \$1.21 for the three months ended March 31, 2022. In 2023, lower gas and electric sales due primarily to unfavorable weather, and higher service restoration costs, were partially offset by gas and electric rate increases. A more detailed discussion of the factors affecting CMS Energy's and Consumers' performance can be found in the Results of Operations section that follows this Executive Overview.

Over the next five years, Consumers expects weather-normalized electric and gas deliveries to remain relatively stable compared to 2022. This outlook reflects the effects of energy waste reduction programs offset largely by modest growth in electric and gas demand.

## Performance: Impacting the Triple Bottom Line

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

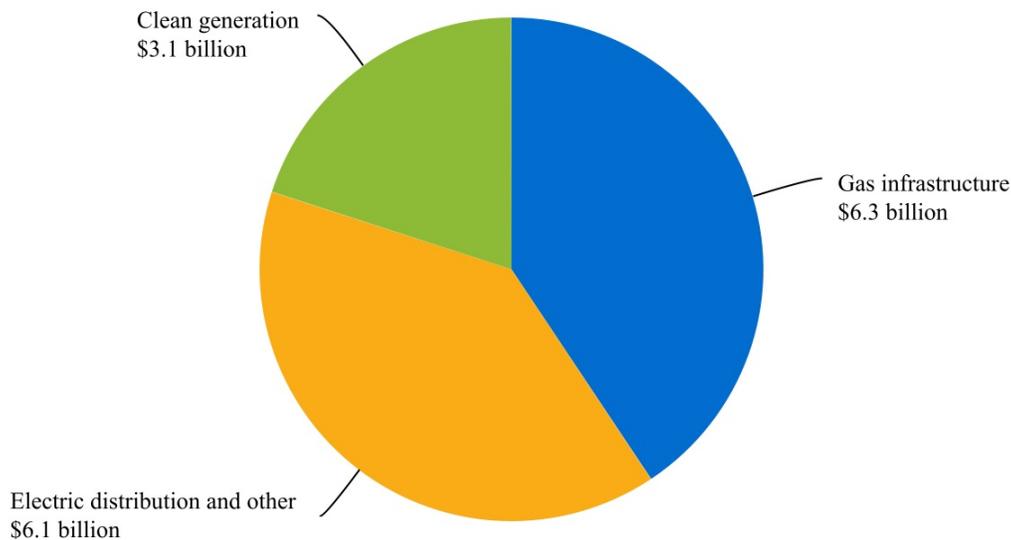
- settled and received approval of Consumers' Clean Energy Plan, gas rate case, and electric rate case, demonstrating the constructive nature of Michigan's regulatory environment
- partnered with state and federal agencies to secure over \$100 million of customer assistance to help keep customer bills affordable

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

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

**Investment Plan:** Over the next five years, Consumers expects to make significant expenditures on infrastructure upgrades, replacements, and clean generation. 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 over seven 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 \$15.5 billion that Consumers expects to make from 2023 through 2027:



Of this amount, Consumers plans to spend \$12.4 billion over the next five years to primarily maintain and upgrade its gas infrastructure and electric distribution systems in order to enhance safety and reliability, improve customer satisfaction, reduce energy waste on those systems, and facilitate its clean energy transformation. The gas infrastructure projects comprise \$6.3 billion to sustain deliverability, enhance pipeline integrity and safety, and reduce methane emissions. Electric distribution and other projects comprise \$6.1 billion to strengthen circuits and substations, replace poles, and interconnect clean energy resources. Consumers also expects to spend \$3.1 billion on clean generation, which includes investments in wind, solar, and hydroelectric generation resources.

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

*2022 Gas Rate Case:* In December 2022, Consumers filed an application with the MPSC seeking an annual rate increase of \$212 million, based on a 10.25-percent authorized return on equity for the projected twelve-month period ending September 30, 2024. The filing requests authority to recover new infrastructure investment and related costs that are expected to allow Consumers to improve system safety and reliability and reduce fugitive methane emissions.

*2022 Electric Rate Case:* In January 2023, the MPSC approved a settlement agreement authorizing an annual rate increase of \$155 million, based on a 9.9-percent authorized return on equity. The MPSC also approved a surcharge for the recovery of \$6 million of depreciation, property tax, and interest expense related to distribution investments made in 2021 that exceeded what was authorized in rates in accordance with the December 2020 electric rate order. The new rates became effective January 20, 2023.

## Looking Forward

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

## Results of Operations

### CMS Energy Consolidated Results of Operations

Three Months Ended March 31	<i>In Millions, Except Per Share Amounts</i>		
	2023	2022	Change
Net Income Available to Common Stockholders	\$ 202	\$ 351	\$ (149)
Basic Earnings Per Average Common Share	\$ 0.69	\$ 1.21	\$ (0.52)
Diluted Earnings Per Average Common Share	\$ 0.69	\$ 1.21	\$ (0.52)

Three Months Ended March 31	<i>In Millions</i>		
	2023	2022	Change
Electric utility	\$ 70	\$ 167	\$ (97)
Gas utility	154	216	(62)
NorthStar Clean Energy	7	8	(1)
Corporate interest and other	(29)	(40)	11
Net Income Available to Common Stockholders	\$ 202	\$ 351	\$ (149)

Amounts in the following tables are presented pre-tax, with the exception of income tax changes.

Presented in the following table is a summary of changes to net income available to common stockholders for the three months ended March 31, 2023 versus 2022:

Three Months Ended March 31, 2022	<i>In Millions</i>	
	\$	351
<i>Reasons for the change</i>		
<i>Consumers electric utility and gas utility</i>		
Electric sales	\$	(54)
Gas sales		(76)
Electric rate increase		18
Gas rate increase		69
Higher service restoration costs due primarily to 2023 ice storms		(67)
Higher interest charges		(23)
Higher other maintenance and operating expenses		(13)
Higher property taxes, reflecting higher capital spending		(10)
Higher depreciation and amortization		(8)
Other		5
	\$	(159)
<i>NorthStar Clean Energy</i>		(1)
<i>Corporate interest and other</i>		11
Three Months Ended March 31, 2023	\$	202

## 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, 2023 versus 2022:

	<i>In Millions</i>
Three Months Ended March 31, 2022	\$ 167
<i>Reasons for the change</i>	
<i>Electric deliveries<sup>1</sup> and rate increases</i>	
Rate increase, including return on higher renewable capital spending	\$ 18
Higher energy waste reduction program revenues	12
Lower revenue due primarily to unfavorable weather and sales mix	(47)
Lower other revenues	(7)
	\$ (24)
<i>Maintenance and other operating expenses</i>	
Lower distribution, transmission, and generation expenses	6
Higher service restoration costs due primarily to 2023 ice storms	(67)
Higher energy waste reduction program costs	(12)
Lower mutual insurance distribution	(9)
Higher other maintenance and operating expenses	(8)
	(90)
<i>General taxes</i>	
Higher property taxes, reflecting higher capital spending, and other	(5)
<i>Other income, net of expenses</i>	5
<i>Interest charges</i>	(12)
<i>Income taxes</i>	
Lower electric utility pre-tax earnings	33
Deferred tax liability reversal <sup>2</sup>	9
Lower production tax credits	(8)
Higher other income taxes	(5)
	29
Three Months Ended March 31, 2023	\$ 70

<sup>1</sup> Deliveries to end-use customers were 8.8 billion kWh in 2023 and 9.2 billion kWh in 2022.

<sup>2</sup> See Note 7, 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, 2023 versus 2022:

	<i>In Millions</i>
Three Months Ended March 31, 2022	\$ 216
<i>Reasons for the change</i>	
<i>Gas deliveries<sup>1</sup> and rate increases</i>	
Rate increase	\$ 69
Higher energy waste reduction program revenues	4
Lower revenue due primarily to unfavorable weather	(78)
Lower other revenues	2
	\$ (3)
<i>Maintenance and other operating expenses</i>	
Lower distribution, transmission, and compression expenses	3
Higher energy waste reduction program costs	(4)
Higher other maintenance and operating expenses	(5)
	(6)
<i>Depreciation and amortization</i>	
Increased plant in service, reflecting higher capital spending	(8)
<i>General taxes</i>	
Higher property taxes, reflecting higher capital spending	(5)
<i>Interest charges</i>	
	(11)
<i>Income taxes</i>	
Lower gas utility pre-tax earnings and other	8
Deferred tax liability reversal <sup>2</sup>	4
Absence of 2022 accelerated tax amortizations <sup>2</sup>	(41)
	(29)
Three Months Ended March 31, 2023	\$ 154

<sup>1</sup> Deliveries to end-use customers were 119 bcf in 2023 and 140 bcf in 2022.

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

## NorthStar Clean Energy Results of Operations

Presented in the following table are the detailed changes to NorthStar Clean Energy's net income available to common stockholders for the three months ended March 31, 2023 versus 2022:

	<i>In Millions</i>
Three Months Ended March 31, 2022	\$ 8
<i>Reason for the change</i>	
Higher earnings from renewable projects	\$ 3
Lower production tax credits	(4)
Three Months Ended March 31, 2023	\$ 7

## Corporate Interest and Other Results of Operations

Presented in the following table are the detailed changes to corporate interest and other results for the three months ended March 31, 2023 versus 2022:

	<i>In Millions</i>
Three Months Ended March 31, 2022	\$ (40)
<i>Reasons for the change</i>	
Lower income tax expense due to lower pre-tax earnings	\$ 13
Higher interest earnings	2
Absence of discontinued operations from 2022	(4)
Three Months Ended March 31, 2023	\$ (29)

## Cash Position, Investing, and Financing

At March 31, 2023, CMS Energy had \$598 million of consolidated cash and cash equivalents, which included \$27 million of restricted cash and cash equivalents. At March 31, 2023, Consumers had \$343 million of consolidated cash and cash equivalents, which included \$26 million of restricted cash and cash equivalents.

### Operating Activities

Presented in the following table are specific components of net cash provided by operating activities for the three months ended March 31, 2023 versus 2022:

	<i>In Millions</i>
<b>CMS Energy, including Consumers</b>	
Three Months Ended March 31, 2022	\$ 707
<i>Reasons for the change</i>	
Lower net income	\$ (151)
Non-cash transactions <sup>1</sup>	12
Favorable impact of changes in core working capital, <sup>2</sup> due primarily to higher collections and higher prices on gas sold to customers in 2023	449
Favorable impact of changes in other assets and liabilities, due primarily to recovery of 2022 power supply costs underrecovery <sup>3</sup>	23
Three Months Ended March 31, 2023	\$ 1,040
<b>Consumers</b>	
Three Months Ended March 31, 2022	\$ 745
<i>Reasons for the change</i>	
Lower net income	\$ (151)
Non-cash transactions <sup>1</sup>	2
Favorable impact of changes in core working capital, <sup>2</sup> due primarily to higher collections and higher prices on gas sold to customers in 2023	442
Favorable impact of changes in other assets and liabilities, due primarily to recovery of 2022 power supply costs underrecovery <sup>3</sup>	32
Three Months Ended March 31, 2023	\$ 1,070

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

<sup>2</sup> Core working capital comprises accounts receivable, accrued revenue, inventories, accounts payable, and accrued rate refunds.

<sup>3</sup> For information regarding the underrecovery of power supply costs, see Note 1, Regulatory Matters.

## Investing Activities

Presented in the following table are specific components of net cash used in investing activities for the three months ended March 31, 2023 versus 2022:

	<i>In Millions</i>
<b>CMS Energy, including Consumers</b>	
Three Months Ended March 31, 2022	\$ (539)
<i>Reasons for the change</i>	
Higher capital expenditures	\$ (97)
Other investing activities, primarily higher costs to retire property	(15)
Three Months Ended March 31, 2023	\$ (651)
<b>Consumers</b>	
Three Months Ended March 31, 2022	\$ (529)
<i>Reasons for the change</i>	
Higher capital expenditures	\$ (49)
Other investing activities, primarily higher costs to retire property	(10)
Three Months Ended March 31, 2023	\$ (588)

## 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, 2023 versus 2022:

	<i>In Millions</i>
<b>CMS Energy, including Consumers</b>	
Three Months Ended March 31, 2022	\$ (170)
<i>Reasons for the change</i>	
Higher debt issuances	\$ 1,205
Higher debt retirements	(997)
Higher repayments of notes payable	(20)
Higher payments of dividends on common and preferred stock	(9)
Higher contributions from noncontrolling interest	4
Other financing activities, primarily the absence of a payment of a long-term contract liability, offset partially by higher debt issuance costs	14
Three Months Ended March 31, 2023	\$ 27
<b>Consumers</b>	
Three Months Ended March 31, 2022	\$ (222)
<i>Reasons for the change</i>	
Higher debt issuances	\$ 1,120
Higher debt retirements	(1,000)
Higher repayments of notes payable	(20)
Lower repayments of borrowings from CMS Energy	317
Lower stockholder contribution from CMS Energy	(375)
Higher payments of dividends on common stock	(12)
Other financing activities, primarily higher debt issuance costs	(7)
Three Months Ended March 31, 2023	\$ (199)

## Capital Resources and Liquidity

CMS Energy and Consumers expect to have sufficient liquidity to fund their present and future commitments. CMS Energy uses dividends and tax-sharing payments from its subsidiaries and external financing and capital transactions to invest in its utility and non-utility businesses, retire debt, pay dividends, and fund its other obligations. The ability of CMS Energy's subsidiaries, including Consumers, to pay dividends to CMS Energy depends upon each subsidiary's revenues, earnings, cash needs, and other factors. In addition, Consumers' ability to pay dividends is restricted by certain terms included in its articles of incorporation and potentially by FERC requirements and provisions under the Federal Power Act of 1920 and the Natural Gas Act of 1938. For additional details on Consumers' dividend restrictions, see Notes to the Unaudited Consolidated Financial Statements—Note 3, Financings and Capitalization—Dividend Restrictions. During the three months ended March 31, 2023, Consumers paid \$287 million in dividends on its common stock to CMS Energy.

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

**Financing and Capital Resources:** CMS Energy and Consumers rely on the capital markets to fund their robust capital plan. Barring any sustained market dislocations or disruptions, CMS Energy and Consumers expect to continue to have ready access to the financial and capital markets and will continue to explore possibilities to take advantage of market opportunities as they arise with respect to future funding needs. If access to these markets were to diminish or otherwise become restricted, CMS Energy and Consumers would implement contingency plans to address debt maturities, which could include reduced capital spending.

In January 2023, Consumers entered into a bond purchase agreement to issue an aggregate principal amount of \$400 million of first mortgage bonds through a private placement offering. The bonds, which were priced in November 2022, carry a weighted average interest rate of 5.251 percent and mature at varying dates between 2026 and 2037. The bonds are expected to be issued in May 2023. The proceeds of the bonds will be used to finance a portion of the purchase price of the New Covert Generating Facility and for general corporate purposes. For more information on the purchase of the New Covert Generating Facility, see Consumers Electric Utility Outlook and Uncertainties—Clean Energy Plan.

CMS Energy has entered into forward sales transactions that it may either settle physically by issuing shares of its common stock at the then-applicable forward sale price specified by the agreement or settle net by delivering or receiving cash or shares. CMS Energy may settle the contracts at any time through their maturity dates, and presently intends to physically settle the contracts by delivering shares of its common stock. As of March 31, 2023, these contracts have an aggregate sales price of \$440 million, maturing through February 2024. For more information on these forward sale contracts, see Notes to the Unaudited Consolidated Financial Statements—Note 3, Financings and Capitalization—Issuance of Common Stock.

At March 31, 2023, CMS Energy had \$529 million of its revolving credit facility available and Consumers had \$1.3 billion available under its revolving credit facilities. CMS Energy and Consumers use these credit facilities for general working capital purposes and to issue letters of credit. An additional source of liquidity is Consumers' commercial paper program, which allows Consumers to issue, in one or more placements, up to \$500 million in aggregate principal amount of commercial paper notes with maturities of up to 365 days at market interest rates. These issuances are supported by Consumers' revolving credit facilities. While the amount of outstanding commercial paper does not reduce the available capacity of the revolving credit facilities, Consumers does not intend to issue commercial paper

in an amount exceeding the available capacity of the facilities. At March 31, 2023, there were no commercial paper notes outstanding under this program. For additional details on CMS Energy's and Consumers' secured 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, 2023, 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, 2023, as presented in the following table:

	Limit	Actual
<b>CMS Energy, parent only</b>		
Debt to Capital <sup>1</sup>	≤ 0.70 to 1.0	0.58 to 1.0
<b>Consumers</b>		
Debt to Capital <sup>2</sup>	≤ 0.65 to 1.0	0.50 to 1.0

<sup>1</sup> Applies to CMS Energy's revolving credit agreement and letter of credit reimbursement agreement, and a term loan agreement of a subsidiary of NorthStar Clean Energy.

<sup>2</sup> Applies to Consumers' revolving credit agreements.

## Outlook

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

### Consumers Electric Utility Outlook and Uncertainties

**Clean Energy Plan:** Consumers' Clean Energy Plan details its strategy to meet customers' long-term energy needs and provides the foundation for its goal to achieve net-zero carbon emissions from its electric business by 2040. Under this net-zero goal, Consumers plans to eliminate the impact of carbon emissions created by the electricity it generates or purchases for customers. Additionally, through its Clean Energy Plan, Consumers continues to make progress on expanding its customer programs, namely its demand response, energy efficiency, and conservation voltage reduction programs, as well as increasing its renewable energy and pumped storage generation.

The Clean Energy Plan was most recently revised and approved by the MPSC in June 2022. Under this plan, Consumers will eliminate the use of coal-fueled generation in 2025 and expects to meet 90 percent of its customers' needs with clean energy sources by 2040. Specifically, the Clean Energy Plan provides for:

- the retirement of the D.E. Karn coal-fueled generating units, totaling 515 MW of nameplate capacity, in May 2023
- the retirement of the J.H. Campbell coal-fueled generating units, totaling 1,407 MW of nameplate capacity, in 2025

- the retirement of the D.E. Karn oil and gas-fueled generating units, totaling 1,219 MW of nameplate capacity, in 2031, the units' original retirement date

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

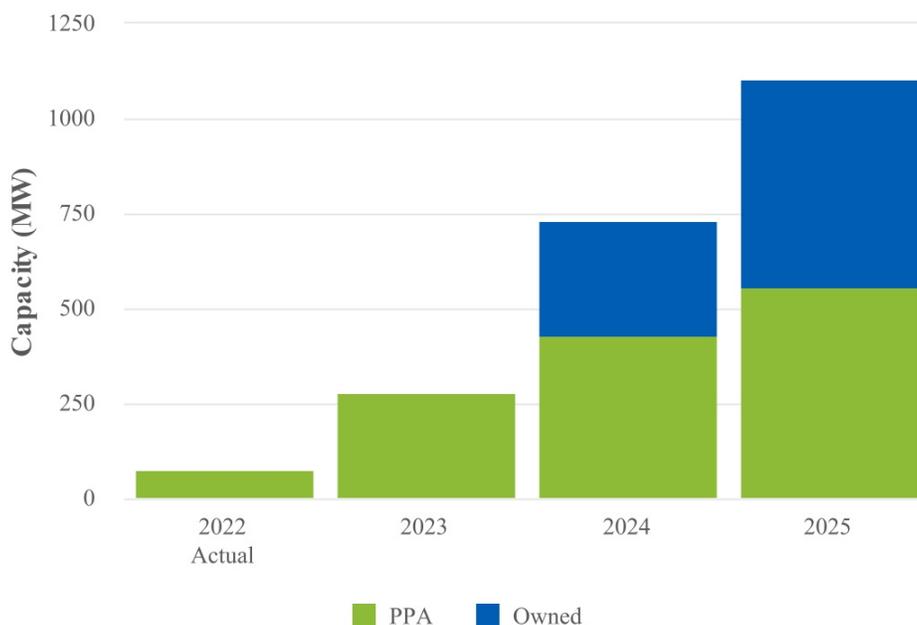
Under the Clean Energy Plan, Consumers will:

- purchase the New Covert Generating Facility, a natural gas-fueled generating unit with 1,176 MW of nameplate capacity in Van Buren County, Michigan, for \$815 million, subject to certain adjustments, in 2023; the purchase was approved by FERC in November 2022
- conduct a one-time competitive solicitation to acquire approximately 700 MW of capacity through PPAs from sources able to deliver to Michigan's Lower Peninsula beginning in 2025; of this amount, 500 MW would be from dispatchable sources

These actions are expected to help Consumers continue to provide controllable sources of electricity to customers while expanding its investment in renewable energy. The Clean Energy Plan forecasts renewable energy capacity levels of 30 percent in 2025, 43 percent in 2030, and 61 percent in 2040, including the addition of nearly 8,000 MW of solar generation. Additionally, Consumers plans to deploy battery storage beginning in 2024, with 75 MW of energy storage by 2027 and an additional 475 MW by 2040.

Under its Clean Energy Plan, Consumers bids new capacity competitively and will own and operate approximately 50 percent of new capacity, with the remainder being built and owned by third parties. Additionally, Consumers earns a return equal to its weighted-average cost of capital on payments made under new competitively bid PPAs with non-affiliated entities approved by the MPSC.

As a result of requests for proposals, Consumers has entered into PPAs to purchase renewable capacity, energy, and RECs from solar generating facilities and build transfer agreements to purchase solar generating facilities. Presented in the following illustration is the aggregate renewable capacity that Consumers expects to add to its portfolio as a result of these agreements:



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

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

**Renewable Energy Plan:** Michigan has established a 15-percent renewable portfolio standard. Under this standard, 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 15 percent of Consumers’ electric sales volume each year. Under its renewable energy plan, Consumers has met the 15-percent

requirement and expects to continue meeting the requirement going forward with a combination of newly generated RECs and previously generated RECs carried over from prior years.

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

- purchase and construction of a 150-MW wind generation project in Gratiot County, Michigan; the project became operational and Consumers took full ownership in 2020
- purchase of a 166-MW wind generation project in Hillsdale, Michigan; the project became operational and Consumers took full ownership in 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 the fourth quarter of 2023

The MPSC also approved the execution of a 20-year PPA under which Consumers will purchase 100 MW of renewable capacity, energy, and RECs from a 149-MW solar generating facility to be constructed in Calhoun County, Michigan; the facility is targeted to be operational in 2024.

*Voluntary Large Customer Renewable Energy Program:* Consumers provides service under a program that provides large full-service electric customers with the opportunity to advance the development of renewable energy beyond the requirements of the 2016 Energy Law. In 2021, the MPSC approved Consumers' request to amend its renewable energy plan to remove the annual subscription limit associated with this program. The MPSC also approved up to 1,000 MW of new wind and solar generation projects between 2024 and 2027 to meet customer demand for the program. Consumers will competitively solicit for additional renewable energy assets based on customer applications and will construct the assets based on customer subscriptions to the program. In March 2023, Consumers entered into a build transfer agreement for a 309-MW solar generating facility to be constructed in Calhoun County, Michigan; the facility is targeted to be operational in 2025. The build transfer agreement is subject to MPSC approval.

**Electric Customer Deliveries and Revenue:** Consumers' electric customer deliveries are seasonal and largely dependent on Michigan's economy. The consumption of electric energy typically increases in the summer months, due primarily to the use of air conditioners and other cooling equipment. In addition, Consumers' electric rates, which follow a seasonal rate design, are higher in the summer months than in the remaining months of the year. Each year in June, electric residential customers transition to a summer peak time-of-use rate that allows them to take advantage of lower-cost energy during off-peak times during the summer months. Thus, customers can reduce their electric bills by shifting their consumption from on-peak to off-peak times.

Over the next five years, Consumers expects weather-normalized electric deliveries to remain relatively stable compared to 2022. This outlook reflects the effects of energy waste reduction programs offset largely by modest growth in electric demand. Actual delivery levels will depend on:

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

**Electric ROA:** Michigan law allows electric customers in Consumers' service territory to buy electric generation service from alternative electric suppliers in an aggregate amount capped at ten percent of Consumers' sales, with certain exceptions. At March 31, 2023, electric deliveries under the ROA program

were at the ten-percent limit. Of Consumers' 1.9 million electric customers, fewer than 300, or 0.02 percent, purchased electric generation service under the ROA program.

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

During 2017, the MPSC issued orders finding that it has statutory authority to determine and implement a local clearing requirement, which requires all electric suppliers to demonstrate that a portion of the capacity used to serve customers is located in the MISO footprint in Michigan's Lower Peninsula. In 2020, the Michigan Supreme Court affirmed the MPSC's statutory authority to implement a local clearing requirement on individual electric providers.

In 2020, ABATE and another intervenor filed a complaint against the MPSC in the U.S. District Court for the Eastern District of Michigan challenging the constitutionality of a local clearing requirement. The complaint requests the federal court to issue a permanent injunction prohibiting the MPSC from implementing a local clearing requirement on individual electric providers. In February 2023, the U.S. District Court for the Eastern District of Michigan dismissed the complaint. In March 2023, ABATE and the other intervenor filed a claim of appeal of the Eastern District Court's decision with the U.S. Court of Appeals for the Sixth Circuit. In April 2023, Consumers and the MPSC filed appearances and also filed cross-appeals.

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

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

Consumers has responded to the MPSC's order and awaits further action by the MPSC. Consumers is committed to working with other state utilities, the third-party auditor, and the MPSC to continue improving electric reliability and safety in Michigan. In March 2023, the MPSC Staff issued a request for proposal to engage a third-party auditor and is expected to execute a contract by September 2023.

**Retention Incentive Program:** Under its Clean Energy Plan, Consumers will retire the D.E. Karn coal-fueled electric generating units in May 2023 and the J.H. Campbell coal-fueled generating units in 2025. Consumers has announced retention incentive programs to ensure necessary staffing at both locations through the anticipated retirements. The aggregate cost of the D.E. Karn program through 2022 was \$31 million, and Consumers expects to recognize an additional \$2 million of retention benefit costs in the first half of 2023. The aggregate cost of the J.H. Campbell program through 2025 is estimated to be \$50 million; Consumers expects to recognize \$16 million of retention benefit costs in 2023. The MPSC has approved deferred accounting treatment for these costs; this expense will be deferred as a regulatory asset. For additional details on these programs, see Notes to the Unaudited Consolidated Financial Statements—Note 12, Exit Activities.

**Electric Environmental Outlook:** Consumers' electric operations are subject to various federal, state, and local environmental laws and regulations. Consumers estimates that it will incur capital expenditures of \$210 million from 2023 through 2027 to continue to comply with RCRA, the Clean Air Act, and numerous other environmental regulations. Consumers expects to recover these costs in customer rates, but cannot guarantee this result. Multiple environmental laws and regulations are subject to litigation. Consumers' primary environmental compliance focus includes, but is not limited to, the following matters.

*Air Quality:* Multiple air quality regulations apply, or may apply, to Consumers' electric utility.

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

CSAPR requires Michigan and many other states to improve air quality by reducing power plant emissions that, according to EPA modeling, contribute to ground-level ozone in other downwind states. Since its 2015 effective date, CSAPR has been revised several times. In March 2023, the EPA finalized a revision to CSAPR affecting Michigan. This regulation establishes allowance budgets for electric generating units in 22 states, including Michigan, between 2023 and 2029 and changes the mechanism for allocating such allowances on a year-over-year basis beginning in 2026. Consumers is evaluating potential cost impacts from this regulation on its electric generating units.

In 2015, the EPA lowered the NAAQS for ozone and made it more difficult to construct or modify power plants and other emission sources in areas of the country that do not meet the 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, in January 2023, the EPA proposed lowering the NAAQS for particulate matter. Consumers will continue to monitor NAAQS rulemakings and evaluate potential impacts to its generating assets.

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

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

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

In June 2022, the EPA announced its plan to propose a new rule to address greenhouse gas emissions from existing fossil-fuel-fired electric generating units. Under its Clean Energy Plan, Consumers will eliminate the use of coal-fueled generation in 2025. Therefore, it is unlikely that the proposed rule will materially impact Consumers over the remaining operating lives of these coal-fueled facilities. However,

Consumers cannot predict the form and extent of such potential regulation on its natural gas-fueled generation until this rule is released.

Under the Paris Agreement, an international agreement addressing greenhouse gas emissions, the U.S. has committed to reduce greenhouse gas emissions by 50 to 52 percent from 2005 levels by 2030. Under its Clean Energy Plan, Consumers plans to reduce carbon emissions from its electric business by 60 percent from 2005 levels in 2025. At this time, Consumers does not expect any adverse changes to its environmental strategy as a result of this event, as its plans exceed the nationally committed reduction. The commitment made by the U.S. is not binding without new Congressional legislation.

In 2020, Michigan's Governor signed an executive order creating the Michigan Healthy Climate Plan, which outlines goals for Michigan to achieve economy-wide net-zero greenhouse gas emissions and to be carbon neutral by 2050. The executive order aims for a 28-percent reduction below 2005 levels of greenhouse gas emissions by 2025. These goals are aspirational in nature and any changes in law or regulation to achieve these goals would need to be approved by the Michigan Legislature or the relevant regulatory agency. Additionally, Consumers has already surpassed the 28-percent reduction milestone for its owned electric generation and previously announced a goal of achieving net-zero carbon emissions from its electric business by 2040. Consumers does not expect any adverse changes to its environmental strategy as a result of this event.

Increased frequency or intensity of severe or extreme weather events, including those due to climate change, could materially impact Consumers' facilities, energy sales, and results of operations. Consumers is unable to predict these events or their financial impact; however, Consumers evaluates the potential physical impacts of climate change on its operations, including increased frequency or intensity of storm activity; increased precipitation; increased temperature; and changes in lake and river levels. Consumers released a report addressing the physical risks of climate change on its infrastructure in 2022. Consumers is taking steps to mitigate these risks as appropriate.

While Consumers cannot predict the outcome of changes in U.S. policy or of other legislative, executive, or regulatory initiatives involving the potential regulation or reporting of greenhouse gases, it intends to move forward with its Clean Energy Plan, its present net-zero goals, and its emphasis on reliable and resilient supply. Litigation, international treaties, executive orders, federal laws and regulations (including regulations by the EPA), and state laws and regulations, if enacted or ratified, could ultimately impact Consumers. Consumers may be required to:

- replace equipment
- install additional emission control equipment
- purchase emission allowances or credits (including potential greenhouse gas offset credits)
- curtail operations
- arrange for alternative sources of supply
- purchase facilities that generate fewer emissions
- mothball or retire facilities that generate certain emissions
- pursue energy efficiency or demand response measures more swiftly
- take other steps to manage or lower the emission of greenhouse gases

Although associated capital or operating costs relating to greenhouse gas regulation or legislation could be material and cost recovery cannot be assured, Consumers expects to recover these costs in rates consistent with the recovery of other reasonable costs of complying with environmental laws and regulations.

*CCRs*: In 2015, the EPA published a rule regulating CCRs under RCRA. This rule adopts minimum standards for beneficially using and disposing of non-hazardous CCRs and establishes technical

requirements for CCR landfills and surface impoundments. The rule also sets out conditions under which some CCR units would be forced to cease receiving CCR wastewater and initiate closure. Due to continued litigation, many aspects of the rule have been remanded to the EPA, resulting in more proposed and final rules.

Separately, Congress passed legislation in 2016 allowing participating states to develop permitting programs for CCRs under RCRA Subtitle D. In 2020, EGLE submitted a regulatory package for Michigan’s permit program to the EPA for its review, which is still pending.

Consumers, with agreement from EGLE, completed the work necessary to initiate closure by excavating CCRs or placing a final cover over each of its relevant CCR units prior to the closure initiation deadline. Consumers has historically been authorized to recover in electric rates costs related to coal ash disposal sites.

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

The EPA regulates cooling water intake systems of existing electric generating plants under Section 316(b) of the Clean Water Act. The rules seek to reduce alleged harmful impacts on aquatic organisms, such as fish. In 2018, Consumers submitted to EGLE for approval all required studies and recommended plans to comply with Section 316(b) for its coal-fueled units, but has not yet received final approval.

The EPA also regulates the discharge of wastewater through its effluent limitation guidelines for steam electric generating plants. In 2020, the EPA revised previous guidelines related to the discharge of certain wastewater, but allowed for extension of the compliance deadline from the end of 2023 to the end of 2025, upon approval by EGLE through the NPDES permitting process. Consumers received such an extension to 2025 for its J.H. Campbell generating facility, which it plans to retire in 2025. In March 2023, the EPA released a proposed rule seeking to replace its 2020 rule and corresponding effluent limitation guidelines. Consumers is evaluating the proposed effluent limitation guidelines for its potential impacts on its generating facilities.

In recent years, the EPA and the U.S. Army Corps of Engineers have proposed changes to the scope of federal jurisdiction over bodies of water and to the frequency of dual jurisdiction in states with authority to regulate the same waters; Michigan is one such state. Additionally, a final 2022 rulemaking changed the definition of “Waters of the United States.” Consumers does not expect adverse changes to its environmental strategy as a result of the current interpretations.

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

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

Statutes like the federal Endangered Species Act, the Migratory Bird Treaty Act, and the Bald and Golden Eagle Protection Act may impact operations at Consumers’ facilities. In 2021, the U.S. Fish and Wildlife Service announced its intent to regulate incidental take under the Migratory Bird Treaty Act. Any resulting permitting and monitoring fees and/or restrictions on operations could impact Consumers’ existing and future operations, including wind and solar generation facilities.

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

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

## Consumers Gas Utility Outlook and Uncertainties

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

Over the next five years, Consumers expects weather-normalized gas deliveries to remain stable relative to 2022. This outlook reflects the effects of energy waste reduction programs offset largely by modest growth in gas demand. Actual delivery levels will depend on:

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

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

*2022 Gas Rate Case:* In December 2022, Consumers filed an application with the MPSC seeking an annual rate increase of \$212 million, based on a 10.25-percent authorized return on equity for the projected twelve-month period ending September 30, 2024. The filing requests authority to recover new infrastructure investment and related costs that are expected to allow Consumers to improve system safety and reliability and reduce fugitive methane emissions. Presented in the following table are the components of the requested increase in revenue:

Projected Twelve-Month Period Ending September 30	2024
<i>Components of the requested rate increase</i>	
Investment in rate base	\$ 80
Operating and maintenance costs	47
Cost of capital	63
Sales and other revenue	22
Total	\$ 212

The filing also seeks approval of cost deferral mechanisms that will allow Consumers to defer for future recovery or refund pension and OPEB expense and uncollectible accounts expense above the amounts used to set existing rates.

*Postretirement Benefits Expense Accounting Application:* In January 2023, Consumers filed an application with the MPSC, requesting authority to defer the future recovery or refund of pension and OPEB expenses above or below the amounts used to set existing rates, respectively. Consumers requested this accounting treatment to begin in 2023 and to continue until rates are reset in the 2022 gas rate case. In March 2023, the MPSC denied Consumers' application, instead recommending that this would be more appropriately considered as part of Consumers' current gas rate case.

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

Although associated capital or operating and maintenance costs relating to these regulations could be material and cost recovery cannot be assured, Consumers expects to recover such costs in rates consistent with the recovery of other reasonable costs of complying with laws and regulations.

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

Consumers' gas operations are subject to various federal, state, and local environmental laws and regulations. Multiple environmental laws and regulations are subject to litigation. Consumers' primary environmental compliance focus includes, but is not limited to, the following matters.

*Air Quality:* Multiple air quality regulations apply, or may apply, to Consumers' gas utility.

In March 2023, the EPA finalized a revision to CSAPR affecting Michigan. This regulation will reduce interstate air pollution transport issues that EPA modeling suggests contribute to downwind states attaining or maintaining compliance with the NAAQS for ozone. While prior CSAPR regulations focused only on electric generating units, this latest rule includes other emission sources, including engines at natural gas compressor stations. Compliance with new NOx emission limits is required by May 2026, unless the EPA approves an extension. Consumers is currently evaluating the applicability of the regulation to its gas business and expects to incur costs to retrofit or replace equipment at some of its compressor stations.

In 2015, the EPA lowered the NAAQS for ozone and made it more difficult to construct or modify natural gas compressor stations and other emission sources in areas of the country that do not meet the ozone standard. In 2018, the EPA designated certain areas of Michigan as not meeting the ozone standard. Seven counties in southeastern Michigan were not in attainment with the ozone standard by a 2021 regulatory deadline and, in March 2023, had their ozone nonattainment designations increased from marginal to moderate. EGLE has submitted an attainment redesignation request to EPA based on current ozone data for these seven counties, and is waiting on a final decision. The EPA also recently elevated the nonattainment status of three counties in western Michigan from marginal to moderate. Some of Consumers' compressor stations are located in these ozone nonattainment areas. Consequently, Consumers has initiated plans to retrofit equipment to lower emissions in compliance with these new regulations at two of its compressor stations located in the nonattainment areas. Additionally, in January 2023, the EPA proposed lowering the NAAQS for particulate matter. Consumers will continue to

monitor NAAQS rulemakings and evaluate potential impacts to its compressor stations and other applicable natural gas storage and delivery assets.

*Greenhouse Gases:* There is increasing interest at the federal, state, and local levels in potential regulation of greenhouse gases or their sources. Such regulation, if adopted, may involve requirements to reduce methane emissions from Consumers' gas utility operations and carbon dioxide emissions from customer use of natural gas. No such measures apply to Consumers at this time.

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

Under the Paris Agreement, an international agreement addressing greenhouse gas emissions, the U.S. has committed to reduce greenhouse gas emissions by 50 to 52 percent from 2005 levels by 2030. The commitment made by the U.S. is not binding without new Congressional legislation. 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 is making voluntary efforts to reduce its gas utility's methane emissions. Under its Methane Reduction Plan, Consumers has set a goal of net-zero methane emissions from its natural gas delivery system by 2030. Consumers plans to reduce methane emissions from its system by about 80 percent by accelerating the replacement of aging pipe, rehabilitating or retiring outdated infrastructure, and adopting new technologies and practices. The remaining emissions will likely be offset by purchasing and/or producing renewable natural gas. To date, Consumers has reduced methane emissions by more than 20 percent from a 2012 baseline.

In March 2022, Consumers also announced a net-zero greenhouse gas emissions target for its entire natural gas system by 2050. This includes suppliers and customers, and has an interim goal of reducing customer emissions by 20 percent by 2030. Consumers' Natural Gas Delivery Plan, a 10-year strategic investment plan to deliver safe, reliable, clean, and affordable natural gas to customers, outlines ways in which Consumers can make early progress toward these goals in a cost-effective manner, including energy waste reduction or energy efficiency, carbon offsets, and renewable natural gas supply.

Consumers has already initiated work in these key areas, continuing to expand its energy waste reduction targets, launching a program allowing gas customers to purchase carbon offset credits on a voluntary basis, and announcing plans to begin development of a renewable natural gas facility that will capture methane from manure generated at a Michigan-based farm and convert it into renewable natural gas. Consumers is evaluating and monitoring newer technologies to determine their role in achieving Consumers' interim and long-term net-zero goals, including hydrogen, biofuels, and synthetic methane; carbon capture sequestration systems; and other innovative technologies.

## NorthStar Clean Energy Outlook and Uncertainties

CMS Energy's primary focus with respect to its NorthStar Clean Energy businesses is to maximize the value of generating assets, its share of which represents 1,478 MW of capacity, and to pursue opportunities for the development of renewable generation projects.

NorthStar Clean Energy's operations may be subject to various federal, state, and local environmental laws and regulations. Multiple environmental laws and regulations are subject to litigation. NorthStar

Clean Energy's primary environmental compliance focus includes, but is not limited to, the following matters.

CSAPR requires Michigan and many other states to improve air quality by reducing power plant emissions that, according to EPA modeling, contribute to ground-level ozone in other downwind states. Since its 2015 effective date, CSAPR has been revised several times. In March 2023, the EPA finalized a revision to CSAPR affecting Michigan. This regulation establishes allowance budgets for electric generating units in 22 states, including Michigan, between 2023 and 2029 and changes the mechanism for allocating such allowances on a year-over-year basis beginning in 2026. NorthStar Clean Energy is evaluating this rule and its impact on NorthStar Clean Energy's emission sources and may incur costs in allowance purchases or equipment retrofits.

In 2015, the EPA lowered the NAAQS for ozone and made it more difficult to construct or modify power plants and other emission sources in areas of the country that do not meet the ozone standard. In 2018, the EPA designated certain areas of Michigan as not meeting the ozone standard. Seven counties in southeastern Michigan were not in attainment with the ozone standard by a 2021 regulatory deadline and, in March 2023, had their ozone nonattainment designations increased from marginal to moderate. The DIG plant is within one of these counties and, as a result, may be subject to additional permitting restrictions in the event of any future increase in the nonattainment designation.

Many of NorthStar Clean Energy's facilities maintain NPDES permits, which are vital to the facilities' operations. NorthStar Clean Energy applies for renewal of these permits every five years. 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.

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

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

- investment in and financial benefits received from renewable energy and energy storage projects
- changes in energy and capacity prices
- severe weather events and climate change associated with increasing levels of greenhouse gases
- changes in commodity prices on certain derivative contracts that do not qualify for hedge accounting and must be marked to market through earnings
- changes in various environmental laws, regulations, principles, or practices, or in their interpretation
- indemnity obligations assumed in connection with ownership interests in facilities that involve tax equity financing
- representations, warranties, and indemnities provided by CMS Energy in connection with sales of assets
- delays or difficulties in obtaining environmental permits for facilities located in areas associated with environmental justice concerns

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

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

## Other Outlook and Uncertainties

**Litigation:** CMS Energy, Consumers, and certain of their subsidiaries are named as parties in various litigation matters, as well as in administrative proceedings before various courts and governmental agencies, arising in the ordinary course of business. For additional details regarding these and other legal matters, see Notes to the Unaudited Consolidated Financial Statements—Note 1, Regulatory Matters and Note 2, Contingencies and Commitments.

**Employee Separation Program:** In April 2023, CMS Energy and Consumers announced a voluntary separation program for non-union employees. Under the program, employees can elect to request separation, and management will decide which requests to accept. In May 2023, management will communicate its decisions to interested employees, who will have 45 days to decide whether to separate. The program is expected to result in recognition of additional expense in the second quarter of 2023; however, CMS Energy and Consumers expect to benefit from future cost savings, as employee staffing levels will be better aligned with business needs.

## New Accounting Standards

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

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# CMS Energy Corporation

## Consolidated Statements of Income (Unaudited)

	<i>In Millions, Except Per Share Amounts</i>	
Three Months Ended March 31	2023	2022
<b>Operating Revenue</b>	\$ 2,284	\$ 2,374
<b>Operating Expenses</b>		
Fuel for electric generation	137	167
Purchased and interchange power	341	455
Purchased power – related parties	19	17
Cost of gas sold	547	468
Maintenance and other operating expenses	431	334
Depreciation and amortization	353	345
General taxes	142	132
Total operating expenses	1,970	1,918
<b>Operating Income</b>	314	456
<b>Other Income (Expense)</b>		
Non-operating retirement benefits, net	45	48
Other income	15	4
Other expense	(4)	(4)
Total other income	56	48
<b>Interest Charges</b>		
Interest on long-term debt	144	121
Interest expense – related parties	3	3
Other interest expense	—	1
Allowance for borrowed funds used during construction	—	(1)
Total interest charges	147	124
<b>Income Before Income Taxes</b>	223	380
<b>Income Tax Expense</b>	29	39
<b>Income From Continuing Operations</b>	194	341
<b>Income From Discontinued Operations, Net of Tax of \$— and \$1</b>	—	4
<b>Net Income</b>	194	345
<b>Loss Attributable to Noncontrolling Interests</b>	(10)	(8)
<b>Net Income Attributable to CMS Energy</b>	204	353
<b>Preferred Stock Dividends</b>	2	2
<b>Net Income Available to Common Stockholders</b>	\$ 202	\$ 351

	<i>In Millions, Except Per Share Amounts</i>	
Three Months Ended March 31	2023	2022
<b>Basic Earnings Per Average Common Share</b>		
Income from continuing operations per average common share available to common stockholders	\$ 0.69	\$ 1.20
Income from discontinued operations per average common share available to common stockholders	—	0.01
Basic earnings per average common share	\$ 0.69	\$ 1.21
<b>Diluted Earnings Per Average Common Share</b>		
Income from continuing operations per average common share available to common stockholders	\$ 0.69	\$ 1.20
Income from discontinued operations per average common share available to common stockholders	—	0.01
Diluted earnings per average common share	\$ 0.69	\$ 1.21

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

# CMS Energy Corporation

## Consolidated Statements of Comprehensive Income (Unaudited)

	<i>In Millions</i>	
Three Months Ended March 31	2023	2022
<b>Net Income</b>	\$ 194	\$ 345
<b>Retirement Benefits Liability</b>		
Net gain arising during the period, net of tax of \$— and \$1	1	2
Amortization of net actuarial loss, net of tax of \$— for both periods	—	1
<b>Derivatives</b>		
Unrealized gain on derivative instruments, net of tax of \$— and \$1	—	2
<b>Other Comprehensive Income</b>	1	5
<b>Comprehensive Income</b>	195	350
<b>Comprehensive Loss Attributable to Noncontrolling Interests</b>	(10)	(8)
<b>Comprehensive Income Attributable to CMS Energy</b>	\$ 205	\$ 358

The accompanying notes are an integral part of these statements.

# CMS Energy Corporation

## Consolidated Statements of Cash Flows (Unaudited)

	<i>In Millions</i>	
Three Months Ended March 31	2023	2022
<b>Cash Flows from Operating Activities</b>		
Net income	\$ 194	\$ 345
<i>Adjustments to reconcile net income to net cash provided by operating activities</i>		
Depreciation and amortization	353	345
Deferred income taxes and investment tax credits	29	33
Other non-cash operating activities and reconciling adjustments	(19)	(27)
<i>Changes in assets and liabilities</i>		
Accounts receivable and accrued revenue	174	(121)
Inventories	391	213
Accounts payable and accrued rate refunds	(153)	(129)
Other current assets and liabilities	(51)	7
Other non-current assets and liabilities	122	41
Net cash provided by operating activities	1,040	707
<b>Cash Flows from Investing Activities</b>		
Capital expenditures (excludes assets placed under finance lease)	(617)	(520)
Cost to retire property and other investing activities	(34)	(19)
Net cash used in investing activities	(651)	(539)
<b>Cash Flows from Financing Activities</b>		
Proceeds from issuance of debt	1,205	—
Retirement of debt	(1,000)	(3)
Decrease in notes payable	(20)	—
Issuance of common stock	4	4
Payment of dividends on common and preferred stock	(145)	(136)
Contribution from noncontrolling interest	6	2
Other financing costs	(23)	(37)
Net cash provided by (used in) financing activities	27	(170)
<b>Net Increase (Decrease) in Cash and Cash Equivalents, Including Restricted Amounts</b>	<b>416</b>	<b>(2)</b>
<b>Cash and Cash Equivalents, Including Restricted Amounts, Beginning of Period</b>	<b>182</b>	<b>476</b>
<b>Cash and Cash Equivalents, Including Restricted Amounts, End of Period</b>	<b>\$ 598</b>	<b>\$ 474</b>
<b>Other Non-cash Investing and Financing Activities</b>		
<i>Non-cash transactions</i>		
Capital expenditures not paid	\$ 157	\$ 128

The accompanying notes are an integral part of these statements.

# CMS Energy Corporation

## Consolidated Balance Sheets (Unaudited)

### ASSETS

	<i>In Millions</i>	
	March 31 2023	December 31 2022
<b>Current Assets</b>		
Cash and cash equivalents	\$ 571	\$ 164
Restricted cash and cash equivalents	27	18
Accounts receivable and accrued revenue, less allowance of \$26 in 2023 and \$27 in 2022	1,009	1,564
Accounts receivable – related parties	13	16
<i>Inventories at average cost</i>		
Gas in underground storage	437	840
Materials and supplies	228	212
Generating plant fuel stock	61	65
Deferred property taxes	310	384
Regulatory assets	203	57
Prepayments and other current assets	130	113
<b>Total current assets</b>	<b>2,989</b>	<b>3,433</b>
<b>Plant, Property, and Equipment</b>		
Plant, property, and equipment, gross	30,866	30,491
Less accumulated depreciation and amortization	9,126	8,960
Plant, property, and equipment, net	21,740	21,531
Construction work in progress	1,263	1,182
<b>Total plant, property, and equipment</b>	<b>23,003</b>	<b>22,713</b>
<b>Other Non-current Assets</b>		
Regulatory assets	3,804	3,595
Accounts receivable	23	23
Investments	72	71
Postretirement benefits	1,241	1,208
Other	254	310
<b>Total other non-current assets</b>	<b>5,394</b>	<b>5,207</b>
<b>Total Assets</b>	<b>\$ 31,386</b>	<b>\$ 31,353</b>

**LIABILITIES AND EQUITY**
*In Millions*

	March 31 2023	December 31 2022
<b>Current Liabilities</b>		
Current portion of long-term debt and finance leases	\$ 1,433	\$ 1,099
Notes payable	—	20
Accounts payable	679	928
Accounts payable – related parties	8	8
Accrued rate refunds	28	—
Accrued interest	125	122
Accrued taxes	408	538
Regulatory liabilities	107	104
Other current liabilities	154	166
<b>Total current liabilities</b>	<b>2,942</b>	<b>2,985</b>
<b>Non-current Liabilities</b>		
Long-term debt	12,985	13,122
Non-current portion of finance leases	66	68
Regulatory liabilities	3,886	3,796
Postretirement benefits	107	108
Asset retirement obligations	762	746
Deferred investment tax credit	128	129
Deferred income taxes	2,451	2,407
Other non-current liabilities	407	397
<b>Total non-current liabilities</b>	<b>20,792</b>	<b>20,773</b>
<b>Commitments and Contingencies (Notes 1 and 2)</b>		
<b>Equity</b>		
<i>Common stockholders' equity</i>		
Common stock, authorized 350.0 shares; outstanding 291.7 shares in 2023 and 291.3 shares in 2022	3	3
Other paid-in capital	5,494	5,490
Accumulated other comprehensive loss	(51)	(52)
Retained earnings	1,410	1,350
<b>Total common stockholders' equity</b>	<b>6,856</b>	<b>6,791</b>
Cumulative redeemable perpetual preferred stock, Series C, authorized 9.2 depositary shares; outstanding 9.2 depositary shares in both periods	224	224
<b>Total stockholders' equity</b>	<b>7,080</b>	<b>7,015</b>
Noncontrolling interests	572	580
<b>Total equity</b>	<b>7,652</b>	<b>7,595</b>
<b>Total Liabilities and Equity</b>	<b>\$ 31,386</b>	<b>\$ 31,353</b>

The accompanying notes are an integral part of these statements.

# CMS Energy Corporation

## Consolidated Statements of Changes in Equity (Unaudited)

	<i>In Millions, Except Per Share Amounts</i>	
Three Months Ended March 31	2023	2022
<b>Total Equity at Beginning of Period</b>	\$ 7,595	\$ 7,188
<b>Common Stock</b>		
At beginning and end of period	3	3
<b>Other Paid-in Capital</b>		
At beginning of period	5,490	5,406
Common stock issued	11	10
Common stock repurchased	(7)	(10)
At end of period	5,494	5,406
<b>Accumulated Other Comprehensive Income (Loss)</b>		
At beginning of period	(52)	(59)
<i>Retirement benefits liability</i>		
At beginning of period	(52)	(56)
Net gain arising during the period	1	2
Amortization of net actuarial loss	—	1
At end of period	(51)	(53)
<i>Derivative instruments</i>		
At beginning of period	—	(3)
Unrealized gain on derivative instruments	—	2
At end of period	—	(1)
At end of period	(51)	(54)
<b>Retained Earnings</b>		
At beginning of period	1,350	1,057
Net income attributable to CMS Energy	204	353
Dividends declared on common stock	(142)	(133)
Dividends declared on preferred stock	(2)	(2)
At end of period	1,410	1,275
<b>Cumulative Redeemable Perpetual Preferred Stock, Series C</b>		
At beginning and end of period	224	224
<b>Noncontrolling Interests</b>		
At beginning of period	580	557
Contribution from noncontrolling interest	6	2
Loss attributable to noncontrolling interests	(10)	(8)
Distributions and other changes in noncontrolling interests	(4)	—
At end of period	572	551
<b>Total Equity at End of Period</b>	\$ 7,652	\$ 7,405
<b>Dividends declared per common share</b>	\$ 0.4875	\$ 0.4600
<b>Dividends declared per preferred stock Series C depositary share</b>	\$ 0.2625	\$ 0.2625

The accompanying notes are an integral part of these statements.

# Consumers Energy Company

## Consolidated Statements of Income (Unaudited)

	<i>In Millions</i>	
Three Months Ended March 31	2023	2022
<b>Operating Revenue</b>	\$ 2,210	\$ 2,283
<b>Operating Expenses</b>		
Fuel for electric generation	98	124
Purchased and interchange power	334	437
Purchased power – related parties	19	17
Cost of gas sold	546	465
Maintenance and other operating expenses	409	313
Depreciation and amortization	344	336
General taxes	139	129
Total operating expenses	1,889	1,821
<b>Operating Income</b>	321	462
<b>Other Income (Expense)</b>		
Non-operating retirement benefits, net	43	45
Other income	12	4
Other expense	(4)	(3)
Total other income	51	46
<b>Interest Charges</b>		
Interest on long-term debt	99	75
Interest expense – related parties	3	3
Other interest expense	—	1
Allowance for borrowed funds used during construction	—	(1)
Total interest charges	102	78
<b>Income Before Income Taxes</b>	270	430
<b>Income Tax Expense</b>	38	47
<b>Net Income Available to Common Stockholder</b>	\$ 232	\$ 383

The accompanying notes are an integral part of these statements.

# Consumers Energy Company

## Consolidated Statements of Comprehensive Income (Unaudited)

	<i>In Millions</i>	
Three Months Ended March 31	2023	2022
<b>Net Income</b>	\$ 232	\$ 383
<b>Retirement Benefits Liability</b>		
Amortization of net actuarial loss, net of tax of \$— for both periods	—	1
<b>Other Comprehensive Income</b>	—	1
<b>Comprehensive Income</b>	\$ 232	\$ 384

The accompanying notes are an integral part of these statements.

# Consumers Energy Company

## Consolidated Statements of Cash Flows (Unaudited)

	<i>In Millions</i>	
Three Months Ended March 31	2023	2022
<b>Cash Flows from Operating Activities</b>		
Net income	\$ 232	\$ 383
<i>Adjustments to reconcile net income to net cash provided by operating activities</i>		
Depreciation and amortization	344	336
Deferred income taxes and investment tax credits	37	47
Other non-cash operating activities and reconciling adjustments	(17)	(21)
<i>Changes in assets and liabilities</i>		
Accounts and notes receivable and accrued revenue	157	(118)
Inventories	389	210
Accounts payable and accrued rate refunds	(140)	(128)
Other current assets and liabilities	(48)	—
Other non-current assets and liabilities	116	36
Net cash provided by operating activities	1,070	745
<b>Cash Flows from Investing Activities</b>		
Capital expenditures (excludes assets placed under finance lease)	(555)	(506)
Cost to retire property and other investing activities	(33)	(23)
Net cash used in investing activities	(588)	(529)
<b>Cash Flows from Financing Activities</b>		
Proceeds from issuance of debt	1,120	—
Retirement of debt	(1,000)	—
Decrease in notes payable	(20)	—
Decrease in notes payable – related parties	(75)	(392)
Stockholder contribution	75	450
Payment of dividends on common stock	(287)	(275)
Other financing costs	(12)	(5)
Net cash used in financing activities	(199)	(222)
<b>Net Increase (Decrease) in Cash and Cash Equivalents, Including Restricted Amounts</b>	<b>283</b>	<b>(6)</b>
<b>Cash and Cash Equivalents, Including Restricted Amounts, Beginning of Period</b>	<b>60</b>	<b>44</b>
<b>Cash and Cash Equivalents, Including Restricted Amounts, End of Period</b>	<b>\$ 343</b>	<b>\$ 38</b>
<b>Other Non-cash Investing and Financing Activities</b>		
<i>Non-cash transactions</i>		
Capital expenditures not paid	\$ 142	\$ 122

The accompanying notes are an integral part of these statements.

# Consumers Energy Company

## Consolidated Balance Sheets (Unaudited)

### ASSETS

*In Millions*

	March 31 2023	December 31 2022
<b>Current Assets</b>		
Cash and cash equivalents	\$ 317	\$ 43
Restricted cash and cash equivalents	26	17
Accounts receivable and accrued revenue, less allowance of \$26 in 2023 and \$27 in 2022	980	1,524
Accounts and notes receivable – related parties	12	10
<i>Inventories at average cost</i>		
Gas in underground storage	437	840
Materials and supplies	222	206
Generating plant fuel stock	57	59
Deferred property taxes	310	384
Regulatory assets	203	57
Prepayments and other current assets	106	96
<b>Total current assets</b>	<b>2,670</b>	<b>3,236</b>
<b>Plant, Property, and Equipment</b>		
Plant, property, and equipment, gross	29,721	29,342
Less accumulated depreciation and amortization	8,948	8,791
Plant, property, and equipment, net	20,773	20,551
Construction work in progress	1,012	994
<b>Total plant, property, and equipment</b>	<b>21,785</b>	<b>21,545</b>
<b>Other Non-current Assets</b>		
Regulatory assets	3,804	3,595
Accounts receivable	29	29
Accounts and notes receivable – related parties	98	99
Postretirement benefits	1,156	1,126
Other	230	286
<b>Total other non-current assets</b>	<b>5,317</b>	<b>5,135</b>
<b>Total Assets</b>	<b>\$ 29,772</b>	<b>\$ 29,916</b>

**LIABILITIES AND EQUITY**

	<i>In Millions</i>	
	March 31 2023	December 31 2022
<b>Current Liabilities</b>		
Current portion of long-term debt and finance leases	\$ 998	\$ 1,000
Notes payable	—	20
Notes payable – related parties	—	75
Accounts payable	633	864
Accounts payable – related parties	15	15
Accrued rate refunds	28	—
Accrued interest	93	90
Accrued taxes	433	556
Regulatory liabilities	107	104
Other current liabilities	123	147
Total current liabilities	2,430	2,871
<b>Non-current Liabilities</b>		
Long-term debt	9,304	9,192
Non-current portion of finance leases	43	45
Regulatory liabilities	3,886	3,796
Postretirement benefits	79	79
Asset retirement obligations	737	722
Deferred investment tax credit	128	129
Deferred income taxes	2,636	2,585
Other non-current liabilities	354	342
Total non-current liabilities	17,167	16,890
<b>Commitments and Contingencies (Notes 1 and 2)</b>		
<b>Equity</b>		
<i>Common stockholder's equity</i>		
Common stock, authorized 125.0 shares; outstanding 84.1 shares in both periods	841	841
Other paid-in capital	7,359	7,284
Accumulated other comprehensive loss	(15)	(15)
Retained earnings	1,953	2,008
Total common stockholder's equity	10,138	10,118
Cumulative preferred stock, \$4.50 series, authorized 7.5 shares; outstanding 0.4 shares in both periods	37	37
Total equity	10,175	10,155
<b>Total Liabilities and Equity</b>	<b>\$ 29,772</b>	<b>\$ 29,916</b>

The accompanying notes are an integral part of these statements.

# Consumers Energy Company

## Consolidated Statements of Changes in Equity (Unaudited)

	<i>In Millions</i>	
Three Months Ended March 31	2023	2022
<b>Total Equity at Beginning of Period</b>	\$ 10,155	\$ 9,279
<b>Common Stock</b>		
At beginning and end of period	841	841
<b>Other Paid-in Capital</b>		
At beginning of period	7,284	6,599
Stockholder contribution	75	450
At end of period	7,359	7,049
<b>Accumulated Other Comprehensive Loss</b>		
<i>Retirement benefits liability</i>		
At beginning of period	(15)	(32)
Amortization of net actuarial loss	—	1
At end of period	(15)	(31)
<b>Retained Earnings</b>		
At beginning of period	2,008	1,834
Net income	232	383
Dividends declared on common stock	(287)	(275)
At end of period	1,953	1,942
<b>Cumulative Preferred Stock</b>		
At beginning and end of period	37	37
<b>Total Equity at End of Period</b>	\$ 10,175	\$ 9,838

The accompanying notes are an integral part of these statements.

# CMS Energy Corporation

## Consumers Energy Company

### Notes to the Unaudited Consolidated Financial Statements

These interim consolidated financial statements have been prepared by CMS Energy and Consumers in accordance with GAAP for interim financial information and with the instructions to Form 10-Q and Article 10 of Regulation S-X. As a result, CMS Energy and Consumers have condensed or omitted certain information and note disclosures normally included in consolidated financial statements prepared in accordance with GAAP. CMS Energy and Consumers have reclassified certain prior period amounts to conform to the presentation in the present period.

CMS Energy and Consumers are required to make estimates using assumptions that may affect reported amounts and disclosures; actual results could differ from these estimates. In management's opinion, the unaudited information contained in this report reflects all adjustments of a normal recurring nature necessary to ensure that CMS Energy's and Consumers' financial position, results of operations, and cash flows for the periods presented are fairly stated. The notes to the unaudited consolidated financial statements and the related unaudited consolidated financial statements should be read in conjunction with the consolidated financial statements and related notes contained in the 2022 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, residential customer advocacy groups, environmental organizations, and certain other parties typically participate in MPSC proceedings concerning Consumers, such as Consumers' rate cases and PSCR and GCR processes. These parties often challenge various aspects of those proceedings, including the prudence of Consumers' policies and practices, and seek cost disallowances and other relief. The parties also have appealed significant MPSC orders. Depending upon the specific issues, the outcomes of rate cases and proceedings, including judicial proceedings challenging MPSC orders or other actions, could negatively affect CMS Energy's and Consumers' liquidity, financial condition, and results of operations. Consumers cannot predict the outcome of these proceedings.

There are multiple appeals pending that involve various issues concerning cost recovery from customers, the MPSC's authority to approve voluntary revenue refunds, and other matters. Consumers is unable to predict the outcome of these appeals.

**2022 Electric Rate Case:** In January 2023, the MPSC approved a settlement agreement authorizing an annual rate increase of \$155 million, based on a 9.9-percent authorized return on equity. The MPSC also approved a surcharge for the recovery of \$6 million of depreciation, property tax, and interest expense related to distribution investments made in 2021 that exceeded what was authorized in rates in accordance with the December 2020 electric rate order. The new rates became effective January 20, 2023.

**Voluntary Refund Mechanism:** In December 2022, the MPSC issued an order authorizing Consumers to refund \$22 million voluntarily to utility customers. In January 2023, Consumers submitted a filing proposing that the refund take the form of incremental funding to cover the cost of, and return on, certain distribution capital investments above amounts included in rates and contributions to programs that assist vulnerable customers. In April 2023, the MPSC approved the refund of \$5 million in the form of contributions to programs that assist vulnerable customers, but found that Consumers should demonstrate

a more direct benefit to customers for the remaining \$17 million. The MPSC stated that Consumers may propose a different methodology to refund that amount. Consumers filed a revised proposal, requesting that the remaining \$17 million be refunded in the form of incremental forestry work and to provide bill assistance to support vulnerable electric customers.

**2022 PSCR Underrecovery:** Due to rising fuel prices during 2022, the cost of electric generation increased, resulting in higher market prices for electricity. Accordingly, Consumers’ power supply costs for 2022 were significantly higher than those projected in its 2022 PSCR plan. Consumers included a projection of its full-year 2022 underrecovery in the 2023 PSCR plan filed with the MPSC in September 2022.

In January 2023, Consumers filed a motion for a temporary order in its 2023 PSCR plan, requesting that the MPSC approve only a third of the 2022 underrecovery amount for recovery in 2023, with the remaining amount to be recovered equally during 2024 and 2025. The MPSC approved Consumers’ motion in February 2023. Recovering the 2022 underrecovery over three years will provide immediate relief to electric customers, and the financial impact will be neutral to Consumers’ earnings.

## 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 stating 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 establishing the final remedies and the future water quality criteria at the site. CMS Land completed all construction necessary to implement the remedies required by the agreement and will continue to maintain and operate a system to discharge treated leachate into Little Traverse Bay under an NPDES permit, which is valid through 2025.

At March 31, 2023, 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 2023 and in each of the next five years:

	<i>In Millions</i>					
	2023	2024	2025	2026	2027	2028
<b>CMS Energy</b>						
Long-term leachate disposal and operating and maintenance costs	\$ 3	\$ 4	\$ 4	\$ 4	\$ 4	\$ 4

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

## Consumers Electric Utility Contingencies

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

*Cleanup and Solid Waste:* Consumers expects to incur remediation and other response activity costs at a number of sites under NREPA. Consumers believes that these costs should be recoverable in rates, but cannot guarantee that outcome. Consumers estimates its liability for NREPA sites for which it can estimate a range of loss to be between \$2 million and \$4 million. At March 31, 2023, 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 had 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 asked to participate in the removal action plan, including Consumers, 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 its share of the total liability for known CERCLA sites to 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, 2023, 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 Plant Overhaul Contract Dispute:** Consumers and DTE Electric, co-owners of Ludington, are parties to a 2010 engineering, procurement, and construction agreement with TAES, under which TAES contracted to perform a major overhaul and upgrade of Ludington. The overhauled Ludington units are operational, but TAES' work has been defective and non-conforming. Consumers and DTE Electric have demanded that TAES provide a comprehensive plan to resolve quality control concerns, including adherence to its warranty commitments and other contractual obligations. Consumers and DTE Electric have taken extensive efforts to resolve these issues with TAES, including a formal demand to TAES' parent, Toshiba Corporation, a non-affiliated company, under a parent guaranty it provided in the contract. TAES has not provided a comprehensive plan or otherwise met its performance obligations.

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

In November 2022, Consumers and DTE Electric jointly filed an application with the MPSC, requesting authority to defer as a regulatory asset the costs associated with repairing or replacing the defective work performed by TAES while the litigation with TAES and Toshiba Corporation moves forward; such costs would be offset by potential future litigation proceeds received from TAES or Toshiba Corporation. If this application is approved by the MPSC, Consumers and DTE Electric will have the opportunity to seek appropriate recovery and ratemaking treatment for amounts recorded as a regulatory asset following resolution of the litigation.

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

## Consumers Gas Utility Contingencies

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

At March 31, 2023, Consumers had a recorded liability of \$63 million for its remaining obligations for these sites. This amount represents the present value of long-term projected costs, using a discount rate of 2.57 percent and an inflation rate of 2.5 percent. The undiscounted amount of the remaining obligation is \$67 million. Consumers expects to pay the following amounts for remediation and other response activity costs during the remainder of 2023 and in each of the next five years:

	<i>In Millions</i>					
	2023	2024	2025	2026	2027	2028
<b>Consumers</b>						
Remediation and other response activity costs	\$ 5	\$ 11	\$ 31	\$ 6	\$ 1	\$ 1

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

Pursuant to orders issued by the MPSC, Consumers defers its MGP-related remediation costs and recovers them from its customers over a ten-year period. At March 31, 2023, Consumers had a regulatory asset of \$106 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, 2023, 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.

## Guarantees

Presented in the following table are CMS Energy's and Consumers' guarantees at March 31, 2023:

Guarantee Description	Issue Date	Expiration Date	Maximum Obligation	<i>In Millions</i>	
				Carrying Amount	
<b>CMS Energy, including Consumers</b>					
Indemnity obligations from sale of membership interests in VIEs <sup>1</sup>	various	indefinite	\$ 318	\$	—
Indemnity obligations from stock and asset sale agreements <sup>2</sup>	various	indefinite	226		3
Guarantee <sup>3</sup>	2011	indefinite	30		—
<b>Consumers</b>					
Guarantee <sup>3</sup>	2011	indefinite	\$ 30	\$	—

<sup>1</sup> These obligations arose from the sale of membership interests in NWO Holdco and Aviator Wind to tax equity investors. NorthStar Clean Energy provided certain indemnity obligations that protect the tax equity investors against losses incurred as a result of breaches of representations and warranties under the associated limited liability company agreements. These obligations are generally capped at an amount equal to the tax equity investor's capital contributions plus a specified return, less any distributions and tax benefits it receives, in connection with its membership interest. For any indemnity obligations related to Aviator Wind, NorthStar Clean Energy would recover 49 percent of any amounts paid to the tax equity investor from the other owner of Aviator Wind Equity Holdings. Additionally, Aviator Wind holds insurance coverage that would partially protect against losses incurred as a result of certain failures to qualify for production tax credits. For further details on NorthStar Clean Energy's ownership interest in NWO Holdco and Aviator Wind, see Note 11, Variable Interest Entities.

<sup>2</sup> These obligations arose from stock and asset sale agreements under which CMS Energy or a subsidiary of CMS Energy indemnified the purchaser for losses resulting from various matters, including claims related to taxes and breaches of representations and warranties. The maximum obligation amount is mostly related to an Equatorial Guinea tax claim.

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

Additionally, in the normal course of business, CMS Energy, Consumers, and certain other subsidiaries of CMS Energy have entered into various agreements containing tax and other indemnity provisions for

which they are unable to estimate the maximum potential obligation. CMS Energy and Consumers consider the likelihood that they would be required to perform or incur substantial losses related to these indemnities and those disclosed in the table to be remote.

## Other Contingencies

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

## 3: Financings and Capitalization

**Financings:** Presented in the following table is a summary of major long-term debt issuances during the three months ended March 31, 2023:

	Principal (In Millions)	Interest Rate (%)	Issuance Date	Maturity Date
<b>NorthStar Clean Energy, including subsidiaries</b>				
Term loan facility <sup>1</sup>	\$ 85	variable	February 2023	September 2023
<b>Total NorthStar Clean Energy, including subsidiaries</b>	<b>\$ 85</b>			
<b>Consumers</b>				
First mortgage bonds	\$ 425	4.650 %	January 2023	March 2028
First mortgage bonds	700	4.625	February 2023	May 2033
<b>Total Consumers</b>	<b>\$ 1,125</b>			
<b>Total CMS Energy</b>	<b>\$ 1,210</b>			

<sup>1</sup> In December 2022, a subsidiary of NorthStar Clean Energy entered into a \$185 million unsecured term loan credit agreement. Under this credit agreement, a subsidiary of NorthStar Clean Energy borrowed \$85 million in 2023. As of March 31, 2023, there was \$185 million of loans outstanding bearing an interest rate of 5.806 percent under the unsecured term loan credit agreement.

In January 2023, Consumers entered into a bond purchase agreement to issue an aggregate principal amount of \$400 million of first mortgage bonds through a private placement offering. The bonds, which were priced in November 2022, carry a weighted average interest rate of 5.251 percent and mature at varying dates between 2026 and 2037. The bonds are expected to be issued in May 2023. The proceeds of the bonds will be used to finance a portion of the purchase price of the New Covert Generating Facility and for general corporate purposes.

Presented in the following table is a summary of major long-term debt retirements during the three months ended March 31, 2023:

	Principal (In Millions)	Interest Rate (%)	Retirement Date	Maturity Date
<b>Consumers</b>				
Term loan facility	\$ 1,000	variable	February 2023	January 2024

**Credit Facilities:** The following credit facilities with banks were available at March 31, 2023:

Expiration Date	Amount of Facility	Amount Borrowed	<i>In Millions</i>	
			Letters of Credit Outstanding	Amount Available
<b>CMS Energy, parent only</b>				
December 14, 2027 <sup>1</sup>	\$ 550	\$ —	\$ 21	\$ 529
September 22, 2024	50	—	50	—
<b>NorthStar Clean Energy, including subsidiaries</b>				
September 25, 2025 <sup>2</sup>	\$ 37	\$ —	\$ 37	\$ —
<b>Consumers<sup>3</sup></b>				
December 14, 2027	\$ 1,100	\$ —	\$ 27	\$ 1,073
November 18, 2024	250	—	27	223

<sup>1</sup> There were no borrowings under this facility during the three months ended March 31, 2023.

<sup>2</sup> This letter of credit facility is available to Aviator Wind Equity Holdings. For more information regarding Aviator Wind Equity Holdings, see Note 11, Variable Interest Entities.

<sup>3</sup> Obligations under these facilities are secured by first mortgage bonds of Consumers. There were no borrowings under these facilities during the three months ended March 31, 2023.

**Regulatory Authorization for Financings:** Consumers is required to maintain FERC authorization for financings. Any long-term issuances during the authorization period are exempt from FERC's competitive bidding and negotiated placement requirements. In March 2023, FERC granted Consumers the authority to issue securities between April 1, 2023 and March 31, 2025.

**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, 2023, there were no commercial paper notes outstanding under this program.

In December 2022, Consumers renewed a short-term credit agreement with CMS Energy, permitting Consumers to borrow up to \$500 million. At March 31, 2023, there were no outstanding borrowings under the agreement.

**Dividend Restrictions:** At March 31, 2023, payment of dividends by CMS Energy on its common stock was limited to \$6.8 billion under provisions of the Michigan Business Corporation Act of 1972.

Under the provisions of its articles of incorporation, at March 31, 2023, Consumers had \$1.9 billion of unrestricted retained earnings available to pay dividends on its common stock to CMS Energy. Provisions of the Federal Power Act and the Natural Gas Act appear to restrict dividends payable by Consumers to the amount of Consumers' retained earnings. Several decisions from FERC suggest that, under a variety of circumstances, dividends from Consumers on its common stock would not be limited to amounts in Consumers' retained earnings. Any decision by Consumers to pay dividends on its common stock in excess of retained earnings would be based on specific facts and circumstances and would be subject to a formal regulatory filing process.

During the three months ended March 31, 2023, Consumers paid \$287 million in dividends on its common stock to CMS Energy.

**Issuance of Common Stock:** Presented in the following table are details of CMS Energy's forward sales contracts under its equity offering program at March 31, 2023:

Contract Date	Maturity Date	Number of Shares	Forward Price Per Share	
			Initial	March 31, 2023
August 3, 2022	February 1, 2024	2,944,207	67.59	67.98
August 24, 2022	February 26, 2024	1,677,938	69.46	69.89
August 29, 2022	February 26, 2024	1,783,388	68.18	68.56

Under these contracts, CMS Energy may either settle physically by issuing shares of its common stock at the then-applicable forward sale price specified by the agreement or settle net by delivering or receiving 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 or net cash settle the contracts as of March 31, 2023, CMS Energy would not have been required to deliver shares or pay cash.

## 4: Fair Value Measurements

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

- Level 1 inputs are unadjusted quoted prices in active markets for identical assets or liabilities.
- Level 2 inputs are observable, market-based inputs, other than Level 1 prices. Level 2 inputs may include quoted prices for similar assets or liabilities in active markets, quoted prices in inactive markets, and inputs derived from or corroborated by observable market data.

- Level 3 inputs are unobservable inputs that reflect CMS Energy's or Consumers' own assumptions about how market participants would value their assets and liabilities.

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

## Assets and Liabilities Measured at Fair Value on a Recurring Basis

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

	<i>In Millions</i>			
	CMS Energy, including Consumers		Consumers	
	March 31 2023	December 31 2022	March 31 2023	December 31 2022
<i>Assets</i> <sup>1</sup>				
Cash equivalents	\$ 216	\$ —	\$ 166	\$ —
Restricted cash equivalents	27	18	26	17
Nonqualified deferred compensation plan assets	26	24	20	18
Derivative instruments	1	2	1	2
<b>Total assets</b>	<b>\$ 270</b>	<b>\$ 44</b>	<b>\$ 213</b>	<b>\$ 37</b>
<i>Liabilities</i> <sup>1</sup>				
Nonqualified deferred compensation plan liabilities	\$ 26	\$ 24	\$ 20	\$ 18
<b>Total liabilities</b>	<b>\$ 26</b>	<b>\$ 24</b>	<b>\$ 20</b>	<b>\$ 18</b>

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

**Cash Equivalents:** Cash equivalents and restricted cash equivalents consist of money market funds with daily liquidity.

**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 3.

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, 2023					December 31, 2022				
	Carrying Amount	Fair Value				Carrying Amount	Fair Value			
		Total	Level				Total	Level		
			1	2	3			1	2	3
<b>CMS Energy, including Consumers</b>										
<i>Assets</i>										
Long-term receivables <sup>1</sup>	\$ 13	\$ 13	\$ —	\$ —	\$ 13	\$ 14	\$ 14	\$ —	\$ —	\$ 14
<i>Liabilities</i>										
Long-term debt <sup>2</sup>	14,410	12,928	1,076	10,066	1,786	14,212	12,384	987	8,741	2,656
Long-term payables <sup>3</sup>	8	7	—	—	7	9	7	—	—	7
<b>Consumers</b>										
<i>Assets</i>										
Long-term receivables <sup>1</sup>	\$ 13	\$ 13	\$ —	\$ —	\$ 13	\$ 14	\$ 14	\$ —	\$ —	\$ 14
Notes receivable – related party <sup>4</sup>	100	100	—	—	100	101	101	—	—	101
<i>Liabilities</i>										
Long-term debt <sup>5</sup>	10,295	9,060	—	7,459	1,601	10,183	8,728	—	6,172	2,556

<sup>1</sup> Includes current portion of long-term accounts receivable and notes receivable of \$7 million at March 31, 2023 and December 31, 2022.

<sup>2</sup> Includes current portion of long-term debt of \$1,425 million at March 31, 2023 and \$1,090 million at December 31, 2022.

<sup>3</sup> Includes current portion of long-term payables of \$1 million at March 31, 2023 and \$2 million at December 31, 2022.

<sup>4</sup> Includes current portion of notes receivable – related party of \$7 million at March 31, 2023 and December 31, 2022.

<sup>5</sup> Includes current portion of long-term debt of \$991 million at March 31, 2023 and December 31, 2022.

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

## 6: Retirement Benefits

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

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

	<i>In Millions</i>			
	DB Pension Plans		OPEB Plan	
Three Months Ended March 31	2023	2022	2023	2022
<b>CMS Energy, including Consumers</b>				
<i>Net periodic credit</i>				
Service cost	\$ 7	\$ 12	\$ 3	\$ 4
Interest cost	27	18	11	7
Expected return on plan assets	(55)	(52)	(26)	(29)
<i>Amortization of:</i>				
Net loss	3	17	3	—
Prior service cost (credit)	1	1	(10)	(12)
Settlement loss	2	2	—	—
Net periodic credit	\$ (15)	\$ (2)	\$ (19)	\$ (30)
<b>Consumers</b>				
<i>Net periodic credit</i>				
Service cost	\$ 7	\$ 12	\$ 3	\$ 4
Interest cost	25	16	11	7
Expected return on plan assets	(52)	(49)	(24)	(27)
<i>Amortization of:</i>				
Net loss	3	16	3	—
Prior service cost (credit)	1	1	(10)	(12)
Settlement loss	2	2	—	—
Net periodic credit	\$ (14)	\$ (2)	\$ (17)	\$ (28)

In Consumers' 2022 electric rate case, the MPSC approved a mechanism allowing Consumers to defer the future recovery or refund of pension and OPEB expenses above or below the amounts used to set existing rates. At March 31, 2023, CMS Energy, including Consumers, had deferred \$3 million of pension credits and \$6 million of OPEB costs under this mechanism.

## 7: Income Taxes

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

Three Months Ended March 31	2023	2022
<b>CMS Energy, including Consumers</b>		
U.S. federal income tax rate	21.0 %	21.0 %
<i>Increase (decrease) in income taxes from:</i>		
State and local income taxes, net of federal effect <sup>1</sup>	(0.5)	5.5
Production tax credits	(4.2)	(4.7)
TCJA excess deferred taxes <sup>2</sup>	(3.7)	(7.2)
Accelerated flow-through of regulatory tax benefits <sup>3</sup>	—	(4.3)
Other, net	0.4	—
Effective tax rate	13.0 %	10.3 %
<b>Consumers</b>		
U.S. federal income tax rate	21.0 %	21.0 %
<i>Increase (decrease) in income taxes from:</i>		
State and local income taxes, net of federal effect <sup>1</sup>	—	5.0
Production tax credits	(3.6)	(2.7)
TCJA excess deferred taxes <sup>2</sup>	(3.2)	(6.7)
Accelerated flow-through of regulatory tax benefits <sup>3</sup>	—	(5.1)
Other, net	(0.1)	(0.6)
Effective tax rate	14.1 %	10.9 %

<sup>1</sup> CMS Energy initiated a plan to divest immaterial business activities in the state of Wisconsin and will no longer have a taxable presence within the state after 2023. As a result of these actions, CMS Energy reversed a \$13 million Wisconsin-related state reserve, all of which was recognized at Consumers.

<sup>2</sup> In 2020, the MPSC authorized Consumers to accelerate the amortization of a gas regulatory liability associated with unprotected, non-property-related excess deferred income taxes resulting from the TCJA. The regulatory liability was fully amortized in 2022.

<sup>3</sup> In 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 were fully amortized in 2022.

## 8: Earnings Per Share—CMS Energy

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

	<i>In Millions, Except Per Share Amounts</i>	
Three Months Ended March 31	2023	2022
<i>Income available to common stockholders</i>		
Income from continuing operations	\$ 194	\$ 341
Less loss attributable to noncontrolling interests	(10)	(8)
Less preferred stock dividends	2	2
<b>Income from continuing operations available to common stockholders – basic and diluted</b>	<b>\$ 202</b>	<b>\$ 347</b>
<i>Average common shares outstanding</i>		
Weighted-average shares – basic	290.7	289.3
Add dilutive nonvested stock awards	0.5	0.5
Add dilutive forward equity sale contracts	—	0.1
<b>Weighted-average shares – diluted</b>	<b>291.2</b>	<b>289.9</b>
<i>Income from continuing operations per average common share available to common stockholders</i>		
Basic	\$ 0.69	\$ 1.20
Diluted	0.69	1.20

### Nonvested Stock Awards

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

### Forward Equity Sale Contracts

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

## 9: Revenue

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

*In Millions*

Three Months Ended March 31, 2023	Electric Utility	Gas Utility	NorthStar Clean Energy <sup>1</sup>	Consolidated
<b>CMS Energy, including Consumers</b>				
Consumers utility revenue	\$ 1,089	\$ 1,116	\$ —	\$ 2,205
Other	—	—	43	43
Revenue recognized from contracts with customers	\$ 1,089	\$ 1,116	\$ 43	\$ 2,248
Leasing income	—	—	31	31
Financing income	2	3	—	5
<b>Total operating revenue – CMS Energy</b>	<b>\$ 1,091</b>	<b>\$ 1,119</b>	<b>\$ 74</b>	<b>\$ 2,284</b>
<b>Consumers</b>				
<i>Consumers utility revenue</i>				
Residential	\$ 528	\$ 776		\$ 1,304
Commercial	347	247		594
Industrial	161	31		192
Other	53	62		115
Revenue recognized from contracts with customers	\$ 1,089	\$ 1,116		\$ 2,205
Financing income	2	3		5
<b>Total operating revenue – Consumers</b>	<b>\$ 1,091</b>	<b>\$ 1,119</b>		<b>\$ 2,210</b>

<sup>1</sup> Amounts represent NorthStar Clean Energy's operating revenue from independent power production and its sales of energy commodities. NorthStar Clean Energy's sales of energy commodities are accounted for as operating leases. In addition to fixed payments, these agreements have variable payments based on energy delivered. NorthStar Clean Energy's leasing income included variable lease payments of \$22 million for the three months ended March 31, 2023.

*In Millions*

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

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

## 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 \$9 million for the three months ended March 31, 2023 and \$4 million for the three months ended March 31, 2022.

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 \$447 million at March 31, 2023 and \$663 million at December 31, 2022.

## 10: Reportable Segments

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

### CMS Energy

The segments reported for CMS Energy are:

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

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

## Consumers

The segments reported for Consumers are:

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

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

Presented in the following tables is financial information by segment:

	<i>In Millions</i>	
Three Months Ended March 31	2023	2022
<b>CMS Energy, including Consumers</b>		
<i>Operating revenue</i>		
Electric utility	\$ 1,091	\$ 1,241
Gas utility	1,119	1,042
NorthStar Clean Energy	74	91
Total operating revenue – CMS Energy	\$ 2,284	\$ 2,374
<b>Consumers</b>		
<i>Operating revenue</i>		
Electric utility	\$ 1,091	\$ 1,241
Gas utility	1,119	1,042
Total operating revenue – Consumers	\$ 2,210	\$ 2,283
<b>CMS Energy, including Consumers</b>		
<i>Net income (loss) available to common stockholders</i>		
Electric utility	\$ 70	\$ 167
Gas utility	154	216
NorthStar Clean Energy	7	8
Other reconciling items	(29)	(40)
Total net income available to common stockholders – CMS Energy	\$ 202	\$ 351
<b>Consumers</b>		
<i>Net income available to common stockholder</i>		
Electric utility	\$ 70	\$ 167
Gas utility	154	216
Other reconciling items	8	—
Total net income available to common stockholder – Consumers	\$ 232	\$ 383

*In Millions*

	March 31, 2023	December 31, 2022
<b>CMS Energy, including Consumers</b>		
<i>Plant, property, and equipment, gross</i>		
Electric utility <sup>1</sup>	\$ 18,056	\$ 17,870
Gas utility <sup>1</sup>	11,631	11,443
NorthStar Clean Energy	1,151	1,148
Other reconciling items	28	30
<b>Total plant, property, and equipment, gross – CMS Energy</b>	<b>\$ 30,866</b>	<b>\$ 30,491</b>
<b>Consumers</b>		
<i>Plant, property, and equipment, gross</i>		
Electric utility <sup>1</sup>	\$ 18,056	\$ 17,870
Gas utility <sup>1</sup>	11,631	11,443
Other reconciling items	34	29
<b>Total plant, property, and equipment, gross – Consumers</b>	<b>\$ 29,721</b>	<b>\$ 29,342</b>
<b>CMS Energy, including Consumers</b>		
<i>Total assets</i>		
Electric utility <sup>1</sup>	\$ 18,117	\$ 17,907
Gas utility <sup>1</sup>	11,507	11,873
NorthStar Clean Energy	1,534	1,464
Other reconciling items	228	109
<b>Total assets – CMS Energy</b>	<b>\$ 31,386</b>	<b>\$ 31,353</b>
<b>Consumers</b>		
<i>Total assets</i>		
Electric utility <sup>1</sup>	\$ 18,177	\$ 17,968
Gas utility <sup>1</sup>	11,552	11,918
Other reconciling items	43	30
<b>Total assets – Consumers</b>	<b>\$ 29,772</b>	<b>\$ 29,916</b>

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

## 11: Variable Interest Entities

NorthStar Clean Energy holds a Class B membership interest in NWO Holdco, which owns 100 percent of Northwest Ohio Wind, LLC, a 100-MW wind generation project in Paulding County, Ohio. The Class A membership interest in NWO Holdco is held by a tax equity investor.

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

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

NorthStar Clean Energy allocates the entities' income (loss) among the investors by applying the hypothetical liquidation at book value method. This method calculates each investor's earnings based on a hypothetical liquidation of the entities at the net book value of underlying assets as of the balance sheet date. The liquidation tax gain (loss) is allocated to each investor's capital account, resulting in income (loss) equal to the period change in the investor's capital account balance.

NWO Holdco, Aviator Wind Equity Holdings, and Aviator Wind are VIEs. In accordance with the associated limited liability company agreements, the tax equity investors are guaranteed preferred returns from NWO Holdco and Aviator Wind. However, NorthStar Clean Energy manages and controls the operating activities of NWO Holdco and Aviator Wind Equity Holdings (and, thereby, Aviator Wind). As a result, NorthStar Clean Energy is the primary beneficiary, as it has the power to direct the activities that most significantly impact the economic performance of the companies, as well as the obligation to absorb losses or the right to receive benefits from the companies. NorthStar Clean Energy consolidates NWO Holdco, Aviator Wind Equity Holdings, and Aviator Wind and presents the Class A membership interests and 49 percent of the Class B membership interest in Aviator Wind as noncontrolling interests.

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

	<i>In Millions</i>	
	March 31, 2023	December 31, 2022
<i>Current</i>		
Cash and cash equivalents	\$ 21	\$ 28
Accounts receivable	3	7
Prepayments and other current assets	4	3
<i>Non-current</i>		
Plant, property, and equipment, net	818	825
<b>Total assets<sup>1</sup></b>	<b>\$ 846</b>	<b>\$ 863</b>
<i>Current</i>		
Accounts payable	\$ 4	\$ 15
<i>Non-current</i>		
Asset retirement obligations	24	24
<b>Total liabilities</b>	<b>\$ 28</b>	<b>\$ 39</b>

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

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

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

Presented in the following table is information about these partnerships:

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

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

The creditors of these partnerships do not have recourse to the general credit of CMS Energy or Consumers. CMS Energy's maximum risk exposure to these partnerships is generally limited to its investment in the partnerships, which is included in investments on its consolidated balance sheets in the amount of \$72 million at March 31, 2023 and \$71 million at December 31, 2022.

## 12: Exit Activities

Under its Clean Energy Plan, Consumers will retire the D.E. Karn coal-fueled electric generating units in May 2023 and the J.H. Campbell coal-fueled generating units in 2025. Consumers has announced retention incentive programs to ensure necessary staffing at both locations through the anticipated retirements. The aggregate cost of the D.E. Karn program through 2022 was \$31 million, and Consumers expects to recognize an additional \$2 million of retention benefit costs in the first half of 2023. The aggregate cost of the J.H. Campbell program through 2025 is estimated to be \$50 million. The MPSC has approved deferred accounting treatment for these costs; this expense will be deferred as a regulatory asset.

As of March 31, 2023, the cumulative cost incurred and charged to expense related to the D.E. Karn retention incentive program was \$16 million. Additionally, an amount of \$4 million has been capitalized as a cost of plant, property, and equipment and an amount of \$12 million has been deferred as a regulatory asset. The cumulative cost incurred and deferred as a regulatory asset related to the J.H. Campbell retention incentive program was \$24 million.

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

	<i>In Millions</i>	
Three Months Ended March 31	2023	2022
Retention benefit liability at beginning of period	\$ 21	\$ 14
Costs deferred as a regulatory asset	5	1
Retention benefit liability at the end of the period <sup>1</sup>	\$ 26	\$ 15

<sup>1</sup> Includes current portion of other liabilities of \$16 million at March 31, 2023 and \$5 million at March 31, 2022.

## 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 2022 Form 10-K.

## Item 4. Controls and Procedures

### CMS Energy

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

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

### Consumers

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

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

## Part II—Other Information

### Item 1. Legal Proceedings

CMS Energy, Consumers, and certain of their affiliates are parties to various lawsuits and regulatory matters in the ordinary course of business. For information regarding material legal proceedings, including updates to information reported under Part I—Item 3. Legal Proceedings of the 2022 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 2022 Form 10-K, which Risk Factors are incorporated herein by reference.

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

#### Unregistered Sales of Equity Securities

None.

#### Issuer Repurchases of Equity Securities

Presented in the following table are CMS Energy's repurchases of common stock for the three months ended March 31, 2023:

Period	Total Number of Shares Purchased <sup>1</sup>	Average Price Paid per Share	Total Number of Shares Purchased as Part of Publicly Announced Plans or Programs	Maximum Number of Shares That May Yet Be Purchased Under Publicly Announced Plans or Programs
January 1, 2023 to January 31, 2023	54,742	\$ 63.91	—	—
February 1, 2023 to February 28, 2023	88	61.97	—	—
March 1, 2023 to March 31, 2023	59,363	57.96	—	—
Total	114,193	\$ 60.82	—	—

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

**Item 3. Defaults Upon Senior Securities**

None.

**Item 4. Mine Safety Disclosures**

Not applicable.

**Item 5. Other Information**

None.

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## Item 6. Exhibits

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

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

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

<b><u>Exhibits</u></b>	<b><u>Description</u></b>
4.1	— <a href="#">147th Supplemental Indenture dated as of January 10, 2023 between Consumers and The Bank of New York Mellon, as Trustee (Exhibit 4.1 to Form 8-K filed January 10, 2023 and incorporated herein by reference)</a>
4.2	— <a href="#">148th Supplemental Indenture dated as of February 23, 2023 between Consumers and The Bank of New York Mellon, as Trustee (Exhibit 4.1 to Form 8-K filed February 23, 2023 and incorporated herein by reference)</a>
10.1	— <a href="#">Bond Purchase Agreement dated as of January 12, 2023 between Consumers and each of the Purchasers named therein (Exhibit 10.1 to Form 8-K filed January 12, 2023 and incorporated herein by reference)</a>
31.1	— <a href="#">CMS Energy's certification of the CEO pursuant to Section 302 of the Sarbanes-Oxley Act of 2002</a>
31.2	— <a href="#">CMS Energy's certification of the CFO pursuant to Section 302 of the Sarbanes-Oxley Act of 2002</a>
31.3	— <a href="#">Consumers' certification of the CEO pursuant to Section 302 of the Sarbanes-Oxley Act of 2002</a>
31.4	— <a href="#">Consumers' certification of the CFO pursuant to Section 302 of the Sarbanes-Oxley Act of 2002</a>
32.1	— <a href="#">CMS Energy's certifications pursuant to Section 906 of the Sarbanes-Oxley Act of 2002</a>
32.2	— <a href="#">Consumers' certifications pursuant to Section 906 of the Sarbanes-Oxley Act of 2002</a>

<b><u>Exhibits</u></b>	<b><u>Description</u></b>
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 27, 2023

By:

/s/ Rejji P. Hayes

Rejji P. Hayes

Executive Vice President and Chief Financial Officer

### CONSUMERS ENERGY COMPANY

Dated: April 27, 2023

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 27, 2023

By:

/s/ Garrick J. Rochow

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Garrick J. Rochow  
President and Chief Executive Officer

## Certification of Rejji P. Hayes

I, Rejji P. Hayes, certify that:

1. I have reviewed this quarterly report on Form 10-Q of CMS Energy Corporation;
2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;
3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;
4. The registrant's other certifying officer and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the registrant and have:
  - a) Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;
  - b) Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;
  - c) Evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and
  - d) Disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter (the registrant's fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and
5. The registrant's other certifying officer and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of the registrant's board of directors (or persons performing the equivalent functions):
  - a) All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and
  - b) Any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

Dated: April 27, 2023

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 27, 2023

By:

/s/ Garrick J. Rochow

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Garrick J. Rochow  
President and Chief Executive Officer

## Certification of Rejji P. Hayes

I, Rejji P. Hayes, certify that:

1. I have reviewed this quarterly report on Form 10-Q of Consumers Energy Company;
2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;
3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;
4. The registrant's other certifying officer and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the registrant and have:
  - a) Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;
  - b) Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;
  - c) Evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and
  - d) Disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter (the registrant's fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and
5. The registrant's other certifying officer and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of the registrant's board of directors (or persons performing the equivalent functions):
  - a) All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and
  - b) Any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

Dated: April 27, 2023

By:

/s/ Rejji P. Hayes

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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, 2023 as filed with the Securities and Exchange Commission on the date hereof (the “Report”), Garrick J. Rochow, as President and Chief Executive Officer of the Company, and Rejji P. Hayes, as Executive Vice President and Chief Financial Officer of the Company, each hereby certifies, pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002, that, to the best of his knowledge:

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

/s/ Garrick J. Rochow

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Name: Garrick J. Rochow  
Title: President and Chief Executive Officer  
Date: April 27, 2023

/s/ Rejji P. Hayes

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Name: Rejji P. Hayes  
Title: Executive Vice President and Chief Financial Officer  
Date: April 27, 2023

## **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, 2023 as filed with the Securities and Exchange Commission on the date hereof (the “Report”), Garrick J. Rochow, as President and Chief Executive Officer of the Company, and Rejji P. Hayes, as Executive Vice President and Chief Financial Officer of the Company, each hereby certifies, pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002, that, to the best of his knowledge:

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

/s/ Garrick J. Rochow

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Name: Garrick J. Rochow  
Title: President and Chief Executive Officer  
Date: April 27, 2023

/s/ Rejji P. Hayes

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Name: Rejji P. Hayes  
Title: Executive Vice President and Chief Financial Officer  
Date: April 27, 2023