

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 June 30, 2018

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

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 and posted on its corporate Web site, if any, every Interactive Data file required to be submitted and posted 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 and post 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 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"/>
(Do not check if a smaller reporting company)	(Do not check if a smaller reporting company)
Emerging growth company <input type="checkbox"/>	Emerging growth company <input type="checkbox"/>
Accelerated filer <input type="checkbox"/>	Accelerated filer <input type="checkbox"/>
Smaller reporting company <input type="checkbox"/>	Smaller reporting 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 July 11, 2018:

<b>CMS Energy Corporation:</b>	
CMS Energy Common Stock, \$0.01 par value (including 20,316 shares owned by Consumers Energy)	283,265,427
<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 Reports on Form 10-Q to the Securities and Exchange Commission for the Period Ended June 30, 2018

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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

### **2017 Form 10-K**

Each of CMS Energy's and Consumers' Annual Report on Form 10-K for the year ended December 31, 2017

### **ABATE**

Association of Businesses Advocating Tariff Equity

### **AOI**

Accumulated other comprehensive income (loss)

### **ARO**

Asset retirement obligation

### **ASU**

Financial Accounting Standards Board Accounting Standards Update

### **Bay Harbor**

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

### **bcf**

Billion cubic feet

### **Cantera Gas Company**

Cantera Gas Company LLC, a non-affiliated company, formerly known as CMS Field Services

### **Cantera Natural Gas, Inc.**

Cantera Natural Gas, Inc., a non-affiliated company that purchased CMS Field Services

### **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 Water Act**

Federal Water Pollution Control Act of 1972, as amended

### **CMS Capital**

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

**CMS Energy**

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

**CMS Enterprises**

CMS Enterprises Company, a wholly owned subsidiary of CMS Energy

**CMS ERM**

CMS Energy Resource Management Company, formerly known as CMS MST, a wholly owned subsidiary of CMS Enterprises

**CMS Field Services**

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

**CMS Land**

CMS Land Company, a wholly owned subsidiary of CMS Capital

**CMS MST**

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

**Consumers**

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

**CSAPR**

The 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

**Dodd-Frank Act**

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

**EBITDA**

Earnings before interest, taxes, depreciation, and amortization

**EEI**

Edison Electric Institute, an association representing all U.S. investor-owned electric companies

**EnerBank**

EnerBank USA, a wholly owned subsidiary of CMS Capital

**energy waste reduction**

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

**EPA**

U.S. Environmental Protection Agency

**EPS**

Earnings per share

**Exchange Act**

Securities Exchange Act of 1934

**FDIC**

Federal Deposit Insurance Corporation

**FERC**

The Federal Energy Regulatory Commission

**FTR**

Financial transmission right

**GAAP**

U.S. Generally Accepted Accounting Principles

**GCR**

Gas cost recovery

**Genesee**

Genesee Power Station Limited Partnership, a variable interest entity in which HYDRA-CO Enterprises, Inc., a wholly owned subsidiary of CMS Enterprises, has a 50-percent interest

**IRP**

Integrated resource plan

**kWh**

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

**Ludington**

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

**MATS**

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

**MCV Partnership**

Midland Cogeneration Venture Limited Partnership

**MCV PPA**

PPA between Consumers and the MCV Partnership

**MD&A**

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

**MDEQ**

Michigan Department of Environmental Quality

**METC**

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

**MGP**

Manufactured gas plant

**Michigan Mercury Rule**

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

**MISO**

Midcontinent Independent System Operator, Inc.

**mothball**

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

**MPSC**

Michigan Public Service Commission

**MW**

Megawatt, a unit of power equal to one million watts

**NAAQS**

National Ambient Air Quality Standards

**NPDES**

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

**NREPA**

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

**NSR**

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

**OPEB**

Other Post-Employment Benefits

**OPEB Plan**

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

**OSHA**

Occupational Safety and Health Administration

**PCB**

Polychlorinated biphenyl

**PHMSA**

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

**PPA**

Power purchase agreement

**PSCR**

Power supply cost recovery

**PURPA**

The Public Utility Regulatory Policies Act of 1978

**RCRA**

The Federal Resource Conservation and Recovery Act of 1976

**REC**

Renewable energy credit

**ROA**

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

**SEC**

U.S. Securities and Exchange Commission

**securitization**

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

**Smart Energy**

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

**TCJA**

Tax Cuts and Jobs Act of 2017

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

T.E.S. Filer City Station Limited Partnership, a variable interest entity in which HYDRA-CO Enterprises, Inc., a wholly owned subsidiary of CMS Enterprises, has a 50-percent interest



## Filing Format

This combined Form 10-Q is separately filed by CMS Energy and Consumers. Information in this combined Form 10-Q relating to each individual registrant is filed by such registrant on its own behalf. Consumers makes no representation regarding information relating to any other companies affiliated with CMS Energy other than its own subsidiaries. None of CMS Energy, CMS Enterprises, nor any of CMS Energy's other subsidiaries (other than Consumers) has any obligation in respect of Consumers' debt securities and holders of such debt securities should not consider the financial resources or results of operations of CMS Energy, CMS Enterprises, nor any of CMS Energy's other subsidiaries (other than Consumers and its own subsidiaries (in relevant circumstances)) in making a decision with respect to Consumers' debt securities. Similarly, neither Consumers nor any other subsidiary of CMS Energy has any obligation in respect of debt securities of CMS Energy.

This report should be read in its entirety. No one section of this report deals with all aspects of the subject matter of this report. This report should be read in conjunction with the consolidated financial statements and related notes and with MD&A included in the 2017 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. Information contained on CMS Energy's website is not incorporated herein.

## Forward-Looking Statements and Information

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

- the impact of new regulation by the MPSC, FERC, and other applicable governmental proceedings and regulations, including any associated impact on electric or gas rates or rate structures
- potentially adverse regulatory treatment or failure to receive timely regulatory orders affecting Consumers that are or could come before the MPSC, FERC, or other governmental authorities
- changes in the performance of or regulations applicable to MISO, METC, pipelines, railroads, vessels, or other service providers that CMS Energy, Consumers, or any of their affiliates rely on to serve their customers
- the adoption of federal or state laws or regulations 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 and ROA, infrastructure integrity or security, gas pipeline safety,

- gas pipeline capacity, energy waste reduction, the environment, regulation or deregulation, reliability, health care reforms (including comprehensive health care reform enacted in 2010), taxes, accounting matters, climate change, air emissions, renewable energy, potential effects of the Dodd-Frank Act, and other business issues that could have an impact on CMS Energy's, Consumers', or any of their affiliates' businesses or financial results
- factors affecting operations, such as costs and availability of personnel, equipment, and materials; weather conditions; natural disasters; catastrophic weather-related damage; scheduled or unscheduled equipment outages; maintenance or repairs; environmental incidents; failures of equipment or materials; and electric transmission and distribution or gas pipeline system constraints
- increases in demand for renewable energy by customers seeking to meet sustainability goals
- the ability of Consumers to execute its cost-reduction strategies
- potentially adverse regulatory or legal interpretations or decisions regarding environmental matters, or delayed regulatory treatment or permitting decisions that are or could come before the MDEQ, EPA, and/or U.S. Army Corps of Engineers, and potential environmental remediation costs associated with these interpretations or decisions, including those that may affect Bay Harbor or Consumers' routine maintenance, repair, and replacement classification under NSR regulations
- changes in energy markets, including availability and price of electric capacity and the timing and extent of changes in commodity prices and availability and deliverability of coal, natural gas, natural gas liquids, electricity, oil, and certain related products
- the price of CMS Energy common stock, the credit ratings of CMS Energy and Consumers, capital and financial market conditions, and the effect of these market conditions on CMS Energy's and Consumers' interest costs and access to the capital markets, including availability of financing to CMS Energy, Consumers, or any of their affiliates
- the investment performance of the assets of CMS Energy's and Consumers' pension and benefit plans, the discount rates used in calculating the plans' obligations, and the resulting impact on future funding requirements
- the impact of the economy, particularly in Michigan, and potential future volatility in the financial and credit markets on CMS Energy's, Consumers', or any of their affiliates' revenues, ability to collect accounts receivable from customers, or cost and availability of capital
- changes in the economic and financial viability of CMS Energy's and Consumers' suppliers, customers, and other counterparties and the continued ability of these third parties, including those in bankruptcy, to meet their obligations to CMS Energy and Consumers
- population changes in the geographic areas where CMS Energy and Consumers conduct business
- national, regional, and local economic, competitive, and regulatory policies, conditions, and developments
- loss of customer demand for electric generation supply to alternative electric suppliers, increased use of distributed generation, or energy waste reduction
- adverse consequences of employee, director, or third-party fraud or non-compliance with codes of conduct

- federal regulation of electric sales and transmission of electricity, including periodic re-examination by federal regulators of CMS Energy's and Consumers' market-based sales authorizations
- the impact of credit markets, economic conditions, increased competition, and any new banking and consumer protection regulations on EnerBank
- the availability, cost, coverage, and terms of insurance, the stability of insurance providers, and the ability of Consumers to recover the costs of any insurance from customers
- the effectiveness of CMS Energy's and Consumers' risk management policies, procedures, and strategies, including strategies to hedge risk related to future prices of electricity, natural gas, and other energy-related commodities
- factors affecting development of electric generation projects and gas and electric transmission and distribution infrastructure replacement, conversion, and expansion projects, including factors related to project site identification, construction material pricing, schedule delays, availability of qualified construction personnel, permitting, acquisition of property rights, and government approvals
- potential disruption to, interruption of, or other impacts on facilities, utility infrastructure, operations, or backup systems due to accidents, explosions, physical disasters, cyber incidents, 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, or other consequences resulting from misappropriation of assets or sensitive information, corruption of data, or operational disruption in connection with a cyber attack or other cyber incident
- potential disruption to, interruption or failure of, or other impacts on information technology backup or disaster recovery systems
- technological developments in energy production, storage, delivery, usage, and metering
- the ability to implement technology successfully
- the impact of CMS Energy's and Consumers' integrated business software system and its effects on their operations, including utility customer billing and collections
- adverse consequences resulting from any past, present, or future assertion of indemnity or warranty claims associated with assets and businesses previously owned by CMS Energy or Consumers, including claims resulting from attempts by foreign or domestic governments to assess taxes on or to impose environmental liability associated with past operations or transactions
- the outcome, cost, and other effects of any legal or administrative claims, proceedings, investigations, or settlements
- the reputational impact on CMS Energy and Consumers of operational incidents, violations of corporate policies, regulatory violations, inappropriate use of social media, and other events

- restrictions imposed by various financing arrangements and regulatory requirements on the ability of Consumers and other subsidiaries of CMS Energy to transfer funds to CMS Energy in the form of cash dividends, loans, or advances
- earnings volatility resulting from the application of fair value accounting to certain energy commodity contracts or interest rate contracts
- changes in financial or regulatory accounting principles or policies
- other matters that may be disclosed from time to time in CMS Energy's and Consumers' SEC filings, or in other public documents

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

# Part I — Financial Information

## Item 1. Financial Statements

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# CMS Energy Corporation

## Consumers Energy Company

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

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

#### Executive Overview

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

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

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

#### The Triple Bottom Line

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

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



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

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

The safety of employees, customers, and the general public is a priority of CMS Energy and Consumers. Accordingly, CMS Energy and Consumers have worked to integrate a set of safety principles into their business operations and culture. These principles include complying with applicable safety, health, and security regulations and implementing programs and processes aimed at continually improving safety and security conditions. The number of recordable safety incidents in 2017 was 65, compared with 73 in 2016 and 106 in 2015. The number of recordable safety incidents in 2017 was the lowest in Consumers' history. In 2017, Consumers' OSHA recordable incident rate was 0.77, compared with 0.88 in 2016 and 1.31 in 2015, and was the lowest among its EEI peer group.

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 with cleaner and more efficient gas-fueled generation, renewable energy, and energy waste reduction and demand response programs
- targeted infrastructure investment, including the installation of smart meters
- information and control system efficiencies
- employee and retiree health care cost sharing
- workforce productivity enhancements

In addition, Consumers' gas commodity costs declined by 60 percent from 2007 through 2017, due not only to a decrease in market prices but also to Consumers' improvements to its gas infrastructure and optimization of its gas purchasing and storage strategy. These gas commodity savings are passed on to customers.

Consumers filed an IRP with the MPSC in June 2018, detailing its long-term strategy for delivering reliable and affordable energy to its customers through the increased use of energy efficiency and customer demand management programs and additional renewable energy. The IRP supports Consumers' commitment to the triple bottom line.

**Planet** : The planet element of the triple bottom line represents CMS Energy's and Consumers' commitment to protect the environment; this commitment extends beyond complying with the various state and federal environmental and health and safety laws and regulations to which CMS Energy and Consumers are subject. Management considers climate change risk and other environmental risks in the companies' strategy development, business planning, and enterprise risk management processes. By November 30, 2018, CMS Energy will publish a climate assessment report of the long-term impacts on the company's portfolio, of public policies and technological advances that are consistent with limiting global warming to no more than two degrees Celsius over pre-industrial levels.

CMS Energy and Consumers continue to focus on opportunities to protect the environment and to reduce their carbon footprint. As a result of actions already taken by CMS Energy and Consumers, including the retirement of seven of Consumers' coal-fueled electric generating units in 2016, the companies have:

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

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

The 2016 Energy Law, which became effective in April 2017:

- raised the renewable energy standard from the present ten-percent requirement to 12.5 percent by 2019 and 15 percent by 2021
- established a goal of 35 percent combined renewable energy and energy waste reduction by 2025
- authorized incentives for demand response programs and expanded existing incentives for energy efficiency programs, referring to the combined initiatives as energy waste reduction programs
- established an integrated planning process for new generation resources

In June 2018, Consumers filed an IRP with the MPSC, detailing how Consumers will meet the requirements of the 2016 Energy Law and reflecting its clean and lean energy strategy. This strategy focuses on increasing the generation of renewable energy, helping customers use less energy, and offering demand response programs to reduce demand during critical peak times.

In its IRP, Consumers details its plans to replace coal-fueled generation with investment in renewable energy, proposing renewable energy levels of 25 percent by 2025, over 35 percent by 2030, and over 40 percent by 2040. The attainment of these renewable energy levels will enable Consumers to meet and exceed the 2016 Energy Law renewable energy requirements and fulfill increasing customer demand for renewable energy. The IRP supports the following clean energy goals, which Consumers announced during 2018:

- a breakthrough goal to reduce carbon emissions by 80 percent and to eliminate the use of coal to generate electricity by 2040
- a target of at least 50 percent combined renewable energy and energy waste reduction by 2030

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

- to reduce its water use by one billion gallons
- to reduce the amount of waste taken to landfills by 35 percent
- to enhance, restore, or protect 5,000 acres of land

CMS Energy, through its non-utility businesses, continues to pursue further opportunities for the development of renewable generation projects. CMS Enterprises recently completed the development and construction of an 8-MW solar generation project in Michigan and expects to complete a 16-MW solar generation project in August 2018. CMS Enterprises also entered into an agreement to purchase a 105-MW wind generation project in Ohio. Renewable energy produced by the wind generation project has been committed to General Motors LLC, a non-affiliated company, under a 15-year PPA.

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



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

For the six months ended June 30, 2018, CMS Energy's net income available to common stockholders was \$380 million, and diluted EPS were \$1.35. This compares with net income available to common stockholders of \$291 million and diluted EPS of \$1.04 for the six months ended June 30, 2017. In 2018, higher sales, rate increases, and lower postretirement benefits costs were offset partially by higher depreciation on increased plant in service. A more detailed discussion of the factors affecting CMS Energy's and Consumers' performance can be found in the Results of Operations section that follows this Executive Overview.

Consumers projects that its electric and gas weather-normalized deliveries will remain stable through 2022. This outlook reflects growth in electric demand offset by the effects of energy waste reduction programs, and growth in gas demand offset by energy efficiency and conservation.

## Performance: Impacting the Triple Bottom Line

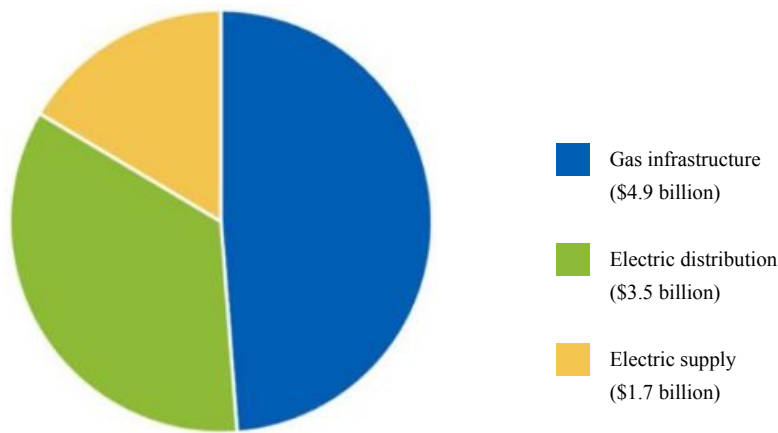
During 2017, CMS Energy's and Consumers' commitment to achieving world class performance while delivering hometown service resulted in the companies' best-ever performance in the areas of safety, service, and customer satisfaction. Leveraging the Consumers Energy Way, the companies met record-breaking goals in the areas of:

- lowering recordable safety incidents
- improving customer satisfaction scores
- decreasing the duration of customer outages
- responding faster to customer calls
- achieving on-time delivery commitments
- reading more meters monthly
- improving the accuracy of customer bills
- delivering energy efficiency solutions to customers

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

**Investment Plan** : Consumers expects to make significant expenditures on infrastructure upgrades and replacements and electric supply projects from 2018 through 2027. While it has a large number of potential investment opportunities that would add customer value, Consumers has prioritized its spending based on the criteria of enhancing public safety, increasing reliability, maintaining affordability for its customers, and advancing its environmental stewardship. Consumers' investment program is expected to result in annual rate-base growth of six to eight percent. This rate-base growth, together with cost-control initiatives, should allow Consumers to maintain affordable customer prices.

Presented in the following illustration are planned capital expenditures of \$10.1 billion that Consumers expects to make from 2018 through 2022:



Consumers plans to spend \$8.4 billion over the next five years to maintain and upgrade its gas infrastructure and electric distribution systems in order to enhance safety and reliability, improve customer satisfaction, and reduce energy waste on those systems. The gas infrastructure projects comprise \$4.9 billion to sustain deliverability and enhance pipeline integrity and safety. These projects, which involve replacement of mains and services and enhancement of transmission and storage systems, should reduce the minor quantity of methane emissions released as gas is transported. The electric distribution projects comprise \$3.5 billion to strengthen circuits and substations and replace poles. Consumers also expects to spend \$1.7 billion on electric supply projects, representing new generation, including renewable generation, and environmental investments needed to comply with state and federal laws and regulations.

**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.

- **2017 Electric Rate Case :** In March 2017, Consumers filed an application with the MPSC seeking an annual rate increase of \$173 million , based on a 10.5 percent authorized return on equity. The filing requested authority to recover new investment in system reliability, environmental compliance, and technology enhancements. In September 2017, Consumers reduced its requested annual rate increase to \$148 million . The MPSC issued an order in March 2018, authorizing an annual rate increase of \$66 million , based on a 10.0 percent authorized return on equity. In June 2018, as a result of a petition for rehearing filed by Consumers, the MPSC issued an order adjusting the authorized annual rate increase to \$72 million by allowing recovery of additional retirement benefit plan costs.
- **2018 Electric Rate Case :** In May 2018, Consumers filed an application with the MPSC seeking an annual rate increase of \$58 million , based on a 10.75 percent authorized return on equity. The filing requests authority to recover new investment in system reliability, environmental compliance, and technology enhancements. The filing also seeks approval of an investment recovery mechanism that would provide for an additional annual rate increase of \$49 million beginning in 2020 and another \$48 million beginning in 2021 for incremental investments that Consumers plans to make for distribution infrastructure, subject to reconciliation.

- **Gas Rate Case :** In October 2017, Consumers filed an application with the MPSC seeking an annual rate increase of \$178 million , based on a 10.5 percent authorized return on equity. The largest component of the request was an annual revenue requirement of \$162 million related to infrastructure investment and related costs that would allow Consumers to improve system safety, capacity, and deliverability. In March 2018, Consumers reduced its requested revenue requirement to \$145 million , before taking into consideration any impact of the TCJA. Consumers further reduced its requested revenue requirement to \$83 million to reflect the impact of the TCJA, offset partially by an increase in the authorized return on equity to 10.75 percent to compensate for the anticipated negative effects of tax reform on Consumers' cash flows from operating activities. In July 2018, Consumers reduced its requested revenue requirement to \$60 million , based on a 10.0 percent authorized return on equity.

In July 2018, the administrative law judge issued a proposal for decision, recommending an annual rate increase of \$11 million, based on a 10.0 percent authorized return on equity. The administrative law judge also recommended approval of the revenue decoupling mechanism, as proposed, and the investment recovery mechanism, as requested with modifications. In addition, based on the position of the MPSC Staff, the administrative law judge recommended the disallowance of cost recovery for certain categories of historical capital expenditures incurred by Consumers . If, in the final order in this case, the MPSC were to adopt some or all of the administrative law judge's recommendations, Consumers would be required to write off up to \$145 million of assets . A final order is expected by the end of August 2018.

- **Tax Cuts and Jobs Act:** The TCJA, which changed existing federal tax law and included numerous provisions that affect businesses, was signed into law in December 2017. In February 2018, the MPSC ordered Consumers to file various proceedings to determine the reduction in its electric and gas revenue requirements as a result of the TCJA. The MPSC also ordered Consumers to implement bill credits to reflect that reduction until customer rates are adjusted through Consumers' general rate cases. Consumers filed the first of these proceedings in March 2018, requesting a \$49 million reduction in its annual gas revenue requirement. The MPSC approved this reduction in June 2018, with credits to customer bills beginning in July 2018. Consumers filed the second proceeding in April 2018, requesting a \$113 million reduction in its annual electric revenue requirement. The MPSC approved this reduction in July 2018, with credits to customer bills beginning in August 2018. These credits will reduce rates prospectively for the impact of the TCJA but do not include potential refunds associated with Consumers' remeasurement of its deferred income taxes; these will be considered in a subsequent proceeding.

By October 2018, Consumers will file two more proceedings to address amounts collected from customers during 2018 through the implementation of the first two proceedings. Consumers' liability for customer refunds for amounts over-collected during that time was \$88 million at June 30, 2018 .

Consumers will also file, by October 2018, additional proceedings to address the December 31, 2017 remeasurement of its deferred income taxes and any other impacts of the TCJA on customers.

## 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 initiatives that will allow it to maintain sustainable customer base rates. The Consumers Energy Way is an important means of realizing CMS Energy's and Consumers' purpose of achieving world class performance while delivering hometown service.

## Results of Operations

### CMS Energy Consolidated Results of Operations

<i>In Millions, Except Per Share Amounts</i>						
June 30	Three Months Ended			Six Months Ended		
	2018	2017	Change	2018	2017	Change
Net Income Available to Common Stockholders	\$ 139	\$ 92	\$ 47	\$ 380	\$ 291	\$ 89
Basic Earnings Per Average Common Share	\$ 0.49	\$ 0.33	\$ 0.16	\$ 1.35	\$ 1.04	\$ 0.31
Diluted Earnings Per Average Common Share	\$ 0.49	\$ 0.33	\$ 0.16	\$ 1.35	\$ 1.04	\$ 0.31

<i>In Millions</i>						
June 30	Three Months Ended			Six Months Ended		
	2018	2017	Change	2018	2017	Change
Electric utility	\$ 130	\$ 94	\$ 36	\$ 269	\$ 218	\$ 51
Gas utility	21	9	12	124	96	28
Enterprises	14	7	7	29	19	10
Corporate interest and other	(26)	(18)	(8)	(42)	(42)	—
Net Income Available to Common Stockholders	\$ 139	\$ 92	\$ 47	\$ 380	\$ 291	\$ 89

Presented in the following table are specific after-tax changes to CMS Energy's net income available to common stockholders for the three and six months ended June 30, 2018 versus 2017 :

				In Millions	
	Three Months Ended		Six Months Ended		
June 30, 2017	\$ 92		\$ 291		
Reasons for the change					
Consumers electric utility and gas utility					
Electric sales	\$	16	\$	11	
Gas sales		14		34	
Electric rate increase		13		25	
Gas rate increase		6		16	
OPEB Plan changes		13		27	
2017 service restoration costs following severe storms		—		8	
Depreciation and amortization		(5)		(17)	
Other, including \$9 million intercompany gain in 2017		(9)	48	(25)	79
Enterprises					
Reduction of the corporate income tax rate due to the impacts of the TCJA			1		4
Higher earnings from equity method investees and lower maintenance expenses at subsidiaries			3		3
Expiration of indemnity obligation			3		3
Corporate interest and other					
2017 elimination of an intercompany gain on the donation of CMS Energy stock			—		9
Lower fixed charges and administrative and other expenses			3		3
Lower tax benefit due to the impacts of the TCJA			(7)		(8)
Loss on the early extinguishment of debt			(4)		(4)
June 30, 2018	\$	139	\$	380	

## Consumers Electric Utility Results of Operations

For the three months ended June 30, 2018 , Consumers electric utility's net income available to common stockholders was \$130 million . This compares with net income available to common stockholders of \$94 million for the three months ended June 30, 2017 . In 2018 , higher net income was due primarily to a rate increase and higher sales as a result of favorable weather. Lower tax expense in 2018 resulting from the TCJA was offset fully by a reduction in revenue to reflect Consumers' obligation to refund TCJA-related benefits to its customers. 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 June 30, 2018 versus 2017 :

	<i>In Millions</i>	
Three Months Ended June 30, 2017	\$	94
<i>Reasons for the change</i>		
<i>Electric deliveries <sup>1</sup> and rate increases</i>		
Rate increase, including the impacts of the March 2018 order	\$	19
Higher sales due primarily to favorable weather in 2018		20
Higher energy waste reduction program revenues		6
Increase in other revenues		1
		\$ 46
<i>Revenue reserve for impacts of the TCJA</i>		
Reserve for future customer refunds <sup>2</sup>		(34)
<i>Maintenance and other operating expenses</i>		
Mutual insurance distribution in 2018		3
Higher energy waste reduction program costs		(6)
Higher other operating and maintenance expenses		(2)
		(5)
<i>Depreciation and amortization</i>		
Increased plant in service, reflecting higher capital spending		(4)
<i>General taxes</i>		(1)
<i>Other income, net of expenses</i>		
Impact of OPEB Plan changes approved in November 2017		10
Other income, net of expenses		(1)
		9
<i>Interest charges</i>		(1)
<i>Income taxes</i>		
Reduction of the corporate income tax rate due to the impacts of the TCJA		27
Higher electric utility earnings		(6)
Lower other income taxes		5
		26
Three Months Ended June 30, 2018	\$	130

<sup>1</sup> Deliveries to end-use customers were 9.2 billion kWh in 2018 and 9.0 billion kWh in 2017 .

<sup>2</sup> See Note 2, Regulatory Matters .

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For the six months ended June 30, 2018 , Consumers electric utility's net income available to common stockholders was \$269 million . This compares with net income available to common stockholders of \$218 million for the six months ended June 30, 2017 . In 2018 , higher net income was due primarily to a rate increase and higher sales as a result of favorable weather. Lower tax expense in 2018 resulting from the TCJA was offset fully by a reduction in revenue to reflect Consumers' obligation to refund TCJA-related benefits to its customers. Presented in the following table are the detailed changes to the electric utility's net income available to common stockholders for the six months ended June 30, 2018 versus 2017 :

	<i>In Millions</i>	
Six Months Ended June 30, 2017	\$	218
<i>Reasons for the change</i>		
<i>Electric deliveries <sup>1</sup> and rate increases</i>		
Rate increase, including the impacts of the March 2018 order	\$	34
Higher sales due primarily to favorable weather in 2018		17
Higher energy waste reduction program revenues		15
Decrease in other revenues	(2)	\$ 64
<i>Revenue reserve for impacts of the TCJA</i>		
Reserve for future customer refunds <sup>2</sup>		(69)
<i>Maintenance and other operating expenses</i>		
2017 service restoration costs following severe storms		11
Mutual insurance distribution in 2018		7
Higher energy waste reduction program costs	(15)	
Higher other operating and maintenance expenses	(4)	(1)
<i>Depreciation and amortization</i>		
Increased plant in service, reflecting higher capital spending		(10)
<i>General taxes</i>		
Settlement of a property tax appeal related to the Campbell plant in 2018		9
Settlement of a property tax appeal related to the Zeeland plant in 2017	(10)	
Higher other general taxes	(1)	(2)
<i>Other income, net of expenses</i>		
Impact of OPEB Plan changes approved in November 2017		21
2017 gain on the donation of CMS Energy stock <sup>3</sup>	(9)	
Lower other income, net of expenses	(3)	9
<i>Interest charges</i>		
Higher other interest charges		(3)
<i>Income taxes</i>		
Reduction of the corporate income tax rate due to the impacts of the TCJA		54
Research and development tax credits <sup>4</sup>		6
Lower electric utility earnings		2
Lower other income taxes		1
Six Months Ended June 30, 2018	\$	269

<sup>1</sup> Deliveries to end-use customers were 18.5 billion kWh in 2018 and 18.2 billion kWh in 2017 .

<sup>2</sup> See Note 2, Regulatory Matters .

<sup>3</sup> Gain at segment is eliminated on CMS Energy's consolidated statements of income.

<sup>4</sup> See Note 9, Income Taxes .

## Consumers Gas Utility Results of Operations

For the three months ended June 30, 2018, Consumers gas utility's net income available to common stockholders was \$21 million. This compares with net income available to common stockholders of \$9 million for the three months ended June 30, 2017. In 2018, higher net income was due primarily to increased sales and a rate increase, offset partially by higher depreciation and property taxes on increased plant in service. Lower tax expense in 2018 resulting from the TCJA was offset fully by a reduction in revenue to reflect Consumers' obligation to refund TCJA-related benefits to its customers. 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 June 30, 2018 versus 2017:

	<i>In Millions</i>	
Three Months Ended June 30, 2017	\$	9
<i>Reasons for the change</i>		
<i>Gas deliveries<sup>1</sup> and rate increases</i>		
Higher sales due primarily to favorable weather in 2018	\$	12
Rate increase		8
Increase in other revenues		7
		<u>\$ 27</u>
<i>Revenue reserve for impacts of the TCJA</i>		
Reserve for future customer refunds <sup>2</sup>		(10)
<i>Maintenance and other operating expenses</i>		
Increased distribution, transmission, and customer operations expenses		(6)
Higher other operating and maintenance expenses		(2)
		<u>(8)</u>
<i>Depreciation and amortization</i>		
Increased plant in service, reflecting higher capital spending		(3)
<i>General taxes</i>		
Higher property tax, reflecting higher capital spending		(1)
<i>Other income, net of expenses</i>		
Impact of OPEB Plan changes approved in November 2017		8
<i>Interest charges</i>		(2)
<i>Income taxes</i>		
Reduction of the corporate income tax rate due to the impacts of the TCJA		5
Higher gas utility earnings		(4)
		<u>1</u>
Three Months Ended June 30, 2018	\$	21

<sup>1</sup> Deliveries to end-use customers were 50 bcf in 2018 and 43 bcf in 2017.

<sup>2</sup> See Note 2, Regulatory Matters.

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For the six months ended June 30, 2018, Consumers gas utility's net income available to common stockholders was \$124 million. This compares with net income available to common stockholders of \$96 million for the six months ended June 30, 2017. In 2018, higher net income was due primarily to increased sales and a rate increase, offset partially by higher depreciation and property taxes on increased plant in service. Lower tax expense in 2018 resulting from the TCJA was offset fully by a reduction in revenue to reflect Consumers' obligation to refund TCJA-related benefits to its customers. Presented in the following table are the detailed changes to the gas utility's net income available to common stockholders for the six months ended June 30, 2018 versus 2017:

	<i>In Millions</i>	
Six Months Ended June 30, 2017	\$	96
<i>Reasons for the change</i>		
<i>Gas deliveries <sup>1</sup> and rate increases</i>		
Higher sales due primarily to favorable weather in 2018	\$	41
Rate increase		21
Higher energy waste reduction program revenues		17
Increase in other revenues		6
		\$ 85
<i>Revenue reserve for impacts of the TCJA</i>		
Reserve for future customer refunds <sup>2</sup>		(37)
<i>Maintenance and other operating expenses</i>		
Higher energy waste reduction program costs		(17)
Increased distribution, transmission, and customer operations expenses		(10)
Higher other operating and maintenance expenses		(3)
		(30)
<i>Depreciation and amortization</i>		
Increased plant in service, reflecting higher capital spending		(13)
<i>General taxes</i>		
Higher property taxes, reflecting higher capital spending		(6)
<i>Other income, net of expenses</i>		
Impact of OPEB Plan changes approved in November 2017		16
2017 gain on the donation of CMS Energy stock <sup>3</sup>		(5)
		11
<i>Interest charges</i>		(3)
<i>Income taxes</i>		
Reduction of the corporate income tax rate due to the impacts of the TCJA		26
Higher gas utility earnings		(4)
Higher other income taxes		(1)
		21
Six Months Ended June 30, 2018	\$	124

<sup>1</sup> Deliveries to end-use customers were 183 bcf in 2018 and 162 bcf in 2017.

<sup>2</sup> See Note 2, Regulatory Matters.

<sup>3</sup> Gain at segment is eliminated on CMS Energy's consolidated statements of income.



## Enterprises Results of Operations

Presented in the following table are the detailed after-tax changes to the enterprises segment's net income available to common stockholders for the three months ended June 30, 2018 versus 2017 :

	<i>In Millions</i>
Three Months Ended June 30, 2017	\$ 7
<i>Reason for the change</i>	
Higher earnings from equity method investees and lower maintenance expenses at subsidiaries	\$ 3
Expiration of indemnity obligation	3
Reduction of corporate income tax rate due to the impacts of the TCJA	1
Three Months Ended June 30, 2018	\$ 14

Presented in the following table are the detailed after-tax changes to the enterprises segment's net income available to common stockholders for the six months ended June 30, 2018 versus 2017 :

	<i>In Millions</i>
Six Months Ended June 30, 2017	\$ 19
<i>Reason for the change</i>	
Reduction of corporate income tax rate due to the impacts of the TCJA	\$ 4
Expiration of indemnity obligation	3
Lower maintenance expenses at subsidiaries	3
Six Months Ended June 30, 2018	\$ 29

## Corporate Interest and Other Results of Operations

Presented in the following table are the detailed after-tax changes to corporate interest and other results for the three months ended June 30, 2018 versus 2017 :

	<i>In Millions</i>
Three Months Ended June 30, 2017	\$ (18)
<i>Reasons for the change</i>	
Lower fixed charges and administrative and other expenses	\$ 3
Lower tax benefit due to the impacts of the TCJA	(7)
Loss on the early extinguishment of debt	(4)
Three Months Ended June 30, 2018	\$ (26)

Presented in the following table are the detailed after-tax changes to corporate interest and other results for the six months ended June 30, 2018 versus 2017 :

	<i>In Millions</i>
Six Months Ended June 30, 2017	\$ (42)
<i>Reasons for the change</i>	
2017 elimination of an intercompany gain on the donation of CMS Energy stock <sup>1</sup>	\$ 9
Lower fixed charges and administrative and other expenses	3
Lower tax benefit due to the impacts of the TCJA	(8)
Loss on the early extinguishment of debt	(4)
Six Months Ended June 30, 2018	\$ (42)

<sup>1</sup> Gain at electric and gas utility segments is eliminated on CMS Energy's consolidated statements of income.

## Cash Position, Investing, and Financing

At June 30, 2018, CMS Energy had \$501 million of consolidated cash and cash equivalents, which included \$24 million of restricted cash and cash equivalents. At June 30, 2018, Consumers had \$276 million of consolidated cash and cash equivalents, which included \$22 million of restricted cash and cash equivalents. For additional details, see Note 12, Cash and Cash Equivalents.

## Operating Activities

For the six months ended June 30, 2018, net cash provided by operating activities at CMS Energy increased \$297 million compared with 2017 and net cash provided by operating activities at Consumers decreased \$27 million compared with 2017. The TCJA had no impact on net cash provided by operating activities for the six months ended June 30, 2018, because CMS Energy made no income tax payments, and because Consumers' rates do not yet reflect the anticipated reduction in its revenue requirements related to the TCJA. Presented in the following table are specific components of the changes to net cash provided by operating activities for the six months ended June 30, 2018 versus 2017:

	<i>In Millions</i>
<b>CMS Energy, including Consumers</b>	
Six Months Ended June 30, 2017	\$ 1,119
<i>Reasons for the change</i>	
Higher net income	\$ 89
Favorable impact of changes in core working capital, <sup>1</sup> due primarily to the receipt of alternative minimum tax credit refunds	123
Favorable impact of changes in other assets and liabilities, including the collection of an increased surcharge to fund Consumers' energy waste reduction plan and lower prepayments of expenses	85
Six Months Ended June 30, 2018	\$ 1,416
<b>Consumers</b>	
Six Months Ended June 30, 2017	\$ 1,125
<i>Reasons for the change</i>	
Higher net income	\$ 79
Unfavorable impact of changes in core working capital, <sup>1</sup> including lower overcollections of PSCR charges and higher vendor payments, offset largely by higher sales	(3)
Unfavorable impact of changes in other assets and liabilities, due primarily to higher income tax payments to CMS Energy, offset partially by the collection of an increased surcharge to fund Consumers' energy waste reduction plan and lower prepayments of expenses	(103)
Six Months Ended June 30, 2018	\$ 1,098

<sup>1</sup> Core working capital comprises accounts receivable, notes receivable, accrued revenue, inventories, accounts payable, and accrued rate refunds related to PSCR and GCR overrecoveries.

## Investing Activities

Presented in the following table are specific components of the changes to net cash used in investing activities for the six months ended June 30, 2018 versus 2017 :

	<i>In Millions</i>
<b>CMS Energy, including Consumers</b>	
Six Months Ended June 30, 2017	\$ (806)
<i>Reasons for the change</i>	
Higher capital expenditures	\$ (126)
Changes in EnerBank notes receivable, reflecting growth in consumer lending	(55)
Proceeds from the sale of EnerBank notes receivable in 2017	(19)
Other investing activities	(2)
Six Months Ended June 30, 2018	\$ (1,008)
<b>Consumers</b>	
Six Months Ended June 30, 2017	\$ (802)
<i>Reasons for the change</i>	
Higher capital expenditures	\$ (118)
Decrease in DB SERP investment	6
Six Months Ended June 30, 2018	\$ (914)

## Financing Activities

Presented in the following table are specific components of net cash provided by (used in) financing activities for the six months ended June 30, 2018 and 2017 :

	<i>In Millions</i>
<b>CMS Energy, including Consumers</b>	
Six Months Ended June 30, 2017	\$ (129)
<i>Reasons for the change</i>	
Lower debt issuances	\$ (129)
Higher debt retirements	(172)
Changes in EnerBank certificates of deposit, reflecting higher borrowings	163
Lower repayments under Consumers' commercial paper program	228
Lower issuances of common stock under the continuous equity offering program	(40)
Higher payments of dividends on common stock	(16)
Higher debt issuance costs and early debt retirement payments	(16)
Six Months Ended June 30, 2018	\$ (111)
<b>Consumers</b>	
Six Months Ended June 30, 2017	\$ (111)
<i>Reasons for the change</i>	
Higher debt issuances	\$ 195
Higher debt retirements	(67)
Lower repayments under Consumers' commercial paper program	228
Lower stockholder contribution from CMS Energy	(200)
Higher payments of dividends on common stock	(9)
Higher debt issuance costs and early debt retirement payments	(9)
Six Months Ended June 30, 2018	\$ 27

## Capital Resources and Liquidity

CMS Energy uses dividends and tax-sharing payments from its subsidiaries and external financing and capital transactions to invest in its utility and non-utility businesses, retire debt, pay dividends, and fund its other obligations. The ability of CMS Energy's subsidiaries, including Consumers, to pay dividends to CMS Energy depends upon each subsidiary's revenues, earnings, cash needs, and other factors. In addition, Consumers' ability to pay dividends is restricted by certain terms included in its debt covenants and articles of incorporation and potentially by FERC requirements and provisions under the Federal Power Act and the Natural Gas Act. For additional details on Consumers' dividend restrictions, see Note 4, *Financings and Capitalization—Dividend Restrictions*. For the six months ended June 30, 2018, Consumers paid \$245 million in dividends on its common stock to CMS Energy.

As a result of a provision in the TCJA, CMS Energy is required to recover all alternative minimum tax credits over the next four years through offsets of regular tax and through cash refunds. CMS Energy expects to be able to offset regular tax through the use of federal net operating loss carryforwards and, accordingly, receive alternative minimum tax credit refunds through 2021. Another provision in the TCJA excludes rate-regulated utilities from 100 percent cost expensing of certain property after September 27, 2017. This provision will cause Consumers to make higher tax-sharing payments to CMS Energy during that period, which in turn might permit CMS Energy to maintain lower levels of debt in order to invest in its businesses, pay dividends, and fund its general obligations. Consumers expects to have sufficient funding sources available to issue credits to customers for all impacts of the TCJA.

In March 2017, CMS Energy entered into an updated continuous equity offering program. Under this program, CMS Energy may sell, from time to time in "at the market" offerings, common stock having an aggregate sales price of up to \$100 million. CMS Energy issued common stock under this program and received net proceeds of \$29 million in May 2018 and \$70 million in June 2017. CMS Energy plans to file a new prospectus supplement to allow additional issuances of common stock.

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, contribute to its employee benefit plans, and fund its other obligations. Accelerated pension funding in prior years and several initiatives to reduce costs have helped improve cash flows from operating activities. Consumers anticipates continued strong cash flows from operating activities for 2018 and beyond.

In July 2018, Consumers entered into a bond purchase agreement to issue an aggregate principal amount of \$500 million in first mortgage bonds through a private placement. The issuance and funding of the bonds is expected to occur in October 2018.

Access to the financial and capital markets depends on CMS Energy's and Consumers' credit ratings and on market conditions. As evidenced by past financing transactions, CMS Energy and Consumers have had ready access to these markets. Barring major market dislocations or disruptions, CMS Energy and Consumers expect to continue to have ready access to the financial and capital markets. 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.

At June 30, 2018, CMS Energy had \$549 million of its revolving credit facility available and Consumers had \$1,068 million of its secured revolving credit facilities available. CMS Energy and Consumers use these credit facilities for general working capital purposes and to issue letters of credit. An additional source of liquidity is Consumers' commercial paper program, which allows Consumers to issue, in one or more placements, up to \$500 million in the aggregate in commercial paper notes with maturities of up to 365 days and that bear interest at fixed or floating 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 June 30, 2018, no commercial paper

notes were outstanding under this program. For additional details on CMS Energy's and Consumers' revolving credit facilities and commercial paper program, see Note 4, Financings and Capitalization .

Certain of CMS Energy's and Consumers' credit agreements, debt indentures, and other facilities contain covenants that require CMS Energy and Consumers to maintain certain financial ratios, as defined therein. At June 30, 2018 , no default had occurred with respect to any financial covenants contained in CMS Energy's and Consumers' credit agreements, debt indentures, or other facilities. CMS Energy and Consumers were each in compliance with these covenants as of June 30, 2018 , as presented in the following table:

Credit Agreement, Indenture, or Facility	June 30, 2018	
	Limit	Actual
<b>CMS Energy, parent only</b>		
Debt to EBITDA <sup>1</sup>	≤ 6.0 to 1.0	4.2 to 1.0
Debt to EBITDA <sup>2</sup>	≤ 6.25 to 1.0	4.1 to 1.0
<b>Consumers</b>		
Debt to Capital <sup>3</sup>	≤ 0.65 to 1.0	0.46 to 1.0

<sup>1</sup> Applies to CMS Energy's term loan agreements.

<sup>2</sup> Applies to CMS Energy's revolving credit agreement. In June 2018, CMS Energy amended this revolving credit facility, eliminating the security provided by Consumers common stock, and extending the expiration date to June 2023.

<sup>3</sup> Applies to Consumers' \$850 million and \$250 million revolving credit agreements and its \$35 million and \$30 million reimbursement agreements.

Components of CMS Energy's and Consumers' cash management plan include controlling operating expenses and capital expenditures and evaluating market conditions for financing and refinancing opportunities. CMS Energy's and Consumers' present level of cash and expected cash flows from operating activities, together with access to sources of liquidity, are anticipated to be sufficient to fund the companies' contractual obligations for 2018 and beyond.

## Off-Balance-Sheet Arrangements

CMS Energy, Consumers, and certain of their subsidiaries enter into various arrangements in the normal course of business to facilitate commercial transactions with third parties. These arrangements include indemnities, surety bonds, letters of credit, and financial and performance guarantees. Indemnities are usually agreements to reimburse a counterparty that may incur losses due to outside claims or breach of contract terms. The maximum payment that could be required under a number of these indemnity obligations is not estimable; the maximum obligation under indemnities for which such amounts were estimable was \$153 million at June 30, 2018 . While CMS Energy and Consumers believe it is unlikely that they will incur any material losses related to indemnities they have not recorded as liabilities, they cannot predict the impact of these contingent obligations on their liquidity and financial condition. For additional details on these and other guarantee arrangements, see Note 3, Contingencies and Commitments—Guarantees .

## Outlook

Several business trends and uncertainties may affect CMS Energy's and Consumers' financial condition and results of operations. These trends and uncertainties could have a material impact on CMS Energy's and Consumers' consolidated income, cash flows, or financial position. For additional details regarding

these and other uncertainties, see Forward-Looking Statements and Information ; Note 2, Regulatory Matters ; Note 3, Contingencies and Commitments ; and Part II—Item 1A. Risk Factors .

## Consumers Electric Utility Outlook and Uncertainties

**Energy Resource Planning:** While Consumers continues to experience increasing demand for electricity due to Michigan’s growing economy and increased use of air conditioning, consumer electronics, and other electric devices, it expects that increase in demand to be offset by the effects of energy efficiency and conservation.

In June 2018, Consumers filed an IRP with the MPSC detailing its long-term strategy for delivering reliable and affordable energy to its customers through the increased use of energy efficiency and customer demand management programs and additional renewable energy. The IRP supports Consumers’ clean energy breakthrough goal of reducing carbon emissions by 80 percent and eliminating the use of coal to generate electricity by 2040.

Specifically, in its IRP filing, Consumers requests the MPSC’s approval of:

- the retirement of two coal-fueled generating units, totaling 515 MW, in 2023
- the retirement of two coal-fueled and two oil- and natural gas-fueled generating units, totaling 1,815 MW, in 2031
- the retirement of its remaining coal-fueled generating unit, totaling 780 MW, in 2039

Consumers proposes replacing the capacity to be retired with:

- demand response programs
- increased energy efficiency
- increased renewable energy generation
- grid modernization tools
- battery storage

The IRP proposes renewable energy levels beyond the standard set in the 2016 Energy Law, which raised the renewable energy standard from the present ten-percent requirement to 15 percent by 2021. Specifically, the IRP proposes renewable energy levels of 25 percent by 2025, over 35 percent by 2030, and over 40 percent by 2040 , to be achieved mainly through the economic development of up to 6,000 MW of solar generation and 550 MW of wind generation.

The IRP filing also incorporates Consumers’ existing plans to purchase additional electricity from the T.E.S. Filer City plant following the conversion of the plant to use natural gas as its primary fuel instead of coal. The conversion is expected to increase the amount of capacity and energy produced by the plant from 73 MW to 225 MW. In May 2017, in anticipation of the planned conversion, T.E.S. Filer City and Consumers agreed to amend their PPA. Under the amendment to the PPA, Consumers will purchase the increased capacity and electricity generated by the converted facility for 15 years. The original PPA was set to expire in 2025. In February 2018, the MPSC approved the amendment to the PPA. The amendment is contingent on a finding by FERC that sales made under the amended PPA are exempt from, or authorized under, Section 205 of the Federal Power Act and on commercial operation of the converted facility on or before June 1, 2022. T.E.S. Filer City expects the converted plant to be operational in 2020.

**PURPA:** PURPA requires Consumers to purchase power from qualifying cogeneration and small power production facilities at a price approved by the MPSC that is meant to represent Consumers’ “avoided cost” of generating power or purchasing power from another source. In November 2017, the MPSC issued an order setting a new avoided-cost formula to determine the price that Consumers must pay to purchase power under PURPA. Among other things, the MPSC’s order changes the basis of Consumers’ avoided cost from the cost of coal-fueled generating units to that of natural gas-fueled generating units. The MPSC order also assigns more capacity value to qualifying facilities that are consistently able to

generate electricity during peak times. Although the costs Consumers incurs to purchase power from qualifying facilities are passed on to customers, the order could result in mandated purchases of generation, potentially at above-market prices, and reduce Consumers' need for new owned generation. This in turn could have a material adverse effect on Consumers' long-term capital investment plan and the affordability of future customer rates.

In December 2017, Consumers filed a petition with the MPSC requesting corrections to the pricing calculations and capacity purchase model set in the order. Subsequently, the MPSC suspended the implementation of the order and reopened the proceeding. In February 2018, the MPSC issued an order limiting Consumers' obligation to pay the full avoided capacity cost, which is based on the cost of a natural gas combustion turbine under the new avoided-cost formula, to existing qualifying facilities upon the expiration of outstanding contracts and to the first 150 MW of new generation projects that qualify under PURPA. The February 2018 order also set a schedule to resolve the remaining issues.

In its June 2018 IRP filing, Consumers proposed a new method of calculating its avoided cost, based on a competitive bidding process, which will enable Consumers to purchase energy from new generation at the lowest cost and mitigate the risk of forced purchases of renewable generation. In accordance with the 2016 Energy Law, Consumers also proposed a financial compensation mechanism to recognize the financial impacts associated with procuring capacity from third parties and enable Consumers to earn a financial incentive on PPAs entered into through the proposed competitive bidding process.

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

In conjunction with its renewable energy plan, Consumers obtained the MPSC's approval to construct two additional phases at its Cross Winds<sup>®</sup> Energy Park. Phase II of the park, with a nameplate capacity of 44 MW, became operational in January 2018. Consumers began construction of Phase III, with a planned nameplate capacity of 76 MW, in June 2017 and expects it to be operational in 2020. Both phases of the project are expected to qualify for certain federal production tax credits, which are expected to generate cost savings that will be passed on to customers.

In September 2017, Consumers filed amendments to its renewable energy plan with the MPSC, requesting approval to acquire up to 525 MW of new wind generation projects and up to 100 MW of new solar generation projects in order to meet its renewable energy requirement. In May 2018, as a result of requests for proposals issued in 2017 to acquire wind and solar generation projects within MISO's service territory, Consumers entered into an agreement to purchase a wind generation project under development, with capacity of up to 150 MW, in Gratiot County, Michigan. Consumers expects to begin construction in May 2019 and that the project will be completed and operational in 2020. The agreement is subject to MPSC approval.

In June 2018, Consumers issued additional requests for proposals to acquire up to 400 MW of wind generation projects ranging in size from 75 MW to 200 MW and up to 100 MW of solar generation projects at least 10 MW in size. The projects are required to be located in Michigan and operational by 2021. Any contracts entered into as a result of the requests for proposals would be subject to MPSC approval.

*Voluntary Large Customer Renewable Energy Pilot Program:* In February 2018, Consumers began providing service under a pilot 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. Under the pilot program, customers may match up to 100 percent of their energy use with

renewable energy generated from wind resources. In August 2017, the MPSC conditionally approved the pilot program through October 2018 and instructed Consumers to submit the program for review as a voluntary green pricing program under provisions of the 2016 Energy Law. Consumers submitted this program for review in October 2017.

**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.

Consumers expects weather-normalized electric deliveries in 2018 and over the next five years to remain stable relative to 2017. This outlook reflects modest growth in electric demand offset by the effects of energy waste reduction programs and appliance efficiency standards. Actual delivery levels will depend on:

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

**Electric ROA:** Under Michigan law, electric customers in Consumers' service territory are allowed to buy electric generation service from alternative electric suppliers in an aggregate amount up to ten percent of Consumers' weather-normalized retail sales for the preceding calendar year. At June 30, 2018, electric deliveries under the ROA program were at the ten-percent limit. Of Consumers' 1.8 million electric customers, 287 customers, or 0.02 percent, purchased electric generation service under the ROA program.

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

In June 2018, the MPSC issued an order requiring all electric suppliers to demonstrate that a portion of the capacity procured to serve customers during peak demand times is located in the MISO footprint in Michigan's Lower Peninsula. In July 2018, the Michigan Court of Appeals issued a decision that the MPSC does not have statutory authority to implement such a requirement for alternative electric suppliers. Consumers believes the 2016 Energy Law does give such authorization to the MPSC, and plans to file an application for leave to appeal the Court of Appeals' decision to the Michigan Supreme Court. The Michigan Supreme Court has discretion on whether to grant an application for leave to appeal.

**Electric Rate Matters:** Rate matters are critical to Consumers' electric utility business. For additional details on rate matters, see Note 2, Regulatory Matters



**2018 Electric Rate Case :** In May 2018, Consumers filed an application with the MPSC seeking an annual rate increase of \$58 million , based on a 10.75 percent authorized return on equity. The filing requests authority to recover new investment in system reliability, environmental compliance, and technology enhancements. Presented in the following table are the components of the requested increase in revenue:

		<i>In Millions</i>
Components of the requested rate increase		
Investment in rate base	\$	95
Cost of capital		62
Operating and maintenance costs		19
Working capital		5
Effects of TCJA		(113)
Gross margin		(10)
Total	\$	58

The filing also seeks approval of an investment recovery mechanism that would provide for an additional annual rate increase of \$49 million beginning in 2020 and another \$48 million beginning in 2021 for incremental investments that Consumers plans to make for distribution infrastructure, subject to reconciliation.

**Electric Environmental Outlook :** Consumers’ operations are subject to various state and federal environmental laws and regulations. Consumers estimates that it will incur capital expenditures of \$0.4 billion from 2018 through 2022 to continue to comply with RCRA, the Clean Water Act, the Clean Air Act, and numerous state and federal environmental regulations. Consumers expects to recover these costs in customer rates, but cannot guarantee this result. Consumers’ primary environmental compliance focus includes, but is not limited to, the following matters.

*Air Quality:* CSAPR, which became effective in 2015, requires Michigan and 27 other states to improve air quality by reducing power plant emissions that, according to EPA computer models, contribute to ground-level ozone and fine particle pollution in other downwind states. In 2016, the EPA finalized new ozone season standards for CSAPR, which became effective in May 2017. CSAPR is presently being litigated; however, any decision will not impact Consumers’ compliance strategy, as Consumers expects its emissions to be within the CSAPR allowance allocations.

In 2012, the EPA published emission standards for electric generating units, based on Section 112 of the Clean Air Act, calling the final rule MATS. Under MATS, all of Consumers’ existing coal-fueled electric generating units were required to add additional controls for hazardous air pollutants. Consumers met the extended deadline of April 2016 for five coal-fueled units and two oil/gas-fueled units it continues to operate and retired its seven remaining coal-fueled units. MATS is presently being litigated, but any decision is not expected to impact Consumers’ MATS compliance strategy. In addition, Consumers must comply with the Michigan Mercury Rule and with its settlement agreement with the EPA entered into in 2014 concerning opacity and NSR.

In 2015, the EPA released its new rule to lower the NAAQS for ozone. The new ozone NAAQS will make it more difficult to construct or modify power plants in areas of the country that have not met the new ozone standard. In April 2018, the EPA designated certain areas of Michigan as not meeting the new standard; none of Consumers’ fossil-fuel-fired generating units are located in these areas. Some of Consumers’ compressor stations are located in areas impacted by the rule, but Consumers expects only minor permitting impacts if those units are modified in the future. The NAAQS for ozone are presently being litigated. Consumers does not expect that any decision will have a material adverse impact on its generating assets.

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

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

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

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

Also in 2015, the EPA published final rules pursuant to Section 111(d) of the Clean Air Act to limit carbon dioxide emissions from existing electric generating units, calling the rules the "Clean Power Plan." The rules required a 32-percent nationwide reduction in carbon emissions from existing power plants by 2030 (based on 2005 levels), and states choosing not to develop their own implementation plans would be subject to the federal plan. Certain states, corporations, and industry groups initiated litigation opposing the proposed Clean Power Plan, and in 2016, the U.S. Supreme Court stayed the Clean Power Plan while the litigation proceeded. In March 2017, the EPA and other federal agencies were directed to review rules and policies that burden domestic energy production, including the Clean Power Plan. The EPA subsequently filed motions to hold the Section 111(b) and Clean Power Plan litigation in abeyance while it reconsiders the rule. In October 2017, the EPA published a proposal to repeal the Clean Power Plan and is reviewing comments received.

The EPA has also announced that it intends to begin the rulemaking process for a replacement rule that conforms to the new legal interpretation set forth in the published proposed repeal of the Clean Power Plan. In December 2017, the EPA published an advance notice of proposed rulemaking soliciting information on whether the EPA should replace the Clean Power Plan and, if so, how it should be replaced. It is expected that the EPA will propose a replacement rule in the summer of 2018. Consumers does not expect that any changes to the Clean Power Plan will have an adverse impact on its environmental strategy.

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

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

Severe weather events and climate change associated with increasing levels of greenhouse gases could affect the companies' facilities and energy sales and could have a material impact on the companies' future results of operations. Consumers is unable to predict these events or their financial impact; however, Consumers plans for adverse weather and takes steps to reduce its potential impact.

Litigation, as well as federal laws, EPA regulations regarding greenhouse gases, or similar treaties, state laws, or rules, if enacted or ratified, could ultimately require Consumers to replace equipment, install additional emission control equipment, purchase emission allowances, curtail operations, arrange for alternative sources of supply, or take other steps to manage or lower the emission of greenhouse gases. Although associated capital or operating costs relating to greenhouse gas regulation or legislation could be material and cost recovery cannot be assured, Consumers expects to recover these costs and capital expenditures in rates consistent with the recovery of other reasonable costs of complying with environmental laws and regulations.

*CCRs:* In 2015, the EPA published a final rule regulating CCRs, such as coal ash, under RCRA. The final rule adopts minimum standards for beneficially reusing and disposing of non-hazardous CCRs. The rule establishes new minimum requirements for site location, groundwater monitoring, flood protection, storm water design, fugitive dust control, and public disclosure of information. The rule also sets out conditions under which CCR units would be forced to cease receiving CCR and non-CCR waste and initiate closure based on the inability to achieve minimum safety standards, meet a location standard, or meet minimum groundwater standards. Consumers has received approval of and has begun work to close some existing ash ponds and replace them with double-lined ash ponds or concrete infrastructure. Consumers will continue to develop additional work plans for submission to the MDEQ to ensure coordination between federal and state requirements.

Furthermore, Congress passed legislation in 2016 that allows states to develop a permitting program for CCR under RCRA, and Michigan is taking legislative steps to adopt such a program. In March 2018, the EPA proposed the first of two rules intended to amend the 2015 final rule. In the proposed rule, the EPA put forth several provisions that would allow states or the EPA to incorporate flexibilities into their permitting process. Consumers may need to adjust its recorded ARO associated with coal ash disposal sites depending on the outcome of its submissions to the MDEQ and on a future RCRA permitting program under MDEQ, if the EPA approves a state-level program. Consumers has historically been authorized to recover in electric rates costs incurred related to cleanup and closure of coal ash disposal sites.

*Water:* The EPA's rule to regulate existing electric generating plant cooling water intake systems under Section 316(b) of the Clean Water Act became effective in 2014. The rule is aimed at reducing alleged harmful impacts on fish and shellfish. In April 2018, Consumers submitted to the MDEQ for review and approval all required studies and recommended plans to comply with Section 316(b).

In 2015, the EPA released its final effluent limitation guidelines. These guidelines, which are presently being litigated, set stringent new requirements for the discharge from electric generating units into wastewater streams. In August 2017, the EPA announced that it will undertake a rulemaking to replace specific portions of the rule. In September 2017, the EPA proposed delaying the compliance start dates for two years, but maintained the compliance end dates. Rulemaking is expected to conclude in late 2018 or early 2019. Consumers does not expect any adverse changes to its environmental strategy as a result of any revisions to the rule.

In 2015, the EPA and the U.S. Army Corps of Engineers published a final rule redefining "waters of the United States," which designates the EPA's jurisdiction under the Clean Water Act. Numerous states and other interested parties, including Michigan's Attorney General, have filed suits in federal courts to block the rule, which subsequently was stayed in 2015 while litigation ensued. In January 2018, the U.S. Supreme Court unanimously ruled that the federal district courts, not the federal appellate courts, had jurisdiction over challenges to the 2015 rule. Consequently, in February 2018, the U.S. Court of Appeals for the Sixth Circuit lifted the stay of the rule. The EPA has published a notice that prevents the

2015 rule from going into effect until February 2020 in an attempt to maintain consistency and provide certainty for regulated entities while the agencies continue to consider possible revisions to the 2015 rule. The 2015 rule changes the scope of water and wetlands regulations; however, the EPA has delegated authority to manage the Michigan wetlands program to the MDEQ. As a result, regardless of whether the 2015 rule is rescinded or maintained, Consumers will continue to operate under Michigan's wetlands regulations, and under the applicable state and federal water jurisdictional regulations. Thus, Consumers does not expect any adverse changes to its environmental strategy as a result of these events.

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

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

## Consumers Gas Utility Outlook and Uncertainties

**Gas Deliveries:** Consumers' gas customer deliveries are seasonal. The peak demand for natural gas occurs in the winter due to colder temperatures and the resulting use of natural gas as heating fuel. Consumers expects weather-normalized gas deliveries in 2018 and over the next five years to remain stable relative to 2017. This outlook reflects modest growth in gas demand offset by the predicted effects of energy efficiency and conservation . Actual delivery levels from year to year may vary from this expectation due to:

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

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

*Gas Rate Case:* In October 2017, Consumers filed an application with the MPSC seeking an annual rate increase of \$178 million , based on a 10.5 percent authorized return on equity. The largest component of the request was an annual revenue requirement of \$162 million related to infrastructure investment and related costs that would allow Consumers to improve system safety, capacity, and deliverability. In March 2018, Consumers reduced its requested revenue requirement to \$145 million , before taking into consideration any impact of the TCJA. Consumers further reduced its requested revenue requirement to \$83 million to reflect the impact of the TCJA, offset partially by an increase in the authorized return on equity to 10.75 percent to compensate for the anticipated negative effects of tax reform on Consumers' cash flows from operating activities. In July 2018, Consumers reduced its requested revenue requirement to \$60 million , based on a 10.0 percent authorized return on equity.

The filing also seeks approval of two rate adjustment mechanisms: a revenue decoupling mechanism and an investment recovery mechanism. The revenue decoupling mechanism would annually reconcile Consumers' actual weather-normalized nonfuel revenues with the revenues approved by the MPSC. The investment recovery mechanism would provide for additional annual rate increases of \$39 million beginning in July 2019 and another \$39 million beginning in July 2020 for incremental investments that Consumers plans to make in those years, subject to reconciliation. In March 2018, Consumers modified its request for the investment recovery mechanism to reduce the annual rate increase to \$25 million

beginning in July 2019 and another \$25 million beginning in July 2020. The request was reduced to reflect several adjustments proposed by the MPSC Staff. These future investments are intended to help ensure adequate system capacity and deliverability. The MPSC previously approved an investment recovery mechanism in July 2017 that will be in effect until rates are changed in the pending proceeding.

In July 2018, the administrative law judge issued a proposal for decision, recommending an annual rate increase of \$11 million, based on a 10.0 percent authorized return on equity. The administrative law judge also recommended approval of the revenue decoupling mechanism, as proposed, and the investment recovery mechanism, as requested with modifications. In addition, based on the position of the MPSC Staff, the administrative law judge recommended the disallowance of cost recovery for certain categories of historical capital expenditures incurred by Consumers. If, in the final order in this case, the MPSC were to adopt some or all of the administrative law judge's recommendations, Consumers would be required to write off up to \$145 million of assets. A material disallowance of historical costs could negatively affect CMS Energy's and Consumers' results of operations. While Consumers cannot predict the outcome of this proceeding, it does not believe it is probable that the MPSC will disallow these historical capital expenditures in the final order, as there is no regulatory precedent of a disallowance of this type.

**Gas Pipeline and Storage Integrity and Safety:** In 2016, PHMSA published a notice of proposed rulemaking that would expand federal safety standards for gas transmission pipelines. The rule could cause Consumers to incur increased capital costs to install and remediate pipelines as well as operating and maintenance costs to expand inspections, maintenance, and monitoring of its existing pipelines. PHMSA expects to publish a final rule in 2018.

Also in 2016, PHMSA published an interim final rule that will establish minimum federal safety standards for underground natural gas storage facilities. As proposed, the rule could cause Consumers to incur increased capital and operating and maintenance costs to expand inspections, maintenance, and monitoring of its underground gas storage facilities. PHMSA expects to publish a final rule in 2018.

Although associated capital or operating and maintenance costs relating to these regulations could be material and cost recovery cannot be assured, Consumers would expect to recover such costs and capital expenditures in rates consistent with the recovery of other reasonable costs of complying with laws and regulations. Consumers will continue to monitor gas safety regulations.

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

## Consumers Electric Utility and Gas Utility Outlook and Uncertainties

**Energy Waste Reduction Plan:** The 2016 Energy Law, which became effective in April 2017, authorized incentives for demand response programs and expanded existing incentives for energy efficiency programs, referring to the combined initiatives as energy waste reduction. The 2016 Energy Law:

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

During 2017, the MPSC approved an energy waste reduction plan for Consumers that amended and expanded its existing energy optimization plan, allowing for recovery of increased investments to meet the requirements of the 2016 Energy Law and expanding the financial incentive that Consumers may earn for exceeding savings targets during the year. Under this plan, Consumers will continue to provide its

customers with incentives to reduce usage by offering energy audits, rebates and discounts on purchases of highly efficient appliances, and other incentives and programs.

## Enterprises Outlook and Uncertainties

The primary focus with respect to CMS Energy's enterprises businesses is to maximize the value of their generating assets, which represent 1,110 MW of capacity, and to pursue opportunities for the development of renewable generation projects.

T.E.S. Filer City plans to convert its plant to use natural gas as its primary fuel instead of coal. The conversion is expected to increase the amount of capacity and energy produced by the plant from 73 MW to 225 MW. In May 2017, in anticipation of the planned conversion, T.E.S. Filer City and Consumers agreed to amend their PPA. Under the amendment to the PPA, Consumers will purchase the increased capacity and electricity generated by the converted facility for 15 years. The original PPA was set to expire in 2025. In February 2018, the MPSC approved the amendment to the PPA. The amendment is contingent on a finding by FERC that sales made under the amended PPA are exempt from, or authorized under, Section 205 of the Federal Power Act and on commercial operation of the converted facility on or before June 1, 2022. T.E.S. Filer City expects the converted plant to be operational in 2020.

In June 2018, CMS Enterprises completed the development and construction of an 8-MW solar generation project in Delta Township, Michigan. A second solar generation project, totaling 16 MW, is presently under construction. Energy produced by the solar generation projects will be sold under 25-year PPAs to Lansing Board of Water and Light, a non-affiliated utility.

In June 2018, CMS Enterprises entered into an agreement to purchase a 105-MW wind generation project in northwest Ohio. The project is presently under construction and expected to be completed by fall 2018. Renewable energy produced by the wind generation project has been committed to General Motors LLC, a non-affiliated company, under a 15-year PPA.

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

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

- investment in and financial benefits received from renewable energy and energy storage projects
- changes in energy and capacity prices
- changes in commodity prices and interest rates on certain derivative contracts that do not qualify for hedge accounting and must be marked to market through earnings
- changes in various environmental laws, regulations, principles, or practices, or in their interpretation
- the outcome of certain legal proceedings, including gas price reporting litigation
- indemnity and environmental remediation obligations at Bay Harbor
- obligations related to a tax claim from the government of Equatorial Guinea
- representations, warranties, and indemnities provided by CMS Energy in connection with previous sales of assets

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

## Other Outlook and Uncertainties

**EnerBank:** EnerBank is a Utah state-chartered, FDIC-insured industrial bank providing unsecured consumer installment loans for financing home improvements. EnerBank represented four percent of CMS Energy's net assets at June 30, 2018 and four percent of CMS Energy's net income available to common stockholders for the six months ended June 30, 2018 . The carrying value of EnerBank's loan portfolio was \$1.4 billion at June 30, 2018 . Its loan portfolio was funded primarily by certificates of deposit of \$1.4 billion . The twelve-month rolling average net default rate on loans held by EnerBank was 1.3 percent at June 30, 2018 . CMS Energy is required both by law and by contract to provide financial support, including infusing additional capital, to ensure that EnerBank satisfies mandated capital requirements and has sufficient liquidity to operate. With its self-funding plan, EnerBank has exceeded these requirements historically and exceeded them as of June 30, 2018 .

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

## New Accounting Standards

For details regarding new accounting standards issued but not yet effective, see Note 1, New Accounting Standards .

# CMS Energy Corporation

## Consolidated Statements of Income (Unaudited)

*In Millions, Except Per Share Amounts*

June 30	Three Months Ended		Six Months Ended	
	2018	2017	2018	2017
<b>Operating Revenue</b>	\$ 1,492	\$ 1,449	\$ 3,445	\$ 3,278
<b>Operating Expenses</b>				
Fuel for electric generation	115	125	247	242
Purchased and interchange power	393	373	775	706
Purchased power – related parties	19	21	38	43
Cost of gas sold	112	111	493	447
Maintenance and other operating expenses	326	315	636	605
Depreciation and amortization	204	197	483	459
General taxes	68	66	155	147
Total operating expenses	1,237	1,208	2,827	2,649
<b>Operating Income</b>	255	241	618	629
<b>Other Income (Expense)</b>				
Interest income	4	2	6	7
Allowance for equity funds used during construction	1	2	2	4
Income from equity method investees	4	3	7	7
Nonoperating retirement benefits, net	22	4	46	7
Other income	—	—	1	2
Other expense	(9)	(2)	(11)	(4)
Total other income	22	9	51	23
<b>Interest Charges</b>				
Interest on long-term debt	103	103	203	203
Other interest expense	10	8	21	16
Allowance for borrowed funds used during construction	(1)	(1)	(1)	(2)
Total interest charges	112	110	223	217
<b>Income Before Income Taxes</b>	165	140	446	435
<b>Income Tax Expense</b>	25	47	65	143
<b>Net Income</b>	140	93	381	292
<b>Income Attributable to Noncontrolling Interests</b>	1	1	1	1
<b>Net Income Available to Common Stockholders</b>	\$ 139	\$ 92	\$ 380	\$ 291
<b>Basic Earnings Per Average Common Share</b>	\$ 0.49	\$ 0.33	\$ 1.35	\$ 1.04
<b>Diluted Earnings Per Average Common Share</b>	\$ 0.49	\$ 0.33	\$ 1.35	\$ 1.04
<b>Dividends Declared Per Common Share</b>	\$ 0.3575	\$ 0.3325	\$ 0.7150	\$ 0.6650

The accompanying notes are an integral part of these statements.



# CMS Energy Corporation

## Consolidated Statements of Comprehensive Income (Unaudited)

*In Millions*

June 30	Three Months Ended		Six Months Ended	
	2018	2017	2018	2017
<b>Net Income</b>	\$ 140	\$ 93	\$ 381	\$ 292
<b>Retirement Benefits Liability</b>				
Amortization of net actuarial loss, net of tax of \$- for all periods	1	1	2	1
Amortization of prior service credit, net of tax of \$- for all periods	(1)	—	(1)	—
<b>Investments</b>				
Unrealized gain (loss) on investments, net of tax of \$-, \$1, \$-, and \$1	—	—	(1)	1
<b>Other Comprehensive Income</b>	—	1	—	2
<b>Comprehensive Income</b>	140	94	381	294
<b>Comprehensive Income Attributable to Noncontrolling Interests</b>	1	1	1	1
<b>Comprehensive Income Attributable to CMS Energy</b>	\$ 139	\$ 93	\$ 380	\$ 293

The accompanying notes are an integral part of these statements.

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# CMS Energy Corporation

## Consolidated Statements of Cash Flows (Unaudited)

	<i>In Millions</i>	
Six Months Ended June 30	2018	2017
<b>Cash Flows from Operating Activities</b>		
Net income	\$ 381	\$ 292
<i>Adjustments to reconcile net income to net cash provided by operating activities</i>		
Depreciation and amortization	483	459
Deferred income taxes and investment tax credit	60	132
Other non-cash operating activities and reconciling adjustments	22	47
<i>Cash provided by (used in) changes in assets and liabilities</i>		
Accounts and notes receivable and accrued revenue	298	154
Inventories	101	44
Accounts payable and accrued refunds	(41)	37
Other current and non-current assets and liabilities	112	(46)
Net cash provided by operating activities	1,416	1,119
<b>Cash Flows from Investing Activities</b>		
Capital expenditures (excludes assets placed under capital lease)	(872)	(746)
Increase in EnerBank notes receivable	(80)	(25)
Proceeds from the sale of EnerBank notes receivable	—	19
Cost to retire property and other investing activities	(56)	(54)
Net cash used in investing activities	(1,008)	(806)
<b>Cash Flows from Financing Activities</b>		
Proceeds from issuance of debt	794	923
Retirement of debt	(660)	(488)
Increase (decrease) in EnerBank certificates of deposit	136	(27)
Decrease in notes payable	(170)	(398)
Issuance of common stock	36	76
Payment of dividends on common and preferred stock	(204)	(188)
Payment of capital lease obligations and other financing costs	(43)	(27)
Net cash used in financing activities	(111)	(129)
<b>Net Increase in Cash and Cash Equivalents, Including Restricted Amounts</b>	297	184
<b>Cash and Cash Equivalents, Including Restricted Amounts, Beginning of Period</b>	204	257
<b>Cash and Cash Equivalents, Including Restricted Amounts, End of Period</b>	\$ 501	\$ 441
<b>Other non-cash investing and financing activities</b>		
<i>Non-cash transactions</i>		
Capital expenditures not paid	\$ 140	\$ 146

The accompanying notes are an integral part of these statements.

# CMS Energy Corporation

## Consolidated Balance Sheets (Unaudited)

### ASSETS

	<i>In Millions</i>	
	June 30 2018	December 31 2017
<b>Current Assets</b>		
Cash and cash equivalents	\$ 477	\$ 182
Restricted cash and cash equivalents	17	17
Accounts receivable and accrued revenue, less allowance of \$20 in both periods	708	1,032
Notes receivable, less allowance of \$23 in 2018 and \$20 in 2017	206	198
Notes receivable held for sale	—	2
Accounts receivable – related parties	14	12
<i>Inventories at average cost</i>		
Gas in underground storage	367	458
Materials and supplies	143	133
Generating plant fuel stock	60	81
Deferred property taxes	187	257
Regulatory assets	14	20
Prepayments and other current assets	93	83
Total current assets	2,286	2,475
<b>Plant, Property, and Equipment</b>		
Plant, property, and equipment, gross	23,258	22,506
Less accumulated depreciation and amortization	6,808	6,510
Plant, property, and equipment, net	16,450	15,996
Construction work in progress	787	765
Total plant, property, and equipment	17,237	16,761
<b>Other Non-current Assets</b>		
Regulatory assets	1,690	1,764
Accounts and notes receivable	1,246	1,187
Investments	74	64
Other	779	799
Total other non-current assets	3,789	3,814
<b>Total Assets</b>	\$ 23,312	\$ 23,050

**LIABILITIES AND EQUITY**

	<i>In Millions</i>	
	June 30 2018	December 31 2017
<b>Current Liabilities</b>		
Current portion of long-term debt, capital leases, and financing obligation	\$ 1,216	\$ 1,103
Notes payable	—	170
Accounts payable	623	725
Accounts payable – related parties	6	15
Accrued rate refunds	45	33
Accrued interest	102	103
Accrued taxes	267	360
Regulatory liabilities	159	80
Other current liabilities	117	195
Total current liabilities	2,535	2,784
<b>Non-current Liabilities</b>		
Long-term debt	9,272	9,123
Non-current portion of capital leases and financing obligation	81	91
Regulatory liabilities	3,751	3,715
Postretirement benefits	787	766
Asset retirement obligations	426	430
Deferred investment tax credit	102	87
Deferred income taxes	1,344	1,269
Other non-current liabilities	305	307
Total non-current liabilities	16,068	15,788
<b>Commitments and Contingencies</b> (Notes 2 and 3)		
<b>Equity</b>		
<i>Common stockholders' equity</i>		
Common stock, authorized 350.0 shares; outstanding 283.2 shares in 2018 and 281.6 shares in 2017	3	3
Other paid-in capital	5,076	5,019
Accumulated other comprehensive loss	(61)	(50)
Accumulated deficit	(346)	(531)
Total common stockholders' equity	4,672	4,441
Noncontrolling interests	37	37
Total equity	4,709	4,478
<b>Total Liabilities and Equity</b>	\$ 23,312	\$ 23,050

The accompanying notes are an integral part of these statements.

# CMS Energy Corporation

## Consolidated Statements of Changes in Equity (Unaudited)

*In Millions*

June 30	Three Months Ended		Six Months Ended	
	2018	2017	2018	2017
<b>Total Equity at Beginning of Period</b>	\$ 4,633	\$ 4,407	\$ 4,478	\$ 4,290
<b>Common Stock</b>				
At beginning and end of period	3	3	3	3
<b>Other Paid-in Capital</b>				
At beginning of period	5,037	4,927	5,019	4,916
Common stock issued	39	80	47	88
Common stock repurchased	—	(1)	(10)	(13)
Common stock reissued	—	—	20	15
At end of period	5,076	5,006	5,076	5,006
<b>Accumulated Other Comprehensive Loss</b>				
At beginning of period	(61)	(49)	(50)	(50)
<i>Retirement benefits liability</i>				
At beginning of period	(60)	(50)	(50)	(50)
Cumulative effect of change in accounting principle	—	—	(11)	—
Amortization of net actuarial loss	1	1	2	1
Amortization of prior service credit	(1)	—	(1)	—
At end of period	(60)	(49)	(60)	(49)
<i>Investments</i>				
At beginning of period	(1)	1	—	—
Unrealized gain (loss) on investments	—	—	(1)	1
At end of period	(1)	1	(1)	1
At end of period	(61)	(48)	(61)	(48)
<b>Accumulated Deficit</b>				
At beginning of period	(383)	(511)	(531)	(616)
Cumulative effect of change in accounting principle	—	—	8	—
Net income attributable to CMS Energy	139	92	380	291
Dividends declared on common stock	(102)	(93)	(203)	(187)
At end of period	(346)	(512)	(346)	(512)
<b>Noncontrolling Interests</b>				
At beginning of period	37	37	37	37
Income attributable to noncontrolling interests	1	1	1	1
Distributions and other changes in noncontrolling interests	(1)	(1)	(1)	(1)
At end of period	37	37	37	37
<b>Total Equity at End of Period</b>	\$ 4,709	\$ 4,486	\$ 4,709	\$ 4,486

The accompanying notes are an integral part of these statements.

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# Consumers Energy Company

## Consolidated Statements of Income (Unaudited)

<i>In Millions</i>				
June 30	Three Months Ended		Six Months Ended	
	2018	2017	2018	2017
<b>Operating Revenue</b>	\$ 1,395	\$ 1,362	\$ 3,250	\$ 3,099
<b>Operating Expenses</b>				
Fuel for electric generation	86	100	188	189
Purchased and interchange power	388	369	766	700
Purchased power – related parties	19	22	39	44
Cost of gas sold	108	105	485	437
Maintenance and other operating expenses	298	285	580	550
Depreciation and amortization	201	195	478	455
General taxes	66	64	151	143
Total operating expenses	1,166	1,140	2,687	2,518
<b>Operating Income</b>	229	222	563	581
<b>Other Income (Expense)</b>				
Interest income	2	2	4	6
Allowance for equity funds used during construction	1	2	2	4
Nonoperating retirement benefits, net	20	2	42	5
Other income	—	—	1	14
Other expense	(3)	(2)	(5)	(4)
Total other income	20	4	44	25
<b>Interest Charges</b>				
Interest on long-term debt	67	66	134	132
Other interest expense	4	4	9	7
Allowance for borrowed funds used during construction	(1)	(1)	(1)	(2)
Total interest charges	70	69	142	137
<b>Income Before Income Taxes</b>	179	157	465	469
<b>Income Tax Expense</b>	27	53	71	154
<b>Net Income</b>	152	104	394	315
<b>Preferred Stock Dividends</b>	1	1	1	1
<b>Net Income Available to Common Stockholder</b>	\$ 151	\$ 103	\$ 393	\$ 314

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		Six Months Ended	
June 30	2018	2017	2018	2017
<b>Net Income</b>	\$ 152	\$ 104	\$ 394	\$ 315
<b>Retirement Benefits Liability</b>				
Amortization of net actuarial loss, net of tax of \$- for all periods	—	1	1	1
<b>Investments</b>				
Unrealized gain (loss) on investments, net of tax of \$-, \$1, \$-, and \$1	—	—	(1)	2
Reclassification adjustments included in net income, net of tax of \$-, \$-, \$-, and \$(5)	—	—	—	(8)
<b>Other Comprehensive Income (Loss)</b>	—	1	—	(5)
<b>Comprehensive Income</b>	\$ 152	\$ 105	\$ 394	\$ 310

The accompanying notes are an integral part of these statements.

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# Consumers Energy Company

## Consolidated Statements of Cash Flows (Unaudited)

	<i>In Millions</i>	
Six Months Ended June 30	2018	2017
<b>Cash Flows from Operating Activities</b>		
Net income	\$ 394	\$ 315
<i>Adjustments to reconcile net income to net cash provided by operating activities</i>		
Depreciation and amortization	478	455
Deferred income taxes and investment tax credit	35	157
Other non-cash operating activities and reconciling adjustments	15	44
<i>Cash provided by (used in) changes in assets and liabilities</i>		
Accounts and notes receivable and accrued revenue	172	158
Inventories	98	43
Accounts payable and accrued refunds	(34)	38
Other current and non-current assets and liabilities	(60)	(85)
Net cash provided by operating activities	1,098	1,125
<b>Cash Flows from Investing Activities</b>		
Capital expenditures (excludes assets placed under capital lease)	(859)	(741)
Cost to retire property and other investing activities	(55)	(61)
Net cash used in investing activities	(914)	(802)
<b>Cash Flows from Financing Activities</b>		
Proceeds from issuance of debt	544	349
Retirement of debt	(330)	(263)
Decrease in notes payable	(170)	(398)
Stockholder contribution	250	450
Payment of dividends on common and preferred stock	(246)	(237)
Payment of capital lease obligations and other financing costs	(21)	(12)
Net cash provided by (used in) financing activities	27	(111)
<b>Net Increase in Cash and Cash Equivalents, Including Restricted Amounts</b>	211	212
<b>Cash and Cash Equivalents, Including Restricted Amounts, Beginning of Period</b>	65	152
<b>Cash and Cash Equivalents, Including Restricted Amounts, End of Period</b>	\$ 276	\$ 364
<b>Other non-cash investing and financing activities</b>		
<i>Non-cash transactions</i>		
Capital expenditures not paid	\$ 116	\$ 133

The accompanying notes are an integral part of these statements.

# Consumers Energy Company

## Consolidated Balance Sheets (Unaudited)

### ASSETS

	<i>In Millions</i>	
	June 30 2018	December 31 2017
<b>Current Assets</b>		
Cash and cash equivalents	\$ 254	\$ 44
Restricted cash and cash equivalents	17	17
Accounts receivable and accrued revenue, less allowance of \$20 in both periods	690	885
Notes receivable	17	17
Accounts receivable – related parties	1	2
<i>Inventories at average cost</i>		
Gas in underground storage	367	458
Materials and supplies	138	128
Generating plant fuel stock	58	76
Deferred property taxes	187	257
Regulatory assets	14	20
Prepayments and other current assets	82	71
<b>Total current assets</b>	<b>1,825</b>	<b>1,975</b>
<b>Plant, Property, and Equipment</b>		
Plant, property, and equipment, gross	23,059	22,318
Less accumulated depreciation and amortization	6,736	6,441
Plant, property, and equipment, net	16,323	15,877
Construction work in progress	763	753
<b>Total plant, property, and equipment</b>	<b>17,086</b>	<b>16,630</b>
<b>Other Non-current Assets</b>		
Regulatory assets	1,690	1,764
Accounts receivable	21	22
Investments	1	21
Other	660	687
<b>Total other non-current assets</b>	<b>2,372</b>	<b>2,494</b>
<b>Total Assets</b>	<b>\$ 21,283</b>	<b>\$ 21,099</b>

**LIABILITIES AND EQUITY**

	<i>In Millions</i>	
	June 30 2018	December 31 2017
<b>Current Liabilities</b>		
Current portion of long-term debt, capital leases, and financing obligation	\$ 398	\$ 365
Notes payable	—	170
Accounts payable	594	701
Accounts payable – related parties	11	19
Accrued rate refunds	45	33
Accrued interest	65	67
Accrued taxes	279	542
Regulatory liabilities	159	80
Other current liabilities	84	159
Total current liabilities	1,635	2,136
<b>Non-current Liabilities</b>		
Long-term debt	5,738	5,561
Non-current portion of capital leases and financing obligation	81	91
Regulatory liabilities	3,751	3,715
Postretirement benefits	731	711
Asset retirement obligations	425	429
Deferred investment tax credit	102	87
Deferred income taxes	1,689	1,640
Other non-current liabilities	243	241
Total non-current liabilities	12,760	12,475
<b>Commitments and Contingencies</b> (Notes 2 and 3)		
<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	4,699	4,449
Accumulated other comprehensive loss	(29)	(12)
Retained earnings	1,340	1,173
Total common stockholder's equity	6,851	6,451
Preferred stock	37	37
Total equity	6,888	6,488
<b>Total Liabilities and Equity</b>	\$ 21,283	\$ 21,099

The accompanying notes are an integral part of these statements.

# Consumers Energy Company

## Consolidated Statements of Changes in Equity (Unaudited)

<i>In Millions</i>				
June 30	Three Months Ended		Six Months Ended	
	2018	2017	2018	2017
<b>Total Equity at Beginning of Period</b>	\$ 6,713	\$ 6,246	\$ 6,488	\$ 5,939
<b>Common Stock</b>				
At beginning and end of period	841	841	841	841
<b>Other Paid-in Capital</b>				
At beginning of period	4,549	4,249	4,449	3,999
Stockholder contribution	150	200	250	450
At end of period	4,699	4,449	4,699	4,449
<b>Accumulated Other Comprehensive Loss</b>				
At beginning of period	(29)	(9)	(12)	(3)
<i>Retirement benefits liability</i>				
At beginning of period	(28)	(21)	(24)	(21)
Cumulative effect of change in accounting principle	—	—	(5)	—
Amortization of net actuarial loss	—	1	1	1
At end of period	(28)	(20)	(28)	(20)
<i>Investments</i>				
At beginning of period	(1)	12	12	18
Cumulative effect of change in accounting principle	—	—	(12)	—
Unrealized gain (loss) on investments	—	—	(1)	2
Reclassification adjustments included in net income	—	—	—	(8)
At end of period	(1)	12	(1)	12
At end of period	(29)	(8)	(29)	(8)
<b>Retained Earnings</b>				
At beginning of period	1,315	1,128	1,173	1,065
Cumulative effect of change in accounting principle	—	—	19	—
Net income	152	104	394	315
Dividends declared on common stock	(126)	(88)	(245)	(236)
Dividends declared on preferred stock	(1)	(1)	(1)	(1)
At end of period	1,340	1,143	1,340	1,143
<b>Preferred Stock</b>				
At beginning and end of period	37	37	37	37
<b>Total Equity at End of Period</b>	\$ 6,888	\$ 6,462	\$ 6,888	\$ 6,462

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 current period and to reflect the implementation of new accounting standards. CMS Energy and Consumers are required to make estimates using assumptions that may affect reported amounts and disclosures; actual results could differ from these estimates. In management's opinion, the unaudited information contained in this report reflects all adjustments of a normal recurring nature necessary to ensure that CMS Energy's and Consumers' financial position, results of operations, and cash flows for the periods presented are fairly stated. The notes to the unaudited consolidated financial statements and the related unaudited consolidated financial statements should be read in conjunction with the consolidated financial statements and related notes contained in the 2017 Form 10-K. Due to the seasonal nature of CMS Energy's and Consumers' operations, the results presented for this interim period are not necessarily indicative of results to be achieved for the fiscal year.

## 1 : New Accounting Standards

### Implementation of New Accounting Standards

*ASU 2014-09, Revenue from Contracts with Customers:* This standard, which was effective on January 1, 2018 for CMS Energy and Consumers, provides new guidance for recognizing revenue from contracts with customers. A primary objective of the standard is to provide a single, comprehensive revenue recognition model that will be applied across entities, industries, and capital markets. The new guidance replaced most of the previous revenue recognition requirements in GAAP, although certain guidance specific to rate-regulated utilities was retained. CMS Energy and Consumers had the option to apply the standard retrospectively to all prior periods presented or retrospectively with the cumulative effect of the standard recorded as an adjustment to beginning retained earnings. They also had the option to apply the standard only to contracts existing on the effective date. CMS Energy and Consumers applied the standard retrospectively to contracts existing on the effective date, and recorded an immaterial cumulative-effect reduction to beginning retained earnings for certain contract costs that can no longer be deferred under the new guidance.

The implementation of this standard did not have a material impact on CMS Energy's or Consumers' consolidated net income, cash flows, or financial position. CMS Energy and Consumers did not identify any significant changes to their revenue recognition practices that were required by the new guidance, but in accordance with the standard, they have provided additional disclosures about their revenues in Note 11, Revenue .

*ASU 2016-01, Recognition and Measurement of Financial Assets and Financial Liabilities:* This standard, which was effective on January 1, 2018 for CMS Energy and Consumers, is intended to improve the accounting for financial instruments. The standard requires investments in equity securities to be measured at fair value, with changes in fair value recognized in net income, except for certain investments such as those that qualify for equity-method accounting. The standard no longer permits unrealized gains and losses for certain equity investments to be recorded in AOCI. There are other targeted changes as well. Entities must apply the standard using a modified retrospective approach, with the cumulative effect of the standard recorded as an adjustment to beginning retained earnings.

The implementation of the standard had no impact on CMS Energy's consolidated financial statements. In accordance with the standard, as of January 1, 2018, Consumers removed a \$19 million unrealized gain and the associated deferred taxes on its investment in CMS Energy common stock from AOCI and recorded the gain in retained earnings. In January 2018, Consumers transferred substantially all of its shares in CMS Energy common stock to a related charitable foundation and, in accordance with this standard, recognized all unrealized gains and losses on its remaining shares in net income for the three and six months ended June 30, 2018. The accounting treatment for this investment is reflected in Consumers' consolidated financial statements only, and had no impact on CMS Energy's consolidated financial statements. For further details on CMS Energy's and Consumers' investments in debt and equity securities, see Note 6, Financial Instruments.

*ASU 2018-02, Reclassification of Certain Tax Effects from Accumulated Other Comprehensive Income:* This standard addresses the income tax effects stranded in AOCI as a result of the TCJA. Existing GAAP requires that the remeasurement of deferred tax assets and liabilities resulting from a change in tax laws or rates be presented in net income from continuing operations, even if the deferred taxes were associated with items that were originally recognized in AOCI. As a result, upon recognizing the effects of the TCJA, the tax effects of items in AOCI (referred to as stranded tax effects) no longer reflected the current income tax rate. To address this matter, this standard permits companies to reclassify to retained earnings the stranded tax effects of the TCJA. The standard is effective on January 1, 2019 for CMS Energy and Consumers, but early adoption is permitted. The new guidance is to be applied either in the period of adoption or retrospectively to each prior period in which the effect of the TCJA was recognized. CMS Energy and Consumers elected to adopt this standard early. Accordingly, as of January 1, 2018, CMS Energy reclassified \$11 million of stranded tax effects from AOCI to retained earnings, which included \$5 million reclassified at Consumers. At June 30, 2018, CMS Energy and Consumers did not have any material stranded tax effects remaining in AOCI.

## New Accounting Standards Not Yet Effective

*ASU 2016-02, Leases:* This standard establishes a new accounting model for leases. The standard will require entities to recognize lease assets and liabilities on the balance sheet for all leases with a term of more than one year, including operating leases, which are not recorded on the balance sheet under existing standards. The new guidance will also amend the definition of a lease to require that a lessee control the use of a specified asset, and not simply control or take the output of the asset. On the income statement, leases that meet existing capital lease criteria will generally be accounted for under a financing model, while operating leases will generally be accounted for under a straight-line expense model. The standard will be effective on January 1, 2019 for CMS Energy and Consumers, but early adoption is permitted.

CMS Energy and Consumers are not adopting the standard early and expect to elect certain practical expedients permitted by the standard, under which they will not be required to perform lease assessments or reassessments for agreements existing on the effective date. CMS Energy and Consumers expect to recognize additional lease assets and liabilities for their operating leases under the standard. CMS Energy and Consumers are continuing to evaluate the standard; however, they do not expect that it will have a material impact on their consolidated net income or cash flows.

*ASU 2016-13, Measurement of Credit Losses on Financial Instruments:* This standard, which will be effective January 1, 2020 for CMS Energy and Consumers, provides new guidance for estimating and recording credit losses on financial instruments. The standard will apply to the recognition of loan losses at EnerBank as well as to the recognition of uncollectible accounts expense at Consumers. Entities will apply the standard using a modified retrospective approach, with a cumulative-effect adjustment recorded to beginning retained earnings on the effective date. CMS Energy and Consumers are evaluating the impact of the standard on their consolidated financial statements.



## 2 : Regulatory Matters

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

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

**Electric Rate Case:** In March 2017, Consumers filed an application with the MPSC seeking an annual rate increase of \$173 million, based on a 10.5 percent authorized return on equity. The filing requested authority to recover new investment in system reliability, environmental compliance, and technology enhancements. In September 2017, Consumers reduced its requested annual rate increase to \$148 million. In October 2017, Consumers self-implemented an annual rate increase of \$130 million, subject to refund with interest and potential penalties. The MPSC issued an order in March 2018, authorizing an annual rate increase of \$66 million, based on a 10.0 percent authorized return on equity. In June 2018, as a result of a petition for rehearing filed by Consumers, the MPSC issued an order adjusting the authorized annual rate increase to \$72 million by allowing recovery of additional retirement benefit plan costs. Consumers had a recorded liability of \$35 million for customer refunds at June 30, 2018.

**Gas Rate Case:** In February 2018, the MPSC Staff filed testimony in the general gas rate case that Consumers filed in October 2017. In its testimony, the MPSC Staff recommended the disallowance of cost recovery for certain categories of historical capital expenditures incurred by Consumers, totaling over \$115 million. In July 2018, the administrative law judge issued a proposal for decision supporting a portion of the MPSC Staff's recommended disallowance, totaling \$100 million. If the MPSC were to adopt some or all of the administrative law judge's recommendations, Consumers would be required to write off up to \$145 million of assets; this range of loss takes into account Consumers' actual historical costs. A material disallowance of historical costs could negatively affect CMS Energy's and Consumers' results of operations. While Consumers cannot predict the outcome of this proceeding, it does not believe it is probable that the MPSC will disallow these historical capital expenditures in the final order, as there is no regulatory precedent of a disallowance of this type.

**Tax Cuts and Jobs Act :** The TCJA, which changed existing federal tax law and included numerous provisions that affect businesses, was signed into law in December 2017. In February 2018, the MPSC ordered Consumers to file various proceedings to determine the reduction in its electric and gas revenue requirements as a result of the TCJA. The MPSC also ordered Consumers to implement bill credits to reflect that reduction until customer rates are adjusted through Consumers' general rate cases. Consumers filed the first of these proceedings in March 2018, requesting a \$49 million reduction in its annual gas revenue requirement. The MPSC approved this reduction in June 2018, with credits to customer bills beginning in July 2018. Consumers filed the second proceeding in April 2018, requesting a \$113 million reduction in its annual electric revenue requirement. The MPSC approved this reduction in July 2018, with credits to customer bills beginning in August 2018. These credits will reduce rates prospectively for the impact of the TCJA but do not include potential refunds associated with Consumers' remeasurement of its deferred income taxes; these will be considered in a subsequent proceeding.

By October 2018, Consumers will file two more proceedings to address amounts collected from customers during 2018 through the implementation of the first two proceedings. Consumers' liability for customer refunds for amounts over-collected during that time was \$88 million at June 30, 2018.

Consumers will also file, by October 2018, additional proceedings to address the December 31, 2017 remeasurement of its deferred income taxes and any other impacts of the TCJA on customers. For additional details on the remeasurement, see Note 9, Income Taxes .

**Energy Waste Reduction Plan Incentive:** Consumers filed its 2017 energy waste reduction reconciliation in May 2018, requesting the MPSC’s approval to collect from customers the maximum performance incentive of \$31 million for exceeding its statutory savings targets in 2017. Consumers recognized incentive revenue under this program of \$31 million in 2017.

### 3 : Contingencies and Commitments

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

#### CMS Energy Contingencies

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

After removal to federal court, all of the cases were transferred to a single federal district court pursuant to the multidistrict litigation process. In 2010 and 2011, all claims against CMS Energy defendants were dismissed by the district court based on FERC preemption. In 2013, the U.S. Court of Appeals for the Ninth Circuit reversed the district court decision. The appellate court found that FERC preemption does not apply under the facts of these cases. The appellate court affirmed the district court’s denial of leave to amend to add federal antitrust claims. The matter was appealed to the U.S. Supreme Court, which in 2015 upheld the Ninth Circuit’s decision. The cases were remanded back to the federal district court.

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

In March 2017, the federal district court denied plaintiffs’ motion for class certification in the two pending class action cases. The plaintiffs appealed that decision to the U.S. Court of Appeals for the Ninth Circuit, which has accepted the matter for hearing. In June 2017, an unaffiliated company that is also a defendant in these cases filed for bankruptcy, which could increase the risk of loss to CMS Energy.

These cases involve complex facts, a large number of similarly situated defendants with different factual positions, and multiple jurisdictions. Presently, any estimate of liability would be highly speculative; the amount of CMS Energy’s reasonably possible loss would be based on widely varying models previously untested in this context. If the outcome after appeals is unfavorable, these cases could negatively affect CMS Energy’s liquidity, financial condition, and results of operations.

**Bay Harbor:** CMS Land retained environmental remediation obligations for the collection and treatment of leachate, a liquid consisting of water and other substances, 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 the MDEQ finalized an agreement that established the final remedies and the future water quality criteria at the site. CMS Land completed all construction necessary to implement the remedies required by the agreement and will continue to maintain and operate a system to discharge treated leachate into Little Traverse Bay under an NPDES permit issued in 2010 and renewed in 2016. The renewed NPDES permit is valid through September 2020.

Various claims have been brought against CMS Land or its affiliates, including CMS Energy, alleging environmental damage to property, loss of property value, insufficient disclosure of environmental matters, breach of agreement relating to access, or other matters. CMS Land and other parties have received a demand for payment from the EPA in the amount of \$8 million, plus interest and costs. The EPA is seeking recovery under CERCLA of response costs allegedly incurred at Bay Harbor. These costs exceed what was agreed to in a 2005 order between CMS Land and the EPA and CMS Land believes that the claim was made beyond the appropriate statute of limitations. CMS Land has communicated to the EPA that it does not believe that this is a valid claim. The EPA has filed a lawsuit to collect these costs.

At June 30, 2018, CMS Energy had a recorded liability of \$47 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 \$58 million. CMS Energy expects to pay the following amounts for long-term liquid disposal and operating and maintenance costs during the remainder of 2018 and in each of the next five years:

	<i>In Millions</i>					
	2018	2019	2020	2021	2022	2023
<b>CMS Energy</b>						
Long-term liquid disposal and operating and maintenance costs	\$ 2	\$ 4	\$ 4	\$ 4	\$ 4	\$ 4

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

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

## Consumers Electric Utility Contingencies

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

**Cleanup and Solid Waste:** Consumers expects to incur remediation and other response activity costs at a number of sites under the NREPA. Consumers believes that these costs should be recoverable in rates, but cannot guarantee that outcome. Consumers estimates that its liability for NREPA sites for which it can

estimate a range of loss will be between \$3 million and \$4 million . At June 30, 2018 , Consumers had a recorded liability of \$3 million , the minimum amount in the range of its estimated probable NREPA liability, as no amount in the range was considered a better estimate than any other amount.

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

Based on its experience, Consumers estimates that its share of the total liability for known CERCLA sites will be between \$3 million and \$8 million . Various factors, including the number and creditworthiness of potentially responsible parties involved with each site, affect Consumers' share of the total liability. At June 30, 2018 , Consumers had a recorded liability of \$3 million for its share of the total liability at these sites, the minimum amount in the range of its estimated probable CERCLA liability, as no amount in the range was considered a better estimate than any other amount.

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

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

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

The claim estimates damages and interest in excess of \$270 million , the majority of which is related to the claim on the installation of pollution control equipment. Consumers believes that the MCV Partnership's claim is without merit, but cannot predict the financial impact or outcome of the matter.

**Underwater Cables in Straits of Mackinac:** Consumers owns certain underwater electric cables in the Straits of Mackinac, which were de-energized and retired in 1990. Consumers was notified that some of these cables were damaged as a result of vessel activity in April 2018. Following the notification, Consumers located, inspected, sampled, capped, and returned the retired cables to their original location on the lake bottom, and did not find any substantive evidence of environmental contamination.

Consumers is collaborating with the State of Michigan, local tribes, and other stakeholders to evaluate the status of the cables and to determine if any additional action is required. Consumers cannot predict the outcome of this matter, but if Consumers is required to remove all the cables, it could incur additional costs of up to \$10 million . Consumers plans to file suit against the company that owns the vessel that allegedly caused the damage. Consumers would likely seek recovery from customers of any costs incurred.

## Consumers Gas Utility Contingencies

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

At June 30, 2018 , Consumers had a recorded liability of \$83 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 \$90 million . Consumers expects to pay the following amounts for remediation and other response activity costs during the remainder of 2018 and in each of the next five years:

	<i>In Millions</i>					
	2018	2019	2020	2021	2022	2023
<b>Consumers</b>						
Remediation and other response activity costs	\$ 11	\$ 18	\$ 10	\$ 18	\$ 7	\$ 2

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 June 30, 2018 , Consumers had a regulatory asset of \$139 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 June 30, 2018 , 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 June 30, 2018 :

	<i>In Millions</i>			
Guarantee Description	Issue Date	Expiration Date	Maximum Obligation	Carrying Amount
<b>CMS Energy, including Consumers</b>				
Indemnity obligations from stock and asset sale agreements <sup>1</sup>	Various	Indefinite	\$ 153	\$ 3
Guarantees <sup>2</sup>	Various	Indefinite	39	—
<b>Consumers</b>				
Guarantee <sup>2</sup>	July 2011	Indefinite	\$ 30	\$ —

- <sup>1</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, primarily claims related to taxes. CMS Energy believes the likelihood of material loss to be remote for the indemnity obligations not recorded as liabilities.
- <sup>2</sup> At Consumers, this obligation comprises a guarantee provided 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. At CMS Energy, the guarantee obligations comprise Consumers' guarantee to the U.S. Department of Energy and CMS Energy's 1994 guarantee of non-recourse revenue bonds issued by Genesee.

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

## Other Contingencies

In addition to the matters disclosed in this Note and Note 2, Regulatory Matters, there are certain other lawsuits and administrative proceedings before various courts and governmental agencies arising in the ordinary course of business to which CMS Energy, Consumers, and certain other subsidiaries of CMS Energy are parties. These other lawsuits and proceedings 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 will not have a material negative effect on their consolidated results of operations, financial condition, or liquidity.

## 4 : Financings and Capitalization

**Financings:** Presented in the following table is a summary of major long-term debt transactions during the six months ended June 30, 2018 .

	Principal (In Millions)	Interest Rate	Issue/Retirement Date	Maturity Date
<i>Debt issuances</i>				
<b>CMS Energy, parent only</b>				
Junior subordinated notes <sup>1</sup>	\$ 200	5.625%	March 2018	March 2078
Total CMS Energy, parent only	\$ 200			
<b>Consumers</b>				
First mortgage bonds	\$ 550	4.05%	May 2018	May 2048
Total Consumers	\$ 550			
Total CMS Energy	\$ 750			
<i>Debt retirements</i>				
<b>CMS Energy, parent only</b>				
Term loan facility	\$ 180	variable	March 2018	December 2018
Senior notes <sup>2</sup>	\$ 100	8.75%	June 2018	June 2019
Total CMS Energy, parent only	\$ 280			
<b>Consumers</b>				
Tax-exempt pollution control revenue bonds	\$ 68	various	April 2018	April 2018
First mortgage bonds	250	5.65%	May 2018	September 2018
Total Consumers	\$ 318			
Total CMS Energy	\$ 598			

<sup>1</sup> These unsecured obligations rank subordinate and junior in right of payment to all of CMS Energy's existing and future senior indebtedness.

<sup>2</sup> CMS Energy retired these senior notes at a premium and recorded a loss on extinguishment of \$5 million in other expense on its consolidated statements of income.

In July 2018, Consumers entered into a bond purchase agreement to issue an aggregate principal amount of \$500 million in first mortgage bonds through a private placement. The issuance and funding of the bonds is expected to occur in October 2018.

**Revolving Credit Facilities:** The following revolving credit facilities with banks were available at June 30, 2018 :

					<i>In Millions</i>	
Expiration Date	Amount of Facility	Amount Borrowed	Letters of Credit Outstanding		Amount Available	
<b>CMS Energy, parent only</b>						
June 5, 2023 <sup>1</sup>	\$ 550	\$ —	\$ 1		\$ 549	
<b>Consumers</b>						
June 5, 2023 <sup>2,3</sup>	\$ 850	\$ —	\$ 7		\$ 843	
November 23, 2019 <sup>3</sup>	250	—	25		225	
September 9, 2019 <sup>3</sup>	30	—	30		—	

- <sup>1</sup> During the six months ended June 30, 2018 , CMS Energy’s average borrowings totaled \$23 million with a weighted-average interest rate of 2.81 percent . In June 2018, CMS Energy amended this revolving credit facility, eliminating the security provided by Consumers common stock, and extending the expiration date to June 2023.
- <sup>2</sup> In June 2018, Consumers amended this revolving credit facility by increasing its borrowing capacity to \$850 million and extending the expiration date to June 2023.
- <sup>3</sup> Obligations under this facility are secured by first mortgage bonds of Consumers.

**Short-term Borrowings:** Under Consumers’ commercial paper program , Consumers may issue, in one or more placements , commercial paper notes with maturities of up to 365 days and that bear interest at fixed or floating 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 June 30, 2018 , no commercial paper notes were outstanding under this program.

**Dividend Restrictions :** At June 30, 2018 , payment of dividends by CMS Energy on its common stock was limited to \$4.7 billion under provisions of the Michigan Business Corporation Act of 1972.

Under the provisions of its articles of incorporation, at June 30, 2018 , Consumers had \$1.3 billion of unrestricted retained earnings available to pay dividends on its common stock to CMS Energy. Provisions of the Federal Power Act and the Natural Gas Act appear to restrict dividends payable by Consumers to the amount of Consumers’ retained earnings. Several decisions from FERC suggest that, under a variety of circumstances, dividends from Consumers on its common stock would not be limited to amounts in Consumers’ retained earnings. Any decision by Consumers to pay dividends on its common stock in excess of retained earnings would be based on specific facts and circumstances and would be subject to a formal regulatory filing process.

For the six months ended June 30, 2018 , Consumers paid \$245 million in dividends on its common stock to CMS Energy.

**Issuance of Common Stock:** In March 2017, CMS Energy entered into an updated continuous equity offering program permitting it to sell, from time to time in “at the market” offerings, common stock having an aggregate sales price of up to \$100 million . Presented in the following table are the transactions that CMS Energy entered into under the program:

	Number of Shares Issued	Average Price per Share	Net Proceeds (In Millions)
May 2018	638,898	\$ 45.83	\$ 29
June 2017	1,494,371	47.31	70



## 5 : Fair Value Measurements

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

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

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

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

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

	<i>In Millions</i>			
	CMS Energy, including Consumers		Consumers	
	June 30 2018	December 31 2017	June 30 2018	December 31 2017
<i>Assets <sup>1</sup></i>				
Cash equivalents	\$ 56	\$ 74	\$ —	\$ —
Restricted cash equivalents	17	17	17	17
CMS Energy common stock	—	—	1	21
Nonqualified deferred compensation plan assets	14	14	11	10
<i>DB SERP</i>				
Cash equivalents	7	5	5	4
Debt securities	133	141	97	102
<i>Derivative instruments</i>				
Commodity contracts	2	1	2	1
Total	\$ 229	\$ 252	\$ 133	\$ 155
<i>Liabilities <sup>1</sup></i>				
Nonqualified deferred compensation plan liabilities	\$ 14	\$ 14	\$ 11	\$ 10
<i>Derivative instruments</i>				
Commodity contracts	1	1	1	—
Total	\$ 15	\$ 15	\$ 12	\$ 10

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

**Cash Equivalents:** Cash equivalents and restricted cash equivalents consist of money market funds with daily liquidity. Short-term debt instruments classified as cash equivalents on the consolidated balance sheets are not included since they are recorded at amortized cost.

**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.

**DB SERP Assets:** The DB SERP cash equivalents consist of a money market fund with daily liquidity. The DB SERP debt securities consist of U.S. Treasury debt securities and are valued at their daily quoted market prices. CMS Energy and Consumers report their DB SERP assets in other non-current assets on their consolidated balance sheets. In July 2018, CMS Energy and Consumers sold the DB SERP debt securities. For additional details about DB SERP securities, see Note 6, Financial Instruments.

**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 values its exchange-traded derivative contracts based on Level 1 quoted prices. CMS Energy's and Consumers' remaining derivatives are classified as Level 3.

The majority of these derivatives are FTRs held by Consumers. Consumers uses FTRs to manage price risk related to electricity transmission congestion. An FTR is a financial instrument that entitles its holder to receive compensation or requires its holder to remit payment for congestion-related transmission charges. Under regulatory accounting, all changes in fair value associated with FTRs are deferred as regulatory assets and liabilities until the instruments are settled. 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 category of financial assets and liabilities during the periods presented.

## 6 : Financial Instruments

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

<i>In Millions</i>												
	June 30, 2018						December 31, 2017					
	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>	\$ 21	\$ 21	\$ —	\$ —	\$ 21		\$ 21	\$ 21	\$ —	\$ —	\$ 21	
Notes receivable <sup>2</sup>	1,437	1,522	—	—	1,522		1,371	1,464	—	—	1,464	
Securities held to maturity	19	19	—	19	—		16	16	—	16	—	
<i>Liabilities</i>												
Long-term debt <sup>3</sup>	10,466	10,539	199	9,053	1,287		10,204	10,715	—	9,363	1,352	
Long-term payables <sup>4</sup>	26	26	—	—	26		27	26	—	—	26	
<b>Consumers</b>												
<i>Assets</i>												
Long-term receivables <sup>1</sup>	\$ 21	\$ 21	\$ —	\$ —	\$ 21		\$ 21	\$ 21	\$ —	\$ —	\$ 21	
Notes receivable <sup>5</sup>	17	17	—	—	17		17	17	—	—	17	
<i>Liabilities</i>												
Long-term debt <sup>6</sup>	6,114	6,163	—	4,876	1,287		5,904	6,236	—	4,883	1,353	

<sup>1</sup> Includes current accounts receivable of \$14 million at June 30, 2018 and December 31, 2017 .

<sup>2</sup> Includes current portion of notes receivable of \$206 million at June 30, 2018 and \$200 million at December 31, 2017 .

<sup>3</sup> Includes current portion of long-term debt of \$1.2 billion at June 30, 2018 and \$1.1 billion at December 31, 2017 .

<sup>4</sup> Includes current portion of long-term payables of \$3 million at June 30, 2018 and December 31, 2017 .

<sup>5</sup> Includes current portion of notes receivable of \$17 million at June 30, 2018 and December 31, 2017 .

<sup>6</sup> Includes current portion of long-term debt of \$376 million at June 30, 2018 and \$343 million at December 31, 2017 .

At CMS Energy, notes receivable consisted primarily of EnerBank's fixed-rate installment loans. EnerBank estimated the fair value of these loans using a discounted cash flows technique that

incorporates market interest rates as well as assumptions about the remaining life of the loans and credit risk.

CMS Energy and Consumers estimated the fair value of their long-term debt using quoted prices from market trades of the debt, if available. In the absence of quoted prices, CMS Energy and Consumers calculated market yields and prices for the debt using a matrix method incorporating market data for similarly rated debt. Depending on the information available, other valuation techniques and models may be used that rely on assumptions that cannot be observed or confirmed through market transactions.

The effects of third-party credit enhancements were excluded from the fair value measurements of long-term debt. The principal amount of CMS Energy's long-term debt supported by third-party credit enhancements was \$35 million at June 30, 2018 and \$103 million at December 31, 2017. The entirety of these amounts was at Consumers.

Presented in the following table are CMS Energy's and Consumers' investment securities classified as available for sale or held to maturity:

<i>In Millions</i>								
	June 30, 2018				December 31, 2017			
	Cost	Unrealized Gains	Unrealized Losses	Fair Value	Cost	Unrealized Gains	Unrealized Losses	Fair Value
<b>CMS Energy, including Consumers</b>								
<i>Available for sale</i>								
<i>DB SERP</i>								
Debt securities	\$ 135	\$ —	\$ (2)	\$ 133	\$ 141	\$ —	\$ —	\$ 141
<i>Held to maturity</i>								
Debt securities	19	—	—	19	16	—	—	16
<b>Consumers</b>								
<i>Available for sale</i>								
<i>DB SERP</i>								
Debt securities	\$ 98	\$ —	\$ (1)	\$ 97	\$ 102	\$ —	\$ —	\$ 102
CMS Energy common stock <sup>1</sup>	—	—	—	—	2	19	—	21

<sup>1</sup> In January 2018, Consumers implemented ASU 2016-01, *Recognition and Measurement of Financial Assets and Financial Liabilities*. In accordance with the standard, as of January 1, 2018, Consumers removed a \$19 million unrealized gain on its investment in CMS Energy common stock from AOCI and recorded the gain in retained earnings. For further details on CMS Energy's and Consumers' accounting for this new standard, see Note 1, New Accounting Standards.

In January 2018, Consumers transferred substantially all of its shares in CMS Energy common stock to a related charitable foundation. Consumers' remaining equity investment in CMS Energy common stock was \$1 million at June 30, 2018. There were no material changes in the fair value of Consumers' investment in CMS Energy common stock during the six months ended June 30, 2018.

The DB SERP debt securities classified as available for sale were U.S. Treasury debt securities with maturities ranging from one to ten years. Debt securities classified as held to maturity consisted primarily of mortgage-backed securities and Utah Housing Corporation bonds held by EnerBank.

In July 2018, CMS Energy and Consumers sold the DB SERP debt securities and CMS Energy issued a \$146 million demand note payable to the DB SERP rabbi trust. The demand note payable and associated DB SERP investment will be eliminated on CMS Energy's consolidated balance sheets. The CMS Energy demand note payable bears interest at an annual rate of 4.10 percent and has a maturity date of 2028.

## 7 : Notes Receivable

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

	<i>In Millions</i>	
	June 30, 2018	December 31, 2017
<b>CMS Energy, including Consumers</b>		
<i>Current</i>		
EnerBank notes receivable, net of allowance for loan losses	\$ 186	\$ 178
EnerBank notes receivable held for sale	—	2
Michigan tax settlement	20	20
<i>Non-current</i>		
EnerBank notes receivable	1,231	1,171
Total notes receivable	\$ 1,437	\$ 1,371
<b>Consumers</b>		
<i>Current</i>		
Michigan tax settlement	\$ 17	\$ 17
Total notes receivable	\$ 17	\$ 17

EnerBank notes receivable are unsecured consumer installment loans for financing home improvements. EnerBank records its notes receivable at cost, less an allowance for loan losses. Authorized contractors pay fees to EnerBank to provide borrowers with same-as-cash, zero interest, or reduced interest loans. Unearned income associated with the loan fees, which is recorded as a reduction to notes receivable on CMS Energy's consolidated balance sheets, was \$85 million at June 30, 2018 and \$84 million at December 31, 2017 .

In July 2018, EnerBank purchased a portfolio of secured and unsecured consumer retail installment contracts with a principal value of \$81 million .

The allowance for loan losses is a valuation allowance to reflect estimated credit losses. The allowance is increased by the provision for loan losses and decreased by loan charge-offs net of recoveries. Management estimates the allowance balance required by taking into consideration historical loan loss experience, the nature and volume of the portfolio, economic conditions, and other factors. Loan losses are charged against the allowance when the loss is confirmed, but no later than the point at which a loan becomes 120 days past due.

Loans that are 30 days or more past due are considered delinquent. The balance of EnerBank's delinquent consumer loans was \$13 million at June 30, 2018 and \$14 million at December 31, 2017 .

At June 30, 2018 and December 31, 2017 , \$1 million of EnerBank's loans had been modified as troubled debt restructurings.

## 8 : Retirement Benefits

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

In November 2017, CMS Energy and Consumers approved certain amendments to the OPEB Plan, resulting in higher OPEB Plan credits in 2018 compared to 2017. Presented in the following table are the costs (credits) and other changes in plan assets and benefit obligations incurred in CMS Energy's and Consumers' retirement benefits plans:

In Millions									
June 30	DB Pension Plans				OPEB Plan				
	Three Months Ended		Six Months Ended		Three Months Ended		Six Months Ended		
	2018	2017	2018	2017	2018	2017	2018	2017	
CMS Energy, including Consumers									
Net periodic cost (credit)									
Service cost	\$ 12	\$ 11	\$ 24	\$ 22	\$ 5	\$ 5	\$ 9	\$ 10	
Interest cost	23	22	45	44	9	13	18	26	
Expected return on plan assets	(37)	(38)	(74)	(76)	(25)	(23)	(49)	(45)	
Amortization of:									
Net loss	19	20	37	40	4	8	8	16	
Prior service cost (credit)	—	1	1	2	(17)	(9)	(34)	(18)	
Net periodic cost (credit)	\$ 17	\$ 16	\$ 33	\$ 32	\$ (24)	\$ (6)	\$ (48)	\$ (11)	
Consumers									
Net periodic cost (credit)									
Service cost	\$ 11	\$ 11	\$ 23	\$ 22	\$ 4	\$ 4	\$ 8	\$ 9	
Interest cost	21	22	42	43	9	13	17	26	
Expected return on plan assets	(34)	(37)	(69)	(74)	(23)	(21)	(46)	(42)	
Amortization of:									
Net loss	18	19	36	39	4	8	8	16	
Prior service cost (credit)	—	1	1	2	(16)	(8)	(32)	(17)	
Net periodic cost (credit)	\$ 16	\$ 16	\$ 33	\$ 32	\$ (22)	\$ (4)	\$ (45)	\$ (8)	

## 9 : Income Taxes

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

Six Months Ended June 30	2018	2017
<b>CMS Energy, including Consumers</b>		
U.S. federal income tax rate	21.0 %	35.0 %
<i>Increase (decrease) in income taxes from:</i>		
State and local income taxes, net of federal effect	5.6	4.7
Accelerated flow-through of regulatory tax benefits <sup>1</sup>	(5.0)	(4.2)
TCJA excess deferred taxes <sup>2</sup>	(3.4)	—
Research and development tax credits, net <sup>3</sup>	(2.2)	(0.1)
Production tax credits	(1.7)	(1.0)
Employee share-based awards	(0.3)	(1.4)
Other, net	0.6	(0.1)
Effective tax rate	14.6 %	32.9 %
<b>Consumers</b>		
U.S. federal income tax rate	21.0 %	35.0 %
<i>Increase (decrease) in income taxes from:</i>		
State and local income taxes, net of federal effect	5.8	4.6
Accelerated flow-through of regulatory tax benefits <sup>1</sup>	(4.7)	(4.0)
TCJA excess deferred taxes <sup>2</sup>	(3.2)	—
Research and development tax credits, net <sup>3</sup>	(2.1)	(0.1)
Production tax credits	(1.5)	(0.9)
Employee share-based awards	(0.3)	(1.2)
Other, net	0.3	(0.6)
Effective tax rate	15.3 %	32.8 %

<sup>1</sup> In 2013, the MPSC issued an order authorizing Consumers to accelerate the flow-through to electric and gas customers of certain income tax benefits associated primarily with the cost of removal of plant placed in service before 1993. Consumers implemented this regulatory treatment beginning in 2014. This change, which also accelerates Consumers' recognition of the income tax benefits, reduced Consumers' income tax expense by \$22 million for the six months ended June 30, 2018 and by \$19 million for the six months ended June 30, 2017.

<sup>2</sup> In December 2017, Consumers remeasured its deferred tax assets and liabilities at the new federal tax rate enacted by the TCJA and recorded a \$1.8 billion regulatory liability. This regulatory liability relates to the excess deferred taxes arising from accelerated tax depreciation on assets in rate base that are governed by normalization provisions of the U.S. Internal Revenue Code. The normalization provisions require that the excess deferred taxes be refunded to customers over the remaining average service life of the associated assets. In January 2018, Consumers began to reduce this regulatory liability by crediting income tax expense. Consumers has fully reserved for the eventual refund of these excess deferred taxes that it has credited to income tax expense in a separate regulatory liability established by reducing revenue, and will continue to do so until these benefits are passed on to customers in accordance with an MPSC order, expected to be issued in 2019. At June 30, 2018, this reserve for refund of these excess deferred taxes totaled \$18 million.

<sup>3</sup> In March 2018, Consumers finalized a study of research and development tax credits for the tax years 2012 through 2016. As a result, Consumers recognized an \$8 million increase in the credit, net of reserves for uncertain tax positions.

## 10 : Earnings Per Share—CMS Energy

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

June 30	<i>In Millions, Except Per Share Amounts</i>			
	Three Months Ended		Six Months Ended	
	2018	2017	2018	2017
<i>Income available to common stockholders</i>				
Net income	\$ 140	\$ 93	\$ 381	\$ 292
Less income attributable to noncontrolling interests	1	1	1	1
Net income available to common stockholders – basic and diluted	\$ 139	\$ 92	\$ 380	\$ 291
<i>Average common shares outstanding</i>				
Weighted-average shares – basic	282.1	279.5	281.8	279.2
Add dilutive nonvested stock awards	0.5	0.8	0.6	0.9
Weighted-average shares – diluted	282.6	280.3	282.4	280.1
<i>Net income per average common share available to common stockholders</i>				
Basic	\$ 0.49	\$ 0.33	\$ 1.35	\$ 1.04
Diluted	0.49	0.33	1.35	1.04

### 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 basic EPS.



# 11 : Revenue

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

<i>In Millions</i>					
Three Months Ended June 30, 2018	Electric Utility	Gas Utility	Enterprises <sup>1</sup>	Other <sup>2</sup>	Consolidated
<b>CMS Energy, including Consumers</b>					
Consumers utility revenue	\$ 1,087	\$ 302	\$ —	\$ —	\$ 1,389
Other	—	—	24	—	24
Revenue recognized from contracts with customers	1,087	302	24	—	1,413
Leasing income	—	—	37	—	37
Financing income	2	2	—	36	40
Consumers alternative revenue programs	—	2	—	—	2
Total operating revenue – CMS Energy	\$ 1,089	\$ 306	\$ 61	\$ 36	\$ 1,492
<b>Consumers</b>					
<i>Consumers utility revenue</i>					
Residential	\$ 475	\$ 194	\$ —	\$ —	\$ 669
Commercial	386	58	—	—	444
Industrial	170	9	—	—	179
Other	56	41	—	—	97
Revenue recognized from contracts with customers	1,087	302	—	—	1,389
Financing income	2	2	—	—	4
Alternative revenue programs	—	2	—	—	2
Total operating revenue – Consumers	\$ 1,089	\$ 306	\$ —	\$ —	\$ 1,395

					<i>In Millions</i>
Six Months Ended June 30, 2018	Electric Utility	Gas Utility	Enterprises <sup>1</sup>	Other <sup>2</sup>	Consolidated
<b>CMS Energy, including Consumers</b>					
Consumers utility revenue	\$ 2,163	\$ 1,075	\$ —	\$ —	\$ 3,238
Other	—	—	48	—	48
Revenue recognized from contracts with customers	2,163	1,075	48	—	3,286
Leasing income	—	—	76	—	76
Financing income	4	4	—	71	79
Consumers alternative revenue programs	—	4	—	—	4
Total operating revenue – CMS Energy	\$ 2,167	\$ 1,083	\$ 124	\$ 71	\$ 3,445
<b>Consumers</b>					
<i>Consumers utility revenue</i>					
Residential	\$ 976	\$ 731	\$ —	\$ —	\$ 1,707
Commercial	747	220	—	—	967
Industrial	313	33	—	—	346
Other	127	91	—	—	218
Revenue recognized from contracts with customers	2,163	1,075	—	—	3,238
Financing income	4	4	—	—	8
Alternative revenue programs	—	4	—	—	4
Total operating revenue – Consumers	\$ 2,167	\$ 1,083	\$ —	\$ —	\$ 3,250

<sup>1</sup> Amounts represent the enterprises segment's operating revenue from independent power production and CMS ERM's sales of energy commodities in support of the independent power production portfolio.

<sup>2</sup> Amount represents EnerBank's operating revenue from unsecured consumer installment loans for financing home improvements.

## 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, which approximates fair value. CMS Energy and Consumers establish an allowance for uncollectible accounts based on historical losses, management's assessment of existing economic conditions, customer payment trends, and other factors. CMS Energy and Consumers assess late payment fees on trade receivables based on contractual past-due terms established with customers. CMS Energy and Consumers charge off accounts deemed uncollectible to operating expense. Uncollectible expense for CMS Energy, including Consumers, was \$14 million for the six months ended June 30, 2018 . Uncollectible expense for Consumers was \$14 million for the six months ended June 30, 2018 .

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 on CMS Energy's and Consumers' consolidated balance sheets, were \$280 million at June 30, 2018 and \$481 million at December 31, 2017 .

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

## 12 : Cash and Cash Equivalents

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

	<i>In Millions</i>	
	June 30, 2018	December 31, 2017
<b>CMS Energy, including Consumers</b>		
Cash and cash equivalents	\$ 477	\$ 182
Restricted cash and cash equivalents	17	17
Other non-current assets	7	5
Cash and cash equivalents, including restricted amounts	\$ 501	\$ 204
<b>Consumers</b>		
Cash and cash equivalents	\$ 254	\$ 44
Restricted cash and cash equivalents	17	17
Other non-current assets	5	4
Cash and cash equivalents, including restricted amounts	\$ 276	\$ 65

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

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

**Other Non-current Assets:** The cash equivalents classified as other non-current assets represent an investment in a money market fund held in the DB SERP rabbi trust. See Note 5, Fair Value Measurements for more information regarding the DB SERP.

## 13 : Reportable Segments

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

### CMS Energy

The reportable segments for CMS Energy are:

- electric utility, consisting of regulated activities associated with the generation, transmission, and distribution of electricity in Michigan
- gas utility, consisting of regulated activities associated with the transportation, storage, and distribution of natural gas in Michigan
- enterprises, consisting of various subsidiaries engaging in domestic independent power production, the marketing of independent power production, and the development and operation of renewable generation

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

### Consumers

The reportable segments for Consumers are:

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

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

Presented in the following tables is financial information by reportable segment:

In Millions				
June 30	Three Months Ended		Six Months Ended	
	2018	2017	2018	2017
CMS Energy, including Consumers				
Operating revenue				
Electric utility	\$ 1,089	\$ 1,077	\$ 2,167	\$ 2,113
Gas utility	306	285	1,083	986
Enterprises	61	55	124	114
Other reconciling items	36	32	71	65
Total operating revenue – CMS Energy	\$ 1,492	\$ 1,449	\$ 3,445	\$ 3,278
Consumers				
Operating revenue				
Electric utility	\$ 1,089	\$ 1,077	\$ 2,167	\$ 2,113
Gas utility	306	285	1,083	986
Total operating revenue – Consumers	\$ 1,395	\$ 1,362	\$ 3,250	\$ 3,099
CMS Energy, including Consumers				
Net income (loss) available to common stockholders				
Electric utility	\$ 130	\$ 94	\$ 269	\$ 218
Gas utility	21	9	124	96
Enterprises	14	7	29	19
Other reconciling items	(26)	(18)	(42)	(42)
Total net income available to common stockholders – CMS Energy	\$ 139	\$ 92	\$ 380	\$ 291
Consumers				
Net income available to common stockholder				
Electric utility	\$ 130	\$ 94	\$ 269	\$ 218
Gas utility	21	9	124	96
Total net income available to common stockholder – Consumers	\$ 151	\$ 103	\$ 393	\$ 314

	<i>In Millions</i>	
	June 30, 2018	December 31, 2017
<b>CMS Energy, including Consumers</b>		
<i>Plant, property, and equipment, gross</i>		
Electric utility <sup>1</sup>	\$ 15,646	\$ 15,221
Gas utility <sup>1</sup>	7,397	7,080
Enterprises	175	167
Other reconciling items	40	38
<b>Total plant, property, and equipment, gross – CMS Energy</b>	<b>\$ 23,258</b>	<b>\$ 22,506</b>
<b>Consumers</b>		
<i>Plant, property, and equipment, gross</i>		
Electric utility <sup>1</sup>	\$ 15,646	\$ 15,221
Gas utility <sup>1</sup>	7,397	7,080
Other reconciling items	16	17
<b>Total plant, property, and equipment, gross – Consumers</b>	<b>\$ 23,059</b>	<b>\$ 22,318</b>
<b>CMS Energy, including Consumers</b>		
<i>Total assets</i>		
Electric utility <sup>1</sup>	\$ 14,075	\$ 13,906
Gas utility <sup>1</sup>	7,187	7,139
Enterprises	321	342
Other reconciling items	1,729	1,663
<b>Total assets – CMS Energy</b>	<b>\$ 23,312</b>	<b>\$ 23,050</b>
<b>Consumers</b>		
<i>Total assets</i>		
Electric utility <sup>1</sup>	\$ 14,075	\$ 13,907
Gas utility <sup>1</sup>	7,187	7,139
Other reconciling items	21	53
<b>Total assets – Consumers</b>	<b>\$ 21,283</b>	<b>\$ 21,099</b>

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

## **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 2017 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 materially affect, 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 materially affect, 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 2017 Form 10-K, see Part I—Item 1. Financial Statements —Notes to the Unaudited Consolidated Financial Statements — Note 2, Regulatory Matters and Note 3, Contingencies and Commitments .

### Item 1A. Risk Factors

There have been no material changes to the Risk Factors as previously disclosed in Part I—Item 1A. Risk Factors, in the 2017 Form 10-K, which Risk Factors are incorporated herein by reference.

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

#### Unregistered Sales of Equity Securities

None.

#### Issuer Repurchases of Equity Securities

Presented in the following table are CMS Energy's repurchases of equity securities for the three months ended June 30, 2018 :

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
April 1, 2018 to April 30, 2018	101	\$ 45.29	—	—
May 1, 2018 to May 31, 2018	721	45.58	—	—
June 1, 2018 to June 30, 2018	917	45.17	—	—
<b>Total</b>	<b>1,739</b>	<b>\$ 45.35</b>	<b>—</b>	<b>—</b>

<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**

On July 24, 2018, Consumers and certain institutional purchasers in the private placement market (“Purchasers”) entered into a Bond Purchase Agreement (“BPA”) whereby Consumers will sell to the Purchasers named in the BPA an aggregate principal amount of \$500 million First Mortgage Bonds (“FMBs”). The issuance and funding is expected to occur in October 2018, subject to customary conditions, and includes \$100 million aggregate principal amount of 3.68 percent FMBs due 2027, \$215 million aggregate principal amount of 4.01 percent FMBs due 2038 and \$185 million aggregate principal amount of 4.28 percent FMBs due 2057. The foregoing description of the BPA does not purport to be complete and is qualified in its entirety by the provisions of the BPA, which is attached hereto as Exhibit 10.3 and incorporated by reference herein.

## Item 6. Exhibits

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

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

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

<b>Exhibits</b>	<b>Description</b>
4.1	— <a href="#">131st Supplemental Indenture dated as of May 14, 2018 between Consumers and The Bank of New York Mellon, as Trustee (Exhibit 4.1 to Form 8-K filed May 14, 2018 and incorporated herein by reference)</a>
4.2	— <a href="#">132nd Supplemental Indenture dated as of June 5, 2018 between Consumers and The Bank of New York Mellon, as Trustee (Exhibit 4.1 to Form 8-K filed June 5, 2018 and incorporated herein by reference)</a>
10.1 <sup>1</sup>	— <a href="#">\$550 million Fourth Amended and Restated Revolving Credit Agreement dated as of June 5, 2018 among CMS Energy, the Banks, as defined therein, and Barclays, as Agent. (Exhibit 10.1 to Form 8-K filed June 5, 2018 and incorporated herein by reference)</a>
10.2	— <a href="#">\$850 million Fifth Amended and Restated Revolving Credit Agreement date as of June 5, 2018 among Consumers, the Banks, as defined therein, and JPMorgan, as Agent. (Exhibit 10.2 to Form 8-K filed June 5, 2018 and incorporated herein by reference)</a>
10.3	— <a href="#">Bond Purchase Agreement dated as of July 24, 2018 between Consumers and each of the Purchasers named therein</a>
12.1	— <a href="#">Statement regarding computation of CMS Energy's Ratios of Earnings to Fixed Charges and Combined Fixed Charges and Preferred Dividends</a>
12.2	— <a href="#">Statement regarding computation of Consumers' Ratios of Earnings to Fixed Charges and Combined Fixed Charges and Preferred Dividends</a>
31.1	— <a href="#">CMS Energy's certification of the CEO pursuant to Section 302 of the Sarbanes-Oxley Act of 2002</a>
31.2	— <a href="#">CMS Energy's certification of the CFO pursuant to Section 302 of the Sarbanes-Oxley Act of 2002</a>
31.3	— <a href="#">Consumers' certification of the CEO pursuant to Section 302 of the Sarbanes-Oxley Act of 2002</a>
31.4	— <a href="#">Consumers' certification of the CFO pursuant to Section 302 of the Sarbanes-Oxley Act of 2002</a>
32.1	— <a href="#">CMS Energy's certifications pursuant to Section 906 of the Sarbanes-Oxley Act of 2002</a>
32.2	— <a href="#">Consumers' certifications pursuant to Section 906 of the Sarbanes-Oxley Act of 2002</a>
101.INS	— XBRL Instance Document
101.SCH	— XBRL Taxonomy Extension Schema
101.CAL	— XBRL Taxonomy Extension Calculation Linkbase
101.DEF	— XBRL Taxonomy Extension Definition Linkbase
101.LAB	— XBRL Taxonomy Extension Labels Linkbase
101.PRE	— XBRL Taxonomy Extension Presentation Linkbase

<sup>1</sup> Obligations of CMS Energy or its subsidiaries, but not of Consumers.

## Signatures

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

CMS ENERGY CORPORATION

Dated: July 26, 2018

By:

/s/ Rejji P. Hayes

Rejji P. Hayes

Executive Vice President and Chief Financial Officer

CONSUMERS ENERGY COMPANY

Dated: July 26, 2018

By:

/s/ Rejji P. Hayes

Rejji P. Hayes

Executive Vice President and Chief Financial Officer

## EXHIBITS

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CONSUMERS ENERGY COMPANY

\$100,000,000 3.68% F IRST M ORTGAGE B ONDS DUE 2027

\$215,000,000 4.01% F IRST M ORTGAGE B ONDS DUE 2038

\$185,000,000 4.28% F IRST M ORTGAGE B ONDS DUE 2057

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B OND P URCHASE A GREEMENT

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Dated as of July 24, 2018

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**Consumers Energy Company  
One Energy Plaza  
Jackson, Michigan 49201**

**\$100,000,000 3.68% First Mortgage Bonds due 2027  
\$215,000,000 4.01% First Mortgage Bonds due 2038  
\$185,000,000 4.28% First Mortgage Bonds due 2057**

Dated as of July 24, 2018

To Each of the Purchasers Listed in the Purchaser Schedule :

Ladies and Gentlemen:

Consumers Energy Company, a Michigan corporation (the “Company”), agrees with each of the Purchasers as follows:

**Section 1. Authorization of Bonds.** The Company has authorized the issue and sale of \$100,000,000 aggregate principal amount of its 3.68% First Mortgage Bonds due 2027 (the “2027 Bonds”), \$215,000,000 aggregate principal amount of its 4.01% First Mortgage Bonds due 2038 (the “2038 Bonds”) and \$185,000,000 aggregate principal amount of its 4.28% First Mortgage Bonds due 2057 (the “2057 Bonds” and, together with the 2027 Bonds and the 2038 Bonds, the “Bonds”, all such terms to include any bonds issued in substitution therefor pursuant to the Indenture (as hereinafter defined)) on the terms and conditions set forth in this Agreement. Capitalized terms used in this Agreement are defined or otherwise cross-referenced in Schedule A, and, for purposes of this Agreement, the rules of construction set forth in Section 17.5 shall govern.

**Section 2. Sale and Purchase of Bonds; Security for the Bonds.**

**Section 2.1. Sale and Purchase of Bonds.** Subject to the terms and conditions of this Agreement, the Company will issue and sell to each Purchaser, and each Purchaser will purchase from the Company, at the Closing provided for in Section 3, Bonds in the respective principal amounts specified opposite such Purchaser’s name in the Purchaser Schedule at the purchase price of 100% of the principal amount thereof. The Purchasers’ obligations under this Agreement are several and not joint obligations, and no Purchaser shall have any liability to any Person for the performance or non-performance of any obligation by any other Purchaser under this Agreement.

**Section 2.2. Security for the Bonds.** The Bonds are to be issued under and secured by that certain Indenture dated as of September 1, 1945 between the Company and The Bank of New York Mellon (ultimate successor to City Bank Farmers Trust Company), as trustee (the “Trustee”), as supplemented and amended by various supplemental indentures and as to be supplemented by a supplemental indenture, to be dated as of the Closing Date (the “Supplemental Indenture”), which will be substantially in the form attached to this Agreement as Schedule 2.2, establishing the terms of the Bonds (as so supplemented, the “Indenture”). The Bonds shall be substantially in the form set out in Schedule 2.2.

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The Bonds will be dated the Closing Date, will bear interest from and including the Closing Date and will be in denominations of \$100,000 or any integral multiple of \$1,000 in excess thereof. Interest on the Bonds will be computed on the basis of a 360-day year consisting of twelve 30-day months. The 2027 Bonds will bear interest at a rate of 3.68% per year, payable semi-annually in arrears on April 1 and October 1 of each year, commencing on April 1, 2019, and at the date of maturity. The 2038 Bonds will bear interest at a rate of 4.01% per year, payable semi-annually in arrears on April 1 and October 1 of each year, commencing on April 1, 2019, and at the date of maturity. The 2057 Bonds will bear interest at a rate of 4.28% per year, payable semi-annually in arrears on April 1 and October 1 of each year, commencing on April 1, 2019, and at the date of maturity. The Bonds will bear interest on overdue principal and (to the extent permitted by law) overdue installments of interest at the rate set forth in the Indenture. The 2027 Bonds will mature on October 1, 2027, the 2038 Bonds will mature on October 1, 2038, and the 2057 Bonds will mature on October 1, 2057.

The Indenture creates and will create a direct first Lien on and a first security interest in the property and property rights of the Company described in the Indenture as being subjected to the Lien of the Indenture (subject to such exceptions as are permitted under the Indenture), except such property and property rights as may have been released from the Lien of the Indenture in accordance with the terms of the Indenture.

**Section 3. Execution; Closing.** The execution and delivery of this Agreement will be made at the offices of Pillsbury Winthrop Shaw Pittman LLP, 1540 Broadway, New York, NY 10036- 4039, on the date first set forth above (the “Execution Date”). The sale and purchase of the Bonds to be purchased by each Purchaser shall occur at the offices of Pillsbury Winthrop Shaw Pittman LLP, 1540 Broadway, New York, NY 10036-4039, at 10:00 a.m., New York City time, at a closing (the “Closing”) on October 1, 2018 or on such other Business Day on or prior to such date as may be agreed upon by the Company and the Purchasers. At the Closing the Company shall cause to be duly executed, authenticated and delivered to each Purchaser the Bonds to be purchased by such Purchaser in the form of a single Bond in respect of the 2027 Bonds, a single Bond in respect of the 2038 Bonds and a single Bond in respect of the 2057 Bonds (or, in each case, such greater number of Bonds in denominations of at least \$100,000 as such Purchaser may request) dated the Closing Date and registered in such Purchaser’s name (or in the name of its nominee), against delivery by such Purchaser to the Company or its order of immediately available funds in the amount of the purchase price therefor by wire transfer of immediately available funds to the account specified by the Company in accordance with Section 4.10. If at the Closing the Company shall fail to tender such Bonds to any Purchaser as provided above in this Section 3, or any of the conditions specified in Section 4 shall not have been fulfilled to such Purchaser’s reasonable satisfaction, such Purchaser shall, at its election, be relieved of all further obligations under this Agreement, without thereby waiving any rights such Purchaser may have by reason of such failure by the Company to tender such Bonds or any of the conditions specified in Section 4 not having been fulfilled to such Purchaser’s reasonable satisfaction. If at the Closing any Purchaser shall fail to purchase any Bonds that it is obligated to purchase under this Agreement, then another Institutional Investor approved by the Company may purchase the Bonds scheduled to be purchased by the defaulting Purchaser at the Closing; provided, however, that no such replacement of a defaulting Purchaser shall be deemed to waive any rights or

remedies that the Company may have against such defaulting Purchaser by reason of such failure.

**Section 4. Conditions to Closing.** Each Purchaser's obligation to execute and deliver this Agreement on the Execution Date, and each Purchaser's obligation to purchase and pay for the Bonds to be sold to such Purchaser at the Closing, is subject to the fulfillment to such Purchaser's reasonable satisfaction, prior to or at the Closing, of the following conditions:

**Section 4.1. Representations and Warranties.** The representations and warranties of the Company in this Agreement shall be correct when made on the Execution Date and at the time of the Closing (except with respect to representations and warranties made as of a specific date, in which case they shall be correct as of such date).

**Section 4.2. Performance; No Default.** The Company shall have performed and complied with all agreements and conditions contained in this Agreement and the Indenture required to be performed or complied with by it prior to or at the Closing, and, before and after giving effect to the issue and sale of the Bonds (and the application of the proceeds thereof as contemplated by Section 5.14), no Default or Event of Default shall have occurred and be continuing.

**Section 4.3. Compliance Certificates.**

(a) Officer's Certificate. The Company shall have delivered to such Purchaser an Officer's Certificate, dated the Closing Date, certifying that the conditions specified in Section 4.1, Section 4.2, Section 4.9, Section 4.11 and Section 4.14 have been fulfilled.

(b) Secretary's Certificate. The Company shall have delivered to such Purchaser a certificate of its Secretary or Assistant Secretary, dated the Closing Date, certifying as to (i) the resolutions attached thereto and other corporate proceedings relating to the authorization, execution and delivery of the Bonds, the Indenture and this Agreement and (ii) the Company's organizational documents as then in effect.

**Section 4.4. Opinions of Counsel.** Such Purchaser shall have received opinions in form and substance reasonably satisfactory to such Purchaser, dated the Closing Date, (a) from Melissa M. Gleespen, Esq., Vice President, Corporate Secretary and Chief Compliance Officer of the Company, or such other counsel to the Company as may be acceptable to such Purchaser, covering the matters set forth in Schedule 4.4(a) and covering such other matters incident to the transactions contemplated by this Agreement as such Purchaser or its counsel may reasonably request (and the Company hereby instructs such counsel to deliver such opinion to the Purchasers) and (b) from Pillsbury Winthrop Shaw Pittman LLP, the Purchasers' special counsel in connection with such transactions, covering the matters set forth in Schedule 4.4(b) and covering such other matters incident to such transactions as such Purchaser may reasonably request.

**Section 4.5. Purchase Permitted By Applicable Law, Etc.** On the Closing Date, such Purchaser's purchase of Bonds shall (a) be permitted by the laws and regulations of each jurisdiction to which such Purchaser is subject, without recourse to provisions (such as Section

1405(a)(8) of the New York Insurance Law) permitting limited investments by insurance companies without restriction as to the character of the particular investment, (b) not violate any applicable law or regulation (including Regulation T, U or X of the Board of Governors of the Federal Reserve System) and (c) not subject such Purchaser to any tax, penalty or liability under or pursuant to any applicable law or regulation, which law or regulation was not in effect on the Execution Date. If requested by such Purchaser, such Purchaser shall have received an Officer's Certificate certifying as to such matters of fact as such Purchaser may reasonably specify to enable such Purchaser to determine whether such purchase is so permitted.

**Section 4.6. Sale of Bonds.** Contemporaneously with the Closing, the Company shall sell to each Purchaser, and each Purchaser shall purchase, the Bonds to be purchased by such Purchaser at the Closing as specified in the Purchaser Schedule.

**Section 4.7. Payment of Special Counsel Fees.** Without limiting Section 10.1, the Company shall have paid on or before the Execution Date and the Closing Date the fees, charges and disbursements of the Purchasers' special counsel referred to in Section 4.4 to the extent reflected in a statement of such counsel rendered to the Company at least five Business Days prior to the Execution Date and the Closing Date, respectively.

**Section 4.8. Private Placement Numbers.** Private Placement Numbers issued by Standard & Poor's CUSIP Service Bureau (in cooperation with the SVO) shall have been obtained for the Bonds.

**Section 4.9. Changes in Corporate Structure.** The Company shall not have changed its jurisdiction of incorporation, changed its organizational structure (as a corporation) or been a party to any merger or consolidation or succeeded to all or any substantial part of the liabilities of any other entity, at any time following the date of the most recent financial statements referred to in Schedule 5.5.

**Section 4.10. Funding Instructions.** At least three Business Days prior to the Closing Date, each Purchaser shall have received written instructions signed by a Responsible Officer on letterhead of the Company setting forth the wiring instructions specified in Section 3, including (a) the name and address of the transferee bank, (b) such transferee bank's ABA number and (c) the account name and number into which the purchase price for the Bonds is to be deposited.

**Section 4.11. Indenture Matters.** The Company shall have furnished to the Trustee the resolutions, certificates and other documentation (and cash, if any) required to be delivered prior to or upon the issuance of the Bonds pursuant to the provisions of the Indenture. The Company shall have duly executed the Bonds and shall have requested the Trustee to authenticate, and the Trustee shall have duly authenticated, the Bonds pursuant to the Indenture. The Company shall be able to comply with all other conditions with respect to the authentication of the Bonds imposed by the Indenture. The Company shall have furnished to such Purchaser a copy of the Supplemental Indenture duly authorized, executed and delivered by the Company and the Trustee. The Company shall: (i) within 10 days after the Closing Date, deliver the Supplemental Indenture in recordable form to the appropriate real estate recording office in all jurisdictions specified in the Supplemental Indenture for recording and deliver to the office of the Secretary of State of the State of Michigan a UCC-1 financing statement relating to the Supplemental

Indenture for filing in such office; and (ii) within 25 days after the Closing Date, deliver to such Purchaser a certificate signed by a Responsible Officer certifying that the actions required by the foregoing clause (i) have been taken. The Company shall further provide such Purchaser, as soon as it is available, a copy of the related opinion of counsel contemplated by Section 7.11(i) of the Indenture. To the extent not covered in the opinion described in the previous sentence, the Company shall also provide such Purchaser, concurrently with the furnishing of such opinion, a list of the recording information for all such filings.

**Section 4.12. Federal Energy Regulatory Commission Authorization.** An appropriate order shall have been entered by the Federal Energy Regulatory Commission under the Federal Power Act authorizing the issuance and sale of the Bonds, and such order shall be in full force and effect.

**Section 4.13. Consent of Holders of Other Securities.** Any consents or approvals required to be obtained from any holder or holders of any outstanding Security of the Company and any amendments of agreements pursuant to which any Securities may have been issued that shall be necessary to permit the consummation of the transactions contemplated by this Agreement shall have been obtained, and all such consents, approvals or amendments shall be reasonably satisfactory in form and substance to such Purchaser and such Purchaser's special counsel.

**Section 4.14. Updated Schedule of Indebtedness.** The Company shall have furnished to each Purchaser a document that updates Schedule 5.15 as of June 30, 2018.

**Section 4.15. Proceedings and Documents.** All corporate and other proceedings in connection with the transactions contemplated by this Agreement and all documents and instruments incident to such transactions shall be reasonably satisfactory to such Purchaser and its special counsel, and such Purchaser and its special counsel shall have received all such counterpart originals or certified or other copies of such documents as such Purchaser or such special counsel may reasonably request.

**Section 5. Representations and Warranties of the Company.** The Company represents and warrants to each Purchaser that:

**Section 5.1. Organization; Power and Authority.** The Company is a corporation duly organized, validly existing and in good standing under the laws of its jurisdiction of incorporation, and is duly qualified as a foreign corporation and is in good standing in each jurisdiction in which such qualification is required by law, other than those jurisdictions as to which the failure to be so qualified or in good standing would not, individually or in the aggregate, reasonably be expected to have a Material Adverse Effect. The Company has the corporate power and authority to own or hold under lease the properties it purports to own or hold under lease, to transact the business it transacts and proposes to transact, to execute and deliver this Agreement, the Indenture and the Bonds and to perform the provisions of this Agreement, the Indenture and the Bonds.

**Section 5.2. Authorization, Etc.** This Agreement, the Indenture and the Bonds have been duly authorized by all necessary corporate action on the part of the Company, and this

Agreement constitutes, and upon execution, authentication and delivery thereof each of the Indenture and each Bond will constitute, a legal, valid and binding obligation of the Company enforceable against the Company in accordance with its terms, except as such enforceability may be limited by (a) applicable bankruptcy, insolvency, reorganization, fraudulent conveyance, moratorium or other similar laws affecting the enforcement of creditors' rights generally and (b) general principles of equity (regardless of whether such enforceability is considered in a proceeding in equity or at law).

**Section 5.3. Disclosure.** The Company, through its agents, Barclays Capital Inc. and Merrill Lynch, Pierce, Fenner & Smith Incorporated, has delivered to each Purchaser a copy of the Private Placement Memorandum captioned "Consumers Energy Company \$350,000,000 First Mortgage Bonds" dated June 2018 (the "Memorandum") relating to the transactions contemplated by this Agreement. This Agreement, the Memorandum, the financial statements listed in Schedule 5.5 and the documents, certificates or other writings delivered to the Purchasers by or on behalf of the Company prior to June 28, 2018 in connection with the transactions contemplated by this Agreement and identified in Schedule 5.3, in each case, delivered to each Purchaser (this Agreement, the Memorandum and such documents, certificates or other writings and such financial statements being referred to, collectively, as the "Disclosure Documents"), taken as a whole, do not contain any untrue statement of a material fact or omit to state any material fact necessary to make the statements therein not misleading in light of the circumstances under which they were made. Except as disclosed in the Disclosure Documents, since December 31, 2017, there has been no change in the financial condition, operations, business or properties of the Company or any Subsidiary except changes that would not, individually or in the aggregate, reasonably be expected to have a Material Adverse Effect.

**Section 5.4. Organization and Ownership of Shares of Subsidiaries; Affiliates.**

(a) Schedule 5.4 contains (except as noted therein) complete and correct lists of (i) the Company's Subsidiaries, showing, as to each Subsidiary, the name thereof, the jurisdiction of its organization and the percentage of shares of each class of its capital stock or similar equity interests outstanding owned by the Company and each other Subsidiary and (ii) the Company's directors and officers.

(b) All of the outstanding shares of capital stock or similar equity interests of each Subsidiary shown in Schedule 5.4 as being owned by the Company and its Subsidiaries have been validly issued, are fully paid and non-assessable and are owned by the Company or another Subsidiary free and clear of any Lien that is prohibited by this Agreement or the Indenture.

(c) Each Subsidiary is a corporation or other legal entity duly organized, validly existing and, where applicable, in good standing under the laws of its jurisdiction of organization, and is duly qualified as a foreign corporation or other legal entity and, where applicable, is in good standing in each jurisdiction in which such qualification is required by law, other than those jurisdictions as to which the failure to be so qualified or in good standing would not, individually or in the aggregate, reasonably be expected to have a Material Adverse Effect. Each such Subsidiary has the corporate or other power and authority to own or hold under lease the properties it purports to own or hold under lease and to transact the business it transacts and proposes to transact.

(d) No Subsidiary is subject to any legal, regulatory, contractual or other restriction (other than any agreements listed on Schedule 5.4 and customary limitations imposed by corporate law or similar statutes) restricting the ability of such Subsidiary to pay dividends out of profits or make any other similar distributions of profits to the Company or any of its Subsidiaries that owns outstanding shares of capital stock or similar equity interests of such Subsidiary.

**Section 5.5. Financial Statements; Material Liabilities.** The Company has delivered to each Purchaser copies of the financial statements of the Company and its Subsidiaries filed with the SEC listed on Schedule 5.5. All of such financial statements (including in each case the related schedules and notes) fairly present in all Material respects the consolidated financial position of the Company and its Subsidiaries as of the respective dates specified in such Schedule 5.5 and the consolidated results of their operations and cash flows for the respective periods so specified and have been prepared in accordance with GAAP consistently applied throughout the periods involved except as set forth in the notes thereto (subject, in the case of any interim financial statements, to normal year-end adjustments). The Company and its Subsidiaries do not have any Material liabilities that are not disclosed in the Disclosure Documents.

**Section 5.6. Compliance with Laws, Other Instruments, Etc.** The execution, delivery and performance by the Company of this Agreement, the Indenture and the Bonds will not (a) contravene, result in any breach of, constitute a default under, or result in the creation of any Lien (other than the Lien created by the Indenture) in respect of any property of the Company or any Subsidiary under, any indenture, mortgage, deed of trust, loan, purchase or credit agreement, lease, organizational document (including, without limitation, corporate charter, regulations or bylaws), shareholders agreement or any other Material agreement or instrument to which the Company or any Subsidiary is bound or by which the Company or any Subsidiary or any of its respective properties may be bound or affected, (b) conflict with or result in a breach of any of the terms, conditions or provisions of any order, judgment, decree or ruling of any court, arbitrator or Governmental Authority applicable to the Company or any Subsidiary or (c) violate any provision of any statute or other rule or regulation of any Governmental Authority applicable to the Company or any Subsidiary.

**Section 5.7. Governmental Authorizations, Etc.** No consent, approval or authorization of, or registration, filing or declaration with, any Governmental Authority (other than an appropriate order entered by the Federal Energy Regulatory Commission under the Federal Power Act authorizing the issuance and sale of the Bonds, which order has been obtained by the Company and shall be in full force and effect as of the Closing) is required in connection with the execution, delivery or performance by the Company of this Agreement, the Indenture or the Bonds, except such as have been obtained or may be required under state Securities or blue sky laws or as contemplated by Section 4.11.

**Section 5.8. Litigation; Observance of Statutes and Orders.**

(a) Except as disclosed in the Disclosure Documents, there are no actions, suits, investigations or proceedings pending or, to the best knowledge of the Company, threatened against the Company or any Subsidiary or any property of the Company or any Subsidiary in any



court or before any arbitrator of any kind or before or by any Governmental Authority that would, individually or in the aggregate, reasonably be expected to have a Material Adverse Effect.

(b) Except as disclosed in the Disclosure Documents, neither the Company nor any Subsidiary is in violation of (i) any order, judgment, decree or ruling of any court, any arbitrator of any kind or any Governmental Authority or (ii) any applicable law, ordinance, rule or regulation of any Governmental Authority (including Environmental Laws, the USA PATRIOT Act or any of the other laws and regulations that are referred to in Section 5.16), which violation would, individually or in the aggregate, reasonably be expected to have a Material Adverse Effect.

**Section 5.9. Taxes.** The Company and its Subsidiaries have filed all tax returns that are required to have been filed in any jurisdiction, and have paid all taxes shown to be due and payable on such returns and all other taxes and assessments payable by them, to the extent such taxes and assessments have become due and payable and before they have become delinquent, except for any taxes and assessments (a) the amount of which, individually or in the aggregate, is not Material or (b) the amount, applicability or validity of which is currently being contested in good faith by appropriate proceedings and with respect to which the Company or a Subsidiary, as the case may be, has established adequate reserves in accordance with GAAP. The charges, accruals and reserves on the books of the Company and its Subsidiaries in respect of U.S. federal, state or other taxes for all fiscal periods are adequate. The statute of limitations for the U.S. federal income tax liability of the Company and its Subsidiaries remains open for 2014 and subsequent years and is subject to examination by the Internal Revenue Service. Years prior to 2014 remain open to the extent that any net operating losses carried forward are adjusted and affect the losses carried forward to open tax years. The Company believes that their accrued tax liabilities at December 31, 2017 are adequate for all years.

**Section 5.10. Title to Property; Leases.** The Company and its Subsidiaries have good and sufficient title, rights of way, easements and/or leasehold interests in or to their respective Material properties, including all such properties reflected in the most recent audited balance sheet referred to in Section 5.5 or purported to have been acquired by the Company or any Subsidiary after such date (except as sold or otherwise disposed of in the ordinary course of business), in each case free and clear of Liens prohibited by the Indenture, except for those defects in title and Liens that, individually or in the aggregate, would not have a Material Adverse Effect. All Material leases, rights of way, easements and leasehold interests are valid and subsisting and are in full force and effect in all Material respects. With respect to the real property described in the Indenture, the Company is not subject to any mortgage, deed of trust or like Lien instrument other than the Indenture and Liens permitted under the Indenture.

**Section 5.11. Licenses, Permits, Etc.** The Company and its Subsidiaries own or possess all licenses, permits, franchises, authorizations, patents, copyrights, proprietary software, service marks, trademarks and trade names, or rights thereto, that individually or in the aggregate are Material, without known conflict with the rights of others, except for those conflicts that, individually or in the aggregate, would not have a Material Adverse Effect.

**Section 5.12. Compliance with Employee Benefit Plans.**

(a) The Company and each ERISA Affiliate have operated and administered each Plan (and any predecessor Plan) in compliance with all applicable laws except for such instances of non-compliance as have not resulted in and could not, individually or in the aggregate, reasonably be expected to result in a Material Adverse Effect. Neither the Company nor any ERISA Affiliate has incurred any liability pursuant to Title I of ERISA or Title IV of ERISA or the penalty or excise tax provisions of the Code relating to employee benefit plans (as defined in Section 3 of ERISA), and no event, transaction or condition has occurred or exists that would, individually or in the aggregate, reasonably be expected to result in the incurrence of any such liability by the Company or any ERISA Affiliate, or in the imposition of any Lien on any of the rights, properties or assets of the Company or any ERISA Affiliate, in either case pursuant to Title I of ERISA or Title IV of ERISA or to Section 430(k) of the Code or to any such penalty or excise tax provisions under the Code or federal law or Section 4068 of ERISA or by the granting of a security interest in connection with the amendment of a Plan, other than such liabilities or Liens as would not be individually or in the aggregate Material.

(b) The Company and its ERISA Affiliates have not incurred withdrawal liabilities (and are not subject to contingent withdrawal liabilities) under Section 4201 of ERISA or Section 4204 of ERISA in respect of Multiemployer Plans that individually or in the aggregate are Material.

(c) The expected post-retirement benefit obligation (determined as of the last day of the Company's most recently ended fiscal year in accordance with Financial Accounting Standards Board Accounting Standards Codification Topic 715-60, without regard to liabilities attributable to continuation coverage mandated by Section 4980B of the Code) of the Company and its Subsidiaries is not expected to have a Material Adverse Effect.

(d) The execution and delivery of this Agreement and the Indenture and the issuance, sale and delivery of the Bonds will not involve any transaction that is subject to the prohibitions of Section 406 of ERISA or in connection with which a tax could be imposed pursuant to Section 4975(c)(1)(A)-(D) of the Code. The representation by the Company to each Purchaser in the first sentence of this Section 5.12(d) is made in reliance upon and subject to the accuracy of such Purchaser's representation in Section 6.2 as to the sources of the funds to be used to pay the purchase price of the Bonds to be purchased by such Purchaser.

(e) The Company and its Subsidiaries do not have any Non-U.S. Plans.

**Section 5.13. Private Offering by the Company.** Neither the Company nor anyone acting on its behalf has offered the Bonds or any similar Securities for sale to, or solicited any offer to buy the Bonds or any similar Securities from, or otherwise approached or negotiated in

respect thereof with, any Person other than the Purchasers and not more than 70 other Institutional Investors, each of which has been offered the Bonds at a private sale for investment. Neither the Company nor anyone acting on its behalf has taken, or will take, any action that would subject the issuance or sale of the Bonds to the registration requirements of Section 5 of the Securities Act or to the registration requirements of any state Securities or blue sky laws of any applicable jurisdiction. None of the Company, any of its predecessors, any affiliated issuer, any director, executive officer or other officer of the Company participating in the offering of the Bonds, any beneficial owner of 20% or more of the Company's outstanding voting equity securities, calculated on the basis of voting power, or any promoter (as that term is defined in Rule 405 under the Securities Act) connected with the Company in any capacity at the time of the Closing (each, an "Issuer Covered Person" and, together, "Issuer Covered Persons") is subject to any of the "Bad Actor" disqualifications described in Rule 506(d)(1)(i) to (viii) under the Securities Act (a "Disqualification Event"), except for a Disqualification Event covered by Rule 506(d)(2) or (d)(3) under the Securities Act. The Company has exercised reasonable care to determine whether any Issuer Covered Person is subject to a Disqualification Event.

**Section 5.14. Use of Proceeds; Margin Regulations.** The proceeds of the sale of the Bonds hereunder will be used for general corporate purposes. No part of the proceeds from the sale of the Bonds hereunder will be used, directly or indirectly, for the purpose of buying or carrying any margin stock within the meaning of Regulation U of the Board of Governors of the Federal Reserve System (12 CFR 221), or for the purpose of buying or carrying or trading in any Securities under such circumstances as to involve the Company in a violation of Regulation X of said Board (12 CFR 224) or to involve any broker or dealer in a violation of Regulation T of said Board (12 CFR 220). Margin stock does not constitute more than 25% of the value of the consolidated assets of the Company and its Subsidiaries, and the Company does not have any present intention that margin stock will constitute more than 25% of the value of such assets. As used in this Section 5.14, the terms "margin stock" and "purpose of buying or carrying" shall have the meanings assigned to them in said Regulation U.

**Section 5.15. Indebtedness.**

(a) Except as described therein, Schedule 5.15 sets forth a complete and correct list of all outstanding Indebtedness of the Company and its Subsidiaries as of March 31, 2018 (including descriptions of the principal amounts outstanding, any collateral therefor and any Guaranty thereof). Neither the Company nor any Subsidiary is in default, and no waiver of default is currently in effect, in the payment of any principal or interest on any Indebtedness of the Company or such Subsidiary, and no event or condition exists with respect to any Indebtedness of the Company or any Subsidiary, the outstanding principal amount of which exceeds \$10,000,000, that would permit (or that with notice or the lapse of time, or both, would permit) one or more Persons to cause such Indebtedness to become due and payable before its stated maturity or before its regularly scheduled dates of payment.

(b) Neither the Company nor any Subsidiary is a party to, or otherwise subject to any provision contained in, any instrument evidencing Indebtedness of the Company or such Subsidiary, any agreement relating thereto or any other agreement (including its charter or any other organizational document) that limits the amount of, or otherwise imposes restrictions on the incurring of, Indebtedness of the Company, except as disclosed in Schedule 5.15.

**Section 5.16. Foreign Assets Control Regulations, Etc.**

(a) Neither the Company nor any Subsidiary (i) is a Blocked Person, (ii) has been notified that its name appears or may in the future appear on a State Sanctions List or (iii) is a target of sanctions that have been imposed by the United Nations or the European Union.

(b) Neither the Company nor any Subsidiary (i) has, to the Company's knowledge, violated, has been found in violation of, or has been charged or convicted under, any applicable U.S. Economic Sanctions Laws, Anti-Money Laundering Laws or Anti-Corruption Laws or (ii) to the Company's knowledge, is under investigation by any Governmental Authority for possible violation of any U.S. Economic Sanctions Laws, Anti-Money Laundering Laws or Anti-Corruption Laws.

(c) No part of the proceeds from the sale of the Bonds hereunder:

(i) constitutes or will constitute funds obtained on behalf of any Blocked Person or will otherwise be used by the Company or any Subsidiary, directly or indirectly, (A) in connection with any investment in, or any transactions or dealings with, any Blocked Person, (B) for any purpose that would cause any Purchaser to be in violation of any U.S. Economic Sanctions Laws or (C) otherwise in violation of any U.S. Economic Sanctions Laws; provided, however, that no representation or warranty is given as to any such proceeds used to pay off Company indebtedness evidenced by securities in global form held through The Depository Trust Company or its nominee;

(ii) will be used, directly or indirectly, in violation of, or cause any Purchaser to be in violation of, any applicable Anti-Money Laundering Laws; or

(iii) will be used, directly or indirectly, for the purpose of making any improper payments, including bribes, to any Governmental Official or commercial counterparty in order to obtain, retain or direct business or obtain any improper advantage, in each case that would be in violation of, or cause any Purchaser to be in violation of, any applicable Anti-Corruption Laws.

(d) The Company has established policies, procedures and/or practices that it believes are adequate (and otherwise comply with applicable law), in its reasonable judgment, to ensure that the Company and each Subsidiary is and will continue to be in compliance with all applicable U.S. Economic Sanctions Laws, Anti-Money Laundering Laws and Anti-Corruption Laws.

(e) Notwithstanding the foregoing, the Company's provision of utility services in the ordinary course of business in accordance with applicable law, including U.S. Economic Sanctions Laws, Anti-Money Laundering Laws and Anti-Corruption Laws, shall not constitute a violation of this Section 5.16.

**Section 5.17. Status under Certain Statutes.** Neither the Company nor any Subsidiary is an "investment company" or a company "controlled" by an "investment company" within the

meaning of the Investment Company Act of 1940. Neither the Company nor any Subsidiary is subject to regulation under the ICC Termination Act of 1995.

**Section 5.18. Indenture Matters.** None of the execution or delivery of this Agreement, the Indenture or the Bonds or the consummation of the transactions contemplated by this Agreement, the Indenture or the Bonds, including the issuance, sale or delivery of the Bonds, will require the qualification of the Indenture under the Trust Indenture Act. The Company has good and marketable title to all its important properties described in the Memorandum and to substantially all other real estate and property specifically described in the Indenture as subject to the Lien of the Indenture except (a) that released or retired in accordance with the provisions of the Indenture, (b) leased offices, garages and service buildings, (c) certain electric substations and gas regulator stations and other facilities erected on sites under leases, easements, permits or contractual arrangements, (d) certain pollution control facilities, which are subject to security interests granted to various municipalities and economic development corporations under installment sales contracts, (e) as to electric and gas transmission and distribution lines, many of such properties are constructed on rights-of-way by virtue of franchises or pursuant to easements only, and (f) as to certain gas storage fields, the Company's interest in certain of the gas rights and rights of storage and other rights incidental thereto are in the nature of an easement or leasehold interest only. As of the Closing Date, the Indenture will constitute, as security for the Bonds, a valid direct first mortgage Lien on the real estate, property and franchises, subject only to excepted encumbrances as defined in the Indenture and except as otherwise expressly stated in the Indenture. The Indenture is effective to create the Lien intended to be created by the Indenture. Real estate, property or franchises in the State of Michigan described in the Indenture acquired after the Closing by the Company will become subject to the Lien of the Indenture, at the time of acquisition, subject to Liens existing thereon at the time of acquisition, and subject to excepted encumbrances, and subject to any necessary filing and recording before the intervention of any Lien not expressly excepted thereby, and subject to the qualification above with respect to the enforceability of the Indenture. The Bonds and all other obligations under this Agreement will be direct and secured obligations of the Company ranking *pari passu* as against the assets of the Company subject to the Lien of the Indenture with all other present and future first mortgage bonds of the Company issued and outstanding under the Indenture.

## **Section 6. Representations of the Purchasers.**

**Section 6.1. Purchase for Investment.** Each Purchaser severally represents that (a) it is an "accredited investor" within the meaning of Rule 501(a)(1), (3) or (7) under the Securities Act and (b) it is purchasing the Bonds for its own account or for one or more separate accounts maintained by such Purchaser or for the account of one or more pension or trust funds and not with a view to the distribution thereof, provided that the disposition of such Purchaser's or their property shall at all times be within such Purchaser's or their control. Each Purchaser understands that the Bonds have not been registered under the Securities Act and may be resold only if registered pursuant to the provisions of the Securities Act or if an exemption from registration is available, except under circumstances where neither such registration nor such an exemption is required by law, and that the Company is not required to register the Bonds under the Securities Act or to list the Bonds on any national securities exchange.

**Section 6.2. Source of Funds.** Each Purchaser severally represents that at least one of the following statements is an accurate representation as to each source of funds (a “Source”) to be used by such Purchaser to pay the purchase price of the Bonds to be purchased by such Purchaser under this Agreement:

(a) the Source is an “insurance company general account” (within the meaning of PTE 95-60) in respect of which the reserves and liabilities (as defined by the annual statement for life insurance companies approved by the NAIC (the “NAIC Annual Statement”)) for the general account contract(s) held by or on behalf of any employee benefit plan together with the amount of the reserves and liabilities for the general account contract(s) held by or on behalf of any other employee benefit plans maintained by the same employer (or affiliate thereof as defined in PTE 95-60) or by the same employee organization in the general account do not exceed 10% of the total reserves and liabilities of the general account (exclusive of separate account liabilities) plus surplus as set forth in the NAIC Annual Statement filed with such Purchaser’s state of domicile;

(b) the Source is a separate account that is maintained solely in connection with such Purchaser’s fixed contractual obligations under which the amounts payable, or credited, to any employee benefit plan (or its related trust) that has any interest in such separate account (or to any participant or beneficiary of such plan (including any annuitant)) are not affected in any manner by the investment performance of the separate account;

(c) the Source is either (i) an insurance company pooled separate account, within the meaning of PTE 90-1, or (ii) a bank collective investment fund, within the meaning of PTE 91-38, and, except as disclosed by such Purchaser to the Company in writing pursuant to this Section 6.2(c), no employee benefit plan or group of plans maintained by the same employer or employee organization beneficially owns more than 10% of all assets allocated to such pooled separate account or collective investment fund;

(d) the Source constitutes assets of an “investment fund” (within the meaning of Part VI of the QPAM Exemption) managed by a “qualified professional asset manager” or “QPAM” (within the meaning of Part VI of the QPAM Exemption), no employee benefit plan’s assets that are managed by the QPAM in such investment fund, when combined with the assets of all other employee benefit plans established or maintained by the same employer or by an affiliate (within the meaning of Part VI(c)(1) of the QPAM Exemption) of such employer or by the same employee organization and managed by such QPAM, represent more than 20% of the total client assets managed by such QPAM, the conditions of Part I(c) and Part I(g) of the QPAM Exemption are satisfied, neither the QPAM nor a Person controlling or controlled by the QPAM maintains an ownership interest in the Company that would cause the QPAM and the Company to be “related” within the meaning of Part VI(h) of the QPAM Exemption and (i) the identity of such QPAM and (ii) the names of any employee benefit plans whose assets in the investment fund, when combined with the assets of all other employee benefit plans established or maintained by the same employer or by an affiliate (within the meaning of Part VI(c)(1) of the QPAM Exemption) of such employer or by the same employee organization, represent 10% or more of the assets of such investment fund, have been disclosed to the Company in writing pursuant to this Section 6.2(d);

(e) the Source constitutes assets of a “plan(s)” (within the meaning of Part IV(h) of the INHAM Exemption) managed by an “in-house asset manager” or “INHAM” (within the meaning of Part IV(a) of the INHAM Exemption), the conditions of Part I(a), Part I(g) and Part I(h) of the INHAM Exemption are satisfied, neither the INHAM nor a Person controlling or controlled by the INHAM (applying the definition of “control” in Part IV(d)(3) of the INHAM Exemption) owns a 10% or more interest in the Company and (i) the identity of such INHAM and (ii) the name(s) of the employee benefit plan(s) whose assets constitute the Source have been disclosed to the Company in writing pursuant to this Section 6.2(e);

(f) the Source is a governmental plan;

(g) the Source is one or more employee benefit plans, or a separate account or trust fund comprised of one or more employee benefit plans, each of which has been identified to the Company in writing pursuant to this Section 6.2(g); or

(h) the Source does not include assets of any employee benefit plan, other than a plan exempt from the coverage of ERISA.

As used in this Section 6.2, the terms “employee benefit plan”, “governmental plan” and “separate account” shall have the respective meanings assigned to such terms in Section 3 of ERISA.

## **Section 7. Information as to the Company.**

**Section 7.1. Financial and Business Information.** The Company shall deliver to each Purchaser from and after the Execution Date through the date of the Closing, and, thereafter, to each Holder that is an Institutional Investor:

(a) Quarterly Statements — within 60 days after the end of each quarterly fiscal period in each fiscal year of the Company (other than the last quarterly fiscal period of each such fiscal year), a copy of:

(i) an unaudited consolidated balance sheet of the Company and its Subsidiaries as of the end of such quarter; and

(ii) unaudited consolidated statements of income, changes in stockholder’s equity and cash flows of the Company and its Subsidiaries, for such quarter and (in the case of the second and third quarters) for the portion of the fiscal year ending with such quarter,

setting forth in each case in comparative form the figures for the corresponding periods in the previous fiscal year, all in reasonable detail, prepared in accordance with GAAP applicable to quarterly financial statements generally, and certified by a Senior Financial Officer as fairly presenting, in all Material respects, the financial position of the companies being reported on and their results of operations and cash flows, subject to changes resulting from year-end adjustments;

(b) Annual Statements— within 105 days after the end of each fiscal year of the Company, a copy of:

- (i) a consolidated balance sheet of the Company and its Subsidiaries as of the end of such year; and
- (ii) consolidated statements of income, changes in stockholder's equity and cash flows of the Company and its Subsidiaries for such year,

setting forth in each case in comparative form the figures for the previous fiscal year, all in reasonable detail, prepared in accordance with GAAP, and accompanied by an opinion thereon of an independent registered public accounting firm of recognized national standing, which opinion shall state that such financial statements present fairly, in all material respects, the financial position of the companies being reported upon and their results of operations and cash flows and have been prepared in conformity with GAAP, and that the examination of such accounting firm in connection with such financial statements has been made in accordance with generally accepted auditing standards, and that such audit provides a reasonable basis for such opinion in the circumstances;

(c) SEC and Other Reports— promptly after the sending or filing thereof, one copy of (i) each financial statement (to the extent not otherwise furnished pursuant to Section 7.1(a) or Section 7.1(b)), report, circular, notice, proxy statement or similar document sent by the Company or any Subsidiary (other than those that relate solely to employee benefit plans) (x) to its creditors under any of the Company's Material credit facilities (excluding information sent to such creditors in the ordinary course of administration of a Material credit facility, such as information relating to pricing and borrowing availability) or (y) to its public Securities holders generally, and (ii) each regular or periodic report, each registration statement (without exhibits except as expressly requested by such Purchaser or Holder), each prospectus and all amendments thereto filed by the Company or any Subsidiary with the SEC;

(d) Notice of Default or Event of Default— promptly, and in any event within five Business Days after a Senior Financial Officer or any other officer of the Company with responsibility for the administration of the relevant portion of the Indenture becoming aware of the existence of any Default or Event of Default, a written notice specifying the nature and period of existence thereof and what action the Company is taking or proposes to take with respect thereto;

(e) Employee Benefits Matters— promptly, and in any event within five Business Days after a Responsible Officer becoming aware of any of the following, a written notice setting forth the nature thereof and the action, if any, that the Company or an ERISA Affiliate proposes to take with respect thereto:

- (i) with respect to any Plan, any reportable event, as defined in Section 4043(c) of ERISA and the regulations thereunder, for which notice thereof has not been waived pursuant to such regulations as in effect on the Execution Date;



(ii) the taking by the PBGC of steps to institute, or the threatening by the PBGC of the institution of, proceedings under Section 4042 of ERISA for the termination of, or the appointment of a trustee to administer, any Plan, or the receipt by the Company or any ERISA Affiliate of a notice from a Multiemployer Plan that such action has been taken by the PBGC with respect to such Multiemployer Plan; or

(iii) any event, transaction or condition that could result in the incurrence of any liability by the Company or any ERISA Affiliate pursuant to Title I of ERISA or Title IV of ERISA or the penalty or excise tax provisions of the Code relating to employee benefit plans, or in the imposition of any Lien on any of the rights, properties or assets of the Company or any ERISA Affiliate pursuant to Title I of ERISA or Title IV of ERISA or such penalty or excise tax provisions, if such liability or Lien, taken together with any other such liabilities or Liens then existing, would reasonably be expected to have a Material Adverse Effect;

(f) Resignation or Replacement of Auditors — within 10 days following the date on which the Company's auditors resign or the Company elects to change auditors, as the case may be, notification thereof, together with such further information in respect thereof as the Required Holders may reasonably request;

(g) Certain Notices Under the Indenture — true, correct and complete copies of any notices delivered by the Company directly to any holder of first mortgage bonds pursuant to the terms and provisions of the Indenture; and

(h) Requested Information — with reasonable promptness, such other Material data and information relating to the business, operations, affairs, financial condition, assets or properties of the Company or any of its Subsidiaries or relating to the ability of the Company to perform its obligations under this Agreement, the Indenture and the Bonds as from time to time may be reasonably requested by any such Purchaser or Holder, including such information as is required by Rule 144A under the Securities Act to be delivered to any prospective transferee of a Bond.

**Section 7.2. Officer's Certificate.** Each set of financial statements delivered to a Purchaser or Holder pursuant to Section 7.1(a) or Section 7.1(b) shall be accompanied by a certificate of a Senior Financial Officer certifying that such Senior Financial Officer has reviewed the relevant terms of this Agreement and the Indenture and has made, or caused to be made, under his or her supervision, a review of the transactions and conditions of the Company and its Subsidiaries from the beginning of the quarterly or annual period covered by the statements then being furnished to the date of the certificate and that such review shall not have disclosed the existence during such period of any condition or event that constitutes a Default or an Event of Default or, if any such condition or event existed or exists, specifying the nature and period of existence thereof and what action the Company shall have taken or proposes to take with respect thereto.

**Section 7.3. Visitation.** The Company shall permit the representatives of each Purchaser and each Holder that is an Institutional Investor:

(a) No Default— if no Default or Event of Default then exists, at the expense of such Purchaser or Holder and upon reasonable prior notice to the Company, to visit the principal executive office of the Company, to discuss the affairs, finances and accounts of the Company and its Subsidiaries with at least one of the Company's Senior Financial Officers, as determined by the Company, and (with the consent of the Company, which consent will not be unreasonably withheld) to visit the other offices and properties of the Company and each Subsidiary, all at such reasonable times and as often as may be reasonably requested in writing; and

(b) Default— if a Default or Event of Default then exists, at the expense of the Company, to visit and inspect any of the offices or properties of the Company or any Subsidiary, to examine all their respective books of account, records, reports and other papers, to make copies and extracts therefrom, and to discuss their respective affairs, finances and accounts with their respective officers and independent registered public accounting firm (and by this provision the Company authorizes said accounting firm to discuss the affairs, finances and accounts of the Company and its Subsidiaries), all at such times and as often as may be reasonably requested in writing.

(c) Confidentiality— notwithstanding the foregoing provisions of this Section 7.3, the Company shall not be obligated to permit any such Purchaser or Holder to so visit, discuss, inspect, examine or make copies and extracts unless such Purchaser or Holder shall have executed a confidentiality agreement in form and substance reasonably satisfactory to the Company (it being understood that the provisions of Section 15 shall constitute provisions reasonably satisfactory for this purpose).

**Section 7.4. Electronic Delivery.** Financial statements, opinions of independent registered public accounting firms, other information and Officer's Certificates that are required to be delivered by the Company pursuant to Section 7.1(a), Section 7.1(b), Section 7.1(c) or Section 7.2 shall be deemed to have been delivered if the Company satisfies any of the following requirements with respect thereto:

(a) the Company shall have delivered such items to each Purchaser or Holder by e-mail, including separate but concurrent delivery, at the e-mail address set forth in such Purchaser's or Holder's Purchaser Schedule or as communicated from time to time in a separate writing delivered to the Company; or

(b) the Company shall have timely filed any such items with the SEC on EDGAR or shall have made such items available on the web site of its parent company on the internet, which is located at [http:// www.cmsenergy.com](http://www.cmsenergy.com) as of the date of this Agreement, or on IntraLinks or on any other similar web site to which each Purchaser or Holder has free access;

provided, however, that in no case shall access to such financial statements, other information and Officer's Certificates be conditioned upon any waiver or other agreement or consent (other than confidentiality provisions consistent with Section 15); provided, further, that upon request of any Purchaser or Holder to receive paper copies of such forms, financial statements, other information and Officer's Certificates or to receive them by e-mail, the Company will promptly e-mail them or deliver such paper copies, as the case may be, to such Purchaser or Holder.

**Section 8. Form of Supplemental Indenture.** Each Purchaser, by its purchase of the Bonds to be sold to such Purchaser at the Closing, consents and agrees to the form and content of the Supplemental Indenture.

**Section 9. Payments on Bonds.**

**Section 9.1. Payments Generally.** So long as any Purchaser or its nominee shall be a Holder, and notwithstanding anything contained in the Indenture or such Holder's Bond(s) to the contrary, the Company will pay or cause to be paid all sums becoming due on such Bond(s) for principal, premium, if any, interest and all other amounts becoming due hereunder by the method and at the address specified for such purpose below such Purchaser's name in the Purchaser Schedule, or by such other method or at such other address as such Purchaser shall have from time to time specified to the Company in writing for such purpose, without the presentation or surrender of such Bond(s) or the making of any notation thereon, except that upon written request of the Company made concurrently with or reasonably promptly after payment or prepayment in full of any Bond, such Purchaser shall surrender such Bond for cancellation, reasonably promptly after any such request, to the Trustee at the place of payment designated pursuant to the Indenture. Prior to any sale or other disposition of any Bond held by a Purchaser or its nominee, such Purchaser will, at its election, either endorse thereon the amount of principal paid thereon and the last date to which interest has been paid thereon or surrender such Bond to the Company or the Trustee in exchange for a new Bond or Bonds pursuant to the Indenture. The Company will afford the benefits of this Section 9 to any Institutional Investor that is the direct or indirect transferee of any Bond purchased by a Purchaser under this Agreement and that has made the same agreement relating to such Bond as the Purchasers have made in this Section 9.

**Section 9.2. FATCA Information.** By acceptance of any Bond, the Holder thereof agrees that such Holder will with reasonable promptness duly complete and deliver to the Company, or to such other Person as may be reasonably requested by the Company, from time to time (a) in the case of any such Holder that is a United States Person, such Holder's United States tax identification number or other forms reasonably requested by the Company necessary to establish such Holder's status as a United States Person under FATCA and as may otherwise be necessary for the Company to comply with its obligations under FATCA and (b) in the case of any such Holder that is not a United States Person, such documentation prescribed by applicable law (including as prescribed by Section 1471(b)(3)(C)(i) of the Code) and such additional documentation as may be necessary for the Company to comply with its obligations under FATCA and to determine that such Holder has complied with such Holder's obligations under FATCA or to determine the amount (if any) to deduct and withhold from any such payment made to such Holder. Nothing in this Section 9.2 shall require any Holder to provide information that is confidential or proprietary to such Holder unless the Company is required to obtain such information under FATCA and, in such event, the Company shall treat any such information it receives as confidential. Each Holder agrees that any payment made by the Company is subject to required withholding under FATCA or other provisions of the Code. The Company will not withhold any tax from any applicable payment to be made to any Holder that is not a United States Person so long as such Holder shall have delivered to the Company (in such number of copies as shall be requested) on or about the date on which such Holder becomes a Holder under this Agreement (and from time to time thereafter upon the reasonable request of

the Company), executed copies of Internal Revenue Service Form W-8BEN or Form W-8BEN-E, as applicable, as well as the applicable U.S. Tax Compliance Certificate substantially in the form attached as Schedule 9.2, in both cases correctly completed and executed.

## **Section 10. Expenses, Etc.**

**Section 10.1. Transaction Expenses.** Whether or not the transactions contemplated by this Agreement are consummated, the Company will pay all costs and expenses (including reasonable attorneys' fees of a special counsel and, if reasonably required by the Required Holders, local or other counsel) incurred by the Purchasers and each other Holder in connection with such transactions and in connection with any amendments, waivers or consents under or in respect of this Agreement, the Indenture or the Bonds (whether or not such amendment, waiver or consent becomes effective), including: (a) the costs and expenses incurred in enforcing or defending (or determining whether or how to enforce or defend) any rights under this Agreement, the Indenture or the Bonds or in responding to any subpoena or other legal process or informal investigative demand issued in connection with this Agreement, the Indenture or the Bonds, or by reason of being a Holder; (b) the costs and expenses, including financial advisors' fees, incurred in connection with the insolvency or bankruptcy of the Company or any Subsidiary or in connection with any work-out or restructuring of the transactions contemplated by this Agreement, the Indenture and the Bonds; and (c) the cost of obtaining Private Placement Numbers issued by Standard & Poor's CUSIP Service Bureau for the Bonds. If required by the NAIC, the Company shall obtain and maintain at its own cost and expense a Legal Entity Identifier (LEI). The Company will pay, and will save each Purchaser and each other Holder harmless from, (i) all claims in respect of any fees, costs or expenses, if any, of brokers and finders (other than those, if any, retained by a Purchaser or other Holder in connection with its purchase of the Bonds), (ii) any and all wire transfer fees that any bank or other financial institution deducts from any payment under such Bond to such Holder or otherwise charges to a Holder with respect to a payment under such Bond and (iii) any judgment, liability, claim, order, decree, fine, penalty, cost, fee, expense (including reasonable attorneys' fees and expenses) or obligation resulting from the consummation of the transactions contemplated hereby, including the use of the proceeds of the Bonds by the Company. Notwithstanding the foregoing, the Company shall not be required to pay any costs or expenses of a Purchaser if such Purchaser shall have failed to purchase any Bonds that it is obligated to purchase under this Agreement.

**Section 10.2. Certain Taxes.** The Company agrees to pay all stamp, documentary or similar taxes or fees that may be payable in respect of the execution and delivery or the enforcement of this Agreement or the execution and delivery (but not the transfer) or the enforcement of any of the Bonds in the United States or any other jurisdiction where the Company has assets or of any amendment of, or waiver or consent under or with respect to, this Agreement or of any of the Bonds, and to pay any value added tax due and payable in respect of reimbursement of costs and expenses by the Company pursuant to this Section 10, and will save each Holder to the extent permitted by applicable law harmless against any loss or liability resulting from nonpayment or delay in payment of any such tax or fee required to be paid by the Company hereunder.

**Section 10.3. Survival.** The obligations of the Company under this Section 10 will survive the payment or transfer of any Bond, the enforcement, amendment or waiver of any provision of this Agreement, the Indenture or the Bonds, and the termination of this Agreement.

**Section 11. Survival of Representations and Warranties; Entire Agreement.** All representations and warranties contained in this Agreement shall survive the execution and delivery of this Agreement, the Indenture and the Bonds, the purchase or transfer by any Purchaser of any Bond or portion thereof or interest therein and the payment of any Bond, and may be relied upon by any subsequent Holder, regardless of any investigation made at any time by or on behalf of such Purchaser or any other Holder. All statements contained in any certificate or other instrument delivered by or on behalf of the Company pursuant to this Agreement or the Indenture shall be deemed representations and warranties of the Company, as of the date made, under this Agreement. Subject to the preceding sentence, this Agreement, the Indenture and the Bonds embody the entire agreement and understanding between each Purchaser and the Company and supersede all prior agreements and understandings relating to the subject matter of this Agreement.

**Section 12. Amendment and Waiver.**

**Section 12.1. Requirements.** In addition to and not in limitation of any rights of a Holder to amend or waive any provision of the Indenture or to consent to an amendment or waiver of the Indenture in accordance with the terms of the Indenture, this Agreement may be amended, and the observance of any term of this Agreement may be waived (either retroactively or prospectively), only with the written consent of the Company and the Required Holders, except that: (a) no amendment or waiver of any of Section 1, Section 2, Section 3, Section 4, Section 5, Section 6 or Section 16, or any defined term (as it is used therein), will be effective as to any Purchaser unless consented to by such Purchaser in writing; and (b) no amendment or waiver may, without the written consent of each Purchaser and each Holder, (i) change the amount or time of any prepayment or payment of principal of, or reduce the rate or change the time of payment or method of computation of interest or premium, if any, on, the Bonds, (ii) change the percentage of the principal amount of the Bonds the Holders of which are required to consent to any amendment or waiver or the principal amount of the Bonds that the Purchasers are to purchase pursuant to Section 2 upon the satisfaction of the conditions to the Closing pursuant to Section 4 or (iii) amend any of Section 12 or Section 15.

**Section 12.2. Solicitation of Holders.**

(a) Solicitation. The Company will provide each Purchaser and each Holder with sufficient information, sufficiently far in advance of the date a decision is required, to enable such Purchaser or Holder to make an informed and considered decision with respect to any proposed amendment, waiver or consent in respect of any of the provisions of this Agreement, the Indenture or the Bonds. The Company will deliver executed or true and correct copies of each amendment, waiver or consent effected pursuant to this Section 12 to each Purchaser and each Holder promptly following the date on which it is executed and delivered by, or receives the consent or approval of, the requisite percentage of Purchasers or Holders, as applicable.

(b) Payment. The Company will not directly or indirectly pay or cause to be paid any remuneration, whether by way of supplemental or additional interest, fee or otherwise, or grant any security or provide other credit support, to any Purchaser or Holder as consideration for or as an inducement to the entering into by such Purchaser or Holder of any waiver or amendment of any of the terms and provisions of this Agreement or any Bond or the Indenture unless such remuneration is concurrently paid, or security is concurrently granted or other credit support concurrently provided, on the same terms, ratably to each Purchaser or Holder, as the case may be, even if (in all cases except for the payment solely of a consent fee) such Purchaser or Holder did not consent to such waiver or amendment.

(c) Consent in Contemplation of Transfer. Any consent given pursuant to this Section 12 by a Holder that has transferred or has agreed to transfer its Bond to (i) the Company, (ii) any Subsidiary or any other Affiliate or (iii) any other Person in connection with, or in anticipation of, such other Person acquiring, making a tender offer for or merging with the Company and/or any of its Affiliates, in each case in connection with such consent, shall be void and of no force or effect except solely as to such Holder, and any amendments effected or waivers granted or to be effected or granted that would not have been or would not be so effected or granted but for such consent (and the consents of all other Holders that were acquired under the same or similar conditions) shall be void and of no force or effect except solely as to such Holder.

**Section 12.3. Binding Effect, Etc.** Any amendment or waiver consented to as provided in this Section 12 applies equally to all Purchasers and all Holders, as the case may be, and is binding upon them and upon each future Holder and upon the Company without regard to whether any Bond has been marked to indicate such amendment or waiver. No such amendment or waiver will extend to or affect any obligation, covenant, agreement, Default or Event of Default not expressly amended or waived or impair any right consequent thereon. No course of dealing between the Company and any Purchaser or Holder and no delay in exercising any rights under this Agreement, the Indenture or any Bond shall operate as a waiver of any rights of any Purchaser or Holder.

**Section 12.4. Bonds Held by Company, Etc.** Solely for the purpose of determining whether the Holders of the requisite percentage of the aggregate principal amount of Bonds then outstanding approved or consented to any amendment, waiver or consent to be given under this Agreement, or have directed the taking of any action provided in this Agreement to be taken upon the direction of the Holders of a specified percentage of the aggregate principal amount of Bonds then outstanding, Bonds directly or indirectly owned by the Company or any of its Affiliates shall be deemed not to be outstanding.

**Section 13. Notices.** Except to the extent otherwise provided in Section 7.4, all notices and communications provided for under this Agreement shall be in writing and sent (a) by telefacsimile or other electronic means if such telefacsimile or other electronic means produces evidence of successful transmission or if the sender on the same day sends a confirming copy of such notice by an internationally recognized overnight delivery service (charges prepaid), (b) by registered or certified mail with return receipt requested (postage prepaid) or (c) by an internationally recognized overnight delivery service (charges prepaid). Any such notice must be sent:

(i) if to any Purchaser or its nominee, to such Purchaser or nominee at the address specified for such communications in the Purchaser Schedule, or at such other address as such Purchaser or nominee shall have specified to the Company in writing;

(ii) if to any other Holder, to such Holder at such address as such Holder shall have specified to the Company in writing;

(iii) if to the Company, to the Company at Consumers Energy Company, One Energy Plaza, Jackson, Michigan 49201, Attention: Treasurer, or at such other address as the Company shall have specified to the Holders in writing; or

(iv) if to the Trustee, to the Trustee at The Bank of New York Mellon, 101 Barclay Street, New York, New York 10286, or at such other address as the Trustee shall have specified to the Holders in writing.

Notices under this Section 13 will be deemed given only when actually received.

**Section 14. Reproduction of Documents.** This Agreement, the Indenture and all documents relating to this Agreement and the Indenture, including (a) consents, waivers and modifications that may be executed after the Execution Date, (b) documents received by any Purchaser at the Closing (except the Bonds themselves), and (c) financial statements, certificates and other information previously or furnished to any Purchaser after the Execution Date, may be reproduced by such Purchaser by any photographic, photostatic, electronic, digital, microfilm, microcard or other similar process and such Purchaser may destroy any original document so reproduced. The Company agrees and stipulates that, to the extent permitted by applicable law, any such reproduction shall be admissible in evidence as the original itself in any judicial or administrative proceeding (whether or not the original is in existence and whether or not such reproduction was made by such Purchaser in the regular course of business) and any enlargement, facsimile or further reproduction of such reproduction shall likewise be admissible in evidence. This Section 14 shall not prohibit the Company or any Holder from contesting any such reproduction to the same extent that it could contest the original, or from introducing evidence to demonstrate the inaccuracy of any such reproduction.

**Section 15. Confidential Information.** For the purposes of this Section 15, “Confidential Information” means information delivered (either orally or in writing) to any Purchaser by or on behalf of the Company or any Subsidiary in connection with the transactions contemplated by or otherwise pursuant to this Agreement that is proprietary in nature, provided that such term does not include information that (a) was publicly known or otherwise known to such Purchaser prior to the time of such disclosure, (b) subsequently becomes publicly known through no act or omission by such Purchaser or any Person acting on such Purchaser’s behalf, (c) otherwise becomes known to such Purchaser other than through disclosure by the Company or any Subsidiary or (d) constitutes financial statements delivered to such Purchaser under Section 7.1 that are otherwise publicly available. Each Purchaser will maintain the confidentiality of such Confidential Information in accordance with procedures adopted by such Purchaser in good faith to protect confidential information of third parties delivered to such Purchaser, provided that such Purchaser may deliver or disclose Confidential Information to (i) its directors, trustees, officers, employees, agents, attorneys and Affiliates (to the extent such disclosure reasonably

relates to the administration of the investment represented by its Bonds), (ii) its auditors, financial advisors and other professional advisors or any other Holder who agree to hold confidential the Confidential Information substantially in accordance with this Section 15, (iii) any Institutional Investor to which it sells or offers to sell such Bond or any part thereof or any participation therein (if such Person has agreed in writing prior to its receipt of such Confidential Information to be bound by this Section 15), (iv) any Person from which it offers to purchase any Security of the Company (if such Person has agreed in writing prior to its receipt of such Confidential Information to be bound by this Section 15), (v) any federal or state regulatory authority having jurisdiction over such Purchaser, (vi) the NAIC or the SVO or, in each case, any similar organization, or any nationally recognized rating agency that requires access to information about such Purchaser's investment portfolio, or (vii) any other Person to which such delivery or disclosure may be necessary or appropriate (w) to effect compliance with any law, rule, regulation or order applicable to such Purchaser, (x) in response to any subpoena or other legal process, (y) in connection with any litigation to which such Purchaser is a party or (z) if an Event of Default has occurred and is continuing, to the extent such Purchaser may reasonably determine such delivery and disclosure to be necessary or appropriate in the enforcement or for the protection of the rights and remedies under such Purchaser's Bonds, the Indenture and this Agreement. Any Holder (and any employee, representative or other agent of such Holder) may disclose to any and all Persons, without limitation of any kind, the tax treatment and tax structure of the transaction and all materials of any kind (including opinions or other tax analyses) that are provided to the taxpayer relating to such tax treatment and tax structure. The authorization in the immediately preceding sentence is not intended to permit, and does not permit, disclosure of any information not related to the tax treatment or tax structure of the transaction, including, for example, the identities of participants or potential participants and any Confidential Information regarding the operations or finances of the Company and its Subsidiaries. Each Holder, by its acceptance of a Bond, will be deemed to have agreed to be bound by and to be entitled to the benefits of this Section 15 as though it were a party to this Agreement. On reasonable request by the Company in connection with the delivery to any Holder of information required to be delivered to such Holder under this Agreement or requested by such Holder (other than a Holder that is a party to this Agreement or its nominee), such Holder will enter into an agreement with the Company embodying this Section 15. In the event that, as a condition to receiving access to information relating to the Company or its Subsidiaries in connection with the transactions contemplated by or otherwise pursuant to this Agreement, any Purchaser or Holder is required to agree to a confidentiality undertaking (whether through IntraLinks, another secure website, a secure virtual workspace or otherwise) that is different from this Section 15, this Section 15 shall not be amended thereby and, as between such Purchaser or such Holder and the Company, this Section 15 shall supersede any such other confidentiality undertaking.

**Section 16. Substitution of Purchaser.** Each Purchaser shall have the right to substitute any one of its Affiliates or another Purchaser or any one of such other Purchaser's Affiliates (a "Substitute Purchaser") as the purchaser of the Bonds that it has agreed to purchase pursuant to this Agreement, by written notice to the Company, which notice shall be signed by both such Purchaser and such Substitute Purchaser, shall contain such Substitute Purchaser's agreement to be bound by this Agreement and shall contain a confirmation by such Substitute Purchaser of the accuracy with respect to it of the representations set forth in Section 6. Upon receipt of such



notice, any reference to such Purchaser in this Agreement (other than in this Section 16) shall be deemed to refer to such Substitute Purchaser in lieu of such original Purchaser. In the event that such Substitute Purchaser is so substituted as a Purchaser under this Agreement and such Substitute Purchaser thereafter transfers to such original Purchaser all of the Bonds then held by such Substitute Purchaser, upon receipt by the Company of notice of such transfer, any reference to such Substitute Purchaser as a “Purchaser” in this Agreement (other than in this Section 16) shall no longer be deemed to refer to such Substitute Purchaser, but shall refer to such original Purchaser, and such original Purchaser shall again have all the rights of an original Holder under this Agreement.

## **Section 17. Miscellaneous.**

**Section 17.1. Successors and Assigns.** All covenants and other agreements contained in this Agreement by or on behalf of any of the parties to this Agreement bind and inure to the benefit of their respective successors and assigns (including any subsequent Holder) whether so expressed or not, except that the Company may not assign or otherwise transfer any of its rights or obligations hereunder or under the Bonds without the prior written consent of each Holder. Nothing in this Agreement, expressed or implied, shall be construed to confer upon any Person (other than the parties hereto and their respective successors and assigns permitted hereby) any legal or equitable right, remedy or claim under or by reason of this Agreement, except that Pillsbury Winthrop Shaw Pittman LLP shall be entitled to rely on Section 17.9.

**Section 17.2. Payments Due on Non-Business Days.** Anything in this Agreement, the Indenture or the Bonds to the contrary notwithstanding, (x) except as set forth in clause (y) below, any payment of interest on any Bond that is due on a date that is not a Business Day shall be made on the next succeeding Business Day without including the additional days elapsed in the computation of the interest payable on such next succeeding Business Day, and (y) any payment of principal of or premium, if any, on any Bond (including principal due on the maturity date of such Bond) that is due on a date that is not a Business Day shall be made on the next succeeding Business Day and shall include the additional days elapsed in the computation of interest payable on such next succeeding Business Day.

**Section 17.3. Accounting Terms.** All accounting terms used in this Agreement that are not expressly defined in this Agreement have the meanings respectively given to them in accordance with GAAP. Except as otherwise specifically provided in this Agreement, (a) all computations made pursuant to this Agreement shall be made in accordance with GAAP and (b) all financial statements shall be prepared in accordance with GAAP. For purposes of determining compliance with this Agreement (including the definition of “Indebtedness”), any election by the Company to measure any financial liability using fair value (as permitted by Financial Accounting Standards Board Accounting Standards Codification Topic No. 825-10-25 – Fair Value Option, International Accounting Standard 39 – Financial Instruments: Recognition and Measurement or any similar accounting standard) shall be disregarded and such determination shall be made as if such election had not been made.

**Section 17.4. Severability.** Any provision of this Agreement that is prohibited or unenforceable in any jurisdiction shall, as to such jurisdiction, be ineffective to the extent of such prohibition or unenforceability without invalidating the remaining provisions of this Agreement,

and any such prohibition or unenforceability in any jurisdiction shall (to the full extent permitted by law) not invalidate or render unenforceable such provision in any other jurisdiction. No right, power or remedy conferred by this Agreement upon any Holder shall be exclusive of any other right, power or remedy referred to in this Agreement or now or after the Execution Date available at law, in equity, by statute or otherwise.

**Section 17.5. Construction, Etc.** Each covenant contained in this Agreement shall be construed (absent express provision to the contrary) as being independent of each other covenant contained in this Agreement, so that compliance with any one covenant shall not (absent such an express contrary provision) be deemed to excuse compliance with any other covenant. Where any provision in this Agreement refers to action to be taken by any Person, or that such Person is prohibited from taking, such provision shall be applicable whether such action is taken directly or indirectly by such Person. The term “property” or “properties” means, unless otherwise specifically limited, real or personal property of any kind, tangible or intangible, choate or inchoate. Defined terms herein shall apply equally to the singular and plural forms of the terms defined. Whenever the context may require, any pronoun shall include the corresponding masculine, feminine and neuter forms. The words “include”, “includes” and “including” shall be deemed to be followed by the phrase “without limitation”. The word “will” shall be construed to have the same meaning and effect as the word “shall”. Unless the context requires otherwise, (a) any definition of or reference to any agreement, instrument or other document herein shall be construed as referring to such agreement, instrument or other document as from time to time amended, supplemented or otherwise modified (subject to any restrictions on such amendments, supplements or modifications set forth herein), (b) subject to Section 17.1, any reference herein to any Person shall be construed to include such Person’s successors and assigns, (c) the words “herein”, “hereof” and “hereunder”, and words of similar import, shall be construed to refer to this Agreement in its entirety and not to any particular provision hereof, (d) all references herein to Sections and Schedules shall be construed to refer to Sections of, and Schedules to, this Agreement, and (e) any reference to any law or regulation herein shall, unless otherwise specified, refer to such law or regulation as amended, modified or supplemented from time to time.

**Section 17.6. Counterparts.** This Agreement may be executed in any number of counterparts and by different parties in separate counterparts, each of which when so executed shall be deemed to be an original and all of which taken together shall constitute one and the same agreement. Delivery of an executed counterpart of a signature page of this Agreement by telecopy, e-mailed .pdf or any other electronic means that reproduces an image of the actual executed signature page shall be effective as delivery of a manually executed counterpart of this Agreement. The words “execution”, “signed”, “signature”, “delivery” and words of like import in or relating to any document to be signed in connection with this Agreement and the transactions contemplated hereby shall be deemed to include electronic signatures, electronic deliveries or the keeping of records in electronic form, each of which shall be of the same legal effect, validity or enforceability as a manually executed signature, physical delivery thereof or the use of a paper-based recordkeeping system, as the case may be, to the extent and as provided for in any applicable law, including the U.S. Electronic Signatures in Global and National Commerce Act, the Electronic Signatures and Records Act of the State of New York or any other similar state laws based on the Uniform Electronic Transactions Act.

**Section 17.7. Governing Law.** This Agreement shall be construed and enforced in accordance with, and the rights of the parties shall be governed by, the law of the State of New York excluding choice-of-law principles of the law of such State that would require the application of the laws of a jurisdiction other than such State.

**Section 17.8. Jurisdiction and Process; Waiver of Jury Trial.**

(a) Each of the Company and each Purchaser irrevocably submits to the non-exclusive jurisdiction of any New York State or federal court sitting in the Borough of Manhattan, The City of New York, over any suit, action or proceeding arising out of or relating to this Agreement. To the fullest extent permitted by applicable law, each of the Company and each Purchaser irrevocably waives and agrees not to assert, by way of motion, as a defense or otherwise, any claim that it is not subject to the jurisdiction of any such court, any objection that it may now or after the Execution Date have to the laying of the venue of any such suit, action or proceeding brought in any such court and any claim that any such suit, action or proceeding brought in any such court has been brought in an inconvenient forum.

(b) The Company agrees, to the fullest extent permitted by applicable law, that a final judgment in any suit, action or proceeding of the nature referred to in Section 17.8(a) brought in any such court shall be conclusive and binding upon it subject to rights of appeal, as the case may be, and may be enforced in the courts of the United States of America or the State of New York (or any other courts to the jurisdiction of which it or any of its assets is or may be subject) by a suit upon such judgment.

(c) The Company consents to process being served by or on behalf of any Holder in any suit, action or proceeding of the nature referred to in Section 17.8(a) by mailing a copy thereof by registered, certified, priority or express mail (or any substantially similar form of mail), postage prepaid, return receipt or delivery confirmation requested, to it at its address specified in Section 13 or at such other address of which such Holder shall then have been notified pursuant to said Section 13. The Company agrees that such service upon receipt (i) shall be deemed in every respect effective service of process upon it in any such suit, action or proceeding and (ii) shall, to the fullest extent permitted by applicable law, be taken and held to be valid personal service upon and personal delivery to it. Notices under this Agreement shall be conclusively presumed received as evidenced by a delivery receipt furnished by the United States Postal Service or any reputable commercial delivery service.

(d) Nothing in this Section 17.8 shall affect the right of any Holder to serve process in any manner permitted by law, or limit any right that the Holders may have to bring proceedings against the Company in the courts of any appropriate jurisdiction or to enforce in any lawful manner a judgment obtained in one jurisdiction in any other jurisdiction.

**(e) THE PARTIES TO THIS AGREEMENT HEREBY WAIVE TRIAL BY JURY IN ANY ACTION BROUGHT ON OR WITH RESPECT TO THIS AGREEMENT OR ANY OTHER DOCUMENT EXECUTED IN CONNECTION WITH THIS AGREEMENT.**

**Section 17.9. Purchasers' Counsel.** Each of the Company and the Purchasers acknowledges that Pillsbury Winthrop Shaw Pittman LLP is acting as counsel to the Purchasers in connection with this Agreement and the transactions contemplated hereby. Each of the Company and the Purchasers further acknowledges receipt of the letter of Pillsbury Winthrop Shaw Pittman LLP dated June 18, 2018 with respect to such representations. On the basis of the foregoing (including such letter), each Purchaser acknowledges acceptance of the terms of such letter (including consenting to the representation by Pillsbury Winthrop Shaw Pittman LLP of such Purchaser on the terms and conditions described in such letter).

If you are in agreement with the foregoing, please sign the form of agreement on a counterpart of this Agreement and return it to the Company, whereupon this Agreement shall become a binding agreement between you and the Company.

Very truly yours,

CONSUMERS ENERGY COMPANY

By: /s/ Srikanth Maddipati

Name: Srikanth Maddipati

Title: Vice President and Treasurer

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This Agreement is hereby accepted and agreed to as of the date hereof.

N E W Y O R K L I F E I N S U R A N C E C O M P A N Y

By: /s/ Jessica L. Maizel  
Name: Jessica L. Maizel  
Title: Corporate Vice President

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This Agreement is hereby accepted and agreed to as of the date hereof.

SOUTHERN FARM BUREAU LIFE INSURANCE COMPANY

By: /s/ David Divine

Name: David Divine

Title: Senior Portfolio Manager

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This Agreement is hereby accepted and agreed to as of the date hereof.

MUTUAL OF OMAHA INSURANCE COMPANY

By: /s/ Lee Martin  
Name: Lee Martin  
Title: Vice President

UNITED OF OMAHA LIFE INSURANCE COMPANY

By: /s/ Lee Martin  
Name: Lee Martin  
Title: Vice President

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This Agreement is hereby accepted and agreed to as of the date hereof.

T RANSAMERICA L IFE (B ERMUDA ) LTD

By: A EGON USA I NVESTMENT M ANAGEMENT , LLC, its investment manager

By: /s/ Frederick B. Howard  
Name: Frederick B. Howard  
Title: Vice President

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This Agreement is hereby accepted and agreed to as of the date hereof.

A THENE ANNUITY & LIFE ASSURANCE COMPANY

By: A THENE ASSET MANAGEMENT LLC, its investment adviser

By: /s/ Roger D. Fors

Name: Roger D. Fors

Title: Senior Vice President, Fixed Income

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This Agreement is hereby accepted and agreed to as of the date hereof.

A MERICAN E QUITY I NVESTMENT L IFE I NSURANCE C OMPANY ,  
solely with respect to the Modco Account

By: A THENE A SSET M ANAGEMENT LLC, its investment adviser of that certain modified coinsurance account (the “Modco Account”) created pursuant to that certain trust agreement between American Equity Investment Life Insurance Company, Athene Life Re Ltd., and State Street Bank and Trust Company dated as of May 29, 2014

By: /s/ Roger D. Fors

Name: Roger D. Fors

Title: Senior Vice President, Fixed Income

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This Agreement is hereby accepted and agreed to as of the date hereof.

M IDLAND N ATIONAL L IFE I NSURANCE C OMPANY

By: A THENE A SSET M ANAGEMENT LLC, its investment adviser

By: /s/ Roger D. Fors

Name: Roger D. Fors

Title: Senior Vice President, Fixed Income

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This Agreement is hereby accepted and agreed to as of the date hereof.

J EFFE RSON N ATIONAL L IFE I NSURANCE C OMPANY

By: A THENE A SSET M ANAGEMENT LLC, its investment adviser

By: /s/ Roger D. Fors

Name: Roger D. Fors

Title: Senior Vice President, Fixed Income

---

This Agreement is hereby accepted and agreed to as of the date hereof.

S T A T E F A R M L I F E I N S U R A N C E C O M P A N Y

By: /s/ Jeffrey Attwood  
Name: Jeffrey Attwood  
Title: Investment Professional

By: /s/ Rebekah L. Holt  
Name: Rebekah L. Holt  
Title: Investment Professional

S T A T E F A R M L I F E A N D A C C I D E N T A S S U R A N C E C O M P A N Y

By: /s/ Jeffrey Attwood  
Name: Jeffrey Attwood  
Title: Investment Professional

By: /s/ Rebekah L. Holt  
Name: Rebekah L. Holt  
Title: Investment Professional

S T A T E F A R M I N S U R A N C E C O M P A N I E S E M P L O Y E E R E T I R E M E N T T R U S T

By: /s/ Jeffrey Attwood  
Name: Jeffrey Attwood  
Title: Investment Professional

By: /s/ Rebekah L. Holt  
Name: Rebekah L. Holt  
Title: Investment Professional

---

This Agreement is hereby accepted and agreed to as of the date hereof.

P HOENIX L IFE I NSURANCE C OMPANY

By: /s/ Christopher Wilkes

Name: Christopher Wilkes

Title: Chief Investment Officer

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This Agreement is hereby accepted and agreed to as of the date hereof.

PHL VARIABLE INSURANCE COMPANY

By: /s/ Christopher Wilkes

Name: Christopher Wilkes

Title: Chief Investment Officer

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This Agreement is hereby accepted and agreed to as of the date hereof.

CMFG LIFE INSURANCE COMPANY

By: MEMBERS CAPITAL ADVISORS, INC., acting as Investment Advisor

By: /s/ Anne M. Finucane

Name: Anne M. Finucane

Title: Managing Director, Investments

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This Agreement is hereby accepted and agreed to as of the date hereof.

M ANUFACTURERS L IFE R EINSURANCE L IMITED

By: /s/ Candace Klufas

Name: Candace Klufas  
Title: Vice President & Chief  
Financial Officer

By: /s/ David Raheb

Name: David Raheb  
Title: Vice President and Actuary

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This Agreement is hereby accepted and agreed to as of the date hereof.

T H E N O R T H W E S T E R N M U T U A L L I F E I N S U R A N C E C O M P A N Y

By:     Northwestern Mutual Investment Management Company, LLC, Its Investment Adviser

By: /s/ Bradley T. Kunath

Name: Bradley T. Kunath

Its: Managing Director

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This Agreement is hereby accepted and agreed to as of the date hereof.

T H E N O R T H W E S T E R N M U T U A L L I F E I N S U R A N C E C O M P A N Y

for its Group Annuity Separate Account

By: /s/ Bradley T. Kunath

Name: Bradley T. Kunath

Its Authorized Representative

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This Agreement is hereby accepted and agreed to as of the date hereof.

TEACHERS INSURANCE AND ANNUITY ASSOCIATION OF AMERICA

By: NUVEEN ALTERNATIVES ADVISORS LLC, its investment manager

By: /s/ Laura M. Parrott  
Name: Laura M. Parrott  
Title: Managing Director

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This Agreement is hereby accepted and agreed to as of the date hereof.

RGA R EINSURANCE C OMPANY

By: /s/ Amy Gibson  
Name: Amy Gibson  
Title: Vice President

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This Agreement is hereby accepted and agreed to as of the date hereof.

A MERITAS L IFE I NSURANCE C ORP .

A MERITAS L IFE I NSURANCE C ORP . OF N EW Y ORK

By: A MERITAS I NVESTMENT P ARTNERS I NC ., as Agent

By: /s/ Tina Udell

Name: Tina Udell

Title: Vice President & Managing Director

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This Agreement is hereby accepted and agreed to as of the date hereof.

G ENWORTH L IFE I NSURANCE C OMPANY

By: /s/ Stuart Shepetin  
Name: Stuart Shepetin  
Title: Investment Officer

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This Agreement is hereby accepted and agreed to as of the date hereof.

A MERICAN G ENERAL L IFE I NSURANCE C OMPANY  
T HE U NITED S TATES L IFE I NSURANCE C OMPANY IN THE C ITY OF N EW Y ORK

By:   AIG A SSET M ANAGEMENT (U.S.), LLC, as Investment Advisor

By: /s/ John Pollock  
Name: John Pollock  
Title: Managing Director

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This Agreement is hereby accepted and agreed to as of the date hereof.

C OUNTRY L IFE I NSURANCE C OMPANY

By: /s/ John A. Jacobs

Name: John A. Jacobs

Title: Director – Fixed Income

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This Agreement is hereby accepted and agreed to as of the date hereof.

C OUNTRY M UTUAL I NSURANCE C OMPANY

By: /s/ John A. Jacobs

Name: John A. Jacobs

Title: Director – Fixed Income

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This Agreement is hereby accepted and agreed to as of the date hereof.

P RINCIPAL L IFE I NSURANCE C OMPANY

By: P RINCIPAL G LOBAL I NVESTORS , LLC,  
a Delaware limited liability company, its authorized signatory

By: /s/ Alex P. Montz  
Name: Alex P. Montz  
Title: Counsel

By: /s/ Colin Pennycooke  
Name: Colin Pennycooke  
Title: Counsel

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This Agreement is hereby accepted and agreed to as of the date hereof.

M E T L I F E I N S U R A N C E K.K.

By: M E T L I F E I N V E S T M E N T A D V I S O R S , L L C, Its Investment Manager

By: /s/ John A. Wills  
Name: John A. Wills  
Title: Managing Director

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## Schedule A

### Defined Terms

As used in this Agreement, the following terms have the respective meanings set forth below or set forth in the Section following such term:

“ 2027 Bonds ” is defined in Section 1.

“ 2038 Bonds ” is defined in Section 1.

“ 2057 Bonds ” is defined in Section 1.

“ Affiliate ” means, at any time, and with respect to any Person, any other Person that at such time directly or indirectly through one or more intermediaries Controls, or is Controlled by, or is under common Control with, such first Person. Unless the context otherwise clearly requires, any reference to an “ Affiliate ” is a reference to an Affiliate of the Company.

“ Agreement ” means this Bond Purchase Agreement, including all Schedules attached hereto.

“ Anti-Corruption Laws ” means any law or regulation applicable to the Company or any Subsidiary regarding bribery or any other corrupt activity, including the U.S. Foreign Corrupt Practices Act.

“ Anti-Money Laundering Laws ” means any law or regulation applicable to the Company or any Subsidiary regarding money laundering, drug trafficking, terrorist-related activities or other money laundering predicate crimes, including the Currency and Foreign Transactions Reporting Act of 1970 (otherwise known as the Bank Secrecy Act) and the USA PATRIOT Act.

“ Blocked Person ” means (a) a Person whose name appears on the list of Specially Designated Nationals and Blocked Persons published by OFAC, (b) a Person, entity, organization, country or regime that is blocked or a target of sanctions that have been imposed under U.S. Economic Sanctions Laws or (c) a Person that is an agent, department or instrumentality of, or is otherwise beneficially owned by, controlled by or acting on behalf of, directly or indirectly, any Person, entity, organization, country or regime described in clause (a) or (b) above.

“ Bonds ” is defined in Section 1.

“ Business Day ” means any day other than a Saturday, a Sunday or a day on which commercial banks in New York City are required or authorized to be closed.

“ Capital Lease ” means, at any time, a lease with respect to which the lessee is required concurrently to recognize the acquisition of an asset and the incurrence of a liability in accordance with GAAP.

“ Closing ” is defined in Section 3.

Schedule A-1  
(to Bond Purchase Agreement)

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“ Closing Date ” means the date of the Closing.

“ Code ” means the Internal Revenue Code of 1986 and the rules and regulations promulgated thereunder from time to time.

“ Company ” is defined in the first paragraph of this Agreement.

“ Confidential Information ” is defined in Section 15.

“ Control ” means the possession, directly or indirectly, of the power to direct or cause the direction of the management and policies of a Person, whether through the ownership of voting securities, by contract or otherwise; and the terms “ Controlled ” and “ Controlling ” shall have meanings correlative to the foregoing.

“ Default ” means an event or condition the occurrence or existence of which would, with the lapse of time or the giving of notice or both, become an Event of Default.

“ Disclosure Documents ” is defined in Section 5.3.

“ Disqualification Event ” is defined in Section 5.13.

“ EDGAR ” means the SEC’s Electronic Data Gathering, Analysis and Retrieval System or any successor SEC electronic filing system for such purposes.

“ Environmental Laws ” means any and all federal, state, local and foreign statutes, laws, regulations, ordinances, rules, judgments, orders, decrees, permits, concessions, grants, franchises, licenses, agreements or governmental restrictions relating to pollution and the protection of the environment or the release of any materials into the environment, including those related to Hazardous Materials.

“ ERISA ” means the Employee Retirement Income Security Act of 1974 and the rules and regulations promulgated thereunder from time to time in effect.

“ ERISA Affiliate ” means any trade or business (whether or not incorporated) that is treated as a single employer together with the Company under Section 414 of the Code.

“ Event of Default ” means any event that constitutes a default under Section 11.01 of the Indenture.

“ Execution Date ” is defined in Section 3.

“ FATCA ” means (a) Sections 1471 through 1474 of the Code, as of the date of this Agreement (or any amended or successor version that is substantively comparable and not materially more onerous to comply with), together with any current or future regulations or official interpretations thereof, (b) any treaty, law or regulation of any non-U.S. jurisdiction, or relating to an intergovernmental agreement between the United States of America and any other

jurisdiction, which (in either case) facilitates the implementation of the foregoing clause (a), and (c) any agreements entered into pursuant to Section 1471(b)(1) of the Code.

“ GAAP ” means generally accepted accounting principles as in effect from time to time in the United States of America.

“ Governmental Authority ” means (a) the government of (i) the United States of America or any state, municipality or other political subdivision thereof or (ii) any other jurisdiction in which the Company or any Subsidiary conducts all or any part of its business, or that asserts jurisdiction over any properties of the Company or any Subsidiary, or (b) any entity exercising executive, legislative, judicial, regulatory or administrative functions of, or pertaining to, any such government, including, without limitation, any federal, state or municipal commission, board or other administrative agency or any other public authority.

“ Governmental Official ” means any governmental official or employee, any employee of any government-owned or government-controlled entity, any political party, any official of a political party, any candidate for political office, any official of any public international organization or anyone else acting in an official capacity.

“ Guaranty ” means, with respect to any Person, any obligation (except the endorsement in the ordinary course of business of negotiable instruments for deposit or collection) of such Person guaranteeing or in effect guaranteeing any indebtedness, dividend or other obligation of any other Person in any manner, whether directly or indirectly, including obligations incurred through an agreement, contingent or otherwise, by such Person:

(a) to purchase such indebtedness or obligation or any property constituting security therefor;

(b) to advance or supply funds (i) for the purchase or payment of such indebtedness or obligation or (ii) to maintain any working capital or other balance sheet condition or any income statement condition of any other Person or otherwise to advance or make available funds for the purchase or payment of such indebtedness or obligation;

(c) to lease properties or to purchase properties or services primarily for the purpose of assuring the owner of such indebtedness or obligation of the ability of any other Person to make payment of the indebtedness or obligation; or

(d) otherwise to assure the owner of such indebtedness or obligation against loss in respect thereof.

In any computation of the indebtedness or other liabilities of the obligor under any Guaranty, the indebtedness or other obligations that are the subject of such Guaranty shall be assumed to be direct obligations of such obligor.

“ Hazardous Materials ” means any and all pollutants, toxic or hazardous wastes or other substances that might pose a hazard to health or safety, the removal of which may be required or

Schedule A-3  
(to Bond Purchase Agreement)

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the generation, manufacture, refining, production, processing, treatment, storage, handling, transportation, transfer, use, disposal, release, discharge, spillage, seepage or filtration of which is or shall be restricted, prohibited or penalized by any applicable law, including asbestos, urea formaldehyde foam insulation, polychlorinated biphenyls, petroleum, petroleum products, lead based paint, radon gas or similar restricted, prohibited or penalized substances.

“Holder” means, with respect to any Bond, the Person in whose name such Bond is registered in the books for the registration and transfer maintained by the Company pursuant to Section 2.06 of the Indenture (or otherwise provided for in the Supplemental Indenture).

“Indebtedness” with respect to any Person means, at any time, without duplication:

- (a) its liabilities for borrowed money and its redemption obligations in respect of any mandatorily redeemable class of capital stock of a Person that is preferred over any other class of capital stock (or similar equity interests) of such Person as to the payment of dividends or the payment of any amount upon liquidation or dissolution of such Person;
- (b) its liabilities for the deferred purchase price of property acquired by such Person (excluding accounts payable arising in the ordinary course of business but including all liabilities created or arising under any conditional sale or other title retention agreement with respect to any such property);
- (c) (i) all liabilities appearing on its balance sheet in accordance with GAAP in respect of Capital Leases and (ii) all liabilities that would appear on its balance sheet in accordance with GAAP in respect of Synthetic Leases assuming such Synthetic Leases were accounted for as Capital Leases;
- (d) all liabilities for borrowed money secured by any Lien with respect to any property owned by such Person (whether or not it has assumed or otherwise become liable for such liabilities);
- (e) all its liabilities in respect of letters of credit or instruments serving a similar function issued or accepted for its account by banks and other financial institutions (whether or not representing obligations for borrowed money); and
- (f) any Guaranty of such Person with respect to liabilities of a type described in any of clauses (a) through (e) hereof.

Indebtedness of any Person shall include all obligations of such Person of the character described in clauses (a) through (f) to the extent such Person remains legally liable in respect thereof notwithstanding that any such obligation is deemed to be extinguished under GAAP.

“Indenture” is defined in Section 2.2.

“INHAM Exemption” means PTE 96-23.

“ Institutional Investor ” means (a) any Purchaser, (b) any Holder holding (together with one or more of its Affiliates) more than 5% of the aggregate principal amount of the Bonds then outstanding, (c) any bank, trust company, savings and loan association or other financial institution, any pension plan, any investment company, any insurance company, any broker or dealer, or any other similar financial institution or entity, regardless of legal form, and (d) with respect to any Holder, any fund or entity that (i) invests in Securities or bank loans and (ii) is advised or managed by such Holder, the same investment advisor as such Holder or by an Affiliate of such Holder or such investment advisor.

“ Issuer Covered Person ” is defined in Section 5.13.

“ Issuer Covered Persons ” is defined in Section 5.13.

“ Lien ” means, with respect to any Person, any mortgage, lien, pledge, charge, security interest or other encumbrance, or any interest or title of any vendor, lessor, lender or other secured party to or of such Person under any conditional sale or other title retention agreement or Capital Lease, upon or with respect to any property or asset of such Person (including, in the case of stock, stockholder agreements, voting trust agreements and all similar arrangements).

“ Material ” means material in relation to the business, operations, affairs, financial condition, assets or properties of the Company and its Subsidiaries taken as a whole.

“ Material Adverse Effect ” means a material adverse effect on (a) the business, operations, affairs, financial condition, assets or properties of the Company and its Subsidiaries taken as a whole, (b) the ability of the Company to perform its obligations under this Agreement, the Indenture and the Bonds or (c) the validity or enforceability of this Agreement, the Indenture or the Bonds.

“ Memorandum ” is defined in Section 5.3.

“ Multiemployer Plan ” means any Plan that is a “multiemployer plan” (as such term is defined in Section 4001(a)(3) of ERISA).

“ NAIC ” means the National Association of Insurance Commissioners.

“ NAIC Annual Statement ” is defined in Section 6.2(a).

“ Non-U.S. Plan ” means any plan, fund or other similar program that (a) is established or maintained outside the United States of America by the Company or any Subsidiary primarily for the benefit of employees of the Company or one or more Subsidiaries residing outside the United States of America, which plan, fund or other similar program provides, or results in, retirement income, a deferral of income in contemplation of retirement or payments to be made upon termination of employment, and (b) is not subject to ERISA or the Code.

“ OFAC ” means the Office of Foreign Assets Control of the United States Department of the Treasury.

“ OFAC Sanctions Program ” means any economic or trade sanction that OFAC is responsible for administering and enforcing. A list of OFAC Sanctions Programs may be found at <http://www.treasury.gov/resource-center/sanctions/Programs/Pages/Programs.aspx>.

“ Officer’s Certificate ” means a certificate of a Senior Financial Officer or of any other officer of the Company whose responsibilities extend to the subject matter of such certificate.

“ PBGC ” means the Pension Benefit Guaranty Corporation referred to and defined in ERISA.

“ Person ” means an individual, partnership, corporation, limited liability company, association, trust, unincorporated organization, business entity or Governmental Authority.

“ Plan ” means an “employee benefit plan” (as defined in Section 3(3) of ERISA) subject to Title I of ERISA that is or, within the preceding five years, has been established or maintained, or to which contributions are or, within the preceding five years, have been made or required to be made, by the Company or any ERISA Affiliate or with respect to which the Company or any ERISA Affiliate may have any liability.

“ PTE ” means a Prohibited Transaction Class Exemption issued by the United States Department of Labor.

“ Purchaser ” or “ Purchasers ” means each of the purchasers that has executed and delivered this Agreement to the Company and such Person’s successors and assigns; provided, however, that any such Person that ceases to be the registered holder or a beneficial owner (through a nominee) of a Bond as the result of a transfer thereof shall cease to be included within the meaning of “Purchaser” of such Bond for the purposes of this Agreement upon such transfer.

“ Purchaser Schedule ” means the Purchaser Schedule to this Agreement listing the Purchasers of the Bonds and including their notice and payment information.

“ QPAM Exemption ” means PTE 84-14.

“ Required Holders ” means, at any time (i) prior to the Closing, the Purchasers, and (ii) on or after the Closing, the Holders of a majority in principal amount of the Bonds at the time outstanding (exclusive of Bonds then owned by the Company or any of its Affiliates).

“ Responsible Officer ” means any Senior Financial Officer and any other officer of the Company with responsibility for the administration of the relevant portion of this Agreement.

“ SEC ” means the Securities and Exchange Commission of the United States of America.

“ Securities ” or “ Security ” shall have the meaning specified in Section 2(a)(1) of the Securities Act.

“ Securities Act ” means the Securities Act of 1933 and the rules and regulations promulgated thereunder from time to time in effect.

“ Senior Financial Officer ” means the chief financial officer, principal accounting officer, treasurer or controller of the Company.

“ Source ” is defined in Section 6.2.

“ State Sanctions List ” means a list that is adopted by any state Governmental Authority within the United States of America pertaining to Persons that engage in investment or other commercial activities in Iran or any other country that is a target of economic sanctions imposed under U.S. Economic Sanctions Laws.

“ Subsidiary ” means, as to any Person, any other Person in which such first Person or one or more of its Subsidiaries or such first Person and one or more of its Subsidiaries owns sufficient equity or voting interests to enable it or them (as a group) ordinarily, in the absence of contingencies, to elect a majority of the directors (or Persons performing similar functions) of such second Person, and any partnership or joint venture if more than a 50% interest in the profits or capital thereof is owned by such first Person or one or more of its Subsidiaries or such first Person and one or more of its Subsidiaries (unless such partnership or joint venture can and does ordinarily take major business actions without the prior approval of such Person or one or more of its Subsidiaries). Unless the context otherwise clearly requires, any reference to a “ Subsidiary ” is a reference to a Subsidiary of the Company.

“ Substitute Purchaser ” is defined in Section 16.

“ Supplemental Indenture ” is defined in Section 2.2.

“ SVO ” means the Securities Valuation Office of the NAIC.

“ Synthetic Lease ” means, at any time, any lease (including leases that may be terminated by the lessee at any time) of any property (a) that is accounted for as an operating lease under GAAP and (b) in respect of which the lessee retains or obtains ownership of the property so leased for U.S. federal income tax purposes, other than any such lease under which such Person is the lessor.

“ Trustee ” is defined in Section 2.2.

“ Trust Indenture Act ” means the Trust Indenture Act of 1939, as amended from time to time, and the rules and regulations promulgated thereunder from time to time in effect.

“ United States Person ” has the meaning set forth in Section 7701(a)(30) of the Code.

“ USA PATRIOT Act ” means United States Public Law 107-56, Uniting and Strengthening America by Providing Appropriate Tools Required to Intercept and Obstruct Terrorism (USA PATRIOT ACT) Act of 2001 and the rules and regulations promulgated thereunder from time to time in effect.

“ U.S. Economic Sanctions Laws ” means those laws, executive orders, enabling legislation or regulations administered and enforced by the United States pursuant to which economic

sanctions have been imposed on any Person, entity, organization, country or regime, including the Trading with the Enemy Act, the International Emergency Economic Powers Act, the Iran Sanctions Act, the Sudan Accountability and Divestment Act and any other OFAC Sanctions Program.

Schedule A-8  
(to Bond Purchase Agreement)

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Schedule 2.2

Form of Supplemental Indenture (Including Form of Bonds)

See attached.

Schedule 2.2-1  
(to Bond Purchase Agreement)

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**ONE HUNDRED { } SUPPLEMENTAL INDENTURE**

**Providing among other things for**

**FIRST MORTGAGE BONDS,**

**\$100,000,000 3.68% First Mortgage Bonds Due 2027**

**\$215,000,000 4.01% First Mortgage Bonds Due 2038**

**\$185,000,000 4.28% First Mortgage Bonds Due 2057**

**Dated as of October 1, 2018**

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**CONSUMERS ENERGY COMPANY**

**TO**

**THE BANK OF NEW YORK MELLON,**

**TRUSTEE**

Counterpart \_\_\_\_\_ of 100

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THIS ONE HUNDRED { } SUPPLEMENTAL INDENTURE, dated as of October 1, 2018 (herein sometimes referred to as “this Supplemental Indenture”), made and entered into by and between CONSUMERS ENERGY COMPANY, a corporation organized and existing under the laws of the State of Michigan, with its principal executive office and place of business at One Energy Plaza, in Jackson, Jackson County, Michigan 49201, formerly known as Consumers Power Company (hereinafter sometimes referred to as the “Company”), and THE BANK OF NEW YORK MELLON (formerly known as The Bank of New York), a New York banking corporation, with its corporate trust offices at 101 Barclay St., New York, New York 10286 (hereinafter sometimes referred to as the “Trustee”), as Trustee under the Indenture dated as of September 1, 1945 between Consumers Power Company, a Maine corporation (hereinafter sometimes referred to as the “Maine corporation”), and City Bank Farmers Trust Company (Citibank, N.A., successor, hereinafter sometimes referred to as the “Predecessor Trustee”), securing bonds issued and to be issued as provided therein (hereinafter sometimes referred to as the “Indenture”),

WHEREAS, at the close of business on January 30, 1959, City Bank Farmers Trust Company was converted into a national banking association under the title “First National City Trust Company”; and

WHEREAS, at the close of business on January 15, 1963, First National City Trust Company was merged into First National City Bank; and

WHEREAS, at the close of business on October 31, 1968, First National City Bank was merged into The City Bank of New York, National Association, the name of which was thereupon changed to First National City Bank; and

WHEREAS, effective March 1, 1976, the name of First National City Bank was changed to Citibank, N.A.; and

WHEREAS, effective July 16, 1984, Manufacturers Hanover Trust Company succeeded Citibank, N.A. as Trustee under the Indenture; and

WHEREAS, effective June 19, 1992, Chemical Bank succeeded by merger to Manufacturers Hanover Trust Company as Trustee under the Indenture; and

WHEREAS, effective July 15, 1996, The Chase Manhattan Bank (National Association) merged with and into Chemical Bank which thereafter was renamed The Chase Manhattan Bank; and

WHEREAS, effective November 11, 2001, The Chase Manhattan Bank merged with Morgan Guaranty Trust Company of New York and the surviving corporation was renamed JPMorgan Chase Bank; and

WHEREAS, effective November 13, 2004, the name of JPMorgan Chase Bank was changed to JPMorgan Chase Bank, N.A.; and



and WHEREAS, effective April 7, 2006, The Bank of New York succeeded JPMorgan Chase Bank, N.A. as Trustee under the Indenture;

WHEREAS, effective July 1, 2008, the name of The Bank of New York was changed to The Bank of New York Mellon; and

WHEREAS, the Indenture was executed and delivered for the purpose of securing such bonds as may from time to time be issued under and in accordance with the terms of the Indenture, the aggregate principal amount of bonds to be secured thereby being limited to \$11,000,000,000 at any one time outstanding (except as provided in Section 2.01 of the Indenture), and the Indenture describes and sets forth the property conveyed thereby and is filed in the Office of the Secretary of State of the State of Michigan and is of record in the Office of the Register of Deeds of each county in the State of Michigan in which this Supplemental Indenture is to be recorded; and

WHEREAS, the Indenture has been supplemented and amended by various indentures supplemental thereto, each of which is filed in the Office of the Secretary of State of the State of Michigan and is of record in the Office of the Register of Deeds of each county in the State of Michigan in which this Supplemental Indenture is to be recorded; and

WHEREAS, the Company and the Maine corporation entered into an Agreement of Merger and Consolidation, dated as of February 14, 1968, which provided for the Maine corporation to merge into the Company; and

WHEREAS, the effective date of such Agreement of Merger and Consolidation was June 6, 1968, upon which date the Maine corporation was merged into the Company and the name of the Company was changed from "Consumers Power Company of Michigan" to "Consumers Power Company"; and

WHEREAS, the Company and the Predecessor Trustee entered into a Sixteenth Supplemental Indenture, dated as of June 4, 1968, which provided, among other things, for the assumption of the Indenture by the Company; and

WHEREAS, said Sixteenth Supplemental Indenture became effective on the effective date of such Agreement of Merger and Consolidation; and

WHEREAS, the Company has succeeded to and has been substituted for the Maine corporation under the Indenture with the same effect as if it had been named therein as the mortgagor corporation; and

WHEREAS, effective March 11, 1997, the name of Consumers Power Company was changed to Consumers Energy Company; and

WHEREAS, the Indenture provides for the issuance of bonds thereunder in one or more series, and the Company, by appropriate corporate action in conformity with the terms of the Indenture, has duly determined to create, and does hereby create, a new series of bonds under the Indenture designated 3.68% Series due 2027, which bonds shall also bear the descriptive title "First Mortgage Bonds" (hereinafter provided for and hereinafter sometimes referred to as the

“2027 Bonds”), the bonds of which series are to be issued as registered bonds without coupons and are to bear interest at the rate per annum specified in the title thereof and are to mature on October 1, 2027; and

WHEREAS, the Indenture provides for the issuance of bonds thereunder in one or more series, and the Company, by appropriate corporate action in conformity with the terms of the Indenture, has duly determined to create, and does hereby create, a new series of bonds under the Indenture designated 4.01% Series due 2038, which bonds shall also bear the descriptive title “First Mortgage Bonds” (hereinafter provided for and hereinafter sometimes referred to as the “2038 Bonds”), the bonds of which series are to be issued as registered bonds without coupons and are to bear interest at the rate per annum specified in the title thereof and are to mature on October 1, 2038; and

WHEREAS, the Indenture provides for the issuance of bonds thereunder in one or more series, and the Company, by appropriate corporate action in conformity with the terms of the Indenture, has duly determined to create, and does hereby create, a new series of bonds under the Indenture designated 4.28% Series due 2057, which bonds shall also bear the descriptive title “First Mortgage Bonds” (hereinafter provided for and hereinafter sometimes referred to as the “2057 Bonds”), the bonds of which series are to be issued as registered bonds without coupons and are to bear interest at the rate per annum specified in the title thereof and are to mature on October 1, 2057; and

WHEREAS, the Company and the purchasers party thereto (the “Purchasers”) have entered into a Bond Purchase Agreement dated as of July 24, 2018 (the “Bond Purchase Agreement”), pursuant to which the Company agreed to sell and the Purchasers agreed to buy \$100,000,000 in aggregate principal amount of 2027 Bonds, \$215,000,000 in aggregate principal amount of 2038 Bonds and \$185,000,000 in aggregate principal amount of 2057 Bonds (such 2027 Bonds, 2038 Bonds and 2057 Bonds, collectively the “Bonds”); and

WHEREAS, each of the registered bonds without coupons of the 2027 Bonds and the Trustee’s Authentication Certificate thereon, each of the registered bonds without coupons of the 2038 Bonds and the Trustee’s Authentication Certificate thereon, and each of the registered bonds without coupons of the 2057 Bonds and the Trustee’s Authentication Certificate thereon, are to be substantially in the following forms, respectively, to wit:

{FORM OF REGISTERED BOND OF THE 2027 BONDS}

THIS SECURITY HAS NOT BEEN REGISTERED UNDER THE SECURITIES ACT OF 1933, AS AMENDED, OR THE SECURITIES LAWS OF ANY STATE. NEITHER THIS SECURITY NOR ANY INTEREST OR PARTICIPATION HEREIN MAY BE REOFFERED, SOLD, ASSIGNED OR TRANSFERRED IN THE ABSENCE OF SUCH REGISTRATION UNLESS SUCH TRANSACTION IS EXEMPT FROM, OR NOT SUBJECT TO, SUCH REGISTRATION.

CONSUMERS ENERGY COMPANY  
FIRST MORTGAGE BOND  
3.68% SERIES DUE 2027

PPN: \$ \_\_\_\_\_

No.: \_\_\_\_

CONSUMERS ENERGY COMPANY, a Michigan corporation (hereinafter called the "Company"), for value received, hereby promises to pay to \_\_\_\_\_, or registered assigns, the principal sum of \_\_\_\_\_ Dollars (\$ \_\_\_\_\_) on October 1, 2027 (the "2027 Stated Maturity"), and to pay to the registered holder hereof interest on said sum from and including the latest semi-annual interest payment date to which interest has been paid or duly made available for payment on the bonds of this series preceding the date hereof, unless the date hereof be an interest payment date to which interest is being paid, in which case from and including the date hereof, or unless the date hereof is prior to April 1, 2019, in which case from and including October 1, 2018 (or if this bond is dated between the record date for any interest payment date and such interest payment date, then from and including such interest payment date, provided, however, that if the Company shall default in payment of the interest due on such interest payment date, then from and including the next preceding semi-annual interest payment date to which interest has been paid or duly made available for payment on the bonds of this series, or if such interest payment date is April 1, 2019, from and including October 1, 2018), in each case to but excluding the next succeeding interest payment date or the date of maturity, as the case may be, at the rate per annum, until the principal hereof is paid or duly made available for payment, specified in the title of this bond, payable on April 1 and October 1 in each year. The provisions of this bond are continued below and such continued provisions shall for all purposes have the same effect as though fully set forth at this place.

This bond shall not be valid or become obligatory for any purpose unless and until it shall have been authenticated by the execution by the Trustee or its successor in trust under the Indenture of the certificate hereon.

IN WITNESS WHEREOF, Consumers Energy Company has caused this bond to be executed in its name by its Chairman of the Board, its President or one of its Vice Presidents by his or her signature or a facsimile thereof, and its corporate seal or a facsimile thereof to be affixed hereto or imprinted hereon and attested by its Secretary or one of its Assistant Secretaries by his or her signature or a facsimile thereof.

CONSUMERS ENERGY COMPANY

Dated:

By:  
Printed:  
Title:

Attest: \_\_\_\_

TRUSTEE'S AUTHENTICATION CERTIFICATE

This is one of the bonds, of the series designated therein, described in the within-mentioned Indenture.

THE BANK OF NEW YORK MELLON, Trustee

By:

Authorized Officer

CONSUMERS ENERGY COMPANY

FIRST MORTGAGE BOND  
3.68% SERIES DUE 2027

The interest payable on any April 1 or October 1 will, subject to certain exceptions provided in the Indenture hereinafter mentioned, be paid to the person in whose name this bond is registered at 5:00 p.m., New York City time, on the record date, which shall be the March 15 or September 15 (whether or not such March 15 or September 15 shall be a legal holiday or a day on which banking institutions in the Borough of Manhattan, The City of New York, are authorized to close) preceding the relevant interest payment date, except that interest payable at the 2027 Stated Maturity shall be paid to the person to whom the principal amount is paid. The initial interest payment date will be April 1, 2019. The principal of and the premium, if any, and interest on this bond shall be payable at the office or agency of the Company in the Borough of Manhattan, The City of New York, designated for that purpose, in any coin or currency of the United States of America which at the time of payment is legal tender for public and private debts.

This bond is one of the bonds of a series designated as First Mortgage Bonds, 3.68% Series due 2027 (sometimes herein referred to as the "2027 Bonds" or the "Bonds") issued under and in accordance with and secured by an indenture dated as of September 1, 1945, given by the Company (or its predecessor, Consumers Power Company, a Maine corporation) to City Bank Farmers Trust Company (The Bank of New York Mellon, successor) (hereinafter sometimes referred to as the "Trustee"), together with indentures supplemental thereto, heretofore or hereafter executed, to which indenture and indentures supplemental thereto (hereinafter referred to collectively as the "Indenture") reference is hereby made for a description of the property mortgaged and pledged, the nature and extent of the security and the rights, duties and immunities thereunder of the Trustee and the rights of the holders of said bonds and of the Trustee and of the Company in respect of such security, and the limitations on such rights. By the terms of the Indenture, the bonds to be secured thereby are issuable in series which may vary as to date, amount, date of maturity, rate of interest and in other respects as provided in the Indenture.

Any or all of the 2027 Bonds may be redeemed by the Company, at its option, in whole or in part, at any time and from time to time prior to maturity, at a redemption price, as calculated by the Company, equal to 100% of the principal amount of such 2027 Bonds being

redeemed plus, in the case of any redemption prior to the Par Call Date (as defined below), the Applicable Premium (as defined below), if any, thereon at the time of redemption, together with (at any time) accrued and unpaid interest, if any, thereon to, but not including, the redemption date. In no event will the redemption price be less than 100% of the principal amount of the 2027 Bonds being redeemed plus accrued and unpaid interest, if any, thereon to, but not including, the redemption date.

“Par Call Date” means April 1, 2027.

“Applicable Premium” means, as calculated by the Company, with respect to a 2027 Bond (or portion thereof) being redeemed at any time prior to the Par Call Date, the excess of (i) the present value at the redemption date of (A) the principal amount of such 2027 Bond (or portion thereof) being redeemed as though such 2027 Bond (or portion thereof) matured on the Par Call Date plus (B) all remaining scheduled interest payments on such 2027 Bond (or portion thereof) after such redemption date that would be due if such 2027 Bond matured on the Par Call Date (but, for the avoidance of doubt, excluding any portion of such payments of interest accrued to such redemption date), which present value shall be computed by the Company using a discount rate equal to the Treasury Rate (as defined below) plus 50 basis points, over (ii) the principal amount of such 2027 Bond (or portion thereof) being redeemed at such time. For purposes of this definition, the present values of interest and principal payments will be determined in accordance with generally accepted principles of financial analysis.

“Treasury Rate” means, as calculated by the Company, the yield to maturity at the time of computation of on-the-run United States Treasury securities with a constant maturity (as compiled and published in the most recent Federal Reserve Statistical Release H.15 (the “Statistical Release”)) that has become publicly available at least two Business Days prior to the redemption date (or, if such Statistical Release is no longer published, any publicly available source of similar market data) most nearly equal to the then remaining average life to stated maturity of the 2027 Bonds being redeemed (assuming for this purpose that such 2027 Bonds matured on the Par Call Date); provided, however, that if the average life to stated maturity of the 2027 Bonds is not equal to the constant maturity of an on-the-run United States Treasury security for which a weekly average yield is given, the Treasury Rate shall be obtained by the Company by linear interpolation (calculated to the nearest one-twelfth of a year) from the weekly average yields of on-the-run United States Treasury securities for which such yields are given.

If less than all of the 2027 Bonds are to be redeemed, the principal amount of such 2027 Bonds to be redeemed shall be allocated among all of the 2027 Bonds at the time outstanding in proportion, as nearly as practicable and as calculated by the Company, to the respective unpaid principal amounts thereof not theretofore called for redemption. Notice of redemption shall be delivered not less than 10 nor more than 60 days prior to the date fixed for redemption to the holders of the 2027 Bonds to be redeemed; provided, however, that the failure to duly deliver such notice, or any defect therein, shall not affect the validity of any proceedings for the redemption of the 2027 Bonds as to which there shall have been no such failure or defect. On and after the date fixed for redemption (unless the Company shall default in the payment of the 2027 Bonds or portions thereof to be redeemed at the applicable redemption price, together

with accrued and unpaid interest, if any, thereon to, but not including, such date), interest on the 2027 Bonds or the portions thereof so called for redemption shall cease to accrue.

This bond is not redeemable by the operation of the maintenance and replacement provisions of the Indenture or with the proceeds of released property or in any other manner except as set forth above.

In case of certain defaults as specified in the Indenture, the principal of this bond may be declared or may become due and payable on the conditions, at the time, in the manner and with the effect provided in the Indenture. The holders of certain specified percentages of the bonds at the time outstanding, including in certain cases specified percentages of bonds of particular series, may in certain cases, to the extent and as provided in the Indenture, waive certain defaults thereunder and the consequences of such defaults.

The Indenture contains provisions permitting the Company and the Trustee, with the consent of the holders of not less than seventy-five per centum in principal amount of the bonds (exclusive of bonds disqualified by reason of the Company's interest therein) at the time outstanding, including, if more than one series of bonds shall be at the time outstanding, not less than sixty per centum in principal amount of each series affected, to effect, by an indenture supplemental to the Indenture, modifications or alterations of the Indenture and of the rights and obligations of the Company and the rights of the holders of the bonds and coupons; provided, however, that no such modification or alteration shall be made without the written approval or consent of the holder hereof which will (a) extend the maturity of this bond or reduce the rate or extend the time of payment of interest hereon or reduce the amount of the principal hereof or reduce any premium payable on the redemption hereof, (b) permit the creation of any lien, not otherwise permitted, prior to or on a parity with the lien of the Indenture, or (c) reduce the aforesaid percentage of the principal amount of bonds the holders of which are required to approve any such supplemental indenture.

The Company reserves the right, without any consent, vote or other action by holders of the 2027 Bonds or any other series created after the Sixty-eighth Supplemental Indenture, to amend the Indenture to reduce the percentage of the principal amount of bonds the holders of which are required to approve any supplemental indenture (other than any supplemental indenture which is subject to the proviso contained in the immediately preceding sentence) (a) from not less than seventy-five per centum (including sixty per centum of each series affected) to not less than a majority in principal amount of the bonds at the time outstanding or (b) in case fewer than all series are affected, not less than a majority in principal amount of the bonds of all affected series, voting together.

No recourse shall be had for the payment of the principal of or premium, if any, or interest on this bond, or for any claim based hereon, or otherwise in respect hereof or of the Indenture, to or against any incorporator, stockholder, director or officer, past, present or future, as such, of the Company, or of any predecessor or successor company, either directly or through the Company, or such predecessor or successor company, or otherwise, under any constitution or statute or rule of law, or by the enforcement of any assessment or penalty, or otherwise, all such liability of incorporators, stockholders, directors and officers, as such, being waived and released

by the holder and owner hereof by the acceptance of this bond and being likewise waived and released by the terms of the Indenture.

This bond shall be exchangeable for other registered bonds of the same series, in the manner and upon the conditions prescribed in the Indenture, upon the surrender of such bonds at the office or agency of the Company in the Borough of Manhattan, The City of New York. However, notwithstanding the provisions of Section 2.05 of the Indenture, no charge shall be made upon any registration of transfer or exchange of bonds of said series other than for any tax or taxes or other governmental charge required to be paid by the Company.

{END OF FORM OF REGISTERED BOND OF THE 2027 BONDS}

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{FORM OF REGISTERED BOND OF THE 2038 BONDS}

THIS SECURITY HAS NOT BEEN REGISTERED UNDER THE SECURITIES ACT OF 1933, AS AMENDED, OR THE SECURITIES LAWS OF ANY STATE. NEITHER THIS SECURITY NOR ANY INTEREST OR PARTICIPATION HEREIN MAY BE REOFFERED, SOLD, ASSIGNED OR TRANSFERRED IN THE ABSENCE OF SUCH REGISTRATION UNLESS SUCH TRANSACTION IS EXEMPT FROM, OR NOT SUBJECT TO, SUCH REGISTRATION.

CONSUMERS ENERGY COMPANY  
FIRST MORTGAGE BOND  
4.01% SERIES DUE 2038

PPN: \$ \_\_\_\_\_

No.: \_\_\_\_

CONSUMERS ENERGY COMPANY, a Michigan corporation (hereinafter called the “Company”), for value received, hereby promises to pay to \_\_\_\_\_, or registered assigns, the principal sum of \_\_\_\_\_ Dollars (\$\_\_\_\_\_) on October 1, 2038 (the “2038 Stated Maturity”), and to pay to the registered holder hereof interest on said sum from and including the latest semi-annual interest payment date to which interest has been paid or duly made available for payment on the bonds of this series preceding the date hereof, unless the date hereof be an interest payment date to which interest is being paid, in which case from and including the date hereof, or unless the date hereof is prior to April 1, 2019, in which case from and including October 1, 2018 (or if this bond is dated between the record date for any interest payment date and such interest payment date, then from and including such interest payment date, provided, however, that if the Company shall default in payment of the interest due on such interest payment date, then from and including the next preceding semi-annual interest payment date to which interest has been paid or duly made available for payment on the bonds of this series, or if such interest payment date is April 1, 2019, from and including October 1, 2018), in each case to but excluding the next succeeding interest payment date or the

date of maturity, as the case may be, at the rate per annum, until the principal hereof is paid or duly made available for payment, specified in the title of this bond, payable on April 1 and October 1 in each year. The provisions of this bond are continued below and such continued provisions shall for all purposes have the same effect as though fully set forth at this place.

This bond shall not be valid or become obligatory for any purpose unless and until it shall have been authenticated by the execution by the Trustee or its successor in trust under the Indenture of the certificate hereon.

IN WITNESS WHEREOF, Consumers Energy Company has caused this bond to be executed in its name by its Chairman of the Board, its President or one of its Vice Presidents by his or her signature or a facsimile thereof, and its corporate seal or a facsimile thereof to be affixed hereto or imprinted hereon and attested by its Secretary or one of its Assistant Secretaries by his or her signature or a facsimile thereof.

CONSUMERS ENERGY COMPANY

Dated:

By:  
Printed:  
Title:

Attest: \_\_

TRUSTEE’S AUTHENTICATION CERTIFICATE

This is one of the bonds, of the series designated therein, described in the within-mentioned Indenture.

THE BANK OF NEW YORK MELLON, Trustee

By:  
Authorized Officer

CONSUMERS ENERGY COMPANY

FIRST MORTGAGE BOND  
4.01% SERIES DUE 2038

The interest payable on any April 1 or October 1 will, subject to certain exceptions provided in the Indenture hereinafter mentioned, be paid to the person in whose name this bond is registered at 5:00 p.m., New York City time, on the record date, which shall be the March 15 or September 15 (whether or not such March 15 or September 15 shall be a legal holiday or a day on which banking institutions in the Borough of Manhattan, The City of New York, are authorized to close) preceding the relevant interest payment date, except that interest



payable at the 2038 Stated Maturity shall be paid to the person to whom the principal amount is paid. The initial interest payment date will be April 1, 2019. The principal of and the premium, if any, and interest on this bond shall be payable at the office or agency of the Company in the Borough of Manhattan, The City of New York, designated for that purpose, in any coin or currency of the United States of America which at the time of payment is legal tender for public and private debts.

This bond is one of the bonds of a series designated as First Mortgage Bonds, 4.01% Series due 2038 (sometimes herein referred to as the “2038 Bonds” or the “Bonds”) issued under and in accordance with and secured by an indenture dated as of September 1, 1945, given by the Company (or its predecessor, Consumers Power Company, a Maine corporation) to City Bank Farmers Trust Company (The Bank of New York Mellon, successor) (hereinafter sometimes referred to as the “Trustee”), together with indentures supplemental thereto, heretofore or hereafter executed, to which indenture and indentures supplemental thereto (hereinafter referred to collectively as the “Indenture”) reference is hereby made for a description of the property mortgaged and pledged, the nature and extent of the security and the rights, duties and immunities thereunder of the Trustee and the rights of the holders of said bonds and of the Trustee and of the Company in respect of such security, and the limitations on such rights. By the terms of the Indenture, the bonds to be secured thereby are issuable in series which may vary as to date, amount, date of maturity, rate of interest and in other respects as provided in the Indenture.

Any or all of the 2038 Bonds may be redeemed by the Company, at its option, in whole or in part, at any time and from time to time prior to maturity, at a redemption price, as calculated by the Company, equal to 100% of the principal amount of such 2038 Bonds being redeemed plus, in the case of any redemption prior to the Par Call Date (as defined below), the Applicable Premium (as defined below), if any, thereon at the time of redemption, together with (at any time) accrued and unpaid interest, if any, thereon to, but not including, the redemption date. In no event will the redemption price be less than 100% of the principal amount of the 2038 Bonds being redeemed plus accrued and unpaid interest, if any, thereon to, but not including, the redemption date.

“Par Call Date” means April 1, 2038.

“Applicable Premium” means, as calculated by the Company, with respect to a 2038 Bond (or portion thereof) being redeemed at any time prior to the Par Call Date, the excess of (i) the present value at the redemption date of (A) the principal amount of such 2038 Bond (or portion thereof) being redeemed as though such 2038 Bond (or portion thereof) matured on the Par Call Date plus (B) all remaining scheduled interest payments on such 2038 Bond (or portion thereof) after such redemption date that would be due if such 2038 Bond matured on the Par Call Date (but, for the avoidance of doubt, excluding any portion of such payments of interest accrued to such redemption date), which present value shall be computed by the Company using a discount rate equal to the Treasury Rate (as defined below) plus 50 basis points, over (ii) the principal amount of such 2038 Bond (or portion thereof) being redeemed at such time. For purposes of this definition, the present values of interest and principal payments will be determined in accordance with generally accepted principles of financial analysis.

“Treasury Rate” means, as calculated by the Company, the yield to maturity at the time of computation of on-the-run United States Treasury securities with a constant maturity (as compiled and published in the most recent Federal Reserve Statistical Release H.15 (the “Statistical Release”)) that has become publicly available at least two Business Days prior to the redemption date (or, if such Statistical Release is no longer published, any publicly available source of similar market data) most nearly equal to the then remaining average life to stated maturity of the 2038 Bonds being redeemed (assuming for this purpose that such 2038 Bonds matured on the Par Call Date); provided, however, that if the average life to stated maturity of the 2038 Bonds is not equal to the constant maturity of an on-the-run United States Treasury security for which a weekly average yield is given, the Treasury Rate shall be obtained by the Company by linear interpolation (calculated to the nearest one-twelfth of a year) from the weekly average yields of on-the-run United States Treasury securities for which such yields are given.

If less than all of the 2038 Bonds are to be redeemed, the principal amount of such 2038 Bonds to be redeemed shall be allocated among all of the 2038 Bonds at the time outstanding in proportion, as nearly as practicable and as calculated by the Company, to the respective unpaid principal amounts thereof not theretofore called for redemption. Notice of redemption shall be delivered not less than 10 nor more than 60 days prior to the date fixed for redemption to the holders of the 2038 Bonds to be redeemed; provided, however, that the failure to duly deliver such notice, or any defect therein, shall not affect the validity of any proceedings for the redemption of the 2038 Bonds as to which there shall have been no such failure or defect. On and after the date fixed for redemption (unless the Company shall default in the payment of the 2038 Bonds or portions thereof to be redeemed at the applicable redemption price, together with accrued and unpaid interest, if any, thereon to, but not including, such date), interest on the 2038 Bonds or the portions thereof so called for redemption shall cease to accrue.

This bond is not redeemable by the operation of the maintenance and replacement provisions of the Indenture or with the proceeds of released property or in any other manner except as set forth above.

In case of certain defaults as specified in the Indenture, the principal of this bond may be declared or may become due and payable on the conditions, at the time, in the manner and with the effect provided in the Indenture. The holders of certain specified percentages of the bonds at the time outstanding, including in certain cases specified percentages of bonds of particular series, may in certain cases, to the extent and as provided in the Indenture, waive certain defaults thereunder and the consequences of such defaults.

The Indenture contains provisions permitting the Company and the Trustee, with the consent of the holders of not less than seventy-five per centum in principal amount of the bonds (exclusive of bonds disqualified by reason of the Company’s interest therein) at the time outstanding, including, if more than one series of bonds shall be at the time outstanding, not less than sixty per centum in principal amount of each series affected, to effect, by an indenture supplemental to the Indenture, modifications or alterations of the Indenture and of the rights and obligations of the Company and the rights of the holders of the bonds and coupons; provided, however, that no such modification or alteration shall be made without the written approval or consent of the holder hereof which will (a) extend the maturity of this bond or reduce the rate or

extend the time of payment of interest hereon or reduce the amount of the principal hereof or reduce any premium payable on the redemption hereof, (b) permit the creation of any lien, not otherwise permitted, prior to or on a parity with the lien of the Indenture, or (c) reduce the aforesaid percentage of the principal amount of bonds the holders of which are required to approve any such supplemental indenture.

The Company reserves the right, without any consent, vote or other action by holders of the 2038 Bonds or any other series created after the Sixty-eighth Supplemental Indenture, to amend the Indenture to reduce the percentage of the principal amount of bonds the holders of which are required to approve any supplemental indenture (other than any supplemental indenture which is subject to the proviso contained in the immediately preceding sentence) (a) from not less than seventy-five per centum (including sixty per centum of each series affected) to not less than a majority in principal amount of the bonds at the time outstanding or (b) in case fewer than all series are affected, not less than a majority in principal amount of the bonds of all affected series, voting together.

No recourse shall be had for the payment of the principal of or premium, if any, or interest on this bond, or for any claim based hereon, or otherwise in respect hereof or of the Indenture, to or against any incorporator, stockholder, director or officer, past, present or future, as such, of the Company, or of any predecessor or successor company, either directly or through the Company, or such predecessor or successor company, or otherwise, under any constitution or statute or rule of law, or by the enforcement of any assessment or penalty, or otherwise, all such liability of incorporators, stockholders, directors and officers, as such, being waived and released by the holder and owner hereof by the acceptance of this bond and being likewise waived and released by the terms of the Indenture.

This bond shall be exchangeable for other registered bonds of the same series, in the manner and upon the conditions prescribed in the Indenture, upon the surrender of such bonds at the office or agency of the Company in the Borough of Manhattan, The City of New York. However, notwithstanding the provisions of Section 2.05 of the Indenture, no charge shall be made upon any registration of transfer or exchange of bonds of said series other than for any tax or taxes or other governmental charge required to be paid by the Company.

{END OF FORM OF REGISTERED BOND OF THE 2038 BONDS}

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{FORM OF REGISTERED BOND OF THE 2057 BONDS}

THIS SECURITY HAS NOT BEEN REGISTERED UNDER THE SECURITIES ACT OF 1933, AS AMENDED, OR THE SECURITIES LAWS OF ANY STATE. NEITHER THIS SECURITY NOR ANY INTEREST OR PARTICIPATION HEREIN MAY BE REOFFERED, SOLD, ASSIGNED OR TRANSFERRED IN THE ABSENCE OF SUCH REGISTRATION UNLESS SUCH TRANSACTION IS EXEMPT FROM, OR NOT SUBJECT TO, SUCH REGISTRATION.

CONSUMERS ENERGY COMPANY  
FIRST MORTGAGE BOND  
4.28% SERIES DUE 2057

PPN: \$ \_\_\_\_\_

No.: \_\_\_\_

CONSUMERS ENERGY COMPANY, a Michigan corporation (hereinafter called the "Company"), for value received, hereby promises to pay to \_\_\_\_\_, or registered assigns, the principal sum of \_\_\_\_\_ Dollars (\$ \_\_\_\_\_) on October 1, 2057 (the "2057 Stated Maturity"), and to pay to the registered holder hereof interest on said sum from and including the latest semi-annual interest payment date to which interest has been paid or duly made available for payment on the bonds of this series preceding the date hereof, unless the date hereof be an interest payment date to which interest is being paid, in which case from and including the date hereof, or unless the date hereof is prior to April 1, 2019, in which case from and including October 1, 2018 (or if this bond is dated between the record date for any interest payment date and such interest payment date, then from and including such interest payment date, provided, however, that if the Company shall default in payment of the interest due on such interest payment date, then from and including the next preceding semi-annual interest payment date to which interest has been paid or duly made available for payment on the bonds of this series, or if such interest payment date is April 1, 2019, from and including October 1, 2018), in each case to but excluding the next succeeding interest payment date or the date of maturity, as the case may be, at the rate per annum, until the principal hereof is paid or duly made available for payment, specified in the title of this bond, payable on April 1 and October 1 in each year. The provisions of this bond are continued below and such continued provisions shall for all purposes have the same effect as though fully set forth at this place.

This bond shall not be valid or become obligatory for any purpose unless and until it shall have been authenticated by the execution by the Trustee or its successor in trust under the Indenture of the certificate hereon.

IN WITNESS WHEREOF, Consumers Energy Company has caused this bond to be executed in its name by its Chairman of the Board, its President or one of its Vice Presidents by his or her signature or a facsimile thereof, and its corporate seal or a facsimile thereof to be affixed hereto or imprinted hereon and attested by its Secretary or one of its Assistant Secretaries by his or her signature or a facsimile thereof.

CONSUMERS ENERGY COMPANY

Dated:

By:  
Printed:  
Title:

Attest: \_\_\_\_

TRUSTEE'S AUTHENTICATION CERTIFICATE

This is one of the bonds, of the series designated therein, described in the within-mentioned Indenture.

THE BANK OF NEW YORK MELLON, Trustee

By:

Authorized Officer

CONSUMERS ENERGY COMPANY

FIRST MORTGAGE BOND  
4.28% SERIES DUE 2057

The interest payable on any April 1 or October 1 will, subject to certain exceptions provided in the Indenture hereinafter mentioned, be paid to the person in whose name this bond is registered at 5:00 p.m., New York City time, on the record date, which shall be the March 15 or September 15 (whether or not such March 15 or September 15 shall be a legal holiday or a day on which banking institutions in the Borough of Manhattan, The City of New York, are authorized to close) preceding the relevant interest payment date, except that interest payable at the 2057 Stated Maturity shall be paid to the person to whom the principal amount is paid. The initial interest payment date will be April 1, 2019. The principal of and the premium, if any, and interest on this bond shall be payable at the office or agency of the Company in the Borough of Manhattan, The City of New York, designated for that purpose, in any coin or currency of the United States of America which at the time of payment is legal tender for public and private debts.

This bond is one of the bonds of a series designated as First Mortgage Bonds, 4.28% Series due 2057 (sometimes herein referred to as the "2057 Bonds" or the "Bonds") issued under and in accordance with and secured by an indenture dated as of September 1, 1945, given by the Company (or its predecessor, Consumers Power Company, a Maine corporation) to City Bank Farmers Trust Company (The Bank of New York Mellon, successor) (hereinafter sometimes referred to as the "Trustee"), together with indentures supplemental thereto, heretofore or hereafter executed, to which indenture and indentures supplemental thereto (hereinafter referred to collectively as the "Indenture") reference is hereby made for a description of the property mortgaged and pledged, the nature and extent of the security and the rights, duties and immunities thereunder of the Trustee and the rights of the holders of said bonds and of the Trustee and of the Company in respect of such security, and the limitations on such rights. By the terms of the Indenture, the bonds to be secured thereby are issuable in series which may vary as to date, amount, date of maturity, rate of interest and in other respects as provided in the Indenture.

Any or all of the 2057 Bonds may be redeemed by the Company, at its option, in whole or in part, at any time and from time to time prior to maturity, at a redemption price, as calculated by the Company, equal to 100% of the principal amount of such 2057 Bonds being

redeemed plus, in the case of any redemption prior to the Par Call Date (as defined below), the Applicable Premium (as defined below), if any, thereon at the time of redemption, together with (at any time) accrued and unpaid interest, if any, thereon to, but not including, the redemption date. In no event will the redemption price be less than 100% of the principal amount of the 2057 Bonds being redeemed plus accrued and unpaid interest, if any, thereon to, but not including, the redemption date.

“Par Call Date” means April 1, 2057.

“Applicable Premium” means, as calculated by the Company, with respect to a 2057 Bond (or portion thereof) being redeemed at any time prior to the Par Call Date, the excess of (i) the present value at the redemption date of (A) the principal amount of such 2057 Bond (or portion thereof) being redeemed as though such 2057 Bond (or portion thereof) matured on the Par Call Date plus (B) all remaining scheduled interest payments on such 2057 Bond (or portion thereof) after such redemption date that would be due if such 2057 Bond matured on the Par Call Date (but, for the avoidance of doubt, excluding any portion of such payments of interest accrued to such redemption date), which present value shall be computed by the Company using a discount rate equal to the Treasury Rate (as defined below) plus 50 basis points, over (ii) the principal amount of such 2057 Bond (or portion thereof) being redeemed at such time. For purposes of this definition, the present values of interest and principal payments will be determined in accordance with generally accepted principles of financial analysis.

“Treasury Rate” means, as calculated by the Company, the yield to maturity at the time of computation of on-the-run United States Treasury securities with a constant maturity (as compiled and published in the most recent Federal Reserve Statistical Release H.15 (the “Statistical Release”)) that has become publicly available at least two Business Days prior to the redemption date (or, if such Statistical Release is no longer published, any publicly available source of similar market data) most nearly equal to the then remaining average life to stated maturity of the 2057 Bonds being redeemed (assuming for this purpose that such 2057 Bonds matured on the Par Call Date); provided, however, that if the average life to stated maturity of the 2057 Bonds is not equal to the constant maturity of an on-the-run United States Treasury security for which a weekly average yield is given, the Treasury Rate shall be obtained by the Company by linear interpolation (calculated to the nearest one-twelfth of a year) from the weekly average yields of on-the-run United States Treasury securities for which such yields are given.

If less than all of the 2057 Bonds are to be redeemed, the principal amount of such 2057 Bonds to be redeemed shall be allocated among all of the 2057 Bonds at the time outstanding in proportion, as nearly as practicable and as calculated by the Company, to the respective unpaid principal amounts thereof not theretofore called for redemption. Notice of redemption shall be delivered not less than 10 nor more than 60 days prior to the date fixed for redemption to the holders of the 2057 Bonds to be redeemed; provided, however, that the failure to duly deliver such notice, or any defect therein, shall not affect the validity of any proceedings for the redemption of the 2057 Bonds as to which there shall have been no such failure or defect. On and after the date fixed for redemption (unless the Company shall default in the payment of the 2057 Bonds or portions thereof to be redeemed at the applicable redemption price, together

with accrued and unpaid interest, if any, thereon to, but not including, such date), interest on the 2057 Bonds or the portions thereof so called for redemption shall cease to accrue.

This bond is not redeemable by the operation of the maintenance and replacement provisions of the Indenture or with the proceeds of released property or in any other manner except as set forth above.

In case of certain defaults as specified in the Indenture, the principal of this bond may be declared or may become due and payable on the conditions, at the time, in the manner and with the effect provided in the Indenture. The holders of certain specified percentages of the bonds at the time outstanding, including in certain cases specified percentages of bonds of particular series, may in certain cases, to the extent and as provided in the Indenture, waive certain defaults thereunder and the consequences of such defaults.

The Indenture contains provisions permitting the Company and the Trustee, with the consent of the holders of not less than seventy-five per centum in principal amount of the bonds (exclusive of bonds disqualified by reason of the Company's interest therein) at the time outstanding, including, if more than one series of bonds shall be at the time outstanding, not less than sixty per centum in principal amount of each series affected, to effect, by an indenture supplemental to the Indenture, modifications or alterations of the Indenture and of the rights and obligations of the Company and the rights of the holders of the bonds and coupons; provided, however, that no such modification or alteration shall be made without the written approval or consent of the holder hereof which will (a) extend the maturity of this bond or reduce the rate or extend the time of payment of interest hereon or reduce the amount of the principal hereof or reduce any premium payable on the redemption hereof, (b) permit the creation of any lien, not otherwise permitted, prior to or on a parity with the lien of the Indenture, or (c) reduce the aforesaid percentage of the principal amount of bonds the holders of which are required to approve any such supplemental indenture.

The Company reserves the right, without any consent, vote or other action by holders of the 2057 Bonds or any other series created after the Sixty-eighth Supplemental Indenture, to amend the Indenture to reduce the percentage of the principal amount of bonds the holders of which are required to approve any supplemental indenture (other than any supplemental indenture which is subject to the proviso contained in the immediately preceding sentence) (a) from not less than seventy-five per centum (including sixty per centum of each series affected) to not less than a majority in principal amount of the bonds at the time outstanding or (b) in case fewer than all series are affected, not less than a majority in principal amount of the bonds of all affected series, voting together.

No recourse shall be had for the payment of the principal of or premium, if any, or interest on this bond, or for any claim based hereon, or otherwise in respect hereof or of the Indenture, to or against any incorporator, stockholder, director or officer, past, present or future, as such, of the Company, or of any predecessor or successor company, either directly or through the Company, or such predecessor or successor company, or otherwise, under any constitution or statute or rule of law, or by the enforcement of any assessment or penalty, or otherwise, all such liability of incorporators, stockholders, directors and officers, as such, being waived and released

by the holder and owner hereof by the acceptance of this bond and being likewise waived and released by the terms of the Indenture.

This bond shall be exchangeable for other registered bonds of the same series, in the manner and upon the conditions prescribed in the Indenture, upon the surrender of such bonds at the office or agency of the Company in the Borough of Manhattan, The City of New York. However, notwithstanding the provisions of Section 2.05 of the Indenture, no charge shall be made upon any registration of transfer or exchange of bonds of said series other than for any tax or taxes or other governmental charge required to be paid by the Company.

{END OF FORM OF REGISTERED BOND OF THE 2057 BONDS}

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AND WHEREAS, all acts and things necessary to make the Bonds, when duly executed by the Company and authenticated by the Trustee or its agent and issued as prescribed in the Indenture, as heretofore supplemented and amended, and this Supplemental Indenture, the valid, binding and legal obligations of the Company, and to constitute the Indenture, as supplemented and amended as aforesaid, as well as by this Supplemental Indenture, a valid, binding and legal instrument for the security thereof, have been done and performed, and the creation, execution and delivery of this Supplemental Indenture and the creation, execution and issuance of bonds subject to the terms hereof and of the Indenture, as so supplemented and amended, have in all respects been duly authorized;

NOW, THEREFORE, in consideration of the premises, of the acceptance and purchase by the holders thereof of the bonds issued and to be issued under the Indenture, as supplemented and amended as above set forth, duly paid by the Trustee to the Company, and of other good and valuable considerations, the receipt whereof is hereby acknowledged, and for the purpose of securing the due and punctual payment of the principal of and premium, if any, and interest on all bonds now outstanding under the Indenture and the \$100,000,000 principal amount of the 2027 Bonds, the \$215,000,000 principal amount of the 2038 Bonds, and the \$185,000,000 principal amount of the 2057 Bonds, and all other bonds which shall be issued under the Indenture, as supplemented and amended from time to time, and for the purpose of securing the faithful performance and observance of all covenants and conditions therein, and in any indenture supplemental thereto, set forth, the Company has given, granted, bargained, sold, released, transferred, assigned, hypothecated, pledged, mortgaged, confirmed, set over, warranted, alienated and conveyed and by these presents does give, grant, bargain, sell, release, transfer, assign, hypothecate, pledge, mortgage, confirm, set over, warrant, alienate and convey unto The Bank of New York Mellon, as Trustee, as provided in the Indenture, and its successor or successors in the trust thereby and hereby created and to its or their assigns forever, all the right, title and interest of the Company in and to all the property, described in Section 13 hereof, together (subject to the provisions of Article X of the Indenture) with the tolls, rents, revenues, issues, earnings, income, products and profits thereof, excepting, however, the property, interests and rights specifically excepted from the lien of the Indenture as set forth in the Indenture;



TOGETHER WITH all and singular the tenements, hereditaments and appurtenances belonging or in any wise appertaining to the premises, property, franchises and rights, or any thereof, referred to in the foregoing granting clause, with the reversion and reversions, remainder and remainders and (subject to the provisions of Article X of the Indenture) the tolls, rents, revenues, issues, earnings, income, products and profits thereof, and all the estate, right, title and interest and claim whatsoever, at law as well as in equity, which the Company now has or may hereafter acquire in and to the aforesaid premises, property, franchises and rights and every part and parcel thereof;

SUBJECT, HOWEVER, with respect to such premises, property, franchises and rights, to excepted encumbrances as said term is defined in Section 1.02 of the Indenture, and subject also to all defects and limitations of title and to all encumbrances existing at the time of acquisition.

TO HAVE AND TO HOLD all said premises, property, franchises and rights hereby conveyed, assigned, pledged or mortgaged, or intended so to be, unto the Trustee, its successor or successors in trust and their assigns forever;

BUT IN TRUST, NEVERTHELESS, with power of sale for the equal and proportionate benefit and security of the holders of all bonds now or hereafter authenticated and delivered under and secured by the Indenture and interest coupons appurtenant thereto, pursuant to the provisions of the Indenture and of any supplemental indenture, and for the enforcement of the payment of said bonds and coupons when payable and the performance of and compliance with the covenants and conditions of the Indenture and of any supplemental indenture, without any preference, distinction or priority as to lien or otherwise of any bond or bonds over others by reason of the difference in time of the actual authentication, delivery, issue, sale or negotiation thereof or for any other reason whatsoever, except as otherwise expressly provided in the Indenture; and so that each and every bond now or hereafter authenticated and delivered thereunder shall have the same lien, and so that the principal of and premium, if any, and interest on every such bond shall, subject to the terms thereof, be equally and proportionately secured, as if it had been made, executed, authenticated, delivered, sold and negotiated simultaneously with the execution and delivery thereof;

AND IT IS EXPRESSLY DECLARED by the Company that all bonds authenticated and delivered under and secured by the Indenture, as supplemented and amended as above set forth, are to be issued, authenticated and delivered, and all said premises, property, franchises and rights hereby and by the Indenture and indentures supplemental thereto conveyed, assigned, pledged or mortgaged, or intended so to be, are to be dealt with and disposed of under, upon and subject to the terms, conditions, stipulations, covenants, agreements, trusts, uses and purposes expressed in the Indenture, as supplemented and amended as above set forth, and the parties hereto mutually agree as follows:

SECTION 1. There is hereby created one series of bonds (the “2027 Bonds”) designated as hereinabove provided, which shall also bear the descriptive title “First Mortgage Bond”, and the form thereof shall be substantially as hereinbefore set forth. The 2027 Bonds shall be issued in the aggregate principal amount of \$100,000,000, shall mature on October 1,

2027 and shall be issued only as registered bonds without coupons in denominations of \$100,000 and any integral multiple of \$1,000 in excess thereof. The serial numbers of the 2027 Bonds shall be such as may be approved by any officer of the Company, the execution thereof by any such officer either manually or by facsimile signature to be conclusive evidence of such approval. The 2027 Bonds shall bear interest at the rate per annum, until the principal thereof is paid or duly made available for payment, specified in the title thereto, payable semi-annually in arrears on April 1 and October 1 in each year, commencing April 1, 2019. Interest on the 2027 Bonds will be computed on the basis of a 360-day year consisting of twelve 30-day months. The principal of and the premium, if any, and the interest on said bonds shall be payable in any coin or currency of the United States of America which at the time of payment is legal tender for public and private debts, at the office or agency of the Company in the City of New York, designated for that purpose. The 2027 Bonds shall be exchangeable for other registered bonds of the same series, in the manner and upon the conditions prescribed in the Indenture, upon the surrender of such bonds at the office or agency of the Company in the Borough of Manhattan, The City of New York. However, notwithstanding the provisions of Section 2.05 of the Indenture, no charge shall be made upon any registration of transfer or exchange of bonds of said series other than for any tax or taxes or other governmental charge required to be paid by the Company.

SECTION 2. There is hereby created one series of bonds (the “2038 Bonds”) designated as hereinabove provided, which shall also bear the descriptive title “First Mortgage Bond”, and the form thereof shall be substantially as hereinbefore set forth. The 2038 Bonds shall be issued in the aggregate principal amount of \$215,000,000, shall mature on October 1, 2038 and shall be issued only as registered bonds without coupons in denominations of \$100,000 and any integral multiple of \$1,000 in excess thereof. The serial numbers of the 2038 Bonds shall be such as may be approved by any officer of the Company, the execution thereof by any such officer either manually or by facsimile signature to be conclusive evidence of such approval. The 2038 Bonds shall bear interest at the rate per annum, until the principal thereof is paid or duly made available for payment, specified in the title thereto, payable semi-annually in arrears on April 1 and October 1 in each year, commencing April 1, 2019. Interest on the 2038 Bonds will be computed on the basis of a 360-day year consisting of twelve 30-day months. The principal of and the premium, if any, and the interest on said bonds shall be payable in any coin or currency of the United States of America which at the time of payment is legal tender for public and private debts, at the office or agency of the Company in the City of New York, designated for that purpose. The 2038 Bonds shall be exchangeable for other registered bonds of the same series, in the manner and upon the conditions prescribed in the Indenture, upon the surrender of such bonds at the office or agency of the Company in the Borough of Manhattan, The City of New York. However, notwithstanding the provisions of Section 2.05 of the Indenture, no charge shall be made upon any registration of transfer or exchange of bonds of said series other than for any tax or taxes or other governmental charge required to be paid by the Company.

SECTION 3. There is hereby created one series of bonds (the “2057 Bonds”) designated as hereinabove provided, which shall also bear the descriptive title “First Mortgage Bond”, and the form thereof shall be substantially as hereinbefore set forth. The 2057 Bonds shall be issued in the aggregate principal amount of \$185,000,000, shall mature on October 1, 2057 and shall be issued only as registered bonds without coupons in denominations of \$100,000 and any integral multiple of \$1,000 in excess thereof. The serial numbers of the 2057 Bonds shall

be such as may be approved by any officer of the Company, the execution thereof by any such officer either manually or by facsimile signature to be conclusive evidence of such approval. The 2057 Bonds shall bear interest at the rate per annum, until the principal thereof is paid or duly made available for payment, specified in the title thereto, payable semi-annually in arrears on April 1 and October 1 in each year, commencing April 1, 2019. Interest on the 2057 Bonds will be computed on the basis of a 360-day year consisting of twelve 30-day months. The principal of and the premium, if any, and the interest on said bonds shall be payable in any coin or currency of the United States of America which at the time of payment is legal tender for public and private debts, at the office or agency of the Company in the City of New York, designated for that purpose. The 2057 Bonds shall be exchangeable for other registered bonds of the same series, in the manner and upon the conditions prescribed in the Indenture, upon the surrender of such bonds at the office or agency of the Company in the Borough of Manhattan, The City of New York. However, notwithstanding the provisions of Section 2.05 of the Indenture, no charge shall be made upon any registration of transfer or exchange of bonds of said series other than for any tax or taxes or other governmental charge required to be paid by the Company.

SECTION 4. Any or all of the 2027 Bonds, the 2038 Bonds and the 2057 Bonds may be redeemed by the Company at its option, in whole or in part, at any time and from time to time prior to maturity, at a redemption price, as calculated by the Company, equal to 100% of the principal amount of such Bonds being redeemed plus, in the case of any redemption prior to the applicable Par Call Date (as defined below), the Applicable Premium (as defined below), if any, thereon at the time of redemption, together with (at any time) accrued and unpaid interest, if any, thereon to, but not including, the redemption date. In no event will the redemption price be less than 100% of the principal amount of the Bonds being redeemed plus accrued and unpaid interest, if any, thereon to, but not including, the redemption date.

“Par Call Date” means April 1, 2027 with respect to the 2027 Bonds, April 1, 2038 with respect to the 2038 Bonds and April 1, 2057 with respect to the 2057 Bonds.

“Applicable Premium” means, as calculated by the Company, with respect to a Bond (or portion thereof) being redeemed at any time prior to the applicable Par Call Date, the excess of (i) the present value at the redemption date of (A) the principal amount of such Bond (or portion thereof) being redeemed as though such Bond (or portion thereof) matured on the applicable Par Call Date plus (B) all remaining scheduled interest payments on such Bond (or portion thereof) after such redemption date that would be due if such Bond matured on the applicable Par Call Date (but, for the avoidance of doubt, excluding any portion of such payments of interest accrued to such redemption date), which present value shall be computed by the Company using a discount rate equal to the Treasury Rate (as defined below) plus 50 basis points, over (ii) the principal amount of such Bond (or portion thereof) being redeemed at such time. For purposes of this definition, the present values of interest and principal payments will be determined in accordance with generally accepted principles of financial analysis.

“Treasury Rate” means, as calculated by the Company, the yield to maturity at the time of computation of on-the-run United States Treasury securities with a constant maturity (as compiled and published in the most recent Federal Reserve Statistical Release H.15 (the “Statistical Release”)) that has become publicly available at least two Business Days prior to the

redemption date (or, if such Statistical Release is no longer published, any publicly available source of similar market data) most nearly equal to the then remaining average life to stated maturity of the Bonds being redeemed (assuming for this purpose that such Bonds matured on the applicable Par Call Date); provided, however, that if the average life to stated maturity of the Bonds is not equal to the constant maturity of an on-the-run United States Treasury security for which a weekly average yield is given, the Treasury Rate shall be obtained by the Company by linear interpolation (calculated to the nearest one-twelfth of a year) from the weekly average yields of on-the-run United States Treasury securities for which such yields are given.

In connection with any redemption of the Bonds prior to the applicable Par Call Date, the Company shall give the Trustee notice of the redemption price promptly after the calculation thereof and the Trustee shall not be responsible for such calculation.

If less than all of the 2027 Bonds, 2038 Bonds and 2057 Bonds, as the case may be, are to be redeemed, the principal amount of such 2027 Bonds, 2038 Bonds or 2057 Bonds to be redeemed shall be allocated among all of the 2027 Bonds, 2038 Bonds or 2057 Bonds, as the case may be, at the time outstanding in proportion, as nearly as practicable and as calculated by the Company, to the respective unpaid principal amounts thereof not theretofore called for redemption. Notice of redemption shall be delivered not less than 10 nor more than 60 days prior to the date fixed for redemption to the holders of the Bonds to be redeemed; provided, however, that the failure to duly deliver such notice, or any defect therein, shall not affect the validity of any proceedings for the redemption of the Bonds as to which there shall have been no such failure or defect. On and after the date fixed for redemption (unless the Company shall default in the payment of the Bonds or portions thereof to be redeemed at the applicable redemption price, together with accrued and unpaid interest, if any, thereon to, but not including, such date), interest on the 2027 Bonds, 2038 Bonds and 2057 Bonds or the portions thereof, as the case may be, so called for redemption shall cease to accrue.

SECTION 5. The Bonds are not redeemable by the operation of the maintenance and replacement provisions of the Indenture or with the proceeds of released property or in any other manner except as set forth in Section 4 hereof.

SECTION 6. The Company reserves the right, without any consent, vote or other action by the holders of the 2027 Bonds, 2038 Bonds and 2057 Bonds or of any subsequent series of bonds issued under the Indenture, to make such amendments to the Indenture, as supplemented, as shall be necessary in order to amend Section 17.02 to read as follows:

SECTION 17.02. With the consent of the holders of not less than a majority in principal amount of the bonds at the time outstanding or their attorneys-in-fact duly authorized, or, if fewer than all series are affected, not less than a majority in principal amount of the bonds at the time outstanding of each series the rights of the holders of which are affected, voting together, the Company, when authorized by a resolution, and the Trustee may from time to time and at any time enter into an indenture or indentures supplemental hereto for the purpose of adding any provisions to or changing in any manner or eliminating any of the provisions of this Indenture or of any

supplemental indenture or modifying the rights and obligations of the Company and the rights of the holders of any of the bonds and coupons; provided, however, that no such supplemental indenture shall (1) extend the maturity of any of the bonds or reduce the rate or extend the time of payment of interest thereon, or reduce the amount of the principal thereof, or reduce any premium payable on the redemption thereof, without the consent of the holder of each bond so affected, or (2) permit the creation of any lien, not otherwise permitted, prior to or on a parity with the lien of this Indenture, without the consent of the holders of all the bonds then outstanding, or (3) reduce the aforesaid percentage of the principal amount of bonds the holders of which are required to approve any such supplemental indenture, without the consent of the holders of all the bonds then outstanding. For the purposes of this Section, bonds shall be deemed to be affected by a supplemental indenture if such supplemental indenture adversely affects or diminishes the rights of holders thereof against the Company or against its property. The Trustee may in its discretion determine whether or not, in accordance with the foregoing, bonds of any particular series would be affected by any supplemental indenture and any such determination shall be conclusive upon the holders of bonds of such series and all other series. Subject to the provisions of Sections 16.02 and 16.03 hereof, the Trustee shall not be liable for any determination made in good faith in connection herewith.

Upon the written request of the Company, accompanied by a resolution authorizing the execution of any such supplemental indenture, and upon the filing with the Trustee of evidence of the consent of bondholders as aforesaid (the instrument or instruments evidencing such consent to be dated within one year of such request), the Trustee shall join with the Company in the execution of such supplemental indenture unless such supplemental indenture affects the Trustee's own rights, duties or immunities under this Indenture or otherwise, in which case the Trustee may in its discretion but shall not be obligated to enter into such supplemental indenture.

It shall not be necessary for the consent of the bondholders under this Section to approve the particular form of any proposed supplemental indenture, but it shall be sufficient if such consent shall approve the substance thereof.

The Company and the Trustee, if they so elect, and either before or after such consent has been obtained, may require the holder of any bond consenting to the execution of any such supplemental indenture to submit his bond to the Trustee or to ask such bank, banker or trust company as may be designated by the Trustee for the purpose, for the notation thereon of the fact that the holder of such bond has consented to the execution of such supplemental indenture, and in such case such notation, in form satisfactory to the Trustee, shall be made upon all bonds so submitted, and such bonds

bearing such notation shall forthwith be returned to the persons entitled thereto.

Prior to the execution by the Company and the Trustee of any supplemental indenture pursuant to the provisions of this Section, the Company shall publish a notice, setting forth in general terms the substance of such supplemental indenture, at least once in one daily newspaper of general circulation in each city in which the principal of any of the bonds shall be payable, or, if all bonds outstanding shall be registered bonds without coupons or coupon bonds registered as to principal, such notice shall be sufficiently given if mailed, first class, postage prepaid, and registered if the Company so elects, to each registered holder of bonds at the last address of such holder appearing on the registry books, such publication or mailing, as the case may be, to be made not less than thirty days prior to such execution. Any failure of the Company to give such notice, or any defect therein, shall not, however, in any way impair or affect the validity of any such supplemental indenture.

SECTION 7. The Company hereby appoints the Trustee as paying agent, registrar and transfer agent for the Bonds and confirms the appointment of the Trustee as paying agent, registrar and transfer agent for all other bonds outstanding under the Indenture.

SECTION 8. As supplemented and amended as above set forth, the Indenture is in all respects ratified and confirmed, and the Indenture and all indentures supplemental thereto shall be read, taken and construed as one and the same instrument.

SECTION 9. The Trustee assumes no responsibility for or in respect of the validity or sufficiency of this Supplemental Indenture or of the Indenture as hereby supplemented or the due execution hereof by the Company or for or in respect of the recitals and statements contained herein (other than those contained in the tenth and eleventh recitals hereof), all of which recitals and statements are made solely by the Company. The Trustee shall have no obligation or duty to monitor, determine or inquire as to compliance with any restrictions on transfer imposed under this Supplemental Indenture or under applicable law with respect to any transfer of any Bond other than to require delivery of such certificates and other documentation or evidence as are expressly required by, and to do so if and when expressly required by, the terms of the Indenture or this Supplemental Indenture, and to examine the same to determine substantial compliance as to form with the express requirements thereof or hereof. The Trustee as such and in its capacity as paying agent for the Bonds shall have no liability to the Company, to the holder or purchaser of any Bond or to any other person or entity for paying any sums due on a Bond without requiring the surrender thereof in accordance with Section 9 of the Bond Purchase Agreement and shall be entitled to assume that any holder of a Bond is entitled to the benefits of said Section 9 unless the Company shall have given the Trustee written notice to the contrary.

SECTION 10. This Supplemental Indenture may be simultaneously executed in several counterparts and all such counterparts executed and delivered, each as an original, shall constitute but one and the same instrument.

SECTION 11. If any interest payment date or redemption date for the Bonds or the 2027 Stated Maturity, the 2038 Stated Maturity or the 2057 Stated Maturity falls on a day that is not a Business Day, the interest or principal payment will be made on the next succeeding Business Day (and without any interest or other payment in respect of any such delay). In the event the date of any notice required or permitted hereunder shall not be a Business Day, then (notwithstanding any other provision of the Indenture or of any supplemental indenture thereto) such notice need not be made on such date, but may be made on the next succeeding Business Day with the same force and effect as if made on the date fixed for such notice. "Business Day" means, with respect to Section 4 and this Section 11, any day, other than a Saturday or Sunday, on which banks generally are open in New York, New York for the conduct of substantially all of their commercial lending activities and on which interbank wire transfers can be made on the Fedwire system.

SECTION 12. This Supplemental Indenture and the 2027 Bonds, 2038 Bonds and 2057 Bonds shall be governed by and deemed to be a contract under, and construed in accordance with, the laws of the State of Michigan, and for all purposes shall be construed in accordance with the laws of such state, except as may otherwise be required by mandatory provisions of law.

SECTION 13. Detailed Description of Property Mortgaged:

I.

ELECTRIC GENERATING PLANTS AND DAMS

All the electric generating plants and stations of the Company, constructed or otherwise acquired by it and not heretofore described in the Indenture or any supplement thereto and not heretofore released from the lien of the Indenture, including all powerhouses, buildings, reservoirs, dams, pipelines, flumes, structures and works and the land on which the same are situated and all water rights and all other lands and easements, rights of way, permits, privileges, towers, poles, wires, machinery, equipment, appliances, appurtenances and supplies and all other property, real or personal, forming a part of or appertaining to or used, occupied or enjoyed in connection with such plants and stations or any of them, or adjacent thereto.

II.

ELECTRIC TRANSMISSION LINES

All the electric transmission lines of the Company, constructed or otherwise acquired by it and not heretofore described in the Indenture or any supplement thereto and not heretofore released from the lien of the Indenture, including towers, poles, pole lines, wires, switches, switch racks, switchboards, insulators and other appliances and equipment, and all other property, real or personal, forming a part of or appertaining to or used, occupied or enjoyed in

connection with such transmission lines or any of them or adjacent thereto; together with all real property, rights of way, easements, permits, privileges, franchises and rights for or relating to the construction, maintenance or operation thereof, through, over, under or upon any private property or any public streets or highways, within as well as without the corporate limits of any municipal corporation. Also all the real property, rights of way, easements, permits, privileges and rights for or relating to the construction, maintenance or operation of certain transmission lines, the land and rights for which are owned by the Company, which are either not built or now being constructed.

III.

ELECTRIC DISTRIBUTION SYSTEMS

All the electric distribution systems of the Company, constructed or otherwise acquired by it and not heretofore described in the Indenture or any supplement thereto and not heretofore released from the lien of the Indenture, including substations, transformers, switchboards, towers, poles, wires, insulators, subways, trenches, conduits, manholes, cables, meters and other appliances and equipment, and all other property, real or personal, forming a part of or appertaining to or used, occupied or enjoyed in connection with such distribution systems or any of them or adjacent thereto; together with all real property, rights of way, easements, permits, privileges, franchises, grants and rights, for or relating to the construction, maintenance or operation thereof, through, over, under or upon any private property or any public streets or highways within as well as without the corporate limits of any municipal corporation.

IV.

ELECTRIC SUBSTATIONS, SWITCHING STATIONS AND SITES

All the substations, switching stations and sites of the Company, constructed or otherwise acquired by it and not heretofore described in the Indenture or any supplement thereto and not heretofore released from the lien of the Indenture, for transforming, regulating, converting or distributing or otherwise controlling electric current at any of its plants and elsewhere, together with all buildings, transformers, wires, insulators and other appliances and equipment, and all other property, real or personal, forming a part of or appertaining to or used, occupied or enjoyed in connection with any of such substations and switching stations, or adjacent thereto, with sites to be used for such purposes.

V.

GAS COMPRESSOR STATIONS, GAS PROCESSING PLANTS,  
DESULPHURIZATION STATIONS, METERING STATIONS,  
ODORIZING STATIONS, REGULATORS AND SITES

All the compressor stations, processing plants, desulphurization stations, metering stations, odorizing stations, regulators and sites of the Company, constructed or otherwise acquired by it and not heretofore described in the Indenture or any supplement thereto and not heretofore released from the lien of the Indenture, for compressing, processing, desulphurizing, metering, odorizing and regulating manufactured or natural gas at any of its plants and elsewhere, together



with all buildings, meters and other appliances and equipment, and all other property, real or personal, forming a part of or appertaining to or used, occupied or enjoyed in connection with any of such purposes, with sites to be used for such purposes.

## VI.

### GAS STORAGE FIELDS

The natural gas rights and interests of the Company, including wells and well lines (but not including natural gas, oil and minerals), the gas gathering system, the underground gas storage rights, the underground gas storage wells and injection and withdrawal system used in connection therewith, constructed or otherwise acquired by it and not heretofore described in the Indenture or any supplement thereto and not heretofore released from the lien of the Indenture: In the Overisel Gas Storage Field, located in the Township of Overisel, Allegan County, and in the Township of Zeeland, Ottawa County, Michigan; in the Northville Gas Storage Field located in the Township of Salem, Washtenaw County, Township of Lyon, Oakland County, and the Townships of Northville and Plymouth and City of Plymouth, Wayne County, Michigan; in the Salem Gas Storage Field, located in the Township of Salem, Allegan County, and in the Township of Jamestown, Ottawa County, Michigan; in the Ray Gas Storage Field, located in the Townships of Ray and Armada, Macomb County, Michigan; in the Lenox Gas Storage Field, located in the Townships of Lenox and Chesterfield, Macomb County, Michigan; in the Ira Gas Storage Field, located in the Township of Ira, St. Clair County, Michigan; in the Puttygut Gas Storage Field, located in the Township of Casco, St. Clair County, Michigan; in the Four Corners Gas Storage Field, located in the Townships of Casco, China, Cottrellville and Ira, St. Clair County, Michigan; in the Swan Creek Gas Storage Field, located in the Townships of Casco and Ira, St. Clair County, Michigan; and in the Hessen Gas Storage Field, located in the Townships of Casco and Columbus, St. Clair County, Michigan.

## VII.

### GAS TRANSMISSION LINES

All the gas transmission lines of the Company, constructed or otherwise acquired by it and not heretofore described in the Indenture or any supplement thereto and not heretofore released from the lien of the Indenture, including gas mains, pipes, pipelines, gates, valves, meters and other appliances and equipment, and all other property, real or personal, forming a part of or appertaining to or used, occupied or enjoyed in connection with such transmission lines or any of them or adjacent thereto; together with all real property, right of way, easements, permits, privileges, franchises and rights for or relating to the construction, maintenance or operation thereof, through, over, under or upon any private property or any public streets or highways, within as well as without the corporate limits of any municipal corporation.

## VIII.

### GAS DISTRIBUTION SYSTEMS

All the gas distribution systems of the Company, constructed or otherwise acquired by it and not heretofore described in the Indenture or any supplement thereto and not heretofore released from the lien of the Indenture, including tunnels, conduits, gas mains and pipes, service pipes, fittings, gates, valves, connections, meters and other appliances and equipment, and all other property, real or personal, forming a part of or appertaining to or used, occupied or enjoyed in connection with such distribution systems or any of them or adjacent thereto; together with all real property, rights of way, easements, permits, privileges, franchises, grants and rights, for or relating to the construction, maintenance or operation thereof, through, over, under or upon any private property or any public streets or highways within as well as without the corporate limits of any municipal corporation.

IX.

OFFICE BUILDINGS, SERVICE BUILDINGS, GARAGES, ETC.

All office, garage, service and other buildings of the Company, wherever located, in the State of Michigan, constructed or otherwise acquired by it and not heretofore described in the Indenture or any supplement thereto and not heretofore released from the lien of the Indenture, together with the land on which the same are situated and all easements, rights of way and appurtenances to said lands, together with all furniture and fixtures located in said buildings.

X.

TELEPHONE PROPERTIES AND RADIO COMMUNICATION EQUIPMENT

All telephone lines, switchboards, systems and equipment of the Company, constructed or otherwise acquired by it and not heretofore described in the Indenture or any supplement thereto and not heretofore released from the lien of the Indenture, used or available for use in the operation of its properties, and all other property, real or personal, forming a part of or appertaining to or used, occupied or enjoyed in connection with such telephone properties or any of them or adjacent thereto; together with all real estate, rights of way, easements, permits, privileges, franchises, property, devices or rights related to the dispatch, transmission, reception or reproduction of messages, communications, intelligence, signals, light, vision or sound by electricity, wire or otherwise, including all telephone equipment installed in buildings used as general and regional offices, substations and generating stations and all telephone lines erected on towers and poles; and all radio communication equipment of the Company, together with all property, real or personal (except any in the Indenture expressly excepted), fixed stations, towers, auxiliary radio buildings and equipment, and all appurtenances used in connection therewith, wherever located, in the State of Michigan.

XI.

OTHER REAL PROPERTY

All other real property of the Company and all interests therein, of every nature and description (except any in the Indenture expressly excepted) wherever located, in the State of Michigan, acquired by it and not heretofore described in the Indenture or any supplement thereto

and not heretofore released from the lien of the Indenture. Such real property includes but is not limited to the following described property, such property is subject to any interests that were excepted or reserved in the conveyance to the Company:

#### ALCONA COUNTY

Certain land in Caledonia Township, Alcona County, Michigan described as:

The East 330 feet of the South 660 feet of the SW 1/4 of the SW 1/4 of Section 8, T28N, R8E, except the West 264 feet of the South 330 feet thereof; said land being more particularly described as follows: To find the place of beginning of this description, commence at the Southwest corner of said section, run thence East along the South line of said section 1243 feet to the place of beginning of this description, thence continuing East along said South line of said section 66 feet to the West 1/8 line of said section, thence N 02 degrees 09' 30" E along the said West 1/8 line of said section 660 feet, thence West 330 feet, thence S 02 degrees 09' 30" W, 330 feet, thence East 264 feet, thence S 02 degrees 09' 30" W, 330 feet to the place of beginning.

#### ALLEGAN COUNTY

Certain land in Lee Township, Allegan County, Michigan described as:

The NE 1/4 of the NW 1/4 of Section 16, T1N, R15W.

#### ALPENA COUNTY

Certain land in Wilson and Green Townships, Alpena County, Michigan described as:

All that part of the S'y 1/2 of the former Boyne City-Gaylord and Alpena Railroad right of way, being the Southerly 50 feet of a 100 foot strip of land formerly occupied by said Railroad, running from the East line of Section 31, T31N, R7E, Southwesterly across said Section 31 and Sections 5 and 6 of T30N, R7E and Sections 10, 11 and the E 1/2 of Section 9, except the West 1646 feet thereof, all in T30N, R6E.

#### ANTRIM COUNTY

Certain land in Mancelona Township, Antrim County, Michigan described as:

The S 1/2 of the NE 1/4 of Section 33, T29N, R6W, excepting therefrom all mineral, coal, oil and gas and such other rights as were reserved unto the State of Michigan in that certain deed running from the State of Michigan to August W. Schack and Emma H. Schack, his wife, dated April 15, 1946 and recorded May 20, 1946 in Liber 97 of Deeds on page 682 of Antrim County Records.

#### ARENAC COUNTY

Certain land in Standish Township, Arenac County, Michigan described as:

A parcel of land in the SW 1/4 of the NW 1/4 of Section 12, T18N, R4E, described as follows: To find the place of beginning of said parcel of land, commence at the Northwest corner of Section 12, T18N, R4E; run thence South along the West line of said section, said West line of said section being also the center line of East City Limits Road 2642.15 feet to the W 1/4 post of said section and the place of beginning of said parcel of land; running thence N 88 degrees 26' 00" E along the East and West 1/4 line of said section, 660.0 feet; thence North parallel with the West line of said section, 310.0 feet; thence S 88 degrees 26' 00" W, 330.0 feet; thence South parallel with the West line of said section, 260.0 feet; thence S 88 degrees 26' 00" W, 330.0 feet to the West line of said section and the center line of East City Limits Road; thence South along the said West line of said section, 50.0 feet to the place of beginning.

#### BARRY COUNTY

Certain land in Johnstown Township, Barry County, Michigan described as:

A strip of land 311 feet in width across the SW 1/4 of the NE 1/4 of Section 31, T1N, R8W, described as follows: To find the place of beginning of this description, commence at the E 1/4 post of said section; run thence N 00 degrees 55' 00" E along the East line of said section, 555.84 feet; thence N 59 degrees 36' 20" W, 1375.64 feet; thence N 88 degrees 30' 00" W, 130 feet to a point on the East 1/8 line of said section and the place of beginning of this description; thence continuing N 88 degrees 30' 00" W, 1327.46 feet to the North and South 1/4 line of said section; thence S 00 degrees 39' 35" W along said North and South 1/4 line of said section, 311.03 feet to a point, which said point is 952.72 feet distant N'ly from the East and West 1/4 line of said section as measured along said North and South 1/4 line of said section; thence S 88 degrees 30' 00" E, 1326.76 feet to the East 1/8 line of said section; thence N 00 degrees 47' 20" E along said East 1/8 line of said section, 311.02 feet to the place of beginning.

#### BAY COUNTY

Certain land in Frankenlust Township, Bay County, Michigan described as:

The South 250 feet of the N 1/2 of the W 1/2 of the W 1/2 of the SE 1/4 of Section 9, T13N, R4E.

#### BENZIE COUNTY

Certain land in Benzonia Township, Benzie County, Michigan described as:

A parcel of land in the Northeast 1/4 of Section 7, Township 26 North, Range 14 West, described as beginning at a point on the East line of said Section 7, said point being 320 feet North measured along the East line of said section from

the East 1/4 post; running thence West 165 feet; thence North parallel with the East line of said section 165 feet; thence East 165 feet to the East line of said section; thence South 165 feet to the place of beginning.

#### BRANCH COUNTY

Certain land in Girard Township, Branch County, Michigan described as:

A parcel of land in the NE 1/4 of Section 23 T5S, R6W, described as beginning at a point on the North and South quarter line of said section at a point 1278.27 feet distant South of the North quarter post of said section, said distance being measured along the North and South quarter line of said section, running thence S89 degrees 21' E 250 feet, thence North along a line parallel with the said North and South quarter line of said section 200 feet, thence N89 degrees 21' W 250 feet to the North and South quarter line of said section, thence South along said North and South quarter line of said section 200 feet to the place of beginning.

#### CALHOUN COUNTY

Certain land in Convis Township, Calhoun County, Michigan described as:

A parcel of land in the SE 1/4 of the SE 1/4 of Section 32, T1S, R6W, described as follows: To find the place of beginning of this description, commence at the Southeast corner of said section; run thence North along the East line of said section 1034.32 feet to the place of beginning of this description; running thence N 89 degrees 39' 52" W, 333.0 feet; thence North 290.0 feet to the South 1/8 line of said section; thence S 89 degrees 39' 52" E along said South 1/8 line of said section 333.0 feet to the East line of said section; thence South along said East line of said section 290.0 feet to the place of beginning. (Bearings are based on the East line of Section 32, T1S, R6W, from the Southeast corner of said section to the Northeast corner of said section assumed as North.)

#### CASS COUNTY

Certain easement rights located across land in Marcellus Township, Cass County, Michigan described as:

The East 6 rods of the SW 1/4 of the SE 1/4 of Section 4, T5S, R13W.

#### CHARLEVOIX COUNTY

Certain land in South Arm Township, Charlevoix County, Michigan described as:

A parcel of land in the SW 1/4 of Section 29, T32N, R7W, described as follows: Beginning at the Southwest corner of said section and running thence North along the West line of said section 788.25 feet to a point which is 528 feet distant South of the South 1/8 line of said section as measured along the said West line of said section; thence N 89 degrees 30' 19" E, parallel with said South 1/8 line

of said section 442.1 feet; thence South 788.15 feet to the South line of said section; thence S 89 degrees 29' 30" W, along said South line of said section 442.1 feet to the place of beginning.

#### CHEBOYGAN COUNTY

Certain land in Inverness Township, Cheboygan County, Michigan described as:

A parcel of land in the SW 1/4 of Section 31, T37N, R2W, described as beginning at the Northwest corner of the SW 1/4, running thence East on the East and West quarter line of said Section, 40 rods, thence South parallel to the West line of said Section 40 rods, thence West 40 rods to the West line of said Section, thence North 40 rods to the place of beginning.

#### CLARE COUNTY

Certain land in Frost Township, Clare County, Michigan described as:

The East 150 feet of the North 225 feet of the NW 1/4 of the NW 1/4 of Section 15, T20N, R4W.

#### CLINTON COUNTY

Certain land in Watertown Township, Clinton County, Michigan described as:

The NE 1/4 of the NE 1/4 of the SE 1/4 of Section 22, and the North 165 feet of the NW 1/4 of the NE 1/4 of the SE 1/4 of Section 22, T5N, R3W.

#### CRAWFORD COUNTY

Certain land in Lovells Township, Crawford County, Michigan described as:

A parcel of land in Section 1, T28N, R1W, described as: Commencing at NW corner said section; thence South 89 degrees 53' 30" East along North section line 105.78 feet to point of beginning; thence South 89 degrees 53' 30" East along North section line 649.64 feet; thence South 55 degrees 42' 30" East 340.24 feet; thence South 55 degrees 44' 37" East 5,061.81 feet to the East section line; thence South 00 degrees 00' 08" West along East section line 441.59 feet; thence North 55 degrees 44' 37" West 5,310.48 feet; thence North 55 degrees 42' 30" West 877.76 feet to point of beginning.

#### EATON COUNTY

Certain land in Eaton Township, Eaton County, Michigan described as:

A parcel of land in the SW 1/4 of Section 6, T2N, R4W, described as follows: To find the place of beginning of this description commence at the Southwest corner of said section; run thence N 89 degrees 51' 30" E along the

South line of said section 400 feet to the place of beginning of this description; thence continuing N 89 degrees 51' 30" E, 500 feet; thence N 00 degrees 50' 00" W, 600 feet; thence S 89 degrees 51' 30" W parallel with the South line of said section 500 feet; thence S 00 degrees 50' 00" E, 600 feet to the place of beginning.

#### EMMET COUNTY

Certain land in Wawatam Township, Emmet County, Michigan described as:

The West 1/2 of the Northeast 1/4 of the Northeast 1/4 of Section 23, T39N, R4W.

#### GENESEE COUNTY

Certain land in Argentine Township, Genesee County, Michigan described as:

A parcel of land of part of the SW 1/4 of Section 8, T5N, R5E, being more particularly described as follows:

Beginning at a point of the West line of Duffield Road, 100 feet wide, (as now established) distant 829.46 feet measured N01 degrees 42' 56" W and 50 feet measured S88 degrees 14' 04" W from the South quarter corner, Section 8, T5N, R5E; thence S88 degrees 14' 04" W a distance of 550 feet; thence N01 degrees 42' 56" W a distance of 500 feet to a point on the North line of the South half of the Southwest quarter of said Section 8; thence N88 degrees 14' 04" E along the North line of South half of the Southwest quarter of said Section 8 a distance 550 feet to a point on the West line of Duffield Road, 100 feet wide (as now established); thence S 01 degrees 42' 56" E along the West line of said Duffield Road a distance of 500 feet to the point of beginning.

#### GLADWIN COUNTY

Certain land in Secord Township, Gladwin County, Michigan described as:

The East 400 feet of the South 450 feet of Section 2, T19N, R1E.

#### GRAND TRAVERSE COUNTY

Certain land in Mayfield Township, Grand Traverse County, Michigan described as:

A parcel of land in the Northwest 1/4 of Section 3, T25N, R11W, described as follows: Commencing at the Northwest corner of said section, running thence S 89 degrees 19' 15" E along the North line of said section and the center line of Clouss Road 225 feet, thence South 400 feet, thence N 89 degrees 19' 15" W 225 feet to the West line of said section and the center line of Hannah Road, thence North along the West line of said section and the center line of Hannah Road 400 feet to the place of beginning for this description.

#### GRATIOT COUNTY

Certain land in Fulton Township, Gratiot County, Michigan described as:

A parcel of land in the NE 1/4 of Section 7, Township 9 North, Range 3 West, described as beginning at a point on the North line of George Street in the Village of Middleton, which is 542 feet East of the North and South one-quarter (1/4) line of said Section 7; thence North 100 feet; thence East 100 feet; thence South 100 feet to the North line of George Street; thence West along the North line of George Street 100 feet to place of beginning.

#### HILLSDALE COUNTY

Certain land in Litchfield Village, Hillsdale County, Michigan described as:

Lot 238 of Assessors Plat of the Village of Litchfield.

#### HURON COUNTY

Certain easement rights located across land in Sebewaing Township, Huron County, Michigan described as:

The North 1/2 of the Northwest 1/4 of Section 15, T15N, R9E.

#### INGHAM COUNTY

Certain land in Vevay Township, Ingham County, Michigan described as:

A parcel of land 660 feet wide in the Southwest 1/4 of Section 7 lying South of the centerline of Sitts Road as extended to the North-South 1/4 line of said Section 7, T2N, R1W, more particularly described as follows: Commence at the Southwest corner of said Section 7, thence North along the West line of said Section 2502.71 feet to the centerline of Sitts Road; thence South 89 degrees54'45" East along said centerline 2282.38 feet to the place of beginning of this description; thence continuing South 89 degrees54'45" East along said centerline and said centerline extended 660.00 feet to the North-South 1/4 line of said section; thence South 00 degrees07'20" West 1461.71 feet; thence North 89 degrees34'58" West 660.00 feet; thence North 00 degrees07'20" East 1457.91 feet to the centerline of Sitts Road and the place of beginning.

#### IONIA COUNTY

Certain land in Sebewa Township, Ionia County, Michigan described as:

A strip of land 280 feet wide across that part of the SW 1/4 of the NE 1/4 of Section 15, T5N, R6W, described as follows:



To find the place of beginning of this description commence at the E 1/4 corner of said section; run thence N 00 degrees 05' 38" W along the East line of said section, 1218.43 feet; thence S 67 degrees 18' 24" W, 1424.45 feet to the East 1/8 line of said section and the place of beginning of this description; thence continuing S 67 degrees 18' 24" W, 1426.28 feet to the North and South 1/4 line of said section at a point which said point is 105.82 feet distant N'y of the center of said section as measured along said North and South 1/4 line of said section; thence N 00 degrees 04' 47" E along said North and South 1/4 line of said section, 303.67 feet; thence N 67 degrees 18' 24" E, 1425.78 feet to the East 1/8 line of said section; thence S 00 degrees 00' 26" E along said East 1/8 line of said section, 303.48 feet to the place of beginning. (Bearings are based on the East line of Section 15, T5N, R6W, from the E 1/4 corner of said section to the Northeast corner of said section assumed as N 00 degrees 05' 38" W.)

#### IOSCO COUNTY

Certain land in Alabaster Township, Iosco County, Michigan described as:

A parcel of land in the NW 1/4 of Section 34, T21N, R7E, described as follows: To find the place of beginning of this description commence at the N 1/4 post of said section; run thence South along the North and South 1/4 line of said section, 1354.40 feet to the place of beginning of this description; thence continuing South along the said North and South 1/4 line of said section, 165.00 feet to a point on the said North and South 1/4 line of said section which said point is 1089.00 feet distant North of the center of said section; thence West 440.00 feet; thence North 165.00 feet; thence East 440.00 feet to the said North and South 1/4 line of said section and the place of beginning.

#### ISABELLA COUNTY

Certain land in Chippewa Township, Isabella County, Michigan described as:

The North 8 rods of the NE 1/4 of the SE 1/4 of Section 29, T14N, R3W.

#### JACKSON COUNTY

Certain land in Waterloo Township, Jackson County, Michigan described as:

A parcel of land in the North fractional part of the N fractional 1/2 of Section 2, T1S, R2E, described as follows: To find the place of beginning of this description commence at the E 1/4 post of said section; run thence N 01 degrees 03' 40" E along the East line of said section 1335.45 feet to the North 1/8 line of said section and the place of beginning of this description; thence N 89 degrees 32' 00" W, 2677.7 feet to the North and South 1/4 line of said section; thence S 00 degrees 59' 25" W along the North and South 1/4 line of said section 22.38 feet to the North 1/8 line of said section; thence S 89 degrees 59' 10" W along the North 1/8 line of said section 2339.4 feet to the center line of State Trunkline Highway M-52; thence

N 53 degrees 46' 00" W along the center line of said State Trunkline Highway 414.22 feet to the West line of said section; thence N 00 degrees 55' 10" E along the West line of said section 74.35 feet; thence S 89 degrees 32' 00" E, 5356.02 feet to the East line of said section; thence S 01 degrees 03' 40" W along the East line of said section 250 feet to the place of beginning.

#### KALAMAZOO COUNTY

Certain land in Alamo Township, Kalamazoo County, Michigan described as:

The South 350 feet of the NW 1/4 of the NW 1/4 of Section 16, T1S, R12W, being more particularly described as follows: To find the place of beginning of this description, commence at the Northwest corner of said section; run thence S 00 degrees 36' 55" W along the West line of said section 971.02 feet to the place of beginning of this description; thence continuing S 00 degrees 36' 55" W along said West line of said section 350.18 feet to the North 1/8 line of said section; thence S 87 degrees 33' 40" E along the said North 1/8 line of said section 1325.1 feet to the West 1/8 line of said section; thence N 00 degrees 38' 25" E along the said West 1/8 line of said section 350.17 feet; thence N 87 degrees 33' 40" W, 1325.25 feet to the place of beginning.

#### KALKASKA COUNTY

Certain land in Kalkaska Township, Kalkaska County, Michigan described as:

The NW 1/4 of the SW 1/4 of Section 4, T27N, R7W, excepting therefrom all mineral, coal, oil and gas and such other rights as were reserved unto the State of Michigan in that certain deed running from the Department of Conservation for the State of Michigan to George Welker and Mary Welker, his wife, dated October 9, 1934 and recorded December 28, 1934 in Liber 39 on page 291 of Kalkaska County Records, and subject to easement for pipeline purposes as granted to Michigan Consolidated Gas Company by first party herein on April 4, 1963 and recorded June 21, 1963 in Liber 91 on page 631 of Kalkaska County Records.

#### KENT COUNTY

Certain land in Caledonia Township, Kent County, Michigan described as:

A parcel of land in the Northwest fractional 1/4 of Section 15, T5N, R10W, described as follows: To find the place of beginning of this description commence at the North 1/4 corner of said section, run thence S 0 degrees 59' 26" E along the North and South 1/4 line of said section 2046.25 feet to the place of beginning of this description, thence continuing S 0 degrees 59' 26" E along said North and South 1/4 line of said section 332.88 feet, thence S 88 degrees 58' 30" W 2510.90 feet to a point herein designated "Point A" on the East bank of the Thornapple River, thence continuing S 88 degrees 53' 30" W to the center thread of the Thornapple River,

thence NW'ly along the center thread of said Thornapple River to a point which said point is S 88 degrees 58' 30" W of a point on the East bank of the Thornapple River herein designated "Point B", said "Point B" being N 23 degrees 41' 35" W 360.75 feet from said above-described "Point A", thence N 88 degrees 58' 30" E to said "Point B", thence continuing N 88 degrees 58' 30" E 2650.13 feet to the place of beginning. (Bearings are based on the East line of Section 15, T5N, R10W between the East 1/4 corner of said section and the Northeast corner of said section assumed as N 0 degrees 59' 55" W.)

#### LAKE COUNTY

Certain land in Pinora and Cherry Valley Townships, Lake County, Michigan described as:

A strip of land 50 feet wide East and West along and adjoining the West line of highway on the East side of the North 1/2 of Section 13 T18N, R12W. Also a strip of land 100 feet wide East and West along and adjoining the East line of the highway on the West side of following described land: The South 1/2 of NW 1/4, and the South 1/2 of the NW 1/4 of the SW 1/4, all in Section 6, T18N, R11W.

#### LAPEER COUNTY

Certain land in Hadley Township, Lapeer County, Michigan described as:

The South 825 feet of the W 1/2 of the SW 1/4 of Section 24, T6N, R9E, except the West 1064 feet thereof.

#### LEELANAU COUNTY

Certain land in Cleveland Township, Leelanau County, Michigan described as:

The North 200 feet of the West 180 feet of the SW 1/4 of the SE 1/4 of Section 35, T29N, R13W.

#### LENAWEE COUNTY

Certain land in Madison Township, Lenawee County, Michigan described as:

A strip of land 165 feet wide off the West side of the following described premises: The E 1/2 of the SE 1/4 of Section 12. The E 1/2 of the NE 1/4 and the NE 1/4 of the SE 1/4 of Section 13, being all in T7S, R3E, excepting therefrom a parcel of land in the E 1/2 of the SE 1/4 of Section 12, T7S, R3E, beginning at the Northwest corner of said E 1/2 of the SE 1/4 of Section 12, running thence East 4 rods, thence South 6 rods, thence West 4 rods, thence North 6 rods to the place of beginning.

#### LIVINGSTON COUNTY

Certain land in Cohoctah Township, Livingston County, Michigan described as:

Parcel 1:

The East 390 feet of the East 50 rods of the SW 1/4 of Section 30, T4N, R4E.

Parcel 2:

A parcel of land in the NW 1/4 of Section 31, T4N, R4E, described as follows: To find the place of beginning of this description commence at the N 1/4 post of said section; run thence N 89 degrees 13' 06" W along the North line of said section, 330 feet to the place of beginning of this description; running thence S 00 degrees 52' 49" W, 2167.87 feet; thence N 88 degrees 59' 49" W, 60 feet; thence N 00 degrees 52' 49" E, 2167.66 feet to the North line of said section; thence S 89 degrees 13' 06" E along said North line of said section, 60 feet to the place of beginning.

#### MACOMB COUNTY

Certain land in Macomb Township, Macomb County, Michigan described as:

A parcel of land commencing on the West line of the E 1/2 of the NW 1/4 of fractional Section 6, 20 chains South of the NW corner of said E 1/2 of the NW 1/4 of Section 6; thence South on said West line and the East line of A. Henry Kotner's Hayes Road Subdivision #15, according to the recorded plat thereof, as recorded in Liber 24 of Plats, on page 7, 24.36 chains to the East and West 1/4 line of said Section 6; thence East on said East and West 1/4 line 8.93 chains; thence North parallel with the said West line of the E 1/2 of the NW 1/4 of Section 6, 24.36 chains; thence West 8.93 chains to the place of beginning, all in T3N, R13E.

#### MANISTEE COUNTY

Certain land in Manistee Township, Manistee County, Michigan described as:

A parcel of land in the SW 1/4 of Section 20, T22N, R16W, described as follows: To find the place of beginning of this description, commence at the Southwest corner of said section; run thence East along the South line of said section 832.2 feet to the place of beginning of this description; thence continuing East along said South line of said section 132 feet; thence North 198 feet; thence West 132 feet; thence South 198 feet to the place of beginning, excepting therefrom the South 2 rods thereof which was conveyed to Manistee Township for highway purposes by a Quitclaim Deed dated June 13, 1919 and recorded July 11, 1919 in Liber 88 of Deeds on page 638 of Manistee County Records.

#### MASON COUNTY

Certain land in Riverton Township, Mason County, Michigan described as:

Parcel 1

The South 10 acres of the West 20 acres of the S 1/2 of the NE 1/4 of Section 22, T17N, R17W.

Parcel 2

A parcel of land containing 4 acres of the West side of highway, said parcel of land being described as commencing 16 rods South of the Northwest corner of the NW 1/4 of the SW 1/4 of Section 22, T17N, R17W, running thence South 64 rods, thence NE'y and N'y and NW'y along the W'y line of said highway to the place of beginning, together with any and all right, title, and interest of Howard C. Wicklund and Katherine E. Wicklund in and to that portion of the hereinbefore mentioned highway lying adjacent to the E'y line of said above described land.

MECOSTA COUNTY

Certain land in Wheatland Township, Mecosta County, Michigan described as:

A parcel of land in the SW 1/4 of the SW 1/4 of Section 16, T14N, R7W, described as beginning at the Southwest corner of said section; thence East along the South line of Section 133 feet; thence North parallel to the West section line 133 feet; thence West 133 feet to the West line of said Section; thence South 133 feet to the place of beginning.

MIDLAND COUNTY

Certain land in Ingersoll Township, Midland County, Michigan described as:

The West 200 feet of the W 1/2 of the NE 1/4 of Section 4, T13N, R2E.

MISSAUKEE COUNTY

Certain land in Norwich Township, Missaukee County, Michigan described as:

A parcel of land in the NW 1/4 of the NW 1/4 of Section 16, T24N, R6W, described as follows: Commencing at the Northwest corner of said section, running thence N 89 degrees 01' 45" E along the North line of said section 233.00 feet; thence South 233.00 feet; thence S 89 degrees 01' 45" W, 233.00 feet to the West line of said section; thence North along said West line of said section 233.00 feet to the place of beginning. (Bearings are based on the West line of Section 16, T24N, R6W, between the Southwest and Northwest corners of said section assumed as North.)

MONROE COUNTY

Certain land in Whiteford Township, Monroe County, Michigan described as:

A parcel of land in the SW1/4 of Section 20, T8S, R6E, described as follows: To find the place of beginning of this description commence at the S 1/4

post of said section; run thence West along the South line of said section 1269.89 feet to the place of beginning of this description; thence continuing West along said South line of said section 100 feet; thence N 00 degrees 50' 35" E, 250 feet; thence East 100 feet; thence S 00 degrees 50' 35" W parallel with and 16.5 feet distant W'ly of as measured perpendicular to the West 1/8 line of said section, as occupied, a distance of 250 feet to the place of beginning.

#### MONTCALM COUNTY

Certain land in Crystal Township, Montcalm County, Michigan described as:

The N 1/2 of the S 1/2 of the SE 1/4 of Section 35, T10N, R5W.

#### MONTMORENCY COUNTY

Certain land in the Village of Hillman, Montmorency County, Michigan described as:

Lot 14 of Hillman Industrial Park, being a subdivision in the South 1/2 of the Northwest 1/4 of Section 24, T31N, R4E, according to the plat thereof recorded in Liber 4 of Plats on Pages 32-34, Montmorency County Records.

#### MUSKEGON COUNTY

Certain land in Casnovia Township, Muskegon County, Michigan described as:

The West 433 feet of the North 180 feet of the South 425 feet of the SW 1/4 of Section 3, T10N, R13W.

#### NEWAYGO COUNTY

Certain land in Ashland Township, Newaygo County, Michigan described as:

The West 250 feet of the NE 1/4 of Section 23, T11N, R13W.

#### OAKLAND COUNTY

Certain land in Wixcom City, Oakland County, Michigan described as:

The E 75 feet of the N 160 feet of the N 330 feet of the W 526.84 feet of the NW 1/4 of the NW 1/4 of Section 8, T1N, R8E, more particularly described as follows: Commence at the NW corner of said Section 8, thence N 87 degrees 14' 29" E along the North line of said Section 8 a distance of 451.84 feet to the place of beginning for this description; thence continuing N 87 degrees 14' 29" E along said North section line a distance of 75.0 feet to the East line of the West 526.84 feet of the NW 1/4 of the NW 1/4 of said Section 8; thence S 02 degrees 37' 09" E along said East line a distance of 160.0 feet; thence S 87 degrees 14' 29" W a

distance of 75.0 feet; thence N 02 degrees 37' 09" W a distance of 160.0 feet to the place of beginning.

#### OCEANA COUNTY

Certain land in Crystal Township, Oceana County, Michigan described as:

The East 290 feet of the SE 1/4 of the NW 1/4 and the East 290 feet of the NE 1/4 of the SW 1/4, all in Section 20, T16N, R16W.

#### OGEMAW COUNTY

Certain land in West Branch Township, Ogemaw County, Michigan described as:

The South 660 feet of the East 660 feet of the NE 1/4 of the NE 1/4 of Section 33, T22N, R2E.

#### OSCEOLA COUNTY

Certain land in Hersey Township, Osceola County, Michigan described as:

A parcel of land in the North 1/2 of the Northeast 1/4 of Section 13, T17N, R9W, described as commencing at the Northeast corner of said Section; thence West along the North Section line 999 feet to the point of beginning of this description; thence S 01 degrees 54' 20" E 1327.12 feet to the North 1/8 line; thence S 89 degrees 17' 05" W along the North 1/8 line 330.89 feet; thence N 01 degrees 54' 20" W 1331.26 feet to the North Section line; thence East along the North Section line 331 feet to the point of beginning.

#### OSCODA COUNTY

Certain land in Comins Township, Oscoda County, Michigan described as:

The East 400 feet of the South 580 feet of the W 1/2 of the SW 1/4 of Section 15, T27N, R3E.

#### OTSEGO COUNTY

Certain land in Corwith Township, Otsego County, Michigan described as:

Part of the NW 1/4 of the NE 1/4 of Section 28, T32N, R3W, described as: Beginning at the N 1/4 corner of said section; running thence S 89 degrees 04' 06" E along the North line of said section, 330.00 feet; thence S 00 degrees 28' 43" E, 400.00 feet; thence N 89 degrees 04' 06" W, 330.00 feet to the North and South 1/4 line of said section; thence N 00 degrees 28' 43" W along the said North and South 1/4 line of said section, 400.00 feet to the point of beginning; subject to the use of the N'y 33.00 feet thereof for highway purposes.

## OTTAWA COUNTY

Certain land in Robinson Township, Ottawa County, Michigan described as:

The North 660 feet of the West 660 feet of the NE 1/4 of the NW 1/4 of Section 26, T7N, R15W.

## PRESQUE ISLE COUNTY

Certain land in Belknap and Pulawski Townships, Presque Isle County, Michigan described as:

Part of the South half of the Northeast quarter, Section 24, T34N, R5E, and part of the Northwest quarter, Section 19, T34N, R6E, more fully described as: Commencing at the East ¼ corner of said Section 24; thence N 00 degrees15'47" E, 507.42 feet, along the East line of said Section 24 to the point of beginning; thence S 88 degrees15'36" W, 400.00 feet, parallel with the North 1/8 line of said Section 24; thence N 00 degrees15'47" E, 800.00 feet, parallel with said East line of Section 24; thence N 88 degrees15'36"E, 800.00 feet, along said North 1/8 line of Section 24 and said line extended; thence S 00 degrees15'47" W, 800.00 feet, parallel with said East line of Section 24; thence S 88 degrees15'36" W, 400.00 feet, parallel with said North 1/8 line of Section 24 to the point of beginning.

Together with a 33 foot easement along the West 33 feet of the Northwest quarter lying North of the North 1/8 line of Section 24, Belknap Township, extended, in Section 19, T34N, R6E.

## ROSCOMMON COUNTY

Certain land in Gerrish Township, Roscommon County, Michigan described as:

A parcel of land in the NW 1/4 of Section 19, T24N, R3W, described as follows: To find the place of beginning of this description commence at the Northwest corner of said section, run thence East along the North line of said section 1,163.2 feet to the place of beginning of this description (said point also being the place of intersection of the West 1/8 line of said section with the North line of said section), thence S 01 degrees 01' E along said West 1/8 line 132 feet, thence West parallel with the North line of said section 132 feet, thence N 01 degrees 01' W parallel with said West 1/8 line of said section 132 feet to the North line of said section, thence East along the North line of said section 132 feet to the place of beginning.

## SAGINAW COUNTY

Certain land in Chapin Township, Saginaw County, Michigan described as:

A parcel of land in the SW 1/4 of Section 13, T9N, R1E, described as follows: To find the place of beginning of this description commence at the



Southwest corner of said section; run thence North along the West line of said section 1581.4 feet to the place of beginning of this description; thence continuing North along said West line of said section 230 feet to the center line of a creek; thence S 70 degrees 07' 00" E along said center line of said creek 196.78 feet; thence South 163.13 feet; thence West 185 feet to the West line of said section and the place of beginning.

#### SANILAC COUNTY

Certain easement rights located across land in Minden Township, Sanilac County, Michigan described as:

The Southeast 1/4 of the Southeast 1/4 of Section 1, T14N, R14E, excepting therefrom the South 83 feet of the East 83 feet thereof.

#### SHIAWASSEE COUNTY

Certain land in Burns Township, Shiawassee County, Michigan described as:

The South 330 feet of the E 1/2 of the NE 1/4 of Section 36, T5N, R4E.

#### ST. CLAIR COUNTY

Certain land in Ira Township, St. Clair County, Michigan described as:

The N 1/2 of the NW 1/4 of the NE 1/4 of Section 6, T3N, R15E.

#### ST. JOSEPH COUNTY

Certain land in Mendon Township, St. Joseph County, Michigan described as:

The North 660 feet of the West 660 feet of the NW 1/4 of SW 1/4, Section 35, T5S, R10W.

#### TUSCOLA COUNTY

Certain land in Millington Township, Tuscola County, Michigan described as:

A strip of land 280 feet wide across the East 96 rods of the South 20 rods of the N 1/2 of the SE 1/4 of Section 34, T10N, R8E, more particularly described as commencing at the Northeast corner of Section 3, T9N, R8E, thence S 89 degrees 55' 35" W along the South line of said Section 34 a distance of 329.65 feet, thence N 18 degrees 11' 50" W a distance of 1398.67 feet to the South 1/8 line of said Section 34 and the place of beginning for this description; thence continuing N 18 degrees 11' 50" W a distance of 349.91 feet; thence N 89 degrees 57' 01" W a distance of 294.80 feet; thence S 18 degrees 11' 50" E a distance of 350.04 feet to the South 1/8 line of said Section 34; thence S 89 degrees 58' 29" E along the South 1/8 line of said section a distance of 294.76 feet to the place of beginning.

## VAN BUREN COUNTY

Certain land in Covert Township, Van Buren County, Michigan described as:

All that part of the West 20 acres of the N 1/2 of the NE fractional 1/4 of Section 1, T2S, R17W, except the West 17 rods of the North 80 rods, being more particularly described as follows: To find the place of beginning of this description commence at the N 1/4 post of said section; run thence N 89 degrees 29' 20" E along the North line of said section 280.5 feet to the place of beginning of this description; thence continuing N 89 degrees 29' 20" E along said North line of said section 288.29 feet; thence S 00 degrees 44' 00" E, 1531.92 feet; thence S 89 degrees 33' 30" W, 568.79 feet to the North and South 1/4 line of said section; thence N 00 degrees 44' 00" W along said North and South 1/4 line of said section 211.4 feet; thence N 89 degrees 29' 20" E, 280.5 feet; thence N 00 degrees 44' 00" W, 1320 feet to the North line of said section and the place of beginning.

## WASHTENAW COUNTY

Certain land in Manchester Township, Washtenaw County, Michigan described as:

A parcel of land in the NE 1/4 of the NW 1/4 of Section 1, T4S, R3E, described as follows: To find the place of beginning of this description commence at the Northwest corner of said section; run thence East along the North line of said section 1355.07 feet to the West 1/8 line of said section; thence S 00 degrees 22' 20" E along said West 1/8 line of said section 927.66 feet to the place of beginning of this description; thence continuing S 00 degrees 22' 20" E along said West 1/8 line of said section 660 feet to the North 1/8 line of said section; thence N 86 degrees 36' 57" E along said North 1/8 line of said section 660.91 feet; thence N 00 degrees 22' 20" W, 660 feet; thence S 86 degrees 36' 57" W, 660.91 feet to the place of beginning.

## WAYNE COUNTY

Certain land in Livonia City, Wayne County, Michigan described as:

Commencing at the Southeast corner of Section 6, T1S, R9E; thence North along the East line of Section 6 a distance of 253 feet to the point of beginning; thence continuing North along the East line of Section 6 a distance of 50 feet; thence Westerly parallel to the South line of Section 6, a distance of 215 feet; thence Southerly parallel to the East line of Section 6 a distance of 50 feet; thence easterly parallel with the South line of Section 6 a distance of 215 feet to the point of beginning.

## WEXFORD COUNTY

Certain land in Selma Township, Wexford County, Michigan described as:

A parcel of land in the NW 1/4 of Section 7, T22N, R10W, described as beginning on the North line of said section at a point 200 feet East of the West line of said section, running thence East along said North section line 450 feet, thence South parallel with said West section line 350 feet, thence West parallel with said North section line 450 feet, thence North parallel with said West section line 350 feet to the place of beginning.

SECTION 14. The Company is a transmitting utility under Section 9501(2) of the Michigan Uniform Commercial Code (M.C.L. 440.9501(2)) as defined in M.C.L. 440.9102(1)(aaaa).

IN WITNESS WHEREOF, said Consumers Energy Company has caused this Supplemental Indenture to be executed in its corporate name by its Chairman of the Board, President, a Vice President or its Treasurer and its corporate seal to be hereunto affixed and to be attested by its Secretary or an Assistant Secretary, and said The Bank of New York Mellon, as Trustee as aforesaid, to evidence its acceptance hereof, has caused this Supplemental Indenture to be executed in its corporate name by a Vice President and its corporate seal to be hereunto affixed and to be attested by an authorized signatory, in several counterparts, all as of the day and year first above written.

CONSUMERS ENERGY COMPANY

(SEAL)

By: \_\_\_\_\_

Name:

Attest: Title:

Name:

Title:

STATE OF MICHIGAN )

ss.

COUNTY OF JACKSON )

The foregoing instrument was acknowledged before me this \_\_\_\_ day of \_\_\_\_\_ 2018, by \_\_\_\_\_,  
\_\_\_\_\_ of CONSUMERS ENERGY COMPANY, a Michigan corporation, on behalf of the corporation.

\_\_\_\_\_, Notary Public

{Seal} State of Michigan, County of Jackson

My Commission Expires: \_\_/\_\_/\_\_

Acting in the County of Jackson

THE BANK OF NEW YORK MELLON,  
AS TRUSTEE

(SEAL)

By: \_\_\_\_\_  
Name:

Attest: Title:

—

STATE OF NEW JERSEY )

ss.

COUNTY OF PASSAIC )

The foregoing instrument was acknowledged before me this \_\_\_\_\_ day of \_\_\_\_\_, 2018, by \_\_\_\_\_, a Vice President of  
THE BANK OF NEW YORK MELLON, as Trustee, a New York banking corporation, on behalf of the bank.

Prepared by:  
Melissa M. Gleespen  
One Energy Plaza, EP12-246  
Jackson, MI 49201

When recorded, return to:  
Consumers Energy Company  
Business Services Real Estate Dept.  
Attn: \_\_\_\_\_  
One Energy Plaza  
Jackson, MI 49201

Schedule 4.4(a)

Form of Opinion of Counsel for the Company

1. The Company is a duly organized, validly existing corporation in good standing under the laws of the State of Michigan.
2. All legally required corporate proceedings in connection with the authorization, issuance and validity of the Bonds and the sale of the Bonds by the Company in accordance with the Bond Purchase Agreement have been taken and an appropriate order has been entered by the Federal Energy Regulatory Commission under the Federal Power Act granting authority for the issuance and sale of the Bonds and such order is in full force and effect; and no other approval, authorization, consent or order of any governmental regulatory body is required with respect to the issuance and sale of the Bonds except such as have been obtained (other than in connection with or in compliance with the provisions of the securities or blue sky laws of any state, as to which I express no opinion).
3. The Bond Purchase Agreement has been duly authorized, executed and delivered by the Company and will be a valid and binding obligation of the Company, enforceable against the Company in accordance with its terms, except to the extent that enforcement thereof may be limited by bankruptcy, insolvency, reorganization, fraudulent conveyance, moratorium or other similar laws affecting creditors' rights generally or by general principles of equity (regardless of whether enforcement is considered in a proceeding at law or in equity).
4. The Indenture has been duly authorized, executed and delivered by the Company and, assuming due authorization, execution and delivery of the Indenture by the Trustee, will be a valid and binding obligation of the Company, enforceable against the Company in accordance with its terms, except to the extent that enforcement thereof may be limited by bankruptcy, insolvency, reorganization, fraudulent conveyance, moratorium or other similar laws affecting creditors' rights generally or by general principles of equity (regardless of whether enforcement is considered in a proceeding at law or in equity).
5. The Bonds are in the form contemplated by the Indenture, have been duly authorized, executed and delivered by the Company and, assuming the due authentication thereof by the Trustee and upon payment and delivery in accordance with the Bond Purchase Agreement, will constitute valid and binding obligations of the Company enforceable against the Company in accordance with their terms, except to the extent that enforcement thereof may be limited by bankruptcy, insolvency, reorganization, fraudulent conveyance, moratorium or other similar laws affecting creditors' rights generally or by general principles of equity (regardless of whether enforcement is considered in a proceeding at law or in equity); and the Bonds are entitled to the security afforded by the Indenture equally and ratably with all Securities presently outstanding thereunder, and no stamp taxes in respect of the original issue thereof are payable.
6. The Company's execution and delivery of, and performance of its obligations under, the Bond Purchase Agreement and the Indenture and the issuance and sale of, and the performance by the Company of its obligations under, the Bonds in accordance with the terms of the

Schedule 4.4(a)-1  
(to Bond Purchase Agreement)

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Indenture and the Bond Purchase Agreement do not violate the provisions of the Restated Articles of Incorporation or the Amended and Restated Bylaws of the Company and will not result in a violation of any of the terms or provisions of any Applicable Laws (as defined below) or, to my knowledge, any court order to which the Company is subject or a breach of any of the terms or provisions of, or constitute a default under, any indenture, mortgage, deed of trust, loan agreement or other Material agreement or instrument to which the Company is a party. For purposes hereof, the term “Applicable Laws” means those state laws of the State of Michigan and those federal laws of the United States of America that, in my experience and without independent investigation, are normally applicable to transactions of the type contemplated by the Bond Purchase Agreement; provided, that the term “Applicable Laws” shall not include federal or state securities or blue sky laws (including, without limitation, the Securities Act, the Securities Exchange Act of 1934, as amended, the Trust Indenture Act or the Investment Company Act of 1940, as amended), antifraud laws or in each case any rules or regulations thereunder or similar matters.

7. The Company is not an “investment company” or a company “controlled” by an “investment company” within the meaning of the Investment Company Act of 1940, as amended.

8. The Company has good and marketable title to all its important properties described in the Memorandum and to substantially all other real estate and property specifically described in the Indenture as subject to the Lien thereof except (a) that released or retired in accordance with the provisions of the Indenture, (b) leased offices, garages and service buildings, (c) certain electric substations and gas regulator stations and other facilities erected on sites under leases, easements, permits or contractual arrangements, (d) certain pollution control facilities, which are subject to security interests granted to various municipalities and economic development corporations under installment sales contracts, (e) as to electric and gas transmission and distribution lines, many of such properties are constructed on rights-of-way by virtue of franchises or pursuant to easements only, and (f) as to certain gas storage fields, the Company’s interest in certain of the gas rights and rights of storage and other rights incidental thereto are in the nature of an easement or leasehold interest only; the Indenture constitutes, as security for the Bonds, a valid direct first mortgage Lien on the real estate, property and franchises, subject only to excepted encumbrances as defined therein and except as otherwise expressly stated therein; the Indenture is effective to create the Lien intended to be created thereby; and real estate, property or franchises in the State of Michigan described in the Indenture, hereafter acquired by the Company, will become subject to the Lien of the Indenture, at the time of acquisition, subject to Liens existing thereon at the time of acquisition, subject to excepted encumbrances, subject to any necessary filing and recording before the intervention of any Lien not expressly excepted thereby and subject to the qualification above with respect to the enforceability of the Indenture.

9. All of the issued and outstanding shares of capital stock of the Company have been duly and validly authorized and issued and are fully paid and non-assessable.

10. To my knowledge, there is no litigation pending or threatened that would reasonably be expected to have a Material Adverse Effect (except as disclosed in the Disclosure Documents), question the validity of the Bond Purchase Agreement, the Indenture or the Bonds or impair the

Schedule 4.4(a)-2  
(to Bond Purchase Agreement)

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ability of the Company to issue and deliver the Bonds or to comply with the provisions of the Bond Purchase Agreement or the Indenture.

11. The issuance of the Bonds and the application of the proceeds thereof will not result in a violation of Regulation T, U or X of the Board of Governors of the Federal Reserve System.

12. Based upon the representations, warranties and agreements of the Purchasers in Section 6 of the Bond Purchase Agreements, it is not necessary in connection with the offer, sale and delivery of the Bonds to the Purchasers under the Bond Purchase Agreements to register the offering and/or sale of the Bonds under the Securities Act, or to qualify an indenture under the Trust Indenture Act, it being understood that no opinion is expressed as to any subsequent resale of any Bond.

Schedule 4.4(a)-3  
(to Bond Purchase Agreement)

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Schedule 4.4(b)

Form of Opinion of Special Counsel for the Purchasers

1. The Bond Purchase Agreement constitutes a valid and legally binding agreement of the Company, enforceable against the Company in accordance with its terms.
2. It is not necessary in connection with the offer, sale and delivery of the Bonds to the Purchasers under the Bond Purchase Agreements to register the offering or sale of the Bonds under the Securities Act or to qualify an indenture under the Trust Indenture Act.

Schedule 4.4(b)-1  
(to Bond Purchase Agreement)

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Schedule 5.3

Disclosure Materials

- This Agreement
- The Indenture (including the Supplemental Indenture)
- Memorandum
- The Company's Annual Report on Form 10-K for the year ended December 31, 2017
- The Company's Quarterly Report on Form 10-Q for the quarter ended March 31, 2018
- Forms 8-K filed by the Company on May 4, 2018, May 14, 2018 and June 5, 2018

Schedule 5.3-1  
(to Bond Purchase Agreement)

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Schedule 5.4

Subsidiaries of the Company and Ownership of Subsidiary Stock

The name, jurisdiction of organization and percentage ownership of each of the Company's Subsidiaries are as follows:

<u>Name</u>	<u>Jurisdiction</u>	<u>Percentage</u>
CMS Engineering Co.	Michigan	100.00%
Consumers Campus Holdings, LLC	Michigan	100.00%
Consumers Receivables Funding II, LLC	Delaware	100.00%
ES Services Company	Michigan	100.00%
Consumers 2014 Securitization Funding LLC	Delaware	100.00%
Maxey Flats Site IRP, L.L.C.	Virginia	1.71%

The Company's directors are as follows:

- John G. Russell
- Patricia K. Poppe
- Jon E. Barfield
- Deborah H. Butler
- Kurt L. Darrow
- Stephen E. Ewing
- William D. Harvey
- Myrna M. Soto
- John G. Szniewajs
- Laura H. Wright

The Company's officers are as follows:

- Patricia K. Poppe: President and Chief Executive Officer
- Reiji P. Hayes: Executive Vice President and Chief Financial Officer
- Jean-François Brossoit: Senior Vice President
- Catherine A. Hendrian: Senior Vice President
- Brandon J. Hofmeister: Senior Vice President
- Venkat Dhenuvakonda Rao: Senior Vice President
- Catherine M. Reynolds: Senior Vice President and General Counsel
- Brian F. Rich: Senior Vice President and Chief Information Officer
- Garrick J. Rochow: Senior Vice President
- Glenn P. Barba: Vice President, Controller and Chief Accounting Officer
- Melissa M. Gleespen: Vice President, Corporate Secretary and Chief Compliance Officer
- Shaun M. Johnson: Vice President and Deputy General Counsel
- Srikanth Maddipati: Vice President and Treasurer
- Scott McIntosh: Vice President

- John P. Broschak: Vice President
- Charles C. Crews: Vice President
- Dennis D. Dobbs: Vice President
- Tamara J. Faber-Doty: Vice President
- Guy C. Packard: Vice President
- Mary P. Palkovich: Vice President
- Gregory M. Salisbury: Vice President
- Timothy J. Sparks: Vice President
- Michael A. Torrey: Vice President
- LeeRoy Wells, Jr.: Vice President
- Lauren Youngdahl Snyder: Vice President

Schedule 5.4-2  
(to Bond Purchase Agreement)

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Schedule 5.5

Financial Statements

See the Annual Report on Form 10-K for the Company's financial statements as of and for the years ended December 31, 2017, 2016 and 2015 and the Quarterly Report on Form 10-Q for the Company's financial statements as of and for the three-month periods ended March 31, 2018 and 2017.

Schedule 5.5-1

(to Bond Purchase Agreement)

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Schedule 5.15  
Existing Indebtedness

Indebtedness at March 31, 2018	Interest Rate (%)	Maturity	In Millions
<i>First mortgage bonds</i> <sup>1</sup>	5.650	2018	250
	6.125	2019	350
	6.700	2019	500
	5.650	2020	300
	3.770	2020	100
	5.300	2022	250
	2.850	2022	375
	3.375	2023	325
	3.190	2024	52
	3.125	2024	250
	3.390	2027	35
	3.180	2032	100
	5.800	2035	175
	3.520	2037	335
	6.170	2040	50
	4.970	2040	50
	4.310	2042	263
	3.950	2043	425
	4.100	2045	250
	3.250	2046	450
	3.950	2047	350
	3.860	2052	50
	4.350	2064	250
Total first mortgage bonds			\$ 5,535
Securitization bonds <sup>1</sup>	2.913 <sup>2</sup>	2020-2029	302
Tax-exempt pollution control revenue bonds <sup>1,3</sup>	various	2018-2035	103
Total principal amount outstanding			\$ 5,940
Net unamortized discounts			(8)
Unamortized issuance costs			(28)
Total long-term debt			\$ 5,904
<i>Capital leases and financing obligation</i>			
Capital leases			\$ 55
Financing obligation			53
Total capital leases and financing obligation			\$ 108
Total indebtedness <sup>4</sup>			\$ 6,012

<sup>1</sup> Issued and traded publicly.

<sup>2</sup> The weighted-average interest rate for the Company's securitization bonds.

<sup>3</sup> These bonds are backed by letters of credit.

<sup>4</sup> Amounts related to the Company's revolving credit facilities are not included in total indebtedness.

Schedule 5.15-1  
(to Bond Purchase Agreement)

**First Mortgage Bonds:** The Company secures its first mortgage bonds by a mortgage and lien on substantially all of its property. The Company's ability to issue first mortgage bonds is restricted by certain provisions in the First Mortgage Bond Indenture and the need for regulatory approvals under federal law. Restrictive issuance provisions in the First Mortgage Bond Indenture include achieving a two-times interest coverage ratio and having sufficient unfunded net property additions. The total amount of outstanding first mortgage bonds at any one time is limited to \$11.0 billion.

**Regulatory Authorization for Financings:** The Company is required to maintain FERC authorization for financings. Its current authorization terminates June 30, 2019. Any long-term issuances during the authorization period are exempt from FERC's competitive bidding and negotiated placement requirements.

**Securitization Bonds:** Certain regulatory assets held by the Company's subsidiary, Consumers 2014 Securitization Funding LLC, collateralize the Company's securitization bonds. The bondholders have no recourse to the Company's assets except for those held by the subsidiary that issued the bonds. The Company collects securitization surcharges to cover the principal and interest on the bonds as well as certain other qualified costs. The surcharges collected are remitted to a trustee and are not available to creditors of the Company or creditors of the Company's affiliates other than the subsidiary that issued the bonds.

**Revolving Credit Facilities:** The following secured revolving credit facilities with banks were available at March 31, 2018. Obligations under each of these facilities are secured by first mortgage bonds, and all contain a financial covenant that requires the Company to maintain a certain total consolidated debt to consolidated capitalization ratio:

<i>In Millions</i>				
Expiration Date	Amount of Facility	Amount Borrowed	Letters of Credit Outstanding	Amount Available
May 27, 2022	\$ 650	\$ -	\$ 7	\$ 643
November 23, 2019	250	-	15	235
September 9, 2019	30	-	30	-

**Short-term Borrowings:** Under the Company's commercial paper program, the Company may issue, in one or more placements, commercial paper notes with maturities of up to 365 days and that bear interest at fixed or floating rates. These issuances are supported by the Company's revolving credit facilities and may have an aggregate principal amount outstanding of up to \$500 million.

**Capital Leases:** The Company has capital leases for various assets, including service vehicles, gas pipeline capacity, and buildings. In addition, the Company accounts for a number of its power purchase agreements as capital leases.

Capital leases for the Company's vehicle fleet operations have a maximum term of 120 months with some having end-of-lease rental adjustment clauses based on the proceeds received from the sale or disposition of the vehicles, and others having fair market value purchase options.

Schedule 5.15-2  
(to Bond Purchase Agreement)

The Company has capital leases for gas transportation pipelines to the D.E. Karn generating complex and the Zeeland generation facility. The capital lease for the gas transportation pipeline into the D.E. Karn generating complex has a term of 15 years with a provision to extend the contract from month to month. The remaining term of the contract was four years at March 31, 2018. The capital lease for the gas transportation pipeline to the Zeeland generation facility was extended in 2017 for five years pursuant to a renewal provision in the contract, with additional renewal provisions of five to ten years.

The remaining terms of the Company's long-term power purchase agreements accounted for as capital leases range between 4 and 14 years. Most of these power purchase agreements contain provisions at the end of the initial contract terms to renew the agreements annually.

**Financing Obligation:** In 2007, the Company sold the Palisades nuclear power plant to Entergy Corporation and entered into a 15-year power purchase agreement to purchase virtually all of the capacity and energy produced by the plant, up to the annual average capacity of 798 MW. The Company accounted for this transaction as a financing because of its continuing involvement with the plant through security provided to Entergy Corporation for the power purchase agreement obligation and other arrangements. Because of these ongoing arrangements, at the time of the sale, the Company recorded the sales proceeds as a financing obligation, and has subsequently recorded a portion of the payments under the power purchase agreement as interest expense and as a reduction of the financing obligation.

Schedule 5.15-3  
(to Bond Purchase Agreement)

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Schedule 9.2

Form of U.S. Tax Compliance Certificate

Reference is hereby made to the Bond Purchase Agreement dated as of July 24, 2018 (as amended, supplemented or otherwise modified from time to time, the “Bond Purchase Agreement”), between Consumers Energy Company, a Michigan corporation, and the Purchasers that are signatories thereto.

Unless otherwise defined herein, capitalized terms defined in the Bond Purchase Agreement and used herein have the meanings given to them in the Bond Purchase Agreement.

Pursuant to the provisions of Section 9.2 of the Bond Purchase Agreement, the undersigned hereby certifies that:

- (i) it is the sole record and beneficial owner of the Bonds in respect of which it is providing this certificate;
- (ii) it is not a bank within the meaning of Section 881(c)(3)(A) of the Code;
- (iii) it is not a ten percent shareholder of the Company within the meaning of Section 871(h)(3)(B) of the Code; and
- (iv) it is not a controlled foreign corporation related to the Company as described in Section 881(c)(3)(C) of the Code.

The undersigned has furnished the Company with a certificate of its non-U.S. Person status on Internal Revenue Service Form W-8BEN-E.

{\_\_\_\_\_}

By: \_\_

Name:

Title:

Date: {\_\_\_\_\_, 20{\_\_}

Schedule 9.2-1  
(to Bond Purchase Agreement)

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Purchaser Schedule

Information Relating to Purchasers

NAME AND ADDRESS OF PURCHASER  _____	PRINCIPAL AMOUNT OF 2027 BONDS TO BE PURCHASED \$ _____	PRINCIPAL AMOUNT OF 2038 BONDS TO BE PURCHASED \$ _____	PRINCIPAL AMOUNT OF 2057 BONDS TO BE PURCHASED \$ _____

1. Bonds to be registered in the name of \_\_\_\_\_

2. Original Bonds delivered (via registered mail) to:  
  
\_\_\_\_\_

3. All payments by wire transfer of immediately available funds to:  
  
\_\_\_\_\_

with sufficient information to identify the source and application of such funds

4. All notices of payments and written confirmations of such wire transfers:  
  
\_\_\_\_\_

5. E-mail address for Electronic Delivery:  
  
\_\_\_\_\_

6. All other communications:  
  
\_\_\_\_\_

7. U.S. tax identification number: \_\_\_\_\_

Purchaser Schedule  
(to Bond Purchase Agreement)

# CMS Energy Corporation

## Ratios of Earnings to Fixed Charges and Combined Fixed Charges and Preferred Dividends

*In Millions, Except Ratios*

	Six Months Ended		Year Ended December 31				
	June 30, 2018		2017	2016	2015	2014	2013
<i>Earnings as defined</i> <sup>1</sup>							
Pretax income from continuing operations	\$ 446	\$	886	\$ 826	\$ 796	\$ 729	\$ 756
Exclude equity basis subsidiaries	(10)		(2)	(2)	(2)	(1)	(2)
Fixed charges as defined <sup>2</sup>	238		468	469	421	432	423
Earnings as defined <sup>2</sup>	\$ 674	\$	1,352	\$ 1,293	\$ 1,215	\$ 1,160	\$ 1,177
<i>Fixed charges as defined</i> <sup>1</sup>							
Interest on long-term debt	\$ 203	\$	406	\$ 411	\$ 386	\$ 393	\$ 385
Estimated interest portion of lease rental	14		27	29	21	21	21
Other interest charges	22		36	31	16	19	18
Fixed charges as defined <sup>2</sup>	\$ 239	\$	469	\$ 471	\$ 423	\$ 433	\$ 424
Preferred dividends	—		—	—	—	—	—
Combined fixed charges and preferred dividends	\$ 239	\$	469	\$ 471	\$ 423	\$ 433	\$ 424
Ratio of earnings to fixed charges	2.82		2.88	2.75	2.87	2.68	2.78
Ratio of earnings to combined fixed charges and preferred dividends	2.82		2.88	2.75	2.87	2.68	2.78

<sup>1</sup> Earnings and fixed charges as defined in instructions for Item 503 of Regulation S-K.

<sup>2</sup> Preferred dividends of a consolidated subsidiary are included in fixed charges, but excluded from earnings as defined because the amount was not deducted in arriving at pretax income from continuing operations.

# Consumers Energy Company

## Ratios of Earnings to Fixed Charges and Combined Fixed Charges and Preferred Dividends

*In Millions, Except Ratios*

	Six Months Ended		Year Ended December 31									
	June 30, 2018		2017		2016	2015	2014	2013				
<i>Earnings as defined <sup>1</sup></i>												
Pretax income from continuing operations	\$	465	\$	971	\$	936	\$	896	\$	873	\$	880
Fixed charges as defined		157		305		302		275		274		269
Earnings as defined	\$	622	\$	1,276	\$	1,238	\$	1,171	\$	1,147	\$	1,149
<i>Fixed charges as defined <sup>1</sup></i>												
Interest on long-term debt	\$	134	\$	263	\$	261	\$	252	\$	243	\$	237
Estimated interest portion of lease rental		14		27		29		21		21		21
Other interest charges		9		15		12		2		10		11
Fixed charges as defined	\$	157		305		302		275		274		269
Preferred dividends		1		3		3		3		3		3
Combined fixed charges and preferred dividends	\$	158	\$	308	\$	305	\$	278	\$	277	\$	272
Ratio of earnings to fixed charges		3.96		4.18		4.10		4.26		4.19		4.27
Ratio of earnings to combined fixed charges and preferred dividends		3.94		4.14		4.06		4.21		4.14		4.22

<sup>1</sup> Earnings and fixed charges as defined in instructions for Item 503 of Regulation S-K.

# Certification of Patricia K. Poppe

I, Patricia K. Poppe, certify that:

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

Dated: July 26, 2018

By:

/s/ Patricia K. Poppe

Patricia K. Poppe  
President and Chief Executive Officer

# Certification of Rejji P. Hayes

I, Rejji P. Hayes, certify that:

1. I have reviewed this quarterly report on Form 10-Q of 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: July 26, 2018

By:

/s/ Rejji P. Hayes

Rejji P. Hayes

Executive Vice President and Chief Financial Officer

# Certification of Patricia K. Poppe

I, Patricia K. Poppe, certify that:

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

Dated: July 26, 2018

By:

/s/ Patricia K. Poppe

Patricia K. Poppe  
President and Chief Executive Officer

# Certification of Rejji P. Hayes

I, Rejji P. Hayes, certify that:

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

Dated: July 26, 2018

By:

/s/ Rejji P. Hayes

Rejji P. Hayes

Executive Vice President and Chief Financial Officer



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

In connection with the Quarterly Report on Form 10-Q of CMS Energy Corporation (the “Company”) for the quarterly period ended June 30, 2018 as filed with the Securities and Exchange Commission on the date hereof (the “Report”), Patricia K. Poppe, as President and Chief Executive Officer of the Company, and Rejji P. Hayes, as Executive Vice President and Chief Financial Officer of the Company, each hereby certifies, pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002, that, to the best of his or her knowledge:

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

/s/ Patricia K. Poppe

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Name: Patricia K. Poppe  
Title: President and Chief Executive Officer  
Date: July 26, 2018

/s/ Rejji P. Hayes

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Name: Rejji P. Hayes  
Title: Executive Vice President and Chief Financial Officer  
Date: July 26, 2018

## **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 June 30, 2018 as filed with the Securities and Exchange Commission on the date hereof (the “Report”), Patricia K. Poppe, as President and Chief Executive Officer of the Company, and Rejji P. Hayes, as Executive Vice President and Chief Financial Officer of the Company, each hereby certifies, pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002, that, to the best of his or her knowledge:

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

/s/ Patricia K. Poppe

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Name: Patricia K. Poppe  
Title: President and Chief Executive Officer  
Date: July 26, 2018

/s/ Rejji P. Hayes

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Name: Rejji P. Hayes  
Title: Executive Vice President and Chief Financial Officer  
Date: July 26, 2018