CMS ENERGY CORP
Form 10-K
February 07, 2017
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UNITED STATES SECURITIES AND EXCHANGE COMMISSION

Washington, D.C. 20549

FORM 10-K

x **ANNUAL REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934**

For the fiscal year ended December 31, 2016

OR

o TRANSITION REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934

For the transition period from_____to_____

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

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

Registrant	**Title of Class**	**Name of Each Exchange on Which Registered___**
CMS Energy Corporation	Common Stock, $0.01 par value	New York Stock Exchange
Consumers Energy Company	Cumulative Preferred Stock, $100 par value: $4.50 Series	New York Stock Exchange

Securities registered pursuant to Section 12(g) of the Act: None

Indicate by check mark if the registrant is a well-known seasoned issuer, as defined in Rule 405 of the Securities Act.

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

Indicate by check mark if the registrant is not required to file reports pursuant to Section 13 or Section 15(d) of the Act.

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

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 x No o **Consumers Energy Company:** Yes x No o

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 x No o **Consumers Energy Company:** Yes x No o

Indicate by check mark if disclosure of delinquent filers pursuant to Item 405 of Regulation S-K is not contained herein, and will not be contained, to the best of registrant s knowledge, in definitive proxy or information statements incorporated by reference in Part III of this Form 10-K or any amendment to this Form 10-K. x

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

CMS Energy Corporation:
Large accelerated filer x Accelerated filer o
Non-Accelerated filer o (Do not check if a smaller reporting company) Smaller reporting company o
Consumers Energy Company:
Large accelerated filer o Accelerated filer o
Non-Accelerated filer x (Do not check if a smaller reporting company) Smaller reporting company o

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 o No x **Consumers Energy Company:** Yes o No x

The aggregate market value of CMS Energy voting and non-voting common equity held by non-affiliates was $12.721 billion for the 277,390,749 CMS Energy Common Stock shares outstanding on June 30, 2016 based on the closing sale price of $45.86 for CMS Energy Common Stock, as reported by the New York Stock Exchange on such date. There were no shares of Consumers common equity held by non-affiliates as of June 30, 2016.

There were 280,014,896 shares of CMS Energy Common Stock outstanding on January 10, 2017, including 443,148 shares owned by Consumers Energy Company. On January 10, 2017, CMS Energy held all 84,108,789 outstanding shares of common equity of Consumers.

Documents incorporated by reference in Part III: CMS Energy s proxy statement and Consumers information statement relating to the 2017 Annual Meeting of Shareholders to be held May 5, 2017.

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CMS Energy Corporation

Consumers Energy Company

Annual Reports on Form 10-K to the Securities and Exchange Commission for the Year Ended December 31, 2016

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GLOSSARY

Certain terms used in the text and financial statements are defined below.

2016 Energy Law
Comprehensive energy reform package enacted in Michigan in 2016

ABATE
Association of Businesses Advocating Tariff Equity

ABO
Accumulated benefit obligation; the liabilities of a pension plan based on service and pay to date, which differs from the PBO in that it does not reflect expected future salary increases

AFUDC
Allowance for borrowed and equity funds used during construction

AOCI
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

Btu
British thermal unit

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

CAO
Chief Accounting Officer

Cash Balance Pension Plan
Cash balance pension plan of CMS Energy and Consumers

CCR
Coal combustion residual

CEO
Chief Executive Officer

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CERCLA
Comprehensive Environmental Response, Compensation, and Liability Act of 1980

CFO
Chief Financial Officer

city-gate contract
An arrangement made for the point at which a local distribution company physically receives gas from a supplier or pipeline

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

CMS Gas Transmission
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

Consumers 2014 Securitization Funding
Consumers 2014 Securitization Funding LLC, a wholly owned consolidated bankruptcy-remote subsidiary of Consumers and special-purpose entity organized for the sole purpose of purchasing and owning securitization property, issuing securitization bonds, and pledging its interest in securitization property to a trustee to collateralize the securitization bonds

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

CSAPR
The Cross-State Air Pollution Rule

DB Pension Plan
Defined benefit pension plan of CMS Energy and Consumers, including certain present and former affiliates and subsidiaries

DB SERP
Defined Benefit Supplemental Executive Retirement Plan

DCCP
Defined Company Contribution Plan

DC SERP
Defined Contribution Supplemental Executive Retirement Plan

DIG
Dearborn Industrial Generation, L.L.C., a wholly owned subsidiary of Dearborn Industrial Energy, L.L.C., a wholly owned subsidiary of CMS Energy

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

DTE Electric
DTE Electric Company, a non-affiliated company

DTE Gas
DTE Gas Company, a non-affiliated company

EBITDA
Earnings before interest, taxes, depreciation, and amortization

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

Entergy
Entergy Corporation, a non-affiliated company

EPA
U.S. Environmental Protection Agency

EPS
Earnings per share

Exchange Act
Securities Exchange Act of 1934

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FDIC
Federal Deposit Insurance Corporation

FERC
The Federal Energy Regulatory Commission

First Mortgage Bond Indenture
The indenture dated as of September 1, 1945 between Consumers and The Bank of New York Mellon, as Trustee, as amended and supplemented

FLI Liquidating Trust
Trust formed in Missouri bankruptcy court to accomplish the liquidation of Farmland Industries, Inc., a non-affiliated entity

FTR
Financial transmission right

GAAP
U.S. Generally Accepted Accounting Principles

Gas AMR
Consumers gas automated meter reading project, which involves the installation of communication modules to allow drive-by meter reading

GCC
Gas Customer Choice, which allows gas customers to purchase gas from alternative suppliers

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

Grayling
Grayling Generating 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

GWh
Gigawatt-hour, a unit of energy equal to one billion watt-hours

IRS
Internal Revenue Service

kilovolts
Thousand volts, a unit used to measure the difference in electrical pressure along a current

kVA
Thousand volt-amperes, a unit used to reflect the electrical power capacity rating of equipment or a system

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

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LIBOR
The London Interbank Offered Rate

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

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

mcf
Thousand cubic feet

MCV Facility
A 1,647 MW natural gas-fueled, combined-cycle cogeneration facility operated by the MCV Partnership

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, Part 15, Emission Limitations and Prohibitions Mercury, addressing mercury emissions from coal-fueled electric generating units

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

MRV
Market-related value of plan assets

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MW
Megawatt, a unit of power equal to one million watts

MWh
Megawatt-hour, a unit of energy equal to one million watt-hours

NAAQS
National Ambient Air Quality Standards

NAV
Net asset value

NERC
The North American Electric Reliability Corporation, a non-affiliated company responsible for developing and enforcing reliability standards, monitoring the bulk power system, and educating and certifying industry personnel

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

NREPA
Part 201 of the Michigan Natural Resources and Environmental Protection Act, a statute that covers environmental activities including remediation

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

Palisades
Palisades nuclear power plant, sold by Consumers to Entergy in 2007

PBO
Projected benefit obligation

PCB
Polychlorinated biphenyl

PISP
Performance Incentive Stock Plan

PPA
Power purchase agreement

PSCR
Power supply cost recovery

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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 a Michigan statute enacted in 2000

S&P
Standard & Poor s Financial Services LLC

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

Sherman Act
Sherman Antitrust Act of 1890

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

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

USW
United Steel, Paper and Forestry, Rubber, Manufacturing, Energy, Allied Industrial and Service Workers International Union, AFL-CIO-CLC

UWUA
Utility Workers Union of America, AFL-CIO

VEBA trust
Voluntary employees beneficiary association trusts accounts established specifically to set aside employer-contributed assets to pay for future expenses of the OPEB Plan

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FILING FORMAT

This combined Form 10-K is separately filed by CMS Energy and Consumers. Information in this combined Form 10-K 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.

FORWARD-LOOKING STATEMENTS AND INFORMATION

This Form 10-K 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, 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

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- 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

- 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, 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

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- 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, or operations 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

- 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

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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 Item 1A. Risk Factors; Item 8. Financial Statements and Supplementary Data MD&A Outlook; and Item 8. Financial Statements and Supplementary Data Notes to the Consolidated Financial Statements Note 3, Regulatory Matters and Note 4, Contingencies and Commitments.

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Part I

Item 1. Business

GENERAL

CMS Energy

CMS Energy was formed as a corporation in Michigan in 1987 and 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 serves individuals and businesses operating in the alternative energy, automotive, chemical, metal, and food products industries, as well as a diversified group of other industries. CMS Enterprises, through its subsidiaries and equity investments, is engaged primarily in independent power production and owns power generation facilities fueled mostly by natural gas and renewable sources.

CMS Energy manages its businesses by the nature of services each provides, and operates principally in three business segments: electric utility, gas utility, and enterprises, its non-utility operations and investments. Consumers consolidated operations account for the substantial majority of CMS Energy s total assets, income, and operating revenue. CMS Energy s consolidated operating revenue was $6.4 billion in 2016, $6.5 billion in 2015, and $7.2 billion in 2014.

For further information about operating revenue, income, and assets and liabilities attributable to all of CMS Energy s business segments and operations, see Item 8. Financial Statements and Supplementary Data CMS Energy Selected Financial Information, CMS Energy Consolidated Financial Statements, and Notes to the Consolidated Financial Statements.

Consumers

Consumers has served Michigan customers since 1886. Consumers was incorporated in Maine in 1910 and became a Michigan corporation in 1968. Consumers owns and operates electric generation, transmission, and distribution facilities and gas transmission, storage, and distribution facilities. It provides electricity and/or natural gas to 6.7 million of Michigan s 10 million residents. Consumers rates and certain other aspects of its business are subject to the jurisdiction of the MPSC and FERC, as well as to NERC reliability standards, as described in CMS Energy and Consumers Regulation in this Item 1.

Consumers consolidated operating revenue was $6.1 billion in 2016, $6.2 billion in 2015, and $6.8 billion in 2014. For further information about operating revenue, income, and assets and liabilities attributable to Consumers electric and gas utility operations, see Item 8. Financial Statements and Supplementary Data Consumers Selected Financial Information, Consumers Consolidated Financial Statements, and Notes to the Consolidated Financial Statements.

Consumers owns its principal properties in fee, except that most electric lines and gas mains are located below or adjacent to public roads or on land owned by others and are accessed by Consumers through easements and other rights. Almost all of Consumers properties are subject to the lien of its First Mortgage Bond Indenture. For additional information on Consumers properties, see Item 1. Business Business Segments Consumers Electric Utility Electric Utility Properties and Consumers Gas Utility Gas Utility Properties.

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In 2016, Consumers served 1.8 million electric customers and 1.8 million gas customers in Michigan s Lower Peninsula. Presented in the following map are Consumers service territories:

Electric Service Territory

Gas Service Territory

Combination Electric and
Gas Service Territory

Electric Generation Facilities

BUSINESS SEGMENTS

Consumers Electric Utility

Electric Utility Operations: Consumers electric utility operations, which include the generation, purchase, transmission, distribution, and sale of electricity, generated operating revenue of $4.4 billion in 2016, $4.2 billion in 2015, and $4.4 billion in 2014. Consumers electric utility customer base consists of a mix of primarily residential, commercial, and diversified industrial customers in Michigan s Lower Peninsula.

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Presented in the following illustration is Consumers 2016 electric utility operating revenue of $4.4 billion by customer class:

Residential (45%)

Commercial (31%)

Industrial (18%)

Other (6%)

Consumers electric utility operations are not dependent on a single customer, or even a few customers, and the loss of any one or even a few of Consumers largest customers is not reasonably likely to have a material adverse effect on Consumers financial condition.

In 2016, Consumers electric deliveries were 38 billion kWh, which included ROA deliveries of four billion kWh, resulting in net bundled sales of 34 billion kWh. In 2015, Consumers electric deliveries were 37 billion kWh, which included ROA deliveries of four billion kWh, resulting in net bundled sales of 33 billion kWh.

Consumers electric utility operations are seasonal. The consumption of electric energy typically increases in the summer months, due primarily to the use of air conditioners and other cooling equipment.

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Presented in the following illustration are Consumers monthly weather-adjusted electric deliveries (deliveries adjusted to reflect normal weather conditions) to its customers, including ROA deliveries, during 2016 and 2015:

Consumers 2016 summer peak demand was 8,227 MW, which included ROA demand of 592 MW. For the 2015-2016 winter season, Consumers peak demand was 5,750 MW, which included ROA demand of 480 MW. As required by MISO reserve margin requirements, Consumers owns or controls, through long-term PPAs and short-term capacity purchases, essentially all of the capacity required to supply its projected firm peak load and necessary reserve margin for summer 2017.

Electric Utility Properties: Consumers transmission and distribution systems consist of:

- 214 miles of transmission overhead lines operating at 138 kilovolts
- 188 miles of high-voltage distribution overhead lines operating at 138 kilovolts

- four miles of high-voltage distribution underground lines operating at 138 kilovolts
- 4,430 miles of high-voltage distribution overhead lines operating at 46 kilovolts and 69 kilovolts
- 19 miles of high-voltage distribution underground lines operating at 46 kilovolts
- 56,067 miles of electric distribution overhead lines
- 10,532 miles of underground distribution lines
- substations with an aggregate transformer capacity of 25 million kVA

Consumers is interconnected to the interstate high-voltage electric transmission system owned by METC and operated by MISO. Consumers is also interconnected to neighboring utilities and to other transmission systems.

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Presented in the following table are details about Consumers electric generating system at December 31, 2016:

Name and Location (Michigan)	Number of Units and Year Entered Service	2016 Generation Capacity[1] (MW)	2016 Electric Supply (GWh)
Coal generation			
J.H. Campbell 1 & 2 West Olive	2 Units, 1962-1967	610	2,828
J.H. Campbell 3 West Olive[2]	1 Unit, 1980	755	3,353
B.C. Cobb 4 & 5 Muskegon[3]	2 Units, 1956-1957	-	556
D.E. Karn 1 & 2 Essexville	2 Units, 1959-1961	494	2,164
J.C. Weadock 7 & 8 Essexville[3]	2 Units, 1955-1958	-	418
J.R. Whiting 1-3 Erie[3]	3 Units, 1952-1953	-	420
Total coal generation		1,859	9,739
Oil/Gas steam generation			
Jackson Jackson	1 Unit, 2002	542	2,118
D.E. Karn 3 & 4 Essexville	2 Units, 1975-1977	1,208	81
Zeeland (combined cycle) Zeeland	3 Units, 2002	527	3,692
Total oil/gas steam generation		2,277	5,891
Hydroelectric			
Ludington Ludington	6 Units, 1973	1,035[4]	(316)[5]
Conventional hydro generation various locations	35 Units, 1906-1949	75	452
Total hydroelectric		1,110	136
Gas/Oil combustion turbine			
Zeeland (simple cycle) Zeeland	2 Units, 2001	316	309
Various plants various locations[6]	8 Units, 1966-1971	46	2
Total gas/oil combustion turbine		362	311
Wind generation			
Cross Winds® Energy Park Tuscola County	62 Turbines, 2014	16	373
Lake Winds® Energy Park Mason County	56 Turbines, 2012	18	254
Total wind generation		34	627
Solar generation			
Solar Gardens			
Grand Valley State University Allendale	11,200 Panels, 2016	1	4
Western Michigan University Kalamazoo	3,900 Panels, 2016	-	-
Total solar generation		1	4
Total owned generation		5,643	16,708
Purchased and interchange power[7]		2,688[8]	19,495[8]
Total supply		8,331	36,203
Generation and transmission use/loss			2,186
Total net bundled sales			34,017

1 Represents each plant s electric generation capacity during the summer months, except for Solar Gardens Western Michigan University Kalamazoo, which began operations in August 2016.

2 Represents Consumers share of the capacity of the J.H. Campbell 3 unit, net of the 6.69-percent ownership interest of the Michigan Public Power Agency and Wolverine Power Supply Cooperative, Inc.

3 Consumers retired these seven smaller coal-fueled generating units in April 2016.

4 Represents Consumers 51-percent share of the capacity of Ludington. DTE Electric holds the remaining 49-percent ownership interest.

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5 Represents Consumers share of net pumped-storage generation. The pumped-storage facility consumes electricity to pump water during off-peak hours for storage in order to generate electricity later during peak-demand hours.

6 Includes units that were mothballed beginning on various dates between October 2010 and October 2014.

7 Includes purchases under long-term PPAs and from the MISO capacity and energy markets.

8 Includes 1,240 MW of purchased generation capacity and 4,924 GWh of purchased electricity from the MCV Facility and 751 MW of purchased generation capacity and 6,927 GWh of purchased electricity from Palisades. In December 2016, Consumers and Entergy reached an agreement to terminate the Palisades PPA in May 2018, subject to timely receipt of certain MPSC approvals.

Consumers generation capacity is a measure of the maximum electric output that Consumers has available to meet peak load requirements. As shown in the following illustration, Consumers 2016 generation capacity of 8,331 MW, including purchased capacity of 2,688 MW, relied on a variety of fuel sources:

Gas (41%)

Coal (23%)

Pumped Storage (12%)

Oil (10%)

Nuclear (9%)

Renewables (5%)

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Electric Utility Supply: Presented in the following table are the sources of Consumers electric supply over the last five years:

					GWh
Years Ended December 31	2016	2015	2014	2013	2012
Owned generation					
Coal	9,739	15,833	15,684	15,951	14,027
Gas	6,194	3,601	2,012	1,415	3,003
Renewable energy	1,083	1,056	748	704	433
Oil	8	-	-	4	6
Net pumped storage[1]	(316)	(186)	(300)	(371)	(295)
Total owned generation	16,708	20,304	18,144	17,703	17,174
Purchased and interchange power					
Purchased renewable energy[2]	2,229	2,163	2,366	2,250	1,435
Purchased generation other[2]	13,578	11,720	10,073	10,871	13,104
Net interchange power[3]	3,688	1,327	4,793	3,656	4,151
Total purchased and interchange power	19,495	15,210	17,232	16,777	18,690
Total supply	36,203	35,514	35,376	34,480	35,864

1 Represents Consumers share of net pumped-storage generation. The pumped-storage facility consumes electricity to pump water during off-peak hours for storage in order to generate electricity later during peak-demand hours.

2 Includes purchases under long-term PPAs.

3 Includes purchases from the MISO energy market.

During 2016, Consumers acquired 54 percent of the electricity it provided to customers through long-term PPAs and the MISO energy market. Consumers offers its generation into the MISO energy market on a day-ahead and real-time basis and bids for power in the market to serve the demand of its customers. Consumers is a net purchaser of power and supplements its generation capability with purchases from the MISO energy market to meet its customers needs during peak demand periods.

At December 31, 2016, Consumers had unrecognized future commitments (amounts for which, in accordance with GAAP, liabilities have not been recorded on its balance sheet) to purchase capacity and energy under long-term PPAs with various generating plants. These contracts require monthly capacity payments based on the plants availability or deliverability. The payments for 2017 through 2036 are estimated to total $9 billion and, for each of the next five years, $1 billion annually. These amounts may vary depending on plant availability and fuel costs. For further information about Consumers future capacity and energy purchase obligations, see Item 8. Financial Statements and Supplementary Data MD&A Capital Resources and Liquidity and Note 4, Contingencies and Commitments Contractual Commitments.

During 2016, 27 percent of the energy Consumers provided to customers was generated by its coal-fueled generating units, which burned six million tons of coal and produced a combined total of 9,739 GWh of electricity. This percentage includes seven smaller coal-fueled generating units that Consumers retired in April 2016 and that represented four percent of the energy provided to customers in 2016.

In order to obtain the coal it needs, Consumers enters into physical coal supply contracts. At December 31, 2016, Consumers had contracts to purchase coal through 2019; payment obligations under these contracts totaled $96 million. Most of Consumers rail-supplied coal contracts have fixed prices, although some contain market-based pricing. Consumers vessel-supplied coal contracts have fixed base prices that are adjusted monthly to reflect changes to the fuel cost of vessel transportation. At

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December 31, 2016, Consumers had 86 percent of its 2017 expected coal requirements under contract, as well as a 37-day supply of coal on hand.

In conjunction with its coal supply contracts, Consumers leases a fleet of rail cars and has transportation contracts with various companies to provide rail and vessel services for delivery of purchased coal to Consumers generating facilities. Consumers coal transportation contracts expire on various dates from 2017 through 2019; payment obligations under these contracts totaled $259 million at December 31, 2016.

During 2016, 17 percent of the energy Consumers provided to customers was generated by natural gas-fueled generating units, which burned 45 bcf of natural gas and produced a combined total of 6,194 GWh of electricity.

In order to obtain the gas it needs for electric generation fuel, Consumers electric utility purchases gas from the market near the time of consumption, at prices that allow it to compete in the electric wholesale market. For units 3 and 4 of D.E. Karn and for the Jackson and Zeeland plants, Consumers utilizes an agent that owns firm transportation rights to each plant to purchase gas from the market and transport the gas to the facilities. For its smaller combustion turbines, Consumers electric utility purchases and transports gas to its facilities as a bundled-rate tariff customer of either the gas utility or DTE Gas.

Presented in the following table is the cost per million Btu of all fuels consumed, which fluctuates with the mix of fuel used.

					Cost Per Million Btu
Years Ended December 31	2016	2015	2014	2013	2012
Coal	$ 2.40	$ 2.49	$ 2.72	$ 2.90	$ 2.98
Gas	2.93	3.06	7.19	4.68	3.16
Oil	9.98	12.28	20.16	19.47	19.08
Weighted-average fuel cost	$ 2.60	$ 2.59	$ 3.17	$ 3.07	$ 3.05

Electric Utility Competition: Consumers electric utility business is subject to actual and potential competition from many sources, in both the wholesale and retail markets, as well as in electric generation, electric delivery, and retail services.

Under existing 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-adjusted retail sales for the preceding calendar year. At December 31, 2016, electric deliveries under the ROA program were at the ten-percent limit. Of Consumers 1.8 million electric customers, 305 customers, or 0.02 percent, purchased generation service under the ROA program. The 2016 Energy Law, which will become effective in April 2017, retains the ten-percent cap on ROA, with certain exceptions. For additional information see Item 8. Financial Statements and Supplementary Data MD&A Outlook Consumers Electric Utility Outlook and Uncertainties.

Consumers also faces competition or potential competition associated with industrial customers relocating all or a portion of their production capacity outside of Consumers service territory for economic reasons; municipalities owning or operating competing electric delivery systems; and customer self-generation. Consumers addresses this competition in various ways, including:

- aggressively controlling operating, maintenance, and fuel costs and passing savings on to customers
- providing competitive rate-design options, particularly for large energy-intensive customers
- offering tariff-based incentives that support economic development
- providing non-energy services and value to customers
- monitoring activity in adjacent geographical areas

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Consumers Gas Utility

Gas Utility Operations: Consumers gas utility operations, which include the purchase, transmission, storage, distribution, and sale of natural gas, generated operating revenue of $1.7 billion in 2016, $1.9 billion in 2015, and $2.4 billion in 2014. Consumers gas utility customer base consists of a mix of primarily residential, commercial, and diversified industrial customers in Michigan s Lower Peninsula.

Presented in the following illustration is Consumers 2016 gas utility operating revenue of $1.7 billion by customer class:

Residential (58%)

GCC (21%)

Commercial (11%)

Industrial (4%)

Other (6%)

Consumers gas utility operations are not dependent on a single customer, or even a few customers, and the loss of any one or even a few of Consumers largest customers is not reasonably likely to have a material adverse effect on Consumers financial condition.

In 2016, deliveries of natural gas through Consumers pipeline and distribution network, including off-system transportation deliveries, totaled 358 bcf, which included GCC deliveries of 46 bcf. In 2015, deliveries of natural gas, including off-system transportation deliveries, through Consumers pipeline and distribution network, totaled 356 bcf, which included GCC deliveries of 57 bcf. Consumers gas utility operations are seasonal. Consumers injects natural gas into storage during the summer months for use during the winter months when the demand for natural gas is higher. Peak demand occurs in the winter due to colder temperatures and the resulting use of natural gas as a heating fuel. During 2016, 48 percent of the natural gas supplied to all customers during the winter months was supplied from storage.

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Presented in the following illustration are Consumers monthly weather-adjusted gas deliveries (deliveries adjusted to reflect normal weather conditions) to its customers, including GCC deliveries, during 2016 and 2015:

Gas Utility Properties: Consumers gas transmission, storage, and distribution system consists of:

- 1,670 miles of transmission lines
- 15 gas storage fields with a total storage capacity of 309 bcf and a working gas volume of 151 bcf
- 27,920 miles of distribution mains
- eight compressor stations with a total of 166,474 installed and available horsepower

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Gas Utility Supply: In 2016, Consumers purchased 73 percent of the gas it delivered from U.S. producers and five percent from Canadian producers. The remaining 22 percent was purchased from authorized GCC suppliers and delivered by Consumers to customers in the GCC program. Presented in the following illustration are the supply arrangements for the gas Consumers delivered to GCC and GCR customers during 2016:

GCR firm city-gate

contracts (44%)

GCR firm gas transportation

contracts (34%)

GCC suppliers (22%)

Firm gas transportation or firm city-gate contracts are those that define a fixed amount, price, and delivery time frame. Consumers firm gas transportation contracts are with ANR Pipeline Company, Great Lakes Gas Transmission Limited Partnership, Panhandle Eastern Pipe Line Company, and Trunkline Gas Company, LLC, each a non-affiliated company. Under these contracts, Consumers purchases and transports gas to Michigan for ultimate delivery to its customers. Consumers firm gas transportation contracts expire on various dates from 2017 through 2023 and provide for the delivery of 39 percent of Consumers total gas supply requirements in 2017. Consumers purchases the balance of its required gas supply under firm city-gate contracts and through authorized suppliers under the GCC program.

Gas Utility Competition: Competition exists in various aspects of Consumers gas utility business. Competition comes from GCC and from alternative fuels and energy sources, such as propane, oil, and electricity.

Enterprises Segment Non-Utility Operations and Investments

CMS Energy s enterprises segment, through various subsidiaries and certain equity investments, is engaged primarily in domestic independent power production, the marketing of independent power production, and the development of renewable generation. The enterprises segment s operating revenue was $215 million in 2016, $190 million in 2015, and $299 million in 2014.

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Independent Power Production: At December 31, 2016, CMS Energy had ownership interests in independent power plants totaling 1,177 MW or 1,077 net MW. (Net MW reflects that portion of the capacity relating to CMS Energy s ownership interests.) Presented in the following table are CMS Energy s interests in independent power plants at December 31, 2016:

Location	Ownership Interest (%)	Primary Fuel Type	Gross Capacity[1] (MW)	2016 Net Generation (GWh)
Dearborn, Michigan	100	Natural gas	752	4,878
Gaylord, Michigan	100	Natural gas	156	4
Comstock, Michigan	100	Natural gas	68	3
Filer City, Michigan	50	Coal and biomass	73	506
New Bern, North Carolina	50	Biomass	50	323
Flint, Michigan	50	Biomass	40	110
Grayling, Michigan	50	Biomass	38	130
Total			1,177	5,954

1 Represents the intended full-load sustained output of each plant.

The operating revenue from independent power production was $16 million in 2016, $17 million in 2015, and $18 million in 2014.

Energy Resource Management: CMS ERM purchases and sells energy commodities in support of CMS Energy s generating facilities with a focus on optimizing CMS Energy s independent power production portfolio. In 2016, CMS ERM marketed seven bcf of natural gas and 5,906 GWh of electricity. Electricity marketed by CMS ERM was generated by independent power production of the enterprises segment and by unrelated third parties. CMS ERM s operating revenue was $199 million in 2016, $173 million in 2015, and $281 million in 2014.

Enterprises Segment Competition: The enterprises segment competes with other independent power producers. The needs of this market are driven by electric demand and the generation available.

Other Businesses

EnerBank: EnerBank is a Utah state-chartered, FDIC-insured industrial bank providing unsecured consumer installment loans for financing home improvements. EnerBank s operating revenue was $120 million in 2016, $101 million in 2015, and $80 million in 2014.

CMS ENERGY AND CONSUMERS REGULATION

CMS Energy, Consumers, and their subsidiaries are subject to regulation by various federal, state, and local governmental agencies, including those described in the following sections.

FERC and NERC

FERC has exercised limited jurisdiction over several independent power plants and exempt wholesale generators in which CMS Enterprises has ownership interests, as well as over CMS ERM, CMS Gas Transmission, and DIG. FERC s jurisdiction includes, among other things, acquisitions, operations, disposals of certain assets and facilities, services provided and rates charged, and conduct among affiliates. FERC also has limited jurisdiction over holding company matters with respect to CMS Energy. FERC, in connection with NERC and with regional reliability organizations, also regulates generation and transmission owners and operators, load serving entities, purchase and sale entities, and others with regard to reliability of the bulk power system.

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FERC regulates limited aspects of Consumers gas business, principally compliance with FERC capacity release rules, shipping rules, the prohibition against certain buy/sell transactions, and the price-reporting rule.

FERC also regulates certain aspects of Consumers electric operations, including compliance with FERC accounting rules, wholesale and transmission rates, operation of licensed hydroelectric generating plants, transfers of certain facilities, corporate mergers, and issuances of securities.

MPSC

Consumers is subject to the jurisdiction of the MPSC, which regulates public utilities in Michigan with respect to retail utility rates, accounting, utility services, certain facilities, certain asset transfers, corporate mergers, and other matters.

The Michigan Attorney General, ABATE, the MPSC Staff, and certain other parties typically participate in MPSC proceedings concerning Consumers. 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.

Rate Proceedings: For information regarding open rate proceedings, see Item 8. Financial Statements and Supplementary Data MD&A Outlook and Notes to the Consolidated Financial Statements Note 3, Regulatory Matters.

Other Regulation

The U.S. Secretary of Energy regulates imports and exports of natural gas and has delegated various aspects of this jurisdiction to FERC and the U.S. Department of Energy s Office of Fossil Fuels.

The U.S. Department of Transportation Office of Pipeline Safety regulates the safety and security of gas pipelines through the Natural Gas Pipeline Safety Act of 1968 and subsequent laws.

EnerBank is regulated by the Utah Department of Financial Institutions and the FDIC.

Energy Legislation

In December 2016, Michigan s governor signed the 2016 Energy Law, which will become effective in April 2017. Among other things, the 2016 Energy Law:

- raises the renewable energy standard from the present ten-percent requirement to 12.5 percent by 2019 and 15 percent by 2021
- establishes a goal of 35 percent combined renewable energy and energy waste reduction by 2025
- authorizes incentives for demand response programs and expands existing incentives for energy efficiency programs
- authorizes incentives for new PPAs with non-affiliates
- establishes an integrated planning process for new generation resources
- shortens from twelve months to ten months the time by which the MPSC must issue a final order in general rate cases, but prohibits electric and gas utilities from filing general rate cases for increases in rates more often than once every twelve months
- eliminates utilities self-implementation of rates under general rate cases
- requires the MPSC to implement equitable cost-of-service rates for customers participating in a net metering program

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The 2016 Energy Law also establishes a path to ensure that forward capacity is secured for all electric customers in Michigan, including customers served by alternative electric suppliers under ROA. Under existing 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-adjusted retail sales for the preceding calendar year. For additional information see Item 8. Financial Statements and Supplementary Data MD&A Outlook Consumers Electric Utility Outlook and Uncertainties.

CMS ENERGY AND CONSUMERS ENVIRONMENTAL COMPLIANCE

CMS Energy, Consumers, and their subsidiaries are subject to various federal, state, and local regulations for environmental quality, including air and water quality, solid waste management, and other matters. Consumers expects to recover costs to comply with environmental regulations in customer rates, but cannot guarantee this result. For additional information concerning environmental matters, see Item 1A. Risk Factors and Item 8. Financial Statements and Supplementary Data Notes to the Consolidated Financial Statements Note 4, Contingencies and Commitments and Note 11, Asset Retirement Obligations.

CMS Energy has recorded a $51 million liability for its subsidiaries obligations associated with Bay Harbor and Consumers has recorded a $107 million liability for its obligations at a number of MGP sites. For additional information, see Item 1A. Risk Factors and Item 8. Financial Statements and Supplementary Data Notes to the Consolidated Financial Statements Note 4, Contingencies and Commitments.

Air: Consumers continues to install state-of-the-art emissions control equipment at its electric generating plants. Consumers estimates that it will incur capital expenditures of $22 million from 2017 through 2021 to comply with present and future federal and state environmental regulations that require extensive reductions in nitrogen oxides, sulfur dioxides, particulate matter, and mercury emissions. Consumers estimate may increase or decrease depending on future legislation or rulemaking, including regulations regarding greenhouse gases, that could become either more or less stringent.

Solid Waste Disposal: Costs related to the construction, operation, and closure of solid waste disposal facilities for coal ash are significant. Consumers solid waste disposal areas are regulated under Michigan s solid waste rules. In April 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 converted all of its fly ash handling systems to dry systems to minimize applicable requirements. In addition, all of Consumers ash facilities have programs designed to protect the environment and are subject to quarterly MDEQ inspections. Consumers preliminary estimate of capital and cost of removal expenditures to comply with regulations relating to ash disposal is $255 million from 2017 through 2021.

Water: Consumers uses substantial amounts of water to operate and cool its electric generating plants. Water discharge quality is regulated and administered by the MDEQ under the federal NPDES program. To comply with such regulation, Consumers facilities have discharge monitoring programs. The EPA issued final regulations for wastewater discharges from electric generating plants in 2015. Consumers preliminary estimate of capital expenditures to comply with these regulations is $109 million from 2017 through 2021.

In 2014, the EPA finalized its cooling water intake rule, which requires Consumers to evaluate the biological impact of its cooling water intake systems and ensure that it is using the best technology

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available to minimize adverse environmental impacts. Consumers preliminary estimate of capital expenditures to comply with these regulations is $62 million from 2017 through 2021.

For further information concerning estimated capital expenditures related to air, solid waste disposal, and water see Item 8. Financial Statements and Supplementary Data MD&A Outlook Consumers Electric Utility Outlook and Uncertainties Electric Environmental Outlook.

INSURANCE

CMS Energy and its subsidiaries, including Consumers, maintain insurance coverage generally similar to comparable companies in the same lines of business. The insurance policies are subject to terms, conditions, limitations, and exclusions that might not fully compensate CMS Energy or Consumers for all losses. A portion of each loss is generally assumed by CMS Energy or Consumers in the form of deductibles and self-insured retentions that, in some cases, are substantial. As CMS Energy or Consumers renews its policies, it is possible that some of the present insurance coverage may not be renewed or obtainable on commercially reasonable terms due to restrictive insurance markets.

CMS Energy s and Consumers present insurance program does not cover the risks of certain environmental costs, such as the cleanup of sites owned by CMS Energy or Consumers, or claims for the long-term storage or disposal of pollutants or for air pollution.

EMPLOYEES

Presented in the following table are the number of employees of CMS Energy and Consumers:

December 31	2016	2015	2014
CMS Energy, including Consumers[1]			
Full-time employees	7,699	7,711	7,671
Seasonal employees[2]	52	39	33
Part-time employees	49	54	43
Total employees	7,800	7,804	7,747
Consumers[1]			
Full-time employees	7,301	7,339	7,336
Seasonal employees[2]	52	39	33
Part-time employees	13	16	19
Total employees	7,366	7,394	7,388

1 For information about CMS Energy s and Consumers collective bargaining agreements, see Item 8. Financial Statements and Supplementary Data Notes to the Consolidated Financial Statements Note 12, Retirement Benefits.

2 Consumers seasonal workforce peaked at 522 employees during 2016, 477 employees during 2015, and 394 employees during 2014. Seasonal employees work primarily during the construction season and are subject to yearly layoffs.

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CMS ENERGY AND CONSUMERS EXECUTIVE OFFICERS

Presented in the following table are the company positions held during the last five years for each of CMS Energy s and Consumers executive officers as of February 1, 2017:

Name, Age, Position(s)	Period	
Patricia K. Poppe (age 48)		
CMS Energy		
President and CEO	7/2016	Present
Director	5/2016	Present
Senior Vice President	3/2015	7/2016
Consumers		
President and CEO	7/2016	Present
Director	5/2016	Present
Senior Vice President	3/2015	7/2016
Vice President	1/2011	3/2015
CMS Enterprises		
Chairman of the Board, President, CEO and Director	7/2016	Present
Thomas J. Webb (age 64)		
CMS Energy		
Executive Vice President and CFO	8/2002	Present
Consumers		
Executive Vice President and CFO	8/2002	Present
CMS Enterprises		
Executive Vice President, CFO, and Director	8/2002	Present
John M. Butler (age 52)		
CMS Energy		
Senior Vice President	7/2006	Present
Consumers		
Senior Vice President	7/2006	Present
CMS Enterprises		
Senior Vice President	9/2006	Present
Daniel J. Malone (age 56)		
CMS Energy		
Senior Vice President	3/2015	Present
Consumers		
Senior Vice President	5/2010	Present
David G. Mengebier (age 59)		
CMS Energy		
Senior Vice President	11/2006	Present
Chief Compliance Officer	11/2006	1/2016
Consumers		
Senior Vice President	11/2006	Present
Chief Compliance Officer	11/2006	1/2016
CMS Enterprises		
Senior Vice President	3/2003	Present

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Name, Age, Position(s)	Period	
Venkat Dhenuvakonda Rao (age 46)		
CMS Energy		
Senior Vice President	9/2016	Present
Vice President	7/2012	9/2016
Executive Director of Financial Planning and Forecasting	2/2009	7/2012
Consumers		
Senior Vice President	9/2016	Present
Vice President	7/2012	9/2016
Executive Director of Financial Planning and Forecasting	2/2009	7/2012
CMS Enterprises		
Senior Vice President	9/2016	Present
Vice President	7/2012	9/2016
Catherine M. Reynolds (age 59)		
CMS Energy		
Senior Vice President and General Counsel	10/2013	Present
Vice President, Deputy General Counsel, and Corporate Secretary	1/2012	10/2013
Vice President and Corporate Secretary	9/2006	1/2012
Consumers		
Senior Vice President and General Counsel	10/2013	Present
Vice President, Deputy General Counsel, and Corporate Secretary	1/2012	10/2013
Vice President and Corporate Secretary	9/2006	1/2012
CMS Enterprises		
Senior Vice President, General Counsel, and Director	1/2014	Present
Vice President and Secretary	9/2006	1/2014
Glenn P. Barba (age 51)		
CMS Energy		
Vice President, Controller, and CAO	2/2003	Present
Consumers		
Vice President, Controller, and CAO	1/2003	Present
CMS Enterprises		
Vice President, Controller, and CAO	11/2007	Present
Brian F. Rich (age 42)[1]		
CMS Energy		
Senior Vice President and Chief Information Officer	7/2016	Present
Vice President and Chief Information Officer	7/2014	7/2016
Consumers		
Senior Vice President and Chief Information Officer	7/2016	Present
Vice President and Chief Information Officer	7/2014	7/2016
Garrick J. Rochow (age 42)		
CMS Energy		
Senior Vice President	7/2016	Present
Vice President	3/2015	7/2016
Consumers		
Senior Vice President	7/2016	Present
Vice President	10/2010	7/2016

1 Prior to joining CMS Energy and Consumers, Mr. Rich was vice president of business technology for Pacific Gas and Electric Company, a non-affiliated company. Mr. Rich started with Pacific Gas and Electric Company in 2010.

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There are no family relationships among executive officers and directors of CMS Energy or Consumers. The term of office of each of the executive officers extends to the first meeting of the Board of Directors of CMS Energy and Consumers after the next annual election of Directors of CMS Energy and Consumers (to be held on May 5, 2017).

AVAILABLE INFORMATION

CMS Energy s internet address is www.cmsenergy.com. CMS Energy routinely posts important information on its website and considers the Investor Relations section, www.cmsenergy.com/investor-relations, a channel of distribution. Information contained on CMS Energy s website is not incorporated herein. CMS Energy s and Consumers annual reports on Form 10-K, quarterly reports on Form 10-Q, current reports on Form 8-K, and any amendments to those reports filed pursuant to Section 13(a) or 15(d) of the Exchange Act are accessible free of charge on CMS Energy s website. These reports are available soon after they are electronically filed with the SEC. Also on CMS Energy s website are:

- Corporate Governance Principles
- Articles of Incorporation
- Bylaws
- Charters and Codes of Conduct (including the Audit, Compensation and Human Resources, Finance, and Governance and Public Responsibility Committee Charters, as well as the Employee, Boards of Directors, EnerBank, and Third Party Codes of Conduct)

CMS Energy will provide this information in print to any stockholder who requests it.

Any materials CMS Energy files with the SEC may also be read and copied at the SEC s Public Reference Room at 100 F Street, N.E., Washington, D.C. 20549. Information on the operation of the Public Reference Room may be obtained by calling the SEC at 1-800-SEC-0330. The SEC also maintains an internet site that contains reports, proxy and information statements, and other information regarding issuers that file electronically with the SEC. The address is www.sec.gov.

Item 1A. Risk Factors

Actual results in future periods for CMS Energy and Consumers could differ materially from historical results and the forward-looking statements contained in this report. Factors that might cause or contribute to these differences include those discussed in the following sections. CMS Energy s and Consumers businesses are influenced by many factors that are difficult to predict, that involve uncertainties that may materially affect results, and that are often beyond their control. Additional risks and uncertainties not presently known or that management believes to be immaterial may also adversely affect CMS Energy or Consumers. The risk factors described in the following sections, as well as the other information included in this report and in other documents filed with the SEC, should be considered carefully before making an investment in securities of CMS Energy or Consumers. Risk factors of Consumers are also risk factors of CMS Energy. All of these risk factors are potentially significant.

CMS Energy depends on dividends from its subsidiaries to meet its debt service obligations.

Due to its holding company structure, CMS Energy depends on dividends from its subsidiaries to meet its debt service and other payment obligations. If sufficient dividends were not paid to CMS Energy by its subsidiaries, CMS Energy might not be able to generate the funds necessary to fulfill its payment obligations, which could have a material adverse effect on CMS Energy s liquidity and financial condition.

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Consumers ability to pay dividends or acquire its own stock from CMS Energy is limited by restrictions contained in Consumers preferred stock provisions and potentially by other legal restrictions, such as certain terms in its articles of incorporation and FERC requirements.

CMS Energy has indebtedness that could limit its financial flexibility and its ability to meet its debt service obligations.

The level of CMS Energy s present and future indebtedness could have several important effects on its future operations, including, among others, that:

- a significant portion of CMS Energy s cash flow from operations could be dedicated to the payment of principal and interest on its indebtedness and would not be available for other purposes
- covenants contained in CMS Energy s existing debt arrangements, which require it to meet certain financial tests, could affect its flexibility in planning for, and reacting to, changes in its business
- CMS Energy s ability to obtain additional financing for working capital, capital expenditures, acquisitions, and general corporate and other purposes could become limited
- CMS Energy could be placed at a competitive disadvantage to its competitors that are less leveraged
- CMS Energy s vulnerability to adverse economic and industry conditions could increase
- CMS Energy s future credit ratings could fluctuate

CMS Energy s ability to meet its debt service obligations and to reduce its total indebtedness will depend on its future performance, which will be subject to general economic conditions, industry cycles, changes in laws or regulatory decisions, and financial, business, and other factors affecting its operations, many of which are beyond its control. CMS Energy cannot make assurances that its businesses will continue to generate sufficient cash flow from operations to service its indebtedness. If CMS Energy were unable to generate sufficient cash flows from operations, it could be required to sell assets or obtain additional financing.

CMS Energy and Consumers have financing needs and could be unable to obtain bank financing or access the capital markets.

CMS Energy and Consumers may be subject to liquidity demands under commercial commitments, guarantees, indemnities, letters of credit, and other contingent liabilities. Consumers capital requirements are expected to be substantial over the next several years as it invests in the Smart Energy program, construction or acquisition of power generation, environmental controls, decommissioning of older facilities, conversions and expansions, and other electric and gas infrastructure to upgrade delivery systems. Those requirements may increase if additional laws or regulations are adopted or implemented.

CMS Energy and Consumers rely on the capital markets, particularly for publicly offered debt, as well as on bank syndications, to meet their financial commitments and short-term liquidity needs if sufficient internal funds are not available from Consumers operations and, in the case of CMS Energy, from dividends paid by Consumers and its other subsidiaries. CMS Energy and Consumers also use letters of credit issued under certain of their revolving credit facilities to support certain operations and investments.

Disruptions in the capital and credit markets as a result of uncertainty, changing or increased regulation, reduced alternatives, or failures of significant financial institutions could adversely affect CMS Energy s and Consumers access to liquidity needed for their businesses. Consumers inability to obtain prior FERC authorization for any securities issuances, including publicly offered debt, as is required under the Federal Power Act, could adversely affect Consumers access to liquidity. Any liquidity disruption could require CMS Energy and Consumers to take measures to conserve cash. These measures could include,

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but are not limited to, deferring capital expenditures, changing CMS Energy s and Consumers commodity purchasing strategy to avoid collateral-posting requirements, and reducing or eliminating future share repurchases, dividend payments, or other discretionary uses of cash.

CMS Energy continues to explore financing opportunities to supplement its financial strategy. These potential opportunities include refinancing and/or issuing new debt, preferred stock and/or common equity, commercial paper, and bank financing. Similarly, Consumers may seek funds through the capital markets, commercial lenders, and leasing arrangements. Entering into new financings is subject in part to capital market receptivity to utility industry securities in general and to CMS Energy s and Consumers securities in particular. CMS Energy and Consumers cannot guarantee the capital markets acceptance of their securities or predict the impact of factors beyond their control, such as actions of rating agencies.

Certain of CMS Energy s and Consumers securities and those of their affiliates are rated by various credit rating agencies. Any reduction or withdrawal of one or more of its credit ratings could have a material adverse impact on CMS Energy s or Consumers ability to access capital on acceptable terms and maintain commodity lines of credit, could increase its cost of borrowing, and could cause CMS Energy or Consumers to reduce capital expenditures. If it were unable to maintain commodity lines of credit, CMS Energy or Consumers might have to post collateral or make prepayments to certain suppliers under existing contracts. Further, since Consumers provides dividends to CMS Energy, any adverse developments affecting Consumers that result in a lowering of its credit ratings could have an adverse effect on CMS Energy s credit ratings. CMS Energy and Consumers cannot guarantee that any of their present ratings will remain in effect for any given period of time or that a rating will not be lowered or withdrawn entirely by a rating agency.

If CMS Energy or Consumers were unable to obtain bank financing or access the capital markets to incur or refinance indebtedness, or were unable to obtain commercially reasonable terms for any financing, this could have a material adverse effect on its liquidity, financial condition, and results of operations.

There are risks associated with Consumers substantial capital investment program planned for the next five years.

Consumers planned investments include the Smart Energy program, construction or acquisition of power generation, gas and electric infrastructure, conversions and expansions, environmental controls, decommissioning of older facilities, and other electric and gas investments to upgrade delivery systems. The success of these capital investments depends on or could be affected by a variety of factors that include, but are not limited to:

- effective pre-acquisition evaluation of asset values, future operating costs, potential environmental and other liabilities, and other factors beyond Consumers control
- effective cost and schedule management of new capital projects
- availability of qualified construction personnel
- changes in commodity and other prices
- governmental approvals and permitting

- operational performance
- changes in environmental, legislative, and regulatory requirements
- regulatory cost recovery

It is possible that adverse events associated with these factors could have a material adverse effect on Consumers liquidity, financial condition, and results of operations.

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Changes to ROA could have a material adverse effect on CMS Energy s and Consumers businesses.

The 2016 Energy Law allows electric customers in Consumers service territory to buy electric generation service from alternative electric suppliers in an aggregate amount capped at ten percent, with certain exceptions, of Consumers weather-adjusted retail sales of the preceding calendar year. Lower natural gas prices due to a large supply of natural gas on the market, coupled with low capacity prices in the electric supply market, are placing increasing competitive pressure on the cost of Consumers electric supply. Presently, Consumers electric rates are above the Midwest average, while the ROA level on Consumers system is at the ten-percent limit and the proportion of Consumers electric deliveries under the ROA program and on the ROA waiting list is 24 percent. If the ROA limit were increased or if electric generation service in Michigan were deregulated, it could have a material adverse effect on Consumers financial results and operations.

CMS Energy and Consumers are subject to rate regulation, which could have an adverse effect on financial results.

CMS Energy and Consumers are subject to rate regulation. Consumers electric and gas retail rates are set by the MPSC and cannot be changed without regulatory authorization. Consumers is presently permitted to self-implement rate changes six months after a rate filing with the MPSC, although the MPSC may delay, deny, or limit self-implementation upon a showing of good cause. If Consumers self-implements rates that result in higher revenues than would have resulted from rates that the MPSC authorizes in its final order, Consumers must refund the difference, with interest. The 2016 Energy Law, which will become effective in April 2017, removes the right to self-implementation for rate cases filed after the effective date and sets a ten-month schedule for a final decision in a general rate case.

In addition, if rate regulators fail to provide timely rate relief, it could have a material adverse effect on Consumers or Consumers plans for making significant capital investments could be materially adversely affected. Regulators seeking to avoid or minimize rate increases could resist raising customer rates sufficiently to permit Consumers to recover the full cost of these investments. In addition, because there are statutory requirements mandating that regulators allow Consumers to recover from customers certain costs, such as resource additions to meet Michigan s renewable resource standard, energy optimization, and environmental compliance, regulators could be more inclined to oppose rate increases for other requested items and investments. Rate regulators could also face pressure to avoid or limit rate increases for a number of reasons, including an economic downturn in the state or diminishment of Consumers customer base. In addition to its potential effects on Consumers investment program, any limitation of cost recovery through rates could have a material adverse effect on Consumers liquidity, financial condition, and results of operations.

Orders of the MPSC could limit recovery of costs of providing service including, but not limited to, environmental and safety related expenditures for coal-fueled plants and other utility properties, regulatory assets, power supply and natural gas supply costs, operating and maintenance expenses, additional utility-based investments, sunk investment in mothballed or retired generating plants, costs associated with the proposed retirement and decommissioning of facilities, depreciation expense, MISO energy and transmission costs, costs associated with energy waste reduction investments and state or federally mandated renewable resource standards, Smart Energy program costs, or expenditures subject to tracking mechanisms. These orders could also result in adverse regulatory treatment of other matters. For example, MPSC orders could prevent or curtail Consumers from shutting off non-paying customers, could prevent or curtail Consumers from self-implementing rate changes, could prevent or curtail the implementation of a gas revenue mechanism, or could require Consumers to refund previously self-implemented rates.

FERC authorizes certain subsidiaries of CMS Energy to sell electricity at market-based rates. Failure of these subsidiaries to maintain this FERC authority could have a material adverse effect on CMS Energy s

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and Consumers liquidity, financial condition, and results of operations. Transmission rates are also set by FERC. FERC orders related to transmission costs could have a material adverse effect on Consumers liquidity, financial condition, and results of operations.

The various risks associated with the MPSC and FERC regulation of CMS Energy s and Consumers businesses, which include the risk of adverse decisions in any number of rate or regulatory proceedings before either agency, as well as judicial proceedings challenging any agency decisions, could have a material adverse effect on CMS Energy s and Consumers liquidity, financial condition, investment plans, and results of operations.

Utility regulation, state or federal legislation, and compliance could have a material adverse effect on CMS Energy s and Consumers businesses.

CMS Energy and Consumers are subject to, or affected by, extensive utility regulation and state and federal legislation. CMS Energy and Consumers believe that they comply with applicable laws and regulations. If it were determined that they failed to comply, CMS Energy or Consumers could become subject to fines, penalties, or disallowed costs, or be required to implement additional compliance, cleanup, or remediation programs, the cost of which could be material. Adoption of new laws, rules, regulations, principles, or practices by federal or state agencies, or challenges or changes to present laws, rules, regulations, principles, or practices and the interpretation of any adoption or change, could have a material adverse effect on CMS Energy s and Consumers liquidity, financial condition, and results of operations. Furthermore, any state or federal legislation concerning CMS Energy s or Consumers operations could have a similar effect.

Utility regulation could be impacted by various matters, such as electric industry restructuring, hydro relicensing, asset reclassification, gas pipeline capacity and gas storage, new generation facilities or investments, environmental controls, climate change, air emissions, renewable energy, energy policy and ROA, regulation or deregulation, energy capacity standards or markets, reliability, and safety. CMS Energy and Consumers cannot predict the impact of these matters on their liquidity, financial condition, and results of operations.

FERC, through NERC, oversees reliability of certain portions of the electric facilities owned by CMS Energy and Consumers. FERC orders regarding electric system reliability could have a material adverse effect on CMS Energy s or Consumers liquidity, financial condition, and results of operations.

CMS Energy and Consumers could incur substantial costs to comply with environmental requirements.

CMS Energy and Consumers are subject to costly and stringent environmental regulations that will likely require additional significant capital expenditures for emissions control equipment, CCR disposal and storage, cooling water intake equipment, effluent treatment, and PCB remediation. Present and reasonably anticipated state and federal environmental statutes and regulations, including but not limited to the Clean Air Act, the Clean Water Act, RCRA, and CERCLA, will continue to have a material effect on CMS Energy and Consumers.

CMS Energy and Consumers have interests in fossil-fuel-fired power plants and other types of power plants that produce greenhouse gases. Federal and state environmental laws and rules, as well as international accords and treaties, could require CMS Energy and Consumers to install additional equipment for emission controls, purchase carbon emissions allowances, curtail operations, invest in generating capacity with fewer carbon dioxide emissions, or take other significant steps to manage or lower the emission of greenhouse gases. In October 2015, the EPA published 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, which are being challenged in court, require a

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32 percent nationwide reduction in carbon emissions from existing power plants by 2030 (based on 2005 levels). The Trump administration has also indicated that it intends to re-examine the Clean Power Plan.

The following risks related to climate change, emissions, and environmental regulations could also have a material adverse impact on CMS Energy s and Consumers liquidity, financial condition, and results of operations:

- litigation originated by third parties against CMS Energy or Consumers due to CMS Energy s or Consumers greenhouse gas or other emissions or CCR disposal and storage
- impairment of CMS Energy s or Consumers reputation due to their greenhouse gas or other emissions and public perception of their response to potential environmental regulations, rules, and legislation
- extreme weather conditions, such as severe storms, that may affect customer demand, company operations, or assets

Consumers retired seven smaller coal-fueled electric generating units in 2016. Consumers may encounter previously unknown environmental conditions that will need to be addressed in a timely fashion with state and federal environmental regulators as facilities and equipment on these sites are taken out of service.

Consumers expects to collect fully from its customers, through the ratemaking process, expenditures incurred to comply with environmental regulations, but cannot guarantee this outcome. If Consumers were unable to recover these expenditures from customers in rates, it could negatively affect CMS Energy s and/or Consumers liquidity, results of operations, and financial condition and CMS Energy and/or Consumers could be required to seek significant additional financing to fund these expenditures.

For additional information regarding compliance with environmental regulations, see Item 1. Business CMS Energy and Consumers Environmental Compliance and Item 8. Financial Statements and Supplementary Data MD&A Outlook Consumers Electric Utility Outlook and Uncertainties.

CMS Energy s and Consumers businesses could be affected adversely by any delay in meeting environmental requirements.

A delay or failure by CMS Energy or Consumers to obtain or maintain any necessary environmental permits or approvals to satisfy any applicable environmental regulatory requirements or install emission control equipment could:

- prevent the construction of new facilities
- prevent the continued operation and sale of energy from existing facilities

- prevent the suspension of operations at existing facilities
- prevent the modification of existing facilities
- result in significant additional costs that could have a material adverse effect on their liquidity, financial condition, and results of operations

CMS Energy and Consumers expect to incur additional substantial costs related to remediation of legacy environmental sites.

Consumers expects to incur additional substantial costs related to the remediation of its former MGP sites. Based upon prior MPSC orders, Consumers expects to be able to recover the costs of these cleanup activities through its gas rates, but cannot guarantee that outcome.

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Consumers also expects to incur remediation and other response activity costs at a number of other sites under NREPA and CERCLA. Consumers believes these costs should be recoverable in rates, but cannot guarantee that outcome.

In addition, certain CMS Energy subsidiaries retained environmental remediation obligations for the collection, treatment, and discharge of leachate at Bay Harbor after selling their 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. Certain CMS Energy subsidiaries have signed agreements with the EPA and the MDEQ relating to Bay Harbor. If these CMS Energy subsidiaries were unable to meet their commitments under these agreements, or if unanticipated events occurred, these CMS Energy subsidiaries could incur additional material costs relating to their Bay Harbor remediation obligations.

CMS Energy and Consumers could be affected adversely by legacy litigation and retained liabilities.

CMS Energy, CMS MST, CMS Field Services, Cantera Natural Gas, Inc., and Cantera Gas Company were named as defendants in various lawsuits arising as a result of alleged inaccurate natural gas price reporting. Allegations include price-fixing conspiracies, restraint of trade, and artificial inflation of natural gas retail prices in Kansas, Missouri, and Wisconsin. CMS Energy cannot predict the outcome of the lawsuits or the amount of damages for which CMS Energy may be liable. It is possible that the outcome in one or more of the lawsuits could have a material adverse effect on CMS Energy s liquidity, financial condition, and results of operations.

The agreements that CMS Energy and Consumers enter into for the sale of assets customarily include provisions whereby they are required to:

- retain specified preexisting liabilities, such as for taxes, pensions, or environmental conditions
- indemnify the buyers against specified risks, including the inaccuracy of representations and warranties that CMS Energy and Consumers make
- make payments to the buyers depending on the outcome of post-closing adjustments, litigation, audits, or other reviews, including claims resulting from attempts by foreign or domestic governments to assess taxes on past operations or transactions

Many of these contingent liabilities can remain open for extended periods of time after the sales are closed. Depending on the extent to which the buyers might ultimately seek to enforce their rights under these contractual provisions, and the resolution of any disputes concerning them, there could be a material adverse effect on CMS Energy s or Consumers liquidity, financial condition, and results of operations.

In 2002, CMS Energy sold its oil, gas, and methanol investments in Equatorial Guinea. The government of Equatorial Guinea claims that CMS Energy owes $152 million in taxes, plus significant penalties and interest, in connection with the sale. The matter is proceeding to formal arbitration. CMS Energy is contesting 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.

CMS Energy s and Consumers energy sales and operations are affected by seasonal factors and varying weather conditions from year to year.

CMS Energy s and Consumers utility operations are seasonal. The consumption of electric energy typically increases in the summer months, due primarily to the use of air conditioners and other cooling equipment, while peak demand for natural gas occurs in the winter due to colder temperatures and the resulting use of natural gas as heating fuel. 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. Accordingly, CMS Energy s and Consumers overall results may fluctuate substantially on a seasonal basis. Mild

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temperatures during the summer cooling season and winter heating season as well as the impact of extreme weather events on Consumers system could have a material adverse effect on CMS Energy s and Consumers liquidity, financial condition, and results of operations.

Consumers is exposed to risks related to general economic conditions in its service territories.

Consumers electric and gas utility businesses are affected by the economic conditions impacting the customers they serve. If the Michigan economy becomes sluggish or declines, Consumers could experience reduced demand for electricity or natural gas that could result in decreased earnings and cash flow. In addition, economic conditions in Consumers service territory affect its collections of accounts receivable and levels of lost or stolen gas, which in turn impact its liquidity, financial condition, and results of operations.

CMS Energy and Consumers are subject to information security risks, risks of unauthorized access to their systems, and technology failures.

In the regular course of business, CMS Energy and Consumers handle a range of sensitive security and customer information. CMS Energy and Consumers are subject to laws and rules issued by various agencies concerning safeguarding and maintaining the confidentiality of this information. A security breach of CMS Energy s and Consumers information or control systems could involve theft or the inappropriate release of certain types of information, such as confidential customer information or, separately, system operating information. These events could disrupt operations, subject CMS Energy and Consumers to possible financial liability, damage their reputation and diminish the confidence of customers, and have a material adverse effect on CMS Energy s and Consumers liquidity, financial conditions, and results of operations.

CMS Energy and Consumers operate in a highly regulated industry that requires the continued operation of sophisticated information and control technology systems and network infrastructure. Despite implementation of security measures, technology systems are vulnerable to being disabled, failures, cyber crime, and unauthorized access. These events could impact the reliability of electric generation and electric and gas delivery and also subject CMS Energy and Consumers to financial harm. Cyber crime, which includes the use of malware, computer viruses, and other means for disruption or unauthorized access against companies, including CMS Energy and Consumers, has increased in frequency, scope, and potential impact in recent years. While CMS Energy and Consumers have not been subject to cyber crime incidents that have had a material impact on their operations to date, their security measures in place may be insufficient to prevent a major cyber incident in the future. If technology systems were to fail or be breached, CMS Energy and Consumers might not be able to fulfill critical business functions, and sensitive confidential and proprietary data could be compromised, which could have a material adverse effect on CMS Energy s and Consumers liquidity, financial condition, and results of operations. In addition, because CMS Energy s and Consumers generation, transmission, and distribution systems are part of an interconnected system, a disruption caused by a cyber incident at another utility, electric generator, system operator, or commodity supplier could also adversely affect CMS Energy s or Consumers businesses, financial condition, and results of operations.

A variety of technological tools and systems, including both company-owned information technology and technological services provided by outside parties, support critical functions. The failure of these technologies, or the inability of CMS Energy and Consumers to have these technologies supported, updated, expanded, or integrated into other technologies, could hinder their business operations and materially adversely affect their liquidity, financial condition, and results of operations.

CMS Energy s and Consumers businesses have liability risks.

Consumers electric and gas delivery systems, power plants, gas infrastructure including storage facilities, wind energy or solar equipment, energy products, and the independent power plants owned in whole or in

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part by CMS Energy could be involved in incidents, failures, or accidents that result in injury, loss of life, or property loss to customers, employees, or the public. Although CMS Energy and Consumers have insurance coverage for many potential incidents (subject to deductibles and self-insurance amounts that could be material), depending upon the nature or severity of any incident, failure, or accident, CMS Energy or Consumers could suffer financial loss, reputational damage, and negative repercussions from regulatory agencies or other public authorities.

CMS Energy s and Consumers revenues and results of operations are subject to risks that are beyond their control, including but not limited to natural disasters, terrorist attacks and related acts of war, cyber incidents, vandalism, and other catastrophic events.

The impact of natural disasters, severe weather, wars, terrorist acts, vandalism, cyber incidents, pandemics, and other catastrophic events on the facilities and operations of CMS Energy and Consumers could have a material adverse effect on CMS Energy s and Consumers liquidity, financial condition, and results of operations. These events could result in severe damage to CMS Energy s and Consumers assets beyond what could be recovered through insurance policies, could require CMS Energy and Consumers to incur significant upfront costs, and could severely disrupt operations, resulting in loss of service to customers. There is also a risk that regulators could, after the fact, conclude that Consumers preparedness or response to such an event was inadequate and take adverse actions as a result.

CMS Energy and Consumers are exposed to significant reputational risks.

CMS Energy and Consumers could suffer negative impacts to their reputations as a result of operational incidents, violations of corporate policies, regulatory violations, inappropriate use of social media, or other events. Reputational damage could have a material adverse effect on CMS Energy s and Consumers liquidity, financial condition, and results of operations. It could also result in negative customer perception and increased regulatory oversight.

Consumers is exposed to changes in customer usage that could impact financial results.

Distributed electricity generation: Technology advances and government incentives and subsidies could increase the cost effectiveness of customer-owned methods of producing electricity, such as fuel cells, microturbines, wind turbines, and solar photovoltaics, resulting in reduced load, cross subsidization, and increased costs. This could have a material adverse effect on CMS Energy s and Consumers liquidity, financial condition, and results of operations.

Energy waste reduction: Customers could reduce their consumption through demand-side energy conservation and energy waste reduction programs. These reductions could have a material adverse effect on CMS Energy s and Consumers liquidity, financial condition, and results of operations.

Energy risk management strategies might not be effective in managing fuel and electricity pricing risks, which could result in unanticipated liabilities to CMS Energy and Consumers or increased volatility in their earnings.

Consumers is exposed to changes in market prices for natural gas, coal, electric capacity, electric energy, emission allowances, gasoline, diesel fuel, and RECs. Prices for these commodities may fluctuate substantially over relatively short periods of time and expose Consumers to price risk. A substantial portion of Consumers operating expenses for its electric generating plants and vehicle fleet consists of the costs of obtaining these commodities. The contracts associated with Consumers fuel and purchased power costs are executed in conjunction with the PSCR mechanism, which is designed to allow Consumers to recover prudently incurred costs associated with those positions. If the MPSC determined that any of these contracts or related contracting policies were imprudent, recovery of these costs could be disallowed. Consumers manages commodity price risk using established policies and procedures, and it may use various contracts to manage this risk, including swaps, options, futures, and forward contracts.

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No assurance can be made that these strategies will be successful in managing Consumers pricing risk or that they will not result in net liabilities to Consumers as a result of future volatility in these markets.

Natural gas prices in particular have been historically volatile. Consumers routinely enters into contracts to mitigate exposure to the risks of demand, market effects of weather, and changes in commodity prices associated with its gas distribution business. These contracts are executed in conjunction with the GCR mechanism, which is designed to allow Consumers to recover prudently incurred costs associated with those positions. If the MPSC determined that any of these contracts or related contracting policies were imprudent, recovery of these costs could be disallowed. Consumers does not always hedge the entire exposure of its operations from commodity price volatility. Furthermore, the ability to hedge exposure to commodity price volatility depends on liquid commodity markets. As a result, to the extent the commodity markets are illiquid, Consumers might not be able to execute its risk management strategies, which could result in larger unhedged positions than preferred at a given time. To the extent that unhedged positions exist, fluctuating commodity prices could have a negative effect on CMS Energy s and Consumers liquidity, financial condition, and results of operations. Changes in laws that limit Consumers ability to hedge could also have a negative effect on CMS Energy s and Consumers liquidity, financial condition, and results of operations.

CMS Energy and Consumers are exposed to counterparty risk.

Adverse economic conditions or financial difficulties experienced by counterparties with whom CMS Energy and Consumers do business could impair the ability of these counterparties to pay for CMS Energy s and Consumers services and/or fulfill their contractual obligations, including performance and payment of damages. CMS Energy and Consumers depend on these counterparties to remit payments and perform contracted services in a timely fashion. Any delay or default in payment or performance of contractual obligations could have a material adverse effect on CMS Energy s and Consumers liquidity, financial condition, and results of operations.

Volatility and disruptions in capital and credit markets could have a negative impact on CMS Energy s and Consumers lenders, vendors, contractors, suppliers, customers, and other counterparties, causing them to fail to meet their obligations. Adverse economic conditions could also have a negative impact on the loan portfolio of CMS Energy s banking subsidiary, EnerBank.

Consumers might not be able to obtain an adequate supply of natural gas or coal, which could limit its ability to operate its electric generation facilities or serve its natural gas customers.

Consumers has natural gas and coal supply and transportation contracts in place for the natural gas and coal it requires for its electric generating capacity. Consumers also has interstate transportation and supply agreements in place to facilitate delivery of natural gas to its customers. Apart from the contractual and monetary remedies available to Consumers in the event of a counterparty s failure to perform under any of these contracts, there can be no assurances that the counterparties to these contracts will fulfill their obligations to provide natural gas or coal to Consumers. The counterparties under the agreements could experience financial or operational problems that inhibit their ability to fulfill their obligations to Consumers. In addition, counterparties under these contracts might not be required to supply natural gas or coal to Consumers under certain circumstances, such as in the event of a natural disaster or severe weather.

If, for its electric generating capacity, Consumers were unable to obtain its natural gas or coal requirements under existing or future natural gas and coal supply and transportation contracts, or to obtain resources under existing or future PPAs, it could be required to purchase natural gas or coal at higher prices or forced to purchase electricity from higher-cost generating resources in the MISO energy market. If, for natural gas delivery to its customers, Consumers were unable to obtain its natural gas supply requirements under existing or future natural gas supply and transportation contracts, it could be required to purchase natural gas at higher prices from other sources or implement its natural gas curtailment

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program filed with the MPSC. These alternatives could increase Consumers working capital requirements and could decrease its revenues.

Market performance and other changes could decrease the value of employee benefit plan assets, which then could require substantial funding.

The performance of the capital markets affects the values of assets that are held in trust to satisfy future obligations under CMS Energy s and Consumers pension and postretirement benefit plans. CMS Energy and Consumers have significant obligations under these plans and hold significant assets in these trusts. These assets are subject to market fluctuations and will yield uncertain returns, which could fall below CMS Energy s and Consumers forecasted return rates. A decline in the market value of the assets or a change in the level of interest rates used to measure the required minimum funding levels could significantly increase the funding requirements of these obligations. Also, changes in demographics, including an increased number of retirements or changes in life expectancy assumptions, could significantly increase the funding requirements of the obligations related to the pension and postretirement benefit plans. If CMS Energy and Consumers were unable to manage their pension and postretirement plan assets successfully, it could have a material adverse effect on their liquidity, financial condition, and results of operations.

A work interruption or other union actions could adversely affect Consumers.

Over 40 percent of Consumers employees are represented by unions. In 2015, both of Consumers unions, representing all union employees, ratified three separate five-year agreements, expiring in 2020. If these employees were to engage in a strike, work stoppage, or other slowdown, Consumers could experience a significant disruption in its operations and higher ongoing labor costs.

Failure to attract and retain an appropriately qualified workforce could adversely impact CMS Energy s and Consumers results of operations.

The workforce of CMS Energy and Consumers is aging and a number of employees will become eligible to retire within the next few years. If CMS Energy and Consumers were unable to match skill sets to future needs, they could encounter operating challenges and increased costs. These challenges could include a lack of resources, loss of knowledge, and delays in skill development. Additionally, higher costs could result from the use of contractors to replace employees, loss of productivity, and safety incidents. Failing to train replacement employees adequately and to transfer internal knowledge and expertise could adversely affect CMS Energy s and Consumers ability to manage and operate their businesses. If CMS Energy and Consumers were unable to attract and retain an appropriately qualified workforce, their financial condition and results of operations could be affected negatively.

Unplanned power plant outages could be costly for Consumers.

Unforeseen maintenance of Consumers power plants may be required for many reasons, including catastrophic events such as fires, explosions, extreme weather, floods or other acts of God, failures of equipment or materials, operator error, or the need to comply with environmental or safety regulations. When unplanned maintenance work is required on power plants or other equipment, Consumers will not only incur unexpected maintenance expenses, but it may also have to make spot market purchases of replacement electricity that exceed Consumers costs of generation or be forced to retire a given unit if the cost or timing of the maintenance is not reasonable and prudent. Additionally, unplanned maintenance work could reduce the capacity credit Consumers receives from MISO and could cause Consumers to incur additional capacity costs in future years. If Consumers were unable to recover any of these increased costs in rates, it could have a material adverse effect on Consumers liquidity, financial condition, and results of operations.

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Changes in taxation, including potential federal tax reform, as well as the inherent difficulty in quantifying potential tax effects of business decisions could negatively impact CMS Energy and Consumers.

CMS Energy and Consumers are required to make judgments regarding the potential tax effects of various financial transactions and results of operations in order to estimate their obligations to taxing authorities. The tax obligations include income, real estate, sales and use taxes, employment-related taxes, and ongoing issues related to these tax matters. The judgments include determining reserves for potential adverse outcomes regarding tax positions that have been taken and may be subject to challenge by the IRS and/or other taxing authorities. Unfavorable settlements of any of the issues related to these reserves or other tax matters at CMS Energy or Consumers could have a material adverse effect on their liquidity, financial condition, and results of operations.

CMS Energy and Consumers are subject to changing tax laws. Changes in federal, state, or local tax rates or other changes in tax laws could have adverse impacts on their liquidity, financial condition, and results of operations.

CMS Energy and its subsidiaries, including Consumers and EnerBank, must comply with the Dodd-Frank Act and its related regulations, which are subject to change and could involve material costs or affect operations.

Regulations that are intended to implement the Dodd-Frank Act have been and are still being adopted by the appropriate agencies. The Dodd-Frank Act added a new Section 13 to the Bank Holding Company Act. Known as the Volcker Rule, it generally restricts certain banking entities (such as EnerBank) and their subsidiaries or affiliates from engaging in proprietary trading activities and from owning equity in or sponsoring any private equity or hedge fund. Under the statute, the activities of CMS Energy and its subsidiaries (including EnerBank) are not expected to be materially affected; however, they will be restricted from engaging in proprietary trading, investing in third-party hedge or private equity funds, and sponsoring these funds in the future unless CMS Energy qualifies for an exemption from the rule. CMS Energy and its subsidiaries are also subject to certain ongoing compliance requirements pursuant to the regulations. CMS Energy cannot predict the full impact of the Volcker Rule on CMS Energy s or EnerBank s operations or financial condition.

Effective July 2011, all companies that directly or indirectly control an FDIC-insured bank are required to serve as a source of financial strength for that institution. As a result, CMS Energy could be called upon by the FDIC to infuse additional capital into EnerBank to the extent that EnerBank fails to satisfy its capital requirements. In addition, CMS Energy is contractually required (i) to make cash capital contributions to EnerBank in the event that EnerBank does not maintain required minimum capital ratios and (ii) to provide EnerBank financial support, in an amount and duration as may be necessary for EnerBank to meet the cash needs of its depositors and other operations. EnerBank has exceeded these requirements historically and exceeds them as of February 2017.

In addition, the Dodd-Frank Act provides for regulation by the Commodity Futures Trading Commission of certain commodity-related contracts. Although CMS Energy, Consumers, and CMS ERM qualify for an end-user exception from mandatory clearing of commodity-related swaps, these regulations could affect the ability of these entities to participate in these markets and could add additional regulatory oversight over their contracting activities.

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Item 1B. Unresolved Staff Comments

None.

Item 2. Properties

Descriptions of CMS Energy s and Consumers properties are found in the following sections of Item 1. Business, all of which are incorporated by reference in this Item 2:

- General CMS Energy
- General Consumers
- Business Segments Consumers Electric Utility Electric Utility Properties
- Business Segments Consumers Gas Utility Gas Utility Properties
- Business Segments Enterprises Segment Non-Utility Operations and Investments Independent Power Production

Item 3. Legal Proceedings

For information regarding CMS Energy s and Consumers significant pending administrative and judicial proceedings involving regulatory, operating, transactional, environmental, and other matters, see Item 8. Financial Statements and Supplementary Data Notes to the Consolidated Financial Statements Note 3, Regulatory Matters and Note 4, Contingencies and Commitments.

CMS Energy, Consumers, and certain of their affiliates are also parties to routine lawsuits and administrative proceedings incidental to their businesses involving, for example, claims for personal injury and property damage, contractual matters, various taxes, and rates and licensing.

Item 4. Mine Safety Disclosures

Not applicable.

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Part II

Item 5. Market For Registrant s Common Equity, Related Stockholder Matters and Issuer Purchases of Equity Securities

CMS ENERGY

CMS Energy s common stock is traded on the New York Stock Exchange. Market prices for CMS Energy s common stock and related security holder matters are contained in Item 8. Financial Statements and Supplementary Data MD&A and Notes to the Consolidated Financial Statements Note 21, Quarterly Financial and Common Stock Information (Unaudited), which are incorporated by reference herein. At January 10, 2017, the number of registered holders of CMS Energy s common stock totaled 32,056, based on the number of record holders. Presented in the following table are CMS Energy s dividends on its common stock:

				Per Share
Period	February	May	August	November
2016	$ 0.31	$ 0.31	$ 0.31	$ 0.31
2015	0.29	0.29	0.29	0.29

For additional information regarding securities authorized for issuance under equity compensation plans, see Item 8. Financial Statements and Supplementary Data Notes to the Consolidated Financial Statements Note 13, Stock-Based Compensation and Item 12. Security Ownership of Certain Beneficial Owners and Management and Related Stockholder Matters. For additional information regarding dividends and dividend restrictions, see Item 8. Financial Statements and Supplementary Data Notes to the Consolidated Financial Statements Note 5, Financings and Capitalization.

CONSUMERS

Consumers common stock is privately held by its parent, CMS Energy, and does not trade in the public market. Presented in the following table are Consumers cash dividends on its common stock:

				In Millions
Period	February	May	August	November
2016	$ 155	$ 58	$ 148	$ 138
2015	122	132	105	115

For additional information regarding dividends and dividend restrictions, see Item 8. Financial Statements and Supplementary Data Notes to the Consolidated Financial Statements Note 5, Financings and Capitalization.

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ISSUER REPURCHASES OF EQUITY SECURITIES

Presented in the following table are CMS Energy s repurchases of equity securities for the three months ended December 31, 2016:

Period	Total Number of Shares Purchased[1]		Average Price Paid per Share	Total Number of Shares Purchased as Part of Publicly Announced Plans or Programs	Maximum Number of Shares That May Yet Be Purchased Under Publicly Announced Plans or Programs
October 1, 2016 to October 31, 2016	395	$	42.01	-	-
November 1, 2016 to November 30, 2016	-		-	-	-
December 1, 2016 to December 31, 2016	-		-	-	-
Total	395	$	42.01	-	-

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

UNREGISTERED SALES OF EQUITY SECURITIES

None.

Item 6. Selected Financial Data

Selected financial information for CMS Energy and Consumers is contained in Item 8. Financial Statements and Supplementary Data Selected Financial Information, which is incorporated by reference herein.

Item 7. 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 Item 8. Financial Statements and Supplementary Data MD&A, which is incorporated by reference herein.

Item 7A. Quantitative and Qualitative Disclosures About Market Risk

Quantitative and qualitative disclosures about market risk for CMS Energy and Consumers are contained in Item 8. Financial Statements and Supplementary Data MD&A Critical Accounting Policies and Estimates Market Risk Information, which is incorporated by reference herein.

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Item 8. Financial Statements and Supplementary Data

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CMS Energy Corporation

Selected Financial Information

			2016	2015	2014	2013	2012
Operating revenue (in millions)		($)	6,399	6,456	7,179	6,566	6,253
Income from equity method investees (in millions)		($)	13	14	15	13	17
Income from continuing operations (in millions)1		($)	553	525	479	454	377
Income from discontinued operations (in millions)		($)	-	-	-	-	7
Net income available to common stockholders (in millions)		($)	551	523	477	452	382
Average common shares outstanding (in thousands)			277,851	275,600	270,580	264,511	260,678
Earnings from continuing operations per average common share							
CMS Energy	Basic	($)	1.99	1.90	1.76	1.71	1.43
	Diluted	($)	1.98	1.89	1.74	1.66	1.39
Earnings per average common share							
CMS Energy	Basic	($)	1.99	1.90	1.76	1.71	1.46
	Diluted	($)	1.98	1.89	1.74	1.66	1.42
Cash provided by operations (in millions)2		($)	1,629	1,640	1,481	1,448	1,257
Capital expenditures, excluding assets placed under capital lease (in millions)		($)	1,672	1,564	1,577	1,325	1,227
Total assets (in millions)2		($)	21,622	20,299	19,143	17,249	17,092
Long-term debt, excluding current portion (in millions)2		($)	8,640	8,400	7,974	7,060	6,671
Non-current portion of capital leases and financing obligation (in millions)		($)	110	118	123	138	153
Cash dividends declared per common share		($)	1.24	1.16	1.08	1.02	0.96
Market price of common stock at year-end		($)	41.62	36.08	34.75	26.77	24.38

Book value per common share at year-end	($)	15.23	14.21	13.33	12.98	12.09
Total employees at year-end		7,800	7,804	7,747	7,781	7,541
Electric Utility Statistics						
Sales (billions of kWh)		38	37	38	37	38
Customers (in thousands)		1,805	1,803	1,793	1,793	1,786
Average sales rate per kWh	(¢)	11.63	11.39	12.04	11.52	10.94
Gas Utility Statistics						
Sales and transportation deliveries (bcf)		358	356	373	352	329
Customers (in thousands)[3]		1,772	1,741	1,733	1,724	1,715
Average sales rate per mcf	($)	7.31	7.89	8.83	8.51	9.55

1 Includes income attributable to noncontrolling interests of $2 million in each period.

2 Prior period amounts have been adjusted as required to reflect the implementation of ASU 2015-03, *Simplifying the Presentation of Debt Issuance Costs*, and ASU 2016-15, *Classification of Certain Cash Receipts and Cash Payments*. For further details on the adoption of these standards, see Note 2, New Accounting Standards.

3 Excludes off-system transportation customers.

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Consumers Energy Company

Selected Financial Information

		2016	2015	2014	2013	2012
Operating revenue (in millions)	($)	6,064	6,165	6,800	6,321	6,013
Net income (in millions)	($)	616	594	567	534	439
Net income available to common stockholder (in millions)	($)	614	592	565	532	437
Cash provided by operations (in millions)[1]	($)	1,681	1,794	1,354	1,375	1,369
Capital expenditures, excluding assets placed under capital lease (in millions)	($)	1,656	1,537	1,573	1,320	1,222
Total assets (in millions)[1]	($)	19,946	18,635	17,824	16,157	16,257
Long-term debt, excluding current portion (in millions)[1]	($)	5,253	5,183	5,131	4,557	4,279
Non-current portion of capital leases and financing obligation (in millions)	($)	110	118	123	138	153
Total preferred stock (in millions)	($)	37	37	37	37	44
Number of preferred stockholders at year-end		1,095	1,156	1,191	1,248	1,378
Total employees at year-end		7,366	7,394	7,388	7,435	7,221
Electric Utility Statistics						
Sales (billions of kWh)		38	37	38	37	38
Customers (in thousands)		1,805	1,803	1,793	1,793	1,786
Average sales rate per kWh	(¢)	11.63	11.39	12.04	11.52	10.94
Gas Utility Statistics						
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2 Excludes off-system transportation customers.

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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, owns and operates power generation facilities.

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 and Consumers earn revenue and generate cash from operations by providing electric and natural gas utility services; electric distribution, transmission, and generation; gas transmission, storage, and distribution; and other energy-related services. Their businesses are affected primarily by:

- regulation and regulatory matters
- economic conditions
- weather

- energy commodity prices
- interest rates
- their securities credit ratings

The key elements of CMS Energy s and Consumers business strategy are depicted below:

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CMS Energy and Consumers are committed to sustainable business practices and to pursuing the goals of safe and excellent operations, a strong ethical culture, environmental quality, and social responsibility. Consumers 2016 Sustainability Report, which is available to the public, provides an overview of Consumers efforts to continue meeting Michigan s energy needs safely, efficiently, affordably, and reliably. The report also highlights Consumers commitment to Michigan businesses, its corporate citizenship, and its role in reducing the state s air emissions. In a 2016 report published by Sustainalytics, a global leader in sustainability research and analysis, CMS Energy scored the highest among 54 U.S. utilities in environmental, social, and governance performance.

Safe, Excellent Operations

The safety of employees, customers, and the general public remains 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. In 2016, Consumers reduced recordable safety incidents by 31 percent compared with 2015. The number of recordable safety incidents in 2016 was the lowest in Consumers history.

Customer Value

Consumers places a high priority on customer value. Consumers capital investment program is aimed at improving safety and increasing electric and gas reliability, which has resulted in measureable improvements in customer satisfaction.

Additionally, Consumers has undertaken several initiatives to keep electricity and natural gas affordable for its customers. These initiatives include the adoption of a lean operations model that is focused on completing work safely and correctly the first time, thus minimizing rework and waste, while delivering services on time. Other cost-saving initiatives undertaken by Consumers include accelerated pension funding, employee and retiree health care cost sharing, replacement of coal-fueled generation with more efficient gas-fueled generation, targeted infrastructure investment, including the installation of smart meters, negotiated labor agreements, information and control system efficiencies, and productivity improvements. In addition, Consumers gas commodity costs declined by 68 percent from 2006 through 2016, 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 savings are all passed on to customers.

In December 2016, Consumers and Entergy reached an agreement to terminate their PPA in May 2018, four years ahead of schedule. Under the PPA, Consumers purchases virtually all of the capacity and energy produced by Palisades, up to the annual average capacity of 798 MW. The prices that Consumers pays under the PPA, and which it recovers from its electric customers, are presently higher than the cost to purchase electricity from the market. The early termination of the PPA is expected to result in an estimated $344 million of savings to be shared equally between Consumers electric customers and Entergy. Under the agreement, Consumers will make a termination payment of $172 million to Entergy, with the remaining $172 million in estimated savings expected to lower the future energy and capacity costs of Consumers electric customers. Actual savings will depend on market conditions. The agreement is contingent on the MPSC s approval of Consumers recovery in electric rates of the termination payment. The MPSC has indicated that it will make a final determination on this recovery by September 2017, after full evaluation of the prudency of the termination payment and of how the termination will impact Michigan s electric reliability and resource adequacy.

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Utility Investment

Consumers expects to make capital investments of $18 billion from 2017 through 2026. While Consumers has substantially more investment opportunities that would add customer value, Consumers has limited its capital investment program to those investments it believes are needed to provide safe, reliable, and efficient service to its customers. Consumers capital investment program is expected to result in annual rate-base growth of six to eight percent beginning in 2017. This rate-base growth, together with Consumers cost-control initiatives, should allow Consumers to maintain sustainable customer base rate increases (excluding PSCR and GCR charges) at or below the rate of inflation.

Presented in the following illustration are planned capital investments of $9.0 billion that Consumers expects to make from 2017 through 2021:

Electric base ($2.6 billion)

Gas base ($2.0 billion)

Gas reliability enhancements ($1.8 billion)

Electric reliability

enhancements ($0.7 billion)

Environmental ($0.5 billion)

Smart Energy and Gas AMR ($0.3 billion)

Other ($1.1 billion)

Consumers planned base capital investments of $4.6 billion represent projects to maintain Consumers system and comprise $2.6 billion at the electric utility to preserve reliability and capacity and $2.0 billion at the gas utility to sustain deliverability and enhance pipeline integrity. An additional $2.5 billion of planned reliability investments at Consumers are aimed at reducing outages and improving customer satisfaction; these investments comprise $1.8 billion at the gas utility to replace mains and enhance transmission and storage systems and $0.7 billion at the electric utility to strengthen circuits and substations and replace poles. Consumers also expects to spend $0.5 billion on environmental investments needed to comply with state and federal laws and regulations.

Consumers Smart Energy program also represents a major capital investment. Consumers began the full-scale deployment of advanced metering infrastructure for electric and combination customers in 2012 and plans to complete it in 2017. Consumers has spent $0.6 billion through 2016 on its Smart Energy program, and expects to spend an additional $0.2 billion in 2017. In addition, Consumers expects to spend $0.1 billion through 2019 in deploying Gas AMR technology for gas-only customers beginning in 2017.

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Regulation

Regulatory matters are a key aspect of CMS Energy s and Consumers businesses, particularly Consumers rate cases and regulatory proceedings before the MPSC. Important regulatory events and developments are summarized below.

- **Electric Rate Case:** In March 2016, Consumers filed an application with the MPSC seeking an annual rate increase of $225 million, based on a 10.7 percent authorized return on equity. The filing also seeks approval of an investment recovery mechanism that would provide for additional annual rate increases of $38 million beginning in 2017, $92 million beginning in 2018, and $92 million beginning in 2019 for incremental investments that Consumers plans to make in those years, subject to reconciliation. In September 2016, Consumers self-implemented an annual rate increase of $170 million, subject to refund with interest. In October 2016, Consumers reduced its requested annual rate increase to $208 million. A final order is due in late February 2017.

- **Gas Rate Case:** In August 2016, Consumers filed an application with the MPSC seeking an annual rate increase of $90 million, based on a 10.6 percent authorized return on equity. The filing seeks approval of two rate adjustment mechanisms: one that would reconcile annually Consumers actual nonfuel revenues with the revenues approved by the MPSC, and another that would provide for additional annual rate increases of $35 million beginning in 2018 and another $35 million beginning in 2019 for incremental investments that Consumers plans to make in those years, subject to reconciliation. The MPSC issued an order in January 2017, limiting Consumers self-implementation to an annual rate increase of $20 million. Accordingly, in January 2017, Consumers self-implemented an annual rate increase of $20 million, subject to refund with interest.

In December 2016, Michigan s governor signed the 2016 Energy Law, which will become effective in April 2017. Among other things, the 2016 Energy Law:

- raises the renewable energy standard from the present ten-percent requirement to 12.5 percent by 2019 and 15 percent by 2021
- establishes a goal of 35 percent combined renewable energy and energy waste reduction by 2025
- authorizes incentives for demand response programs and expands existing incentives for energy efficiency programs
- authorizes incentives for new PPAs with non-affiliates
- establishes an integrated planning process for new generation resources
- shortens from twelve months to ten months the time by which the MPSC must issue a final order in general rate cases, but prohibits electric and gas utilities from filing general rate cases for increases in rates more often than once every twelve months
- eliminates utilities self-implementation of rates under general rate cases
- requires the MPSC to implement equitable cost-of-service rates for customers participating in a net metering program

The 2016 Energy Law also establishes a path to ensure that forward capacity is secured for all electric customers in Michigan, including customers served by alternative electric suppliers under ROA. Under existing 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-adjusted retail sales for the preceding calendar year. The 2016 Energy Law retains the ten percent cap on ROA, with certain exceptions. The new law also authorizes the MPSC to ensure that alternative electric suppliers have procured enough capacity to cover their anticipated capacity requirements for the subsequent three-year period. The MPSC may require that alternative electric suppliers cover their requirements through participation in a MISO three-year forward capacity auction, by demonstrating to the MPSC that they have procured capacity, or through an MPSC mechanism under

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which ROA customers would pay a charge to the utility for capacity that is not provided by the alternative electric supplier.

Environmental and health and safety regulations are other areas of importance for CMS Energy and Consumers, and they are monitoring numerous legislative and regulatory initiatives, including those to regulate greenhouse gases, and related litigation. CMS Energy and Consumers believe that these laws and regulations related to their operations will continue to become more stringent and require them to make additional substantial capital expenditures for emissions control equipment, CCR disposal and storage, cooling water intake equipment, effluent treatment, PCB remediation, and gas pipeline safety. Present and reasonably anticipated state and federal environmental statutes and regulations, including but not limited to the Clean Air Act, including the Clean Power Plan, as well as the Clean Water Act, RCRA, CERCLA, and the Pipeline Safety, Regulatory Certainty, and Job Creation Act of 2011, will continue to have a material effect on CMS Energy and Consumers.

Financial Performance

In 2016, CMS Energy s net income available to common stockholders was $551 million, and diluted EPS were $1.98. This compares with net income available to common stockholders of $523 million and diluted EPS of $1.89 in 2015. Among the primary factors contributing to CMS Energy s increased earnings in 2016 were benefits from electric and gas rate increases and higher electric sales due mainly to warmer-than-normal summer weather. These changes were offset partially by higher depreciation and property taxes on increased plant in service and by lower gas deliveries, reflecting warmer-than-normal winter weather in early 2016.

Consumers utility operations are seasonal. The consumption of electric energy typically increases in the summer months, due primarily to the use of air conditioners and other cooling equipment, while peak demand for natural gas occurs in the winter due to colder temperatures and the resulting use of natural gas as heating fuel. 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. 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 expects that a continued rise in industrial production in its service territory will drive its total electric deliveries to increase annually by about one-half percent on average through 2021. Excluding the impacts of energy efficiency programs, Consumers expects its total electric deliveries to increase by about one percent annually through 2021. Consumers is projecting that its gas deliveries will remain stable through 2021. This outlook reflects growth in gas demand offset by energy efficiency and conservation.

As Consumers seeks to continue to receive fair and timely regulatory treatment, delivering customer value will remain a key strategic priority. In order to minimize increases in customer base rates, Consumers will continue to pursue cost savings through its lean operations model, and will continue to give priority to capital investments that increase customer value or lower costs.

Consumers expects to continue to have sufficient borrowing capacity to fund its investment-based growth plans. CMS Energy also expects its sources of liquidity to remain sufficient to meet its cash requirements. To identify potential implications for CMS Energy s and Consumers businesses and future financial needs, the companies will continue to monitor developments in the financial and credit markets, as well as government policy responses to those developments.

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RESULTS OF OPERATIONS

CMS Energy Consolidated Results of Operations

In Millions, Except Per Share Amounts			
Years Ended December 31	2016	2015	2014
Net Income Available to Common Stockholders	$ 551	$ 523	$ 477
Basic Earnings Per Share	$ 1.99	$ 1.90	$ 1.76
Diluted Earnings Per Share	$ 1.98	$ 1.89	$ 1.74

						In Millions
Years Ended December 31	2016	2015	Change	2015	2014	Change
Electric utility	$ 458	$ 437	$ 21	$ 437	$ 384	$ 53
Gas utility	155	154	1	154	179	(25)
Enterprises	17	4	13	4	(1)	5
Corporate interest and other	(79)	(72)	(7)	(72)	(85)	13
Net Income Available to Common Stockholders	$ 551	$ 523	$ 28	$ 523	$ 477	$ 46

Presented in the following table are specific after-tax changes to net income available to common stockholders:

						In Millions
Reasons for the change	2016 better/(worse) than 2015			2015 better/(worse) than 2014		
Consumers electric utility and gas utility						
Electric sales						
Weather	$ 29			$ (2)		
Non-weather	9	$ 38		1	$ (1)	
Gas sales						
Weather	(29)			(49)		
Non-weather	8	(21)		3	(46)	
Electric rate increase		66			38	
Gas rate increase		24			27	
Employee benefit costs		23			(24)	
Operating and maintenance costs		18			27	
Depreciation and property taxes		(71)			(43)	
Donations		(28)			15	
State of Michigan use tax settlement		(10)			14	
Voluntary separation program costs		(7)			-	
Other		(10)	$ 22		21	$ 28
Enterprises						
Subsidiary earnings		17			(4)	

Increase in Bay Harbor environmental liability in 2014	-		9	
Other	(4)	13	-	5
Corporate interest and other				
Tax-related items		11		-
Early extinguishment of debt in 2016 and 2014		(11)		12
EnerBank earnings		1		7
Interest expense		(8)		-
Other		-		(6)
Total change		$ 28		$ 46

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Consumers Electric Utility Results of Operations

Years Ended December 31	2016	2015	Change	2015	2014	*In Millions* Change
Net Income Available to Common Stockholders	$ 458	$ 437	$ 21	$ 437	$ 384	$ 53
Reasons for the change						
Electric deliveries and rate increases			$ 122			$ 78
Power supply costs and related revenue			(3)			1
Maintenance and other operating expenses			38			8
Depreciation and amortization			(36)			(45)
General taxes			(15)			(4)
Other income, net of expenses			(44)			25
Interest charges			(19)			3
Income taxes			(22)			(13)
Total change			$ 21			$ 53

Following is a discussion of significant changes to net income available to common stockholders for 2016 versus 2015 and for 2015 versus 2014.

Electric Deliveries and Rate Increases: For 2016, electric delivery revenues increased $122 million compared with 2015. This change reflected $91 million from a December 2015 rate increase and a September 2016 self-implemented rate increase, and a $62 million increase in sales due primarily to favorable weather. These increases were offset partially by a $25 million net decrease in securitization revenue, reflecting the conclusion in October 2015 of Consumers 2001 securitization program, and a $6 million decrease in other revenues. Deliveries to end-use customers were 37.9 billion kWh in 2016 and 37.3 billion kWh in 2015.

For 2015, electric delivery revenues increased $78 million compared with 2014. This change reflected $67 million from a rate increase that Consumers self-implemented in June 2015, a $9 million increase in revenues related to the renewable energy program, and a $2 million increase in other revenues. Deliveries to end-use customers were 37.3 billion kWh in 2015 and 37.6 billion kWh in 2014.

Maintenance and Other Operating Expenses: For 2016, maintenance and other operating expenses decreased $38 million compared with 2015. This change was due to a $27 million reduction in expenses at the seven coal-fueled electric generating units that Consumers retired in April 2016 and a $25 million decrease in postretirement benefit costs. The decrease in postretirement benefit costs was attributable primarily to the change to a full-yield-curve approach to calculate the service cost and interest cost components of net periodic benefit costs for the DB Pension and OPEB Plans. Also contributing to the change was a $13 million reduction in uncollectible accounts expense due primarily to the successful implementation of new collection practices and a $4 million benefit associated with a State of Michigan use tax settlement. These decreases were offset partially by a $14 million increase in forestry expenses, $9 million of expenses at the Jackson plant acquired in December 2015, a $6 million charge associated with a voluntary separation program, and a $2 million increase in other operating and maintenance expenses.

For 2015, maintenance and other operating expenses decreased $8 million compared with 2014. This decrease was due to an $8 million reduction in maintenance costs at the seven coal-fueled electric generating units that Consumers retired in April 2016, a $5 million reduction in uncollectible accounts expense, and $11 million of other operating and maintenance expenses. Additionally, there was a $9 million reduction in service restoration costs, reflecting in part the increased capitalization of utility pole units, consistent with a change in regulatory treatment. These decreases were offset largely by a

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$25 million increase in postretirement benefits expense attributable to changes in benefit plan assumptions.

Depreciation and Amortization: For 2016, depreciation and amortization expense increased $36 million compared with 2015. This change reflected a $94 million increase in depreciation expense related to increased plant in service and an increase in depreciation rates that became effective in December 2015, offset partially by a $58 million decrease in amortization of securitized assets, reflecting the conclusion in October 2015 of Consumers 2001 securitization program.

For 2015, depreciation and amortization expense increased $45 million compared with 2014. This change was due to higher depreciation expense from increased plant in service and higher amortization of securitized assets.

General Taxes: For 2016, general taxes increased $15 million compared with 2015. This change was due primarily to increased property taxes, reflecting higher capital spending, and the absence, in 2016, of a reduction in general taxes associated with a State of Michigan use tax settlement reached in 2015.

For 2015, general taxes increased $4 million compared with 2014, due primarily to increased property taxes, reflecting higher capital spending. This increase was offset partially by a reduction in general taxes associated with a State of Michigan use tax settlement reached in 2015.

Other Income, Net of Expenses: For 2016, other income, net of expenses, decreased $44 million compared with 2015. This change was due primarily to a $30 million increase in donations and a $2 million increase in other expenses. This change also reflected the absence, in 2016, of a $6 million benefit related to a State of Michigan use tax settlement reached in 2015, and a $6 million gain on a donation of CMS Energy stock by Consumers. The gain was eliminated on CMS Energy s consolidated statements of income.

For 2015, other income, net of expenses, increased $25 million compared with 2014. This change was due to a $13 million decrease in donations, a $6 million benefit related to a State of Michigan use tax settlement reached in 2015, and a $6 million gain on a donation of CMS Energy stock by Consumers. The gain was eliminated on CMS Energy s consolidated statements of income.

Interest Charges: For 2016, interest charges increased $19 million compared with 2015. This change was due to the absence, in 2016, of a $12 million reduction in interest expense associated with a State of Michigan use tax settlement reached in 2015. The change also reflected $7 million attributable primarily to higher average debt levels.

For 2015, interest charges decreased $3 million compared with 2014. This change was due primarily to a $12 million reduction in interest expense associated with a State of Michigan use tax settlement reached in 2015, offset largely by $4 million attributable to higher average debt levels and a $5 million increase in other interest charges related primarily to securitization bonds.

Income Taxes: For 2016, income taxes increased $22 million compared with 2015. This change reflected $17 million attributable to higher electric utility earnings, a $6 million increase due to higher non-deductible donations, and $3 million of other tax-related items. These increases were offset partially by a $4 million decrease due to a change in the treatment of excess tax benefits on restricted stock awards as a result of the early adoption of a new accounting standard. For additional details on the implementation of this standard, see Note 2, New Accounting Standards.

For 2015, income taxes increased $13 million compared with 2014. This change reflected $23 million attributable to higher electric utility earnings, offset partially by an $8 million benefit associated with Cross Winds® Energy Park production tax credits and a $2 million decrease in other tax-related items.

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Consumers Gas Utility Results of Operations

						In Millions
Years Ended December 31	2016	2015	Change	2015	2014	Change
Net Income Available to Common Stockholders	$ 155	$ 154	$ 1	$ 154	$ 179	$ (25)
Reasons for the change						
Gas deliveries and rate increases			$ 15			$ (11)
Maintenance and other operating expenses			23			(9)
Depreciation and amortization			(23)			(21)
General taxes			(7)			(6)
Other income, net of expenses			(10)			9
Interest charges			(1)			(4)
Income taxes			4			17
Total change			$ 1			$ (25)

Following is a discussion of significant changes to net income available to common stockholders for 2016 versus 2015 and for 2015 versus 2014.

Gas Deliveries and Rate Increases: For 2016, gas delivery revenues increased $15 million compared with 2015. This change reflected $33 million from a January 2016 rate increase, offset partially by an $18 million decrease in sales due primarily to milder winter weather. Deliveries to end-use customers were 282 bcf in 2016 and 299 bcf in 2015.

For 2015, gas delivery revenues decreased $11 million compared with 2014. This change reflected a $57 million decrease in sales due primarily to colder winter weather in 2014, offset largely by $43 million from a rate increase implemented in January 2015 and a $3 million increase in other revenues. Deliveries to end-use customers were 299 bcf in 2015 and 331 bcf in 2014.

Maintenance and Other Operating Expenses: For 2016, maintenance and other operating expenses decreased $23 million compared with 2015. This change was due to a $15 million decrease in postretirement benefit costs, an $8 million reduction in pipeline integrity expenses, and a $7 million decrease in uncollectible accounts expense due primarily to the successful implementation of new collection practices. The decrease in postretirement benefit costs was attributable primarily to the change to a full-yield-curve approach to calculate the service cost and interest cost components of net periodic benefit costs for the DB Pension and OPEB Plans. These decreases were offset partially by a $4 million charge associated with a voluntary separation program and a $3 million increase in other gas operating and maintenance expenses.

For 2015, maintenance and other operating expenses increased $9 million compared with 2014. This change was due to a $15 million increase in postretirement benefits expense, attributable to changes in benefit plan assumptions, and a $10 million increase in pipeline integrity expenses. These increases were offset partially by a $16 million reduction in uncollectible accounts expense due primarily to the successful implementation of new collection practices.

Depreciation and Amortization: For 2016, depreciation and amortization expense increased $23 million compared with 2015, and for 2015, depreciation and amortization expense increased $21 million compared with 2014. Both increases were due to higher depreciation expense from increased plant in service.

General Taxes: For 2016, general taxes increased $7 million compared with 2015, and for 2015, general taxes increased $6 million compared with 2014. Both increases were due to increased property taxes, reflecting higher capital spending.

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Other Income, Net of Expenses: For 2016, other income, net of expenses, decreased $10 million compared with 2015. This change was due primarily to an $8 million increase in donations and to the absence, in 2016, of a $3 million gain on a donation of CMS Energy stock by Consumers, offset partially by $1 million in other expenses. The gain was eliminated on CMS Energy s consolidated statements of income.

For 2015, other income, net of expenses, increased $9 million compared with 2014 due primarily to a $4 million decrease in donations, $3 million from a gain on a donation of CMS Energy stock by Consumers, and a $2 million increase in other income. The gain was eliminated on CMS Energy s consolidated statements of income.

Interest Charges: For 2015, interest charges increased $4 million compared with 2014 due to higher average debt levels.

Income Taxes: For 2016, income taxes decreased $4 million compared with 2015. This reduction was due primarily to a change in the treatment of excess tax benefits on restricted stock awards as a result of the early adoption of a new accounting standard. For additional details on the implementation of this standard, see Note 2, New Accounting Standards.

For 2015, income taxes decreased $17 million compared with 2014, attributable to lower gas utility earnings.

Enterprises Results of Operations

						In Millions
Years Ended December 31	2016	2015	Change	2015	2014	Change
Net Income (Loss) Available to Common Stockholders	$ 17	$ 4	$ 13	$ 4	$ (1)	$ 5

For 2016, net income of the enterprises segment increased $13 million compared with 2015, due primarily to higher prices for capacity and demand revenue from DIG.

For 2015, net income of the enterprises segment increased $5 million compared with 2014, due to the absence, in 2015, of a $9 million after-tax increase in the environmental remediation liability associated with Bay Harbor, offset partially by $4 million of higher costs associated primarily with planned major maintenance at DIG.

Corporate Interest and Other Results of Operations

In Millions

Years Ended December 31	2016	2015	Change	2015	2014	Change
Net Loss Available to Common Stockholders	$ (79)	$ (72)	$ (7)	$ (72)	$ (85)	$ 13

For 2016, corporate interest and other net expenses increased $7 million compared with 2015. This increase was due primarily to an $11 million after-tax loss on the early extinguishment of debt and $8 million of higher interest expense, reflecting higher debt levels. These increases were offset partially by a settlement reached with the Michigan Department of Treasury that resulted in a $2 million after-tax reduction in general taxes and a $3 million reduction in income tax expense, and by $1 million of higher earnings at EnerBank. Also contributing to the change were the absence, in 2016, of $6 million of additional income tax expense attributable to higher Michigan Corporate Income Tax and to the establishment of a valuation allowance for certain tax credits.

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For 2015, corporate interest and other net expenses decreased $13 million compared with 2014, due to the absence, in 2015, of a $12 million after-tax loss on the early extinguishment of debt and $7 million of higher earnings at EnerBank. These decreases were offset partially by $6 million of additional income tax expense attributable to higher Michigan Corporate Income Tax and to the establishment of a valuation allowance for certain tax credits.

CASH POSITION, INVESTING, AND FINANCING

At December 31, 2016, CMS Energy had $257 million of consolidated cash and cash equivalents, which included $22 million of restricted cash and cash equivalents. At December 31, 2016, Consumers had $152 million of consolidated cash and cash equivalents, which included $21 million of restricted cash and cash equivalents.

Operating Activities

Presented in the following table are specific components of net cash provided by operating activities for 2016, 2015, and 2014:

In Millions

Years Ended December 31	2016	2015	Change	2015	2014	Change
CMS Energy, including Consumers						
Net income	$ 553	$ 525	$ 28	$ 525	$ 479	$ 46
Non-cash transactions1	1,177	1,155	22	1,155	1,050	105
Postretirement benefits contributions	(108)	(262)	154	(262)	(32)	(230)
Changes in core working capital2	50	241	(191)	241	(17)	258
Changes in other assets and liabilities, net	(43)	(19)	(24)	(19)	1	(20)
Net cash provided by operating activities	$ 1,629	$ 1,640	$ (11)	$ 1,640	$ 1,481	$ 159
Consumers						
Net income	$ 616	$ 594	$ 22	$ 594	$ 567	$ 27
Non-cash transactions1	1,148	1,096	52	1,096	1,047	49
Postretirement benefits contributions	(98)	(243)	145	(243)	(29)	(214)
Changes in core working capital2	64	226	(162)	226	(5)	231
Changes in other assets and liabilities, net	(49)	121	(170)	121	(226)	347
Net cash provided by operating activities	$ 1,681	$ 1,794	$ (113)	$ 1,794	$ 1,354	$ 440

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

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

For 2016, net cash provided by operating activities at CMS Energy decreased $11 million compared with 2015 and net cash provided by operating activities at Consumers decreased $113 million compared with 2015. These changes were due primarily to lower customer collections, reflecting lower gas prices and sales volumes, offset partially by lower postretirement benefits contributions and higher net income. At Consumers, higher income tax payments to CMS Energy also contributed to the decrease in cash provided by operations in 2016.

For 2015, net cash provided by operating activities at CMS Energy increased $159 million compared with 2014, and net cash provided by operating activities at Consumers increased $440 million compared with 2014. These changes were due primarily to gas purchases at lower prices, improved customer collections, and higher net income, offset partially by higher postretirement benefits contributions. At Consumers, lower income tax payments to CMS Energy also contributed to the improvement in 2015.

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Investing Activities

Presented in the following table are specific components of net cash used in investing activities for 2016, 2015, and 2014:

In Millions

Years Ended December 31	2016	2015	Change	2015	2014	Change
CMS Energy, including Consumers						
Capital expenditures	$ (1,672)	$ (1,564)	$ (108)	$ (1,564)	$ (1,577)	$ 13
Jackson plant acquisition	-	(154)	154	(154)	-	(154)
Change in EnerBank notes receivable	(136)	(279)	143	(279)	(255)	(24)
Proceeds from the sale of EnerBank notes receivable	-	48	(48)	48	-	48
DB SERP fund contribution	-	(25)	25	(25)	-	(25)
Costs to retire property and other	(107)	(90)	(17)	(90)	(66)	(24)
Net cash used in investing activities	$ (1,915)	$ (2,064)	$ 149	$ (2,064)	$ (1,898)	$ (166)
Consumers						
Capital expenditures	$ (1,656)	$ (1,537)	$ (119)	$ (1,537)	$ (1,573)	$ 36
Jackson plant acquisition	-	(154)	154	(154)	-	(154)
DB SERP fund contribution	-	(17)	17	(17)	-	(17)
Costs to retire property and other	(112)	(93)	(19)	(93)	(70)	(23)
Net cash used in investing activities	$ (1,768)	$ (1,801)	$ 33	$ (1,801)	$ (1,643)	$ (158)

For 2016, net cash used in investing activities at CMS Energy decreased $149 million compared with 2015 and net cash used in investing activities at Consumers decreased $33 million compared with 2015. The changes were due primarily to the absence, in 2016, of the acquisition of the Jackson power plant and, at CMS Energy, decreased growth in EnerBank consumer lending. These changes were offset partially by increased capital expenditures.

For 2015, net cash used in investing activities at CMS Energy increased $166 million compared with 2014, and net cash used in investing activities at Consumers increased $158 million compared with 2014. The changes were due primarily to the acquisition of the Jackson power plant and, at CMS Energy, faster growth in EnerBank consumer lending.

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Financing Activities

Presented in the following table are specific components of net cash provided by (used in) financing activities for 2016, 2015, and 2014:

In Millions

Years Ended December 31	2016	2015	Change	2015	2014	Change
CMS Energy, including Consumers						
Issuance of debt	$ 1,049	$ 599	$ 450	$ 599	$ 1,428	$ (829)
Net increase in EnerBank certificates of deposit	100	214	(114)	214	233	(19)
Issuance of common stock	72	43	29	43	43	-
Retirement of long-term debt	(728)	(224)	(504)	(224)	(750)	526
Payment of dividends on common and preferred stock	(347)	(322)	(25)	(322)	(295)	(27)
Change in notes payable	149	189	(40)	189	(110)	299
Other financing activities	(40)	(36)	(4)	(36)	(87)	51
Net cash provided by financing activities	$ 255	$ 463	$ (208)	$ 463	$ 462	$ 1
Consumers						
Issuance of debt	$ 446	$ 250	$ 196	$ 250	$ 878	$ (628)
Stockholder contribution from CMS Energy, net	275	150	125	150	317	(167)
Payment of dividends on common and preferred stock	(501)	(476)	(25)	(476)	(459)	(17)
Retirement of long-term debt	(198)	(124)	(74)	(124)	(220)	96
Change in notes payable	149	189	(40)	189	(110)	299
Other financing activities	(3)	(23)	20	(23)	(54)	31
Net cash provided by (used in) financing activities	$ 168	$ (34)	$ 202	$ (34)	$ 352	$ (386)

For 2016, net cash provided by financing activities at CMS Energy decreased $208 million compared with 2015 and net cash provided by financing activities at Consumers increased $202 million compared with 2015. At CMS Energy, these changes were due primarily to an increase in debt retirements offset partially by debt issuances, lower certificate issuances at EnerBank, and by higher repayments under Consumers commercial paper program. Higher stockholder contributions from CMS Energy and an increase in debt issuances, offset partially by debt retirements also contributed to the increase in net cash provided by financing activities in 2016 at Consumers.

For 2015, net cash provided by financing activities at CMS Energy increased $1 million compared with 2014 and net cash used in financing activities at Consumers increased $386 million compared with 2014. A decrease in debt issuances was offset partially by a decrease in debt retirements and by lower repayments under Consumers commercial paper program. Lower stockholder contributions from CMS Energy also contributed to the increase in net cash used in financing activities in 2015 at Consumers.

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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 5, Financings and Capitalization Dividend Restrictions. For the year ended December 31, 2016, Consumers paid $499 million in dividends on its common stock to CMS Energy.

As a result of federal tax legislation passed in December 2015 that extends bonus depreciation, CMS Energy expects to be able to extend the use of federal net operating loss carryforwards and, accordingly, defer its federal income tax payments through 2020. As a consequence, however, CMS Energy expects to receive lower tax-sharing payments from Consumers during that period. This may require CMS Energy to maintain higher levels of debt in order to invest in its businesses, pay dividends, and fund its general obligations. Despite this, CMS Energy does not anticipate a need for a block equity offering.

In April 2015, 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 the program and received proceeds of $60 million in 2016 and $30 million in 2015.

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. As a result of accelerated pension funding in recent years and several initiatives to reduce costs, Consumers anticipates continued strong cash flows from operating activities in 2017.

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 December 31, 2016, CMS Energy had $549 million of its secured revolving credit facility available and Consumers had $893 million 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 one of Consumers revolving credit facilities. While the amount of outstanding commercial paper does not reduce the revolving credit facility s available capacity, Consumers does not intend to issue commercial paper in an amount exceeding the available facility capacity. At December 31, 2016, $398 million of commercial paper notes were outstanding under this program. For additional details on CMS Energy s and Consumers secured revolving credit facilities and commercial paper program, see Note 5, Financings and Capitalization.

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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 December 31, 2016, 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 December 31, 2016, as presented in the following table:

Credit Agreement, Indenture, or Facility		December 31, 2016 Limit	December 31, 2016 Actual
CMS Energy, parent only			
Debt to EBITDA[1]	≤	6.0 to 1.0	4.2 to 1.0
Consumers			
Debt to Capital[2]	≤	0.65 to 1.0	0.49 to 1.0

1 Applies to CMS Energy s $550 million revolving and $180 million term loan credit agreements.

2 Applies to Consumers $650 million and $250 million revolving credit agreements and $68 million, $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 2017 and beyond.

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Contractual Obligations: Presented in the following table are CMS Energy s and Consumers contractual obligations. The table excludes all amounts classified as current liabilities on CMS Energy s and Consumers consolidated balance sheets, other than the current portion of long-term debt, capital leases, and financing obligation.

In Millions

		Payments Due			
December 31, 2016	Total	Less Than One Year	One to Three Years	Three to Five Years	More Than Five Years
CMS Energy, including Consumers					
Long-term debt	$ 9,564	$ 864	$ 2,301	$ 953	$ 5,446
Interest payments on long-term debt	4,281	385	679	450	2,767
Capital leases and financing obligation	132	25	45	40	22
Interest payments on capital leases and financing obligation	38	7	14	11	6
Operating leases	81	20	26	20	15
Asset retirement obligations	1,361	44	50	54	1,213
Deferred investment tax credit	73	4	9	8	52
Environmental liabilities	182	40	41	23	78
Purchase obligations					
Total PPAs	9,356	1,008	2,052	2,095	4,201
Other[1]	1,922	931	563	164	264
Total contractual obligations	$ 26,990	$ 3,328	$ 5,780	$ 3,818	$ 14,064
Consumers					
Long-term debt	$ 5,661	$ 375	$ 1,399	$ 453	$ 3,434
Interest payments on long-term debt	2,984	247	429	279	2,029
Capital leases and financing obligation	132	25	45	40	22
Interest payments on capital leases and financing obligation	38	7	14	11	6
Operating leases	81	20	26	20	15
Asset retirement obligations	1,360	44	50	54	1,212
Deferred investment tax credit	73	4	9	8	52
Environmental liabilities	117	35	33	15	34
Purchase obligations					
PPAs					
MCV PPA	3,010	326	661	669	1,354
Palisades PPA[2]	1,994	354	741	786	113
Related-party PPAs[3]	899	81	168	176	474
Other PPAs	3,453	247	482	464	2,260
Total PPAs	9,356	1,008	2,052	2,095	4,201
Other[1]	1,651	895	504	121	131
Total contractual obligations	$ 21,453	$ 2,660	$ 4,561	$ 3,096	$ 11,136

1 Long-term contracts for purchase of commodities and related services, and construction and service agreements. The commodities and related services include natural gas and coal with associated transportation.

2 In December 2016, Consumers and Entergy reached an agreement to terminate the Palisades PPA in May 2018, subject to timely receipt of certain MPSC approvals. The payments due reflect the original terms of the PPA. For further details about Palisades, see Note 10, Leases and Palisades Financing.

3 Long-term PPAs from certain affiliates of CMS Enterprises.

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CMS Energy and Consumers also have recognized non-current liabilities for which the timing of payments cannot be reasonably estimated. These items, which are excluded from the table above, include regulatory liabilities, deferred income taxes, workers compensation liabilities, accrued liabilities under renewable energy programs, and other liabilities. Retirement benefits are also excluded from the table above. For details related to benefit payments, see Note 12, Retirement Benefits.

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 December 31, 2016. 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 4, Contingencies and Commitments Guarantees. For additional details on operating leases, see Note 10, Leases and Palisades Financing.

Capital Expenditures: Over the next five years, CMS Energy and Consumers expect to make substantial capital investments. CMS Energy and Consumers may revise their forecasts of capital expenditures periodically due to a number of factors, including environmental regulations, business opportunities, market volatility, economic trends, and the ability to access capital. Presented in the following table are CMS Energy s and Consumers estimated capital expenditures, including lease commitments, for 2017 through 2021:

In Billions

		2017		2018		2019		2020		2021		Total
CMS Energy, including Consumers												
Consumers	$	1.8	$	1.8	$	1.8	$	1.8	$	1.8	$	9.0
Enterprises		-		0.1		0.1		-		-		0.2
Total CMS Energy	$	1.8	$	1.9	$	1.9	$	1.8	$	1.8	$	9.2
Consumers												
Electric utility operations	$	1.0	$	0.8	$	1.1	$	1.1	$	1.0	$	5.0
Gas utility operations		0.8		1.0		0.7		0.7		0.8		4.0
Total Consumers	$	1.8	$	1.8	$	1.8	$	1.8	$	1.8	$	9.0

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; Item 1A. Risk Factors; Note 3, Regulatory Matters; and Note 4, Contingencies and Commitments.

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Consumers Electric Utility and Gas Utility Outlook and Uncertainties

Energy Waste Reduction Plan: The 2016 Energy Law, which will become effective in April 2017, expands the existing energy optimization program to include demand response programs, calling the combined initiatives energy waste reduction. The 2016 Energy Law:

- extends 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
- increases the financial incentives Consumers may earn for exceeding the statutory targets
- establishes a goal of 35 percent combined renewable energy and energy waste reduction by 2025

Under its existing energy optimization plan, Consumers provides its customers with incentives to reduce usage by offering energy audits, rebates and discounts on purchases of highly efficient appliances, and other incentives and programs. Consumers estimates that, through its gas and electric energy optimization programs, its customers realized $370 million in savings during 2016.

Smart Energy and Gas AMR: Consumers began the full-scale deployment of smart meters in 2012 and expects to complete it in 2017. Smart meters allow customers to monitor and manage their energy usage, which Consumers expects will help reduce demand during critical peak times, resulting in lower peak electric capacity requirements. In addition, Consumers is able to disconnect and reconnect service, read, and bill from smart meters remotely. Consumers will continue to add further functionality to its smart meters. Consumers is also installing communication modules on gas meters in areas where it provides both electricity and natural gas to customers. The communication modules allow Consumers to read and bill from gas meters remotely.

Consumers expects that under its Smart Energy program it will have installed a total of 1.8 million smart meters and 600,000 communication modules throughout its service territory by the end of 2017. As of December 31, 2016, Consumers had upgraded 1.4 million electric customers to smart meters and had installed 370,000 communication modules on gas meters.

In areas where it provides only natural gas to customers, Consumers will begin the deployment of Gas AMR technology in 2017 and expects to complete it in 2019. Under this program, communication modules are expected to be installed on 1.2 million gas meters, allowing Consumers to conduct drive-by meter reading.

Consumers Electric Utility Outlook and Uncertainties

Energy Resource Planning: 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, offset partially by the predicted effects of energy efficiency and conservation.

In April 2016, Consumers retired seven of its coal-fueled electric generating units, representing 950 MW of capacity. In December 2016, Consumers and Entergy reached an agreement to terminate their PPA under which Consumers purchases virtually all of the capacity and energy produced by Palisades, up to the annual average capacity of 798 MW. Under the agreement, which is contingent on the MPSC s approval of Consumers recovery in electric rates of the termination payment, the PPA would terminate in May 2018, four years ahead of schedule. For additional details on this agreement, see Note 10, Leases and Palisades Financing.

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Even with the retirements of seven of its coal-fueled units and the expected termination of the Palisades PPA, Consumers expects to meet the capacity requirements of its full-service customers through:

- energy waste reduction
- expanded use of renewable energy
- the use of the Jackson plant, a 540-MW natural gas-fueled electric generating plant purchased in December 2015
- construction or purchase of electric generating units
- continued operation or upgrade of existing units, including upgrades at Ludington
- renegotiations of existing PPAs
- purchases of short-term market capacity

In October 2016, Consumers completed an auction to purchase generation capacity and secure its capacity requirements for 2017. The MSPC approved the contracts entered into as a result of the auction in January 2017. As demand forecasts become more certain, Consumers may take additional actions to meet the capacity requirements of its full-service customers.

Renewable Energy Plan: The 2016 Energy Law raises 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 signed a 15-year agreement in September 2015 to purchase renewable capacity, energy, and RECs from a 100-MW wind park to be constructed in Huron County, Michigan. The wind park is expected to be operational in 2017. In September 2016, Consumers applied for a special land use permit for the construction of two additional phases at its Cross Winds® Energy Park: Phase II, with a nameplate capacity of 44 MW, and Phase III, with a nameplate capacity of 76 MW. Both phases of the project will qualify for certain federal production tax credits, which are expected to generate cost savings that will be passed on to customers. Consumers also completed construction of two community solar projects in 2016. Together, these solar projects provide a combined four MW of nameplate capacity.

Electric Customer Deliveries and Revenue: Consumers electric customer deliveries are largely dependent on Michigan s economy. Consumers expects weather-adjusted electric deliveries to increase in 2017 by one-half percent compared with 2016.

Over the next five years, Consumers plans conservatively for average electric delivery growth of about one-half percent annually. This increase reflects growth in electric demand, offset partially by the predicted effects of energy efficiency 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 existing 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-adjusted retail sales for the preceding calendar year. At December 31, 2016, electric deliveries under the ROA program were at the ten-percent limit. Of

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Consumers 1.8 million electric customers, 305 customers, or 0.02 percent, purchased electric generation service under the ROA program.

The 2016 Energy Law, which will become effective in April 2017, retains the ten percent cap on ROA, with certain exceptions, but establishes 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 authorizes the MPSC to ensure that alternative electric suppliers have procured enough capacity to cover their anticipated capacity requirements for the subsequent three-year period. The MPSC may require that alternative electric suppliers cover their requirements through participation in a MISO three-year forward capacity auction, by demonstrating to the MPSC that they have procured capacity, or through an MPSC mechanism under which ROA customers would pay a charge to the utility for capacity that is not provided by the alternative electric supplier.

Electric Rate Matters: Rate matters are critical to Consumers electric utility business. For additional details on rate matters, including the 2016 electric rate case, see Note 3, Regulatory Matters.

PSCR Plan: Consumers submitted its 2017 PSCR plan to the MPSC in September 2016 and, in accordance with its proposed plan, self-implemented the 2017 PSCR charge beginning in January 2017.

FERC Transmission Order: In September 2016, FERC issued an order reducing the rate of return on equity earned by transmission owners operating within MISO to a base of 10.32 percent from 12.38 percent. FERC ordered MISO and transmission owners to provide refunds, with interest, to transmission customers such as Consumers for the period from November 2013 through February 2015. Consumers will return to its electric customers the transmission refunds that it receives as a result of this order, which is subject to further legal proceedings.

As a transmission owner since April 2016, which is subsequent to the period covered by this order, Consumers would provide no refund to its transmission customers. In addition, Consumers is eligible for a 50-basis-point increase to its transmission return on equity as a transmission-owning member of MISO.

Depreciation Rate Case: In November 2016, Consumers filed a depreciation rate case related to its Ludington electric utility property, requesting to increase depreciation expense by $15 million annually.

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 $0.5 billion from 2017 through 2021 to continue to comply with the Clean Air Act, Clean Water 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 January 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 September 2016, the EPA finalized new ozone season standards for CSAPR, which will begin 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

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still comply with the Michigan Mercury Rule and with its settlement agreement with the EPA entered into in November 2014 concerning opacity and NSR.

In October 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 many areas of the country, including some parts of Michigan, if the areas are designated to be in nonattainment of the new standard. Consumers is monitoring the designation process of this rule to determine what, if any, effect it will have on its electric generating units.

Consumers strategy to comply with air quality regulations, including CSAPR, NAAQS, and MATS, involved the installation 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 August 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. Also in August 2015, 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.

In October 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. Certain states, corporations, and industry groups have initiated litigation opposing the proposed Clean Power Plan. In February 2016, the U.S. Supreme Court stayed the Clean Power Plan while the litigation proceeds. While Michigan s Attorney General has joined the litigation, the governor had indicated that Michigan intended to file a state carbon implementation plan, which was to be submitted for EPA review and approval in 2018. Work on this plan has ceased, however, in light of the stay of the Clean Power Plan and pending outcome of the litigation.

The rules would require a 32 percent nationwide reduction in carbon emissions from existing power plants by 2030 (based on 2005 levels). Initial state implementation plans would have been due September 2016 with extensions available until 2018. It is expected that these deadlines will be extended as a result of the rules being stayed. States choosing not to develop their own implementation plans would be subject to the federal plan. The Trump administration has indicated that it intends to re-examine the Clean Power Plan.

In December 2015, a group of 195 countries finalized the Paris Agreement, which governs carbon dioxide reduction measures beginning in 2020. As part of this agreement, the United States pledged a 26 percent reduction in greenhouse gas emissions by 2025 (with aspirations to achieve a 28 percent reduction) compared with 2005 levels. These targets are in line with the now-stayed Clean Power Plan targets. While these emission reduction commitments are non-binding, they will be governed by the Clean Power Plan

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should it survive judicial scrutiny. The Trump administration has indicated that it intends to re-examine the Paris Agreement.

Consumers believes that it is favorably positioned to deal with the impact of carbon regulation through its clean energy plan, its present carbon reduction target, and its emphasis on supply diversity. Consumers cannot, however, predict the outcome of these EPA rules in court, of changes in policy under the new Trump administration, or of Michigan s potential implementation plan. Consumers will continue to monitor regulatory activity regarding greenhouse gas emissions standards that may affect electric generating units.

Litigation, as well as federal laws, EPA regulations regarding greenhouse gases, or similar treaties, state laws, or rules, if enacted or ratified, could 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 April 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 continues to develop work plans for submission to the MDEQ for concurrence to ensure coordination between federal and state requirements. Furthermore, Congress passed legislation in December 2016 that allows states to develop a permitting program for CCR under RCRA, and Michigan may adopt such a program. As a result, 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 October 2014. The rule is aimed at reducing alleged harmful impacts on fish and shellfish. In November 2015, the EPA released its final effluent limitation guidelines, which set stringent new requirements for the discharge from electric generating units into wastewater streams. Consumers believes its environmental strategy will allow it to achieve compliance with these final rules.

In June 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 was stayed in October 2015, and that litigation remains pending. Consumers does not expect any adverse changes to its environmental strategy as a result of the final rule. The Trump administration has indicated that it intends to re-examine the waters of the United States rule.

Many of Consumers facilities maintain NPDES permits, which are valid for five years and 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.

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PCBs: In 2010, the EPA issued an Advance Notice of Proposed Rulemaking, indicating that it is considering a variety of regulatory actions with respect to PCBs. One approach would aim to phase out equipment containing PCBs by 2025. Another approach would eliminate an exemption for small equipment containing PCBs. To comply with any such regulatory actions, Consumers could incur substantial costs associated with existing electrical equipment potentially containing PCBs. A rule may be proposed in 2017.

Other electric environmental matters could have a material impact on Consumers outlook. For additional details on other electric environmental matters, see Note 4, Contingencies and Commitments Consumers Electric Utility Contingencies Electric Environmental Matters.

Consumers Gas Utility Outlook and Uncertainties

Gas Deliveries: Consumers expects weather-adjusted gas deliveries in 2017 to decrease by one percent compared with 2016. Over the next five years, Consumers plans conservatively for stable deliveries. 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 3, Regulatory Matters.

Gas Rate Case: In August 2016, Consumers filed an application with the MPSC seeking an annual rate increase of $90 million, based on a 10.6 percent authorized return on equity. The largest component of the request is an annual revenue requirement of $84 million related to new investments that will allow Consumers to strengthen infrastructure and improve system capacity and deliverability.

The filing also seeks approval of two rate adjustment mechanisms: one that would reconcile annually Consumers actual nonfuel revenues with the revenues approved by the MPSC, and another that would provide for additional annual rate increases of $35 million beginning in 2018 and another $35 million beginning in 2019 for incremental investments that Consumers plans to make in those years, subject to reconciliation. These future investments are intended to help ensure adequate system capacity and deliverability.

The MPSC issued an order in January 2017, limiting Consumers self-implementation to an annual rate increase of $20 million. Accordingly, in January 2017, Consumers self-implemented an annual rate increase of $20 million, subject to refund with interest.

Depreciation Rate Case: In August 2016, Consumers filed a depreciation rate case related to its gas utility property, requesting to decrease depreciation expense by $3 million annually.

Gas Transmission: In September 2016, Consumers filed an application with to the MPSC to invest $610 million in the construction of a 95-mile, 24-inch-diameter natural gas pipeline in Saginaw and Oakland Counties, Michigan. Consumers expects the pipeline, if approved, to be operational by the end of 2022.

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GCR Plan: Consumers submitted its 2017-2018 GCR plan to the MPSC in December 2016 and, in accordance with its proposed plan, expects to self-implement the 2017-2018 GCR charge beginning in April 2017.

Gas Pipeline Safety: In October 2016, the U.S. Department of Transportation s Pipeline and Hazardous Materials Safety Administration published a final rule that will require the installation of additional safety valves on certain gas distribution service lines beginning in 2017. Consumers is evaluating the cost of complying with this rule, but expects that it will be able to recover the cost in rates, consistent with the recovery of other reasonable costs of complying with laws and regulations.

Gas Environmental Outlook: Consumers expects to incur response activity costs at a number of sites, including 23 former MGP sites. For additional details, see Note 4, Contingencies and Commitments Consumers Gas Utility Contingencies Gas Environmental Matters.

Enterprises Outlook and Uncertainties

The primary focus with respect to CMS Energy s non-utility businesses is to maximize the value of their generating assets, which represent 1,077 MW of capacity, and to pursue opportunities for the development of renewable generation projects.

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

- 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
- 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 4, 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 December 31, 2016, and five percent of CMS Energy s net income available to common stockholders for the year ended December 31, 2016. The carrying value of EnerBank s loan portfolio was $1.3 billion at December 31, 2016. Its loan portfolio was funded primarily by certificates of deposit of $1.2 billion. The twelve-month rolling average net default rate on loans held by EnerBank was one percent at December 31, 2016. 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 December 31, 2016.

Employee Separation Program: In June 2016, CMS Energy and Consumers announced a voluntary separation program for non-union employees. CMS Energy and Consumers recorded a charge of $11 million related to this program, under which 176 employees accepted and were approved for early

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separation. After hiring replacements for certain positions, CMS Energy and Consumers expect a net reduction of 126 employees. This will result in future cost savings, as employee staffing levels will be better matched to workload demand, which reflects CMS Energy s and Consumers ongoing productivity and quality improvements.

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 3, Regulatory Matters and Note 4, Contingencies and Commitments.

CRITICAL ACCOUNTING POLICIES AND ESTIMATES

The following accounting policies and related information are important to an understanding of CMS Energy s and Consumers results of operations and financial condition. For additional accounting policies, see Note 1, Significant Accounting Policies.

Use of Estimates and Assumptions

In the preparation of CMS Energy s and Consumers consolidated financial statements, estimates and assumptions are used that may affect reported amounts and disclosures. CMS Energy and Consumers use accounting estimates for asset valuations, unbilled revenue, depreciation, amortization, financial and derivative instruments, employee benefits, stock-based compensation, the effects of regulation, indemnities, and contingencies. Actual results may differ from estimated results due to changes in the regulatory environment, regulatory decisions, lawsuits, competition, and other factors. CMS Energy and Consumers consider all relevant factors in making these assessments.

Accounting for the Effects of Industry Regulation: Because Consumers has regulated operations, it uses regulatory accounting to recognize the effects of the regulators decisions on its financial statements. Consumers continually assesses whether future recovery of its regulatory assets is probable by considering communications and experience with its regulators and changes in the regulatory environment. If Consumers determined that recovery of a regulatory asset were not probable, Consumers would be required to write off the asset and immediately recognize the expense in earnings.

Contingencies: CMS Energy and Consumers make judgments regarding the future outcome of various matters that give rise to contingent liabilities. For such matters, they record liabilities when they are considered probable and reasonably estimable, based on all available information. In particular, CMS Energy and Consumers are participating in various environmental remediation projects for which they have recorded liabilities. The recorded amounts represent estimates that may take into account such considerations as the number of sites, the anticipated scope, cost, and timing of remediation work, the available technology, applicable regulations, and the requirements of governmental authorities. For remediation projects in which the timing of estimated expenditures is considered reliably determinable, CMS Energy and Consumers record the liability at its net present value, using a discount rate equal to the interest rate on monetary assets that are essentially risk-free and have maturities comparable to that of the environmental liability. The amount recorded for any contingency may differ from actual costs incurred when the contingency is resolved. For additional details, see Note 4, Contingencies and Commitments.

Derivative Instruments: CMS Energy and Consumers account for certain contracts as derivative instruments. If a contract is a derivative and does not qualify for the normal purchases and sales exception, it is recorded on the consolidated balance sheets at its fair value. Each quarter, the resulting asset or liability is adjusted to reflect any change in the fair value of the contract.

The criteria used to determine if an instrument qualifies for derivative accounting or for an exception from derivative accounting are complex and often require judgment in application. Changes in business

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strategies or market conditions, as well as a requirement to apply different interpretations of the derivative accounting literature, could result in changes in accounting for a single contract or groups of contracts, which could have a material impact on CMS Energy s and Consumers financial statements. For additional details on CMS Energy s and Consumers derivatives and how the fair values of derivatives are determined, see Note 6, Fair Value Measurements.

Income Taxes: The amount of income taxes paid by CMS Energy is subject to ongoing audits by federal, state, and foreign tax authorities, which can result in proposed assessments. An estimate of the potential outcome of any uncertain tax issue is highly judgmental. CMS Energy believes adequate reserves have been provided for these exposures; however, future results may include favorable or unfavorable adjustments to the estimated tax liabilities in the period the assessments are made or resolved or when statutes of limitation on potential assessments expire. Additionally, CMS Energy s judgment as to the ability to recover its deferred tax assets may change. CMS Energy believes the valuation allowances related to its deferred tax assets are adequate, but future results may include favorable or unfavorable adjustments. As a result, CMS Energy s effective tax rate may fluctuate significantly over time. For additional details, see Note 14, Income Taxes.

Pension and OPEB: CMS Energy and Consumers provide retirement pension benefits to certain employees under a non-contributory DB Pension Plan, and they provide postretirement health and life benefits to qualifying retired employees under an OPEB Plan.

CMS Energy and Consumers record liabilities for pension and OPEB on their consolidated balance sheets at the present value of the future obligations, net of any plan assets. The calculation of the liabilities and associated expenses requires the expertise of actuaries, and requires many assumptions, including:

- life expectancies
- discount rates
- expected long-term rate of return on plan assets
- rate of compensation increases
- expected health care costs

A change in these assumptions could change significantly CMS Energy s and Consumers recorded liabilities and associated expenses.

Presented in the following table are estimates of CMS Energy s and Consumers DB Pension Plan and OPEB Plan costs (credits) through 2019. Neither CMS Energy nor Consumers plans to contribute to the DB Pension Plan or OPEB Plan through 2019. Actual future costs and contributions will depend on future investment performance, discount rates, and various factors related to the DB Pension Plan and OPEB Plan participants.

		In Millions
	DB Pension Plan Cost	OPEB Plan Cost (Credit)
CMS Energy, including Consumers		
2017	$ 65	$ (21)
2018	78	(21)
2019	82	(23)
Consumers[1]		
2017	$ 63	$ (16)
2018	75	(16)
2019	79	(18)

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

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In January 2016, CMS Energy and Consumers changed the method they use to determine the discount rate used to calculate the service cost and interest cost components of net periodic benefit costs for the DB Pension and OPEB Plans. For further details, see Note 12, Retirement Benefits.

Lowering the expected long-term rate of return on the DB Pension Plan assets by 25 basis points (from 7.25 percent to 7.00 percent) would increase estimated DB Pension Plan cost for 2017 by $5 million for both CMS Energy and Consumers. Lowering the PBO discount rate by 25 basis points (from 4.30 percent to 4.05 percent) would increase estimated DB Pension Plan cost for 2017 by $6 million for both CMS Energy and Consumers.

Pension and OPEB plan assets are accounted for and disclosed at fair value. Fair value measurements incorporate assumptions that market participants would use in pricing an asset or liability, including assumptions about risk. Development of these assumptions may require judgment.

For additional details on postretirement benefits, including the fair value measurements for the DB Pension Plan and OPEB Plan assets, see Note 12, Retirement Benefits.

Revenue Subject to Refund: Unless prohibited by the MPSC upon a showing of good cause, Consumers is allowed to self-implement new energy rates six months after a new rate case filing; however, the rates that Consumers self-implements may be subject to refund, with interest. Consumers recognizes revenue associated with self-implemented rates. If Consumers considers it probable that it will be required to refund a portion of its self-implemented rates, it records a provision for revenue subject to refund. A final rate order could differ materially from Consumers estimates underlying its self-implemented rates, giving rise to accounting adjustments. Under accounting rules for prior period adjustments, CMS Energy and Consumers may need to record such differences, if they are specifically identifiable to prior interim periods, as revisions to those periods. The 2016 Energy Law, which will become effective in April 2017, eliminates utilities self-implementation of rates under general rate cases, but provides for more timely processing of general rate cases.

Unbilled Revenues: 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 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 $361 million at December 31, 2016 and $325 million at December 31, 2015.

Market Risk Information

CMS Energy and Consumers are exposed to market risks including, but not limited to, changes in interest rates, commodity prices, and investment security prices. They may enter into various risk management contracts to mitigate exposure to these risks, including swaps, options, futures, and forward contracts. CMS Energy and Consumers enter into these contracts using established policies and procedures, under the direction of an executive oversight committee consisting of certain officers and a risk committee consisting of those and other officers and business managers.

The following risk sensitivities illustrate the potential loss in fair value, cash flows, or future earnings from financial instruments, assuming a hypothetical adverse change in market rates or prices of ten percent. Potential losses could exceed the amounts shown in the sensitivity analyses if changes in market rates or prices were to exceed ten percent.

Interest-Rate Risk: CMS Energy and Consumers are exposed to interest-rate risk resulting from issuing fixed-rate and variable-rate financing instruments. CMS Energy and Consumers use a combination of these instruments, and may also enter into interest-rate swap agreements, in order to manage this risk and to achieve a reasonable cost of capital.

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Presented in the following table is a sensitivity analysis of interest-rate risk (assuming an adverse change in market interest rates of ten percent):

		In Millions
December 31	2016	2015
Fixed-rate financing potential loss in fair value		
CMS Energy, including Consumers	$ 291	$ 263
Consumers	175	161

The fair value losses in the above table could be realized only if CMS Energy and Consumers transferred all of their fixed-rate financing to other creditors. The annual earnings exposure related to variable-rate financing was insignificant for both CMS Energy and Consumers at December 31, 2016 and 2015, assuming an adverse change in market interest rates of ten percent.

Investment Securities Price Risk: Through investments in equity securities, CMS Energy and Consumers are exposed to equity price fluctuations. The following table shows the potential effect of adverse changes in equity prices on CMS Energy s and Consumers available-for-sale investments.

Presented in the following table is a sensitivity analysis of investment securities price risk (assuming an adverse change in market prices of ten percent):

		In Millions
December 31	2016	2015
CMS Energy, including Consumers		
Potential reduction in fair value of available-for-sale securities		
DB SERP		
Mutual funds	$ 14	$ 15
Consumers		
Potential reduction in fair value of available-for-sale securities		
DB SERP		
Mutual funds	$ 10	$ 10
CMS Energy common stock	3	3

Notes Receivable Risk: CMS Energy is exposed to interest-rate risk resulting from EnerBank s fixed-rate installment loans. EnerBank provides these loans to homeowners to finance home improvements.

Presented in the following table is a sensitivity analysis of notes receivable (assuming an adverse change in market interest rates of ten percent):

		In Millions
December 31	2016	2015
CMS Energy, including Consumers		

Potential reduction in fair value		
Notes receivable	$ 30	$ 23

The fair value losses in the above table could be realized only if EnerBank sold its loans to other parties. For additional details on financial instruments, see Note 7, Financial Instruments.

NEW ACCOUNTING STANDARDS

For details regarding new accounting standards issued but not yet effective, see Note 2, New Accounting Standards.

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CMS Energy Corporation

Consolidated Statements of Income

			In Millions
Years Ended December 31	2016	2015	2014
Operating Revenue	$ 6,399	$ 6,456	$ 7,179
Operating Expenses			
Fuel for electric generation	499	593	673
Purchased and interchange power	1,508	1,406	1,602
Purchased power related parties	86	83	90
Cost of gas sold	710	961	1,493
Maintenance and other operating expenses	1,207	1,238	1,232
Depreciation and amortization	811	750	685
General taxes	281	262	252
Total operating expenses	5,102	5,293	6,027
Operating Income	1,297	1,163	1,152
Other Income (Expense)			
Interest income	6	12	5
Allowance for equity funds used during construction	12	10	8
Income from equity method investees	13	14	15
Other income	8	10	11
Other expense	(75)	(17)	(55)
Total other income (expense)	(36)	29	(16)
Interest Charges			
Interest on long-term debt	411	386	393
Other interest expense	29	14	17
Allowance for borrowed funds used during construction	(5)	(4)	(3)
Total interest charges	435	396	407
Income Before Income Taxes	826	796	729
Income Tax Expense	273	271	250
Net Income	553	525	479
Income Attributable to Noncontrolling Interests	2	2	2
Net Income Available to Common Stockholders	$ 551	$ 523	$ 477
Basic Earnings Per Average Common Share	$ 1.99	$ 1.90	$ 1.76
Diluted Earnings Per Average Common Share	$ 1.98	$ 1.89	$ 1.74

The accompanying notes are an integral part of these statements.

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CMS Energy Corporation

Consolidated Statements of Comprehensive Income

			In Millions
Years Ended December 31	2016	2015	2014
Net Income	$ 553	$ 525	$ 479
Retirement Benefits Liability			
Net gain (loss) arising during the period, net of tax of $(5), $-, and $(18)	(8)	1	(29)
Amortization of net actuarial loss, net of tax of $-, $4, and $1	2	5	3
Amortization of prior service credit, net of tax of $- for all periods	(1)	(1)	(1)
Investments			
Unrealized gain (loss) on investments, net of tax of $-, $(1), and $(1)	1	(3)	(1)
Other-than-temporary impairment included in net income, net of tax of $2, $-, and $-	3	-	-
Derivative Instruments			
Reclassification adjustments included in net income, net of tax of $- for all periods	-	-	1
Other Comprehensive Income (Loss)	(3)	2	(27)
Comprehensive Income	550	527	452
Comprehensive Income Attributable to Noncontrolling Interests	2	2	2
Comprehensive Income Attributable to CMS Energy	$ 548	$ 525	$ 450

The accompanying notes are an integral part of these statements.

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CMS Energy Corporation

Consolidated Statements of Cash Flows

			In Millions
Years Ended December 31	2016	2015	2014
Cash Flows from Operating Activities			
Net income	$ 553	$ 525	$ 479
Adjustments to reconcile net income to net cash provided by operating activities			
Depreciation and amortization	811	750	685
Deferred income taxes and investment tax credit	264	247	227
Bad debt expense	50	58	80
Other non-cash operating activities and reconciling adjustments	52	100	58
Postretirement benefits contributions	(108)	(262)	(32)
Cash provided by (used in) changes in assets and liabilities			
Accounts and notes receivable and accrued revenue	(155)	120	(31)
Inventories	146	147	(36)
Accounts payable and accrued refunds	59	(26)	50
Other current and non-current assets and liabilities	(43)	(19)	1
Net cash provided by operating activities	1,629	1,640	1,481
Cash Flows from Investing Activities			
Capital expenditures (excludes assets placed under capital lease)	(1,672)	(1,564)	(1,577)
Jackson plant acquisition	-	(154)	-
Increase in EnerBank notes receivable	(136)	(279)	(255)
Proceeds from the sale of EnerBank notes receivable	-	48	-
Cost to retire property and other investing activities	(107)	(115)	(66)
Net cash used in investing activities	(1,915)	(2,064)	(1,898)
Cash Flows from Financing Activities			
Proceeds from issuance of long-term debt	1,049	599	1,428
Net increase in EnerBank certificates of deposit	100	214	233
Issuance of common stock	72	43	43
Retirement of long-term debt	(728)	(224)	(750)
Debt prepayment costs	(18)	-	(36)
Payment of dividends on common and preferred stock	(347)	(322)	(295)
Change in notes payable	149	189	(110)
Payment of capital lease obligations and other financing costs	(22)	(36)	(51)
Net cash provided by financing activities	255	463	462
Net Increase (Decrease) in Cash and Cash Equivalents, Including Restricted Amounts	(31)	39	45
Cash and Cash Equivalents, Including Restricted Amounts, Beginning of Period	288	249	204
Cash and Cash Equivalents, Including Restricted Amounts, End of Period	$ 257	$ 288	$ 249

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			In Millions
Years Ended December 31	2016	2015	2014
Other cash flow activities and non-cash investing and financing activities			
Cash transactions			
Interest paid (net of amounts capitalized)	$ 427	$ 386	$ 380
Income taxes paid, net	32	10	22
Non-cash transactions			
Capital expenditures not paid	138	201	201
Note receivable recorded for future refund of use taxes paid and capitalized	29	-	-
Other assets placed under capital lease	13	17	7

The accompanying notes are an integral part of these statements.

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CMS Energy Corporation

Consolidated Balance Sheets

ASSETS

December 31	2016	In Millions 2015
Current Assets		
Cash and cash equivalents	$ 235	$ 266
Restricted cash and cash equivalents	19	19
Accounts receivable and accrued revenue, less allowances of $24 in 2016 and $28 in 2015	821	774
Notes receivable, less allowances of $16 in 2016 and $9 in 2015	180	128
Notes receivable held for sale	39	16
Accounts receivable related parties	12	11
Inventories at average cost		
Gas in underground storage	446	568
Materials and supplies	119	126
Generating plant fuel stock	61	84
Deferred property taxes	250	235
Regulatory assets	17	16
Prepayments and other current assets	81	77
Total current assets	2,280	2,320
Plant, Property, and Equipment		
Plant, property, and equipment, gross	21,010	18,943
Less accumulated depreciation and amortization	6,056	5,747
Plant, property, and equipment, net	14,954	13,196
Construction work in progress	761	1,509
Total plant, property, and equipment	15,715	14,705
Other Non-current Assets		
Regulatory assets	2,091	1,840
Accounts and notes receivable	1,118	1,027
Investments	65	64
Other	353	343
Total other non-current assets	3,627	3,274
Total Assets	$ 21,622	$ 20,299

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LIABILITIES AND EQUITY

December 31	2016	*In Millions* 2015
Current Liabilities		
Current portion of long-term debt, capital leases, and financing obligation	$ 886	$ 706
Notes payable	398	249
Accounts payable	598	633
Accounts payable related parties	12	9
Accrued rate refunds	21	26
Accrued interest	98	106
Accrued taxes	348	349
Regulatory liabilities	95	82
Other current liabilities	199	142
Total current liabilities	2,655	2,302
Non-current Liabilities		
Long-term debt	8,640	8,400
Non-current portion of capital leases and financing obligation	110	118
Regulatory liabilities	2,041	2,088
Postretirement benefits	789	591
Asset retirement obligations	447	439
Deferred investment tax credit	73	56
Deferred income taxes	2,287	2,017
Other non-current liabilities	290	313
Total non-current liabilities	14,677	14,022
Commitments and Contingencies (Notes 3, 4, and 5)		
Equity		
Common stockholders equity		
Common stock, authorized 350.0 shares; outstanding 279.2 shares in 2016 and 277.2 shares in 2015	3	3
Other paid-in capital	4,916	4,837
Accumulated other comprehensive loss	(50)	(47)
Accumulated deficit	(616)	(855)
Total common stockholders equity	4,253	3,938
Noncontrolling interests	37	37
Total equity	4,290	3,975
Total Liabilities and Equity	$ 21,622	$ 20,299

The accompanying notes are an integral part of these statements.

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CMS Energy Corporation

Consolidated Statements of Changes in Equity

In Millions, Except Number of Shares in Thousands

Years Ended December 31	Number of Shares 2016	2015	2014	2016	2015	2014
Total Equity at Beginning of Period				$ 3,975	$ 3,707	$ 3,491
Common Stock						
At beginning and end of period				3	3	3
Other Paid-in Capital						
At beginning of period	277,163	275,184	266,137	4,837	4,774	4,715
Common stock issued	2,580	2,062	9,371	90	65	59
Common stock repurchased	(292)	(306)	(271)	(11)	(12)	(7)
Common stock reissued	-	288	-	-	10	-
Conversion option on convertible debt	-	-	-	-	-	7
Common stock reacquired	(245)	(65)	(53)	-	-	-
At end of period	279,206	277,163	275,184	4,916	4,837	4,774
Accumulated Other Comprehensive Loss						
At beginning of period				(47)	(49)	(22)
Retirement benefits liability						
At beginning of period				(43)	(48)	(21)
Net gain (loss) arising during the period				(8)	1	(29)
Amortization of net actuarial loss				2	5	3
Amortization of prior service credit				(1)	(1)	(1)
At end of period				(50)	(43)	(48)
Investments						
At beginning of period				(4)	(1)	-
Unrealized gain (loss) on investments				1	(3)	(1)
Other-than-temporary impairment included in net income				3	-	-
At end of period				-	(4)	(1)
Derivative instruments						
At beginning of period				-	-	(1)
Reclassification adjustments included in net income				-	-	1
At end of period				-	-	-
At end of period				(50)	(47)	(49)

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Years Ended December 31	2016	2015	*In Millions* 2014
Accumulated Deficit			
At beginning of period	(855)	(1,058)	(1,242)
Cumulative effect of change in accounting principle	33	-	-
Net income attributable to CMS Energy	551	523	477
Dividends declared on common stock	(345)	(320)	(293)
At end of period	(616)	(855)	(1,058)
Noncontrolling Interests			
At beginning of period	37	37	37
Income attributable to noncontrolling interests	2	2	2
Distributions and other changes in noncontrolling interests	(2)	(2)	(2)
At end of period	37	37	37
Total Equity at End of Period	$ 4,290	$ 3,975	$ 3,707

The accompanying notes are an integral part of these statements.

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Consumers Energy Company

Consolidated Statements of Income

			In Millions
Years Ended December 31	2016	2015	2014
Operating Revenue	$ 6,064	$ 6,165	$ 6,800
Operating Expenses			
Fuel for electric generation	393	497	567
Purchased and interchange power	1,486	1,376	1,564
Purchased power related parties	88	83	89
Cost of gas sold	693	939	1,375
Maintenance and other operating expenses	1,090	1,149	1,146
Depreciation and amortization	803	744	678
General taxes	277	255	246
Total operating expenses	4,830	5,043	5,665
Operating Income	1,234	1,122	1,135
Other Income (Expense)			
Interest income	4	11	4
Interest and dividend income related parties	1	1	1
Allowance for equity funds used during construction	12	10	8
Other income	8	19	10
Other expense	(55)	(17)	(35)
Total other income (expense)	(30)	24	(12)
Interest Charges			
Interest on long-term debt	261	252	243
Other interest expense	12	2	10
Allowance for borrowed funds used during construction	(5)	(4)	(3)
Total interest charges	268	250	250
Income Before Income Taxes	936	896	873
Income Tax Expense	320	302	306
Net Income	616	594	567
Preferred Stock Dividends	2	2	2
Net Income Available to Common Stockholder	$ 614	$ 592	$ 565

The accompanying notes are an integral part of these statements.

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Consumers Energy Company

Consolidated Statements of Comprehensive Income

						In Millions
Years Ended December 31		2016		2015		2014
Net Income	$	616	$	594	$	567
Retirement Benefits Liability						
Net gain (loss) arising during the period, net of tax of $(1), $2, and $(7)		(3)		3		(11)
Amortization of net actuarial loss, net of tax of $-, $2, and $1		1		4		2
Investments						
Unrealized gain (loss) on investments, net of tax of $2, $(1), and $2		3		(1)		4
Reclassification adjustments included in net income, net of tax of $-, $(3), and $-		-		(5)		-
Other-than-temporary impairment included in net income, net of tax of $2, $-, and $-		2		-		-
Other Comprehensive Income (Loss)		3		1		(5)
Comprehensive Income	$	619	$	595	$	562

The accompanying notes are an integral part of these statements.

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Consumers Energy Company

Consolidated Statements of Cash Flows

			In Millions
Years Ended December 31	2016	2015	2014
Cash Flows from Operating Activities			
Net income	$ 616	$ 594	$ 567
Adjustments to reconcile net income to net cash provided by operating activities			
Depreciation and amortization	803	744	678
Deferred income taxes and investment tax credit	289	204	263
Bad debt expense	31	50	72
Other non-cash operating activities and reconciling adjustments	25	98	34
Postretirement benefits contributions	(98)	(243)	(29)
Cash provided by (used in) changes in assets and liabilities			
Accounts and notes receivable and accrued revenue	(138)	104	(16)
Inventories	145	144	(36)
Accounts payable and accrued refunds	57	(22)	47
Other current and non-current assets and liabilities	(49)	121	(226)
Net cash provided by operating activities	1,681	1,794	1,354
Cash Flows from Investing Activities			
Capital expenditures (excludes assets placed under capital lease)	(1,656)	(1,537)	(1,573)
Jackson plant acquisition	-	(154)	-
Cost to retire property and other investing activities	(112)	(110)	(70)
Net cash used in investing activities	(1,768)	(1,801)	(1,643)
Cash Flows from Financing Activities			
Proceeds from issuance of long-term debt	446	250	878
Retirement of long-term debt	(198)	(124)	(220)
Debt prepayment costs	-	-	(16)
Payment of dividends on common and preferred stock	(501)	(476)	(459)
Stockholder contribution	275	150	495
Return of stockholder contribution	-	-	(178)
Payment of capital lease obligations and other financing costs	(3)	(23)	(38)
Change in notes payable	149	189	(110)
Net cash provided by (used in) financing activities	168	(34)	352
Net Increase (Decrease) in Cash and Cash Equivalents, Including Restricted Amounts	81	(41)	63
Cash and Cash Equivalents, Including Restricted Amounts, Beginning of Period	71	112	49
Cash and Cash Equivalents, Including Restricted Amounts, End of Period	$ 152	$ 71	$ 112

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			In Millions
Years Ended December 31	2016	2015	2014
Other cash flow activities and non-cash investing and financing activities			
Cash transactions			
Interest paid (net of amounts capitalized)	$ 256	$ 245	$ 233
Income taxes paid (refunds received), net	50	(84)	266
Non-cash transactions			
Capital expenditures not paid	127	182	201
Note receivable recorded for future refund of use taxes paid and capitalized	29	-	-
Other assets placed under capital lease	13	17	7

The accompanying notes are an integral part of these statements.

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Consumers Energy Company

Consolidated Balance Sheets

ASSETS

		In Millions
December 31	2016	2015
Current Assets		
Cash and cash equivalents	$ 131	$ 50
Restricted cash and cash equivalents	19	19
Accounts receivable and accrued revenue, less allowances of $24 in 2016 and $28 in 2015	800	758
Notes receivable	29	-
Accounts receivable related parties	9	17
Inventories at average cost		
Gas in underground storage	446	568
Materials and supplies	114	120
Generating plant fuel stock	57	80
Deferred property taxes	250	235
Regulatory assets	17	16
Prepayments and other current assets	70	66
Total current assets	1,942	1,929
Plant, Property, and Equipment		
Plant, property, and equipment, gross	20,838	18,797
Less accumulated depreciation and amortization	5,994	5,676
Plant, property, and equipment, net	14,844	13,121
Construction work in progress	759	1,467
Total plant, property, and equipment	15,603	14,588
Other Non-current Assets		
Regulatory assets	2,091	1,840
Accounts and notes receivable	27	10
Investments	33	29
Other	250	239
Total other non-current assets	2,401	2,118
Total Assets	$ 19,946	$ 18,635

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LIABILITIES AND EQUITY

December 31		2016		*In Millions* 2015
Current Liabilities				
Current portion of long-term debt, capital leases, and financing obligation	$	397	$	220
Notes payable		398		249
Accounts payable		580		613
Accounts payable related parties		18		15
Accrued rate refunds		21		26
Accrued interest		67		65
Accrued taxes		354		352
Regulatory liabilities		95		82
Other current liabilities		164		109
Total current liabilities		2,094		1,731
Non-current Liabilities				
Long-term debt		5,253		5,183
Non-current portion of capital leases and financing obligation		110		118
Regulatory liabilities		2,041		2,088
Postretirement benefits		730		529
Asset retirement obligations		446		438
Deferred investment tax credit		73		56
Deferred income taxes		3,042		2,710
Other non-current liabilities		218		236
Total non-current liabilities		11,913		11,358
Commitments and Contingencies (Notes 3, 4, and 5)				
Equity				
Common stockholder s equity				
Common stock, authorized 125.0 shares; outstanding 84.1 shares for both periods		841		841
Other paid-in capital		3,999		3,724
Accumulated other comprehensive loss		(3)		(6)
Retained earnings		1,065		950
Total common stockholder s equity		5,902		5,509
Preferred stock		37		37
Total equity		5,939		5,546
Total Liabilities and Equity	$	19,946	$	18,635

The accompanying notes are an integral part of these statements.

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Consumers Energy Company

Consolidated Statements of Changes in Equity

			In Millions
Years Ended December 31	2016	2015	2014
Total Equity at Beginning of Period	$ 5,546	$ 5,277	$ 4,857
Common Stock			
At beginning and end of period	841	841	841
Other Paid-in Capital			
At beginning of period	3,724	3,574	3,257
Stockholder contribution	275	150	495
Return of stockholder contribution	-	-	(178)
At end of period	3,999	3,724	3,574
Accumulated Other Comprehensive Loss			
At beginning of period	(6)	(7)	(2)
Retirement benefits liability			
At beginning of period	(19)	(26)	(17)
Net gain (loss) arising during the period	(3)	3	(11)
Amortization of net actuarial loss	1	4	2
At end of period	(21)	(19)	(26)
Investments			
At beginning of period	13	19	15
Unrealized gain (loss) on investments	3	(1)	4
Reclassification adjustments included in net income	-	(5)	-
Other-than-temporary impairment included in net income	2	-	-
At end of period	18	13	19
At end of period	(3)	(6)	(7)
Retained Earnings			
At beginning of period	950	832	724
Net income	616	594	567
Dividends declared on common stock	(499)	(474)	(457)
Dividends declared on preferred stock	(2)	(2)	(2)
At end of period	1,065	950	832
Preferred Stock			
At beginning and end of period	37	37	37
Total Equity at End of Period	$ 5,939	$ 5,546	$ 5,277

The accompanying notes are an integral part of these statements.

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CMS Energy Corporation

Consumers Energy Company

Notes to the Consolidated Financial Statements

1: SIGNIFICANT ACCOUNTING POLICIES

Principles of Consolidation: CMS Energy and Consumers prepare their consolidated financial statements in conformity with GAAP. CMS Energy s consolidated financial statements comprise CMS Energy, Consumers, CMS Enterprises, and all other entities in which CMS Energy has a controlling financial interest or is the primary beneficiary. Consumers consolidated financial statements comprise Consumers and all other entities in which it has a controlling financial interest or is the primary beneficiary. CMS Energy uses the equity method of accounting for investments in companies and partnerships that are not consolidated, where they have significant influence over operations and financial policies but are not the primary beneficiary. CMS Energy and Consumers eliminate intercompany transactions and balances.

Use of Estimates: CMS Energy and Consumers are required to make estimates using assumptions that may affect reported amounts and disclosures. Actual results could differ from those estimates.

Revenue Recognition Policy: CMS Energy and Consumers recognize revenue from deliveries of electricity and natural gas, and from the transportation, processing, and storage of natural gas, when services are provided. CMS Energy and Consumers record unbilled revenue for the estimated amount of energy delivered to customers but not yet billed. CMS Energy and Consumers record sales tax net and exclude it from revenue. CMS Energy recognizes revenue on sales of marketed electricity, natural gas, and other energy products at delivery.

Alternative-Revenue Program: The energy optimization incentive mechanism provides a financial incentive if the energy savings of Consumers customers exceed annual targets established by the MPSC. The maximum incentive that Consumers may earn under this mechanism is 15 percent of the amount it spends on energy optimization programs, which is limited to two percent of Consumers retail revenue. Consumers accounts for this program as an alternative-revenue program that meets the criteria for recognizing revenue related to the incentive as soon as energy savings exceed the annual targets established by the MPSC. The 2016 Energy Law, which will become effective in April 2017, expands existing incentives for energy efficiency programs.

Self-Implemented Rates: Unless prohibited by the MPSC upon a showing of good cause, Consumers is allowed to self-implement new energy rates six months after a new rate case filing if the MPSC has not issued an order in the case. The MPSC then has another six months to issue a final order. If the MPSC does not issue a final order within that period, the filed rates are considered approved. If the MPSC issues a final order within that period, the rates that Consumers self-implemented may be subject to refund, with interest. Consumers recognizes revenue associated with self-implemented rates. If Consumers considers it probable that it will be required to refund a portion of its self-implemented rates, then Consumers records a provision for revenue subject to refund. The 2016 Energy Law, which will become effective in April 2017, eliminates utilities self-implementation of rates under general rate cases, but provides for more timely processing of general rate cases.

EnerBank: EnerBank provides four types of unsecured consumer installment loans: same-as-cash, zero interest, reduced interest, and traditional. Under EnerBank s same-as-cash programs, authorized contractors pay EnerBank a fee to provide a borrower with the option to pay off the loan interest-free during the same-as-cash period. EnerBank recognizes the fee on a straight-line basis over the same-as-cash period, which typically ranges from three to 24 months. If a borrower does not exercise its option to

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pay off its loan interest-free during the same-as-cash period, EnerBank charges the borrower accrued interest at the loan s contractual rate on the outstanding balance from the origination date. Under the zero interest and reduced interest programs, authorized contractors pay EnerBank a fee to provide a borrower with no interest or reduced rates of interest for the entire term of the loan. EnerBank recognizes the fee using the interest method over the term of the loan, which ranges from one to 12 years. Unearned income associated with the fees is recorded as a reduction to notes receivable on CMS Energy s consolidated balance sheets.

EnerBank recognizes interest income using the interest method and amortizes loan origination fees, net of certain direct origination costs, over the loan term. EnerBank ceases recognizing interest income when a loan loss is confirmed or when a loan becomes 120 days past due, at which time the loan principal is charged against the allowance for loan losses. At that time, EnerBank recognizes any interest accrued but not received for such loan losses as a reversal of interest income.

The loan fees and interest income earned by EnerBank are reported as operating revenue on CMS Energy s consolidated statements of income.

Accounts Receivable: 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 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.

Contingencies: CMS Energy and Consumers record estimated liabilities for contingencies on their consolidated financial statements when it is probable that a liability has been incurred and when the amount of loss can be reasonably estimated. For environmental remediation projects in which the timing of estimated expenditures is considered reliably determinable, CMS Energy and Consumers record the liability at its net present value, using a discount rate equal to the interest rate on monetary assets that are essentially risk-free and have maturities comparable to that of the environmental liability. CMS Energy and Consumers expense legal fees as incurred; fees incurred but not yet billed are accrued based on estimates of work performed.

Debt Issuance Costs, Discounts, Premiums, and Refinancing Costs: Upon the issuance of long-term debt, CMS Energy and Consumers defer issuance costs, discounts, and premiums and amortize those amounts over the terms of the associated debt. Debt issuance costs are presented as a direct deduction from the carrying amount of long-term debt on the balance sheet. Upon the refinancing of long-term debt, Consumers, as a regulated entity, defers any remaining unamortized issuance costs, discounts, and premiums associated with the refinanced debt and amortizes those amounts over the term of the newly issued debt. For the non-regulated portions of CMS Energy s business, any remaining unamortized issuance costs, discounts, and premiums associated with extinguished debt are charged to earnings.

Derivative Instruments: In order to support ongoing operations, CMS Energy and Consumers enter into contracts for the future purchase and sale of various commodities, such as electricity, natural gas, and coal. These forward contracts are generally long-term in nature and result in physical delivery of the commodity at a contracted price. Most of these contracts are not subject to derivative accounting for one or more of the following reasons:

- they do not have a notional amount (that is, a number of units specified in a derivative instrument, such as MWh of electricity or bcf of natural gas)
- they qualify for the normal purchases and sales exception
- there is not an active market for the commodity

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Consumers coal purchase contracts are not derivatives because there is not an active market for the coal it purchases. If an active market for coal develops in the future, some of these contracts may qualify as derivatives. Since Consumers is subject to regulatory accounting, the resulting fair value gains and losses would be deferred as regulatory assets or liabilities and would not affect net income.

Consumers also 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. Consumers accounts for FTRs as derivatives. All changes in fair value associated with FTRs are deferred as regulatory assets and liabilities until the instruments are settled.

CMS Energy and Consumers record derivative contracts that do not qualify for the normal purchases and sales exception at fair value on their consolidated balance sheets. Each reporting period, the resulting asset or liability is adjusted to reflect any change in the fair value of the contract. Since none of CMS Energy s or Consumers derivatives has been designated as an accounting hedge, all changes in fair value are either reported in earnings or deferred as regulatory assets or liabilities. For details regarding CMS Energy s and Consumers derivative instruments recorded at fair value, see Note 6, Fair Value Measurements.

Earnings Per Share: CMS Energy calculates basic and diluted EPS using the weighted-average number of shares of common stock and dilutive potential common stock outstanding during the period. Potential common stock, for purposes of determining diluted EPS, includes the effects of nonvested stock awards and contingently convertible securities. CMS Energy computes the effect on potential common stock using the treasury stock method or the if-converted method, as applicable. Diluted EPS excludes the impact of antidilutive securities, which are those securities resulting in an increase in EPS or a decrease in loss per share. For EPS computations, see Note 15, Earnings Per Share CMS Energy.

Financial Instruments: CMS Energy and Consumers record debt and equity securities classified as available for sale at fair value as determined from quoted market prices or other observable, market-based inputs. Unrealized gains and losses resulting from changes in fair value of these securities are determined on a specific-identification basis. CMS Energy and Consumers report unrealized gains and losses on these securities, net of tax, in equity as part of AOCI, except that unrealized losses determined to be other than temporary are reported in earnings. For additional details regarding financial instruments, see Note 7, Financial Instruments.

Impairment of Long-Lived Assets and Equity Method Investments: CMS Energy and Consumers perform tests of impairment if certain triggering events occur or if there has been a decline in value that may be other than temporary.

CMS Energy and Consumers evaluate long-lived assets held in use for impairment by calculating the undiscounted future cash flows expected to result from the use of the asset and its eventual disposition. If the undiscounted future cash flows are less than the carrying amount, CMS Energy and Consumers recognize an impairment loss equal to the amount by which the carrying amount exceeds the fair value. CMS Energy and Consumers estimate the fair value of the asset using quoted market prices, market prices of similar assets, or discounted future cash flow analyses.

CMS Energy also assesses equity method investments for impairment whenever there has been a decline in value that is other than temporary. This assessment requires CMS Energy to determine the fair value of the equity method investment. CMS Energy determines fair value using valuation methodologies, including discounted cash flows, and assesses the ability of the investee to sustain an earnings capacity that justifies the carrying amount of the investment. CMS Energy records an impairment if the fair value is less than the carrying amount and the decline in value is considered to be other than temporary.

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Inventory: CMS Energy and Consumers use the weighted-average cost method for valuing working gas, recoverable base gas in underground storage facilities, and materials and supplies inventory. CMS Energy and Consumers also use this method for valuing coal inventory, and they classify these amounts as generating plant fuel stock on their consolidated balance sheets.

CMS Energy and Consumers account for RECs and emission allowances as inventory and use the weighted-average cost method to remove amounts from inventory. RECs and emission allowances are used to satisfy compliance obligations related to the generation of power. CMS Energy and Consumers classify these amounts within other assets on their consolidated balance sheets.

CMS Energy and Consumers evaluate inventory for impairment as required to ensure that its carrying value does not exceed the lower of cost or net realizable value.

MISO Transactions: MISO requires the submission of hourly day-ahead and real-time bids and offers for energy at locations across the MISO region. CMS Energy and Consumers account for MISO transactions on a net hourly basis in each of the real-time and day-ahead markets, netted across all MISO energy market locations. CMS Energy and Consumers record net hourly purchases in purchased and interchange power and net hourly sales in operating revenue on their consolidated statements of income. They record net billing adjustments upon receipt of settlement statements, record accruals for future net purchases and sales adjustments based on historical experience, and reconcile accruals to actual expenses and sales upon receipt of settlement statements.

Property Taxes: Property taxes are based on the taxable value of Consumers real and personal property assessed by local taxing authorities. Consumers records property tax expense over the fiscal year of the taxing authority for which the taxes are levied based on Consumers budgeted customer sales. The deferred property tax balance represents the amount of Consumers accrued property tax that will be recognized over future governmental fiscal periods.

Renewable Energy Grant: In 2013, Consumers received a renewable energy cash grant for Lake Winds® Energy Park under Section 1603 of the American Recovery and Reinvestment Tax Act of 2009. Upon receipt of the grant, Consumers recorded a regulatory liability, which Consumers is amortizing over the life of Lake Winds® Energy Park. Consumers presents the amortization as a reduction to maintenance and other operating expenses on its consolidated statements of income. Consumers recorded the deferred income taxes related to the grant as a reduction of the book basis of Lake Winds® Energy Park.

Other: For additional accounting policies, see:

- Note 8, Notes Receivable
- Note 9, Plant, Property, and Equipment
- Note 11, Asset Retirement Obligations
- Note 12, Retirement Benefits

- Note 14, Income Taxes
- Note 17, Cash and Cash Equivalents

2: NEW ACCOUNTING STANDARDS

Implementation of New Accounting Standards

ASU 2014-12, Accounting for Share-Based Payments When the Terms of an Award Provide That a Performance Target Could Be Achieved after the Requisite Service Period: This standard, which was effective on January 1, 2016 for CMS Energy and Consumers, addresses stock awards with performance targets that can be met after an employee has completed the required service period. The standard was issued to resolve diversity in practice regarding the accounting treatment for this type of award. Under the new guidance, the probability of the performance target being met should be factored into compensation expense each period. This guidance is consistent with the accounting that CMS Energy and Consumers already applied to awards of this type. Therefore, the standard had no impact on CMS Energy s or Consumers consolidated financial statements.

ASU 2015-02, Amendments to the Consolidation Analysis: This standard, which was effective on January 1, 2016 for CMS Energy and Consumers, provides amended guidance on whether reporting entities should consolidate certain legal entities, including limited partnerships. CMS Energy and Consumers determined that the standard did not change any of their consolidation conclusions or have any impact on their consolidated net income, cash flows, or financial position.

ASU 2015-03, Simplifying the Presentation of Debt Issuance Costs: This standard, which was effective on January 1, 2016 for CMS Energy and Consumers, requires that debt issuance costs be presented as a direct deduction from the carrying amount of long-term debt on the balance sheet. Previously, debt issuance costs were reported as an asset. The new guidance aligns the presentation of debt issuance costs with debt discounts and premiums. In accordance with the standard, CMS Energy included $45 million and Consumers included $25 million of unamortized debt issuance costs in long-term debt on their consolidated balance sheets at December 31, 2016. In addition, this standard requires that entities apply the new guidance retrospectively to all prior periods presented. Accordingly, CMS Energy reclassified $41 million and Consumers reclassified $23 million of unamortized debt issuance costs from other non-current assets to long-term debt on their consolidated balance sheets at December 31, 2015.

ASU 2016-09, Improvements to Employee Share-Based Payment Accounting: This standard was issued to simplify and improve the accounting for employee share-based payment awards. The required effective date of the standard for CMS Energy and Consumers is January 1, 2017, but early adoption is permitted. CMS Energy and Consumers elected to adopt the standard early as of January 1, 2016. The standard requires all excess tax benefits and deficiencies that occur upon vesting of employee stock awards to be recognized in net income. Previously, CMS Energy and Consumers did not record excess tax benefits on restricted stock awards in net income but, under this standard, CMS Energy and Consumers recorded $7 million of excess tax benefits in net income for the year ended December 31, 2016. Also, in accordance with the standard, CMS Energy recorded a $33 million cumulative adjustment to its accumulated deficit at January 1, 2016. This amount represented excess federal tax benefits that CMS Energy had not recognized in prior periods due to the use of tax loss carryforwards. The implementation of this standard had no other major impacts on CMS Energy s or Consumers consolidated financial statements.

ASU 2016-15, Classification of Certain Cash Receipts and Cash Payments: This standard provides guidance on how certain cash receipts and cash payments should be classified in the statement of cash flows, with the objective of reducing diversity in practice. The required effective date of the standard for CMS Energy and Consumers is January 1, 2018, but early adoption is permitted. CMS Energy and Consumers elected to adopt the standard early for the year ended December 31, 2016. The standard addresses various cash flow issues, including debt prepayment and debt extinguishment costs. Under the new guidance, these costs, including premiums paid, should be classified as cash flows from financing activities. Previously, CMS Energy and Consumers classified premiums paid to retire debt early as cash flows from operating activities but, in accordance with this standard, they classified these payments as cash flows from financing activities for the year ended December 31, 2016. In addition, the standard requires that entities apply the new guidance retrospectively to all prior periods presented, unless impracticable. Accordingly, for the year ended December 31, 2014, CMS Energy reclassified $36 million and Consumers reclassified $16 million of debt retirement premium payments from operating activities to financing activities on their consolidated statements of cash flows. The standard had no other major impacts on CMS Energy s or Consumers consolidated financial statements.

ASU 2016-18, Restricted Cash: This standard requires restricted cash and cash equivalents to be included with cash and cash equivalents when reconciling beginning-of-period and end-of-period amounts shown on the statement of cash flows. Under this guidance, the statement of cash flows should explain the total

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change in cash balances, including amounts described as restricted. The required effective date of the standard for CMS Energy and Consumers is January 1, 2018, but early adoption is permitted. CMS Energy and Consumers elected to adopt the standard early for the year ended December 31, 2016. In accordance with the standard, CMS Energy and Consumers included restricted cash amounts in their reconciliations of cash balances on their consolidated statements of cash flows for the year ended December 31, 2016. Previously, restricted cash amounts were excluded from the reconciliations of cash balances and transfers between cash balances and restricted cash balances were presented as other investing activities. In addition, the standard requires that entities apply the new guidance retrospectively to all prior periods presented. Accordingly, CMS Energy and Consumers made the following adjustments to prior-period amounts on their consolidated statements of cash flows:

				In Millions
Years Ended December 31		2015		2014
CMS Energy, including Consumers				
Increase (decrease) in:				
Cash and cash equivalents, including restricted amounts, beginning of period	$	42	$	32
Net cash used in investing activities		(20)		10
Cash and cash equivalents, including restricted amounts, end of period		22		42
Consumers				
Increase (decrease) in:				
Cash and cash equivalents, including restricted amounts, beginning of period	$	41	$	31
Net cash used in investing activities		(20)		10
Cash and cash equivalents, including restricted amounts, end of period		21		41

For further information on CMS Energy s and Consumers cash balances, see Note 17, Cash and Cash Equivalents.

New Accounting Standards Not Yet Effective

ASU 2014-09, Revenue from Contracts with Customers: This standard 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 will replace most of the existing revenue recognition requirements in GAAP, although certain guidance specific to rate-regulated utilities will be retained. The standard will be effective on January 1, 2018 for CMS Energy and Consumers, but early adoption in 2017 is permitted. Entities will have the option to apply the standard retrospectively to all prior periods presented, or to apply it retrospectively only to contracts existing at the effective date, with the cumulative effect of the standard recorded as an adjustment to beginning retained earnings. CMS Energy and Consumers have determined that they will not elect to adopt the standard early, but they are still assessing how they will apply the standard upon adoption.

CMS Energy and Consumers are continuing to evaluate the impact of this standard on their consolidated financial statements; however, they have determined that the standard will have no impact on a majority of their revenues. The standard may require utility contributions in aid of construction to be treated as revenue, rather than as a reduction to the cost of plant, property, and equipment. Also, the standard may not permit revenue to be recognized for certain accounts for which collection is not deemed probable, which would represent a change from the existing practice of recognizing revenue at the billing rates, with associated expenses for uncollectible accounts. CMS Energy and Consumers do not presently expect that these two issues will have a material impact on their consolidated net income, cash flows, or financial position, but they are still assessing these issues and other requirements of the standard.

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ASU 2016-01, Recognition and Measurement of Financial Assets and Financial Liabilities: This standard, which will be effective January 1, 2018 for CMS Energy and Consumers, is intended to improve the accounting for financial instruments. The standard will require 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 will no longer permit unrealized gains and losses for certain equity investments to be recorded in AOCI. CMS Energy and Consumers presently record unrealized gains and losses on certain equity investments, including the mutual funds in the DB SERP and Consumers investment in CMS Energy common stock, in AOCI, except that unrealized losses determined to be other than temporary are reported in earnings. For further details on these investments, see Note 7, Financial Instruments. Entities will apply the standard using a modified retrospective approach, with a cumulative-effect adjustment recorded to beginning retained earnings on the effective date.

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. As a result, CMS Energy and Consumers expect to recognize additional lease assets and liabilities for their operating leases under this standard. 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 continuing to evaluate the impact of the standard on their consolidated financial statements and do not presently expect to adopt the standard early. See Note 10, Leases and Palisades Financing, for more information on CMS Energy s and Consumers operating lease obligations.

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.

3: 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.

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Regulatory Assets and Liabilities

Consumers is subject to the actions of the MPSC and FERC and therefore prepares its consolidated financial statements in accordance with the provisions of regulatory accounting. A utility must apply regulatory accounting when its rates are designed to recover specific costs of providing regulated services. Under regulatory accounting, Consumers records regulatory assets or liabilities for certain transactions that would have been treated as expense or revenue by non-regulated businesses.

Presented in the following table are the regulatory assets and liabilities on Consumers consolidated balance sheets:

					In Millions
December 31	End of Recovery or Refund Period		2016		2015
Regulatory assets					
Current					
Energy optimization plan incentive[1]	2017	$	17	$	16
Total current regulatory assets		$	17	$	16
Non-current					
Postretirement benefits[2]	various	$	1,373	$	1,096
Securitized costs[3]	2029		323		348
ARO[4]	various		166		151
MGP sites[4]	various		139		146
Unamortized loss on reacquired debt[4]	various		54		61
Energy optimization plan incentive[1]	2018		18		18
Gas storage inventory adjustments[4]	various		14		18
Other	various		4		2
Total non-current regulatory assets		$	2,091	$	1,840
Total regulatory assets		$	2,108	$	1,856
Regulatory liabilities					
Current					
Income taxes, net	2017	$	64	$	64
Reserve for customer refunds	2017		31		18
Total current regulatory liabilities		$	95	$	82
Non-current					
Cost of removal	various	$	1,809	$	1,745
Renewable energy plan	2028		83		109
ARO	various		62		73
Renewable energy grant	2043		58		60
Energy optimization plan	various		11		26
Income taxes, net	various		7		64
Other	various		11		11
Total non-current regulatory liabilities		$	2,041	$	2,088
Total regulatory liabilities		$	2,136	$	2,170

1 These regulatory assets have arisen from an alternative revenue program and are not associated with incurred costs or capital investments. Therefore, the MPSC has provided for recovery without a return.

2 This regulatory asset is offset partially by liabilities. The net amount is included in rate base, thereby providing a return.

3 The MPSC has authorized a specific return on this regulatory asset.

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4 These regulatory assets represent incurred costs for which the MPSC has provided, or Consumers expects, recovery without a return on investment.

Regulatory Assets

Energy Optimization Plan Incentive: In September 2016, the MPSC approved a settlement agreement authorizing Consumers to collect $18 million during 2017 as an incentive for exceeding its statutory savings targets in 2015 and for achieving certain other goals. Consumers recognized incentive revenue under this program of $18 million in 2015.

Consumers also exceeded its statutory savings targets in 2016, and achieved certain other goals, and will request the MPSC s approval to collect $18 million, the maximum performance incentive, in the energy optimization reconciliation to be filed in 2017. Consumers recognized incentive revenue under this program of $18 million in 2016.

Postretirement Benefits: As part of the ratemaking process, the MPSC allows Consumers to recover the costs of postretirement benefits. Accordingly, Consumers defers the net impact of actuarial losses and gains as well as prior service costs and credits associated with postretirement benefits as a regulatory asset or liability. The asset or liability will decrease as the deferred items are amortized and recognized as components of net periodic benefit cost. For details about the amortization periods, see Note 12, Retirement Benefits.

Securitized Costs: In 2013, the MPSC issued a securitization financing order authorizing Consumers to issue securitization bonds in order to finance the recovery of the remaining book value of seven smaller coal-fueled electric generating units that Consumers retired in April 2016 and three smaller natural gas-fueled electric generating units that Consumers retired in June 2015. Upon receipt of the MPSC s order, Consumers removed the book value of the ten units from plant, property, and equipment and recorded this amount as a regulatory asset. Consumers is amortizing the regulatory asset over the life of the related securitization bonds, which it issued through a subsidiary in 2014. For additional details regarding the securitization bonds, see Note 5, Financings and Capitalization.

ARO: The recovery of the underlying asset investments and related removal and monitoring costs of recorded AROs is approved by the MPSC in depreciation rate cases. Consumers records a regulatory asset and a regulatory liability for timing differences between the recognition of AROs for financial reporting purposes and the recovery of these costs from customers. The recovery period approximates the useful life of the assets to be removed.

MGP Sites: Consumers is incurring environmental remediation and other response activity costs at 23 former MGP facilities. The MPSC allows Consumers to recover from its natural gas customers over a ten-year period the costs incurred to remediate the MGP sites.

Unamortized Loss on Reacquired Debt: Under regulatory accounting, any unamortized discount, premium, or expense related to debt redeemed with the proceeds of new debt is capitalized and amortized over the life of the new debt.

Gas Storage Inventory Adjustments: Consumers incurs inventory expenses related to the loss of gas from its natural gas storage fields. The MPSC allows Consumers to recover these costs from its natural gas customers over a five-year period.

Regulatory Liabilities

Income Taxes, Net: These costs represent the difference between deferred income taxes recognized for financial reporting purposes and amounts previously reflected in Consumers rates. This net balance will decrease over the remaining life of the related temporary differences and flow through current income tax benefit.

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. The order authorized Consumers to implement a regulatory treatment beginning January 2014 that will return $209 million of income tax benefits over five years to electric customers and $260 million of income tax benefits over 12 years to gas customers. During 2016, Consumers returned $64 million of income tax benefits to customers.

Reserve for Customer Refunds: Consumers had recorded reserves for customer refunds of $31 million at December 31, 2016 and $18 million at December 31, 2015. At December 31, 2016, the majority of the balance related to self-implemented electric and gas rates. At December 31, 2015, the amount recorded included a $14 million regulatory liability related to the overcollection during 2015 of surcharges related to securitization bonds that Consumers issued in 2001 and retired in 2015. Consumers refunded this amount to customers in 2016.

Cost of Removal: These amounts have been collected from customers to fund future asset removal activities. This regulatory liability is reduced as costs of removal are incurred. The refund period of this regulatory liability approximates the useful life of the assets to be removed.

Renewable Energy Plan: Consumers has collected surcharges to fund its renewable energy plan. Amounts not yet spent under the plan are recorded as a regulatory liability, which is amortized as incremental costs are incurred to operate and depreciate Consumers wind parks and to purchase RECs under renewable energy purchase agreements. Incremental costs represent costs incurred in excess of amounts recovered through the PSCR process.

Renewable Energy Grant: In 2013, Consumers received a $69 million renewable energy grant for Lake Winds® Energy Park, which began operations in 2012. This grant reduces Consumers cost of complying with Michigan s renewable portfolio standard and, accordingly, reduces the overall renewable energy surcharge to be collected from customers. The regulatory liability recorded for the grant will be amortized over the life of Lake Winds® Energy Park.

Energy Optimization Plan: At December 31, 2016 and 2015, surcharges collected from customers to fund Consumers energy optimization plan exceeded Consumers spending. The associated regulatory liability is amortized as costs are incurred under Consumers energy optimization plan.

Consumers Electric Utility

2014 Electric Rate Case: In December 2014, Consumers filed an application with the MPSC seeking an annual rate increase of $163 million, and in June 2015, Consumers self-implemented an annual rate increase of $110 million, subject to refund with interest. The MPSC issued an order in November 2015, authorizing an annual rate increase of $165 million, based on a 10.3 percent authorized rate of return on equity. In April 2016, upon the retirement of seven coal-fueled electric generating units, the annual rate increase was reduced to $126 million.

In February 2016, Consumers filed a reconciliation of total revenues collected during self-implementation to those that would have been collected under final rates. In June 2016, the MPSC approved a settlement agreement that resulted in a $1 million refund to customers.

2016 Electric Rate Case: In March 2016, Consumers filed an application with the MPSC seeking an annual rate increase of $225 million, based on a 10.7 percent authorized return on equity. The filing requested authority to recover new investment in system reliability, environmental compliance, and

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technology enhancements. Presented in the following table are the components of the requested increase in revenue:

		In Millions
Components of the rate increase		
Investment in rate base	$	161
Operating and maintenance costs		21
Gross margin		17
Cost of capital		15
Working capital		11
Total	$	225

The filing also seeks approval of an investment recovery mechanism that would provide for additional annual rate increases of $38 million beginning in 2017, $92 million beginning in 2018, and $92 million beginning in 2019 for incremental investments that Consumers plans to make in those years, subject to reconciliation.

In September 2016, Consumers self-implemented an annual rate increase of $170 million, subject to refund with interest. In October 2016, Consumers reduced its requested annual rate increase to $208 million. Consumers had a recorded reserve for customer refunds at December 31, 2016 that it believes is adequate.

Consumers Gas Utility

Gas Rate Case: In July 2015, Consumers filed an application with the MPSC seeking an annual rate increase of $85 million, based on a 10.7 percent authorized return on equity. In January 2016, Consumers self-implemented an annual rate increase of $60 million, subject to refund with interest. In April 2016, the MPSC approved a settlement agreement authorizing a $40 million annual rate increase.

In July 2016, Consumers filed a reconciliation of total revenues collected during self-implementation to those that would have been collected under final rates. In November 2016, the MPSC approved a settlement agreement that resulted in a $10 million refund to customers, which Consumers had recorded as a reserve for customer refunds at December 31, 2016.

Power Supply Cost Recovery and Gas Cost Recovery

The PSCR and GCR ratemaking processes are designed to allow Consumers to recover all of its power supply and purchased natural gas costs if incurred under reasonable and prudent policies and practices. The MPSC reviews these costs, policies, and practices in annual plan and reconciliation proceedings. Consumers adjusts its PSCR and GCR billing charges monthly in order to minimize the underrecovery or overrecovery amount in the annual reconciliations. Underrecoveries represent probable future revenues that will be recovered from customers; overrecoveries represent previously collected revenues that will be refunded to customers.

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Presented in the following table are the liabilities for PSCR and GCR overrecoveries reflected on Consumers consolidated balance sheets:

				In Millions
December 31		2016		2015
Liabilities				
PSCR overrecoveries	$	8	$	8
GCR overrecoveries		13		18
Accrued rate refunds	$	21	$	26

PSCR Plans and Reconciliations: In May 2016, the MPSC issued an order in Consumers 2013 PSCR reconciliation, approving full recovery of $1.9 billion of power costs and authorizing Consumers to reflect in its 2014 PSCR plan the overrecovery of $9 million.

In May 2016, the MPSC issued an order in Consumers 2014 PSCR plan, authorizing the 2014 PSCR factor that Consumers self-implemented beginning in January 2014 and then revised in July 2014 following severe winter weather during the three months ended March 31, 2014. In July 2016, the MPSC issued an order in Consumers 2014 PSCR reconciliation, approving full recovery of $2.1 billion of power costs and authorizing Consumers to reflect in its 2015 PSCR plan the overrecovery of $5 million.

In June 2016, the MPSC issued an order in Consumers 2015 PSCR plan, authorizing the 2015 PSCR factor that Consumers self-implemented beginning in January 2015. In March 2016, Consumers filed its 2015 PSCR reconciliation, requesting full recovery of $1.9 billion of power costs and authorization to reflect in its 2016 PSCR plan the overrecovery of $6 million.

In October 2016, the MPSC approved Consumers 2016 PSCR plan, with the exception of the recovery of litigation costs related to a complaint that Consumers filed against a rail transportation company, and adjusted the 2016 PSCR factor that Consumers self-implemented in January 2016. In its order, the MPSC indicated that the litigation costs could be included for consideration in a general rate case. In connection with this disallowance, Consumers recognized a charge of $6 million related to litigation costs incurred during 2015 and 2016.

GCR Plans and Reconciliations: In July 2016, the MPSC issued an order in Consumers 2013-2014 GCR reconciliation, approving full recovery of $0.9 billion of gas costs and authorizing Consumers to reflect in its 2014-2015 GCR plan the underrecovery of $84 million.

In September 2016, the MPSC issued an order in Consumers 2014-2015 GCR reconciliation, approving full recovery of $0.8 billion of gas costs and authorizing Consumers to reflect in its 2015-2016 GCR plan the overrecovery of $9 million.

In May 2016, the MPSC issued an order in Consumers 2015-2016 GCR plan, revising the 2015-2016 GCR factor that Consumers self-implemented beginning in April 2015. Consumers filed its 2015-2016 GCR reconciliation in June 2016, requesting full recovery of $0.5 billion of gas costs and authorization to reflect in its 2016-2017 GCR plan the overrecovery of $2 million.

In November 2016, the MPSC issued an order in Consumers 2016-2017 GCR plan, authorizing the 2016-2017 GCR factor that Consumers self-implemented beginning in April 2016.

4: 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

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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, have been 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. The following provides more detail on the cases in which CMS Energy or its affiliates were named as parties:

- In 2005, CMS Energy, CMS MST, and CMS Field Services were named as defendants in a putative class action filed in Kansas state court, Learjet, Inc., et al. v. Oneok, Inc., et al. The complaint alleges that during the putative class period, January 2000 through October 2002, the defendants engaged in a scheme to violate the Kansas Restraint of Trade Act. The plaintiffs are seeking treble damages, statutory full consideration damages consisting of the full consideration paid by the plaintiffs for natural gas purchased during the period, costs, and attorneys fees.

- In 2007, a class action complaint, Heartland Regional Medical Center, et al. v. Oneok, Inc. et al., was filed as a putative class action in Missouri state court alleging violations of Missouri antitrust laws. The defendants, including CMS Energy, CMS Field Services, and CMS MST, are alleged to have violated the Missouri antitrust law in connection with their natural gas reporting activities during the period January 2000 through October 2002. The plaintiffs are seeking treble damages, costs, and attorneys fees.

- In 2006, a class action complaint, Arandell Corp., et al. v. XCEL Energy Inc., et al., was filed in Wisconsin state court on behalf of Wisconsin commercial entities that purchased natural gas between January 2000 and October 2002. The defendants, including CMS Energy, CMS ERM, and Cantera Gas Company, are alleged to have violated Wisconsin s antitrust statute. The plaintiffs are seeking full consideration damages, treble damages, costs, interest, and attorneys fees.

- In 2009, a class action complaint, Newpage Wisconsin System v. CMS ERM, et al., was filed in circuit court in Wood County, Wisconsin, against CMS Energy, CMS ERM, Cantera Gas Company, and others. The plaintiff is seeking full consideration damages, treble damages, costs, interest, and attorneys fees.

- In 2005, J.P. Morgan Trust Company, N.A., in its capacity as trustee of the FLI Liquidating Trust, filed an action in Kansas state court against CMS Energy, CMS MST, CMS Field Services, and others. The complaint alleges various claims under the Kansas Restraint of Trade Act. The plaintiff is seeking statutory full consideration damages for its purchases of natural gas in 2000 and 2001, costs, and attorneys fees.

After removal to federal court, all of the cases described above 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. Plaintiffs filed appeals in all of the cases. The issues on appeal were whether the district court erred in dismissing the cases based on FERC preemption and denying the plaintiffs motions for leave to amend their complaints to add a federal Sherman Act antitrust claim.

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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 May 2016, the federal district court granted the defendants motion for summary judgment in the individual lawsuit based on a release in a prior settlement involving similar allegations and reinstated CMS Energy as a defendant in one of the class action lawsuits. The order of summary judgment has been appealed. In December 2016, CMS Energy entities reached a tentative settlement with the plaintiffs in the three Kansas and Missouri cases for an amount that was not material to CMS Energy. Notice of the tentative settlement has been filed in the federal district court. The settlement will be subject to court approval. Other CMS Energy entities remain as defendants in the two Wisconsin class action lawsuits.

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 October 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. 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 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 December 31, 2016, CMS Energy had a recorded liability of $51 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 $65 million. CMS Energy expects to pay the following amounts for long-term liquid disposal and operating and maintenance in each of the next five years:

					In Millions
	2017	2018	2019	2020	2021
CMS Energy					
Long-term liquid disposal and operating and maintenance costs	$ 5	$ 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.

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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 CMS Energy owes $152 million in taxes, plus significant penalties and interest, in connection with the sale. The matter is proceeding to formal arbitration. CMS Energy has concluded that the government s tax claim is without merit and is contesting 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 December 31, 2016, 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 December 31, 2016, 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.

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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 December 31, 2016, Consumers had a recorded liability of $107 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 $117 million. Consumers expects to pay the following amounts for remediation and other response activity costs in each of the next five years:

					In Millions
	2017	2018	2019	2020	2021
Consumers					
Remediation and other response activity costs	$ 35	$ 14	$ 19	$ 10	$ 5

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 December 31, 2016, 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 December 31, 2016, 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 December 31, 2016:

				In Millions
Guarantee Description	Issue Date	Expiration Date	Maximum Obligation	Carrying Amount

CMS Energy, including Consumers				
Indemnity obligations from stock and asset sale agreements[1]	Various	Indefinite	$ 153	$ 7
Guarantees[2]	Various	Indefinite	48	-
Consumers				
Guarantee[2]	July 2011	Indefinite	$ 30	$ -

1 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.

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2 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. For additional details on this guarantee, see Note 20, Variable Interest Entities.

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

Michigan Sales and Use Tax Litigation: In 2010, the Michigan Department of Treasury finalized a sales and use tax audit of Consumers for the period from October 1997 through December 2004. It determined that Consumers electric distribution equipment and its natural gas system were not eligible for an industrial-processing exemption and therefore were subject to the use tax. Consumers paid the tax for the period from 1997 through 2004 and filed a claim in the Michigan Court of Claims disputing the tax determination. Consumers continued to apply the industrial-processing exemption for the years subsequent to 2004.

In December 2015 and June 2016, Consumers and the Michigan Department of Treasury reached settlements under which the Michigan Department of Treasury agreed to refund to Consumers $60 million of use tax that Consumers paid on its electric distribution equipment and its natural gas system from 1997 through 2015. This amount comprised a $42 million refund of taxes paid, a $12 million refund of interest paid, and $6 million of interest owed to Consumers.

In December 2015, Consumers recognized the 2015 settlement, which totaled $37 million, in its consolidated financial statements. Accordingly, Consumers recorded a $12 million reduction in other interest expense, $6 million in interest income, and a $19 million reduction in plant, property, and equipment for the portion of the taxes paid that had originally been capitalized as a cost of equipment. Consumers also recorded an additional $5 million reduction in general taxes for the elimination of a loss contingency previously recorded for this matter.

In June 2016, Consumers received $13 million of the total settlement amount and recorded a note receivable for the remainder, of which $30 million will be received in 2017 and $17 million in 2018. Also in June 2016, Consumers recorded a $4 million reduction in maintenance and other operating expenses, and the remainder of the settlement amount as a reduction in plant, property, and equipment for the portion of the taxes paid that had originally been capitalized as a cost of equipment.

Concurrently with the June 2016 sales and use tax settlement, CMS Energy reached agreement with the Michigan Department of Treasury on two other tax matters that were under dispute relating to Michigan Corporate Income Tax and Michigan Single Business Tax. As a result, CMS Energy recognized a $3 million reduction in income tax expense and a $3 million reduction in general taxes.

Other: In addition to the matters disclosed in this Note and Note 3, 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

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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.

Contractual Commitments

Purchase Obligations: Purchase obligations arise from long-term contracts for the purchase of commodities and related services, and construction and service agreements. The commodities and related services include long-term PPAs, natural gas and associated transportation, and coal and associated transportation. Related-party PPAs are between Consumers and certain affiliates of CMS Enterprises. Presented in the following table are CMS Energy s and Consumers contractual purchase obligations at December 31, 2016 for each of the periods shown:

In Millions

	Payments Due						
	Total	2017	2018	2019	2020	2021	Beyond 2021
CMS Energy, including Consumers							
Total PPAs	$ 9,356	$ 1,008	$ 1,031	$ 1,021	$ 1,051	$ 1,044	$ 4,201
Other	1,922	931	376	187	132	32	264
Consumers							
PPAs							
MCV PPA	$ 3,010	$ 326	$ 331	$ 330	$ 344	$ 325	$ 1,354
Palisades PPA	1,994	354	365	376	388	398	113
Related-party PPAs	899	81	82	86	88	88	474
Other PPAs	3,453	247	253	229	231	233	2,260
Total PPAs	$ 9,356	$ 1,008	$ 1,031	$ 1,021	$ 1,051	$ 1,044	$ 4,201
Other	1,651	895	347	157	102	19	131

MCV PPA: Consumers has a 35-year PPA that began in 1990 with the MCV Partnership to purchase 1,240 MW of electricity. The MCV PPA, as amended and restated, provides for:

- a capacity charge of $10.14 per MWh of available capacity
- a fixed energy charge based on Consumers annual average baseload coal generating plant operating and maintenance cost, fuel inventory, and administrative and general expenses
- a variable energy charge based on the MCV Partnership s cost of production when the plant is dispatched
- a $5 million annual contribution by the MCV Partnership to a renewable resources program
- an option for Consumers to extend the MCV PPA for five years or purchase the MCV Facility at the conclusion of the MCV PPA s term in March 2025

Capacity and energy charges under the MCV PPA were $305 million in 2016, $282 million in 2015, and $300 million in 2014.

Palisades PPA: Consumers has a PPA expiring in 2022 with Entergy to purchase virtually all of the capacity and energy produced by Palisades, up to the annual average capacity of 798 MW. For all delivered energy, the Palisades PPA has escalating capacity and variable energy charges. Total capacity and energy charges under the Palisades PPA were $363 million in 2016, $352 million in 2015, and $302 million in 2014. In December 2016, Consumers and Entergy reached an agreement to terminate the PPA in May 2018, subject to timely receipt of certain MPSC approvals. The payments due reflect the original terms of the PPA. For further details about Palisades, see Note 10, Leases and Palisades Financing.

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Other PPAs: Consumers has PPAs expiring through 2036 with various counterparties. The majority of the PPAs have capacity and energy charges for delivered energy. Capacity and energy charges under these PPAs were $348 million in 2016, $347 million in 2015, and $354 million in 2014.

5: FINANCINGS AND CAPITALIZATION

Presented in the following table is CMS Energy s long-term debt at December 31:

				In Millions
	Interest Rate (%)	Maturity	2016	2015
CMS Energy, including Consumers				
CMS Energy, parent only				
Senior notes	6.550	2017	$ -	$ 250
	5.050	2018	-	250
	8.750	2019	300	300
	6.250	2020	300	300
	5.050	2022	300	300
	3.875	2024	250	250
	3.600	2025	250	250
	3.000	2026	300	-
	2.950	2027	275	-
	4.700	2043	250	250
	4.875	2044	300	300
Total senior notes			$ 2,525	$ 2,450
Term loan facility	variable [1]	2018	180	180
EnerBank				
Certificates of deposit	1.505 [2]	2017-2026	1,198	1,098
Consumers			5,661	5,409
Total principal amount outstanding			$ 9,564	$ 9,137
Current amounts			(864)	(684)
Net unamortized discounts			(15)	(12)
Unamortized issuance costs			(45)	(41)
Total long-term debt			$ 8,640	$ 8,400

1 Outstanding borrowings bear interest at an annual interest rate of LIBOR plus 0.85 percent (1.61 percent at December 31, 2016).

2 The weighted-average interest rate for EnerBank s certificates of deposit was 1.51 percent at December 31, 2016 and 1.36 percent at December 31, 2015. EnerBank s primary deposit product consists of brokered certificates of deposit with varying maturities and having a face value of $1,000.

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Presented in the following table is Consumers long-term debt at December 31:

In Millions

	Interest Rate (%)	Maturity	2016	2015
Consumers				
First mortgage bonds[1]	5.500	2016	$ -	$ 173
	5.150	2017	250	250
	3.210	2017	100	100
	5.650	2018	250	250
	6.125	2019	350	350
	6.700	2019	500	500
	5.650	2020	300	300
	3.770	2020	100	100
	5.300	2022	250	250
	2.850	2022	375	375
	3.375	2023	325	325
	3.190	2024	52	52
	3.125	2024	250	250
	3.390	2027	35	35
	5.800	2035	175	175
	6.170	2040	50	50
	4.970	2040	50	50
	4.310	2042	263	263
	3.950	2043	425	425
	4.100	2045	250	250
	3.250	2046	450	-
	4.350	2064	250	250
Total first mortgage bonds			$ 5,050	$ 4,773
Securitization bonds	2.790 [2]	2020-2029 [3]	328	353
Senior notes	6.875	2018	180	180
Tax-exempt pollution control revenue bonds	various	2018-2035	103	103
Total principal amount outstanding			$ 5,661	$ 5,409
Current amounts			(375)	(198)
Net unamortized discounts			(8)	(5)
Unamortized issuance costs			(25)	(23)
Total long-term debt			$ 5,253	$ 5,183

1 The weighted-average interest rate for Consumers first mortgage bonds was 4.57 percent at December 31, 2016 and 4.73 percent at December 31, 2015.

2 The weighted-average interest rate for Consumers securitization bonds issued through its subsidiary Consumers 2014 Securitization Funding was 2.79 percent at December 31, 2016 and 2.69 percent at December 31, 2015.

3 Principal and interest payments are made semiannually.

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Financings: Presented in the following table is a summary of major long-term debt transactions during the year ended December 31, 2016:

		Principal (In Millions)	Interest Rate	Issue/Retirement Date	Maturity Date
Debt issuances					
CMS Energy, parent only					
Senior notes	$	300	3.000 %	May 2016	May 2026
Senior notes		275	2.950	November 2016	February 2027
Total CMS Energy, parent only	$	575			
Consumers					
First mortgage bonds	$	450	3.250 %	August 2016	August 2046
Total Consumers	$	450			
Total CMS Energy	$	1,025			
Debt retirements					
CMS Energy, parent only					
Senior notes	$	250	6.550 %	December 2016	July 2017
Senior notes		250	5.050	December 2016	February 2018
Total CMS Energy, parent only	$	500			
Consumers					
First mortgage bonds	$	173	5.500 %	August 2016	August 2016
Total Consumers	$	173			
Total CMS Energy	$	673			

First Mortgage Bonds: Consumers secures its first mortgage bonds by a mortgage and lien on substantially all of its property. Consumers 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.

Term Loan: In April 2016, the maturity date of CMS Energy s $180 million term loan was extended by one year, through April 2018.

Regulatory Authorization for Financings: Consumers is required to maintain FERC authorization for financings. In June 2016, Consumers received authorization from FERC to have outstanding, at any one time, up to $800 million of secured and unsecured short-term securities for general corporate purposes. At December 31, 2016, Consumers had entered into short-term borrowing programs allowing it to issue up to $800 million in short-term securities; $398 million of securities were outstanding under these programs. FERC has also authorized Consumers to issue and sell up to $1.8 billion of secured and unsecured long-term securities for general corporate purposes. The remaining availability was $1.3 billion at December 31, 2016. The authorizations were effective July 1, 2016 and terminate June 30, 2018. 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 Consumers subsidiary, Consumers 2014 Securitization Funding, collateralize Consumers securitization bonds. The bondholders have no recourse to Consumers assets except for those held by the subsidiary that issued the bonds. Consumers 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 Consumers or creditors of Consumers affiliates other than the subsidiary that issued the bonds.

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Debt Maturities: At December 31, 2016, the aggregate annual contractual maturities for long-term debt for the next five years were:

	2017	2018	2019	2020	*In Millions* 2021
CMS Energy, including Consumers					
Long-term debt	$ 864	$ 975	$ 1,326	$ 850	$ 103
Consumers					
Long-term debt	$ 375	$ 523	$ 876	$ 426	$ 27

Revolving Credit Facilities: The following secured revolving credit facilities with banks were available at December 31, 2016:

Expiration Date	Amount of Facility	Amount Borrowed	Letters of Credit Outstanding	*In Millions* Amount Available
CMS Energy, parent only				
May 27, 2021[1,3]	$ 550	$ -	$ 1	$ 549
Consumers				
May 27, 2021[1,4]	$ 650	$ -	$ 7	$ 643
November 23, 2018[2,4]	250	-	-	250
May 9, 2018[4]	30	-	30	-

1 In May 2016, the expiration date of this revolving credit agreement was extended from 2020 to 2021.

2 In November 2016, the expiration date of this revolving credit agreement was extended from 2017 to 2018.

3 During the year ended December 31, 2016, CMS Energy s average borrowings totaled $3 million with a weighted-average interest rate of 1.68 percent. Obligations under this facility are secured by Consumers common stock.

4 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 $650 million revolving credit facility and may have an aggregate principal amount outstanding of up to $500 million. While the amount of outstanding commercial paper does not reduce the revolver s available capacity, Consumers does not intend to issue commercial paper in an amount exceeding the available revolver capacity. At December 31, 2016, $398 million of commercial paper notes with a weighted-average annual interest rate of 1.14 percent were outstanding under this program and are recorded as current notes payable on the consolidated balance sheets of CMS Energy and Consumers.

Dividend Restrictions: At December 31, 2016, payment of dividends by CMS Energy on its common stock was limited to $4.3 billion under provisions of the Michigan Business Corporation Act of 1972.

Under the provisions of its articles of incorporation, at December 31, 2016, Consumers had $1.0 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.

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For the year ended December 31, 2016, Consumers paid $499 million in dividends on its common stock to CMS Energy.

Capitalization: The authorized capital stock of CMS Energy consists of:

- 350 million shares of CMS Energy Common Stock, par value $0.01 per share
- 10 million shares of CMS Energy Preferred Stock, par value $0.01 per share

Issuance of Common Stock: In April 2015, 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	Proceeds (In Millions)
2015	888,610	$ 33.76	$ 30
2016	1,449,171	41.40	60
Total	2,337,781	$ 38.50	$ 90

Preferred Stock of Subsidiary: Presented in the following table are details about Consumers preferred stock outstanding:

December 31	Series	Optional Redemption Price	Number of Shares Outstanding	Balance Outstanding (In Millions) 2016	2015
Cumulative, $100 par value, authorized 7,500,000 shares, with no mandatory redemption	$ 4.50	$ 110.00	373,148	$ 37	$ 37

6: 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.

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Assets and Liabilities Measured at Fair Value on a Recurring Basis

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

				In Millions
	CMS Energy, including Consumers		Consumers	
December 31	2016	2015	2016	2015
Assets1				
Cash equivalents	$ 44	$ 158	$ -	$ -
Restricted cash equivalents	19	19	19	19
CMS Energy common stock	-	-	33	29
Nonqualified deferred compensation plan assets	12	10	8	7
DB SERP				
Cash equivalents	3	2	2	2
Mutual funds	141	146	102	104
Derivative instruments				
Commodity contracts	1	1	1	1
Total	$ 220	$ 336	$ 165	$ 162
Liabilities1				
Nonqualified deferred compensation plan liabilities	$ 12	$ 10	$ 8	$ 7
Total	$ 12	$ 10	$ 8	$ 7

1 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 NAVs. CMS Energy and Consumers value their nonqualified deferred compensation plan liabilities based on the fair values of the plan assets, as they reflect what is 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 invests in mutual funds that hold primarily fixed-income instruments of varying maturities. In order to meet their investment objectives, the funds hold investment-grade debt securities, and may invest a portion of their assets in high-yield securities, foreign debt, and derivative instruments. CMS Energy and

Consumers value these funds using the daily quoted NAVs. CMS Energy and Consumers report their DB SERP assets in other non-current assets on their consolidated balance sheets. For additional details about DB SERP securities, see Note 7, Financial Instruments.

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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 derivatives classified as Level 3 are FTRs held by Consumers. Due to the lack of quoted pricing information, Consumers determines the fair value of its FTRs based on Consumers average historical settlements.

Assets and Liabilities Measured at Fair Value on a Recurring Basis Using Significant Level 3 Inputs

Presented in the following table are reconciliations of changes in the fair values of Level 3 assets and liabilities at CMS Energy and Consumers:

			In Millions
Years Ended December 31	2016	2015	2014
CMS Energy, including Consumers			
Balance at beginning of period	$ 1	$ 1	$ 4
Total gains (losses) included in earnings[1]	1	(1)	-
Total gains (losses) offset through regulatory accounting	(2)	2	(15)
Purchases	2	1	(1)
Settlements	(1)	(2)	13
Balance at end of period	$ 1	$ 1	$ 1
Consumers			
Balance at beginning of period	$ 1	$ 1	$ 4
Total gains included in earnings[1]	1	-	-
Total gains (losses) offset through regulatory accounting	(2)	2	(15)
Purchases	2	-	(1)
Settlements	(1)	(2)	13
Balance at end of period	$ 1	$ 1	$ 1

1 CMS Energy and Consumers record realized gains and losses for Level 3 recurring fair value measurements in earnings as a component of maintenance and other operating expenses or purchased and interchange power on their consolidated statements of income.

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7: 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 6, Fair Value Measurements.

In Millions

	December 31, 2016					December 31, 2015				
		Fair Value					Fair Value			
	Carrying Amount	Total	Level 1	Level 2	Level 3	Carrying Amount	Total	Level 1	Level 2	Level 3
CMS Energy, including Consumers										
Assets										
Long-term receivables1	$ 22	$ 22	$ -	$ -	$ 22	$ -	$ -	$ -	$ -	$ -
Notes receivable2	1,326	1,415	-	-	1,415	1,161	1,228	-	-	1,228
Securities held to maturity	13	13	-	13	-	11	11	-	11	-
Liabilities										
Long-term debt3	9,504	9,953	-	8,990	963	9,084	9,599	-	8,648	951
Long-term payables4	17	17	-	-	17	14	14	-	-	14
Consumers										
Assets										
Long-term receivables1	$ 22	$ 22	$ -	$ -	$ 22	$ -	$ -	$ -	$ -	$ -
Notes receivable5	45	45	-	-	45	-	-	-	-	-
Liabilities										
Long-term debt6	5,628	5,903	-	4,940	963	5,381	5,684	-	4,733	951

1 Includes current accounts receivable of $12 million at December 31, 2016.

2 Includes current portion of notes receivable of $219 million at December 31, 2016 and $144 million at December 31, 2015.

3 Includes current portion of long-term debt of $864 million at December 31, 2016 and $684 million at December 31, 2015.

4 Includes current portion of long-term payables of $1 million at December 31, 2016 and 2015.

5 Includes current portion of notes receivable of $29 million at December 31, 2016.

6 Includes current portion of long-term debt of $375 million at December 31, 2016 and $198 million at December 31, 2015.

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At CMS Energy, notes receivable consist primarily of EnerBank s fixed-rate installment loans. EnerBank estimates 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 estimate 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 calculate market yields and prices for the debt using a matrix method that incorporates 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 are excluded from the fair value measurements of long-term debt. At December 31, 2016 and 2015, CMS Energy s long-term debt included $103 million principal amount that was supported by third-party credit enhancements. This entire principal amount 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:

In Millions

	December 31, 2016				December 31, 2015			
	Cost	Unrealized Gains	Unrealized Losses	Fair Value	Cost	Unrealized Gains	Unrealized Losses	Fair Value
CMS Energy, including Consumers								
Available for sale								
DB SERP								
Mutual funds	$ 141	$ -	$ -	$ 141	$ 152	$ -	$ 6	$ 146
Held to maturity								
Debt securities	13	-	-	13	11	-	-	11
Consumers								
Available for sale								
DB SERP								
Mutual funds	$ 102	$ -	$ -	$ 102	$ 108	$ -	$ 4	$ 104
CMS Energy common stock	4	29	-	33	4	25	-	29

The mutual funds classified as available for sale hold primarily fixed-income instruments of varying maturities. Debt securities classified as held to maturity consist primarily of mortgage-backed securities and Utah Housing Corporation bonds held by EnerBank.

CMS Energy and Consumers determined that the unrealized losses on the mutual funds in the DB SERP were other than temporary at December 31, 2016. Accordingly, CMS Energy reclassified unrealized losses of $5 million ($3 million, net of tax) from AOCI to other expense on the consolidated statements of income and established a new cost basis of $141 million for these investments, which was equal to fair value at December 31, 2016. Consumers reclassified net unrealized losses of $4 million ($2 million, net of tax) from AOCI to other expense on the consolidated statements of income and established a new cost basis of $102 million for these investments, which was equal to fair value at December 31, 2016.

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Presented in the following table is a summary of the sales activity for CMS Energy s and Consumers investment securities:

In Millions			
Years Ended December 31	2016	2015	2014
CMS Energy, including Consumers			
Proceeds from sales of investment securities	$ 6	$ 3	$ 8
Consumers			
Proceeds from sales of investment securities	$ 4	$ 2	$ 6

The sales proceeds for all periods represent sales of investments that were held within the DB SERP and classified as available for sale. Realized gains and losses on the sales were insignificant for CMS Energy and Consumers during each period.

Consumers recognized a gain of $9 million in 2015 from transferring shares of CMS Energy common stock to a related charitable foundation. The gains reflected the excess of fair value over cost of the stock donated and were recorded in other income on Consumers consolidated statements of income. The gains were eliminated on CMS Energy s consolidated statements of income. Consumers did not transfer shares in 2016 or 2014.

8: NOTES RECEIVABLE

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

In Millions		
December 31	2016	2015
CMS Energy, including Consumers		
Current		
EnerBank notes receivable, net of allowance for loan losses	$ 151	$ 128
EnerBank notes receivable held for sale	39	16
State of Michigan tax settlement	29	-
Non-current		
EnerBank notes receivable	1,088	1,017
State of Michigan tax settlement	19	-
Total notes receivable	$ 1,326	$ 1,161
Consumers		
Current		
State of Michigan tax settlement	$ 29	$ -
Non-current		
State of Michigan tax settlement	16	-
Total notes receivable	$ 45	$ -

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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. At December 31, 2016, $39 million of notes receivable were classified as held for sale; the fair value of notes receivable held for sale exceeded their carrying value. These notes are expected to be sold in 2017.

Unearned income associated with loan fees was $84 million at December 31, 2016 and $82 million at December 31, 2015. Unearned income associated with loan fees for notes receivable held for sale was $8 million at December 31, 2016 and $3 million at December 31, 2015.

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.

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

		In Millions
Years Ended December 31	2016	2015
Balance at beginning of period	$ 9	$ 8
Charge-offs	(14)	(8)
Recoveries	2	1
Provision for loan losses	19	8
Balance at end of period	$ 16	$ 9

Loans that are 30 days or more past due are considered delinquent. The balance of EnerBank s delinquent consumer loans was $11 million at December 31, 2016 and $8 million at December 31, 2015.

At December 31, 2016 and 2015, $1 million of EnerBank s loans had been modified as troubled debt restructurings.

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9: PLANT, PROPERTY, AND EQUIPMENT

Presented in the following table are details of CMS Energy s and Consumers plant, property, and equipment:

							In Millions
December 31	Estimated Depreciable Life in Years				2016		2015
CMS Energy, including Consumers							
Plant, property, and equipment, gross							
Consumers	5	-	125	$	20,838	$	18,797
Enterprises							
Independent power production	3	-	30		141		95
Other	3	-	40		16		25
Other	1	-	7		15		26
Plant, property, and equipment, gross				$	21,010	$	18,943
Construction work in progress					761		1,509
Less accumulated depreciation and amortization					(6,056)		(5,747)
Total plant, property, and equipment1				$	15,715	$	14,705
Consumers							
Plant, property, and equipment, gross							
Electric							
Generation	22	-	125	$	5,900	$	4,925
Distribution	20	-	75		7,149		6,809
Transmission	46	-	75		59		-
Other	5	-	50		1,137		1,039
Assets under capital leases and financing obligation					295		286
Gas							
Distribution	28	-	80		3,806		3,497
Transmission	17	-	75		1,124		981
Underground storage facilities2	29	-	65		630		601
Other	5	-	50		708		630
Capital leases					15		14
Other non-utility property	8	-	51		15		15
Plant, property, and equipment, gross				$	20,838	$	18,797
Construction work in progress					759		1,467
Less accumulated depreciation and amortization					(5,994)		(5,676)
Total plant, property, and equipment1				$	15,603	$	14,588

1 For the year ended December 31, 2016, Consumers plant additions were $2.3 billion and plant retirements were $285 million. For the year ended December 31, 2015, Consumers plant additions were $1.4 billion and plant retirements were $187 million.

2 Underground storage includes base natural gas of $26 million at December 31, 2016 and 2015. Base natural gas is not subject to depreciation.

Capitalization: CMS Energy and Consumers record plant, property, and equipment at original cost when placed into service. The cost includes labor, material, applicable taxes, overhead such as pension and other benefits, and AFUDC, if applicable. Consumers plant, property, and equipment is generally recoverable through its general rate making process.

With the exception of utility property for which the remaining book value has been securitized, mothballed utility property stays in rate base and continues to be depreciated at the same rate as before the

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mothball period. When utility property is retired or otherwise disposed of in the ordinary course of business, Consumers records the original cost to accumulated depreciation, along with associated cost of removal, net of salvage. CMS Energy and Consumers recognize gains or losses on the retirement or disposal of non-regulated assets in income. Consumers records cost of removal collected from customers, but not spent, as a regulatory liability.

Software: CMS Energy and Consumers capitalize the costs to purchase and develop internal-use computer software. These costs are expensed evenly over the estimated useful life of the internal-use computer software. If computer software is integral to computer hardware, then its cost is capitalized and depreciated with the hardware.

AFUDC: Consumers capitalizes AFUDC on regulated major construction projects, except pollution control facilities on its fossil-fuel-fired power plants. AFUDC represents the estimated cost of debt and authorized return-on-equity funds used to finance construction additions. Consumers records the offsetting credit as a reduction of interest for the amount representing the borrowed funds component and as other income for the equity funds component on the consolidated statements of income. When construction is completed and the property is placed in service, Consumers depreciates and recovers the capitalized AFUDC from customers over the life of the related asset. Presented in the following table are Consumers composite AFUDC capitalization rates:

Years Ended December 31	2016	2015	2014
AFUDC capitalization rate	7.0 %	7.1 %	7.2 %

Electric Transmission: In October 2015, Consumers became registered under NERC standards as a transmission owner, transmission planner, and transmission operator. Consumers had previously received approval from the MPSC in 2014 and from FERC in 2015 to reclassify $34 million of net plant assets from distribution to transmission. In March 2016, Consumers received FERC approval to begin collecting transmission revenues under MISO s transmission tariff effective April 2016. Consumers completed the reclassification of plant assets from distribution to transmission in April 2016.

Electric Plant Purchase: In December 2015, Consumers completed the purchase of a 540-MW natural gas-fueled electric generating plant located in Jackson, Michigan for $155 million from AlphaGen Power LLC and DPC Juniper, LLC, affiliates of JPMorgan Chase & Co. Consumers purchased the plant to help address its future capacity requirements.

Consumers accounted for the purchase as a business combination and prepared a valuation analysis of the assets acquired and liabilities assumed to determine their fair values. The cash consideration of $155 million was allocated based on the underlying fair values of the assets acquired, which were primarily plant, property, and equipment, and the liabilities assumed. No goodwill was recorded as a result of this purchase. The pro forma results of operations have not been presented, as the effects of the acquisition would not have been material to CMS Energy s or Consumers consolidated results of operations in 2015.

Assets Under Capital Leases and Financing Obligation: Presented in the following table are further details about changes in Consumers assets under capital leases and financing obligation:

				In Millions
Years Ended December 31		2016		2015
Consumers				
Balance at beginning of period	$	300	$	295
Additions		13		17
Net retirements and other adjustments		(3)		(12)
Balance at end of period	$	310	$	300

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Assets under capital leases and financing obligation are presented as gross amounts. Accumulated amortization of assets under capital leases and financing obligation was $172 million at December 31, 2016 and $152 million at December 31, 2015 for Consumers.

Depreciation and Amortization: Presented in the following table are further details about CMS Energy s and Consumers accumulated depreciation and amortization:

				In Millions
December 31		2016		2015
CMS Energy, including Consumers				
Utility plant assets	$	5,993	$	5,674
Non-utility plant assets		63		73
Consumers				
Utility plant assets	$	5,993	$	5,674
Non-utility plant assets		1		2

Consumers depreciates utility property on an asset-group basis, in which it applies a single MPSC-approved depreciation rate to the gross investment in a particular class of property within the electric and gas segments. Consumers performs depreciation studies periodically to determine appropriate group lives. Presented in the following table are the composite depreciation rates for Consumers segment properties:

Years Ended December 31	2016	2015	2014
Electric utility property	3.9 %	3.5 %	3.5 %
Gas utility property	2.9	2.8	2.8
Other property	9.8	8.7	7.7

CMS Energy and Consumers record property repairs and minor property replacement as maintenance expense. CMS Energy and Consumers record planned major maintenance activities as operating expense unless the cost represents the acquisition of additional long-lived assets or the replacement of an existing long-lived asset.

Presented in the following table are the components of CMS Energy s and Consumers depreciation and amortization expense:

						In Millions
Years Ended December 31		2016		2015		2014
CMS Energy, including Consumers						
Depreciation expense plant, property, and equipment	$	687	$	591	$	551
Amortization expense						
Software		96		70		50
Other intangible assets		3		4		4
Securitized regulatory assets		25		83		75
Other regulatory assets		-		2		5
Total depreciation and amortization expense	$	811	$	750	$	685
Consumers						
Depreciation expense plant, property, and equipment	$	680	$	586	$	546

Amortization expense			
Software	95	69	49
Other intangible assets	3	4	3
Securitized regulatory assets	25	83	75
Other regulatory assets	-	2	5
Total depreciation and amortization expense	$ 803	$ 744	$ 678

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Presented in the following table is CMS Energy s and Consumers estimated amortization expense on intangible assets for each of the next five years:

					In Millions
	2017	2018	2019	2020	2021
CMS Energy, including Consumers					
Intangible asset amortization expense	$ 115	$ 120	$ 112	$ 95	$ 77
Consumers					
Intangible assets amortization expense	$ 114	$ 119	$ 111	$ 94	$ 77

Intangible Assets: Included in net plant, property, and equipment are intangible assets. Presented in the following table are details about CMS Energy s and Consumers intangible assets:

		December 31, 2016		December 31, 2015	*In Millions*
Description	Amortization Life in Years	Gross Cost[1]	Accumulated Amortization	Gross Cost[1]	Accumulated Amortization
CMS Energy, including Consumers					
Software development	1 - 15	$ 853	$ 367	$ 734	$ 294
Rights of way	50 - 75	155	48	153	46
Franchises and consents	5 - 30	15	8	15	8
Leasehold improvements	various [2]	7	6	7	5
Other intangibles	various	22	15	21	15
Total		$ 1,052	$ 444	$ 930	$ 368
Consumers					
Software development	3 - 15	$ 845	$ 363	$ 729	$ 291
Rights of way	50 - 75	155	48	153	46
Franchises and consents	5 - 30	15	8	15	8
Leasehold improvements	various [2]	7	6	7	5
Other intangibles	various	21	15	21	15
Total		$ 1,043	$ 440	$ 925	$ 365

1 For the year ended December 31, 2016, Consumers intangible asset additions were $141 million and intangible asset retirements were $23 million. For the year ended December 31, 2015, Consumers intangible asset additions were $140 million and there were no retirements.

2 Leasehold improvements are amortized over the life of the lease, which may change whenever the lease is renewed or extended.

Jointly Owned Regulated Utility Facilities

Presented in the following table are Consumers investments in jointly owned regulated utility facilities at December 31, 2016:

			In Millions, Except Ownership Share
	J.H. Campbell Unit 3	Ludington	Distribution
Ownership share	93.3 %	51.0 %	various
Utility plant in service	$ 1,648	$ 291	$ 206
Accumulated depreciation	(529)	(150)	(63)
Construction work in progress	13	157	7
Net investment	$ 1,132	$ 298	$ 150

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Consumers includes its share of the direct expenses of the jointly owned plants in operating expenses. Consumers shares operation, maintenance, and other expenses of these jointly owned utility facilities in proportion to each participant s undivided ownership interest. Consumers is required to provide only its share of financing for the jointly owned utility facilities.

10: LEASES AND PALISADES FINANCING

CMS Energy and Consumers lease various assets, including railcars, service vehicles, gas pipeline capacity, and buildings. In addition, CMS Energy and Consumers account for a number of their PPAs as capital and operating leases.

Operating leases for coal-carrying railcars have original lease terms ranging from one to 15 years, expiring without extension provisions over the next seven years and with extension provisions over the next ten years. These leases contain fair market value extension and buyout provisions. Capital leases for Consumers 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 fixed-percentage purchase options.

Consumers has capital leases for gas transportation pipelines to the D.E. Karn generating complex and Zeeland. 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 five years at December 31, 2016. The capital lease for the gas transportation pipeline to Zeeland has a term of five years with a renewal provision of an additional five years at the end of the contract. The remaining term of the contract was one year at December 31, 2016. The remaining terms of Consumers long-term PPAs accounted for as leases range between one and 16 years. Most of these PPAs contain provisions at the end of the initial contract terms to renew the agreements annually.

Presented in the following table are Consumers minimum lease expense and contingent rental expense. For each of the years ended December 31, 2016, 2015, and 2014, all of CMS Energy s minimum lease expense and contingent rental expense were attributable to Consumers.

			In Millions
Years Ended December 31	2016	2015	2014
Consumers			
Minimum operating lease expense			
PPAs	$ 6	$ 6	$ 6
Other agreements	14	19	19
Contingent rental expense[1]	82	82	85

1 Contingent rental expense is related to capital and operating lease PPAs and is based on delivery of energy and capacity in excess of minimum lease payments.

Consumers is authorized by the MPSC to record operating lease payments as operating expense and recover the total cost from customers.

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Presented in the following table are the minimum annual rental commitments under Consumers non-cancelable leases at December 31, 2016. All of CMS Energy s non-cancelable leases at December 31, 2016 were attributable to Consumers.

						In Millions
		Capital Leases		Palisades Financing		Operating Leases
Consumers						
2017	$	15	$	17	$	20
2018		14		16		16
2019		14		15		10
2020		12		14		10
2021		11		14		10
2022 and thereafter		25		3		15
Total minimum lease payments	$	91	$	79	$	81
Less imputed interest		28		10		
Present value of net minimum lease payments	$	63	$	69		
Less current portion		9		13		
Non-current portion	$	54	$	56		

Palisades Financing

In 2007, Consumers sold Palisades to Entergy and entered into a 15-year PPA to purchase virtually all of the capacity and energy produced by Palisades, up to the annual average capacity of 798 MW. Consumers accounted for this transaction as a financing because of its continuing involvement with Palisades through security provided to Entergy for the PPA obligation and other arrangements. Palisades has therefore remained on Consumers consolidated balance sheets and Consumers has continued to depreciate it. At the time of the sale, Consumers recorded the sales proceeds as a financing obligation, and has subsequently recorded a portion of the payments under the PPA as interest expense and as a reduction of the financing obligation. Total amortization and interest charges under the financing were $17 million for the year ended December 31, 2016, $18 million for the year ended December 31, 2015, and $19 million for the year ended December 31, 2014. At December 31, 2016, the Palisades asset and financing obligation both had a balance of $69 million.

The prices that Consumers pays under the PPA, and which it recovers from its electric customers through the PSCR, are presently higher than the cost to purchase electricity from the market. In December 2016, Consumers and Entergy reached an agreement to terminate the PPA in May 2018. In exchange for early termination, Consumers agreed to pay Entergy $172 million on the termination date.

The agreement is contingent upon Consumers receipt of an MPSC order authorizing it to recover the termination payment from its electric customers. Consumers has indicated to the MPSC that it plans to request authorization to recover the termination payment through securitization. In an order issued in January 2017, the MPSC indicated that it will make a final determination on the securitization filing by September 2017, after full evaluation of the prudency of the termination payment and of how the termination will impact Michigan s electric reliability and resource adequacy. If the MPSC does not approve Consumers request by September 30, 2017, the agreement will be null and void (unless otherwise extended) and the PPA will continue until April 2022 under its original terms. The amounts shown in the table above reflect the original terms of the PPA.

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Because Consumers accounted for its sale of Palisades to Entergy as a financing transaction, the early termination of the PPA represents a substantial modification of the terms of an existing debt instrument, and Consumers will therefore account for the termination agreement as an extinguishment of debt. Accordingly, in the period in which the termination agreement becomes effective, Consumers will remove from its consolidated balance sheets the existing financing obligation and will record a new financing obligation and a regulatory asset. Consumers will amortize the new financing obligation and will continue to depreciate the Palisades asset until the date of the PPA termination in May 2018 (assuming such termination occurs), when it will recognize the sale of Palisades.

11: ASSET RETIREMENT OBLIGATIONS

CMS Energy and Consumers record the fair value of the cost to remove assets at the end of their useful lives, if there is a legal obligation to remove them. If a reasonable estimate of fair value cannot be made in the period in which the ARO is incurred, such as for assets with indeterminate lives, the liability is recognized when a reasonable estimate of fair value can be made. CMS Energy and Consumers have not recorded liabilities for assets that have insignificant cumulative disposal costs, such as substation batteries.

CMS Energy and Consumers calculate the fair value of ARO liabilities using an expected present-value technique that reflects assumptions about costs and inflation, and uses a credit-adjusted risk-free rate to discount the expected cash flows. CMS Energy s ARO liabilities are primarily at Consumers. As a regulated entity, Consumers defers the effects of any changes in assumptions on the fair values of its ARO liabilities, adjusting the associated regulatory assets or liabilities rather than recognizing such effects in earnings.

Presented below are the categories of assets that CMS Energy and Consumers have legal obligations to remove at the end of their useful lives and for which they have an ARO liability recorded:

Company and ARO Description	In-Service Date	Long-Lived Assets
CMS Energy, including Consumers		
Closure of gas treating plant and gas wells	Various	Gas transmission and storage
Closure of coal ash disposal areas	Various	Generating plants coal ash areas
Gas distribution cut, purge, and cap	Various	Gas distribution mains and services
Asbestos abatement	1973	Electric and gas utility plant
Closure of renewable generation assets	2012, 2014, 2016	Wind and solar generation facilities
Consumers		
Closure of coal ash disposal areas	Various	Generating plants coal ash areas
Gas distribution cut, purge, and cap	Various	Gas distribution mains and services
Asbestos abatement	1973	Electric and gas utility plant
Closure of renewable generation assets	2012, 2014, 2016	Wind and solar generation facilities

No assets have been restricted for purposes of settling AROs.

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

In Millions

Company and ARO Description	ARO Liability 12/31/2015	Incurred	Settled	Accretion	Cash flow Revisions	ARO Liability 12/31/2016
CMS Energy, including Consumers						
Consumers	$ 438	$ 3	$ (18)	$ 23	$ -	$ 446
Gas treating plant and gas wells	1	-	-	-	-	1
Total CMS Energy	$ 439	$ 3	$ (18)	$ 23	$ -	$ 447
Consumers						
Coal ash disposal areas	$ 200	$ -	$ (8)	$ 9	$ -	$ 201
Gas distribution cut, purge, and cap	178	2	(9)	11	-	182
Asbestos abatement	54	-	(1)	3	-	56
Renewable generation assets	6	1	-	-	-	7
Total Consumers	$ 438	$ 3	$ (18)	$ 23	$ -	$ 446

In Millions

Company and ARO Description	ARO Liability 12/31/2014	Incurred	Settled	Accretion	Cash flow Revisions	ARO Liability 12/31/2015
CMS Energy, including Consumers						
Consumers	$ 339	$ 11	$ (6)	$ 20	$ 74	$ 438
Gas treating plant and gas wells	1	-	-	-	-	1
Total CMS Energy	$ 340	$ 11	$ (6)	$ 20	$ 74	$ 439
Consumers						
Coal ash disposal areas	$ 120	$ -	$ -	$ 6	$ 74	$ 200
Gas distribution cut, purge, and cap	162	11	(6)	11	-	178
Asbestos abatement	51	-	-	3	-	54
Renewable generation assets	6	-	-	-	-	6
Total Consumers	$ 339	$ 11	$ (6)	$ 20	$ 74	$ 438

In 2015, Consumers increased its ARO liability for coal ash disposal areas. The increase was attributable to proposed changes in state regulations based on the EPA s final rule regarding CCRs, which provided Consumers with sufficient information to reasonably estimate an additional ARO liability associated with closure work at certain waste management facilities.

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12: RETIREMENT BENEFITS

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

- a non-contributory, qualified DB Pension Plan (closed to new non-union participants as of July 1, 2003 and closed to new union participants as of September 1, 2005)
- a qualified Cash Balance Pension Plan for certain employees hired between July 1, 2003 and August 31, 2005
- a non-contributory, qualified DCCP for employees hired on or after September 1, 2005
- benefits to certain management employees under a non-contributory, nonqualified DB SERP (closed to new participants as of March 31, 2006)
- a non-contributory, nonqualified DC SERP for certain management employees hired or promoted on or after April 1, 2006
- a contributory, qualified defined contribution 401(k) plan
- health care and life insurance benefits under an OPEB Plan

DB Pension Plan: Participants in the DB Pension Plan include present and former employees of CMS Energy and Consumers, including certain present and former affiliates and subsidiaries. DB Pension Plan trust assets are not distinguishable by company.

DCCP and Cash Balance Pension Plan: CMS Energy and Consumers provide an employer contribution to the DCCP 401(k) plan for employees hired on or after September 1, 2005. The contribution ranges from five to seven percent of base pay, depending on years of service. Employees are not required to contribute in order to receive the plan s employer contribution.

Participants in the Cash Balance Pension Plan, effective July 1, 2003 to August 31, 2005, also participate in the DCCP as of September 1, 2005. Additional pay credits under the Cash Balance Pension Plan were discontinued as of September 1, 2005. DCCP expense for CMS Energy, including Consumers, was $20 million for the year ended December 31, 2016, $16 million for the year ended December 31, 2015, and $13 million for the year ended December 31, 2014. DCCP expense for Consumers was $19 million for the year ended December 31, 2016, $16 million for the year ended December 31, 2015, and $13 million for the year ended December 31, 2014.

DB SERP: The DB SERP is a nonqualified plan as defined by the Internal Revenue Code. DB SERP benefits are paid from a rabbi trust established in 1988. DB SERP rabbi trust earnings are taxable. Presented in the following table are the fair values of trust assets, ABO, and contributions for CMS Energy s and Consumers DB SERP:

		In Millions
Years Ended December 31	2016	2015
CMS Energy, including Consumers		
Trust assets	$ 144	$ 148
ABO	143	140
Contributions	-	25
Consumers		
Trust assets	$ 104	$ 106
ABO	101	97
Contributions	-	17

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DC SERP: On April 1, 2006, CMS Energy and Consumers implemented a DC SERP and froze further new participation in the DB SERP. The DC SERP provides participants benefits ranging from 5 percent to 15 percent of total compensation. The DC SERP requires a minimum of five years of participation before vesting. CMS Energy s and Consumers contributions to the plan, if any, are placed in a grantor trust. For CMS Energy and Consumers, trust assets were $3 million and $2 million at December 31, 2016 and 2015. DC SERP assets are included in other non-current assets on CMS Energy s and Consumers consolidated balance sheets. CMS Energy s and Consumers DC SERP expense was less than $1 million for each of the years ended December 31, 2016, 2015, and 2014.

401(k) Plan: The 401(k) plan employer match equals 100 percent of eligible contributions up to the first three percent of an employee s wages and 50 percent of eligible contributions up to the next two percent of an employee s wages. The total 401(k) plan cost for CMS Energy, including Consumers, was $24 million for the year ended December 31, 2016, $19 million for the year ended December 31, 2015, and $18 million for the year ended December 31, 2014. The total 401(k) plan cost for Consumers was $23 million for the year ended December 31, 2016, $19 million for the year ended December 31, 2015, and $18 million for the year ended December 31, 2014.

OPEB Plan: Participants in the OPEB Plan include all regular full-time employees covered by the employee health care plan on the day before retirement from either CMS Energy or Consumers at age 55 or older with at least ten full years of applicable continuous service. Regular full-time employees who qualify for DB Pension Plan disability retirement or are disabled and covered by the DCCP and who have 15 years of applicable continuous service may also participate in the OPEB Plan. Retiree health care costs were based on the assumption that costs would increase 7.00 percent in 2017 and 7.25 percent in 2016 for those under 65 and would increase 7.75 percent in 2017 and 8.00 percent in 2016 for those over 65. The rate of increase was assumed to decline to 4.75 percent by 2027 and thereafter for all retirees.

The assumptions used in the health care cost-trend rate affect service, interest, and PBO costs. Presented in the following table are the effects of a one-percentage-point change in the health care cost-trend assumption:

		In Millions
Year Ended December 31, 2016	One Percentage Point Increase	One Percentage Point Decrease
CMS Energy, including Consumers		
Effect on total service and interest cost component	$ 13	$ (10)
Effect on PBO	201	(163)
Consumers		
Effect on total service and interest cost component	$ 13	$ (10)
Effect on PBO	196	(159)

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Assumptions: Presented in the following table are the weighted-average assumptions used in CMS Energy s and Consumers retirement benefits plans to determine benefit obligations and net periodic benefit cost:

December 31	2016	2015	2014
CMS Energy, including Consumers			
Weighted average for benefit obligations1			
Discount rate2,3			
DB Pension Plan	4.30 %	4.52 %	4.10 %
DB SERP	4.16	4.43	4.10
OPEB Plan	4.49	4.70	4.30
Rate of compensation increase			
DB Pension Plan	3.60	3.00	3.00
DB SERP	5.50	5.50	5.50
Weighted average for net periodic benefit cost1			
Service cost discount rate2,3			
DB Pension Plan	4.79	4.10	4.90
DB SERP	4.87	4.10	4.90
OPEB Plan	4.75	4.30	5.10
Interest cost discount rate2,3			
DB Pension Plan	3.66	4.10	4.90
DB SERP	3.64	4.10	4.90
OPEB Plan	3.89	4.30	5.10
Expected long-term rate of return on plan assets4			
DB Pension Plan	7.25	7.50	7.50
OPEB Plan	7.25	7.25	7.25
Rate of compensation increase			
DB Pension Plan	3.00	3.00	3.00
DB SERP	5.50	5.50	5.50

1 The mortality assumption for benefit obligations was based on the RP-2014 mortality table, with projection scales MP-2016 for 2016, MP-2015 for 2015, and MP-2014 for 2014. The mortality assumption for net periodic benefit cost for 2016 and 2015 was based on the RP-2014 mortality table, with projection scales MP-2015 for 2016 and MP-2014 for 2015, and for 2014 was based on the RP-2000 mortality table.

2 The discount rate reflects the rate at which benefits could be effectively settled and is equal to the equivalent single rate resulting from a yield-curve analysis. This analysis incorporated the projected benefit payments specific to CMS Energy s and Consumers DB Pension Plan and OPEB Plan and the yields on high-quality corporate bonds rated Aa or better.

3 In January 2016, CMS Energy and Consumers changed the method they use to determine the discount rate used to calculate the service cost and interest cost components of net periodic benefit costs for the DB Pension and OPEB Plans. Historically, the discount rate used for this purpose represented a single weighted-average rate derived from the yield curve used to determine the benefit obligation. CMS Energy and Consumers have elected to use instead a full-yield-curve approach in the estimation of service cost and interest cost; this approach is more accurate in that it applies individual spot rates along the yield curve to future projected benefit payments based on the time of payment.

This change represented a change in accounting estimate and did not impact years prior to 2016. As a result of changing to the full-yield-curve approach to determine the discount rate, for the year ended December 31, 2016, the service cost and interest cost components of net periodic benefit costs were reduced by $23 million for the DB Pension Plan and $12 million for the OPEB Plan for CMS Energy and by $22 million for the DB Pension Plan and $11 million for the OPEB Plan for Consumers.

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4 CMS Energy and Consumers determined the long-term rate of return using historical market returns, the present and expected future economic environment, the capital market principles of risk and return, and the expert opinions of individuals and firms with financial market knowledge. CMS Energy and Consumers considered the asset allocation of the portfolio in forecasting the future expected total return of the portfolio. The goal was to determine a long-term rate of return that could be incorporated into the planning of future cash flow requirements in conjunction with the change in the liability. Annually, CMS Energy and Consumers review for reasonableness and appropriateness the forecasted returns for various classes of assets used to construct an expected return model. CMS Energy s and Consumers expected long-term rate of return on DB Pension Plan assets was 7.25 percent in 2016. The actual return (loss) on DB Pension Plan assets was 8.0 percent in 2016, (2.0) percent in 2015, and 7.4 percent in 2014.

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

						In Millions
	DB Pension Plan and DB SERP			OPEB Plan		
Years Ended December 31	2016	2015	2014	2016	2015	2014
CMS Energy, including Consumers						
Net periodic cost (credit)						
Service cost	$ 42	$ 50	$ 42	$ 18	$ 25	$ 20
Interest cost	90	108	105	46	58	56
Expected return on plan assets	(147)	(138)	(135)	(85)	(91)	(88)
Amortization of:						
Net loss	71	97	60	21	21	2
Prior service cost (credit)	4	1	1	(41)	(41)	(41)
Net periodic cost (credit)	$ 60	$ 118	$ 73	$ (41)	$ (28)	$ (51)
Consumers						
Net periodic cost (credit)						
Service cost	$ 41	$ 49	$ 41	$ 17	$ 25	$ 20
Interest cost	87	103	100	45	56	54
Expected return on plan assets	(143)	(134)	(131)	(80)	(86)	(83)
Amortization of:						
Net loss	68	93	59	22	22	3
Prior service cost (credit)	4	1	1	(40)	(40)	(40)
Net periodic cost (credit)	$ 57	$ 112	$ 70	$ (36)	$ (23)	$ (46)

Presented in the following table are the estimated net loss and prior service cost (credit) that will be amortized into net periodic benefit cost in 2017 from or to the associated regulatory asset and AOCI:

		In Millions
	DB Pension Plan	OPEB Plan
CMS Energy, including Consumers		
Regulatory asset	$ 82	$ (2)
AOCI	2	(2)
Consumers		
Regulatory asset	$ 82	$ (2)

CMS Energy and Consumers amortize net gains and losses in excess of ten percent of the greater of the PBO or the MRV over the average remaining service period. The estimated period of amortization of gains and losses for CMS Energy and Consumers was ten years for the DB Pension Plan for the years ended December 31, 2016, 2015, and 2014 and for the OPEB Plan was 11 years for the year ended December 31, 2016 and 13 years for the years ended December 31, 2015 and 2014. Prior service cost (credit) amortization is established in the year in which the prior service cost (credit) first occurred, and is based on the same amortization period for all future years until the prior service cost (credit) is fully amortized. CMS Energy and Consumers had a new prior service credit for OPEB in 2015 and new prior

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service cost for the DB Pension Plan in 2015. The estimated period of amortization of these new prior service costs (credits) for CMS Energy and Consumers is ten years.

CMS Energy and Consumers determine the MRV for DB Pension Plan assets as the fair value of plan assets on the measurement date, adjusted by the gains or losses that will not be admitted into the MRV until future years. CMS Energy and Consumers reflect each year s gain or loss in the MRV in equal amounts over a five-year period beginning on the date the original amount was determined. CMS Energy and Consumers determine the MRV for OPEB Plan assets as the fair value of assets on the measurement date.

Reconciliations: Presented in the following table are reconciliations of the funded status of CMS Energy s and Consumers retirement benefits plans with their retirement benefits plans liabilities:

In Millions

	DB Pension Plan		DB SERP		OPEB Plan	
Years Ended December 31	2016	2015	2016	2015	2016	2015
CMS Energy, including Consumers						
Benefit obligation at beginning of period	$ 2,403	$ 2,547	$ 150	$ 156	$ 1,227	$ 1,378
Service cost	42	49	-	1	18	25
Interest cost	85	102	5	6	46	58
Plan amendments	-	13	-	-	-	(25)
Actuarial (gain) loss	196 [1]	(153)[1]	4	(5)	171 [1]	(152)[1]
Benefits paid	(164)	(155)	(8)	(8)	(54)	(57)
Benefit obligation at end of period	$ 2,562	$ 2,403	$ 151	$ 150	$ 1,408	$ 1,227
Plan assets at fair value at beginning of period	$ 2,013	$ 1,979	$ -	$ -	$ 1,208	$ 1,265
Actual return on plan assets	152	(36)	-	-	109	(29)
Company contribution	100	225	8	8	-	29
Actual benefits paid	(164)	(155)	(8)	(8)	(53)	(57)
Plan assets at fair value at end of period	$ 2,101	$ 2,013	$ -	$ -	$ 1,264	$ 1,208
Funded status	$ (461)[2]	$ (390)[2]	$ (151)	$ (150)	$ (144)	$ (19)
Consumers						
Benefit obligation at beginning of period			$ 106	$ 111	$ 1,188	$ 1,336
Service cost			-	1	17	25
Interest cost			4	4	45	56
Plan amendments			-	-	-	(24)
Actuarial (gain) loss			4	(5)	167 [1]	(150)[1]
Benefits paid			(5)	(5)	(52)	(55)
Benefit obligation at end of period			$ 109	$ 106	$ 1,365	$ 1,188
Plan assets at fair value at beginning of period			$ -	$ -	$ 1,133	$ 1,186
Actual return on plan assets			-	-	103	(27)
Company contribution			5	5	-	29
Actual benefits paid			(5)	(5)	(52)	(55)
			$ -	$ -	$ 1,184	$ 1,133

Plan assets at fair value at end of period				
Funded status	$ (109)	$ (106)	$ (181)	$ (55)

1 The actuarial loss for 2016 was primarily the result of claims, experience, and lowering the discount rates used in calculating the plans obligations. The actuarial gain for 2015 was primarily the result of increasing the discount rates used in calculating the plans obligations.

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2 At December 31, 2016, $441 million of the total funded status of the DB Pension Plan was attributable to Consumers, based on an allocation of expenses. At December 31, 2015, $368 million of the total funded status of the DB Pension Plan was attributable to Consumers, based on an allocation of expenses.

Presented in the following table is the classification of CMS Energy s and Consumers retirement benefit plans liabilities:

				In Millions
December 31		2016		2015
CMS Energy, including Consumers				
Current liabilities				
DB SERP	$	8	$	8
Non-current liabilities				
DB Pension Plan		461		390
DB SERP		143		142
OPEB Plan		144		19
Consumers				
Current liabilities				
DB SERP	$	5	$	5
Non-current liabilities				
DB Pension Plan		441		368
DB SERP		104		101
OPEB Plan		181		55

Presented in the following table are the DB Pension Plan PBO, ABO, and fair value of plan assets:

				In Millions
December 31		2016		2015
CMS Energy, including Consumers				
DB Pension Plan PBO	$	2,562	$	2,403
DB Pension Plan ABO		2,250		2,140
Fair value of DB Pension Plan assets		2,101		2,013

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Items Not Yet Recognized as a Component of Net Periodic Benefit Cost: Presented in the following table are the amounts recognized in regulatory assets and AOCI that have not been recognized as components of net periodic benefit cost. For additional details on regulatory assets and liabilities, see Note 3, Regulatory Matters.

In Millions

	DB Pension Plan and DB SERP		OPEB Plan	
Years Ended December 31	2016	2015	2016	2015
CMS Energy, including Consumers				
Regulatory assets				
Net loss	$ 1,062	$ 944	$ 483	$ 360
Prior service cost (credit)	15	19	(187)	(227)
Regulatory assets	$ 1,077	$ 963	$ 296	$ 133
AOCI				
Net loss (gain)	93	86	(8)	(11)
Prior service cost (credit)	1	1	(6)	(8)
Total amounts recognized in regulatory assets and AOCI	$ 1,171	$ 1,050	$ 282	$ 114
Consumers				
Regulatory assets				
Net loss	$ 1,062	$ 944	$ 483	$ 360
Prior service cost (credit)	15	19	(187)	(227)
Regulatory assets	$ 1,077	$ 963	$ 296	$ 133
AOCI				
Net loss	33	29	-	-
Total amounts recognized in regulatory assets and AOCI	$ 1,110	$ 992	$ 296	$ 133

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Plan Assets: Presented in the following tables are the fair values of CMS Energy s DB Pension Plan and OPEB Plan assets, by asset category and by level within the fair value hierarchy. For additional details regarding the fair value hierarchy, see Note 6, Fair Value Measurements.

In Millions

	DB Pension Plan					
	December 31, 2016			December 31, 2015		
	Total	Level 1	Level 2	Total	Level 1	Level 2
CMS Energy, including Consumers						
Cash and short-term investments	$ 110	$ 110	$ -	$ 215	$ 215	$ -
U.S. government and agencies securities	1	-	1	19	-	19
Corporate debt	266	-	266	243	-	243
State and municipal bonds	9	-	9	8	-	8
Foreign corporate bonds	25	-	25	16	-	16
Mutual funds	571	571	-	538	538	-
	$ 982	$ 681	$ 301	$ 1,039	$ 753	$ 286
Pooled funds	1,119			974		
Total	$ 2,101			$ 2,013		

In Millions

	OPEB Plan					
	December 31, 2016			December 31, 2015		
	Total	Level 1	Level 2	Total	Level 1	Level 2
CMS Energy, including Consumers						
Cash and short-term investments	$ 39	$ 39	$ -	$ 51	$ 51	$ -
U.S. government and agencies securities	-	-	-	3	-	3
Corporate debt	38	-	38	34	-	34
State and municipal bonds	1	-	1	1	-	1
Foreign corporate bonds	4	-	4	2	-	2
Common stocks	44	44	-	54	54	-
Mutual funds	563	563	-	456	456	-
	$ 689	$ 646	$ 43	$ 601	$ 561	$ 40
Pooled funds	575			607		
Total	$ 1,264			$ 1,208		

Cash and Short-Term Investments: Cash and short-term investments consist of money market funds with daily liquidity.

U.S. Government and Agencies Securities: U.S. government and agencies securities consist of U.S. Treasury notes and other debt securities backed by the U.S. government and related agencies. These securities were valued based on quoted market prices.

Corporate Debt: Corporate debt investments consisted of investment grade bonds of U.S. issuers from diverse industries. These securities are valued based on quoted market prices, when available, or yields presently available on comparable securities of issuers with similar credit ratings.

State and Municipal Bonds: State and municipal bonds were valued using a matrix-pricing model that incorporates Level 2 market-based information. The fair value of the bonds was derived from various observable inputs, including benchmark yields, reported securities trades, broker/dealer quotes, bond

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ratings, and general information on market movements for investment grade state and municipal securities normally considered by market participants when pricing such debt securities.

Foreign Corporate Bonds: Foreign corporate debt securities were valued based on quoted market prices, when available, or on yields available on comparable securities of issuers with similar credit ratings.

Common Stocks: Common stocks in the OPEB Plan consist of equity securities with low transaction costs that were actively managed and tracked by the S&P 500 Index. These securities were valued at their quoted closing prices.

Mutual Funds: Mutual funds represent shares in registered investment companies that are priced based on the daily quoted NAVs that are publicly available and are the basis for transactions to buy or sell shares in the funds.

Pooled Funds: Pooled funds include both common and collective trust funds as well as special funds that contain only employee benefit plan assets from two or more unrelated benefit plans. Presented in the following table are the investment components of these funds:

	DB Pension Plan		OPEB Plan	
December 31	2016	2015	2016	2015
U.S. equity securities	67 %	62 %	72 %	58 %
Foreign equity securities	16	18	13	13
U.S. fixed-income securities	9	11	8	22
Foreign fixed-income securities	4	6	4	5
Alternative investments	4	3	3	2
	100 %	100 %	100 %	100 %

Since these investments were valued at their NAV as a practical expedient, they are not classified in the fair value hierarchy.

Target Asset Allocations: CMS Energy s target asset allocation for DB Pension Plan assets is 53 percent equity, 32 percent fixed income, and 15 percent alternative-strategy investments. This target asset allocation is expected to continue to maximize the long-term return on plan assets, while maintaining a prudent level of risk. The level of acceptable risk is a function of the liabilities of the plan. Equity investments are diversified mostly across the S&P 500 Index, with lesser allocations to the S&P MidCap and SmallCap Indexes and Foreign Equity Funds. Fixed-income investments are diversified across investment grade instruments of government and corporate issuers as well as high-yield and global bond funds. Alternative strategies are diversified across absolute return investment approaches and global tactical asset allocation. CMS Energy uses annual liability measurements, quarterly portfolio reviews, and periodic asset/liability studies to evaluate the need for adjustments to the portfolio allocation.

CMS Energy established union and non-union VEBA trusts to fund future retiree health and life insurance benefits. These trusts are funded through the ratemaking process for Consumers and through direct contributions from the non-utility subsidiaries. CMS Energy s target asset allocation for the health trusts is 50 percent equity, 30 percent fixed income, and 20 percent alternative-strategy investments. CMS Energy s target asset allocation for the life trusts is 42 percent equity, 28 percent fixed income, and 30 percent alternative-strategy investments. These target allocations are expected to continue to maximize the long-term return on plan assets, while maintaining a prudent level of risk. The level of acceptable risk is a function of the liabilities of the plans. Equity investments are diversified mostly across the S&P 500 Index, with lesser allocations to the S&P SmallCap Index and Foreign Equity Funds. Fixed-income investments are diversified across investment grade instruments of government and corporate issuers. Alternative strategies are diversified across absolute return investment approaches and global tactical asset allocation. CMS Energy uses annual liability measurements, quarterly portfolio reviews, and periodic asset/liability studies to evaluate the need for adjustments to the portfolio allocation.

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Contributions: Presented in the following table are the contributions to CMS Energy s and Consumers OPEB Plan and DB Pension Plan:

		In Millions
Years Ended December 31	2016	2015
CMS Energy, including Consumers		
OPEB Plan	$ -	$ 29
DB Pension Plan	100	225
Consumers		
OPEB Plan	$ -	$ 29
DB Pension Plan	93	209

Contributions comprise required amounts and discretionary contributions. Neither CMS Energy nor Consumers plans to contribute to the OPEB or DB Pension Plans in 2017. Actual future contributions will depend on future investment performance, discount rates, and various factors related to the DB Pension Plan and OPEB Plan participants.

Following amendments to the OPEB Plan in July 2013, Consumers OPEB costs decreased substantially and, as a result, the OPEB Plan was fully funded at December 31, 2013. In May 2014, Consumers filed an application with the MPSC requesting approval to suspend contributions to Consumers OPEB Plan during 2014 and 2015 if the OPEB Plan continued to be fully funded. Consumers electric and gas rates still reflect the higher OPEB costs, and previous MPSC orders required Consumers to contribute to the OPEB Plan the associated amount collected in rates annually.

In September 2014, the MPSC approved a settlement agreement addressing Consumers OPEB Plan funding application. Under the settlement agreement, Consumers contributed $25 million to the plan in 2014 and $29 million in February 2015. Consumers will suspend further contributions until the MPSC determines funding requirements in future general rate cases.

Benefit Payments: Presented in the following table are the expected benefit payments for each of the next five years and the five-year period thereafter:

			In Millions
	DB Pension Plan	DB SERP	OPEB Plan
CMS Energy, including Consumers			
2017	$ 153	$ 8	$ 59
2018	159	8	63
2019	163	9	66
2020	165	11	69
2021	166	10	72
2022-2026	827	50	385
Consumers			
2017	$ 149	$ 5	$ 57
2018	155	5	61
2019	159	6	64
2020	161	7	67
2021	161	7	70

2022-2026	803	32	371

Collective Bargaining Agreements: At December 31, 2016, unions represented 39 percent of CMS Energy s employees and 41 percent of Consumers employees. The UWUA represents Consumers operating, maintenance, construction, and call center employees. The USW represents Zeeland employees. Union contracts expire in 2020.

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13: STOCK-BASED COMPENSATION

CMS Energy and Consumers provide a PISP to officers, employees, and non-employee directors based on their contributions to the successful management of the company. The PISP has a ten-year term, expiring in May 2024.

In 2016, all awards were in the form of restricted stock or restricted stock units. The PISP also allows for unrestricted common stock, stock options, stock appreciation rights, phantom shares, performance units, and incentive options, none of which was granted in 2016, 2015, or 2014.

Shares awarded or subject to stock options, phantom shares, or performance units may not exceed 6.5 million shares from June 2014 through May 2024, nor may such awards to any recipient exceed 500,000 shares in any calendar year. CMS Energy and Consumers may issue awards of up to 4,983,931 shares of common stock under the PISP as of December 31, 2016. Shares for which payment or exercise is in cash, as well as shares that expire, terminate, or are cancelled or forfeited, may be awarded or granted again under the PISP.

All awards under the PISP vest fully upon death. Upon a change of control of CMS Energy or termination under an officer separation agreement, the awards will vest in accordance with specific officer agreements. If stated in the award, for restricted stock recipients who terminate employment due to retirement or disability, a pro-rata portion of the award will vest upon termination, with any market-based award also contingent upon the outcome of the market condition and any performance-based award contingent upon the outcome of the performance condition. The pro-rata portion is equal to the portion of the service period served between the award grant date and the employee s termination date. The remaining portion of the awards will be forfeited. All awards for directors vest fully upon retirement. Restricted shares may be forfeited if employment terminates for any other reason or if the minimum service requirements are not met, as described in the award document.

Restricted Stock Awards: Restricted stock awards for employees under the PISP are in the form of performance-based, market-based, and time-lapse restricted stock. Award recipients receive shares of CMS Energy common stock that have dividend and voting rights. The dividends on time-lapse restricted stock are paid in cash or in CMS Energy common stock. The dividends on performance-based and market-based restricted stock are paid in restricted shares equal to the value of the dividends. These additional restricted shares are subject to the same vesting conditions as the underlying restricted stock shares.

Performance-based restricted stock vesting is contingent on meeting at least a 36-month service requirement and a performance condition. The performance condition is based on an adjusted measure of CMS Energy s EPS growth relative to a peer group over a three-year period. The awards granted in 2016, 2015, and 2014 require a 38-month service period. Market-based restricted stock vesting is generally contingent on meeting a three-year service requirement and a market condition. The market condition is based on a comparison of CMS Energy s total shareholder return with the median total shareholder return of a peer group over the same three-year period. Depending on the outcome of the performance condition or the market condition, a recipient may earn a total award ranging from zero to 200 percent of the initial grant. Time-lapse restricted stock generally vests after a service period of three years.

Restricted Stock Units: In 2016 and 2015, CMS Energy and Consumers granted restricted stock units to certain non-employee directors who elected to defer their restricted stock awards. The restricted stock units generally vest after a service period of one year or, if earlier, at the next annual meeting. The restricted stock units will be distributed to the recipients as shares in accordance with the directors deferral agreements.

Restricted stock units do not have voting rights, but do have dividend rights. In lieu of cash dividend payments, the dividends on restricted stock units are paid in additional units equal to the value of the dividends. These additional restricted stock units are subject to the same vesting and

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distribution conditions as the underlying restricted stock units. No restricted stock units were forfeited during 2016.

Presented in the following tables is the activity for restricted stock and restricted stock units under the 2009 and 2014 PISPs:

	CMS Energy, including Consumers		Consumers	
Year Ended December 31, 2016	Number of Shares	Weighted-Average Grant Date Fair Value per Share	Number of Shares	Weighted-Average Grant Date Fair Value per Share
Nonvested at beginning of period	1,624,934	$ 29.08	1,557,657	$ 29.06
Granted				
Restricted stock	826,075	31.74	786,328	31.77
Restricted stock units	15,338	39.12	14,907	39.12
Vested				
Restricted stock	(819,658)	24.37	(782,505)	24.39
Restricted stock units	(13,588)	33.22	(13,233)	33.23
Forfeited - restricted stock	(245,504)	35.18	(234,523)	35.17
Nonvested at end of period	1,387,597	$ 32.44	1,328,631	$ 32.41

Year Ended December 31, 2016	CMS Energy, including Consumers	Consumers
Granted		
Time-lapse awards	188,303	180,958
Market-based awards	185,464	175,818
Performance-based awards	185,464	175,818
Restricted stock units	14,595	14,186
Dividends on market-based awards	38,652	36,646
Dividends on performance-based awards	14,438	13,704
Dividends on restricted stock units	743	721
Additional market-based shares based on achievement of condition	213,754	203,384
Total granted	841,413	801,235

CMS Energy and Consumers charge the fair value of the restricted stock awards to expense over the required service period and charge the fair value of the restricted stock units to expense immediately. For performance-based awards, CMS Energy and Consumers estimate the number of shares expected to vest at the end of the performance period based on the probable achievement of the performance objective. Performance-based and market-based restricted stock awards have graded vesting features for retirement-eligible employees, and CMS Energy and Consumers recognize expense for those awards on a graded vesting schedule over the required service period. Expense for performance-based and market-based restricted stock awards for non-retirement-eligible employees and time-lapse awards is recognized on a straight-line basis over the required service period.

The fair value of performance-based and time-lapse restricted stock and restricted stock units is based on the price of CMS Energy s common stock on the grant date. The fair value of market-based restricted stock awards is calculated on the grant date using a Monte Carlo simulation. CMS Energy and Consumers base expected volatilities on the historical volatility of the price of CMS Energy common stock. The risk-free rate for valuation of the market-based restricted stock awards was based on the three-year U.S. Treasury yield at the award grant date.

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Presented in the following table are the most important assumptions used to estimate the fair value of the market-based restricted stock awards:

Years Ended December 31	2016	2015	2014
Expected volatility	16.7 %	14.1 %	15.6 %
Expected dividend yield	3.2	3.3	3.7
Risk-free rate	1.0	0.8	0.8

Presented in the following table is the weighted-average grant-date fair value of all awards under the PISP:

Years Ended December 31	2016	2015	2014
CMS Energy, including Consumers			
Weighted-average grant-date fair value per share			
Restricted stock granted	$ 31.74	$ 36.84	$ 26.15
Restricted stock units granted	39.12	34.25	-
Consumers			
Weighted-average grant-date fair value per share			
Restricted stock granted	$ 31.77	$ 36.83	$ 26.18
Restricted stock units granted	39.12	34.25	-

Presented in the following table are amounts related to restricted stock awards and restricted stock units:

			In Millions
Years Ended December 31	2016	2015	2014
CMS Energy, including Consumers			
Fair value of shares that vested during the year	$ 31	$ 29	$ 16
Compensation expense recognized	16	20	14
Income tax benefit recognized	7	8	5
Consumers			
Fair value of shares that vested during the year	$ 30	$ 28	$ 15
Compensation expense recognized	16	19	13
Income tax benefit recognized	6	7	5

At December 31, 2016, $15 million of total unrecognized compensation cost was related to restricted stock for CMS Energy, including Consumers, and $14 million of total unrecognized compensation cost was related to restricted stock for Consumers. CMS Energy and Consumers expect to recognize this cost over a weighted-average period of 1.8 years.

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14: INCOME TAXES

CMS Energy and its subsidiaries file a consolidated U.S. federal income tax return and a unitary Michigan income tax return. Income taxes are allocated based on each company s separate taxable income in accordance with the CMS Energy tax sharing agreement.

Presented in the following table is the difference between actual income tax expense on continuing operations and income tax expense computed by applying the statutory U.S. federal income tax rate:

						In Millions, Except Tax Rate
Years Ended December 31		2016		2015		2014
CMS Energy, including Consumers						
Income from continuing operations before income taxes	$	826	$	796	$	729
Income tax expense at statutory rate		289		279		255
Increase (decrease) in income taxes from:						
State and local income taxes, net of federal effect		37		39		36
Accelerated flow-through of regulatory tax benefits[1]		(39)		(39)		(39)
Employee share-based awards[2]		(7)		-		-
Other, net		(7)		(8)		(2)
Income tax expense	$	273	$	271	$	250
Effective tax rate		33.1 %		34.0 %		34.3 %
Consumers						
Income from continuing operations before income taxes	$	936	$	896	$	873
Income tax expense at statutory rate		328		314		306
Increase (decrease) in income taxes from:						
State and local income taxes, net of federal effect		44		42		42
Accelerated flow-through of regulatory tax benefits[1]		(39)		(39)		(39)
Employee share-based awards[2]		(6)		-		-
Other, net		(7)		(15)		(3)
Income tax expense	$	320	$	302	$	306
Effective tax rate		34.2 %		33.7 %		35.1 %

1 Since 2014, Consumers has followed a regulatory treatment ordered by the MPSC that accelerates the return of certain income tax benefits to customers. This change, which also accelerates Consumers recognition of the income tax benefits, reduced Consumers income tax expense by $39 million for each of the years ended December 31, 2016, 2015, and 2014.

2 CMS Energy and Consumers elected to adopt ASU 2016-09, *Improvements to Employee Share-Based Payment Accounting*, as of January 1, 2016. For further details on the implementation of this standard, see Note 2, New Accounting Standards.

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Presented in the following table are the significant components of income tax expense on continuing operations:

						In Millions
Years Ended December 31		2016		2015		2014
CMS Energy, including Consumers						
Current income taxes						
Federal	$	-	$	-	$	-
State and local		9		24		24
	$	9	$	24	$	24
Deferred income taxes						
Federal	$	200	$	192	$	198
State and local		47		36		31
	$	247	$	228	$	229
Deferred income tax credit		17		19		(3)
Tax expense	$	273	$	271	$	250
Consumers						
Current income taxes						
Federal	$	9	$	66	$	8
State and local		22		32		36
	$	31	$	98	$	44
Deferred income taxes						
Federal	$	227	$	153	$	236
State and local		45		32		29
	$	272	$	185	$	265
Deferred income tax credit		17		19		(3)
Tax expense	$	320	$	302	$	306

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Presented in the following table are the principal components of deferred income tax assets (liabilities) recognized:

		In Millions
December 31	2016	2015
CMS Energy, including Consumers		
Employee benefits	$ (158)	$ (127)
Gas inventory	(65)	(96)
Plant, property, and equipment	(2,902)	(2,429)
Net regulatory tax liability	27	50
Reserves and accruals	69	59
Securitized costs	(118)	(122)
Tax loss and credit carryforwards	871	657
Other	(6)	(5)
	$ (2,282)	$ (2,013)
Less valuation allowance	(5)	(4)
Total net deferred income tax liabilities	$ (2,287)	$ (2,017)
Deferred tax assets, net of valuation reserves	$ 962	$ 762
Deferred tax liabilities	(3,249)	(2,779)
Total net deferred income tax liabilities	$ (2,287)	$ (2,017)
Consumers		
Employee benefits	$ (181)	$ (156)
Gas inventory	(65)	(96)
Plant, property, and equipment	(2,924)	(2,457)
Net regulatory tax liability	27	50
Reserves and accruals	37	30
Securitized costs	(118)	(122)
Tax loss and credit carryforwards	190	46
Other	(8)	(5)
Total net deferred income tax liabilities	$ (3,042)	$ (2,710)
Deferred tax assets, net of valuation reserves	$ 254	$ 126
Deferred tax liabilities	(3,296)	(2,836)
Total net deferred income tax liabilities	$ (3,042)	$ (2,710)

Deferred tax assets and liabilities are recognized for the estimated future tax effect of temporary differences between the tax basis of assets or liabilities and the reported amounts on CMS Energy s and Consumers consolidated financial statements.

Presented in the following table are the tax loss and credit carryforwards at December 31, 2016:

			In Millions
	Gross Amount	Tax Attribute	Expiration
CMS Energy, including Consumers			
Federal net operating loss carryforward	$ 1,415	$ 495	2025 2036
Local net operating loss carryforwards	408	4	2023 2036
Alternative minimum tax credits	270	270	No expiration
General business credits	102	102	2018 2036
Total tax attributes		$ 871	
Consumers			
Federal net operating loss carryforward	$ 447	$ 157	2025 2036

General business credits	33	33	2032	2036
Total tax attributes		$ 190		

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CMS Energy has provided a valuation allowance of $2 million for the local tax loss carryforward, and $3 million for general business credits. CMS Energy and Consumers expect to utilize fully tax loss and credit carryforwards for which no valuation allowance has been provided. It is reasonably possible that further adjustments will be made to the valuation allowances within one year.

Presented in the following table is a reconciliation of the beginning and ending amount of uncertain tax benefits:

						In Millions
Years Ended December 31		2016		2015		2014
CMS Energy, including Consumers						
Balance at beginning of period	$	6	$	5	$	4
Additions for current-year tax positions		-		1		2
Additions for prior-year tax positions		-		1		1
Reductions for prior-year tax positions		-		(1)		(2)
Settlements		(1)		-		-
Balance at end of period	$	5	$	6	$	5
Consumers						
Balance at beginning of period	$	6	$	5	$	4
Additions for current-year tax positions		-		1		2
Additions for prior-year tax positions		-		1		1
Reductions for prior-year tax positions		-		(1)		(2)
Settlements		(1)		-		-
Balance at end of period	$	5	$	6	$	5

If recognized, all of these uncertain tax benefits would affect CMS Energy s and Consumers annual effective tax rates in future years.

CMS Energy and Consumers recognize accrued interest and penalties, where applicable, as part of income tax expense. CMS Energy, including Consumers, recognized no interest or penalties for the years ended December 31, 2016, 2015, or 2014.

In April 2014, the IRS completed its audit of the federal income tax returns of CMS Energy and its subsidiaries for 2010 and 2011. The audit resulted in no significant adjustments to CMS Energy s or Consumers taxable income or income tax expense.

CMS Energy s federal income tax returns for 2013 and subsequent years remain subject to examination by the IRS. CMS Energy s Michigan Corporate Income Tax and Michigan Business Tax returns for 2008 and subsequent years remain subject to examination by the State of Michigan.

The amount of income taxes paid is subject to ongoing audits by federal, state, local, and foreign tax authorities, which can result in proposed assessments. CMS Energy s and Consumers estimate of the potential outcome for any uncertain tax issue is highly judgmental. CMS Energy and Consumers believe that their accrued tax liabilities at December 31, 2016 were adequate for all years.

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15: EARNINGS PER SHARE CMS ENERGY

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

					In Millions, Except Per Share Amounts	
Years Ended December 31		2016		2015		2014
Income available to common stockholders						
Net income	$	553	$	525	$	479
Less income attributable to noncontrolling interests		2		2		2
Net income available to common stockholders basic and diluted	$	551	$	523	$	477
Average common shares outstanding						
Weighted-average shares basic		277.9		275.6		270.6
Add dilutive contingently convertible securities		-		-		3.1
Add dilutive nonvested stock awards		1.0		0.9		0.9
Weighted-average shares diluted		278.9		276.5		274.6
Net income per average common share available to common stockholders						
Basic	$	1.99	$	1.90	$	1.76
Diluted		1.98		1.89		1.74
Dividends declared per common share	$	1.24	$	1.16	$	1.08

Contingently Convertible Securities

In June 2014, CMS Energy redeemed its remaining contingently convertible securities. For the periods those securities were outstanding, they diluted EPS to the extent that the conversion value of the securities, which was based on the average market price of CMS Energy common stock, exceeded their principal value.

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.

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16: OTHER INCOME AND OTHER EXPENSE

Presented in the following table are the components of other income and other expense at CMS Energy and Consumers:

						In Millions
Years Ended December 31		2016		2015		2014
CMS Energy, including Consumers						
Other income						
Fee income	$	6	$	9	$	8
All other		2		1		3
Total other income CMS Energy	$	8	$	10	$	11
Consumers						
Other income						
Fee income	$	6	$	9	$	8
Gain on CMS Energy common stock		-		9		-
All other		2		1		2
Total other income Consumers	$	8	$	19	$	10
CMS Energy, including Consumers						
Other expense						
Civic and political expenditures	$	(21)	$	(10)	$	(14)
Donations		(23)		(1)		(15)
Loss on reacquired and extinguished debt		(18)		-		(20)
Unrealized investment loss		(5)		-		-
All other		(8)		(6)		(6)
Total other expense CMS Energy	$	(75)	$	(17)	$	(55)
Consumers						
Other expense						
Civic and political expenditures	$	(21)	$	(10)	$	(14)
Donations		(23)		(1)		(15)
Unrealized investment loss		(4)		-		-
All other		(7)		(6)		(6)
Total other expense Consumers	$	(55)	$	(17)	$	(35)

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17: CASH AND CASH EQUIVALENTS

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

				In Millions
December 31		2016		2015
CMS Energy, including Consumers				
Cash and cash equivalents	$	235	$	266
Restricted cash and cash equivalents		19		19
Other non-current assets		3		3
Cash and cash equivalents, including restricted amounts	$	257	$	288
Consumers				
Cash and cash equivalents	$	131	$	50
Restricted cash and cash equivalents		19		19
Other non-current assets		2		2
Cash and cash equivalents, including restricted amounts	$	152	$	71

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 majority of 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 6, Fair Value Measurements and Note 12, Retirement Benefits for more information regarding the DB SERP.

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18: 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.

Accounting policies for CMS Energy s and Consumers segments are as described in Note 1, Significant Accounting Policies. The consolidated financial statements reflect the assets, liabilities, revenues, and expenses of the individual segments when appropriate. Accounts are allocated among the segments when common accounts are attributable to more than one segment. The allocations are based on certain measures of business activities, such as revenue, labor dollars, customers, other operation and maintenance expense, construction expense, leased property, taxes, or functional surveys. For example, customer receivables are allocated based on revenue, and pension provisions are allocated based on labor dollars.

Inter-segment sales and transfers are accounted for at current market prices and are eliminated in consolidated net income available to common stockholders by segment.

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 primarily in domestic independent power production

CMS Energy presents EnerBank and corporate interest and other expenses 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.

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

						In Millions
Years Ended December 31		2016		2015		2014
CMS Energy, including Consumers						
Operating revenue						
Electric utility	$	4,379	$	4,249	$	4,436
Gas utility		1,685		1,916		2,363
Enterprises		215		190		299
Other reconciling items		120		101		81
Total operating revenue CMS Energy	$	6,399	$	6,456	$	7,179
Consumers						
Operating revenue						
Electric utility	$	4,379	$	4,249	$	4,436
Gas utility		1,685		1,916		2,363
Other reconciling items		-		-		1
Total operating revenue Consumers	$	6,064	$	6,165	$	6,800
CMS Energy, including Consumers						
Depreciation and amortization						
Electric utility	$	603	$	567	$	522
Gas utility		200		177		156
Enterprises		5		4		4
Other reconciling items		3		2		3
Total depreciation and amortization CMS Energy	$	811	$	750	$	685
Consumers						
Depreciation and amortization						
Electric utility	$	603	$	567	$	522
Gas utility		200		177		156
Total depreciation and amortization Consumers	$	803	$	744	$	678
CMS Energy, including Consumers						
Income from equity method investees1						
Enterprises	$	13	$	14	$	15
Total income from equity method investees CMS Energy	$	13	$	14	$	15
CMS Energy, including Consumers						
Interest charges						
Electric utility	$	196	$	178	$	181
Gas utility		72		71		67
Enterprises		1		-		-
Other reconciling items		166		147		159
Total interest charges CMS Energy	$	435	$	396	$	407
Consumers						
Interest charges						
Electric utility	$	196	$	178	$	181
Gas utility		72		71		67
Other reconciling items		-		1		2
Total interest charges Consumers	$	268	$	250	$	250

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			In Millions
Years Ended December 31	2016	2015	2014
CMS Energy, including Consumers			
Income tax expense (benefit)			
Electric utility	$ 246	$ 224	$ 211
Gas utility	74	78	95
Enterprises	10	3	(1)
Other reconciling items	(57)	(34)	(55)
Total income tax expense CMS Energy	$ 273	$ 271	$ 250
Consumers			
Income tax expense			
Electric utility	$ 246	$ 224	$ 211
Gas utility	74	78	95
Total income tax expense Consumers	$ 320	$ 302	$ 306
CMS Energy, including Consumers			
Net income (loss) available to common stockholders			
Electric utility	$ 458	$ 437	$ 384
Gas utility	155	154	179
Enterprises	17	4	(1)
Other reconciling items	(79)	(72)	(85)
Total net income available to common stockholders CMS Energy	$ 551	$ 523	$ 477
Consumers			
Net income available to common stockholder			
Electric utility	$ 458	$ 437	$ 384
Gas utility	155	154	179
Other reconciling items	1	1	2
Total net income available to common stockholder Consumers	$ 614	$ 592	$ 565
CMS Energy, including Consumers			
Plant, property, and equipment, gross			
Electric utility	$ 14,540	$ 13,059	$ 12,230
Gas utility	6,283	5,723	5,335
Enterprises	157	120	115
Other reconciling items	30	41	41
Total plant, property, and equipment, gross CMS Energy	$ 21,010	$ 18,943	$ 17,721
Consumers			
Plant, property, and equipment, gross			
Electric utility	$ 14,540	$ 13,059	$ 12,230
Gas utility	6,283	5,723	5,335
Other reconciling items	15	15	15
Total plant, property, and equipment, gross Consumers	$ 20,838	$ 18,797	$ 17,580
CMS Energy, including Consumers			
Investments in equity method investees1			
Enterprises	$ 62	$ 61	$ 58
Other reconciling items	3	3	3
Total investments in equity method investees CMS Energy	$ 65	$ 64	$ 61

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			In Millions
Years Ended December 31	2016	2015	2014
CMS Energy, including Consumers			
Total assets			
Electric utility[2]	$ 13,429	$ 12,660	$ 11,565
Gas utility[2]	6,446	5,912	5,385
Enterprises	269	270	231
Other reconciling items	1,478	1,457	1,962
Total assets CMS Energy	$ 21,622	$ 20,299	$ 19,143
Consumers			
Total assets			
Electric utility[2]	$ 13,430	$ 12,660	$ 11,565
Gas utility[2]	6,446	5,912	5,385
Other reconciling items	70	63	874
Total assets Consumers	$ 19,946	$ 18,635	$ 17,824
CMS Energy, including Consumers			
Capital expenditures[3]			
Electric utility	$ 1,007	$ 1,136	$ 1,139
Gas utility	611	558	473
Enterprises	10	44	3
Other reconciling items	5	3	1
Total capital expenditures CMS Energy	$ 1,633	$ 1,741	$ 1,616
Consumers			
Capital expenditures[3]			
Electric utility	$ 1,007	$ 1,136	$ 1,139
Gas utility	611	558	473
Total capital expenditures Consumers	$ 1,618	$ 1,694	$ 1,612

1 Consumers had no significant equity method investments.

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

3 Amounts include purchase of capital lease additions. Amounts also include a portion of Consumers capital expenditures for plant and equipment attributable to both the electric and gas utility businesses.

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19: RELATED-PARTY TRANSACTIONS CONSUMERS

Consumers enters into a number of transactions with related parties. These transactions include:

- purchases of electricity from affiliates of CMS Enterprises
- payments to and from CMS Energy related to parent company overhead costs
- investment in CMS Energy common stock

Transactions involving power supply purchases from certain affiliates of CMS Enterprises are based on avoided costs under the Public Utility Regulatory Policies Act of 1978, state law, and competitive bidding. The payment of parent company overhead costs is based on the use of accepted industry allocation methodologies. These payments are for costs that occur in the normal course of business.

Presented in the following table is Consumers expense recorded from related-party transactions for the years ended December 31:

				In Millions
Description	Related Party	2016	2015	2014
Purchases of capacity and energy	Affiliates of CMS Enterprises	$ 88	$ 83	$ 89

Amounts payable to related parties for purchased power and other services were $24 million at December 31, 2016 and $23 million at December 31, 2015.

Accounts receivable from related parties were $9 million at December 31, 2016. Accounts receivable from related parties were $17 million at December 31, 2015, primarily representing Consumers payment of postretirement benefits contributions on behalf of CMS Energy.

Consumers owned shares of CMS Energy common stock with a fair value of $33 million at December 31, 2016 and $29 million at December 31, 2015. For additional details on Consumers investment in CMS Energy common stock, see Note 7, Financial Instruments.

In October 2016, Consumers entered into two transactions with CMS ERM for the purchase of capacity for future years. The purchases, which were the result of competitive bidding, total $4 million.

In January 2017, Consumers renewed a short-term credit agreement with CMS Energy, permitting Consumers to borrow up to $300 million. At December 31, 2016, there were no outstanding loans under the agreement.

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20: VARIABLE INTEREST ENTITIES

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

Presented in the following table is information about these partnerships:

Name (Ownership Interest)	Nature of the Entity	Financing of Partnership
T.E.S. Filer City (50%)	Coal-fueled power generator	Line of credit secured by T.E.S. Filer City s coal inventory
Grayling (50%)	Wood waste-fueled power generator	Line of credit secured by specific assets of Grayling. This line of credit expired in 2016.
Genesee (50%)	Wood waste-fueled power generator	Sale of revenue bonds that mature in 2021 and bear interest at fixed rates. The debt is non-recourse to the partners and secured by a CMS Energy guarantee capped at $3 million annually.
Craven (50%)	Wood waste-fueled power generator	Line of credit secured by Craven s property, plant, and equipment

CMS Energy has operating and management contracts with Grayling, Genesee, and Craven. Additionally, Consumers is the primary purchaser of power from T.E.S. Filer City, Grayling, and Genesee through long-term PPAs. Consumers also has reduced dispatch agreements with Grayling and Genesee, which allow these facilities to be dispatched based on the market price of power compared with the cost of production of the plants. This results in fuel cost savings that each partnership shares with Consumers customers.

CMS Energy s investment in these partnerships is included in investments on its consolidated balance sheets in the amount of $62 million as of December 31, 2016 and $61 million as of December 31, 2015. The creditors of these partnerships do not have recourse to the general credit of CMS Energy or Consumers, except through a guarantee provided by CMS Energy of $3 million annually. CMS Energy has deferred collections on certain receivables owed by Genesee. CMS Energy s maximum exposure to loss from these receivables is $8 million. Consumers has not provided any financial or other support during the periods presented that was not previously contractually required.

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21: QUARTERLY FINANCIAL AND COMMON STOCK INFORMATION (UNAUDITED)

					In Millions, Except Per Share Amounts and Stock Prices			
				2016				
Quarters Ended		March 31		June 30		Sept 30		Dec 31
CMS Energy, including Consumers								
Operating revenue	$	1,801	$	1,371	$	1,587	$	1,640
Operating income		336		285		386		290
Net income		164		125		186		78
Income attributable to noncontrolling interests		-		1		-		1
Net income available to common stockholders		164		124		186		77
Basic earnings per average common share[1]		0.59		0.45		0.67		0.28
Diluted earnings per average common share[1]		0.59		0.45		0.67		0.28
Common stock prices[2]								
High		42.44		45.86		46.17		42.15
Low		35.61		39.38		41.31		39.49
Consumers								
Operating revenue	$	1,723	$	1,293	$	1,498	$	1,550
Operating income		317		264		365		288
Net income		172		132		195		117
Preferred stock dividends		-		1		-		1
Net income available to common stockholder		172		131		195		116

					In Millions, Except Per Share Amounts and Stock Prices			
				2015				
Quarters Ended		March 31		June 30		Sept 30		Dec 31
CMS Energy, including Consumers								
Operating revenue	$	2,111	$	1,350	$	1,486	$	1,509
Operating income		397		204		317		245
Net income		202		68		148		107
Income attributable to noncontrolling interests		-		1		-		1
Net income available to common stockholders		202		67		148		106
Basic earnings per average common share[1]		0.73		0.25		0.53		0.39
Diluted earnings per average common share[1]		0.73		0.25		0.53		0.38
Common stock prices[2]								
High		38.20		35.57		35.82		37.17
Low		32.83		31.39		32.10		34.24
Consumers								
Operating revenue	$	2,028	$	1,281	$	1,417	$	1,439
Operating income		379		192		305		246
Net income		215		84		160		135
Preferred stock dividends		-		1		-		1
Net income available to common stockholder		215		83		160		134

1 The sum of the quarters may not equal annual EPS due to changes in the number of shares outstanding.

2 Based on New York Stock Exchange composite transactions.

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REPORT OF INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM

To the Board of Directors and Stockholders of CMS Energy Corporation

In our opinion, the accompanying consolidated balance sheets and the related consolidated statements of income, of comprehensive income, of cash flows, and of changes in equity present fairly, in all material respects, the financial position of CMS Energy Corporation and its subsidiaries at December 31, 2016 and December 31, 2015 and the results of their operations and their cash flows for each of the three years in the period ended December 31, 2016 in conformity with accounting principles generally accepted in the United States of America. In addition, in our opinion, the financial statement schedules listed in the index appearing under Item 15(a)(2) present fairly, in all material respects, the information set forth therein when read in conjunction with the related consolidated financial statements. Also in our opinion, the Company maintained, in all material respects, effective internal control over financial reporting as of December 31, 2016, based on criteria established in *Internal Control Integrated Framework (2013)* issued by the Committee of Sponsoring Organizations of the Treadway Commission (COSO). The Company s management is responsible for these financial statements and financial statement schedules, for maintaining effective internal control over financial reporting and for its assessment of the effectiveness of internal control over financial reporting, included in Management s Annual Report on Internal Control over Financial Reporting appearing under Item 9A. Our responsibility is to express opinions on these financial statements, on the financial statement schedules, and on the Company s internal control over financial reporting based on our integrated audits. We conducted our audits in accordance with the standards of the Public Company Accounting Oversight Board (United States). Those standards require that we plan and perform the audits to obtain reasonable assurance about whether the financial statements are free of material misstatement and whether effective internal control over financial reporting was maintained in all material respects. Our audits of the financial statements included examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements, assessing the accounting principles used and significant estimates made by management, and evaluating the overall financial statement presentation. Our audit of internal control over financial reporting included obtaining an understanding of internal control over financial reporting, assessing the risk that a material weakness exists, and testing and evaluating the design and operating effectiveness of internal control based on the assessed risk. Our audits also included performing such other procedures as we considered necessary in the circumstances. We believe that our audits provide a reasonable basis for our opinions.

A company s internal control over financial reporting is a process designed 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. A company s internal control over financial reporting includes those policies and procedures that (i) pertain to the maintenance of records that, in reasonable detail, accurately and fairly reflect the transactions and dispositions of the assets of the company; (ii) provide reasonable assurance that transactions are recorded as necessary to permit preparation of financial statements in accordance with generally accepted accounting principles, and that receipts and expenditures of the company are being made only in accordance with authorizations of management and directors of the company; and (iii) provide reasonable assurance regarding prevention or timely detection of unauthorized acquisition, use, or disposition of the company s assets that could have a material effect on the financial statements.

Because of its inherent limitations, internal control over financial reporting may not prevent or detect misstatements. Also, projections of any evaluation of effectiveness to future periods are subject to the risk that controls may become inadequate because of changes in conditions, or that the degree of compliance with the policies or procedures may deteriorate.

/s/ PricewaterhouseCoopers LLP

Detroit, Michigan

February 7, 2017

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REPORT OF INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM

To the Board of Directors and Stockholder of Consumers Energy Company

In our opinion, the accompanying consolidated balance sheets and the related consolidated statements of income, of comprehensive income, of cash flows, and of changes in equity present fairly, in all material respects, the financial position of Consumers Energy Company and its subsidiaries at December 31, 2016 and December 31, 2015 and the results of their operations and their cash flows for each of the three years in the period ended December 31, 2016 in conformity with accounting principles generally accepted in the United States of America. In addition, in our opinion, the financial statement schedule listed in the index appearing under Item 15(a)(2) presents fairly, in all material respects, the information set forth therein when read in conjunction with the related consolidated financial statements. Also in our opinion, the Company maintained, in all material respects, effective internal control over financial reporting as of December 31, 2016, based on criteria established in *Internal Control Integrated Framework (2013)* issued by the Committee of Sponsoring Organizations of the Treadway Commission (COSO). The Company s management is responsible for these financial statements and the financial statement schedule, for maintaining effective internal control over financial reporting and for its assessment of the effectiveness of internal control over financial reporting, included in Management s Annual Report on Internal Control over Financial Reporting appearing under Item 9A. Our responsibility is to express opinions on these financial statements, on the financial statement schedule, and on the Company s internal control over financial reporting based on our integrated audits. We conducted our audits in accordance with the standards of the Public Company Accounting Oversight Board (United States). Those standards require that we plan and perform the audits to obtain reasonable assurance about whether the financial statements are free of material misstatement and whether effective internal control over financial reporting was maintained in all material respects. Our audits of the financial statements included examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements, assessing the accounting principles used and significant estimates made by management, and evaluating the overall financial statement presentation. Our audit of internal control over financial reporting included obtaining an understanding of internal control over financial reporting, assessing the risk that a material weakness exists, and testing and evaluating the design and operating effectiveness of internal control based on the assessed risk. Our audits also included performing such other procedures as we considered necessary in the circumstances. We believe that our audits provide a reasonable basis for our opinions.

A company s internal control over financial reporting is a process designed 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. A company s internal control over financial reporting includes those policies and procedures that (i) pertain to the maintenance of records that, in reasonable detail, accurately and fairly reflect the transactions and dispositions of the assets of the company; (ii) provide reasonable assurance that transactions are recorded as necessary to permit preparation of financial statements in accordance with generally accepted accounting principles, and that receipts and expenditures of the company are being made only in accordance with authorizations of management and directors of the company; and (iii) provide reasonable assurance regarding prevention or timely detection of unauthorized acquisition, use, or disposition of the company s assets that could have a material effect on the financial statements.

Because of its inherent limitations, internal control over financial reporting may not prevent or detect misstatements. Also, projections of any evaluation of effectiveness to future periods are subject to the risk that controls may become inadequate because of changes in conditions, or that the degree of compliance with the policies or procedures may deteriorate.

/s/ PricewaterhouseCoopers LLP

Detroit, Michigan

February 7, 2017

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Item 9. Changes in and Disagreements with Accountants on Accounting and Financial Disclosure

None.

Item 9A. Controls and Procedures

CMS ENERGY

Conclusion Regarding the Effectiveness of Disclosure Controls and Procedures: Under the supervision and with the participation of management, including its CEO and CFO, CMS Energy conducted an evaluation of its disclosure controls and procedures (as such term is defined in Rules 13a-15(e) and 15d-15(e) under the Exchange Act). Based on such evaluation, CMS Energy s CEO and CFO have concluded that its disclosure controls and procedures were effective as of December 31, 2016.

Management s Annual Report on Internal Control Over Financial ReportingCMS Energy s management is responsible for establishing and maintaining adequate internal control over financial reporting, as defined in Exchange Act Rules 13a-15(f) and 15d-15(f). CMS Energy s internal control over financial reporting is a process designed to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with GAAP and includes policies and procedures that:

- pertain to the maintenance of records that, in reasonable detail, accurately and fairly reflect the transactions and dispositions of the assets of CMS Energy

- provide reasonable assurance that transactions are recorded as necessary to permit preparation of financial statements in accordance with GAAP, and that receipts and expenditures of CMS Energy are being made only in accordance with authorizations of management and directors of CMS Energy

- provide reasonable assurance regarding prevention or timely detection of unauthorized acquisition, use, or disposition of CMS Energy s assets that could have a material effect on its financial statements

Management, including its CEO and CFO, does not expect that its internal controls will prevent or detect all errors and all fraud. A control system, no matter how well designed and operated, can provide only reasonable, not absolute, assurance that the objectives of the control system are met. Further, the design of a control system must reflect the fact that there are resource constraints, and the benefits of controls must be considered relative to their costs. In addition, any evaluation of the effectiveness of controls is subject to risks that those internal controls may become inadequate in future periods because of changes in business conditions, or that the degree of compliance with the policies or procedures deteriorates.

Under the supervision and with the participation of management, including its CEO and CFO, CMS Energy conducted an evaluation of the effectiveness of its internal control over financial reporting as of December 31, 2016. In making this evaluation, management used the criteria set forth in the framework in Internal Control Integrated Framework (2013) issued by the Committee of Sponsoring Organizations of the Treadway Commission. Based on such evaluation, CMS Energy s management concluded that its internal control over financial reporting was effective as of December 31, 2016. The effectiveness of CMS Energy s internal control over financial reporting as of December 31, 2016 has been audited by PricewaterhouseCoopers LLP, an independent registered public accounting firm, as stated in their report which appears under Item 8. Financial Statements and Supplementary Data.

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Changes in Internal Control over Financial Reporting: There have been no changes in CMS Energy s internal control over financial reporting during the most recently completed fiscal quarter that have materially affected, or are reasonably likely to materially affect, its internal control over financial reporting.

CONSUMERS

Conclusion Regarding the Effectiveness of Disclosure Controls and Procedures: Under the supervision and with the participation of management, including its CEO and CFO, Consumers conducted an evaluation of its disclosure controls and procedures (as such term is defined in Rules 13a-15(e) and 15d-15(e) under the Exchange Act). Based on such evaluation, Consumers CEO and CFO have concluded that its disclosure controls and procedures were effective as of December 31, 2016.

Management s Annual Report on Internal Control Over Financial Reporting: Consumers management is responsible for establishing and maintaining adequate internal control over financial reporting, as defined in Exchange Act Rules 13a-15(f) and 15d-15(f). Consumers internal control over financial reporting is a process designed to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with GAAP and includes policies and procedures that:

- pertain to the maintenance of records that, in reasonable detail, accurately and fairly reflect the transactions and dispositions of the assets of Consumers

- provide reasonable assurance that transactions are recorded as necessary to permit preparation of financial statements in accordance with GAAP, and that receipts and expenditures of Consumers are being made only in accordance with authorizations of management and directors of Consumers

- provide reasonable assurance regarding prevention or timely detection of unauthorized acquisition, use, or disposition of Consumers assets that could have a material effect on its financial statements

Management, including its CEO and CFO, does not expect that its internal controls will prevent or detect all errors and all fraud. A control system, no matter how well designed and operated, can provide only reasonable, not absolute, assurance that the objectives of the control system are met. Further, the design of a control system must reflect the fact that there are resource constraints, and the benefits of controls must be considered relative to their costs. In addition, any evaluation of the effectiveness of controls is subject to risks that those internal controls may become inadequate in future periods because of changes in business conditions, or that the degree of compliance with the policies or procedures deteriorates.

Under the supervision and with the participation of management, including its CEO and CFO, Consumers conducted an evaluation of the effectiveness of its internal control over financial reporting as of December 31, 2016. In making this evaluation, management used the criteria set forth in the framework in Internal Control Integrated Framework (2013) issued by the Committee of Sponsoring Organizations of the Treadway Commission. Based on such evaluation, Consumers management concluded that its internal control over financial reporting was effective as of December 31, 2016. The effectiveness of Consumers internal control over financial reporting as of December 31, 2016 has been audited by PricewaterhouseCoopers LLP, an independent registered public accounting firm, as stated in their report which appears under Item 8. Financial Statements and Supplementary Data.

Changes in Internal Control over Financial Reporting: There have been no changes in Consumers internal control over financial reporting during the most recently completed fiscal quarter that have materially affected, or are reasonably likely to materially affect, its internal control over financial reporting.

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Item 9B. Other Information

None.

Part III

Item 10. Directors, Executive Officers and Corporate Governance

CMS ENERGY

Information that is required in Item 10 of this Form 10-K regarding executive officers is included in the Item 1. Business CMS Energy and Consumers Executive Officers section, which is incorporated by reference herein.

Information that is required in Item 10 of this Form 10-K regarding directors, executive officers, and corporate governance is incorporated by reference from CMS Energy s definitive proxy statement for its 2017 Annual Meeting of Shareholders to be held May 5, 2017. The proxy statement will be filed with the SEC, pursuant to Regulation 14A under the Exchange Act, within 120 days after the end of the fiscal year covered by this Form 10-K, all of which information is hereby incorporated by reference in, and made part of, this Form 10-K.

Code of Ethics

CMS Energy has adopted an employee code of ethics, entitled CMS Energy 2016 Code of Conduct and Guide to Ethical Business Behavior (Employee Code) that applies to its CEO, CFO, and CAO, as well as all other officers and employees of CMS Energy and its affiliates, except for EnerBank, which has its own code of conduct. The Employee Code is administered by the Chief Compliance Officer of CMS Energy, who reports directly to the Audit Committee of the Board of Directors of CMS Energy. CMS Energy has also adopted a director code of ethics entitled Board of Directors Code of Conduct (Director Code) that applies to its directors. The Director Code is administered by the Audit Committee of the Board of Directors of CMS Energy. Any alleged violation of the Director Code by a director will be investigated by disinterested members of the Audit Committee of the Board of Directors of CMS Energy, or if none, by disinterested members of the entire Board of Directors of CMS Energy. The Employee Code and Director Code and any waivers of, or amendments or exceptions to, a provision of the Employee Code that applies to CMS Energy s CEO, CFO, CAO or persons performing similar functions and any waivers of, or amendments or exceptions to, a provision of CMS Energy s Director Code will be disclosed on CMS Energy s website at www.cmsenergy.com/corporate-governance/compliance-and-ethics.

CONSUMERS

Information that is required in Item 10 of this Form 10-K regarding executive officers is included in the Item 1. Business CMS Energy and Consumers Executive Officers section, which is incorporated by reference herein.

Information that is required in Item 10 of this Form 10-K regarding directors, executive officers, and corporate governance is incorporated by reference from CMS Energy s definitive proxy statement for its 2017 Annual Meeting of Shareholders to be held May 5, 2017. The proxy statement will be filed with the SEC, pursuant to Regulation 14A under the Exchange Act, within 120 days after the end of the fiscal year covered by this Form 10-K, all of which information is hereby incorporated by reference in, and made part of, this Form 10-K.

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Code of Ethics

Consumers has adopted an employee code of ethics, entitled CMS Energy 2016 Code of Conduct and Guide to Ethical Business Behavior (Employee Code) that applies to its CEO, CFO, and CAO, as well as all other officers and employees of Consumers and its affiliates, except for EnerBank, which has its own code of conduct. The Employee Code is administered by the Chief Compliance Officer of Consumers, who reports directly to the Audit Committee of the Board of Directors of Consumers. Consumers has also adopted a director code of ethics entitled Board of Directors Code of Conduct (Director Code) that applies to its directors. The Director Code is administered by the Audit Committee of the Board of Directors of Consumers. Any alleged violation of the Director Code by a director will be investigated by disinterested members of the Audit Committee of the Board of Directors of Consumers, or if none, by disinterested members of the entire Board of Directors of Consumers. The Employee Code and Director Code and any waivers of, or amendments or exceptions to, a provision of the Employee Code that applies to Consumers CEO, CFO, CAO or persons performing similar functions and any waivers of, or amendments or exceptions to, a provision of Consumers Director Code will be disclosed on Consumers website at www.cmsenergy.com/corporate-governance/compliance-and-ethics.

Item 11. Executive Compensation

See the note below.

Item 12. Security Ownership of Certain Beneficial Owners and Management and Related Stockholder Matters

SECURITIES AUTHORIZED FOR ISSUANCE UNDER EQUITY COMPENSATION PLANS

Presented in the following table is information regarding CMS Energy s equity compensation plans as of December 31, 2016:

Plan Category	(a) Number of securities to be issued upon exercise of outstanding options, warrants, and rights	(b) Weighted-average exercise price of outstanding options, warrants, and rights	(c) Number of securities remaining available for future issuance under equity compensation plans (excluding securities reflected in column (a))
Equity compensation plan approved by shareholders	-	$ -	4,983,931

Also see the note below.

Item 13. Certain Relationships and Related Transactions, and Director Independence

See the note below.

Item 14. Principal Accountant Fees and Services

See the note below.

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NOTE: Information that is required by Part III Items 11, 12, 13, and 14 of this Form 10-K is incorporated by reference from CMS Energy s definitive proxy statement for its 2017 Annual Meeting of Shareholders to be held May 5, 2017. The proxy statement will be filed with the SEC, pursuant to Regulation 14A under the Exchange Act, within 120 days after the end of the fiscal year covered by this Form 10-K, all of which information is hereby incorporated by reference in, and made part of, this Form 10-K.

Part IV

Item 15. Exhibits and Financial Statement Schedules

(a)(1) Financial Statements and Reports of Independent Public Accountants for CMS Energy and Consumers are included in Item 8. Financial Statements and Supplementary Data and are incorporated by reference herein.

(a)(2) Index to Financial Statement Schedules.

Schedules other than those listed above are omitted because they are either not required or not applicable, or the required information is shown in the financial statements or notes thereto. Columns omitted from schedules filed have been omitted because the information is not applicable.

(a)(3) and (b) See CMS Energy s and Consumers Exhibit Index included as the last part of this report, which is incorporated herein by reference.

Item 16. Form 10-K Summary

None.

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CMS Energy Corporation

Schedule I Condensed Financial Information of Registrant

CMS ENERGY PARENT COMPANY

Condensed Statements of Income

In Millions

Years Ended December 31	2016	2015	2014
Operating Expenses			
Other operating expenses	$ (15)	$ (9)	$ (6)
Total operating expenses	(15)	(9)	(6)
Operating Loss	(15)	(9)	(6)
Other Income (Expense)			
Equity earnings of subsidiaries	660	625	585
Interest income	1	1	1
Other expense	(19)	(9)	(20)
Total other income	642	617	566
Interest Charges			
Interest on long-term debt	150	134	150
Intercompany interest expense and other	1	3	2
Total interest charges	151	137	152
Income Before Income Taxes	476	471	408
Income Tax Benefit	(75)	(52)	(69)
Net Income Available to Common Stockholders	$ 551	$ 523	$ 477

The accompanying notes are an integral part of these statements.

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CMS Energy Corporation

Schedule I Condensed Financial Information of Registrant

CMS ENERGY PARENT COMPANY

Condensed Statements of Cash Flows

In Millions

Years Ended December 31	2016	2015	2014
Cash Flows from Operating Activities			
Net income	$ 551	$ 523	$ 477
Adjustments to reconcile net income to net cash provided by operating activities			
Equity earnings of subsidiaries	(660)	(625)	(585)
Dividends received from subsidiaries	499	499	544
Deferred income taxes	(26)	(24)	30
Other non-cash operating activities and reconciling adjustments	18	-	20
Cash provided by (used in) changes in assets and liabilities			
Accounts and notes receivable	85	(86)	(3)
Accounts payable	(9)	16	(2)
Accrued taxes	(74)	(115)	97
Other current and non-current assets and liabilities	38	21	31
Net cash provided by operating activities	422	209	609
Cash Flows from Investing Activities			
Investment in subsidiaries	(275)	(150)	(495)
Return of capital	-	-	178
Net cash used in investing activities	(275)	(150)	(317)
Cash Flows from Financing Activities			
Proceeds from issuance of long-term debt	603	349	550
Issuance of common stock	72	43	43
Retirement of long-term debt	(530)	(100)	(547)
Debt prepayment costs	(18)	-	(20)
Payment of dividends on common stock	(345)	(320)	(293)
Debt issuance costs and financing fees	(5)	(3)	(6)
Change in notes payable	76	(28)	(19)
Net cash used in financing activities	(147)	(59)	(292)
Net Increase in Cash and Cash Equivalents, Including Restricted Amounts	-	-	-
Cash and Cash Equivalents, Including Restricted Amounts, Beginning of Period	-	-	-

Cash and Cash Equivalents, Including Restricted Amounts, End of Period	$	-	$	-	$	-

The accompanying notes are an integral part of these statements.

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CMS Energy Corporation

Schedule I Condensed Financial Information of Registrant

CMS ENERGY PARENT COMPANY

Condensed Balance Sheets

ASSETS

In Millions

December 31		2016		2015
Current Assets				
Notes and accrued interest receivable	$	2	$	88
Accounts receivable, including intercompany and related parties		7		9
Accrued taxes		51		-
Prepayments and other current assets		1		-
Total current assets		61		97
Plant, Property, and Equipment				
Plant, property, and equipment, gross		-		16
Less accumulated depreciation and amortization		-		16
Total plant, property, and equipment		-		-
Other Non-current Assets				
Notes receivable		3		-
Deferred income taxes		366		340
Investments in subsidiaries		6,674		6,240
Other investments DB SERP		26		26
Other		4		5
Total other non-current assets		7,073		6,611
Total Assets	$	7,134	$	6,708

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LIABILITIES AND EQUITY

				In Millions
December 31		2016		2015
Current Liabilities				
Accounts and notes payable, including intercompany and related parties	$	141	$	74
Accrued interest, including intercompany		28		38
Accrued taxes		-		23
Other current liabilities		10		5
Total current liabilities		179		140
Non-current Liabilities				
Long-term debt		2,678		2,605
Postretirement benefits		21		22
Other non-current liabilities		3		3
Total non-current liabilities		2,702		2,630
Equity				
Common stockholders equity		4,253		3,938
Total Liabilities and Equity	$	7,134	$	6,708

The accompanying notes are an integral part of these statements.

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CMS Energy Corporation

Schedule I Condensed Financial Information of Registrant

CMS ENERGY PARENT COMPANY

Notes to the Condensed Financial Statements

1: Basis of Presentation

CMS Energy s condensed financial statements have been prepared on a parent-only basis. In accordance with Rule 12-04 of Regulation S-X, these parent-only financial statements do not include all of the information and notes required by GAAP for annual financial statements, and therefore these parent-only financial statements and other information included should be read in conjunction with CMS Energy s audited consolidated financial statements contained within Item 8. Financial Statements and Supplementary Data.

2: Guarantees

CMS Energy has issued guarantees with a maximum potential obligation of $324 million on behalf of some of its wholly owned subsidiaries and related parties. CMS Energy s maximum potential obligation consists primarily of potential payments:

- to third parties under certain commodity purchase and swap agreements entered into with CMS ERM
- to third parties in support of non-recourse revenue bonds issued by Genesee
- to the MDEQ on behalf of CMS Land and CMS Capital, for environmental remediation obligations at Bay Harbor
- to the U.S. Department of Energy on behalf of Consumers, in connection with Consumers 2011 settlement agreement with the U.S. Department of Energy regarding damages resulting from the department s failure to accept spent nuclear fuel from nuclear power plants formerly owned by Consumers

The expiry dates of these guarantees vary, depending upon contractual provisions or upon the statute of limitations under the relevant governing law.

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CMS Energy Corporation

Schedule II Valuation and Qualifying Accounts and Reserves

Years Ended December 31, 2016, 2015, and 2014

In Millions

Description	Balance at Beginning of Period	Charged to Expense	Charged to Other Accounts	Deductions	Balance at End of Period
Allowance for uncollectible accounts[1]					
2016	$ 28	$ 31	$ -	$ 35	$ 24
2015	40	50	-	62	28
2014	33	72	-	65	40
Deferred tax valuation allowance					
2016	$ 4	$ 1	$ -	$ -	$ 5
2015	2	3	(1)	-	4
2014	2	-	-	-	2
Allowance for notes receivable[1]					
2016	$ 9	$ 19	$ -	$ 12	$ 16
2015	8	8	-	7	9
2014	5	8	-	5	8

1 Deductions are write-offs of uncollectible accounts, net of recoveries.

Consumers Energy Company

Schedule II Valuation and Qualifying Accounts and Reserves

Years Ended December 31, 2016, 2015, and 2014

Description	Balance at Beginning of Period	Charged to Expense	Charged to Other Accounts	Deductions	*In Millions* Balance at End of Period
Allowance for uncollectible accounts[1]					
2016	$ 28	$ 31	$ -	$ 35	$ 24
2015	39	50	-	61	28
2014	31	72	-	64	39
Deferred tax valuation allowance					
2016	$ -	$ -	$ -	$ -	$ -
2015	1	-	(1)	-	-
2014	1	-	-	-	1

1 Deductions are write-offs of uncollectible accounts, net of recoveries.

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SIGNATURES

Pursuant to the requirements of Section 13 or 15(d) of the Securities Exchange Act of 1934, CMS Energy Corporation has duly caused this Annual Report to be signed on its behalf by the undersigned, thereunto duly authorized, on the 7th day of February 2017.

CMS ENERGY CORPORATION

By: /s/ Patricia K. Poppe
Patricia K. Poppe
President and Chief Executive Officer

Pursuant to the requirements of the Securities Exchange Act of 1934, this Annual Report has been signed below by the following persons on behalf of CMS Energy Corporation and in the capacities indicated and on the 7th day of February 2017.

/s/ Patricia K. Poppe Patricia K. Poppe President and Chief Executive Officer, and Director (Principal Executive Officer)	/s/ Richard M. Gabrys Richard M. Gabrys, Director
/s/ Thomas J. Webb Thomas J. Webb Executive Vice President and Chief Financial Officer (Principal Financial Officer)	/s/ William D. Harvey William D. Harvey, Director
/s/ Glenn P. Barba Glenn P. Barba Vice President, Controller, and Chief Accounting Officer (Controller)	/s/ Philip R. Lochner, Jr. Philip R. Lochner, Jr., Director
/s/ Jon E. Barfield Jon E. Barfield, Director	/s/ John G. Russell John G. Russell, Director
/s/ Deborah H. Butler Deborah H. Butler, Director	/s/ Myrna M. Soto Myrna M. Soto, Director
/s/ Kurt L. Darrow Kurt L. Darrow, Director	/s/ John G. Sznewajs John G. Sznewajs, Director
/s/ Stephen E. Ewing Stephen E. Ewing, Director	/s/ Laura H. Wright Laura H. Wright, Director

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SIGNATURES

Pursuant to the requirements of Section 13 or 15(d) of the Securities Exchange Act of 1934, Consumers Energy Company has duly caused this Annual Report to be signed on its behalf by the undersigned, thereunto duly authorized, on the 7th day of February 2017.

CONSUMERS ENERGY COMPANY

By: /s/ Patricia K. Poppe
Patricia K. Poppe
President and Chief Executive Officer

Pursuant to the requirements of the Securities Exchange Act of 1934, this Annual Report has been signed below by the following persons on behalf of Consumers Energy Company and in the capacities indicated and on the 7th day of February 2017.

/s/ Patricia K. Poppe Patricia K. Poppe President and Chief Executive Officer, and Director (Principal Executive Officer)	/s/ Richard M. Gabrys Richard M. Gabrys, Director
/s/ Thomas J. Webb Thomas J. Webb Executive Vice President and Chief Financial Officer (Principal Financial Officer)	/s/ William D. Harvey William D. Harvey, Director
/s/ Glenn P. Barba Glenn P. Barba Vice President, Controller, and Chief Accounting Officer (Controller)	/s/ Philip R. Lochner, Jr. Philip R. Lochner, Jr., Director
/s/ Jon E. Barfield Jon E. Barfield, Director	/s/ John G. Russell John G. Russell, Director
/s/ Deborah H. Butler Deborah H. Butler, Director	/s/ Myrna M. Soto Myrna M. Soto, Director
/s/ Kurt L. Darrow Kurt L. Darrow, Director	/s/ John G. Sznewajs John G. Sznewajs, Director
/s/ Stephen E. Ewing Stephen E. Ewing, Director	/s/ Laura H. Wright Laura H. Wright, Director

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EXHIBITS

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CMS ENERGY S AND CONSUMERS EXHIBIT INDEX

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

The representations and warranties may not describe the actual state of affairs of the parties to each agreement. Additional information about CMS Energy and Consumers may be found in this filing, at www.cmsenergy.com, at www.consumersenergy.com, and through the SEC s website at www.sec.gov.

	Previously Filed		
Exhibits	With File Number	As Exhibit Number	Description
3.11	1-9513	(3)(a)	Restated Articles of Incorporation of CMS Energy, effective June 1, 2004, as amended May 22, 2009 (Form 10-Q for the quarterly period ended June 30, 2009)
3.21	1-9513	3.2	CMS Energy Bylaws, amended and restated effective February 8, 2016 (Form 8-K filed February 8, 2016)
3.3	1-5611	3(c)	Restated Articles of Incorporation of Consumers effective June 7, 2000 (Form 10-K for the fiscal year ended December 31, 2000)
3.4	1-5611	3.2	Consumers Bylaws, amended and restated as of January 24, 2013 (Form 8-K filed January 29, 2013)
4.1	2-65973	(b)(1) 4	Indenture dated as of September 1, 1945 between Consumers and Chemical Bank (successor to Manufacturers Hanover Trust Company), as Trustee, including therein indentures supplemental thereto through the Forty-third Supplemental Indenture dated as of May 1, 1979 (Form S-16 filed November 13, 1979) Indentures Supplemental thereto:
4.1.a	1-5611	(4)(a)	71st dated as of 3/06/98 (Form 10-K for the fiscal year ended December 31, 1997)
4.1.b	1-5611	(4)(a)(i)	99th dated as of 1/20/05 (Form 10-K for the fiscal year ended December 31, 2004)
4.1.c	1-5611	4.2	100th dated as of 3/24/05 (Form 8-K filed March 30, 2005)
4.1.d	1-5611	4.2	104th dated as of 8/11/05 (Form 8-K filed August 11, 2005)
4.1.e	1-5611	4.1	108th dated as of 3/14/08 (Form 8-K filed March 14, 2008)
4.1.f	1-5611	4.1	110th dated as of 9/12/08 (Form 8-K filed September 12, 2008)
4.1.g	1-5611	4.1	111th dated as of 3/6/09 (Form 8-K filed March 6, 2009)
4.1.h	1-5611	4.1	112th dated as of 9/1/10 (Form 8-K filed September 7, 2010)

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Exhibits	Previously Filed With File Number	As Exhibit Number	Description
4.1.i	1-5611	4.1	113th dated as of 10/15/10 (Form 8-K filed October 20, 2010)
4.1.j	1-5611	4.1	114th dated as of 3/31/11 (Form 8-K filed April 6, 2011)
4.1.k	1-5611	4.1	116th dated as of 9/1/11 (Form 10-Q for the quarterly period ended September 30, 2011)
4.1.l	1-5611	4.1	117th dated as of 5/8/12 (Form 8-K filed May 8, 2012)
4.1.m	1-5611	4.1	119th dated as of 8/3/12 (Form 10-Q for the quarterly period ended September 30, 2012)
4.1.n	1-5611	4.1	120th dated as of 12/17/12 (Form 8-K filed December 20, 2012)
4.1.o	1-5611	4.1	121st dated as of 5/17/13 (Form 8-K filed May 17, 2013)
4.1.p	1-5611	4.1	122nd dated as of 8/9/13 (Form 8-K filed August 9, 2013)
4.1.q	1-5611	4.1	123rd dated as of 12/20/13 (Form 8-K filed December 27, 2013)
4.1.r	1-5611	4.1	124th dated as of 8/18/2014 (Form 8-K filed August 18, 2014)
4.1.s	1-5611	4.1	125th dated as of 11/6/2015 (Form 8-K filed November 6, 2015)
4.1.t	1-5611	4.1	126th dated as of 11/23/2015 (Form 8-K filed November 25, 2015)
4.1.u	1-5611	4.1	127th dated as of 8/10/16 (Form 8-K filed August 10, 2016)
4.2	1-5611	(4)(b)	Indenture dated as of January 1, 1996 between Consumers and The Bank of New York Mellon, as Trustee (Form 10-K for the fiscal year ended December 31, 1995)
4.3	1-5611	(4)(c)	Indenture dated as of February 1, 1998 between Consumers and The Bank of New York Mellon (formerly The Chase Manhattan Bank), as Trustee (Form 10-K for the fiscal year ended December 31, 1997)
4.41	33-47629	(4)(a)	Indenture dated as of September 15, 1992 between CMS Energy and NBD Bank, as Trustee (Form S-3 filed May 1, 1992)
			Indentures Supplemental thereto:
4.4.a1	1-9513	4.3	23rd dated as of 6/15/09 (Form 8-K filed June 15, 2009)
4.4.b1	1-9513	4.1	24th dated as of 1/14/10 (Form 8-K filed January 14, 2010)
4.4.c1	1-9513	4.1	28th dated as of 3/12/12 (Form 8-K filed March 12, 2012)
4.4.d1	1-9513	4.1	29th dated as of 3/22/13 (Form 8-K filed March 22, 2013)
4.4.e1	1-9513	4.1	30th dated as of 2/27/14 (Form 8-K filed February 27, 2014)
4.4.f1	1-9513	4.2	31st dated as of 2/27/14 (Form 8-K filed February 27, 2014)
4.4.g1	1-9513	4.1	32nd dated as of 11/9/15 (Form 8-K filed November 9, 2015)
4.4.h1	1-9513	4.1	33rd dated as of 5/5/16 (Form 8-K filed May 5, 2016)
4.4.i1	1-9513	4.1	34th dated as of 11/3/16 (Form 8-K filed November 3, 2016)
4.51	1-9513	(4a)	Indenture dated as of June 1, 1997 between CMS Energy and The Bank of New York Mellon, as Trustee (Form 8-K filed July 1, 1997)

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	Previously Filed		
Exhibits	With File Number	As Exhibit Number	Description
10.12	1-9513	(10)(g)	2004 Form of Executive Severance Agreement (Form 10-Q for the quarterly period ended September 30, 2009)
10.22	1-9513	(10)(h)	2004 Form of Officer Severance Agreement (Form 10-Q for the quarterly period ended September 30, 2009)
10.32	1-9513	10.3	CMS Energy s Performance Incentive Stock Plan as amended and restated, effective January 22, 2015 (Form 10-K for the fiscal year ended December 31, 2014)
10.42	1-9513	(10)(i)	CMS Deferred Salary Savings Plan effective December 1, 1989 and as further amended effective December 1, 2007 (Form 10-K for the fiscal year ended December 31, 2007)
10.4.a2	1-9513	(10)(l)	Amendment to the Deferred Salary Savings Plan dated December 21, 2008 (Form 10-K for the fiscal year ended December 31, 2008)
10.4.b2	1-9513	10.1	Amendment to the CMS Energy Deferred Salary Savings Plan effective January 1, 2016 (Form 10-Q for the quarterly period ended September 30, 2015)
10.4.c2	1-9513	10.4.c	Amendment to the CMS Energy Deferred Salary Savings Plan effective December 17, 2015 (Form 10-K for the fiscal year ended December 31, 2015)
10.52	1-9513	10.5	CMS Energy and Consumers Director s Deferred Compensation Plan, effective as of November 30, 2007 (Form 10-K for the fiscal year ended December 31, 2014)
10.62	1-9513	10.6	Supplemental Executive Retirement Plan for Employees of CMS Energy/Consumers effective on January 1, 1982 and as amended effective April 1, 2011 (Form 10-Q for the quarterly period ended March 31, 2011)
10.72	1-9513	10.5	Defined Contribution Supplemental Executive Retirement Plan effective April 1, 2006 and as amended effective April 1, 2011 (Form 10-Q for the quarterly period ended March 31, 2011)
10.7.a2	1-9513	10.7.a	Amendment to the Defined Contribution Supplemental Executive Retirement Plan effective January 1, 2016 (Form 10-K for the fiscal year ended December 31, 2015)
10.82	1-9513		Form of Officer Separation Agreement as of January 2017
10.91	1-9513	(10)(y)	Environmental Agreement dated as of June 1, 1990 made by CMS Energy to The Connecticut National Bank and Others (Form 10-K for the fiscal year ended December 31, 1990)
10.101,2	1-9513	(10)(a)	Form of Indemnification Agreement between CMS Energy and its Directors, effective as of November 1, 2007 (Form 10-Q for the quarterly period ended September 30, 2007)
10.112	1-5611	(10)(b)	Form of Indemnification Agreement between Consumers and its Directors, effective as of November 1, 2007 (Form 10-Q for the quarterly period ended September 30, 2007)
10.122	1-9513	10.2	CMS Incentive Compensation Plan for CMS Energy and Consumers Officers as amended, effective as of March 14, 2014 (Form 10-Q for the quarterly period ended March 31, 2014)

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Exhibits	Previously Filed With File Number	Previously Filed As Exhibit Number	Description
10.12.a[2]	1-9513	10.17.a	Amendment to CMS Incentive Compensation Plan for CMS Energy and Consumers Officers effective December 17, 2015 (Form 10-K for the fiscal year ended December 31, 2015)
10.13[2]	1-9513	10.1	2016 Form of Change in Control Agreement (Form 8-K filed June 23, 2016)
10.14[2]	1-5611	10.1	Annual Employee Incentive Compensation Plan for Consumers as amended, effective as of March 14, 2014 (Form 10-Q for the quarterly period ended March 31, 2014)
10.14.a[2]	1-5611	10.19.a	Amendment to Annual Employee Incentive Compensation Plan for Consumers effective December 17, 2015 (Form 10-K for the fiscal year ended December 31, 2015)
10.15[1]	1-9513	10.1	$550 million Third Amended and Restated Revolving Credit Agreement dated as of May 27, 2015 among CMS Energy, the Banks, as defined therein, and Barclays, as Agent (Form 8-K filed June 1, 2015)
10.15.a[1]	1-9513	10.1	Description of the $550 million Third Amended and Restated Revolving Credit Agreement Extension (Form 8-K filed June 1, 2016)
10.16	1-5611	10.2	$650 million Fourth Amended and Restated Revolving Credit Agreement dated as of May 27, 2015 among Consumers, the Banks, as defined therein, and JPMorgan, as Agent (Form 8-K filed June 1, 2015)
10.16.a	1-5611	10.2	Description of the $650 million Fourth Amended and Restated Revolving Credit Agreement Extension (Form 8-K filed June 1, 2016)
10.17[1]	1-9513	10.3	Pledge and Security Agreement dated as of March 31, 2011, made by CMS Energy to Barclays Bank PLC, as Administrative Agent for the Banks, as defined therein (Form 8-K filed April 6, 2011)
10.18	1-5611	10.1	$250 million secured Revolving Credit Agreement dated as of November 23, 2015 between Consumers and The Bank of Nova Scotia (Form 8-K filed November 25, 2015)
10.18.a	1-5611	10.1	Description of the $250 million secured Revolving Credit Agreement Extension (Form 8-K filed November 23, 2016)
10.19[2]	1-9513	10.1	Consumers and other CMS Energy Companies Retired Executives Survivor Benefit Plan for Management/ Executive Employees, distributed July 1, 2011 (Form 10-Q for the quarterly period ended September 30, 2011)
10.20[1]	1-9513	10.1	$180,000,000 Term Loan Credit Agreement dated as of June 11, 2015 among CMS Energy, the financial institutions named therein, and JPMorgan Chase Bank, N.A., as Agent (Form 8-K filed June 16, 2015)
10.20.a[1]	1-9513	10.3	Description of the $180,000,000 Term Loan Credit Agreement Extension (Form 10-Q for the quarterly period ended March 31, 2016)

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	Previously Filed		
Exhibits	With File Number	As Exhibit Number	Description
10.21	1-5611	10.1	Form of Commercial Paper Dealer Agreement between Consumers, as Issuer, and the Dealer party thereto (Form 10-Q for the quarterly period ended September 30, 2014)
12.1			Statement regarding computation of CMS Energy s Ratios of Earnings to Fixed Charges and Combined Fixed Charges and Preferred Dividends
12.2			Statement regarding computation of Consumers Ratios of Earnings to Fixed Charges and Combined Fixed Charges and Preferred Dividends
21.1			Subsidiaries of CMS Energy and Consumers
23.1			Consent of PricewaterhouseCoopers LLP for CMS Energy
23.2			Consent of PricewaterhouseCoopers LLP for Consumers
31.1			CMS Energy s certification of the CEO pursuant to Section 302 of the Sarbanes-Oxley Act of 2002
31.2			CMS Energy s certification of the CFO pursuant to Section 302 of the Sarbanes-Oxley Act of 2002
31.3			Consumers certification of the CEO pursuant to Section 302 of the Sarbanes-Oxley Act of 2002
31.4			Consumers certification of the CFO pursuant to Section 302 of the Sarbanes-Oxley Act of 2002
32.1			CMS Energy s certifications pursuant to Section 906 of the Sarbanes-Oxley Act of 2002
32.2			Consumers certifications pursuant to Section 906 of the Sarbanes-Oxley Act of 2002
99.1[1]	333-199611	99.1	CMS Energy Stock Purchase Plan, as amended and restated October 27, 2014 (Form S-3ASR filed October 27, 2014)
101.INS[3]			XBRL Instance Document
101.SCH[3]			XBRL Taxonomy Extension Schema
101.CAL[3]			XBRL Taxonomy Extension Calculation Linkbase
101.DEF[3]			XBRL Taxonomy Extension Definition Linkbase
101.LAB[3]			XBRL Taxonomy Extension Labels Linkbase
101.PRE[3]			XBRL Taxonomy Extension Presentation Linkbase

1 Obligations of CMS Energy or its subsidiaries, but not of Consumers.

2 Management contract or compensatory plan or arrangement.

3 The financial information contained in the XBRL-related information is unaudited and unreviewed.

Exhibits that have been previously filed with the SEC, designated above, are incorporated herein by reference and made a part hereof.