CMS ENERGY CORP
Form 10-Q
April 23, 2015
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UNITED STATES SECURITIES AND EXCHANGE COMMISSION

Washington, D.C. 20549

FORM 10-Q

x **QUARTERLY REPORT PURSUANT TO SECTION 13 OR 15(d)**
OF THE SECURITIES EXCHANGE ACT OF 1934
For the quarterly period ended March 31, 2015
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

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 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

Indicate the number of shares outstanding of each of the issuer s classes of common stock at April 8, 2015:

CMS Energy Corporation:

CMS Energy Common Stock, $0.01 par value (including 803,551 shares owned by Consumers Energy Company)	276,797,279

Consumers Energy Company:

Consumers Common Stock, $10 par value, privately held by CMS Energy Corporation	84,108,789

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CMS Energy Corporation

Consumers Energy Company

Quarterly Reports on Form 10-Q to the Securities and Exchange Commission for the Period Ended

March 31, 2015

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GLOSSARY

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

2008 Energy Law	Comprehensive energy reform package enacted in Michigan in 2008
2014 Form 10-K	Each of CMS Energy s and Consumers Annual Report on Form 10-K for the year ended December 31, 2014
ABATE	Association of Businesses Advocating Tariff Equity
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
CAIR	The Clean Air Interstate Rule
Cantera Gas Company	Cantera Gas Company LLC, a non-affiliated company, formerly known as CMS Field Services
Cantera Natural Gas, Inc.	Cantera Natural Gas, Inc., a non-affiliated company that purchased CMS Field Services
CCR	Coal combustion residual
CEO	Chief Executive Officer
CERCLA	Comprehensive Environmental Response, Compensation, and Liability Act of 1980
CFO	Chief Financial Officer
Clean Air Act	Federal Clean Air Act of 1963, as amended
Clean Water Act	Federal Water Pollution Control Act of 1972, as amended
CMS Capital	CMS Capital, L.L.C., a wholly owned subsidiary of CMS Energy
CMS Energy	CMS Energy Corporation and its consolidated subsidiaries, unless otherwise noted; the parent of Consumers and CMS Enterprises
CMS Enterprises	CMS Enterprises Company, a wholly owned subsidiary of CMS Energy
CMS Field Services	CMS Field Services, Inc., a former wholly owned subsidiary of CMS Gas Transmission Company, a wholly owned subsidiary of CMS Enterprises

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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 Energy Resource Management Company in 2004
Consumers	Consumers Energy Company and its consolidated subsidiaries, unless otherwise noted; a wholly owned subsidiary of CMS Energy
CSAPR	The Cross-State Air Pollution Rule
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
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
DTIA	Distribution-Transmission Interconnection Agreement dated April 1, 2001 between METC and Consumers, as amended
EBITDA	Earnings before interest, taxes, depreciation, and amortization
EnerBank	EnerBank USA, a wholly owned subsidiary of CMS Capital
EPA	U.S. Environmental Protection Agency
EPS	Earnings per share
Exchange Act	Securities Exchange Act of 1934
FDIC	Federal Deposit Insurance Corporation
FERC	The Federal Energy Regulatory Commission
FMB	First mortgage bond

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FTR	Financial transmission right
GAAP	U.S. Generally Accepted Accounting Principles
GCR	Gas cost recovery
Health Care Acts	Comprehensive health care reform enacted in March 2010, comprising the Patient Protection and Affordable Care Act and the related Health Care and Education Reconciliation Act
Ludington	Ludington pumped-storage plant, jointly owned by Consumers and DTE Electric Company, a non-affiliated company
MATS	Mercury and Air Toxics Standards, which limit mercury, acid gases, and other toxic pollution from coal-fueled and oil-fueled power plants
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
MISO	Midcontinent Independent System Operator, Inc.
mothball	To place a generating unit into a state of extended reserve shutdown in which the unit is inactive and unavailable for service for a specified period, during which the unit can be brought back into service after receiving appropriate notification and completing any necessary maintenance or other work; generation owners in MISO must request approval to mothball a unit, and MISO then evaluates the request for reliability impacts
MPSC	Michigan Public Service Commission
MW	Megawatt, a unit of power equal to one million watts
NAAQS	National Ambient Air Quality Standards
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

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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
NYMEX	The New York Mercantile Exchange
OPEB	Other Post-Employment Benefits
OPEB Plan	Postretirement health care and life insurance plans of CMS Energy and Consumers, including certain present and former affiliates and subsidiaries
PCB	Polychlorinated biphenyl
PSCR	Power supply cost recovery
REC	Renewable energy credit established under the 2008 Energy Law
ReliabilityFirst Corporation	ReliabilityFirst Corporation, a non-affiliated company responsible for the preservation and enhancement of bulk power system reliability and security
Resource Conservation and Recovery Act	Federal Resource Conservation and Recovery Act of 1976
RMRR	Routine maintenance, repair, and replacement
ROA	Retail Open Access, which allows electric generation customers to choose alternative electric suppliers pursuant to a Michigan statute enacted in 2000
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

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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
UWUA	Utility Workers Union of America, AFL-CIO

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FILING FORMAT

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

This report should be read in its entirety. No one section of this report deals with all aspects of the subject matter of this report. This report should be read in conjunction with the consolidated financial statements and related notes and with MD&A included in the 2014 Form 10-K.

FORWARD-LOOKING STATEMENTS AND INFORMATION

This Form 10-Q and other written and oral statements that CMS Energy and Consumers make 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, intends, plans, projects, forecasts, predicts, assumes, and other similar words is intended to identify forward-looking statements that invol 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 or 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 changes in applicable laws, rules, regulations, principles, or practices, or in their interpretation, including those related to energy policy and ROA, gas pipeline safety, the environment, regulation or deregulation, health care

reforms (including the Health Care Acts), taxes, accounting matters, climate change, air emissions, 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;

- 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

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costs associated with these interpretations or decisions, including those that may affect Bay Harbor or Consumers RMRR 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, including municipal bankruptcy filings;

- loss of customer demand for electric generation supply to alternative energy suppliers or to increased use of distributed generation;

- 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 in wholesale power markets without price restrictions;

- the impact of credit markets, economic conditions, and any new banking regulations on EnerBank;

- the availability, cost, coverage, and terms of insurance, the stability of insurance providers, and the ability of Consumers to recover the costs of any insurance from customers;

- the effectiveness of CMS Energy s and Consumers risk management policies, procedures, and strategies, including strategies to hedge risk related to future prices of electricity, natural gas, and other energy-related commodities;

- factors affecting development of electric generation projects and gas and electric 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, and government approvals;

- factors affecting operations, such as costs and availability of personnel, equipment, and materials, unusual weather conditions, catastrophic weather-related damage, scheduled or unscheduled

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equipment outages, maintenance or repairs, environmental incidents, equipment failures, and electric transmission and distribution or gas pipeline system constraints;

- potential disruption to, interruption of, or other impacts on facilities, utility infrastructure, or operations due to accidents, explosions, physical disasters, 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 rail or vessel transport of coal and pipeline transport of natural gas;

- 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, including Smart Energy, 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 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 compliance policies, regulatory violations, and other business 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, including a possible future requirement to comply with International Financial Reporting Standards, which differ from GAAP in various ways, including the present lack of special accounting treatment for regulated activities; and

- other matters that may be disclosed from time to time in CMS Energy s and Consumers SEC filings, or in other publicly issued documents.

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

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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, 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 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; and

- CMS Energy s and Consumers securities credit ratings.

CMS Energy s and Consumers business strategy emphasizes the key elements depicted below:

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Accountability is part of CMS Energy s and Consumers corporate culture. CMS Energy and Consumers are committed to making the right choices to serve their customers safely and affordably and to acting responsibly as corporate citizens. CMS Energy and Consumers hold themselves accountable to the highest standards of safety, operational performance, and ethical behavior, and work diligently to comply with all laws, rules, and regulations that govern the electric and gas industry. Consumers 2014 accountability report, which is available to the public, provides an overview of Consumers efforts to continue meeting Michigan s energy needs safely and efficiently, and highlights Consumers commitment to Michigan businesses, its corporate citizenship, and its role in reducing the state s air emissions.

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. From 2006 through 2014, Consumers achieved a 70 percent reduction in the annual number of recordable safety incidents.

CUSTOMER VALUE

Consumers is undertaking a number of initiatives that reflect its intensified customer focus. Consumers planned investments in reliability are aimed at improving safety, reducing customer outage frequency, reducing repetitive outages, and increasing customer satisfaction. Also, in order to minimize increases in customer base rates, Consumers has undertaken several additional initiatives to reduce costs through accelerated pension funding, employee and retiree health care cost sharing, negotiated labor agreements, information and control system efficiencies, and productivity improvements. Consumers has also issued Securitization bonds and is accelerating the recognition of certain tax benefits, both of which will result in cost savings for customers.

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UTILITY INVESTMENT

Consumers expects to make capital investments of about $15.5 billion from 2015 through 2024. This amount includes $7.4 billion through 2019, as presented in the following illustration:

While Consumers has substantially more opportunities for capital investments that 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 five to seven percent while allowing Consumers to maintain sustainable customer base rate increases (excluding PSCR and GCR charges) at or below the rate of inflation.

Among the key components of Consumers investment program are projects that will enhance customer value. Consumers planned base capital investments of $4.2 billion represent projects to maintain Consumers system and comprise $2.6 billion at the electric utility to preserve reliability and capacity and $1.6 billion at the gas utility to sustain deliverability and enhance pipeline integrity. An additional $1.5 billion of planned reliability investments at Consumers are aimed at reducing outages and improving customer satisfaction; these investments comprise $0.8 billion at the electric utility to strengthen circuits and substations, replace poles, and upgrade Ludington and $0.7 billion at the gas utility to replace mains and enhance transmission and storage systems. Consumers also expects to spend $0.8 billion on environmental investments needed to comply with state and federal laws and regulations.

Consumers Smart Energy program, with an estimated total project capital cost of $0.8 billion, also represents a major capital investment. The full-scale deployment of advanced metering infrastructure began in 2012 and is planned to continue through 2017. Consumers has spent $0.3 billion through 2014 on its Smart Energy program and expects to spend an additional $0.5 billion, following a phased approach, from 2015 through 2017.

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Consumers also expects to spend $0.3 billion on new natural gas-fueled electric generation. The majority of this amount relates to an agreement that Consumers signed in 2013 to purchase a 540-MW natural gas-fueled electric generating plant located in Jackson, Michigan for $155 million. As provided for in the agreement, the purchase is subject to MPSC and other approvals. Consumers expects to close the purchase in early 2016.

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:*** Consumers filed a general electric rate case with the MPSC in December 2014, seeking an annual rate increase of $163 million based on a 10.7 percent authorized return on equity. The filing also seeks approval of an investment recovery mechanism that would allow recovery of an additional $163 million in total for incremental investments that Consumers plans to make in 2016 and 2017 and $78 million for incremental investments planned in 2018, subject to reconciliation.

- ***Gas Rate Case:*** In July 2014, Consumers filed an application with the MPSC seeking an annual rate increase of $88 million. The filing requested authority to recover new investments that will allow Consumers to improve system reliability, comply with regulations, and enhance technology. In January 2015, the MPSC approved a settlement agreement authorizing a $45 million annual rate increase based on a 10.3 percent authorized return on equity.

The 2008 Energy Law allows electric customers in Consumers service territory to buy electric generation service from alternative electric suppliers in an aggregate amount up to ten percent of Consumers weather-adjusted retail sales of the preceding calendar year. At March 31, 2015, Consumers electric deliveries under the ROA program were at the ten-percent limit. In March 2015, members of the Michigan Senate and House of Representatives introduced various bills related to ROA. These bills propose a range of changes to ROA, including eliminating ROA, maintaining the existing ROA program but imposing conditions on a customer s return to utility service, and raising the ROA limit. Consumers is unable to predict the form and timing of any final legislation or whether other bills might be introduced in 2015. An increase to the ROA limit could negatively affect Consumers financial results and operations.

In March 2015, Michigan s governor outlined several key goals for the state s energy policy, with a focus on increasing the use of clean energy sources, reducing Michigan s reliance on coal, deploying smart meters, investing in the power grid and pipeline system, eliminating energy waste, and ensuring affordable, reliable, and adaptable energy while protecting the environment.

Environmental regulation is another area of importance for CMS Energy and Consumers, and they are monitoring numerous legislative and regulatory initiatives, including initiatives to regulate greenhouse gases, and related litigation. CMS Energy and Consumers believe that environmental 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, and PCB remediation. 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, the Resource Conservation and Recovery Act, and CERCLA, will continue to have a material effect on CMS Energy and Consumers.

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FINANCIAL PERFORMANCE

For the three months ended March 31, 2015, CMS Energy s net income available to common stockholders was $202 million and diluted EPS were $0.73. This compares with net income available to common stockholders of $204 million and diluted EPS of $0.75 for the three months ended March 31, 2014. Higher depreciation and property taxes on new capital investments and lower weather-related gas and electric sales due to less severe winter weather were offset largely by the benefits from a gas rate order, higher non-weather-related sales due to a growing economy, and higher earnings of the enterprises segment.

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.

Michigan is placed in the first quartile of states based on its strong economic growth since 2010. Consumers expects that the continued rise in industrial production will drive its electric deliveries to increase annually by about 0.5 percent on average through 2019. Excluding the impacts of energy efficiency programs, Consumers expects its electric deliveries to increase by about 1.5 percent annually through 2019. Consumers is projecting that its gas deliveries will remain stable through 2019. 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 has set goals to achieve further annual productivity improvements. Additionally, Consumers will strive 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
Three Months Ended March 31	2015	2014	Change
Net Income Available to Common Stockholders	$ 202	$ 204	$ (2)
Basic Earnings Per Share	$ 0.73	$ 0.77	$ (0.04)
Diluted Earnings Per Share	$ 0.73	$ 0.75	$ (0.02)

			In Millions
Three Months Ended March 31	2015	2014	Change
Electric utility	$ 94	$ 100	$ (6)
Gas utility	121	121	-
Enterprises	7	2	5
Corporate interest and other	(20)	(19)	(1)
Net Income Available to Common Stockholders	$ 202	$ 204	$ (2)

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

		In Millions
	March 31, 2015 better/(worse) than 2014	
Reasons for the change	Three Months Ended	
Consumers electric utility and gas utility		
Gas sales		
Weather	$ (12)	
Non-weather	7	$ (5)
Electric sales		
Weather	(5)	
Non-weather	2	(3)
Depreciation and property taxes		(19)
Employee benefit costs		(6)
Gas rate increase		13
Other		14 $ (6)
Enterprises		
Subsidiary earnings		5
Corporate interest and other		
EnerBank earnings		1
Other		(2)
Total change		$ (2)

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CONSUMERS ELECTRIC UTILITY RESULTS OF OPERATIONS

			In Millions
Three Months Ended March 31	2015	2014	Change
Net Income Available to Common Stockholders	$ 94	$ 100	$ (6)
Reasons for the change			
Power supply costs and related revenue			$ 2
Other income, net of expenses			8
Maintenance and other operating expenses			(6)
Depreciation and amortization			(13)
General taxes			(2)
Interest charges			(3)
Income taxes			8
Total change			$ (6)

Following is a discussion of significant changes to net income available to common stockholders.

Other income, net of expenses: For the three months ended March 31, 2015, other income, net of expenses, increased $8 million compared with 2014. This change was due to a $6 million gain related to a donation of CMS Energy stock by Consumers and the absence, in 2015, of a $2 million political contribution made in 2014 to oppose certain Michigan legislative proposals related to ROA. The gain was eliminated on CMS Energy s consolidated statements of income.

Maintenance and other operating expenses: For the three months ended March 31, 2015, maintenance and other operating expenses increased $6 million compared with 2014, due primarily to higher postretirement benefits expense.

Depreciation and amortization: For the three months ended March 31, 2015, depreciation and amortization expense increased $13 million compared with 2014, due primarily to increased plant in service and higher amortization of securitized assets.

Income taxes: For the three months ended March 31, 2015, income taxes decreased $8 million compared with 2014, attributed primarily to lower electric utility earnings.

CONSUMERS GAS UTILITY RESULTS OF OPERATIONS

			In Millions
Three Months Ended March 31	2015	2014	Change
Net Income Available to Common Stockholders	$ 121	$ 121	$ -
Reasons for the change			

Gas deliveries and rate increases	$	22
Other income, net of expenses		3
Maintenance and other operating expenses		(8)
Depreciation and amortization		(10)
General taxes		(4)
Interest charges		(1)
Income taxes		(2)
Total change	$	-

Following is a discussion of significant changes to net income available to common stockholders.

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Gas deliveries and rate increases: For the three months ended March 31, 2015, gas delivery revenues increased $22 million compared with 2014, due primarily to a January 2015 rate increase. Deliveries to end-use customers were 152 bcf in 2015 and 157 bcf in 2014.

Other income, net of expenses: For the three months ended March 31, 2015, other income, net of expenses, increased $3 million compared with 2014, due to a gain related to a donation of CMS Energy stock by Consumers. The gain was eliminated on CMS Energy s consolidated statements of income.

Maintenance and other operating expenses: For the three months ended March 31, 2015, maintenance and other operating expenses increased $8 million compared with 2014. This change was due to a $3 million increase in postretirement benefits expense and a $5 million increase in gas compression and other operating and maintenance expenses.

Depreciation and amortization: For the three months ended March 31, 2015, depreciation and amortization expense increased $10 million compared with 2014, due primarily to increased plant in service.

General Taxes: For the three months ended March 31, 2015, general taxes increased $4 million compared with 2014, due to increased property taxes, reflecting higher capital spending.

Enterprises Results of Operations

			In Millions
Three Months Ended March 31	2015	2014	Change
Net Income Available to Common Stockholders	$ 7	$ 2	$ 5

For the three months ended March 31, 2015, net income of the enterprises segment increased $5 million compared with 2014, due primarily to improved electric margins at DIG.

Corporate Interest and Other Results of Operations

			In Millions
Three Months Ended March 31	2015	2014	Change
Net Income (Loss) Available to Common Stockholders	$ (20)	$ (19)	$ (1)

For the three months ended March 31, 2015, corporate interest and other net expenses increased $1 million compared with 2014, due primarily to higher miscellaneous corporate costs offset partially by lower fixed charges.

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CASH POSITION, INVESTING, AND FINANCING

At March 31, 2015, CMS Energy had $571 million of consolidated cash and cash equivalents, which included $49 million of restricted cash and cash equivalents. At March 31, 2015, Consumers had $474 million of consolidated cash and cash equivalents, which included $49 million of restricted cash and cash equivalents.

Operating Activities

Presented in the following table are specific components of net cash provided by operating activities for the three months ended March 31, 2015 and 2014:

			In Millions
Three Months Ended March 31	2015	2014	Change
CMS Energy, including Consumers			
Net income	$ 202	$ 204	$ (2)
Non-cash transactions[1]	363	326	37
	565	530	35
Postretirement benefits contributions	(31)	(2)	(29)
Changes in core working capital[2]	294	137	157
Changes in other assets and liabilities, net	(68)	(54)	(14)
Net cash provided by operating activities	$ 760	$ 611	$ 149
Consumers			
Net income	$ 215	$ 221	$ (6)
Non-cash transactions[1]	299	265	34
	514	486	28
Postretirement benefits contributions	(30)	(1)	(29)
Changes in core working capital[2]	299	143	156
Changes in other assets and liabilities, net	3	18	(15)
Net cash provided by operating activities	$ 786	$ 646	$ 140

1 Non-cash transactions comprise depreciation and amortization, changes in deferred income taxes, postretirement benefits expense, and other non-cash items.

2 Core working capital comprises accounts and notes receivable and accrued revenues (including accrued power supply and gas revenues), inventories, accounts payable, and accrued rate refunds.

For the three months ended March 31, 2015, net cash provided by operating activities at CMS Energy increased $149 million compared with 2014, and net cash provided by operating activities at Consumers increased $140 million compared with 2014. The increases were due primarily to gas purchases at lower prices in 2015 and a decrease in GCR underrecoveries, offset partially by higher postretirement benefit contributions.

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INVESTING ACTIVITIES

Presented in the following table are specific components of net cash used in investing activities for the three months ended March 31, 2015 and 2014:

			In Millions
Three Months Ended March 31	2015	2014	Change
CMS Energy, including Consumers			
Capital expenditures	$ (348)	$ (304)	$ (44)
DB SERP fund contributions	(25)	-	(25)
Costs to retire property and other	(49)	(42)	(7)
Net cash used in investing activities	$ (422)	$ (346)	$ (76)
Consumers			
Capital expenditures	$ (345)	$ (302)	$ (43)
DB SERP fund contributions	(17)	-	(17)
Costs to retire property and other	(21)	(13)	(8)
Net cash used in investing activities	$ (383)	$ (315)	$ (68)

For the three months ended March 31, 2015, net cash used in investing activities at CMS Energy increased $76 million compared with 2014, and net cash used in investing activities at Consumers increased $68 million compared with 2014. The changes were due primarily to an increase in capital expenditures under Consumers capital investment program and to DB SERP fund contributions in 2015.

FINANCING ACTIVITIES

Presented in the following table are specific components of net cash provided by (used in) financing activities for the three months ended March 31, 2015 and 2014:

CMS Energy, including Consumers			
Retirement of debt	(100)	(104)	4
Decrease in notes payable	(60)	(170)	110
Net cash provided by (used in) financing activities	$ (23)	$ 321	$ (344)
Retirement of debt	$ (11)	$ (11)	$ -
Stockholder contribution from CMS Energy	150	150	-
Other financing activities	(6)	(5)	(1)

For the three months ended March 31, 2015, net cash provided by financing activities at CMS Energy decreased $344 million compared with 2014, and net cash used in financing activities at Consumers decreased $122 million compared with 2014. At CMS Energy, the change was due primarily to a decrease in debt issuances, offset partially by lower repayments under Consumers commercial paper and accounts receivable sales programs. At Consumers, the change was due primarily to lower repayments under its commercial paper and accounts receivable sales programs.

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CAPITAL RESOURCES AND LIQUIDITY

CMS Energy uses dividends from its subsidiaries and external financing and capital transactions to invest in its utility and non-utility businesses, retire debt, pay dividends, and fund its other obligations. The ability of CMS Energy s subsidiaries, including Consumers, to pay dividends to CMS Energy depends upon each subsidiary s revenues, earnings, cash needs, and other factors. In addition, Consumers ability to pay dividends is restricted by certain terms included in its debt covenants and articles of incorporation and potentially by FERC requirements and provisions under the Federal Power Act and the Natural Gas Act. For additional details on Consumers dividend restrictions, see Note 4, Financings and Capitalization Dividend Restrictions. For the three months ended March 31, 2015, Consumers paid $122 million in dividends on its common stock to CMS Energy.

Consumers uses cash flows generated from operations and external financing transactions, as well as stockholder contributions from CMS Energy, to fund capital expenditures, retire debt, pay dividends, 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 2015.

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. Presented in the following table are CMS Energy s and Consumers secured revolving credit facilities available at March 31, 2015:

In Millions

	Amount of Facility	Amount Borrowed	Letters of Credit Outstanding	Amount Available	Expiration Date
CMS Energy parent					
Revolving credit facility1	$ 550	$ 100	$ 3	$ 447	December 2018
Consumers					
Revolving credit facility2	$ 650	$ -	$ 10	$ 640	December 2018
Revolving credit facility2	30	-	30	-	May 2018

1 Obligations under this facility are secured by Consumers common stock.

2 Obligations under this facility are secured by FMBs of Consumers.

CMS Energy and Consumers use these credit facilities for general working capital purposes and to issue letters of credit. Additional sources of liquidity are Consumers revolving accounts receivable sales program and its commercial paper program. Consumers revolving accounts receivable sales program allows it to transfer up to $250 million of eligible accounts receivable as a secured borrowing. At March 31, 2015, $250 million of accounts receivable were eligible and available for transfer under this program. Consumers commercial paper program allows Consumers to 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 revolving credit facility s available capacity, Consumers would not issue commercial paper in an amount exceeding the available facility capacity. At March 31, 2015, no commercial paper notes were outstanding under this program.

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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 March 31, 2015, 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 March 31, 2015, as presented in the following table:

Description		March 31, 2015 Limit	Actual
CMS Energy parent			
Debt to EBITDA[1,2]	≤	6.0 to 1.0	4.7 to 1.0
Interest Coverage[2]	>	2.0 to 1.0	4.5 to 1.0
Consumers			
Debt to Capital[3]	≤	0.65 to 1.0	0.47 to 1.0

1 Applies to CMS Energy s $550 million revolving credit agreement.

2 Applies to CMS Energy s $180 million term loan credit agreement.

3 Applies to Consumers $650 million and $30 million revolving credit agreements, $35 million and $68 million reimbursement agreements, and $250 million revolving accounts receivable sales agreement.

Components of CMS Energy s and Consumers cash management plan include controlling operating expenses and capital expenditures and evaluating market conditions for financing and refinancing opportunities. CMS Energy s and Consumers present level of cash and expected cash flows from operating activities, together with access to sources of liquidity, are anticipated to be sufficient to fund the companies contractual obligations for 2015 and beyond.

Off-Balance-Sheet Arrangements

CMS Energy, Consumers, and certain of their subsidiaries enter into various arrangements in the normal course of business to facilitate commercial transactions with third parties. These arrangements include indemnities, surety bonds, letters of credit, and financial and performance guarantees. Indemnities are usually agreements to reimburse a counterparty that may incur losses due to outside claims or breach of contract terms. The maximum payment that could be required under a number of these indemnity obligations is not estimable; the maximum obligation under indemnities for which such amounts were estimable was $148 million at March 31, 2015. While CMS Energy and Consumers believe it is unlikely that they will incur any material losses related to indemnities they have not recorded as liabilities, they cannot predict the impact of these contingent obligations on their liquidity and financial condition. For additional details on these and other guarantee arrangements, see Note 3, Contingencies and Commitments Guarantees.

OUTLOOK

Several business trends and uncertainties may affect CMS Energy s and Consumers financial condition and results of operations. These trends and uncertainties could have a material impact on CMS Energy s and Consumers consolidated income, cash flows, or financial position. For additional details regarding these and other uncertainties, see Forward-Looking Statements and Information; Note 2, Regulatory Matters; Note 3, Contingencies and Commitments; and Part II Item 1A. Risk Factors.

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CONSUMERS ELECTRIC UTILITY AND GAS UTILITY BUSINESS OUTLOOK AND UNCERTAINTIES

Energy Optimization Plan: The 2008 Energy Law requires Consumers to achieve cumulative reductions of 5.6 percent in customers electricity use and 3.9 percent in customers natural gas use by December 31, 2015. Under its 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. At March 31, 2015, Consumers had achieved cumulative reductions of 6.3 percent in customers electricity use and 4.4 percent in customers natural gas use; the savings results will be certified at the end of the plan year by a third party.

Smart Energy: Consumers grid modernization effort continues. In 2012, Consumers began installing smart meters for electric residential and small business customers in western Michigan. One of the functions of smart meters is to 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. The installation of smart meters should also provide for both operational and customer benefits. As of March 31, 2015, Consumers had upgraded 447,000 electric customers in western Michigan to smart meters. Of the customers scheduled for the upgrade, 0.5 percent have chosen not to participate in the smart meter program.

Consumers is able to disconnect and reconnect service, read, and bill from smart meters remotely; further functionality will continue to be added through 2015. Consumers expects that it will have installed a total of 1.8 million smart meters throughout its service territory by the end of 2017. Consumers also plans to install 600,000 communication modules on gas meters in areas where Consumers provides both electricity and natural gas to customers.

CONSUMERS ELECTRIC UTILITY BUSINESS OUTLOOK AND UNCERTAINTIES

Clean Energy Plan: Consumers continues to experience increasing demand for electricity due to Michigan s recovering 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 order to address future capacity requirements and growing electric demand in Michigan, Consumers has a comprehensive clean energy plan designed to meet the short-term and long-term electricity needs of its customers through:

- energy efficiency;
- demand management;
- expanded use of renewable energy;
- construction or purchase of electric generating units;
- continued operation or upgrade of existing units; and
- purchases of short-term market capacity.

In 2013, Consumers signed an agreement to purchase 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. As provided for in the agreement, the purchase is subject to FERC, MPSC, and other approvals. Consumers received approval from FERC for the purchase in September 2014. Consumers expects to close the purchase in early 2016.

In January 2014, as a result of this planned purchase, Consumers announced plans to defer the development of its proposed 700-MW natural gas-fueled electric generating plant at its Thetford complex in Genesee County, Michigan, which Consumers estimated would have cost $700 million. The MDEQ granted an extension of the project s air permit in January 2015. The permit will be void if Consumers does not start construction or obtain a further extension before July 2016.

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In September 2014, Consumers completed a reverse auction to purchase generation capacity for 2015 through 2020. Under the contracts entered into as a result of the reverse auction, which were approved by the MPSC in January 2015, Consumers has purchased 350 MW of capacity for 2015, which represents four percent of Consumers capacity requirements for 2015. These contracts, combined with other sources, are expected to cover all of Consumers remaining capacity shortfall for 2015.

With the planned retirement of seven smaller coal-fueled electric generating units in 2016, the purchase of the natural gas-fueled electric generating plant, upgrades at Ludington, energy efficiency programs, and demand management programs, Consumers expects its existing resources to be adequate to meet the capacity requirements of its full-service customers for 2016 through 2020. As demand forecasts become more certain, Consumers may take additional actions to cover any remaining capacity requirements, including participation in the annual MISO planning resource auction.

Renewable Energy Plan: Consumers renewable energy plan details how Consumers expects to meet REC and capacity standards prescribed by the 2008 Energy Law. This law requires Consumers to submit RECs, which represent proof that the associated electricity was generated from a renewable energy resource in an amount equal to at least ten percent of Consumers electric sales volume (estimated to be 3.3 million RECs annually) in 2015 and each year thereafter. 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.

The 2008 Energy Law also requires Consumers to obtain 500 MW of new capacity from renewable energy resources by the end of 2015, either through generation resources owned by Consumers or through agreements to purchase capacity from other parties. With the completion of the Cross Winds® Energy Park in December 2014, Consumers met its renewable capacity requirement one year earlier than required. Consumers has contracted for the purchase of 298 MW of nameplate capacity from renewable energy suppliers and owns 212 MW of nameplate capacity at its Lake Winds® and Cross Winds® Energy Parks.

Cross Winds® Energy Park will qualify for certain federal production tax credits that should reduce significantly the cost of complying with the renewable requirements of the 2008 Energy Law. Consumers expects to receive $100 million to $120 million of federal production tax credits, which will be realized over the first ten years of the wind project s operation. These cost savings will be passed on to customers.

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 2015 by 1.0 percent compared with 2014.

Over the next five years, Consumers expects average electric delivery growth of about 0.5 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 efficiency programs;
- weather fluctuations; and

- Michigan s economic conditions, including utilization, expansion, or contraction of manufacturing facilities, population trends, and housing activity.

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Electric ROA: The 2008 Energy Law allows electric customers in Consumers service territory to buy electric generation service from alternative electric suppliers in an aggregate amount up to ten percent of Consumers weather-adjusted retail sales of the preceding calendar year. At March 31, 2015, electric deliveries under the ROA program were at the ten-percent limit and alternative electric suppliers were providing 761 MW of generation service to ROA customers. Of Consumers 1.8 million electric customers, 306 customers, or 0.02 percent, purchased electric generation service under the ROA program.

In March 2015, members of the Michigan Senate and House of Representatives introduced various bills related to ROA. These bills propose a range of changes to ROA, including eliminating ROA, maintaining the existing ROA program but imposing conditions on a customer s return to utility service, and raising the ROA limit. Consumers is unable to predict the form and timing of any final legislation or whether other bills might be introduced in 2015. An increase to the ROA limit could negatively affect Consumers financial results and operations.

Governor s Energy Initiative: In March 2015, Michigan s governor outlined several key goals for the state s energy policy, with a focus on increasing the use of clean energy sources, reducing Michigan s reliance on coal, deploying smart meters, investing in the power grid and pipeline system, eliminating energy waste, and ensuring affordable, reliable, and adaptable energy while protecting the environment.

Electric Transmission: In 2012, ReliabilityFirst Corporation informed Consumers that Consumers may not be properly registered to meet certain NERC electric reliability standards. Consumers assessed its registration status, taking into consideration FERC s December 2012 order on the definition of a bulk electric system, and in 2013 Consumers notified ReliabilityFirst Corporation that it was preparing to register as a transmission owner, transmission planner, and transmission operator. In light of this order, Consumers reviewed the classification of certain electric distribution assets and, in April 2014, filed an application for reclassification with the MPSC. In October 2014, the MPSC approved a settlement agreement that will allow Consumers to reclassify $34 million of net plant assets from distribution to transmission, subject to FERC approval. FERC approved the reclassification in April 2015.

In a separate matter, METC notified Consumers that the reclassified assets need to be conveyed by Consumers to METC under the terms of the DTIA. Consumers disagrees with METC s interpretation of the provisions of the DTIA.

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

Electric Rate Design: In June 2014, Michigan s governor signed legislation requiring the MPSC to explore alternative cost allocation and rate design methods that would promote affordable and competitive rates for all electric customers. In conjunction with this legislation, Consumers submitted to the MPSC a proposal for a new electric rate design in October 2014. This proposed new design will better ensure that rates are equal to the cost of service and will have the effect of making rates for energy-intensive industrial customers more competitive, while keeping residential bills affordable. Consumers incorporated its proposed new rate design into the rate case it filed in December 2014.

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Electric Rate Case: In December 2014, Consumers filed an application with the MPSC seeking an annual rate increase of $163 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 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	$ 185
Addition of natural gas-fueled electric generating plant	35
Operating and maintenance costs	26
Cost of capital	21
Working capital	6
Cost-reduction initiatives	(80)
Gross margin	(30)
Total	$ 163

The filing also seeks approval of an investment recovery mechanism that would allow recovery of an additional $163 million in total for incremental investments that Consumers plans to make in 2016 and 2017 and $78 million for incremental investments planned in 2018, subject to reconciliation.

Depreciation Rate Case: In June 2014, Consumers filed a depreciation case related to its electric and common utility property. In this case, Consumers requested an increase in depreciation expense, and its recovery of that expense, of $28 million annually. In April 2015, Consumers filed a settlement agreement with the MPSC, under which the parties agreed to an increase in Consumers depreciation expense, and its recovery of that expense, of $6 million annually.

Electric Environmental Outlook: Consumers operations are subject to various state and federal environmental laws and regulations. Consumers estimates that it will incur expenditures of $0.8 billion from 2015 through 2019 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: In 2011, the EPA released CSAPR, a final replacement rule for CAIR, which 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 2012, the U.S. Court of Appeals for the D.C. Circuit voided CSAPR and held that CAIR would remain in place until the EPA promulgated a new rule. This matter was appealed to the U.S. Supreme Court, which upheld and remanded the decision back to the D.C. Circuit for additional action in April 2014. The D.C. Circuit has reinstated CSAPR, effective January 2015. Several states and industry groups continue to challenge CSAPR in the D.C. Circuit. Consumers emissions are projected 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 are required to add additional controls for hazardous air pollutants. Compliance is required by April 2015, unless an extension is granted by the MDEQ. Consumers has received a one-year extension for ten of its coal-fueled units. To accommodate recent changes to MATS, Consumers also received a one-year extension for its two oil/gas-fueled units and a six-month extension for its two other coal-fueled units, which have the necessary pollution equipment already installed. Consumers expects to meet the extended deadline for the five coal-fueled units and two oil/gas-fueled units it intends to

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continue operating and plans to retire the remaining seven coal-fueled units by the extended deadline. MATS is presently being litigated and the U.S. Supreme Court is expected to issue a ruling in 2015.

In November 2014, the EPA proposed a new rule to lower the NAAQS for ozone. The EPA is under a court-ordered deadline to finalize the revised ozone NAAQS by October 2015. The new ozone NAAQS are expected to make it more difficult to construct or modify power plants.

Presently, Consumers strategy to comply with air quality regulations, including CAIR, CSAPR, NAAQS, and MATS, involves 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:

- changes in environmental compliance costs related to Consumers coal-fueled power plants;
- a change in the fuel mix at coal-fueled and oil-fueled power plants;
- changes in how certain plants are used; and
- the retirement, mothballing, or repowering with an alternative fuel of some of Consumers generating units.

Greenhouse Gases: There have been numerous legislative and regulatory initiatives at the state, regional, and national levels that involve the regulation of greenhouse gases. Consumers continues to monitor and comment on these initiatives and to follow litigation involving greenhouse gases. Consumers believes Congress may eventually pass greenhouse gas legislation, but is unable to predict the form and timing of any final legislation.

In January 2014, the EPA published proposed 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 would not be able to meet this limit without installing carbon dioxide control equipment using such methods as carbon capture and sequestration. The proposed rules for new sources are expected to be finalized in 2015.

In June 2014, the EPA published proposed 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 proposed rules would require a 30 percent nationwide reduction in carbon emissions from existing power plants by 2030 (based on 2005 levels). Each state would have a tailored target based on its circumstances, and Consumers expects that Michigan would be required to achieve a 31 percent reduction from 2012 levels, but there is significant uncertainty regarding the final targets. The rules for existing sources are expected to be finalized in 2015. Subsequent state implementation plans are due in 2016, but extensions are available. In addition, the Clean Power Plan is presently being litigated in the U.S. Court of Appeals for the D.C. Circuit.

Consumers believes that its clean energy plan, its present carbon reduction target, and its emphasis on supply diversity will position it favorably to deal with the impact of carbon regulation, but cannot predict the final outcome of either of these EPA proposals or of Michigan s 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.

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CCRs: In April 2015, the EPA published a final rule regulating CCRs, such as coal ash, under the Resource Conservation and Recovery Act. The final rule adopts non-hazardous minimum standards for beneficially reusing and disposing of 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 expects that it may accelerate some planned capital and cost of removal expenditures at its coal-fueled units to meet compliance deadlines, but is still evaluating the impacts of this rule.

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. Consumers does not expect any adverse changes to its environmental strategy as a result of the final rule. Consumers also expects the EPA to issue final effluent limitation guidelines in 2015 that may require physical and/or chemical treatment of wastewater discharges from electric generating plants. Consumers will evaluate these rules and their potential impacts on Consumers electric generating plants once they are final.

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.

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 proposed rule is expected in 2015.

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

CONSUMERS GAS UTILITY BUSINESS OUTLOOK AND UNCERTAINTIES

Gas Deliveries: Consumers expects weather-adjusted gas deliveries in 2015 and over the next five years to remain stable relative to 2014. 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; and
- energy efficiency and conservation impacts.

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

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ENTERPRISES OUTLOOK AND UNCERTAINTIES

The primary focus with respect to CMS Energy s non-utility businesses is to optimize cash flow and maximize the value of their assets.

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

- indemnity and environmental remediation obligations at Bay Harbor;
- obligations related to a tax claim from the government of Equatorial Guinea;
- the outcome of certain legal proceedings;
- impacts of declines in electricity prices on the profitability of the enterprises segment s generating units;
- representations, warranties, and indemnities provided by CMS Energy in connection with previous sales of assets;
- 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; and
- economic conditions in Michigan, including population trends and housing activity.

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

OTHER OUTLOOK AND UNCERTAINTIES

EnerBank: EnerBank is a Utah state-chartered, FDIC-insured industrial bank providing unsecured consumer installment loans for financing home improvements. EnerBank represented three percent of CMS Energy s net assets at March 31, 2015 and three percent of CMS Energy s net income available to common stockholders for the three months ended March 31, 2015. The carrying value of EnerBank s loan portfolio was $967 million at March 31, 2015. Its loan portfolio was funded primarily by deposit liabilities of $924 million. The twelve-month rolling average default rate on loans held by EnerBank has remained stable at 0.6 percent at March 31, 2015. 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 March 31, 2015.

Union Contract: The present UWUA agreement for operating, maintenance, and construction employees expires in June 2015. In April 2015, Consumers reached a tentative agreement with the UWUA on a new five-year contract for these UWUA members. The new contract is expected to be ratified in May 2015.

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

NEW ACCOUNTING STANDARDS

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

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CMS Energy Corporation

Consolidated Statements of Income

(Unaudited)

Operating Revenue	$	2,111	$	2,523
Operating Expenses				
Fuel for electric generation		167		219
Purchased and interchange power		349		498
Purchased power related parties		23		24
Cost of gas sold		589		834
Maintenance and other operating expenses		283		266
Depreciation and amortization		222		199
General taxes		81		75
Total operating expenses		1,714		2,115
Operating Income		397		408
Other Income (Expense)				
Interest income		1		-
Allowance for equity funds used during construction		2		2
Income from equity method investees		4		4
Other income		3		3
Other expense		(4)		(7)
Total other income		6		2
Interest Charges				
Interest on long-term debt		96		97
Other interest expense		6		5
Allowance for borrowed funds used during construction		(1)		(1)
Total interest charges		101		101
Income Before Income Taxes		302		309
Income Tax Expense		100		105
Net Income Available to Common Stockholders	$	202	$	204
Basic Earnings Per Average Common Share	$	0.73	$	0.77
Diluted Earnings Per Average Common Share	$	0.73	$	0.75
Dividends Declared Per Common Share	$	0.29	$	0.27

The accompanying notes are an integral part of these statements.

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CMS Energy Corporation

Consolidated Statements of Comprehensive Income

(Unaudited)

Three Months Ended March 31		2015		*In Millions* 2014
Net Income	$	202	$	204
Retirement Benefits Liability				
Amortization of net actuarial loss, net of tax of $1 and $-		1		-
Derivative Instruments				
Reclassification adjustments included in net income, net of tax of $- and $-		-		1
Other Comprehensive Income		1		1
Comprehensive Income	$	203	$	205

The accompanying notes are an integral part of these statements.

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CMS Energy Corporation

Consolidated Statements of Cash Flows

(Unaudited)

Three Months Ended March 31	2015	*In Millions* 2014
Cash Flows from Operating Activities		
Net income	$ 202	$ 204
Adjustments to reconcile net income to net cash provided by operating activities		
Depreciation and amortization	222	199
Deferred income taxes and investment tax credit	99	102
Postretirement benefits expense	23	6
Other non-cash operating activities	19	19
Postretirement benefits contributions	(31)	(2)
Cash provided by (used in) changes in assets and liabilities		
Accounts receivable, notes receivable, and accrued revenue	(48)	(313)
Inventories	378	345
Accounts payable and accrued refunds	(36)	105
Other current and non-current assets and liabilities	(68)	(54)
Net cash provided by operating activities	760	611
Cash Flows from Investing Activities		
Capital expenditures (excludes assets placed under capital lease)	(348)	(304)
Cost to retire property	(10)	(14)
Increase in EnerBank notes receivable	(29)	(29)
Other investing activities	(35)	1
Net cash used in investing activities	(422)	(346)
Cash Flows from Financing Activities		
Proceeds from issuance of debt	100	550
Retirements of EnerBank notes, net	40	16
Issuance of common stock	4	33
Retirement of long-term debt	(11)	(26)
Payment of dividends on common stock	(80)	(72)
Decrease in notes payable	(60)	(170)
Payment of capital lease obligations and other financing costs	(16)	(10)
Net cash provided by (used in) financing activities	(23)	321
Net Increase in Cash and Cash Equivalents	315	586
Cash and Cash Equivalents, Beginning of Period	207	172
Cash and Cash Equivalents, End of Period	$ 522	$ 758
Other non-cash investing and financing activities		
Non-cash transactions		
Capital expenditures not paid	$ 117	$ 116

The accompanying notes are an integral part of these statements.

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CMS Energy Corporation

Consolidated Balance Sheets

(Unaudited)

ASSETS

In Millions

	March 31 2015	December 31 2014
Current Assets		
Cash and cash equivalents	$ 522	$ 207
Restricted cash and cash equivalents	49	37
Accounts receivable and accrued revenue, less allowances of $37 in 2015 and $40 in 2014	908	881
Notes receivable	103	98
Notes receivable held for sale	49	41
Accounts receivable related parties	11	11
Accrued gas revenue	-	27
Inventories at average cost		
Gas in underground storage	328	681
Materials and supplies	115	117
Generating plant fuel stock	97	120
Deferred property taxes	178	216
Regulatory assets	57	89
Prepayments and other current assets	84	72
Total current assets	2,501	2,597
Plant, Property, and Equipment		
Plant, property, and equipment, gross	17,930	17,721
Less accumulated depreciation and amortization	5,545	5,415
Plant, property, and equipment, net	12,385	12,306
Construction work in progress	1,141	1,106
Total plant, property, and equipment	13,526	13,412
Other Non-current Assets		
Regulatory assets	1,932	1,956
Accounts and notes receivable, less allowances of $8 in 2015 and 2014	823	807
Investments	62	61
Other	354	352
Total other non-current assets	3,171	3,176
Total Assets	$ 19,198	$ 19,185

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LIABILITIES AND EQUITY

		In Millions
	March 31 2015	December 31 2014
Current Liabilities		
Current portion of long-term debt, capital leases, and financing obligation	$ 543	$ 540
Notes payable	-	60
Accounts payable	512	678
Accounts payable related parties	9	10
Accrued rate refunds	23	6
Accrued interest	67	108
Accrued taxes	239	316
Deferred income taxes	21	66
Regulatory liabilities	68	67
Other current liabilities	117	163
Total current liabilities	1,599	2,014
Non-current Liabilities		
Long-term debt	8,143	8,016
Non-current portion of capital leases and financing obligation	117	123
Regulatory liabilities	2,139	2,095
Postretirement benefits	844	872
Asset retirement obligations	344	340
Deferred investment tax credit	58	37
Deferred income taxes	1,811	1,682
Other non-current liabilities	304	299
Total non-current liabilities	13,760	13,464
Commitments and Contingencies (Notes 2 and 3)		
Equity		
Common stockholders equity		
Common stock, authorized 350.0 shares; outstanding 276.0 shares in 2015 and 275.2 shares in 2014	3	3
Other paid-in capital	4,783	4,774
Accumulated other comprehensive loss	(48)	(49)
Accumulated deficit	(936)	(1,058)
Total common stockholders equity	3,802	3,670
Noncontrolling interests	37	37
Total equity	3,839	3,707
Total Liabilities and Equity	$ 19,198	$ 19,185

The accompanying notes are an integral part of these statements.

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CMS Energy Corporation

Consolidated Statements of Changes in Equity

(Unaudited)

Three Months Ended March 31		2015		*In Millions* 2014
Total Equity at Beginning of Period	$	3,707	$	3,491
Common Stock				
At beginning and end of period		3		3
Other Paid-in Capital				
At beginning of period		4,774		4,715
Common stock issued		10		37
Common stock repurchased		(11)		(6)
Common stock reissued		10		-
At end of period		4,783		4,746
Accumulated Other Comprehensive Loss				
At beginning of period		(49)		(22)
Retirement benefits liability				
At beginning of period		(48)		(21)
Amortization of net actuarial loss		1		-
At end of period		(47)		(21)
Investments				
At beginning and end of period		(1)		-
Derivative instruments				
At beginning of period		-		(1)
Reclassification adjustments included in net income		-		1
At end of period		-		-
At end of period		(48)		(21)
Accumulated Deficit				
At beginning of period		(1,058)		(1,242)
Net income attributable to CMS Energy		202		204
Dividends declared on common stock		(80)		(72)
At end of period		(936)		(1,110)
Noncontrolling Interests				
At beginning and end of period		37		37
Total Equity at End of Period	$	3,839	$	3,655

The accompanying notes are an integral part of these statements.

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Consumers Energy Company

Consolidated Statements of Income

(Unaudited)

		In Millions		
Three Months Ended March 31		2015		2014
Operating Revenue	$	2,028	$	2,382
Operating Expenses				
Fuel for electric generation		133		186
Purchased and interchange power		346		484
Purchased power related parties		23		24
Cost of gas sold		583		768
Maintenance and other operating expenses		265		250
Depreciation and amortization		220		197
General taxes		79		74
Total operating expenses		1,649		1,983
Operating Income		379		399
Other Income (Expense)				
Interest income		1		-
Allowance for equity funds used during construction		2		2
Other income		12		3
Other expense		(4)		(6)
Total other income (expense)		11		(1)
Interest Charges				
Interest on long-term debt		63		59
Other interest expense		3		3
Allowance for borrowed funds used during construction		(1)		(1)
Total interest charges		65		61
Income Before Income Taxes		325		337
Income Tax Expense		110		116
Net Income Available to Common Stockholder	$	215	$	221

The accompanying notes are an integral part of these statements.

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Consumers Energy Company

Consolidated Statements of Comprehensive Income

(Unaudited)

Three Months Ended March 31		2015		*In Millions* 2014
Net Income	$	215	$	221
Retirement Benefits Liability				
Amortization of net actuarial loss, net of tax of $- and $-		1		-
Investments				
Unrealized gain on investments, net of tax of $- and $1		-		2
Reclassification adjustments included in net income, net of tax of $(3) and $-		(5)		-
Other Comprehensive Income (Loss)		(4)		2
Comprehensive Income	$	211	$	223

The accompanying notes are an integral part of these statements.

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Consumers Energy Company

Consolidated Statements of Cash Flows

(Unaudited)

Three Months Ended March 31	2015	*In Millions* 2014
Cash Flows from Operating Activities		
Net income	$ 215	$ 221
Adjustments to reconcile net income to net cash provided by operating activities		
Depreciation and amortization	220	197
Deferred income taxes and investment tax credit	39	46
Postretirement benefits expense	23	6
Other non-cash operating activities	17	16
Postretirement benefits contributions	(30)	(1)
Cash provided by (used in) changes in assets and liabilities		
Accounts receivable, notes receivable, and accrued revenue	(43)	(303)
Inventories	374	338
Accounts payable and accrued refunds	(32)	108
Other current and non-current assets and liabilities	3	18
Net cash provided by operating activities	786	646
Cash Flows from Investing Activities		
Capital expenditures (excludes assets placed under capital lease)	(345)	(302)
Cost to retire property	(10)	(14)
Other investing activities	(28)	1
Net cash used in investing activities	(383)	(315)
Cash Flows from Financing Activities		
Retirement of long-term debt	(11)	(11)
Payment of dividends on common stock	(122)	(135)
Stockholder contribution	150	150
Decrease in notes payable	(60)	(170)
Payment of capital lease obligations and other financing costs	(6)	(5)
Net cash used in financing activities	(49)	(171)
Net Increase in Cash and Cash Equivalents	354	160
Cash and Cash Equivalents, Beginning of Period	71	18
Cash and Cash Equivalents, End of Period	$ 425	$ 178
Other non-cash investing and financing activities		
Non-cash transactions		
Capital expenditures not paid	$ 117	$ 116

The accompanying notes are an integral part of these statements.

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Consumers Energy Company

Consolidated Balance Sheets

(Unaudited)

ASSETS

		In Millions		
		March 31 2015		December 31 2014
Current Assets				
Cash and cash equivalents	$	425	$	71
Restricted cash and cash equivalents		49		37
Accounts receivable and accrued revenue, less allowances of $36 in 2015 and $39 in 2014		888		863
Accounts receivable related parties		1		1
Accrued gas revenue		-		27
Inventories at average cost				
Gas in underground storage		328		681
Materials and supplies		110		113
Generating plant fuel stock		94		112
Deferred property taxes		178		216
Regulatory assets		57		89
Prepayments and other current assets		78		63
Total current assets		2,208		2,273
Plant, Property, and Equipment				
Plant, property, and equipment, gross		17,788		17,580
Less accumulated depreciation and amortization		5,477		5,346
Plant, property, and equipment, net		12,311		12,234
Construction work in progress		1,138		1,103
Total plant, property, and equipment		13,449		13,337
Other Non-current Assets				
Regulatory assets		1,932		1,956
Accounts and notes receivable		7		7
Investments		28		38
Other		230		236
Total other non-current assets		2,197		2,237
Total Assets	$	17,854	$	17,847

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LIABILITIES AND EQUITY

		In Millions
	March 31 2015	December 31 2014
Current Liabilities		
Current portion of long-term debt, capital leases, and financing obligation	$ 135	$ 145
Notes payable	-	60
Accounts payable	496	662
Accounts payable related parties	14	12
Accrued rate refunds	23	6
Accrued interest	47	70
Accrued taxes	140	149
Deferred income taxes	67	80
Regulatory liabilities	68	67
Other current liabilities	90	135
Total current liabilities	1,080	1,386
Non-current Liabilities		
Long-term debt	5,154	5,154
Non-current portion of capital leases and financing obligation	117	123
Regulatory liabilities	2,139	2,095
Postretirement benefits	766	793
Asset retirement obligations	343	339
Deferred investment tax credit	58	37
Deferred income taxes	2,440	2,406
Other non-current liabilities	241	237
Total non-current liabilities	11,258	11,184
Commitments and Contingencies (Notes 2 and 3)		
Equity		
Common stockholder s equity		
Common stock, authorized 125.0 shares; outstanding 84.1 shares for both periods	841	841
Other paid-in capital	3,724	3,574
Accumulated other comprehensive loss	(11)	(7)
Retained earnings	925	832
Total common stockholder s equity	5,479	5,240
Preferred stock	37	37
Total equity	5,516	5,277
Total Liabilities and Equity	$ 17,854	$ 17,847

The accompanying notes are an integral part of these statements.

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Consumers Energy Company

Consolidated Statements of Changes in Equity

(Unaudited)

			In Millions	
Three Months Ended March 31		2015		2014
Total Equity at Beginning of Period	$	5,277	$	4,857
Common Stock				
At beginning and end of period		841		841
Other Paid-in Capital				
At beginning of period		3,574		3,257
Stockholder contribution		150		150
At end of period		3,724		3,407
Accumulated Other Comprehensive Loss				
At beginning of period		(7)		(2)
Retirement benefits liability				
At beginning of period		(26)		(17)
Amortization of net actuarial loss		1		-
At end of period		(25)		(17)
Investments				
At beginning of period		19		15
Unrealized gain on investments		-		2
Reclassification adjustments included in net income		(5)		-
At end of period		14		17
At end of period		(11)		-
Retained Earnings				
At beginning of period		832		724
Net income		215		221
Dividends declared on common stock		(122)		(135)
At end of period		925		810
Preferred Stock				
At beginning and end of period		37		37
Total Equity at End of Period	$	5,516	$	5,095

The accompanying notes are an integral part of these statements.

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CMS Energy Corporation

Consumers Energy Company

NOTES TO THE UNAUDITED CONSOLIDATED FINANCIAL STATEMENTS

These interim consolidated financial statements have been prepared by CMS Energy and Consumers in accordance with GAAP for interim financial information and with the instructions to Form 10-Q and Article 10 of Regulation S-X. As a result, CMS Energy and Consumers have condensed or omitted certain information and note disclosures normally included in consolidated financial statements prepared in accordance with GAAP. CMS Energy and Consumers have reclassified certain prior period amounts to conform to the presentation in the current period. In management s opinion, the unaudited information contained in this report reflects all adjustments of a normal recurring nature necessary to ensure the fair presentation of financial position, results of operations, and cash flows for the periods presented. The notes to the unaudited consolidated financial statements and the related unaudited consolidated financial statements should be read in conjunction with the consolidated financial statements and related notes contained in the 2014 Form 10-K. Due to the seasonal nature of CMS Energy s and Consumers operations, the results presented for this interim period are not necessarily indicative of results to be achieved for the fiscal year.

1: NEW ACCOUNTING STANDARDS

New Accounting Standards Not Yet Effective

ASU 2014-09, Revenue from Contracts with Customers: This standard was issued by the Financial Accounting Standards Board as a result of a joint project with the International Accounting Standards Board. The Boards developed a common revenue recognition model that will be applied under GAAP and International Financial Reporting Standards. 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. As issued, the standard will become effective January 1, 2017 for CMS Energy and Consumers; however, the Financial Accounting Standards Board has decided to propose a one-year delay in the effective date. 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 are evaluating the impact of the standard on their consolidated financial statements.

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 will become effective January 1, 2016 for CMS Energy and Consumers, addresses certain types of stock awards with performance targets. The standard will apply to certain restricted stock awards granted by CMS Energy and Consumers to retirement-eligible employees. CMS Energy and Consumers do not expect the standard to have any impact on their consolidated financial statements since the guidance in the standard is consistent with the accounting presently applied to these awards.

ASU 2015-02, Amendments to the Consolidation Analysis: This standard, which will become effective 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 are evaluating the impact of the standard on their consolidated financial statements.

ASU 2015-03, Simplifying the Presentation of Debt Issuance Costs: This standard, which will be effective 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. Presently, debt issuance costs are reported as an asset. The new guidance aligns the presentation of debt issuance costs with debt discounts and premiums. The standard is to be applied retrospectively to all prior periods presented. At March 31, 2015, CMS Energy had $44 million of unamortized debt issuance costs, which included $23 million at Consumers. These amounts are recorded in other non-current assets on the consolidated balance sheets.

2: REGULATORY MATTERS

Regulatory matters are critical to Consumers. The Michigan Attorney General, ABATE, the MPSC Staff, and certain other parties typically participate in MPSC proceedings concerning Consumers, such as Consumers rate cases and PSCR and GCR processes. These parties often challenge various aspects of

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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 allocation among customers, the allocation of refunds among customer groups, 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.

Gas Rate Case: In July 2014, Consumers filed an application with the MPSC seeking an annual rate increase of $88 million. The filing requested authority to recover new investments that will allow Consumers to improve system reliability, comply with regulations, and enhance technology.

In January 2015, the MPSC approved a settlement agreement authorizing a $45 million annual rate increase, based on a 10.3 percent authorized return on equity. This was Consumers first gas base rate increase since 2012.

Energy Optimization Plan Incentive: Consumers exceeded its savings targets under both electric and gas optimization plans during 2014, and will therefore request the MPSC s approval to collect $17 million, the maximum incentive, in the energy optimization reconciliation scheduled to be filed in May 2015.

3: CONTINGENCIES AND COMMITMENTS

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

CMS Energy Contingencies

Gas Index Price Reporting Litigation: CMS Energy, along with CMS MST, CMS Field Services, Cantera Natural Gas, Inc., and Cantera Gas Company, have been named as defendants in five class action lawsuits arising as a result of alleged inaccurate natural gas price reporting to publications that report trade information. Allegations include manipulation of NYMEX natural gas futures and options prices, price-fixing conspiracies, restraint of trade, and artificial inflation of natural gas retail prices in Kansas, Missouri, and Wisconsin. Plaintiffs are making claims for the following: full consideration damages, treble damages, exemplary damages, costs, interest, and/or attorney fees.

After removal to federal court, all of the cases were transferred to a single federal district court pursuant to the multidistrict litigation process. In 2010 and 2011, all claims against CMS Energy defendants were dismissed by the district court based on FERC preemption. 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. The plaintiffs did not appeal the dismissal of CMS Energy as a defendant in these cases, but other CMS Energy entities remain as defendants.

In April 2013, the U.S. Court of Appeals for the Ninth Circuit reversed the district court decision and remanded the case to the district court judge for further proceedings. The appellate court found that

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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.

In August 2013, the joint defense group in these cases, of which CMS Energy defendants are members, filed a petition with the U.S. Supreme Court in an attempt to overturn the decision of the U.S. Court of Appeals for the Ninth Circuit. In July 2014, the U.S. Supreme Court agreed to hear this case. In April 2015, the U.S. Supreme Court upheld the decision of the Ninth Circuit. The case will now be sent back to the district court for continued proceedings, including completion of discovery, motions, and trial.

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 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 has 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. CMS Land is presently working with the MDEQ to renew this permit, which requires renewal every five years.

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. In August 2014, the EPA indicated that it intends to pursue the claim.

CMS Energy has recorded a cumulative charge related to Bay Harbor of $246 million, which includes accretion expense. At March 31, 2015, CMS Energy had a recorded liability of $61 million for its remaining obligations. 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 $78 million. CMS Energy expects to pay $7 million in 2015, $6 million in 2016, $5 million in 2017, $5 million in 2018, $5 million in 2019, and the remaining amount thereafter for long-term liquid disposal and operating and maintenance costs. CMS Energy s estimate of response activity costs and the timing of expenditures could change if there are changes in circumstances or assumptions used in calculating the liability.

Although a liability for its present estimate of remaining response activity costs has been recorded, CMS Energy cannot predict the ultimate financial impact or outcome of this matter.

Equatorial Guinea Tax Claim: In 2002, CMS Energy sold its oil, gas, and methanol investments in Equatorial Guinea. The government of Equatorial Guinea claims that CMS Energy owes $142 million in taxes, plus significant penalties and interest, in connection with the sale and may proceed to formal arbitration. CMS Energy has concluded that the government s tax claim is without merit. CMS Energy is vigorously contesting the claim but cannot predict the financial impact or outcome of this matter. It is possible that the outcome of this matter could negatively affect CMS Energy s liquidity, financial condition, and results of operations.

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CONSUMERS ELECTRIC UTILITY CONTINGENCIES

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

Cleanup and Solid Waste: Consumers expects to incur remediation and other response activity costs at a number of sites under NREPA. Consumers believes that these costs should be recoverable in rates, but cannot guarantee that outcome. Consumers estimates that its liability for NREPA sites for which it can estimate a range of loss will be between $4 million and $5 million. At March 31, 2015, Consumers had a recorded liability of $4 million, the minimum amount in the range of its estimated probable NREPA liability.

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 $9 million. Various factors, including the number of potentially responsible parties involved with each site, affect Consumers share of the total liability. At March 31, 2015, 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.

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. Any significant 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. Consumers cannot predict the financial impact or outcome of this matter.

CCRs: In April 2015, the EPA published a final rule regulating CCRs, such as coal ash, under the Resource Conservation and Recovery Act. The final rule adopts non-hazardous minimum standards for beneficially reusing and disposing of 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 expects that it may accelerate some planned capital and cost of removal expenditures at its coal-fueled units to meet compliance

deadlines, but is still evaluating the impacts of this rule.

Renewable Energy Matters: In 2013, a group of landowners filed a lawsuit in Mason County (Michigan) Circuit Court alleging, among other things, personal injury, loss of property value, and impacts to the use and enjoyment of their land as a result of the operations of Lake Winds® Energy Park. In October 2014

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and January 2015, Consumers reached settlements with the plaintiffs. These settlements were not material to Consumers.

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 March 31, 2015, Consumers had a recorded liability of $115 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 $131 million. Consumers expects to pay the following amounts for remediation and other response activity costs in 2015 and in each of the next four years:

					In Millions
	2015	2016	2017	2018	2019
Consumers					
Remediation and other response activity costs	$ 11	$ 12	$ 13	$ 11	$ 14

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

Pursuant to orders issued by the MPSC, Consumers defers its MGP-related remediation costs and recovers them from its customers over a ten-year period. At March 31, 2015, Consumers had a regulatory asset of $145 million related to the MGP sites.

Consumers estimates that its liability to perform remediation and other response activities at NREPA sites other than the MGP sites could reach $3 million. At March 31, 2015, Consumers had a recorded liability of less than $1 million, the minimum amount in the range of its estimated probable liability.

Guarantees

Presented in the following table are CMS Energy s and Consumers guarantees at March 31, 2015:

Guarantee Description	Issue Date	Expiration Date	Maximum Obligation	*In Millions* Carrying Amount
CMS Energy, including Consumers				
Indemnity obligations from asset sales and other agreements	Various	Various through August 2029	$ 148 [1]	$ 7
Guarantees	Various	Various through March 2021	51	-
Consumers				
Indemnity obligations and other guarantees	Various	Various through August 2029	$ 30	$ 1

1 The majority of this amount arises from stock and asset sale agreements under which CMS Energy or a subsidiary of CMS Energy, other than Consumers, indemnified the purchaser for losses resulting from various matters, including claims related to tax disputes, claims related to power purchase agreements, and defects in

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title to the assets or stock sold to the purchaser by CMS Energy subsidiaries. Except for items described elsewhere in this Note, CMS Energy believes the likelihood of material loss to be remote for the indemnity obligations not recorded as liabilities.

Presented in the following table is additional information regarding CMS Energy s and Consumers guarantees:

Guarantee Description	How Guarantee Arose	Events That Would Require Performance
CMS Energy, including Consumers		
Indemnity obligations from asset sales and other agreements	Stock and asset sale agreements	Findings of misrepresentation, breach of warranties, tax claims, and other specific events or circumstances
Guarantees	Normal operating activity	Nonperformance or non-payment by a subsidiary under a related contract
Consumers		
Indemnity obligations and other guarantees	Normal operating activity	Nonperformance or claims made by a third party under a related contract

CMS Energy, Consumers, and certain other subsidiaries of CMS Energy also enter into various agreements containing tax and other indemnity provisions for which they are unable to estimate the maximum potential obligation. These factors include unspecified exposure under certain agreements. 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

Other: In addition to the matters disclosed in this Note and Note 2, Regulatory Matters, there are certain other lawsuits and administrative proceedings before various courts and governmental agencies arising in the ordinary course of business to which CMS Energy, Consumers, and certain other subsidiaries of CMS Energy are parties. These other lawsuits and proceedings may involve personal injury, property damage, contracts, environmental matters, federal and state taxes, rates, licensing, employment, and other matters. Further, CMS Energy and Consumers occasionally self-report certain regulatory non-compliance matters that may or may not eventually result in administrative proceedings. CMS Energy and Consumers believe that the outcome of any one of these proceedings will not have a material negative effect on their consolidated results of operations, financial condition, or liquidity.

4: FINANCINGS AND CAPITALIZATION

Revolving Credit Facilities: The following secured revolving credit facilities with banks were available at March 31, 2015:

In Millions

Expiration Date	Amount of Facility	Amount Borrowed	Letters of Credit Outstanding	Amount Available
CMS Energy parent				
December 20, 2018[1]	$ 550	$ 100	$ 3	$ 447
Consumers				
December 20, 2018[2]	$ 650	$ -	$ 10	$ 640
May 9, 2018[2]	30	-	30	-

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1 During the three months ended March 31, 2015, CMS Energy s average borrowings totaled $68 million with a weighted-average interest rate of 1.42 percent. Obligations under this facility are secured by Consumers common stock.

2 Obligations under this facility are secured by FMBs of Consumers.

Short-term Borrowings: Under Consumers revolving accounts receivable sales program, which will expire in November 2016 and is generally renewed annually, Consumers may transfer up to $250 million of accounts receivable, subject to certain eligibility requirements. These transactions are accounted for as short-term secured borrowings. At March 31, 2015, no accounts receivable had been transferred under the program.

In September 2014, Consumers entered into a commercial paper program. Under the 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 would not issue commercial paper in an amount exceeding the available revolver capacity. At March 31, 2015, no commercial paper notes were outstanding under this program.

Dividend Restrictions: At March 31, 2015, payment of dividends by CMS Energy on its common stock was limited to $3.8 billion under provisions of the Michigan Business Corporation Act of 1972.

Under the provisions of its articles of incorporation, at March 31, 2015, Consumers had $860 million of unrestricted retained earnings available to pay dividends on its common stock to CMS Energy. Provisions of the Federal Power Act and the Natural Gas Act appear to restrict dividends payable by Consumers to the amount of Consumers retained earnings. Several decisions from FERC suggest that under a variety of circumstances dividends from Consumers on its common stock would not be limited to amounts in Consumers retained earnings. Any decision by Consumers to pay dividends on its common stock in excess of retained earnings would be based on specific facts and circumstances and would be subject to a formal regulatory filing process.

For the three months ended March 31, 2015, Consumers paid $122 million in dividends on its common stock to CMS Energy.

5: FAIR VALUE MEASUREMENTS

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

- Level 1 inputs are unadjusted quoted prices in active markets for identical assets or liabilities.

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

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

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To the extent possible, CMS Energy and Consumers use quoted market prices or other observable market pricing data in valuing assets and liabilities measured at fair value. If this information is unavailable, they use market-corroborated data or reasonable estimates about market participant assumptions. CMS Energy and Consumers classify fair value measurements within the fair value hierarchy based on the lowest level of input that is significant to the fair value measurement in its entirety.

Assets and Liabilities Measured at Fair Value on a Recurring Basis

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

In Millions

	CMS Energy, including Consumers		Consumers	
	March 31 2015	December 31 2014	March 31 2015	December 31 2014
Assets1				
Cash equivalents	$ 349	$ 110	$ 309	$ 19
Restricted cash equivalents	50	38	50	38
CMS Energy common stock	-	-	28	38
Nonqualified deferred compensation plan assets	9	8	6	6
DB SERP				
Cash equivalents	3	4	2	3
Mutual funds	151	127	107	90
Derivative instruments				
Commodity contracts	1	2	1	2
Total	$ 563	$ 289	$ 503	$ 196
Liabilities1				
Nonqualified deferred compensation plan liabilities	$ 9	$ 8	$ 6	$ 6
Derivative instruments				
Commodity contracts	1	1	-	1
Total	$ 10	$ 9	$ 6	$ 7

1 All assets and liabilities were classified as Level 1 with the exception of some commodity contracts, which were classified as Level 2 or Level 3 and which were insignificant at March 31, 2015 and December 31, 2014.

Cash Equivalents: Cash equivalents and restricted cash equivalents consist of money market funds with daily liquidity. Short-term debt instruments classified as cash equivalents or restricted 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 that are publicly available and are the basis for transactions to buy or sell shares in each fund. 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: CMS Energy and Consumers value their DB SERP assets using a market approach that incorporates quoted market prices. 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

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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 that are publicly available and are the basis for transactions to buy or sell shares in each fund. 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 6, Financial Instruments.

Derivative Instruments: CMS Energy and Consumers value their derivative instruments using either a market approach that incorporates information from market transactions, or an income approach that discounts future expected cash flows to a present value amount. CMS Energy values its exchange-traded derivative contracts based on Level 1 quoted prices and values other derivatives using Level 2 inputs, which include commodity forward prices and credit risk factors. CMS Energy and Consumers have classified certain derivatives as Level 3 since the fair value measurements incorporate assumptions that cannot be observed or confirmed through market transactions.

The majority of derivatives classified as Level 3 are FTRs held by Consumers. Consumers uses FTRs to manage price risk related to electricity transmission congestion. An FTR is a financial instrument that entitles its holder to receive compensation or requires its holder to remit payment for congestion-related transmission charges. Under regulatory accounting, all changes in fair value associated with FTRs are deferred as regulatory assets and liabilities until the instruments are settled. Due to the lack of quoted pricing information, Consumers determines the fair value of its FTRs based on Consumers average historical settlements.

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
Three Months Ended March 31	2015	2014
CMS Energy, including Consumers		
Balance at beginning of period	$ 1	$ 4
Total gains (losses) offset through regulatory accounting	1	(19)
Settlements	(1)	15
Balance at end of period	$ 1	$ -
Consumers		
Balance at beginning of period	$ 1	$ 4
Total gains (losses) offset through regulatory accounting	1	(19)
Settlements	(1)	15
Balance at end of period	$ 1	$ -

There were no unrealized gains included in earnings related to assets and liabilities still held at March 31, 2015 or 2014.

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6: FINANCIAL INSTRUMENTS

Presented in the following table are the carrying amounts and fair values, by level within the fair value hierarchy, of CMS Energy s and Consumers financial instruments that are not recorded at fair value. The table does not include information on cash, cash equivalents, short-term accounts and notes receivable, short-term investments, and current liabilities since the carrying amounts of these items approximate their fair values because of their short-term nature. For information about assets and liabilities recorded at fair value and for additional details regarding the fair value hierarchy, see Note 5, Fair Value Measurements.

In Millions

	March 31, 2015					December 31, 2014				
		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										
Securities held to maturity	$ 12	$ 12	$ -	$ 12	$ -	$ 11	$ 11	$ -	$ 11	$ -
Notes receivable[1]	967	1,028	-	-	1,028	938	995	-	-	995
Long-term debt[2]	8,664	9,562	-	8,508	1,054	8,535	9,285	-	8,252	1,033
Consumers										
Long-term debt[3]	$ 5,267	$ 5,823	$ -	$ 4,769	$ 1,054	$ 5,278	$ 5,749	$ -	$ 4,716	$ 1,033

1 Includes current portion of notes receivable of $151 million at March 31, 2015 and $138 million at December 31, 2014.

2 Includes current portion of long-term debt of $521 million at March 31, 2015 and $519 million at December 31, 2014.

3 Includes current portion of long-term debt of $113 million at March 31, 2015 and $124 million at December 31, 2014.

Notes receivable consist 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 March 31, 2015 and December 31, 2014, 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.

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

In Millions

	March 31, 2015				December 31, 2014			
	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	$ 153	$ -	$ 2	$ 151	$ 129	$ -	$ 2	$ 127
Held to maturity								
Debt securities	12	-	-	12	11	-	-	11
Consumers								
Available for sale								
DB SERP								
Mutual funds	$ 109	$ -	$ 2	$ 107	$ 92	$ -	$ 2	$ 90
CMS Energy common stock	4	24	-	28	5	33	-	38

The mutual funds classified as available for sale hold primarily fixed-income instruments of varying maturities. During the three months ended March 31, 2015, CMS Energy contributed $25 million to the DB SERP, which included a contribution of $17 million by Consumers. Debt securities classified as held to maturity consist primarily of mortgage-backed securities and Utah Housing Corporation bonds held by EnerBank.

Consumers recognized a gain of $9 million in January 2015 associated with the transfer of shares of CMS Energy common stock to a related charitable foundation. The gain reflected the excess of fair value over cost of the stock donated and was recorded in other income on Consumers consolidated statements of income. The gain was eliminated on CMS Energy s consolidated statements of income.

7: NOTES RECEIVABLE

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

In Millions

	March 31, 2015	December 31, 2014
CMS Energy		
Current		
EnerBank notes receivable, net of allowance for loan losses	$ 102	$ 97
EnerBank notes receivable held for sale	49	41
Other	1	1
Non-current		
EnerBank notes receivable, net of allowance for loan losses	816	800
Total notes receivable	$ 968	$ 939

EnerBank notes receivable are unsecured consumer installment loans for financing home improvements. EnerBank records its notes receivable at cost, less allowance for loan losses. At March 31, 2015, $49 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 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.

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Management estimates the allowance balance required by taking into consideration historical loan loss experience, the nature and volume of the portfolio, economic conditions, and other factors. Loan losses are charged against the allowance when the loss is confirmed, but no later than the point at which a loan becomes 120 days past due.

Loans that are 30 days or more past due are considered delinquent. The balance of EnerBank s delinquent consumer loans was $5 million at March 31, 2015 and December 31, 2014.

At March 31, 2015 and December 31, 2014, $1 million of EnerBank s loans had been modified as troubled debt restructurings.

8: RETIREMENT BENEFITS

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

Following amendments to the OPEB Plan in 2013, Consumers OPEB costs decreased substantially and, as a result, the OPEB Plan was fully funded at December 31, 2013. In September 2014, the MPSC approved a settlement agreement addressing Consumers OPEB Plan funding. In accordance with the settlement agreement, Consumers contributed $25 million to the plan in October 2014 and $29 million in February 2015. Consumers has suspended further contributions until the MPSC determines funding requirements in future general rate cases.

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		OPEB Plan	
Three Months Ended March 31	2015	2014	2015	2014
CMS Energy, including Consumers				
Net periodic cost (credit)				
Service cost	$ 12	$ 10	$ 6	$ 5
Interest expense	25	25	15	14
Expected return on plan assets	(34)	(34)	(23)	(22)
Amortization of:				
Net loss	23	15	5	-
Prior service credit	-	-	(10)	(10)
Net periodic cost (credit)	$ 26	$ 16	$ (7)	$ (13)
Consumers				
Net periodic cost (credit)				
Service cost	$ 12	$ 10	$ 6	$ 5
Interest expense	25	24	14	13
Expected return on plan assets	(33)	(33)	(22)	(21)

Amortization of:				
Net loss	22	14	6	1
Prior service credit	-	-	(10)	(10)
Net periodic cost (credit)	$ 26	$ 15	$ (6)	$ (12)

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9: INCOME TAXES

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

Three Months Ended March 31	2015	2014
CMS Energy, including Consumers		
U.S. federal income tax rate	35.0 %	35.0 %
Increase (decrease) in income taxes from:		
State and local income taxes, net of federal effect	4.8	4.9
Accelerated flow-through of regulatory tax benefits	(4.9)	(5.4)
Other, net	(1.8)	(0.5)
Effective tax rate	33.1 %	34.0 %
Consumers		
U.S. federal income tax rate	35.0 %	35.0 %
Increase (decrease) in income taxes from:		
State and local income taxes, net of federal effect	4.7	4.9
Accelerated flow-through of regulatory tax benefits	(4.4)	(4.8)
Other, net	(1.5)	(0.7)
Effective tax rate	33.8 %	34.4 %

Prior to 2014, Consumers recognized the income tax benefits associated with the removal costs of plant placed in service before 1993 as payments were made and the tax benefits were flowed through to customers. In 2013, the MPSC issued an order authorizing Consumers to flow through to customers the income tax benefits on a straight-line basis over an accelerated period. This regulatory treatment, which Consumers implemented in January 2014, will accelerate the return of $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. For the three months ended March 31, 2015, this treatment reduced Consumers income tax expense by $14 million.

10: EARNINGS PER SHARE CMS ENERGY

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

In Millions, Except Per Share Amounts

Income available to common stockholders		
Income from continuing operations available to common stockholders basic and diluted	$ 202	$ 204
Average common shares outstanding		
Weighted-average shares basic	274.8	266.1
Add dilutive contingently convertible securities	-	6.3
Add dilutive non-vested stock awards	0.9	0.6
Weighted-average shares diluted	275.7	273.0

Income from continuing operations per average common share available to common stockholders		
Basic	$ 0.73	$ 0.77
Diluted	0.73	0.75

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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.

NON-VESTED STOCK AWARDS

CMS Energy s non-vested 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 non-vested stock awards are considered participating securities. As such, the participating non-vested stock awards were included in the computation of basic EPS. The non-participating securities accrue stock dividends that vest concurrently with the stock award. If the recipient forfeits the award, the stock dividends accrued on the non-participating securities are also forfeited. Accordingly, the non-participating awards and stock dividends were included in the computation of diluted EPS, but not basic EPS.

11: REPORTABLE SEGMENTS

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

CMS ENERGY

The reportable segments for CMS Energy are:

- electric utility, consisting of regulated activities associated with the generation and distribution of electricity in Michigan;
- gas utility, consisting of regulated activities associated with the transportation, storage, and distribution of natural gas in Michigan; and
- enterprises, consisting of various subsidiaries engaging primarily in domestic independent power production.

CMS Energy presents EnerBank, corporate interest and other expenses, and discontinued operations within other reconciling items.

CONSUMERS

The reportable segments for Consumers are:

- electric utility, consisting of regulated activities associated with the generation and distribution of electricity in Michigan; and
- 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
Three Months Ended March 31	2015		2014
CMS Energy, including Consumers			
Operating revenue			
Electric utility	$ 1,033	$	1,224
Gas utility	995		1,158
Enterprises	60		122
Other reconciling items	23		19
Total operating revenue CMS Energy	$ 2,111	$	2,523
Consumers			
Operating revenue			
Electric utility	$ 1,033	$	1,224
Gas utility	995		1,158
Total operating revenue Consumers	$ 2,028	$	2,382
CMS Energy, including Consumers			
Net income (loss) available to common stockholders			
Electric utility	$ 94	$	100
Gas utility	121		121
Enterprises	7		2
Other reconciling items	(20)		(19)
Total net income available to common stockholders CMS Energy	$ 202	$	204
Consumers			
Net income available to common stockholder			
Electric utility	$ 94	$	100
Gas utility	121		121
Total net income available to common stockholder Consumers	$ 215	$	221

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		In Millions	
		March 31, 2015	December 31, 2014
CMS Energy, including Consumers			
Plant, property, and equipment, gross			
Electric utility[1]		$ 12,397	$ 12,230
Gas utility[1]		5,376	5,335
Enterprises		118	115
Other reconciling items		39	41
Total plant, property, and equipment, gross	CMS Energy	$ 17,930	$ 17,721
Consumers			
Plant, property, and equipment, gross			
Electric utility[1]		$ 12,397	$ 12,230
Gas utility[1]		5,376	5,335
Other reconciling items		15	15
Total plant, property, and equipment, gross	Consumers	$ 17,788	$ 17,580
CMS Energy, including Consumers			
Total assets			
Electric utility[1]		$ 11,851	$ 11,582
Gas utility[1]		5,092	5,391
Enterprises		234	231
Other reconciling items		2,021	1,981
Total assets	CMS Energy	$ 19,198	$ 19,185
Consumers			
Total assets			
Electric utility[1]		$ 11,851	$ 11,582
Gas utility[1]		5,092	5,391
Other reconciling items		911	874
Total assets	Consumers	$ 17,854	$ 17,847

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

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ITEM 3. QUANTITATIVE AND QUALITATIVE DISCLOSURES ABOUT MARKET RISK

There have been no material changes to market risk as previously disclosed in Part II Item 7A. Quantitative and Qualitative Disclosures About Market Risk, in the 2014 Form 10-K.

ITEM 4. CONTROLS AND PROCEDURES

CMS ENERGY

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

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

CONSUMERS

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

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

PART II. OTHER INFORMATION

ITEM 1. LEGAL PROCEEDINGS

CMS Energy and Consumers are parties to various lawsuits and regulatory matters in the ordinary course of business. For information regarding material legal proceedings, including updates to information reported under Part I Item 3. Legal Proceedings, of the 2014 Form 10-K, see Part I Item 1. Consolidated Financial Statements (Unaudited) Notes to the Unaudited Consolidated Financial Statements Note 2, Regulatory Matters and Note 3, Contingencies and Commitments.

ITEM 1A. RISK FACTORS

There have been no material changes to the Risk Factors as previously disclosed in Part I Item 1A. Risk Factors, in the 2014 Form 10-K, which Risk Factors are incorporated herein by reference.

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ITEM 2. UNREGISTERED SALES OF EQUITY SECURITIES AND USE OF PROCEEDS

(a) Unregistered Sales of Equity Securities

None.

(c) Issuer Repurchases of Equity Securities

Presented in the following table are CMS Energy s repurchases of equity securities for the three months ended March 31, 2015:

Period	Total Number of Shares Purchased1	Average Price Paid per Share	Total Number of Shares Purchased as Part of Publicly Announced Plans or Programs	Maximum Number of Shares That May Yet Be Purchased Under Publicly Announced Plans or Programs
January 1, 2015 to January 31, 2015	293,192	$ 37.44	-	-
February 1, 2015 to February 28, 2015	3	37.73	-	-
March 1, 2015 to March 31, 2015	109	32.58	-	-
Total	293,304	$ 37.44	-	-

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

ITEM 3. DEFAULTS UPON SENIOR SECURITIES

None.

ITEM 4. MINE SAFETY DISCLOSURES

Not applicable.

ITEM 5. OTHER INFORMATION

None.

ITEM 6. EXHIBITS

See CMS Energy s and Consumers Exhibit Index included as the last part of this report, which is incorporated herein by reference.

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SIGNATURES

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

CMS ENERGY CORPORATION
(Registrant)

Dated: April 23, 2015 By: /s/ Thomas J. Webb

Thomas J. Webb
Executive Vice President and
Chief Financial Officer

CONSUMERS ENERGY COMPANY
(Registrant)

Dated: April 23, 2015 By: /s/ Thomas J. Webb

Thomas J. Webb
Executive Vice President and
Chief Financial Officer

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

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

Exhibits	Description
10.11	CMS Energy s Performance Incentive Stock Plan as amended and restated, effective January 22, 2015 (Exhibit 10.3 to Form 10-K for fiscal year ended December 31, 2014 and incorporated herein by reference)
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
31.1	CMS Energy s certification of the CEO pursuant to Section 302 of the Sarbanes-Oxley Act of 2002
31.2	CMS Energy s certification of the CFO pursuant to Section 302 of the Sarbanes-Oxley Act of 2002
31.3	Consumers certification of the CEO pursuant to Section 302 of the Sarbanes-Oxley Act of 2002
31.4	Consumers certification of the CFO pursuant to Section 302 of the Sarbanes-Oxley Act of 2002
32.1	CMS Energy s certifications pursuant to Section 906 of the Sarbanes-Oxley Act of 2002
32.2	Consumers certifications pursuant to Section 906 of the Sarbanes-Oxley Act of 2002
101.INS2	XBRL Instance Document
101.SCH2	XBRL Taxonomy Extension Schema
101.CAL2	XBRL Taxonomy Extension Calculation Linkbase
101.DEF2	XBRL Taxonomy Extension Definition Linkbase
101.LAB2	XBRL Taxonomy Extension Labels Linkbase
101.PRE2	XBRL Taxonomy Extension Presentation Linkbase

1 Management contract or compensatory plan or arrangement.

2 The financial information contained in the XBRL-related information is unaudited and unreviewed.