CMS ENERGY CORP
Form 10-Q
July 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 June 30, 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 July 7, 2015:

CMS Energy Corporation:

CMS Energy Common Stock, $0.01 par value (including 803,551 shares owned by Consumers Energy Company)	277,472,000
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

June 30, 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

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CMS Field Services	CMS Field Services, Inc., a former wholly owned subsidiary of CMS Gas Transmission Company, a wholly owned subsidiary of CMS Enterprises
CMS Land	CMS Land Company, a wholly owned subsidiary of CMS Capital
CMS MST	CMS Marketing, Services and Trading Company, a wholly owned subsidiary of CMS Enterprises, whose name was changed to CMS 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
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
FTR	Financial transmission right
GAAP	U.S. Generally Accepted Accounting Principles
GCR	Gas cost recovery

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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
kWh	Kilowatt-hour, a unit of energy equal to one thousand watt-hours
Ludington	Ludington pumped-storage plant, jointly owned by Consumers and DTE Electric Company, a non-affiliated company
MATS	Mercury and Air Toxics Standards, which limit mercury, acid gases, and other toxic pollution from coal-fueled and oil-fueled power plants
MD&A	Management s Discussion and Analysis of Financial Condition and Results of Operations
MDEQ	Michigan Department of Environmental Quality
METC	Michigan Electric Transmission Company, LLC, a non-affiliated company
MGP	Manufactured gas plant
Michigan Mercury Rule	Michigan Air Pollution Control Rules, Part 15, Emission Limitations and Prohibitions Mercury, addressing mercury emissions from coal-fueled electric generating units
MISO	Midcontinent Independent System Operator, Inc.
mothball	To place a generating unit into a state of extended reserve shutdown in which the unit is inactive and unavailable for service for a specified period, during which the unit can be brought back into service after receiving appropriate notification and completing any necessary maintenance or other work; generation owners in MISO must request approval to mothball a unit, and MISO then evaluates the request for reliability impacts
MPSC	Michigan Public Service Commission
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
Sherman Act	Sherman Antitrust Act of 1890
Smart Energy	Consumers Smart Energy grid modernization project, which includes the installation of smart meters that transmit and receive data, a two-way communications network, and modifications to Consumers existing information technology system to manage the data and enable changes to key business processes
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.

AVAILABLE INFORMATION

CMS Energy routinely posts important information on its website and considers the Investor Relations section, www.cmsenergy.com/investor-relations, a channel of distribution. This website information is not incorporated by reference herein.

FORWARD-LOOKING STATEMENTS AND INFORMATION

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

- the impact of new regulation by the MPSC 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

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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 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;

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- 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 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 public documents.

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All forward-looking statements should be considered in the context of the risk and other factors described above and as detailed from time to time in CMS Energy s and Consumers SEC filings. For additional details regarding these and other uncertainties, see 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 2015 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.

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Utility Investment

Consumers expects to make capital investments of about $15.5 billion from 2015 through 2024. This amount includes $7.8 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 $4.5 billion represent projects to maintain Consumers system and comprise $2.8 billion at the electric utility to preserve reliability and capacity and $1.7 billion at the gas utility to sustain deliverability and enhance pipeline integrity. An additional $1.7 billion of planned reliability investments at Consumers are aimed at reducing outages and improving customer satisfaction; these investments comprise $0.7 billion at the electric utility to strengthen circuits and substations, replace poles, and upgrade Ludington and $1.0 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 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.

Consumers also expects to spend $0.2 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-

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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. In June 2015, Consumers self-implemented an annual rate increase of $110 million, subject to refund with interest.

• ***Gas Rate Case:*** In July 2015, Consumers filed an application with the MPSC seeking an annual rate increase of $85 million, based on a 10.7 percent authorized return on equity. The largest component of the request is an annual revenue requirement of $64 million related to new investments that will allow Consumers to strengthen infrastructure and improve system capacity and deliverability.

The filing also seeks approval of two rate adjustment mechanisms: one that would reconcile annually Consumers actual weather-adjusted nonfuel revenues with the revenues approved by the MPSC, and another that would allow recovery of an additional $147 million associated with investments to be made from January 2017 through December 2019, subject to reconciliation. These future investments would allow Consumers to ensure adequate system capacity and deliverability.

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 June 30, 2015, Consumers electric deliveries under the ROA program were at the ten-percent limit. In recent months, members of the Michigan Senate and House of Representatives have 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. The governor also created the Michigan Agency for Energy, a single entity dedicated to providing all of state government the information and context needed to support Michigan s energy priorities.

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

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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.

Financial Performance

For the six months ended June 30, 2015, CMS Energy s net income available to common stockholders was $269 million and diluted EPS were $0.98. This compares with net income available to common stockholders of $287 million and diluted EPS of $1.05 for the six months ended June 30, 2014. Higher depreciation and property taxes on new capital investments and lower electric and gas sales due to milder weather were offset partly by benefits from electric and gas rate increases.

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 one-half 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			Six Months Ended		
June 30	2015	2014	Change	2015	2014	Change
Net Income Available to Common Stockholders	$ 67	$ 83	$ (16)	$ 269	$ 287	$ (18)
Basic Earnings Per Share	$ 0.25	$ 0.31	$ (0.06)	$ 0.98	$ 1.07	$ (0.09)
Diluted Earnings Per Share	$ 0.25	$ 0.30	$ (0.05)	$ 0.98	$ 1.05	$ (0.07)

In Millions

	Three Months Ended			Six Months Ended		
June 30	2015	2014	Change	2015	2014	Change
Electric utility	$ 82	$ 98	$ (16)	$ 176	$ 198	$ (22)
Gas utility	1	9	(8)	122	130	(8)
Enterprises	-	2	(2)	7	4	3
Corporate interest and other	(16)	(26)	10	(36)	(45)	9
Net Income Available to Common Stockholders	$ 67	$ 83	$ (16)	$ 269	$ 287	$ (18)

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

In Millions

	June 30, 2015 better/(worse) than 2014					
Reasons for the change	Three Months Ended			Six Months Ended		
Consumers electric utility and gas utility						
Electric sales						
Weather	$ (8)			$ (13)		
Non-weather	(2)	$ (10)		-	$ (13)	
Gas sales						
Weather	(4)			(15)		
Non-weather	-	(4)		6	(9)	
Electric rate increase		7			9	
Gas rate increase		5			16	
Depreciation and property taxes		(15)			(33)	
Employee benefit costs		(6)			(14)	
Operating and maintenance costs		4			6	
Other		(5)	$ (24)		8	$ (30)
Enterprises						
Subsidiary earnings			(2)			3
Corporate interest and other						
Absence of early extinguishment of debt			8			8
Other			2			1

Total change	$ (16)	$ (18)

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CONSUMERS ELECTRIC UTILITY RESULTS OF OPERATIONS

In Millions

	Three Months Ended			Six Months Ended		
June 30	2015	2014	Change	2015	2014	Change
Net Income Available to Common Stockholders	$ 82	$ 98	$ (16)	$ 176	$ 198	$ (22)
Reasons for the change						
Electric deliveries and rate increases			$ (6)			$ (6)
Power supply costs and related revenue			(1)			1
Other income, net of expenses			-			8
Maintenance and other operating expenses			3			(3)
Depreciation and amortization			(15)			(28)
General taxes			(2)			(4)
Interest charges			(5)			(8)
Income taxes			10			18
Total change			$ (16)			$ (22)

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

Electric deliveries and rate increases: For the three months ended June 30, 2015, electric delivery revenues decreased $6 million compared with 2014. This change reflected a $13 million decrease in sales and a $1 million decrease in other revenues. These decreases were offset partially by an $8 million rate increase that Consumers self-implemented in June 2015. Deliveries to end-use customers were 8.8 billion kWh in 2015 and 9.1 billion kWh in 2014.

For the six months ended June 30, 2015, electric delivery revenues decreased $6 million compared with 2014. This change reflected a $17 million decrease in sales, offset partially by an $8 million rate increase that Consumers self-implemented in June 2015 and a $3 million increase in other revenues. Deliveries to end-use customers were 18.3 billion kWh in 2015 and 18.7 billion kWh in 2014.

Other income, net of expenses: For the six months ended June 30, 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 $2 million of other costs in 2014. The gain was eliminated on CMS Energy s consolidated statements of income.

Maintenance and other operating expenses: For the three months ended June 30, 2015, maintenance and other operating expenses decreased $3 million compared with 2014. This change was due primarily to a $7 million reduction in service restoration costs and a $2 million decrease in other operating expenses, reflecting in part the increased capitalization of utility pole units, consistent with a change in regulatory treatment. These decreases were offset partially by a $6 million increase in postretirement benefits expense.

For the six months ended June 30, 2015, maintenance and other operating expenses increased $3 million compared with 2014. This change was due to $13 million of higher postretirement benefits expense and a $2 million increase in other operating expenses. These increases were offset largely by a $12 million reduction in service restoration costs, reflecting in part the increased capitalization of utility pole units, consistent with a change in regulatory treatment.

Depreciation and amortization: For the three months ended June 30, 2015, depreciation and amortization expense increased $15 million compared with 2014, and for the six months ended June 30, 2015, depreciation and amortization expense increased $28 million compared with 2014. These increases were due primarily to increased plant in service and higher amortization of securitized assets.

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General Taxes: For the six months ended June 30, 2015, general taxes increased $4 million compared with 2014 due to increased property taxes, reflecting higher capital spending.

Interest Charges: For the three months ended June 30, 2015, interest charges increased $5 million compared with 2014, and for the six months ended June 30, 2015, interest charges increased $8 million compared with 2014. These increases were due primarily to higher average debt levels.

Income taxes: For the three months ended June 30, 2015, income taxes decreased $10 million compared with 2014, and for the six months ended June 30, 2015, income taxes decreased $18 million compared with 2014, attributable primarily to lower electric utility earnings.

CONSUMERS GAS UTILITY RESULTS OF OPERATIONS

						In Millions
	Three Months Ended			Six Months Ended		
June 30	2015	2014	Change	2015	2014	Change
Net Income Available to Common Stockholders	$ 1	$ 9	$ (8)	$ 122	$ 130	$ (8)
Reasons for the change						
Gas deliveries and rate increases			$ (1)			$ 21
Other income, net of expenses			1			4
Maintenance and other operating expenses			(7)			(15)
Depreciation and amortization			(4)			(14)
General taxes			-			(4)
Interest charges			(2)			(3)
Income taxes			5			3
Total change			$ (8)			$ (8)

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

Gas deliveries and rate increases: For the six months ended June 30, 2015, gas delivery revenues increased $21 million compared with 2014, due primarily to a January 2015 rate increase. Deliveries to end-use customers were 196 bcf in 2015 and 205 bcf in 2014.

Other income, net of expenses: For the six months ended June 30, 2015, other income, net of expenses, increased $4 million compared with 2014, due primarily 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 June 30, 2015, maintenance and other operating expenses increased $7 million compared with 2014. This change was due to a $4 million increase in postretirement benefits expense and a $3 million increase in pipeline integrity and other operating and maintenance expenses.

For the six months ended June 30, 2015, maintenance and other operating expenses increased $15 million compared with 2014. This change was due to a $7 million increase in postretirement benefits expense and an $8 million increase in pipeline integrity and other operating and maintenance expenses.

Depreciation and amortization: For the three months ended June 30, 2015, depreciation and amortization expense increased $4 million compared with 2014, and for the six months ended June 30, 2015, depreciation and amortization expense increased $14 million compared with 2014. These increases were due primarily to increased plant in service.

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General Taxes: For the six months ended June 30, 2015, general taxes increased $4 million compared with 2014 due to increased property taxes, reflecting higher capital spending.

Income taxes: For the three months ended June 30, 2015, income taxes decreased $5 million compared with 2014, and for the six months ended June 30, 2015, income taxes decreased $3 million compared with 2014, attributable primarily to lower gas utility earnings.

Enterprises Results of Operations

						In Millions
	Three Months Ended			Six Months Ended		
June 30	2015	2014	Change	2015	2014	Change
Net Income Available to Common Stockholders	$ -	$ 2	$ (2)	$ 7	$ 4	$ 3

For the three months ended June 30, 2015, net income of the enterprises segment decreased $2 million compared with 2014, due primarily to higher planned major maintenance.

For the six months ended June 30, 2015, net income of the enterprises segment increased $3 million compared with 2014, due primarily to improved electric margins, offset partially by higher planned major maintenance.

Corporate Interest and Other Results of Operations

						In Millions
	Three Months Ended			Six Months Ended		
June 30	2015	2014	Change	2015	2014	Change
Net Income (Loss) Available to Common Stockholders	$ (16)	$ (26)	$ 10	$ (36)	$ (45)	$ 9

For the three months ended June 30, 2015, corporate interest and other net expenses decreased $10 million compared with 2014, and for the six months ended June 30, 2015, corporate interest and other net expenses decreased $9 million compared with 2014. These changes were due primarily to the absence in 2015 of an $8 million loss on the early extinguishment of debt.

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CASH POSITION, INVESTING, AND FINANCING

At June 30, 2015, CMS Energy had $517 million of consolidated cash and cash equivalents, which included $40 million of restricted cash and cash equivalents. At June 30, 2015, Consumers had $437 million of consolidated cash and cash equivalents, which included $40 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 six months ended June 30, 2015 and 2014:

			In Millions
Six Months Ended June 30	2015	2014	Change
CMS Energy, including Consumers			
Net income	$ 270	$ 288	$ (18)
Non-cash transactions[1]	610	536	74
	880	824	56
Postretirement benefits contributions	(33)	(4)	(29)
Changes in core working capital[2]	394	96	298
Changes in other assets and liabilities, net	21	21	-
Net cash provided by operating activities	$ 1,262	$ 937	$ 325
Consumers			
Net income	$ 299	$ 330	$ (31)
Non-cash transactions[1]	490	456	34
	789	786	3
Postretirement benefits contributions	(31)	(2)	(29)
Changes in core working capital[2]	394	105	289
Changes in other assets and liabilities, net	99	27	72
Net cash provided by operating activities	$ 1,251	$ 916	$ 335

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 six months ended June 30, 2015, net cash provided by operating activities at CMS Energy increased $325 million compared with 2014, and net cash provided by operating activities at Consumers increased $335 million compared with 2014. The changes were due primarily to gas purchases at lower prices in 2015 and to the absence in 2015 of large increases in GCR and PSCR underrecoveries that were a result of severe winter weather in 2014.

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INVESTING ACTIVITIES

Presented in the following table are specific components of net cash used in investing activities for the six months ended June 30, 2015 and 2014:

			In Millions
Six Months Ended June 30	2015	2014	Change
CMS Energy, including Consumers			
Capital expenditures	$ (675)	$ (663)	$ (12)
DB SERP fund contributions	(25)	-	(25)
Increase in EnerBank notes receivable	(99)	(86)	(13)
Proceeds from the sale of EnerBank notes receivable	48	-	48
Costs to retire property and other	(31)	(34)	3
Net cash used in investing activities	$ (782)	$ (783)	$ 1
Consumers			
Capital expenditures	$ (667)	$ (660)	$ (7)
DB SERP fund contributions	(17)	-	(17)
Costs to retire property and other	(30)	(34)	4
Net cash used in investing activities	$ (714)	$ (694)	$ (20)

For the six months ended June 30, 2015, net cash used in investing activities at CMS Energy decreased $1 million compared with 2014 and net cash used in investing activities at Consumers increased $20 million compared with 2014. At CMS Energy, proceeds from the sale of EnerBank loans in 2015 were offset largely by DB SERP fund contributions in 2015, growth in EnerBank consumer lending, and an increase in capital expenditures under Consumers capital investment program. The change at Consumers was due to DB SERP fund contributions in 2015 and to an increase in capital expenditures under its capital investment program.

FINANCING ACTIVITIES

Presented in the following table are specific components of net cash provided by (used in) financing activities for the six months ended June 30, 2015 and 2014:

			In Millions
Six Months Ended June 30	2015	2014	Change
CMS Energy, including Consumers			
Issuance of debt	$ 100	$ 550	$ (450)
Retirement of debt	(137)	(301)	164
Proceeds from EnerBank notes, net	39	78	(39)
Payment of dividends on common and preferred stock	(161)	(146)	(15)
Decrease in notes payable	(60)	(170)	110
Other financing activities	9	21	(12)
Net cash provided by (used in) financing activities	$ (210)	$ 32	$ (242)
Consumers			

Retirement of debt	$ (37)	$ (21)	$ (16)
Payment of dividends on common and preferred stock	(255)	(256)	1
Stockholder contribution from CMS Energy	150	315	(165)
Decrease in notes payable	(60)	(170)	110
Other financing activities	(9)	(10)	1
Net cash used in financing activities	$ (211)	$ (142)	$ (69)

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For the six months ended June 30, 2015, net cash used in financing activities at CMS Energy increased $242 million compared with 2014, and net cash used in financing activities at Consumers increased $69 million compared with 2014. At CMS Energy, the change was due primarily to a decrease in debt issuances, offset partially by a decrease in retirements of long-term debt and in repayments under Consumers commercial paper and accounts receivable sales programs. At Consumers, the change was due primarily to lower stockholder contributions from CMS Energy, offset partially by lower repayments under its commercial paper and accounts receivable sales programs.

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 six months ended June 30, 2015, Consumers paid $254 million in dividends on its common stock to CMS Energy.

In April 2015, CMS Energy renewed its continuous equity offering program. Under this program, CMS Energy may sell, from time to time in at the market offerings, common stock having an aggregate sales price of up to $100 million. CMS Energy issued common stock under the program and received net proceeds of $20 million through June 30, 2015 and an additional $10 million in early July 2015. With these transactions, CMS Energy has completed its planned stock issuances under the program for 2015.

Consumers uses cash flows generated from operations and external financing transactions, as well as stockholder contributions from CMS Energy, to fund capital expenditures, retire debt, pay dividends, contribute to its employee benefit plans, and fund its other obligations. As a result of accelerated pension funding in recent years and several initiatives to reduce costs, Consumers anticipates continued strong cash flows from operating activities in 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 June 30, 2015:

In Millions

	Amount of Facility	Amount Borrowed	Letters of Credit Outstanding	Amount Available	Expiration Date
CMS Energy parent					
Revolving credit facility1	$ 550	$ -	$ 3	$ 547	May 2020
Consumers					
Revolving credit facility2	$ 650	$ -	$ 10	$ 640	May 2020
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.

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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 June 30, 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 June 30, 2015, no commercial paper notes were outstanding under this program.

Certain of CMS Energy s and Consumers credit agreements, debt indentures, and other facilities contain covenants that require CMS Energy and Consumers to maintain certain financial ratios, as defined therein. At June 30, 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 June 30, 2015, as presented in the following table:

		June 30, 2015	
Description		Limit	Actual
CMS Energy parent[1]			
Debt to EBITDA[2]	$\leq$	6.0 to 1.0	4.3 to 1.0
Consumers			
Debt to Capital[3]	$\leq$	0.65 to 1.0	0.47 to 1.0

1 In June 2015, CMS Energy replaced its $180 million term loan agreement with a new term loan agreement. Under the new agreement, CMS Energy is no longer required to calculate an interest coverage ratio.

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

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 June 30, 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

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additional details on these and other guarantee arrangements, see Note 3, Contingencies and Commitments Guarantees.

OUTLOOK

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

CONSUMERS ELECTRIC UTILITY 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 June 30, 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: In 2012, Consumers began installing smart meters for electric residential and small business customers in western Michigan. Smart meters allow customers to monitor and manage their energy usage, which Consumers expects will help reduce demand during critical peak times, resulting in lower peak electric capacity requirements. In addition, Consumers is able to disconnect and reconnect service, read, and bill from smart meters remotely. Consumers will continue to add further functionality to its smart meters.

As of June 30, 2015, Consumers had upgraded 528,000 electric customers in western Michigan to smart meters. 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. Of the customers scheduled for the upgrade, 0.5 percent have chosen not to participate in the smart meter program.

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,

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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.

Despite the planned retirement of seven smaller coal-fueled electric generating units in 2016, with 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 be flat in 2015 compared with 2014.

Over the next five years, Consumers plans conservatively for average electric delivery growth of about one-half percent annually. This increase reflects growth in electric demand, offset partially by the predicted effects of energy efficiency programs and appliance efficiency standards. Actual delivery levels will depend on:

- energy conservation measures and results of energy efficiency programs;

- weather fluctuations; and

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

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

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Consumers weather-adjusted retail sales of the preceding calendar year. At June 30, 2015, electric deliveries under the ROA program were at the ten-percent limit and alternative electric suppliers were providing 756 MW of generation service to ROA customers. Of Consumers 1.8 million electric customers, 307 customers, or 0.02 percent, purchased electric generation service under the ROA program.

2015 Michigan Energy Legislation: 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. The governor also created the Michigan Agency for Energy, a single entity dedicated to providing all of state government the information and context needed to support Michigan s energy priorities.

In recent months, members of the Michigan Senate and House of Representatives have introduced various bills related to energy policy. The bills address renewable energy, energy efficiency, and changes to the regulatory process, such as eliminating the self-implementation of utility rates and establishing an energy planning process to determine the need for new energy investment. These bills also 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. An increase to the ROA limit could negatively affect Consumers financial results and operations. Consumers is unable to predict the form and timing of any final legislation or whether other bills might be introduced in 2015.

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. In June 2015, the MPSC issued an order on Consumers proposal, authorizing a reallocation of annual costs among customer classes. This new allocation will better ensure that rates reflect the cost of service for each customer class and will have the effect of making rates for energy-intensive industrial customers more competitive, while keeping residential bills below the national average. The new rate design will go into effect with a final order in Consumers electric rate case.

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 May 2015, the MPSC approved a settlement agreement authorizing an increase in Consumers depreciation expense, and its recovery of that expense,

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of $6 million annually based on December 31, 2013 balances. The new depreciation rates will go into effect with a final order in Consumers electric rate case.

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, delaying the original CSAPR deadlines by three years. Several states and industry groups continue to challenge CSAPR in the D.C. Circuit and a decision is expected in 2015. Consumers expects its emissions to be within the CSAPR allowance allocations.

In 2012, the EPA published emission standards for electric generating units, based on Section 112 of the Clean Air Act, calling the final rule MATS. Under MATS, all of Consumers existing coal-fueled electric generating units are required to add additional controls for hazardous air pollutants. Consumers expects to meet the extended deadline of April 2016 for the five coal-fueled units and two oil/gas-fueled units it intends to continue operating and plans to retire the remaining seven coal-fueled units by the extended deadline. MATS is presently being litigated, and in June 2015 the U.S. Supreme Court reversed and remanded the case back to the U.S. Court of Appeals for the D.C. Circuit. The Supreme Court s decision does not impact Consumers compliance strategy because MATS remains in effect while legal proceedings continue. In addition, Consumers must still comply with the Michigan Mercury Rule and with the settlement agreement with the EPA entered into in November 2014 concerning opacity and NSR.

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 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.

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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. These proposed rules are expected to be finalized in 2015.

In June 2014, the EPA published proposed rules pursuant to Section 111(b) of the Clean Air Act to limit carbon dioxide emissions from modified or reconstructed electric generating units. These proposed rules are expected to be finalized in 2015.

Also 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. States choosing to not develop a state implementation plan would be subject to a federal implementation plan. Certain states, corporations, and industry groups initiated litigation opposing the proposed Clean Power Plan. In June 2015, the litigation was dismissed without prejudice by the U.S. Court of Appeals for the D.C. Circuit and it will likely be refiled once the rule is finalized in 2015. In July 2015, another challenge was filed against the EPA and the Clean Power Plan in federal district court, and that suit remains unresolved.

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 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.

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 will accelerate a minor amount of its planned capital and cost of removal expenditures at its coal-fueled units to meet compliance deadlines, but does not expect any adverse changes to its environmental strategy, liquidity, financial condition, or results of operations as a result of the final 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

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discharges from electric generating plants. Consumers will evaluate these rules and their potential impacts on Consumers   electric generating plants once they are final.

In June 2015, the EPA and the U.S. Army Corps of Engineers published a final rule redefining   waters of the United States,   which designates the EPA s jurisdiction under the Clean Water Act. Numerous states and other interested parties, including Michigan s Attorney General, have filed suits in U.S. District Courts to block the rule. Consumers does not expect any adverse changes to its environmental strategy as a result of the final rule.

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

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 2016.

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 to increase by one to two percent compared with 2014. Over the next five years, Consumers plans conservatively for stable deliveries. This outlook reflects modest growth in gas demand offset by the predicted effects of energy efficiency and conservation. Actual delivery levels from year to year may vary from this expectation due to:

- weather fluctuations;
- use by power producers;
- availability and development of renewable energy sources;
- gas price changes;
- Michigan economic conditions, including population trends and housing activity;

- the price of competing energy sources or fuels; and
- energy efficiency and conservation impacts.

Gas Rate Case: In July 2015, Consumers filed an application with the MPSC seeking an annual rate increase of $85 million, based on a 10.7 percent authorized return on equity. The largest component of the request is an annual revenue requirement of $64 million related to new investments that will allow Consumers to strengthen infrastructure and improve system capacity and deliverability.

The filing also seeks approval of two rate adjustment mechanisms: one that would reconcile annually Consumers actual weather-adjusted nonfuel revenues with the revenues approved by the MPSC, and another that would allow recovery of an additional $147 million associated with investments to be made from January 2017 through December 2019, subject to reconciliation. These future investments would allow Consumers to ensure adequate system capacity and deliverability.

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 June 30, 2015 and five percent of CMS Energy s net income available to common stockholders for the six months ended June 30, 2015. The carrying value of EnerBank s loan portfolio was $990 million at June 30, 2015. Its loan portfolio was funded primarily by deposit liabilities of $922 million. The twelve-month rolling average default rate on loans held by EnerBank has remained stable at 0.6 percent at June 30, 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 June 30, 2015.

Union Contract: In May 2015, the UWUA ratified a new five-year agreement with Consumers for operating, maintenance, and construction employees. In July 2015, the UWUA ratified a new five-year agreement with Consumers for call center employees.

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)

In Millions, Except Per Share Amounts

	Three Months Ended		Six Months Ended	
June 30	2015	2014	2015	2014
Operating Revenue	$ 1,350	$ 1,468	$ 3,461	$ 3,991
Operating Expenses				
Fuel for electric generation	134	154	301	373
Purchased and interchange power	341	359	690	857
Purchased power related parties	17	22	40	46
Cost of gas sold	113	187	702	1,021
Maintenance and other operating expenses	312	304	595	570
Depreciation and amortization	169	151	391	350
General taxes	60	56	141	131
Total operating expenses	1,146	1,233	2,860	3,348
Operating Income	204	235	601	643
Other Income (Expense)				
Interest income	1	1	2	1
Allowance for equity funds used during construction	2	2	4	4
Income from equity method investees	1	3	5	7
Other income	3	3	6	6
Other expense	(4)	(16)	(8)	(23)
Total other income (expense)	3	(7)	9	(5)
Interest Charges				
Interest on long-term debt	97	99	193	196
Other interest expense	7	3	13	8
Allowance for borrowed funds used during construction	(1)	(1)	(2)	(2)
Total interest charges	103	101	204	202
Income Before Income Taxes	104	127	406	436
Income Tax Expense	36	43	136	148
Net Income	68	84	270	288
Income Attributable to Noncontrolling Interests	1	1	1	1
Net Income Available to Common Stockholders	$ 67	$ 83	$ 269	$ 287
Basic Earnings Per Average Common Share	$ 0.25	$ 0.31	$ 0.98	$ 1.07
Diluted Earnings Per Average Common Share	$ 0.25	$ 0.30	$ 0.98	$ 1.05
Dividends Declared Per Common Share	$ 0.29	$ 0.27	$ 0.58	$ 0.54

The accompanying notes are an integral part of these statements.

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CMS Energy Corporation

Consolidated Statements of Comprehensive Income

(Unaudited)

				In Millions
	Three Months Ended		Six Months Ended	
June 30	2015	2014	2015	2014
Net Income	$ 68	$ 84	$ 270	$ 288
Retirement Benefits Liability				
Amortization of net actuarial loss, net of tax of $1, $1, $2, and $1	1	1	2	1
Investments				
Unrealized loss on investments, net of tax of $-, $-, $-, and $-	(1)	-	(1)	-
Derivative Instruments				
Reclassification adjustments included in net income, net of tax of $-, $-, $-, and $-	-	-	-	1
Other Comprehensive Income	-	1	1	2
Comprehensive Income	68	85	271	290
Comprehensive Income Attributable to Noncontrolling Interests	1	1	1	1
Comprehensive Income Attributable to CMS Energy	$ 67	$ 84	$ 270	$ 289

The accompanying notes are an integral part of these statements.

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CMS Energy Corporation

Consolidated Statements of Cash Flows

(Unaudited)

				In Millions
Six Months Ended June 30		2015		2014
Cash Flows from Operating Activities				
Net income	$	270	$	288
Adjustments to reconcile net income to net cash provided by operating activities				
Depreciation and amortization		391		350
Deferred income taxes and investment tax credit		135		137
Postretirement benefits expense		45		11
Other non-cash operating activities		39		38
Postretirement benefits contributions		(33)		(4)
Cash provided by (used in) changes in assets and liabilities				
Accounts receivable, notes receivable, and accrued revenue		194		(14)
Inventories		235		108
Accounts payable and accrued refunds		(35)		2
Other current and non-current assets and liabilities		21		21
Net cash provided by operating activities		1,262		937
Cash Flows from Investing Activities				
Capital expenditures (excludes assets placed under capital lease)		(675)		(663)
Cost to retire property		(26)		(36)
Increase in EnerBank notes receivable		(99)		(86)
Proceeds from the sale of EnerBank notes receivable		48		-
Other investing activities		(30)		2
Net cash used in investing activities		(782)		(783)
Cash Flows from Financing Activities				
Proceeds from issuance of debt		100		550
Proceeds from EnerBank notes, net		39		78
Issuance of common stock		27		37
Retirement of long-term debt		(137)		(301)
Payment of dividends on common and preferred stock		(161)		(146)
Decrease in notes payable		(60)		(170)
Payment of capital lease obligations and other financing costs		(18)		(16)
Net cash provided by (used in) financing activities		(210)		32
Net Increase in Cash and Cash Equivalents		270		186
Cash and Cash Equivalents, Beginning of Period		207		172
Cash and Cash Equivalents, End of Period	$	477	$	358
Other non-cash investing and financing activities				
Non-cash transactions				
Capital expenditures not paid	$	148	$	170

The accompanying notes are an integral part of these statements.

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CMS Energy Corporation

Consolidated Balance Sheets

(Unaudited)

ASSETS

		In Millions
	June 30 2015	December 31 2014
Current Assets		
Cash and cash equivalents	$ 477	$ 207
Restricted cash and cash equivalents	40	37
Accounts receivable and accrued revenue, less allowances of $37 in 2015 and $40 in 2014	669	881
Notes receivable	114	98
Notes receivable held for sale	-	41
Accounts receivable related parties	12	11
Accrued gas revenue	-	27
Inventories at average cost		
Gas in underground storage	459	681
Materials and supplies	118	117
Generating plant fuel stock	106	120
Deferred income taxes	17	-
Deferred property taxes	159	216
Regulatory assets	31	89
Prepayments and other current assets	89	72
Total current assets	2,291	2,597
Plant, Property, and Equipment		
Plant, property, and equipment, gross	18,217	17,721
Less accumulated depreciation and amortization	5,633	5,415
Plant, property, and equipment, net	12,584	12,306
Construction work in progress	1,191	1,106
Total plant, property, and equipment	13,775	13,412
Other Non-current Assets		
Regulatory assets	1,908	1,956
Accounts and notes receivable, less allowances of $8 in 2015 and 2014	884	807
Investments	61	61
Other	319	352
Total other non-current assets	3,172	3,176
Total Assets	$ 19,238	$ 19,185

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LIABILITIES AND EQUITY

	June 30 2015	December 31 2014
		In Millions
Current Liabilities		
Current portion of long-term debt, capital leases, and financing obligation	$ 519	$ 540
Notes payable	-	60
Accounts payable	558	678
Accounts payable related parties	6	10
Accrued rate refunds	27	6
Accrued interest	103	108
Accrued taxes	235	316
Deferred income taxes	-	66
Regulatory liabilities	69	67
Other current liabilities	123	163
Total current liabilities	1,640	2,014
Non-current Liabilities		
Long-term debt	8,040	8,016
Non-current portion of capital leases and financing obligation	113	123
Regulatory liabilities	2,136	2,095
Postretirement benefits	846	872
Asset retirement obligations	348	340
Deferred investment tax credit	57	37
Deferred income taxes	1,899	1,682
Other non-current liabilities	304	299
Total non-current liabilities	13,743	13,464
Commitments and Contingencies (Notes 2 and 3)		
Equity		
Common stockholders equity		
Common stock, authorized 350.0 shares; outstanding 276.7 shares in 2015 and 275.2 shares in 2014	3	3
Other paid-in capital	4,812	4,774
Accumulated other comprehensive loss	(48)	(49)
Accumulated deficit	(949)	(1,058)
Total common stockholders equity	3,818	3,670
Noncontrolling interests	37	37
Total equity	3,855	3,707
Total Liabilities and Equity	$ 19,238	$ 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)

In Millions

	Three Months Ended		Six Months Ended	
June 30	2015	2014	2015	2014
Total Equity at Beginning of Period	$ 3,839	$ 3,655	$ 3,707	$ 3,491
Common Stock				
At beginning and end of period	3	3	3	3
Other Paid-in Capital				
At beginning of period	4,783	4,746	4,774	4,715
Common stock issued	29	8	39	45
Common stock repurchased	-	-	(11)	(6)
Common stock reissued	-	-	10	-
Conversion option on convertible debt	-	7	-	7
At end of period	4,812	4,761	4,812	4,761
Accumulated Other Comprehensive Loss				
At beginning of period	(48)	(21)	(49)	(22)
Retirement benefits liability				
At beginning of period	(47)	(21)	(48)	(21)
Amortization of net actuarial loss	1	1	2	1
At end of period	(46)	(20)	(46)	(20)
Investments				
At beginning of period	(1)	-	(1)	-
Unrealized loss on investments	(1)	-	(1)	-
At end of period	(2)	-	(2)	-
Derivative instruments				
At beginning of period	-	-	-	(1)
Reclassification adjustments included in net income	-	-	-	1
At end of period	-	-	-	-
At end of period	(48)	(20)	(48)	(20)

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				In Millions
	Three Months Ended		Six Months Ended	
June 30	2015	2014	2015	2014
Accumulated Deficit				
At beginning of period	(936)	(1,110)	(1,058)	(1,242)
Net income attributable to CMS Energy	67	83	269	287
Dividends declared on common stock	(80)	(72)	(160)	(144)
At end of period	(949)	(1,099)	(949)	(1,099)
Noncontrolling Interests				
At beginning of period	37	37	37	37
Income attributable to noncontrolling interests	1	1	1	1
Distributions and other changes in noncontrolling interests	(1)	(1)	(1)	(1)
At end of period	37	37	37	37
Total Equity at End of Period	$ 3,855	$ 3,682	$ 3,855	$ 3,682

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		Six Months Ended	
June 30	2015	2014	2015	2014
Operating Revenue	$ 1,281	$ 1,387	$ 3,309	$ 3,769
Operating Expenses				
Fuel for electric generation	110	132	243	318
Purchased and interchange power	337	348	683	832
Purchased power related parties	17	22	40	46
Cost of gas sold	108	167	691	935
Maintenance and other operating expenses	291	288	556	538
Depreciation and amortization	168	149	388	346
General taxes	58	54	137	128
Total operating expenses	1,089	1,160	2,738	3,143
Operating Income	192	227	571	626
Other Income (Expense)				
Interest income	1	1	2	1
Allowance for equity funds used during construction	2	2	4	4
Other income	3	3	15	6
Other expense	(4)	(4)	(8)	(10)
Total other income	2	2	13	1
Interest Charges				
Interest on long-term debt	63	59	126	118
Other interest expense	4	2	7	5
Allowance for borrowed funds used during construction	(1)	(1)	(2)	(2)
Total interest charges	66	60	131	121
Income Before Income Taxes	128	169	453	506
Income Tax Expense	44	60	154	176
Net Income	84	109	299	330
Preferred Stock Dividends	1	1	1	1
Net Income Available to Common Stockholder	$ 83	$ 108	$ 298	$ 329

The accompanying notes are an integral part of these statements.

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Consumers Energy Company

Consolidated Statements of Comprehensive Income

(Unaudited)

				In Millions
	Three Months Ended		Six Months Ended	
June 30	2015	2014	2015	2014
Net Income	$ 84	$ 109	$ 299	$ 330
Retirement Benefits Liability				
Amortization of net actuarial loss, net of tax of $1, $-, $1, and $-	1	1	2	1
Investments				
Unrealized gain (loss) on investments, net of tax of $(1), $1, $(1), and $2	(2)	1	(2)	3
Reclassification adjustments included in net income, net of tax of $-, $-, $(3), and $-	-	-	(5)	-
Other Comprehensive Income (Loss)	(1)	2	(5)	4
Comprehensive Income	$ 83	$ 111	$ 294	$ 334

The accompanying notes are an integral part of these statements.

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Consumers Energy Company

Consolidated Statements of Cash Flows

(Unaudited)

		In Millions
Six Months Ended June 30	2015	2014
Cash Flows from Operating Activities		
Net income	$ 299	$ 330
Adjustments to reconcile net income to net cash provided by operating activities		
Depreciation and amortization	388	346
Deferred income taxes and investment tax credit	24	66
Postretirement benefits expense	45	12
Other non-cash operating activities	33	32
Postretirement benefits contributions	(31)	(2)
Cash provided by (used in) changes in assets and liabilities		
Accounts receivable, notes receivable, and accrued revenue	195	(6)
Inventories	233	101
Accounts payable and accrued refunds	(34)	10
Other current and non-current assets and liabilities	99	27
Net cash provided by operating activities	1,251	916
Cash Flows from Investing Activities		
Capital expenditures (excludes assets placed under capital lease)	(667)	(660)
Cost to retire property	(26)	(36)
Other investing activities	(21)	2
Net cash used in investing activities	(714)	(694)
Cash Flows from Financing Activities		
Retirement of long-term debt	(37)	(21)
Payment of dividends on common and preferred stock	(255)	(256)
Stockholder contribution	150	315
Decrease in notes payable	(60)	(170)
Payment of capital lease obligations and other financing costs	(9)	(10)
Net cash used in financing activities	(211)	(142)
Net Increase in Cash and Cash Equivalents	326	80
Cash and Cash Equivalents, Beginning of Period	71	18
Cash and Cash Equivalents, End of Period	$ 397	$ 98
Other non-cash investing and financing activities		
Non-cash transactions		
Capital expenditures not paid	$ 148	$ 170

The accompanying notes are an integral part of these statements.

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Consumers Energy Company

Consolidated Balance Sheets

(Unaudited)

ASSETS

	In Millions	
	June 30 2015	December 31 2014
Current Assets		
Cash and cash equivalents	$ 397	$ 71
Restricted cash and cash equivalents	40	37
Accounts receivable and accrued revenue, less allowances of $36 in 2015 and $39 in 2014	655	863
Accounts receivable related parties	1	1
Accrued gas revenue	-	27
Inventories at average cost		
Gas in underground storage	459	681
Materials and supplies	113	113
Generating plant fuel stock	100	112
Deferred property taxes	159	216
Regulatory assets	31	89
Prepayments and other current assets	83	63
Total current assets	2,038	2,273
Plant, Property, and Equipment		
Plant, property, and equipment, gross	18,074	17,580
Less accumulated depreciation and amortization	5,564	5,346
Plant, property, and equipment, net	12,510	12,234
Construction work in progress	1,184	1,103
Total plant, property, and equipment	13,694	13,337
Other Non-current Assets		
Regulatory assets	1,908	1,956
Accounts and notes receivable	7	7
Investments	26	38
Other	194	236
Total other non-current assets	2,135	2,237
Total Assets	$ 17,867	$ 17,847

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LIABILITIES AND EQUITY

	June 30 2015	*In Millions* December 31 2014
Current Liabilities		
Current portion of long-term debt, capital leases, and financing obligation	$ 122	$ 145
Notes payable	-	60
Accounts payable	540	662
Accounts payable related parties	11	12
Accrued rate refunds	27	6
Accrued interest	64	70
Accrued taxes	166	149
Deferred income taxes	54	80
Regulatory liabilities	69	67
Other current liabilities	93	135
Total current liabilities	1,146	1,386
Non-current Liabilities		
Long-term debt	5,141	5,154
Non-current portion of capital leases and financing obligation	113	123
Regulatory liabilities	2,136	2,095
Postretirement benefits	768	793
Asset retirement obligations	347	339
Deferred investment tax credit	57	37
Deferred income taxes	2,450	2,406
Other non-current liabilities	243	237
Total non-current liabilities	11,255	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	(12)	(7)
Retained earnings	876	832
Total common stockholder s equity	5,429	5,240
Preferred stock	37	37
Total equity	5,466	5,277
Total Liabilities and Equity	$ 17,867	$ 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		Six Months Ended	
June 30	2015	2014	2015	2014
Total Equity at Beginning of Period	$ 5,516	$ 5,095	$ 5,277	$ 4,857
Common Stock				
At beginning and end of period	841	841	841	841
Other Paid-in Capital				
At beginning of period	3,724	3,407	3,574	3,257
Stockholder contribution	-	165	150	315
At end of period	3,724	3,572	3,724	3,572
Accumulated Other Comprehensive Income (Loss)				
At beginning of period	(11)	-	(7)	(2)
Retirement benefits liability				
At beginning of period	(25)	(17)	(26)	(17)
Amortization of net actuarial loss	1	1	2	1
At end of period	(24)	(16)	(24)	(16)
Investments				
At beginning of period	14	17	19	15
Unrealized gain (loss) on investments	(2)	1	(2)	3
Reclassification adjustments included in net income	-	-	(5)	-
At end of period	12	18	12	18
At end of period	(12)	2	(12)	2
Retained Earnings				
At beginning of period	925	810	832	724
Net income	84	109	299	330
Dividends declared on common stock	(132)	(120)	(254)	(255)
Dividends declared on preferred stock	(1)	(1)	(1)	(1)
At end of period	876			