

Edgar Filing: CMS ENERGY CORP - Form 11-K

CMS ENERGY CORP
Form 11-K
June 29, 2006

UNITED STATES
SECURITIES AND EXCHANGE COMMISSION
WASHINGTON, DC 20549

FORM 11-K

ANNUAL REPORT PURSUANT TO SECTION 15(d) OF THE
SECURITIES EXCHANGE ACT OF 1934

ANNUAL REPORT PURSUANT TO SECTION 15(d) OF THE SECURITIES EXCHANGE ACT OF
1934 FOR THE FISCAL YEAR ENDED DECEMBER 31, 2005

OR

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

FOR THE TRANSITION PERIOD FROM _____ TO _____

COMMISSION FILE NUMBER 1-9513 (CMS ENERGY CORPORATION)
COMMISSION FILE NUMBER 1-5611 (CONSUMERS ENERGY COMPANY)

EMPLOYEES' SAVINGS PLAN AND
EMPLOYEE STOCK OWNERSHIP PLAN OF
CONSUMERS ENERGY COMPANY
ONE ENERGY PLAZA
JACKSON, MICHIGAN 49201
(FULL TITLE OF THE PLAN AND ADDRESS OF THE PLAN, IF
DIFFERENT FROM THAT OF THE ISSUER NAMED BELOW)

CMS ENERGY CORPORATION
ONE ENERGY PLAZA
JACKSON, MICHIGAN 49201
(NAME OF ISSUER OF THE SECURITIES HELD
PURSUANT TO THE PLAN AND THE ADDRESS
OF ITS PRINCIPAL EXECUTIVE OFFICE)

Employees' Savings Plan and Employee
Stock Ownership Plan of Consumers Energy Company

Audited Financial Statements and Supplemental Schedule

December 31, 2005 and 2004 and
Year ended December 31, 2005

CONTENTS

Report of Independent Registered Public Accounting Firm	1
Audited Financial Statements	
Statements of Net Assets Available for Benefits	2
Statement of Changes in Net Assets Available for Benefits	3

Edgar Filing: CMS ENERGY CORP - Form 11-K

Notes to Financial Statements 4

Supplemental Schedule

Schedule H, Line 4i--Schedule of Assets (Held at End of Year) 9

REPORT OF INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM

Plan Administrator
Employees' Savings Plan and Employee
Stock Ownership Plan of Consumers Energy Company

We have audited the accompanying statements of net assets available for benefits of Employees' Savings Plan and Employee Stock Ownership Plan of Consumers Energy Company as of December 31, 2005 and 2004, and the related statement of changes in net assets available for benefits for the year ended December 31, 2005. These financial statements are the responsibility of the Plan's management. Our responsibility is to express an opinion on these financial statements based on our audits.

We conducted our audits in accordance with the standards of the Public Company Accounting Oversight Board (United States). Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. We were not engaged to perform an audit of the Plan's internal control over financial reporting. Our audits included consideration of internal control over financial reporting as a basis for designing audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Plan's internal control over financial reporting. Accordingly, we express no such opinion. An audit also includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements, assessing the accounting principles used and significant estimates made by management, and evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the net assets available for benefits of the Plan at December 31, 2005 and 2004, and the changes in its net assets available for benefits for the year ended December 31, 2005, in conformity with U.S. generally accepted accounting principles.

Our audits were performed for the purpose of forming an opinion on the financial statements taken as a whole. The accompanying supplemental schedule of assets (held at end of year) as of December 31, 2005, is presented for purposes of additional analysis and is not a required part of the financial statements but is supplementary information required by the Department of Labor's Rules and Regulations for Reporting and Disclosure under the Employee Retirement Income Security Act of 1974. This supplemental schedule is the responsibility of the Plan's management. The supplemental schedule has been subjected to the auditing procedures applied in our audits of the financial statements and, in our opinion, is fairly stated in all material respects in relation to the financial statements taken as a whole.

/s/ Ernst & Young LLP

Detroit, Michigan
June 23, 2006

Edgar Filing: CMS ENERGY CORP - Form 11-K

1

Employees' Savings Plan and Employee Stock
Ownership Plan of Consumers Energy Company

Statements of Net Assets Available for Benefits

	DECEMBER 31	
	2005	2004
ASSETS		
Investments:		
Guaranteed investment contracts (at contract value)	\$ 70,445,364	\$130,736,865
Collective Trust Funds:		
Comerica Small Cap Index Fund	4,430,138	2,633,789
Comerica Large Cap Growth Index Fund	11,831,512	12,155,574
Comerica Large Cap Value Index Fund	12,834,276	11,386,982
Comerica Midcap Index Fund	3,621,115	1,785,889
Comerica 500 Index Fund	15,671,334	14,394,383
Registered Investment Companies:		
Fidelity Managed Income Portfolio II	110,015,527	41,291,721
PIMCO Total Return Fund	6,871,368	--
Vanguard Inflation Protected Securities Fund	598,162	--
Fidelity Intermediate Bond Fund	--	6,203,158
Calamos Growth Fund	62,637,949	57,289,067
Janus Mid Cap Value Fund	13,896,018	8,105,451
Fidelity Dividend Growth Fund	142,658,183	150,679,815
Fidelity Low Price Stock Fund	11,740,282	10,999,072
Fidelity Diversified International Fund	34,829,913	24,500,289
Fidelity Small Cap Stock Fund	15,289,122	14,408,657
Fidelity Freedom Income Fund	1,710,387	1,329,472
Fidelity Freedom 2000 Fund	1,358	--
Fidelity Freedom 2005 Fund	112,007	--
Fidelity Freedom 2010 Fund	5,563,136	3,619,498
Fidelity Freedom 2015 Fund	1,348,205	--
Fidelity Freedom 2020 Fund	5,735,221	2,678,603
Fidelity Freedom 2025 Fund	734,202	--
Fidelity Freedom 2030 Fund	1,399,452	723,534
Fidelity Freedom 2035 Fund	232,201	--
Fidelity Freedom 2040 Fund	1,503,321	409,553
CMS Energy Corporation Common Stock	168,766,700	121,554,041
Short term investments	370,103	12,658
Loans to participants	22,229,822	22,891,867
	-----	-----
Total investments	727,076,378	639,789,938
Receivables:		
Other receivables	526,691	71,839
	-----	-----
	526,691	71,839
LIABILITY		
Other	200,783	83,248
	-----	-----
Net assets available for benefits	\$727,402,286	\$639,778,529
	=====	=====

Edgar Filing: CMS ENERGY CORP - Form 11-K

See accompanying notes.

2

Employees' Savings Plan and Employee Stock Ownership Plan of Consumers Energy Company

Statement of Changes in Net Assets Available for Benefits

Year ended December 31, 2005

ADDITIONS	
Interest and dividend income	\$ 6,209,317
Participant contributions	42,057,983
Employer contributions	13,098,045

Total additions	61,365,345
DEDUCTIONS	
Benefits payments, withdrawals and distributions	46,769,350
Administrative expenses	190,970

Total deductions	46,960,320
Net realized and unrealized appreciation in fair value of investments	73,218,732

Net increase	87,623,757
Net assets available for benefits:	
Beginning of year	639,778,529

End of year	\$727,402,286
	=====

See accompanying notes.

3

Employees' Savings Plan and Employee Stock Ownership Plan of Consumers Energy Company

Notes to Financial Statements

December 31, 2005 and 2004
and Year Ended December 31, 2005

1. DESCRIPTION OF PLAN

The following description of the Employees' Savings Plan and Employee Stock Ownership Plan of Consumers Energy Company (the Plan) provides only general information. Participants should refer to the Plan document for a complete description of the Plan's provisions.

GENERAL

Edgar Filing: CMS ENERGY CORP - Form 11-K

The Plan is a defined contribution plan designed to encourage and assist employees of CMS Energy Corporation and its subsidiaries, which are at least 80% owned (the Company or Employer) and have adopted the Plan in saving for the future. The Plan is a voluntary program that allows eligible participants to invest their contributions in various investment funds. All regular employees of the Company as defined by the Plan, may participate in the Plan. The Plan is subject to the provisions of the Employee Retirement Income Security Act of 1974 (ERISA).

CONTRIBUTIONS

Participants in the Plan may elect to make pre-tax or after-tax contributions in amounts up to 50% of their eligible compensation (up to 25% prior to September 1, 2005), as defined by the Plan, subject to certain limitations as set forth in the Plan. If a participant's annual salary is equal to or more than \$95,000, the most that can be contributed by the Employer on behalf of the participant to the Plan on a pre-tax basis is 12.5% of their eligible compensation.

The Company provides matching Employer contributions in an amount equal to \$.60 for each \$1.00 contributed by a participant (\$.50 for each \$1.00 prior to September 1, 2005), up to a maximum of 6% of the participant's eligible compensation. The Employer can also make discretionary contributions to the Plan, but did not elect to do so during 2005 or 2004.

All participant balances are eligible for reallocation at the discretion of the participant.

Effective September 1, 2004, the savings portion of the Plan was amended to provide that authorized but unissued shares of common stock of CMS Energy Corporation or other securities convertible to such common stock may be used to satisfy allocations elected by participants and matching Employer contributions.

Effective September 1, 2005, all new participants and participants formerly covered by the Cash Balance provisions of the Company's pension plan began accruing benefits under the Defined Company Contribution Plan (DCCP) provisions of the Plan. Employees are eligible for participation in the DCCP after 180 days of employment. Under DCCP, participants receive a

4

Employees' Savings Plan and Employee Stock Ownership Plan of Consumers Energy Company

Notes to Financial Statements

1. DESCRIPTION OF PLAN (CONTINUED)

CONTRIBUTIONS (CONTINUED)

company contribution of 5% of eligible compensation. Contributions are immediately vested and are allocated at the discretion of the participant.

PARTICIPANT ACCOUNTS

Each participant's account is credited with the participant's contributions, matching Employer contributions and allocations of Plan earnings. The benefit to which a participant is entitled is the benefit that can be provided from the vested value of the participant's account.

Edgar Filing: CMS ENERGY CORP - Form 11-K

VESTING

Participants are immediately vested in their contributions plus actual earnings thereon. Vesting in any matching Employer contributions is based on years of service. A participant becomes 10% vested for each of the first two years of service with the Company, and 20% for each of the next four years of service.

PARTICIPANT LOANS

Participants may borrow from their non-DCCP fund accounts up to a maximum of \$50,000 or 50% of their vested account balance, whichever is less. Loan terms range up to five years for a general purpose loan or up to 15 years for the purchase of a primary residence. The loans are secured by the balance of the participant's account and bear interest at a rate commensurate with local prevailing rates as determined quarterly by the plan administrator. Principal and interest are paid ratably through payroll deductions.

PAYMENT OF BENEFITS

Upon termination of service, death, disability or retirement, a participant may receive a lump-sum amount equal to the vested value of his or her account.

FORFEITURES AND ADMINISTRATIVE EXPENSES

Forfeitures result from matching Employer contributions and incentive contributions remaining in the Plan for terminated participants' nonvested account balances. Forfeitures generated are added to a forfeiture reserve account and are available to offset matching Employer contributions. Such amounts forfeited in 2005 and 2004 were \$41,940 and \$55,386, respectively, and are treated as a reduction of the Employer's contribution. As of December 31, 2005, the

5

Employees' Savings Plan and Employee Stock Ownership Plan of Consumers Energy Company

Notes to Financial Statements

1. DESCRIPTION OF PLAN (CONTINUED)

FORFEITURES AND ADMINISTRATIVE EXPENSES (CONTINUED)

cumulative unallocated forfeitures were \$200,410; as of December 31, 2004 they were \$158,358. Expenses related to the administration and investment management of the Plan are charged against the assets of the investment funds offered to plan participants. Brokerage fees, commissions, stock transfer taxes and other expenses in connection with the purchases, sales and distributions of securities for each investment fund are charged to the fund that incurred the cost. Fees for obtaining loans are charged to the participant that requested the loan.

PLAN TERMINATION

Although it has not expressed the intention to do so, the Company has reserved the right to terminate the Plan at any time by resolution of its Board of Directors. The value of the participant accounts will be determined as of the effective date of the termination and be distributed as provided by the Plan.

2. SIGNIFICANT ACCOUNTING POLICIES

Edgar Filing: CMS ENERGY CORP - Form 11-K

INVESTMENT VALUATION AND INCOME RECOGNITION

Except for the investment contracts, the Plan's investments are stated at fair value which equals the quoted market price on the last business day of the plan year. The shares of registered investment companies are valued at quoted market prices which represent the net asset values of shares held by the Plan at year-end. The fair value of the participation units owned by the Plan in the common trust fund accounts are based on quoted redemption values on the last business day of the plan year. The participant loans are valued at their outstanding balances, which approximate fair value.

Investment contracts are recorded at their contract values, which represent contributions and reinvested income, less any withdrawals plus accrued interest, because these investments have fully benefit-responsive features. For example, participants may ordinarily direct the withdrawal or transfer of all or a portion of their investment at contract value. However, withdrawals influenced by Company-initiated events, such as in connection with the sale of a business, may result in a distribution at other than contract value. There are no reserves against contract values for credit risk of contract issues or otherwise. Contract value approximates fair value. The average yield for these contracts was 5.88% in 2005 and 6.11% in 2004. The crediting interest rate for these investment contracts ranged from approximately 5.40% to 6.28% in 2005 and 5.40% to 6.99% in 2004. Rates on contracts remain fixed for the life of each contract.

The valuation of participant accounts is priced on a daily basis.

6

Employees' Savings Plan and Employee Stock Ownership Plan of Consumers Energy Company

Notes to Financial Statements

2. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

USE OF ESTIMATES

The preparation of financial statements in conformity with U.S. generally accepted accounting principles requires management to make estimates that affect the amounts reported in the financial statements and accompanying notes. Actual results could differ from those estimates.

3. INVESTMENTS

Fidelity Investments is the trustee and recordkeeper for the Plan.

During 2005, the Plan's investments (including investments purchased and sold, as well as held, during the year) appreciated (depreciated) in fair value as determined by quoted market prices as follows:

NET REALIZED
AND UNREALIZED
APPRECIATION
IN FAIR VALUE
OF INVESTMENTS

Edgar Filing: CMS ENERGY CORP - Form 11-K

Mutual funds	\$25,850,850
CMS Energy Corporation Common Stock	47,367,882

	\$73,218,732
	=====

4. CONTINGENCY

The Company is a named defendant, along with Consumers Energy Company (Consumers), CMS Marketing Services and Trading Company and certain named and unnamed officers and directors, in two lawsuits, filed in July 2002 in the U.S. District Court for the Eastern District of Michigan, brought as purported class actions on behalf of participants and beneficiaries of the Plan. Plaintiffs allege breaches of fiduciary duties under ERISA and seek restitution on behalf of the Plan with respect to a decline in value of the shares of the Company's common stock held in the Plan, as well as other equitable relief and legal fees. On March 1, 2006, the Company and Consumers reached an agreement, subject to court and independent fiduciary approval, to settle the lawsuits. The settlement agreement requires a \$28 million cash payment by the Company's primary insurer that will be used to pay Plan participants and beneficiaries for alleged losses, as well as any legal fees and expenses. In addition, the Company agreed to certain other steps regarding administration of the Plan. A hearing on the final approval of the settlement was held on June 15, 2006. On June 27, 2006, the Judge entered the Order and Final Judgment approving the proposed settlement with minor modifications. The settlement proceeds, net of attorneys' fees and expenses, will be disbursed to the Plan for distribution by the Plan's trustee in accordance with the Amended Plan of Allocation.

7

Employees' Savings Plan and Employee Stock Ownership Plan of Consumers Energy Company

Notes to Financial Statements

5. INCOME TAX STATUS

The Plan has received a determination letter from the Internal Revenue Service dated April 24, 2002, stating that the Plan is qualified under Section 401(a) of the Internal Revenue Code (the Code) and, therefore, the related trust is exempt from taxation. Once qualified, the Plan is required to operate in conformity with the Code to maintain its qualification. The plan administrator believes the Plan is being operated in compliance with the applicable requirements of the Code and, therefore, believes that the Plan is qualified and the related trust is tax exempt.

6. RISKS AND UNCERTAINTIES

The Plan invests in various investment securities. Investment securities are exposed to various risks such as interest rate, market and credit risks. Due to the level of risk associated with certain investment securities, it is at least reasonably possible that changes in the values of investment securities will occur in the near term and that such changes could materially affect participants' account balances and the amounts reported in statements of net assets available for benefits.

7. NEW ACCOUNTING PRONOUNCEMENTS

Edgar Filing: CMS ENERGY CORP - Form 11-K

On December 29, 2005, the Financial Accounting Standards Board (FASB) released FASB Staff Position AAG INV-1 and SOP 94-4-1 entitled "Reporting of Fully Benefit-Responsive Investments Contracts Held by Certain Investment Companies Subject to AICPA Investment Company Guide and Defined-Contribution Health and Welfare and Pension Plans." The new reporting requirements are effective for reporting periods ending after December 15, 2006 and would apply to Guaranteed Investment Contracts held by the Plan. The Company is in the process of evaluating the new reporting requirements.

8

Supplemental Schedule

Employees' Savings Plan and Employee Stock
Ownership Plan of Consumers Energy Company
EIN: 38-0442310 Plan Number: 002

Schedule H, Line 4i--Schedule of Assets (Held at End of Year)
December 31, 2005

IDENTITY OF ISSUE, BORROWER, LESSOR OR SIMILAR PARTY	DESCRIPTION OF INVESTMENT INCLUDING MATURITY DATE, RATE OF INTEREST, COLLATERAL, PAR OR MATURITY VALUE	COS
Principal Mutual Life Insurance Company	6.18% Matures 11/14/2006	
Principal Mutual Life Insurance Company	6.28% Matures 05/14/2007	
Principal Mutual Life Insurance Company	5.85% Matures 01/30/2008	
The Prudential Mutual Life Insurance Company	5.40% Matures 11/15/2006	
The Prudential Mutual Life Insurance Company	5.70% Matures 11/15/2007	
* Fidelity Investments	Fidelity Managed Income Portfolio II Fidelity Dividend Growth Fidelity Low Price Stock Fund Fidelity Diversified International Fund Fidelity Small Cap Stock Fund Fidelity Freedom Income Fund Fidelity Freedom 2000 Fund Fidelity Freedom 2005 Fund Fidelity Freedom 2010 Fund Fidelity Freedom 2015 Fund Fidelity Freedom 2020 Fund Fidelity Freedom 2025 Fund Fidelity Freedom 2030 Fund Fidelity Freedom 2035 Fund Fidelity Freedom 2040 Fund Short Term Investments	
* CMS Energy Corporation	Common Stock of CMS Energy Corporation	
Comerica Bank, N.A.	Comerica Small Cap Index Fund Comerica Large Cap Growth Index Fund Comerica Large Cap Value Index Fund Comerica Midcap Index Fund Comerica 500 Index Fund	

Edgar Filing: CMS ENERGY CORP - Form 11-K

Calamos Asset Management, Inc.
Pimco
Berger Financial Group, LLC
Vanguard

Calamos Growth Fund
Pimco Total Return Fund
Janus Mid Cap Value Fund
Vanguard Inflation Protected Securities Fund

* Participant Loans

Interest rate range: 3.00% to 8.75%
with various maturity dates

* Party-in-interest.

Note: Historical cost information is not shown as all investments are participant-directed.

SIGNATURES

Pursuant to the requirements of the Securities Exchange Act of 1934, the trustees (or other persons who administer the employee benefit plan) have duly caused this annual report to be signed on its behalf by the undersigned hereunto duly authorized.

EMPLOYEES' SAVINGS PLAN AND
EMPLOYEE STOCK OWNERSHIP PLAN OF
CONSUMERS ENERGY COMPANY

By: /s/ Laura L. Mountcastle

Laura L. Mountcastle
Plan Administrator and
Vice President, Investor Relations and Treasurer
CMS Energy Corporation and
Consumers Energy Company
Dated: June 29, 2006

EXHIBITS

Exhibit Number -----	Description -----
(23)	Consent of Independent Registered Public Accounting Firm
(32)	Certifications pursuant to Section 906 of the Sarbanes-Oxley Act of 2002