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UNITED STATES SECURITIES AND EXCHANGE COMMISSION

Washington, D.C. 20549

FORM 10-K

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

For the fiscal year ended December 31, 2023

OR

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

For the transition period from _____to_____

Commission File Number	Registrant; State of Incorporation; Address; and Telephone Number	IRS Employer Identification No.
1-9513	**CMS ENERGY CORPORATION**	38-2726431

(A Michigan Corporation)
One Energy Plaza, Jackson, Michigan 49201
(517) 788-0550

1-5611	**CONSUMERS ENERGY COMPANY**	38-0442310

(A Michigan Corporation)
One Energy Plaza, Jackson, Michigan 49201
(517) 788-0550

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

Title of each class	**Trading Symbol(s)**	**Name of each exchange on which registered**
CMS Energy Corporation Common Stock, $0.01 par value	CMS	New York Stock Exchange
CMS Energy Corporation 5.625% Junior Subordinated Notes due 2078	CMSA	New York Stock Exchange
CMS Energy Corporation 5.875% Junior Subordinated Notes due 2078	CMSC	New York Stock Exchange
CMS Energy Corporation 5.875% Junior Subordinated Notes due 2079	CMSD	New York Stock Exchange
CMS Energy Corporation Depositary Shares, each representing a 1/1,000th interest in a share of 4.200% Cumulative Redeemable Perpetual Preferred Stock, Series C	CMS PRC	New York Stock Exchange
Consumers Energy Company Cumulative Preferred Stock, $100 par value: $4.50 Series	CMS-PB	New York Stock Exchange

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

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

CMS Energy Corporation:	Yes	☒	No	☐	**Consumers Energy Company:**	Yes	☒	No	☐

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

CMS Energy Corporation:	Yes	☐	No	☒	**Consumers Energy Company:**	Yes	☐	No	☒

Indicate by check mark whether the registrant (1) has filed all reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 during the preceding 12 months (or for such shorter period that the registrant was required to file such reports), and (2) has been subject to such filing requirements for the past 90 days.

CMS Energy Corporation:	Yes	☒	No	☐	**Consumers Energy Company:**	Yes	☒	No	☐

Indicate by check mark whether the registrant has submitted electronically every Interactive Data File required to be submitted 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 such files).

CMS Energy Corporation:	Yes	☒	No	☐	**Consumers Energy Company:**	Yes	☒	No	☐

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

CMS Energy Corporation:		**Consumers Energy Company:**	
Large accelerated filer	☒	Large accelerated filer	☐
Non-accelerated filer	☐	Non-accelerated filer	☒
Accelerated filer	☐	Accelerated filer	☐
Smaller reporting company	☐	Smaller reporting company	☐
Emerging growth company	☐	Emerging growth company	☐

If an emerging growth company, indicate by check mark if the registrant has elected not to use the extended transition period for complying with any new or revised financial accounting standards provided pursuant to Section 13(a) of the Exchange Act.

CMS Energy Corporation:	☐	**Consumers Energy Company:**	☐

Indicate by check mark whether the registrant has filed a report on and attestation to its management's assessment of the effectiveness of its internal control over financial reporting under Section 404(b) of the Sarbanes-Oxley Act (15 U.S.C. 7262(b)) by the registered public accounting firm that prepared or issued its audit report.

CMS Energy Corporation:	☒	**Consumers Energy Company:**	☒

If securities are registered pursuant to Section 12(b) of the Act, indicate by check mark whether the financial statements of the registrant included in the filing reflect the correction of an error to previously issued financial statements.

CMS Energy Corporation:	☐	**Consumers Energy Company:**	☐

Indicate by check mark whether any of those error corrections are restatements that required a recovery analysis of incentive-based compensation received by any of the registrant's executive officers during the relevant recovery period pursuant to §240.10D-1(b).						
CMS Energy Corporation:	☐		**Consumers Energy Company:**	☐		

Indicate by check mark whether the registrant is a shell company (as defined in Rule 12b-2 of the Exchange Act).								
CMS Energy Corporation:	Yes	☐	No	☒	**Consumers Energy Company:**	Yes	☐	No ☒

The aggregate market value of CMS Energy voting and non-voting common equity held by non-affiliates was $17.063 billion for the 290,440,980 CMS Energy Corporation Common Stock shares outstanding on June 30, 2023 based on the closing sale price of $58.75 for CMS Energy Corporation Common Stock, as reported by the New York Stock Exchange on such date. There were no shares of Consumers common equity held by non-affiliates as of June 30, 2023.

There were 294,443,620 shares of CMS Energy Corporation Common Stock outstanding on January 12, 2024. On January 12, 2024, CMS Energy held all 84,108,789 outstanding shares of common stock of Consumers.

Documents incorporated by reference in Part III: CMS Energy's and Consumers' proxy statement relating to their 2024 Annual Meetings of Shareholders to be held May 3, 2024.

CMS Energy Corporation
Consumers Energy Company

Annual Reports on Form 10-K to the Securities and Exchange Commission for the Year Ended December 31, 2023

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Glossary

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

2022 Form 10-K
Each of CMS Energy's and Consumers' Annual Report on Form 10-K for the year ended December 31, 2022

2023 Energy Law
Michigan's Public Acts 229, 230, 231, 233, 234, and 235 of 2023

3G
Third generation technology

4G
Fourth generation technology

ABATE
Association of Businesses Advocating Tariff Equity

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

AFUDC
Allowance for borrowed and equity funds used during construction

AOCI
Accumulated other comprehensive income (loss)

ARO
Asset retirement obligation

ASC 715
Financial Accounting Standards Board Accounting Standards Codification Topic 715, Retirement Benefits

Audit Committee
The Audit Committee of the Board, which is composed entirely of independent directors.

Aviator Wind
Aviator Wind Holdings, LLC, a VIE in which Aviator Wind Equity Holdings holds a Class B membership interest

Aviator Wind Equity Holdings

Aviator Wind Equity Holdings, LLC, a VIE in which Grand River Wind, LLC, a wholly owned subsidiary of NorthStar Clean Energy, has a 51-percent interest

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

Board

Board of Directors of CMS Energy and Consumers

CAO

Chief Accounting Officer

CCR

Coal combustion residual

CEO

Chief Executive Officer

CERCLA

Comprehensive Environmental Response, Compensation, and Liability Act of 1980, as amended

CFO

Chief Financial Officer

city-gate contract

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

Clean Air Act

Federal Clean Air Act of 1963, as amended

Clean Energy Plan

Consumers' long-term strategy for delivering clean, reliable, resilient, and affordable energy to its customers; this plan was originally outlined and approved in Consumers' 2018 integrated resource plan and subsequently updated and approved through its 2021 integrated resource plan

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 NorthStar Clean Energy
CMS ERM	CMS Energy Resource Management Company, a wholly owned subsidiary of NorthStar Clean Energy
CMS Gas Transmission	CMS Gas Transmission Company, a wholly owned subsidiary of NorthStar Clean Energy
CMS Generation Michigan Power	CMS Generation Michigan Power L.L.C., a wholly owned subsidiary of HYDRA-CO Enterprises, Inc., a wholly owned subsidiary of NorthStar Clean Energy
CMS Land	CMS Land Company, a wholly owned subsidiary of CMS Capital, L.L.C., a wholly owned subsidiary of CMS Energy
Consumers	Consumers Energy Company and its consolidated subsidiaries, unless otherwise noted; a wholly owned subsidiary of CMS Energy
Consumers 2014 Securitization Funding	Consumers 2014 Securitization Funding LLC, a wholly owned consolidated bankruptcy-remote subsidiary of Consumers and special-purpose entity organized for the sole purpose of purchasing and owning securitization property, issuing securitization bonds, and pledging its interest in securitization property to a trustee to collateralize the securitization bonds
Consumers 2023 Securitization Funding	Consumers 2023 Securitization Funding LLC, a wholly owned consolidated bankruptcy-remote subsidiary of Consumers and special-purpose entity organized for the sole purpose of purchasing and owning securitization property, issuing securitization bonds, and pledging its interest in securitization property to a trustee to collateralize the securitization bonds
Covert Generating Station	A 1,200-MW natural gas-fueled generation station that was acquired by Consumers in May 2023 from New Covert Generating Company, LLC, a non-affiliated company
Craven	Craven County Wood Energy Limited Partnership, a VIE in which HYDRA-CO Enterprises, Inc., a wholly owned subsidiary of NorthStar Clean Energy, has a 50-percent interest

CSAPR	Cross-State Air Pollution Rule of 2011, as amended
DB Pension Plan A	Defined benefit pension plan of CMS Energy and Consumers, including certain present and former affiliates and subsidiaries, created as of December 31, 2017 for active employees who were covered under the defined benefit pension plan that closed in 2005
DB Pension Plan B	Defined benefit pension plan of CMS Energy and Consumers, including certain present and former affiliates and subsidiaries, amended as of December 31, 2017 to include only retired and former employees who were covered under the defined benefit pension plan that closed in 2005
DB Pension Plans	Defined benefit pension plans of CMS Energy and Consumers, comprising DB Pension Plan A and DB Pension Plan B
DB SERP	Defined Benefit Supplemental Executive Retirement Plan
DCCP	Defined Company Contribution Plan
DC SERP	Defined Contribution Supplemental Executive Retirement Plan
DIG	Dearborn Industrial Generation, L.L.C., a wholly owned subsidiary of Dearborn Industrial Energy, L.L.C., a wholly owned subsidiary of NorthStar Clean Energy
Dodd-Frank Act	Dodd-Frank Wall Street Reform and Consumer Protection Act of 2010
DTE Electric	DTE Electric Company, a non-affiliated company
EEI	Edison Electric Institute, an association representing all U.S. investor-owned electric companies
EGLE	Michigan Department of Environment, Great Lakes, and Energy

Endangered Species Act	Endangered Species Act of 1973, as amended
EnerBank	EnerBank USA, a wholly owned subsidiary of CMS Capital until October 1, 2021
energy waste reduction	The reduction of energy consumption through energy efficiency and demand-side energy conservation, as established under Michigan law
EPA	U.S. Environmental Protection Agency
EPS	Earnings per share
ERCOT	Electric Reliability Council of Texas
Exchange Act	Securities Exchange Act of 1934
Federal Power Act	Federal Power Act of 1920
FERC	Federal Energy Regulatory Commission
First Mortgage Bond Indenture	Indenture dated as of September 1, 1945 between Consumers and The Bank of New York Mellon, as Trustee, as amended and supplemented
FTR	Financial transmission right
GAAP	U.S. Generally Accepted Accounting Principles
GCC	Gas Customer Choice, which allows gas customers to purchase gas from alternative suppliers

GCR

Gas cost recovery

Genesee

Genesee Power Station Limited Partnership, a VIE in which HYDRA-CO Enterprises, Inc., a wholly owned subsidiary of NorthStar Clean Energy, has a 50-percent interest

Good Neighbor Plan

A plan issued by the EPA which secures significant reductions in ozone-forming emissions of NOx from power plants and industrial facilities

Grayling

Grayling Generating Station Limited Partnership, a VIE in which HYDRA-CO Enterprises, Inc., a wholly owned subsidiary of NorthStar Clean Energy, has a 50-percent interest

GWh

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

Internal Revenue Code

Internal Revenue Code of 1986, as amended

IRP

Integrated resource plan

IRS

Internal Revenue Service

IT

Information Technology

kV

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

kVA

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

kWh

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

Ludington

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

MATS	Mercury and Air Toxics Standards, which limit mercury, acid gases, and other toxic pollution from coal-fueled and oil-fueled power plants
MCV Facility	A 1,647-MW natural gas-fueled, combined-cycle cogeneration facility operated by the MCV Partnership
MCV Partnership	Midland Cogeneration Venture Limited Partnership, a non-affiliated company
MCV PPA	PPA between Consumers and the MCV Partnership
METC	Michigan Electric Transmission Company, LLC, a non-affiliated company
MGP	Manufactured gas plant
Migratory Bird Treaty Act	Migratory Bird Treaty Act of 1918, as amended
MISO	Midcontinent Independent System Operator, Inc.
mothball	To place a generating unit into a state of extended reserve shutdown in which the unit is inactive and unavailable for service for a specified period, during which the unit can be brought back into service after receiving appropriate notification and completing any necessary maintenance or other work; generation owners in MISO must request approval to mothball a unit, and MISO then evaluates the request for reliability impacts
MPSC	Michigan Public Service Commission
MRV	Market-related value of plan assets
MW	Megawatt, a unit of power equal to one million watts
MWh	Megawatt-hour, a unit of energy equal to one million watt-hours

NAAQS

National Ambient Air Quality Standards

Natural Gas Act

Natural Gas Act of 1938

NERC

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

Newport Solar

Newport Solar, LLC, a wholly owned subsidiary of Newport Solar Holdings

Newport Solar Holdings

Newport Solar Holdings III, LLC, a VIE in which Newport Solar Equity Holdings LLC, a wholly owned subsidiary of Grand River Solar, LLC, a wholly owned subsidiary of NorthStar Clean Energy, holds a Class B membership interest

NorthStar Clean Energy

NorthStar Clean Energy Company, a wholly owned subsidiary of CMS Energy, formerly known as CMS Enterprises Company

NOx

Nitrogen oxides

NPDES

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

NREPA

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

NWO Holdco

NWO Holdco, L.L.C., a VIE in which NWO Holdco I, LLC, a wholly owned subsidiary of Grand River Wind, LLC, a wholly owned subsidiary of NorthStar Clean Energy, holds a Class B membership interest

OPEB

Other post-employment benefits

OPEB Plan

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

OSHA	
Occupational Safety and Health Administration	
PBO	
Projected benefit obligation	
PCB	
Polychlorinated biphenyl	
PFAS	
Per- and polyfluoroalkyl substances	
PISP	
Performance Incentive Stock Plan	
PJM	
PJM Interconnection Inc.	
PPA	
Power purchase agreement	
PSCR	
Power supply cost recovery	
PURPA	
Public Utility Regulatory Policies Act of 1978	
RCRA	
Federal Resource Conservation and Recovery Act of 1976	
REC	
Renewable energy credit	
ROA	
Retail Open Access, which allows electric generation customers to choose alternative electric suppliers pursuant to Michigan’s Public Acts 141 and 142 of 2000, as amended	
S&P	
Standard & Poor’s Financial Services LLC	
SEC	
U.S. Securities and Exchange Commission	

securitization	
A financing method authorized by statute and approved by the MPSC which allows a utility to sell its right to receive a portion of the rate payments received from its customers for the repayment of securitization bonds issued by a special-purpose entity affiliated with such utility	
Series C preferred stock	
CMS Energy 4.200 percent cumulative redeemable perpetual preferred stock, Series C, with a liquidation value of $25,000 per share	
SOFR	
Secured overnight financing rate calculated and published by the Federal Reserve Bank of New York and selected as the recommended alternative to replace the London Interbank Offered Rate for dollar-denominated financial contracts by the Alternative Reference Rates Committee	
TAES	
Toshiba America Energy Systems Corporation, a non-affiliated company	
TBJH	
TBJH Inc., a non-affiliated company	
TCJA	
Tax Cuts and Jobs Act of 2017	
Term SOFR	
The rate per annum that is a forward-looking term rate based on SOFR	
T.E.S. Filer City	
T.E.S. Filer City Station Limited Partnership, a VIE in which HYDRA-CO Enterprises, Inc., a wholly owned subsidiary of NorthStar Clean Energy, has a 50-percent interest	
Toshiba	
Toshiba Corporation, a non-affiliated company	
USW	
United Steel, Paper and Forestry, Rubber, Manufacturing, Energy, Allied Industrial and Service Workers International Union, AFL-CIO-CLC	
UWUA	
Utility Workers Union of America, AFL-CIO	
VEBA trust	
Voluntary employees' beneficiary association trusts accounts established specifically to set aside employer-contributed assets to pay for future expenses of the OPEB Plan	

VIE	
Variable interest entity	
Wolverine Power	
Wolverine Power Supply Cooperative, Inc., a non-affiliated company	

Filing Format

This combined Form 10-K is separately filed by CMS Energy and Consumers. Information in this combined Form 10-K relating to each individual registrant is filed by such registrant on its own behalf. Consumers makes no representation regarding information relating to any other companies affiliated with CMS Energy other than its own subsidiaries.

CMS Energy is the parent holding company of several subsidiaries, including Consumers and NorthStar Clean Energy. None of CMS Energy, NorthStar Clean Energy, nor any of CMS Energy's other subsidiaries (other than Consumers) has any obligation in respect of Consumers' debt securities or preferred stock and holders of such securities should not consider the financial resources or results of operations of CMS Energy, NorthStar Clean Energy, 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 or preferred stock. Similarly, neither Consumers nor any other subsidiary of CMS Energy has any obligation in respect of securities of CMS Energy.

Forward-looking Statements and Information

This Form 10-K and other CMS Energy and Consumers disclosures may contain forward-looking statements as defined by the Private Securities Litigation Reform Act of 1995. The use of "anticipates," "assumes," "believes," "could," "estimates," "expects," "forecasts," "goals," "guidance," "intends," "may," "might," "objectives," "plans," "possible," "potential," "predicts," "projects," "seeks," "should," "targets," "will," 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 and effect of recent events, such as worsening trade relations, geopolitical tensions, war, acts of terrorism, and the responses to these events, and related economic disruptions including, but not limited to, inflation, energy price volatility, and supply chain disruptions
- the impact of new regulation by the MPSC, FERC, and other applicable governmental proceedings and regulations, including any associated impact on electric or gas rates or rate structures
- potentially adverse regulatory treatment, effects of a failure to receive timely regulatory orders that are or could come before the MPSC, FERC, or other governmental authorities, or effects of a government shutdown
- changes in the performance of or regulations applicable to MISO, Michigan Electric Transmission Company, LLC (a non-affiliated company), 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 or challenges to federal or state laws or regulations or changes in applicable laws, rules, regulations, principles, or practices, or in their interpretation, such as those related to energy policy, ROA, the Public Utility Regulatory Policies Act of 1978, infrastructure integrity or

security, cybersecurity, gas pipeline safety, gas pipeline capacity, energy waste reduction, the environment, regulation or deregulation, reliability, health care reforms, taxes, accounting matters, climate change, air emissions, renewable energy, the Dodd-Frank Act, and other business issues that could have an impact on CMS Energy's, Consumers', or any of their affiliates' businesses or financial results

- factors affecting, disrupting, interrupting, or otherwise impacting CMS Energy's or Consumers' facilities, utility infrastructure, operations, or backup systems, such as costs and availability of personnel, equipment, and materials; weather and climate, including catastrophic weather-related damage and extreme temperatures; natural disasters; fires; smoke; scheduled or unscheduled equipment outages; maintenance or repairs; contractor performance; environmental incidents; failures of equipment or materials; electric transmission and distribution or gas pipeline system constraints; interconnection requirements; political and social unrest; general strikes; the government and/or paramilitary response to political or social events; changes in trade policies or regulations; accidents; explosions; physical disasters; global pandemics; cyber incidents; vandalism; war or terrorism; and the ability to obtain or maintain insurance coverage for these events

- the ability of CMS Energy and Consumers to execute cost-reduction strategies

- potentially adverse regulatory or legal interpretations or decisions regarding environmental matters, or delayed regulatory treatment or permitting decisions that are or could come before agencies such as EGLE, the EPA, FERC, and/or the U.S. Army Corps of Engineers, and potential environmental remediation costs associated with these interpretations or decisions, including those that may affect Consumers' coal ash management or routine maintenance, repair, and replacement classification under New Source Review, a construction-permitting program under the Clean Air Act

- changes in energy markets, including availability, price, and seasonality 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, gasoline, diesel fuel, 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 ability of CMS Energy and Consumers to execute their financing strategies

- the investment performance of the assets of CMS Energy's and Consumers' pension and benefit plans, the discount rates, mortality assumptions, and future medical costs used in calculating the plans' obligations, and the resulting impact on future funding requirements

- the impact of the economy, particularly in Michigan, and potential future volatility in the financial and credit markets on CMS Energy's, Consumers', or any of their affiliates' revenues, ability to collect accounts receivable from customers, or cost and availability of capital

- changes in the economic and financial viability of CMS Energy's and Consumers' suppliers, customers, and other counterparties and the continued ability of these third parties, including those in bankruptcy, to meet their obligations to CMS Energy and Consumers

- population changes in the geographic areas where CMS Energy and Consumers conduct business

- national, regional, and local economic, competitive, and regulatory policies, conditions, and developments
- loss of customer demand for electric generation supply to alternative electric suppliers, increased use of self-generation including distributed generation, energy waste reduction, or energy storage
- loss of customer demand for natural gas due to alternative technologies or fuels or electrification
- ability of Consumers to meet increased renewable energy demand due to customers seeking to meet their own sustainability goals in a timely and cost-efficient manner
- the reputational or other impact on CMS Energy and Consumers of the failure to achieve or make timely progress on their greenhouse gas reduction goals related to reducing their impact on climate change
- adverse consequences of employee, director, or third-party fraud or non-compliance with codes of conduct or with laws or regulations
- federal regulation of electric sales, including periodic re-examination by federal regulators of CMS Energy's and Consumers' market-based sales authorizations
- any event, change, development, occurrence, or circumstance that could impact the implementation of the Clean Energy Plan, including any action by a regulatory authority or other third party to prohibit, delay, or impair the implementation of the Clean Energy Plan
- 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 interest rates and future prices of electricity, natural gas, and other energy-related commodities
- factors affecting development of electric generation projects, gas transmission, 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, acquisition of property rights, community opposition, environmental regulations, and government actions
- changes or disruption in fuel supply, including but not limited to supplier bankruptcy and delivery disruptions
- potential costs, lost revenues, reputational harm, or other consequences resulting from misappropriation of assets or sensitive information, corruption of data, or operational disruption in connection with a cyberattack or other cyber incident
- potential disruption to, interruption or failure of, or other impacts on information technology backup or disaster recovery systems
- technological developments in energy production, storage, delivery, usage, and metering
- the ability to implement and integrate technology successfully, including artificial intelligence
- the impact of CMS Energy's and Consumers' integrated business software system and its effects on their operations, including utility customer billing and collections

- adverse consequences resulting from any past, present, or future assertion of indemnity or warranty claims associated with assets and businesses previously owned by CMS Energy or Consumers, including claims resulting from attempts by foreign or domestic governments to assess taxes on or to impose environmental liability associated with past operations or transactions
- the outcome, cost, and other effects of any legal or administrative claims, proceedings, investigations, or settlements
- the reputational impact on CMS Energy and Consumers of operational incidents, violations of corporate policies, regulatory violations, inappropriate use of social media, and other events
- restrictions imposed by various financing arrangements and regulatory requirements on the ability of Consumers and other subsidiaries of CMS Energy to transfer funds to CMS Energy in the form of cash dividends, loans, or advances
- earnings volatility resulting from the application of fair value accounting to certain energy commodity contracts or interest rate contracts
- changes in financial or regulatory accounting principles or policies
- other matters that may be disclosed from time to time in CMS Energy's and Consumers' SEC filings, or in other public documents

All forward-looking statements should be considered in the context of the risk and other factors described above and as detailed from time to time in CMS Energy's and Consumers' SEC filings. For additional details regarding these and other uncertainties, see Item 1A. Risk Factors; Item 7. Management's Discussion and Analysis of Financial Condition and Results of Operations—Outlook; and Item 8. Financial Statements and Supplementary Data—Notes to the Consolidated Financial Statements—Note 2, Regulatory Matters and Note 3, Contingencies and Commitments.

Part I

Item 1. Business

General

CMS Energy

CMS Energy was formed as a corporation in Michigan in 1987 and is an energy company operating primarily in Michigan. It is the parent holding company of several subsidiaries, including Consumers, an electric and gas utility, and NorthStar Clean Energy, primarily a domestic independent power producer and marketer. Consumers' customer base consists of a mix of primarily residential, commercial, and diversified industrial customers. NorthStar Clean Energy, through its subsidiaries and equity investments, is engaged in domestic independent power production, including the development and operation of renewable generation, and the marketing of independent power production.

CMS Energy manages its businesses by the nature of services each provides, and operates principally in three business segments: electric utility; gas utility; and NorthStar Clean Energy, its non-utility operations and investments. Consumers' consolidated operations account for the substantial majority of CMS Energy's total assets, income, and operating revenue. CMS Energy's consolidated operating revenue was $7.5 billion in 2023, $8.6 billion in 2022, and $7.3 billion in 2021.

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

Consumers

Consumers has served Michigan customers since 1886. Consumers was incorporated in Maine in 1910 and became a Michigan corporation in 1968. Consumers owns and operates electric generation and distribution facilities and gas transmission, storage, and distribution facilities. It provides electricity and/or natural gas to 6.8 million of Michigan's 10 million residents. Consumers' rates and certain other aspects of its business are subject to the jurisdiction of the MPSC and FERC, as well as to NERC reliability standards, as described in Item 1. Business—CMS Energy and Consumers Regulation.

Consumers' consolidated operating revenue was $7.2 billion in 2023, $8.2 billion in 2022, and $7.0 billion in 2021. For further information about operating revenue, income, and assets and liabilities attributable to Consumers' electric and gas utility operations, see Item 8. Financial Statements and Supplementary Data—Consumers Consolidated Financial Statements and Notes to the Consolidated Financial Statements.

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

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In 2023, Consumers served 1.9 million electric customers and 1.8 million gas customers in Michigan's Lower Peninsula. Presented in the following map are Consumers' service territories:

10K Map - Michigan Generating Facilities - NO NAMES - Dec. 2023.jpg		Electric service territory
		Gas service territory
		Combination electric and gas service territory
	•	Electric generation and battery storage facilities

CMS Energy and Consumers—The Triple Bottom Line

For information regarding CMS Energy's and Consumers' purpose and impact on the "triple bottom line" of people, planet, and profit, see Item 7. Management's Discussion and Analysis of Financial Condition and Results of Operations—Executive Overview.

Business Segments

Consumers Electric Utility

Electric Utility Operations: Consumers' electric utility operations, which include the generation, purchase, distribution, and sale of electricity, generated operating revenue of $4.7 billion in 2023, $5.4 billion in 2022, and $5.0 billion in 2021. Consumers' electric utility customer base consists of a mix of primarily residential, commercial, and diversified industrial customers in Michigan's Lower Peninsula.

Presented in the following illustration is Consumers' 2023 electric utility operating revenue of $4.7 billion by customer class:

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

In 2023, Consumers' electric deliveries were 36 billion kWh, which included ROA deliveries of three billion kWh, resulting in net bundled sales of 33 billion kWh. In 2022, Consumers' electric deliveries were 37 billion kWh, which included ROA deliveries of three billion kWh, resulting in net bundled sales of 34 billion kWh.

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

Presented in the following illustration are Consumers' monthly weather-normalized electric deliveries (deliveries adjusted to reflect normal weather conditions) to its customers, including ROA deliveries, during 2023 and 2022:

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Consumers' 2023 summer peak demand was 8,067 MW, which included ROA demand of 549 MW. For the 2022-2023 winter season, Consumers' peak demand was 5,358 MW, which included ROA demand of 430 MW. As required by MISO reserve margin requirements, Consumers owns or controls, through long-term PPAs and short-term capacity purchases, all of the capacity required to supply its projected firm peak load and necessary reserve margin for summer 2024.

Electric Utility Properties: Consumers owns and operates electric generation and distribution facilities. For details about Consumers' electric generation facilities, see the Electric Utility Generation and Supply Mix section that follows this Electric Utility Properties section. Consumers' distribution system consists of:

- 270 miles of high-voltage distribution overhead lines operating at 138 kV
- four miles of high-voltage distribution underground lines operating at 138 kV
- 4,645 miles of high-voltage distribution overhead lines operating at 46 kV and 69 kV
- 18 miles of high-voltage distribution underground lines operating at 46 kV
- 82,049 miles of electric distribution overhead lines
- 9,708 miles of underground distribution lines
- 1,099 substations with an aggregate transformer capacity of 28 million kVA
- four battery facilities with storage capacity of ten MWh

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

Electric Utility Generation and Supply Mix: Consumers' Clean Energy Plan details its strategy to meet customers' long-term energy needs. The Clean Energy Plan was most recently revised and approved by the MPSC in June 2022. Under Michigan's integrated resource planning process, Consumers is required to file proposed updates to its Clean Energy Plan before or in 2027; these updates will outline a path to meeting the requirements of the 2023 Energy Law that was enacted in Michigan in November 2023.

Consumers' Clean Energy Plan provides the foundation for its goal to achieve net-zero carbon emissions from its electric business by 2040. This goal includes not only emissions from owned generation, but also emissions from the generation of power purchased through long-term PPAs and from the MISO energy market.

Consumers expects to meet 90 percent of its customers' needs with clean energy sources by 2040 through execution of its Clean Energy Plan, which calls for replacing its coal-fueled generation predominantly with investment in renewable energy. New technologies and carbon offset measures including, but not limited to, carbon sequestration, methane emission capture, forest preservation, and reforestation may be used to close the gap to achieving net-zero carbon emissions.

In accordance with its Clean Energy Plan, Consumers retired the D.E. Karn coal-fueled generating units in June 2023 and plans to retire the J.H. Campbell coal-fueled generating units in 2025. In order to continue providing controllable sources of electricity to customers while expanding its investment in renewable energy, Consumers purchased the Covert Generating Station, a natural gas-fueled generating facility, in May 2023. For further information on Consumers' progress towards its net-zero carbon emissions goal, see Item 7. Management's Discussion and Analysis of Financial Condition and Results of Operations—Executive Overview.

Presented in the following table are details about Consumers' 2023 electric generation and supply mix:

Name and Location (Michigan)	Number of Units and Year Entered Service	2023 Generation Capacity (MW) [1]	2023 Electric Supply (GWh)
Coal steam generation			
J.H. Campbell 1 & 2 – West Olive[2]	2 Units, 1962-1967	617	2,025
J.H. Campbell 3 – West Olive[2,3]	1 Unit, 1980	784	4,260
D.E. Karn 1 & 2 – Essexville[4]	2 Units, 1959-1961	—	599
		1,401	6,884
Oil/Gas steam generation			
D.E. Karn 3 & 4 – Essexville	2 Units, 1975-1977	1,200	14
Hydroelectric			
Ludington – Ludington	6 Units, 1973	1,115 [5]	(349) [6]
Conventional hydro generation	35 Units, 1906-1949	77	376
		1,192	27
Gas combined cycle			
Covert Generating Station – Covert[7]	3 Units, 2004	1,088	4,654
Jackson – Jackson	1 Unit, 2002	538	1,937
Zeeland – Zeeland	3 Units, 2002	532	3,418
		2,158	10,009
Gas combustion turbines			
Zeeland (simple cycle) – Zeeland	2 Units, 2001	318	1,200
Wind generation			
Crescent Wind Farm – Hillsdale County	2021	150	356
Cross Winds® Energy Park – Tuscola County	2014-2019	231	669
Gratiot Farms Wind Project – Gratiot County	2020	150	342
Heartland Farms Wind Project – Gratiot County	2023	—	1
Lake Winds® Energy Park – Mason County	2012	101	242
		632	1,610
Solar generation			
Solar Gardens – Allendale, Cadillac, and Kalamazoo	2016-2021	5	7
Total owned generation		6,906	19,751
Purchased power[8]			
Coal generation – T.E.S. Filer City		60	318
Gas generation – MCV Facility[9]		1,240	6,029
Other gas generation		152	1,215
Wind generation		385	970
Solar generation		307	554
Other renewable generation		210	1,061
		2,354	10,147
Net interchange power[10]		—	4,532
Total purchased and interchange power		2,354	14,679
Total supply		9,260	34,430
Less distribution and transmission loss			1,699
Total net bundled sales			32,731

[1] With the exception of wind and solar generation, the amount represents generation capacity during the summer months (planning year 2023 capacity as reported to MISO and limited by interconnection service limits). For wind and solar generation, the amount represents installed capacity during the summer months, except for Heartland Farms Wind Project, which began operation in December 2023.

[2] Consumers plans to retire these generating units in 2025.

[3] Represents Consumers' share of the capacity of the J.H. Campbell 3 unit, net of the 6.69-percent ownership interest of the Michigan Public Power Agency and Wolverine Power Supply Cooperative, Inc, each a non-affiliated company.

[4] Consumers retired these generating units in June 2023.

[5] Represents Consumers' 51-percent share of the capacity of Ludington. DTE Electric holds the remaining 49-percent ownership interest.

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

[7] Consumers completed the purchase of this facility in May 2023.

[8] Represents purchases under long-term PPAs.

[9] For information about Consumers' long-term PPA related to the MCV Facility, see Item 8. Financial Statements and Supplementary Data—Notes to the Consolidated Financial Statements—Note 3, Contingencies and Commitments—Contractual Commitments.

[10] Represents purchases from the MISO energy market.

Presented in the following table are the sources of Consumers' electric supply for the last three years:

			GWh
Years Ended December 31	2023	2022	2021
Owned generation			
Gas	11,221	6,684	5,555
Coal	6,884	10,217	10,861
Renewable energy	1,993	2,217	1,974
Oil	2	4	7
Net pumped storage[1]	(349)	(370)	(321)
Total owned generation	19,751	18,752	18,076
Purchased power[2]			
Gas generation	7,244	7,182	5,862
Renewable energy generation	2,585	2,441	2,408
Coal generation	318	500	494
Nuclear generation[3]	—	2,692	6,901
Net interchange power[4]	4,532	3,943	645
Total purchased and interchange power	14,679	16,758	16,310
Total supply	34,430	35,510	34,386

1 Represents Consumers' share of net pumped-storage generation. During 2023, the pumped-storage facility consumed 1,269 GWh of electricity to pump water during off-peak hours for storage in order to generate 920 GWh of electricity later during peak-demand hours.

2 Represents purchases under long-term PPAs.

3 Represents purchases from a nuclear generating facility that closed in May 2022.

4 Represents purchases from the MISO energy market.

During 2023, Consumers acquired 43 percent of the electricity it provided to customers through long-term PPAs and the MISO energy market. Consumers offers its generation into the MISO energy market on a day-ahead and real-time basis and bids for power in the market to serve the demand of its customers. Consumers is a net purchaser of power and supplements its generation capability with purchases from the MISO energy market.

At December 31, 2023, Consumers had future commitments to purchase capacity and energy under long-term PPAs with various generating plants. These contracts require monthly capacity payments based on the plants' availability or deliverability. The payments for 2024 through 2048 are estimated to total $7.2 billion and, for each of the next five years, range from $0.7 billion to $0.8 billion annually. These amounts may vary depending on plant availability and fuel costs. For further information about Consumers' future capacity and energy purchase obligations, see Item 7. Management's Discussion and Analysis of Financial Condition and Results of Operations—Capital Resources and Liquidity—Other Material Cash Requirements and Item 8. Financial Statements and Supplementary Data—Notes to the Consolidated Financial Statements—Note 3, Contingencies and Commitments—Contractual Commitments.

During 2023, 33 percent of the energy Consumers provided to customers was generated by its natural gas-fueled generating units, which burned 83 bcf of natural gas and produced a combined total of 11,221 GWh of electricity.

In order to obtain the gas it needs for electric generation fuel, Consumers' electric utility purchases gas from the market near the time of consumption, at prices that allow it to compete in the electric wholesale market. For the Covert Generating Station and Jackson and Zeeland plants, Consumers utilizes an agent that owns firm transportation rights to each plant to purchase gas from the market and transport the gas to the facilities. For units 3 & 4 of D.E. Karn, Consumers holds gas transportation contracts to transport to the plant gas that Consumers or an agent purchase from the market.

During 2023, 20 percent of the energy Consumers provided to customers was generated by its coal-fueled generating units, which burned four million tons of coal and produced a combined total of 6,884 GWh of electricity. In order to obtain the coal it needs, Consumers enters into physical coal supply contracts.

At December 31, 2023, Consumers had future commitments to purchase coal during 2024 and 2025; payment obligations under these contracts totaled $56 million. Most of Consumers' rail-supplied coal contracts have fixed prices, although some contain market-based pricing. At December 31, 2023, Consumers had 77 percent of its 2024 expected coal requirements under contract, as well as a 67-day supply of coal on hand.

In conjunction with its coal supply contracts, Consumers leases a fleet of railcars and has transportation contracts with various companies to provide rail services for delivery of purchased coal to Consumers' generating facilities. Consumers' coal transportation contracts are future commitments and expire on various dates through 2025; payment obligations under these contracts totaled $213 million at December 31, 2023.

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

Michigan law allows electric customers in Consumers' service territory to buy electric generation service from alternative electric suppliers in an aggregate amount capped at ten percent of Consumers' sales, with certain exceptions. At December 31, 2023, electric deliveries under the ROA program were at the ten-percent limit. Fewer than 300 of Consumers' electric customers purchased electric generation service under the ROA program. For additional information, see Item 7. Management's Discussion and Analysis of Financial Condition and Results of Operations—Outlook—Consumers Electric Utility Outlook and Uncertainties.

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

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

Consumers Gas Utility

Gas Utility Operations: Consumers' gas utility operations, which include the purchase, transmission, storage, distribution, and sale of natural gas, generated operating revenue of $2.4 billion in 2023, $2.7 billion in 2022, and $2.1 billion in 2021. Consumers' gas utility customer base consists of a mix of primarily residential, commercial, and diversified industrial customers in Michigan's Lower Peninsula.

Presented in the following illustration is Consumers' 2023 gas utility operating revenue of $2.4 billion by customer class:

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

In 2023, deliveries of natural gas through Consumers' pipeline and distribution network, including off-system transportation deliveries, totaled 375 bcf, which included GCC deliveries of 31 bcf. In 2022, deliveries of natural gas through Consumers' pipeline and distribution network, including off-system transportation deliveries, totaled 391 bcf, which included GCC deliveries of 34 bcf. Consumers' gas utility operations are seasonal. The consumption of natural gas increases in the winter, due primarily to colder temperatures and the resulting use of natural gas as heating fuel. Consumers injects natural gas into storage during the summer months for use during the winter months. During 2023, 45 percent of the natural gas supplied to all customers during the winter months was supplied from storage.

Presented in the following illustration are Consumers' monthly weather-normalized natural gas deliveries (deliveries adjusted to reflect normal weather conditions) to its customers, including GCC deliveries, during 2023 and 2022:

1436

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

- 2,371 miles of transmission lines
- 15 gas storage fields with a total storage capacity of 309 bcf and a working gas volume of 154 bcf
- 28,277 miles of distribution mains
- eight compressor stations with a total of 157,893 installed and available horsepower

Under its Methane Reduction Plan, Consumers has set a goal of net-zero methane emissions from its natural gas delivery system by 2030. Consumers plans to reduce methane emissions from its system by about 80 percent, from 2012 baseline levels, by accelerating the replacement of aging pipe, rehabilitating or retiring outdated infrastructure, and adopting new technologies and practices. The remaining emissions will likely be offset by purchasing and/or producing renewable natural gas. For further information on Consumers' progress towards its net-zero methane emissions goal, see Item 7. Management's Discussion and Analysis of Financial Condition and Results of Operations—Executive Overview.

Gas Utility Supply: In 2023, Consumers purchased 85 percent of the gas it delivered from U.S. suppliers. The remaining 15 percent was purchased from authorized GCC suppliers and delivered by Consumers to customers in the GCC program. Presented in the following illustration are the supply arrangements for the gas Consumers delivered to GCC and GCR customers during 2023:

2180

Firm city-gate and firm gas transportation contracts are those that define a fixed amount, price, and delivery time frame. Consumers' firm gas transportation contracts are with Panhandle Eastern Pipe Line Company and Trunkline Gas Company, LLC, each a non-affiliated company. Under these contracts, Consumers purchases and transports gas to Michigan for ultimate delivery to its customers. Consumers' firm gas transportation contracts expire on various dates through 2028 with planned contract volumes providing 34 percent of Consumers' total forecasted gas supply requirements for 2024. Consumers purchases the balance of its required gas supply under firm city-gate contracts and through authorized suppliers under the GCC program.

Gas Utility Competition: Competition exists in various aspects of Consumers' gas utility business. Competition comes from GCC and transportation programs; system bypass opportunities for new and existing customers; and from alternative fuels and energy sources, such as propane, oil, and electricity.

NorthStar Clean Energy—Non-utility Operations and Investments

NorthStar Clean Energy, through various subsidiaries and certain equity investments, is engaged in domestic independent power production, including the development and operation of renewable generation, and the marketing of independent power production. NorthStar Clean Energy's operating revenue was $297 million in 2023, $445 million in 2022, and $308 million in 2021.

Independent Power Production: Presented in the following table is information about the independent power plants in which CMS Energy had an ownership interest at December 31, 2023:

Location	Ownership Interest (%)	Primary Fuel Type	Gross Capacity [1] (MW)	2023 Net Generation (GWh)
Dearborn, Michigan	100	Natural gas	770	5,178
Jackson County, Arkansas[2]	100	Solar	180	62
Gaylord, Michigan	100	Natural gas	134	10
Paulding County, Ohio	100	Wind	100	279
Comstock, Michigan	100	Natural gas	76	189
Delta Township, Michigan	100	Solar	24	39
Phillips, Wisconsin	100	Solar	3	4
Paulding County, Ohio	100	Solar and storage	3	1
Coke County, Texas	51	Wind	525	1,824
Filer City, Michigan	50	Coal	73	318
New Bern, North Carolina	50	Wood waste	50	310
Flint, Michigan	50	Wood waste	40	113
Grayling, Michigan	50	Wood waste	38	134
Total			2,016	8,461

1 Represents the intended full-load sustained output of each plant. The amount of capacity relating to CMS Energy's ownership interest was 1,658 MW and net generation relating to CMS Energy's ownership interest was 7,130 GWh at December 31, 2023.

2 This project began operations in October 2023.

The operating revenue from independent power production was $64 million in 2023, $58 million in 2022, and $48 million in 2021.

Energy Resource Management: CMS ERM purchases and sells energy commodities in support of CMS Energy's generating facilities with a focus on optimizing CMS Energy's independent power production portfolio. In 2023, CMS ERM marketed two bcf of natural gas and 6,828 GWh of electricity. Electricity marketed by CMS ERM was generated by independent power production of NorthStar Clean Energy and by unrelated third parties. CMS ERM's operating revenue was $233 million in 2023, $387 million in 2022, and $260 million in 2021.

NorthStar Clean Energy Competition: NorthStar Clean Energy competes with other independent power producers. The needs of this market are driven by electric demand and the generation available.

CMS Energy and Consumers Regulation

CMS Energy, Consumers, and their subsidiaries are subject to regulation by various federal, state, and local governmental agencies, including those described in the following sections. If CMS Energy, Consumers, or their subsidiaries failed to comply with applicable laws and regulations, they could become subject to fines, penalties, or disallowed costs, or be required to implement additional compliance, cleanup, or remediation programs, the cost of which could be material. For more information on the potential impacts of government regulation affecting CMS Energy, Consumers, and their subsidiaries, see Item 1A. Risk Factors, Item 7. Management's Discussion and Analysis of Financial Condition and Results of Operations—Outlook, and Item 8. Financial Statements and Supplementary Data—Notes to the Consolidated Financial Statements—Note 2, Regulatory Matters.

FERC and NERC

CMS Energy and its affiliates and subsidiaries are subject to regulation by FERC in a number of areas. FERC regulates certain aspects of Consumers' electric business, including, but not limited to, compliance with FERC accounting rules, wholesale electric and transmission rates, operation of licensed hydroelectric generating plants, corporate mergers and the sale and purchase of certain assets, issuance of securities, and conduct among affiliates. FERC also regulates the tariff rules and procedures administered by MISO and other independent system operators/regional transmission organizations, including wholesale electric markets and interconnection of new generating facilities to the transmission system. FERC, in connection with NERC and with regional reliability organizations, also regulates generation and transmission owners and operators, load-serving entities, and others with regard to reliability of the bulk power system.

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

FERC also regulates holding company matters, interlocking directorates, and other issues affecting CMS Energy. In addition, similar to FERC's regulation of Consumers' electric and gas businesses, FERC has jurisdiction over several independent power plants, PURPA-qualifying facilities, and exempt wholesale generators in which NorthStar Clean Energy has ownership interests, as well as over NorthStar Clean Energy itself, CMS ERM, CMS Gas Transmission, and DIG.

MPSC

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

The Michigan Attorney General, ABATE, the MPSC Staff, residential customer advocacy groups, environmental organizations, and certain other parties typically participate in MPSC proceedings concerning Consumers. These parties often challenge various aspects of those proceedings, including the prudence of Consumers' policies and practices, and seek cost disallowances and other relief. The parties also have appealed significant MPSC orders.

Rate Proceedings: For information regarding open rate proceedings, see Item 7. Management's Discussion and Analysis of Financial Condition and Results of Operations—Outlook and Item 8. Financial Statements and Supplementary Data—Notes to the Consolidated Financial Statements—Note 2, Regulatory Matters.

Other Regulation

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

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

The Transportation Security Administration, an agency of the U.S. Department of Homeland Security, regulates certain activities related to the safety and security of natural gas pipelines.

Energy Legislation

In November 2023, Michigan enacted the 2023 Energy Law, which among other things:

- raises the renewable energy standard from the present 15-percent requirement to 50 percent by 2030 and 60 percent by 2035; renewable energy generated anywhere within MISO may be applied to meeting this standard, with certain limitations
- sets a clean energy standard of 80 percent by 2035 and 100 percent by 2040; low- or zero-carbon emitting resources, such as nuclear generation and natural gas generation coupled with carbon capture, are considered clean energy sources under this standard
- authorizes the MPSC to grant extensions of the clean energy or renewable energy standards deadlines if compliance is not practically feasible, would be excessively costly to customers, or would cause reliability issues
- increases the energy waste reduction requirement for electric utilities to achieve annual reductions in customers' electricity use from the present one-percent reduction requirement to 1.5 percent beginning in 2026; beyond this requirement, the law sets a goal of a two-percent reduction and requires that such goal be incorporated into in an electric utility's integrated resource plan modeling scenarios
- increases the energy waste reduction requirement for gas utilities to achieve annual reductions in customers' gas use from the present 0.75-percent reduction requirement to 0.875 percent beginning in 2026
- enhances existing incentives for energy efficiency programs and returns earned on competitively bid PPAs
- creates a new energy storage standard that requires electric utilities to file plans by 2029 to obtain new energy storage that will contribute to a Michigan target of 2,500 MW based on their pro rata share
- expands the statutory cap on distributed generation resources to ten percent
- expands the MPSC's scope of considerations in integrated resource plans to include affordability, greenhouse gas emissions, environmental justice considerations, the effects on human health, and other environmental concerns
- provides the MPSC siting authority over large renewable energy projects

Consumers is required to file updates to its amended renewable energy plan before or in 2025 and its Clean Energy Plan before or in 2027. Together, these updated plans will outline a path to meeting the requirements of the 2023 Energy Law by focusing on increasing the generation of renewable energy, deploying energy storage, helping customers use less energy, and offering demand response programs to reduce demand during critical peak times.

CMS Energy and Consumers Environmental Strategy and Compliance

CMS Energy and Consumers are committed to protecting the environment; this commitment extends beyond compliance with applicable laws and regulations. Consumers' Clean Energy Plan details its strategy to meet customers' long-term energy needs and provides the foundation for its goal to achieve net-zero carbon emissions from its electric business by 2040. This goal includes not only emissions from owned generation, but also emissions from the generation of power purchased through long-term PPAs and from the MISO energy market.

Consumers expects to meet 90 percent of its customers' needs with clean energy sources by 2040 through execution of its Clean Energy Plan, which calls for replacing its coal-fueled generation predominantly with investment in renewable energy. New technologies and carbon offset measures including, but not limited to, carbon sequestration, methane emission capture, forest preservation, and reforestation may be used to close the gap to achieving net-zero carbon emissions.

Under its Clean Energy Plan, Consumers will eliminate the use of coal-fueled generation in 2025 and currently forecasts renewable energy capacity levels of over 60 percent in 2040. For additional information on Consumers' Clean Energy Plan, see Item 7. Management's Discussion and Analysis of Financial Condition and Results of Operations—Outlook—Consumers Electric Utility Outlook and Uncertainties.

In addition to Consumers' efforts to reduce the electric utility's carbon footprint, it is also making efforts to reduce the gas utility's methane footprint. Under its Methane Reduction Plan, Consumers has set a goal of net-zero methane emissions from its natural gas delivery system by 2030. Consumers plans to reduce methane emissions from its system by about 80 percent, from 2012 baseline levels, by accelerating the replacement of aging pipe, rehabilitating or retiring outdated infrastructure, and adopting new technologies and practices. The remaining emissions will likely be offset by purchasing and/or producing renewable natural gas. For additional information on Consumers' Methane Reduction Plan, see Item 7. Management's Discussion and Analysis of Financial Condition and Results of Operations—Outlook—Consumers Gas Utility Outlook and Uncertainties—Gas Environmental Outlook.

Encompassing both its electric and gas businesses, Consumers has set a net-zero greenhouse gas emissions target by 2050. This goal incorporates greenhouse gas emissions from Consumers' natural gas delivery system, including suppliers and customers, and has an interim goal of reducing customer emissions by 20 percent by 2030. Consumers expects to meet this goal through carbon offset measures, renewable natural gas, energy efficiency and demand response programs, and the adoption of cost-effective emerging technologies once proven and commercially available.

CMS Energy's and Consumers' commitment to protecting the environment extends to advancing the principles of environmental justice in current and future operations. These principles center on protecting communities impacted by the companies' operations, especially those communities that are most vulnerable and may have suffered disparate impacts of environmental harm.

Advancing environmental justice comes in a variety of forms. For example, Consumers has conducted an environmental justice analysis to help understand the environmental impacts of its clean energy transformation. Similarly, Consumers is using an environmental justice screening tool provided by the State of Michigan in the planning of improvements to the electric distribution system, including prioritizing investments in more vulnerable communities.

A core tenet of environmental justice is inviting the input of the stakeholders in the local communities where CMS Energy and Consumers operate and invest. The companies are committed to maintaining a transparent dialogue when developing projects, whether in new or existing areas of operation.

CMS Energy, Consumers, and their subsidiaries are subject to various federal, state, and local environmental regulations for solid waste management, air and water quality, and other matters. Consumers expects to recover costs to comply with environmental regulations in customer rates but cannot guarantee this result. For additional information concerning environmental matters, see Item 1A. Risk Factors, Item 7. Management's Discussion and Analysis of Financial Condition and Results of Operations—Outlook, and Item 8. Financial Statements and Supplementary Data—Notes to the Consolidated Financial Statements—Note 3, Contingencies and Commitments.

CMS Energy has recorded a $45 million liability for its subsidiaries' obligations associated with Bay Harbor and Consumers has recorded a $62 million liability for its obligations at a number of former MGP sites. For additional information, see Item 1A. Risk Factors and Item 8. Financial Statements and Supplementary Data—Notes to the Consolidated Financial Statements—Note 3, Contingencies and Commitments.

Costs related to the construction, operation, corrective action, and closure of solid waste disposal facilities for coal ash are significant. Consumers' coal ash disposal areas are regulated under Michigan's solid waste rules and by the EPA's rules regulating CCRs. To address some of the requirements of these rules, Consumers has converted all of its fly ash handling systems to dry systems. In addition, Consumers' ash facilities have programs designed to protect the environment and are subject to quarterly EGLE inspections. Consumers' estimate of capital and cost of removal expenditures to comply with regulations relating to ash disposal is $238 million from 2024 through 2028. Consumers' future costs to comply with solid waste disposal regulations may vary depending on future legislation, litigation, executive orders, treaties, or rulemaking.

For further information concerning estimated capital expenditures related to environmental matters, see Item 7. Management's Discussion and Analysis of Financial Condition and Results of Operations—Outlook—Consumers Electric Utility Outlook and Uncertainties—Electric Environmental Outlook.

Insurance

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

Human Capital

CMS Energy and Consumers employ a highly trained and skilled workforce comprised of union and non-union employees. Presented in the following table are the number of employees of CMS Energy and Consumers:

December 31	2023	2022	2021
CMS Energy, including Consumers			
Full-time and part-time employees	8,356	9,073	9,122
Consumers			
Full-time and part-time employees	8,144	8,879	8,927

At December 31, 2023, unions represented 44 percent of CMS Energy's employees and 45 percent of Consumers' employees. The UWUA represents Consumers' operating, maintenance, construction, and customer contact center employees. The USW represents Zeeland plant employees. The UWUA and USW agreements expire in 2025.

The safety of employees, customers, and the general public is a priority of CMS Energy and Consumers. Accordingly, CMS Energy and Consumers have worked to integrate a set of safety principles into their business operations and culture. These principles include complying with applicable safety, health, and security regulations and implementing programs and processes aimed at continually improving safety and security conditions. On an annual basis, CMS Energy and Consumers set various safety goals tied to the OSHA recordable incident rate and high-risk injuries. The companies' OSHA recordable incident rate was 1.48 in 2023 and 1.17 in 2022. The target recordable incident rate for 2024 is 0.96, which, if achieved, would place Consumers within the first quartile of its EEI peer group. Over the last ten years, Consumers' OSHA recordable incident rate has decreased by 20 percent. High-risk injuries encompass all recordable and non-recordable incidents with the potential for serious injury or fatality. In 2023, the companies recorded ten high-risk injuries, achieving their goal of less than 20 high-risk injuries.

Within the utility industry, there is strong competition for rare, high-demand talent, including those related to renewable energy generation, technology, and data analytics. In order to address this competition and to be able to meet their human capital needs, CMS Energy and Consumers provide compensation and benefits that are competitive with industry peers. Furthermore, CMS Energy and Consumers have developed a comprehensive talent strategy, the People Strategy, to attract, develop, and retain highly skilled employees. The strategy focuses on three areas, which are summarized below. The first two areas listed below focus on creating an environment that attracts and retains top talent and ensuring that all co-workers can thrive and contribute to the companies' mission and purpose.

- **Cultivating a Purpose-driven Culture:** This goal aims to ensure all co-workers understand how their work contributes to CMS Energy's and Consumers' key strategic goals.

- **Creating a Breakthrough Employee Experience:** A breakthrough employee experience is one that instills pride and ownership in one's work. To measure progress toward a breakthrough employee experience, CMS Energy and Consumers assess engagement, empowerment, and diversity, equity, and inclusion efforts using the companies' culture index. For the year ended December 31, 2023, the companies attained a score of 61 percent positive sentiment for engagement, 48 percent positive sentiment for empowerment, and 65 percent positive sentiment for diversity, equity, and inclusion. CMS Energy and Consumers aim to enhance these scores by two percentage points year over year.

- **Building Skill Sets at Scale:** With an overarching goal of ensuring employees have the right skills to succeed, CMS Energy and Consumers measure progress in this area through achievement of workforce planning and hiring milestones and through a first-time skill attainment index to evaluate the effectiveness of training. CMS Energy and Consumers develop skill sets in co-workers through a variety of means, including union apprenticeship programs and yearly trainings for newly required skills. In 2023, CMS Energy and Consumers launched two new leadership development programs for mid-level and front-line leaders.

This talent strategy allows CMS Energy and Consumers to shape employees' experience and enable leaders to coach and develop co-workers, source talent, and anticipate and adjust to changing skill sets in the business environment.

Diversity, Equity, and Inclusion

As a part of their People Strategy, CMS Energy and Consumers also employ a comprehensive diversity, equity, and inclusion strategy designed to embed diversity, equity, and inclusion into all aspects of their business. This is done through embedding standards for diversity, equity, and inclusion into all company processes and ensuring these standards are incorporated into all employee experiences. To measure their success, CMS Energy and Consumers utilize select questions in the annual engagement survey to create a diversity, equity, and inclusion index. For the year ended December 31, 2023, the diversity, equity, and inclusion index score was 65 percent.

CMS Energy and Consumers are committed to building an inclusive workplace that embraces the diverse makeup of the communities that they serve. The following table presents the composition of CMS Energy's and Consumers' workforce:

December 31, 2023	CMS Energy, including Consumers		Consumers	
Percent female employees	26	%	26	%
Percent racially or ethnically diverse employees	13		13	
Percent employees with disabilities	4		5	
Percent veteran employees	11		11	

Co-workers are also empowered to engage in business employee resource groups and events that encourage candid conversations around diversity, equity, and inclusion. There are seven business employee resource groups available to all co-workers; these groups are:

- Women in Energy, working toward an inclusive place for all women in the fields they have chosen, from front line to management
- the Minority Advisory Panel, promoting a culture of diversity and inclusion among all racial and ethnic minorities through education, leadership, development, and networking
- the Veteran’s Advisory Panel, supporting former and active military personnel and assisting in recruiting and retaining veterans through career development
- GEN-ERGY, a multigenerational group designed to bridge the gap of learning, networking, and mentoring across the generations of the workforce
- the Pride Alliance of Consumers Energy, promoting an inclusive environment that is safe, supportive, and respectful for lesbian, gay, bi-sexual, and transgender persons and allies
- capABLE, aimed at removing barriers and creating pathways to meaningful work for employees of all abilities
- Interfaith, a space for co-workers of all backgrounds to gather and celebrate their unique beliefs, creating an environment of understanding and respect for all faiths, religions, and spiritual beliefs, including those with no faith affiliation

Information About CMS Energy’s and Consumers’ Executive Officers

Presented in the following table are the company positions held during the last five years for each of CMS Energy’s and Consumers’ executive officers as of February 8, 2024:

Name, Age, Position(s)	Period
Garrick J. Rochow (age 49)	
CMS Energy	
President, CEO, and Director	12/2020 – Present
Executive Vice President	1/2020 – 12/2020
Senior Vice President	7/2016 – 1/2020
Consumers	
President, CEO, and Director	12/2020 – Present
Executive Vice President	1/2020 – 12/2020
Senior Vice President	7/2016 – 1/2020
NorthStar Clean Energy	
Chairman of the Board, CEO, and Director	12/2020 – Present
Rejji P. Hayes (age 49)	
CMS Energy	
Executive Vice President and CFO	5/2017 – Present
Consumers	
Executive Vice President and CFO	5/2017 – Present
NorthStar Clean Energy	
Executive Vice President, CFO, and Director	5/2017 – Present
EnerBank	
Chairman of the Board and Director	10/2018 – 10/2021
Tonya L. Berry (age 51)	
CMS Energy	
Senior Vice President	2/2022 – Present
Consumers	
Senior Vice President	2/2022 – Present
Vice President	11/2018 – 2/2022
Catherine A. Hendrian (age 55)	
CMS Energy	
Senior Vice President	4/2017 – Present
Consumers	
Senior Vice President	4/2017 – Present

Name, Age, Position(s)	Period
Brandon J. Hofmeister (age 47)	
CMS Energy	
Senior Vice President	7/2017 – Present
Consumers	
Senior Vice President	7/2017 – Present
NorthStar Clean Energy	
Senior Vice President	9/2017 – Present
Shaun M. Johnson (age 45)	
CMS Energy	
Senior Vice President and General Counsel	5/2019 – Present
Vice President and Deputy General Counsel	4/2016 – 5/2019
Consumers	
Senior Vice President and General Counsel	5/2019 – Present
Vice President and Deputy General Counsel	4/2016 – 5/2019
NorthStar Clean Energy	
Senior Vice President, General Counsel, and Director	4/2019 – Present
Vice President and General Counsel	10/2018 – 4/2019
EnerBank	
Senior Vice President and General Counsel	8/2018 – 6/2020
Venkat Dhenuvakonda Rao (age 53)	
CMS Energy	
Senior Vice President	9/2016 – Present
Consumers	
Senior Vice President	9/2016 – Present
NorthStar Clean Energy	
Director	11/2017 – Present
Senior Vice President	9/2016 – Present
Brian F. Rich (age 49)	
CMS Energy	
Senior Vice President and Chief Customer Officer	8/2019 – Present
Senior Vice President and Chief Information Officer	7/2016 – 8/2019
Consumers	
Senior Vice President and Chief Customer Officer	8/2019 – Present
Senior Vice President and Chief Information Officer	7/2016 – 8/2019
LeeRoy Wells, Jr. (age 45)	
CMS Energy	
Senior Vice President	12/2020 – Present
Consumers	
Senior Vice President	12/2020 – Present
Vice President	8/2017 – 12/2020

Name, Age, Position(s)	Period
Scott B. McIntosh (age 48)	
CMS Energy	
Vice President, Controller, and CAO	9/2021 – Present
Vice President and Controller	6/2021 – 9/2021
Vice President	9/2015 – 6/2021
Consumers	
Vice President, Controller, and CAO	9/2021 – Present
Vice President and Controller	6/2021 – 9/2021
Vice President	9/2015 – 6/2021
NorthStar Clean Energy	
Vice President, Controller, and CAO	9/2021 – Present
Vice President and Controller	6/2021 – 9/2021
Vice President	9/2015 – 6/2021

There are no family relationships among executive officers and directors of CMS Energy or Consumers. The list of directors and their biographies will be included in CMS Energy's and Consumers' definitive proxy statement for their 2024 Annual Meetings of Shareholders to be held May 3, 2024. The term of office of each of the executive officers extends to the first meeting of the Board after the next annual election of Directors of CMS Energy and Consumers (to be held on May 3, 2024).

Available Information

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

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

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

The SEC maintains an internet site that contains reports, proxy and information statements, and other information regarding issuers that file electronically with the SEC. The address is www.sec.gov.

Item 1A. Risk Factors

CMS Energy and Consumers are exposed to a variety of factors, often beyond their control, that are difficult to predict and that involve uncertainties that may materially adversely affect CMS Energy's or Consumers' business, liquidity, financial condition, or results of operations. Additional risks and uncertainties not presently known or that management believes to be immaterial may also adversely affect CMS Energy or Consumers. The risk factors described in the following sections, as well as the other information included in this report and in other documents filed with the SEC, should be considered carefully before making an investment in securities of CMS Energy or Consumers. Risk factors of Consumers are also risk factors of CMS Energy.

Investment/Financial Risks

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

Due to its holding company structure, CMS Energy depends on dividends from its subsidiaries to meet its debt service and other payment obligations. If sufficient dividends were not paid to CMS Energy by its subsidiaries, CMS Energy might not be able to generate the funds necessary to fulfill its payment obligations.

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

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

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

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

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

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

CMS Energy and Consumers rely on the capital markets, as well as on bank syndications, to meet their financial commitments and short-term liquidity needs not otherwise funded internally.

Disruptions in the capital and credit markets, or the inability to obtain required regulatory authorization for issuances of securities including debt, could adversely affect CMS Energy's and Consumers' access to liquidity needed for their businesses. Any liquidity disruption could require CMS Energy and Consumers to take measures to conserve cash including, but not limited to, deferring capital expenditures, changing commodity purchasing strategies to avoid collateral-posting requirements, and reducing or eliminating future share repurchases, dividend payments, or other discretionary uses of cash.

Entering into new financings is subject in part to capital market receptivity to utility industry securities in general and to CMS Energy's and Consumers' securities in particular. CMS Energy and Consumers continue to explore financing opportunities to supplement their respective financial strategies. These potential opportunities include refinancing and/or issuing new debt, issuing CMS Energy preferred stock and/or common equity, or entering into commercial paper, bank financing, and leasing arrangements. CMS Energy and Consumers cannot guarantee the capital markets' acceptance of their securities. CMS Energy and Consumers may also, from time to time, repurchase (either in open market transactions or through privately negotiated transactions), redeem, or otherwise retire outstanding debt. Such activities, if any, will depend on prevailing market conditions, contractual restrictions, and other factors. The amounts involved may or may not be material.

Certain of CMS Energy's and Consumers' securities and those of their affiliates are rated by various credit rating agencies. A reduction or withdrawal of one or more of its credit ratings could have a material adverse impact on CMS Energy's or Consumers' ability to access capital on acceptable terms and maintain commodity lines of credit, could increase their cost of borrowing, and could cause CMS Energy or Consumers to reduce capital expenditures. If either or both were unable to maintain commodity lines of credit, CMS Energy or Consumers might have to post collateral or make prepayments to certain suppliers under existing contracts. Further, since Consumers provides dividends to CMS Energy, any adverse developments affecting Consumers that result in a lowering of its credit ratings could have an adverse effect on CMS Energy's credit ratings.

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

The performance of various markets affects the value of assets that are held in trust to satisfy future obligations under CMS Energy's and Consumers' pension and postretirement benefit plans. CMS Energy and Consumers have significant obligations under these plans and hold significant assets in these trusts. These assets are subject to market fluctuations and will yield uncertain returns, which could fall below CMS Energy's and Consumers' forecasted return rates. A decline in the market value of the assets or a change in the level of interest rates used to measure the required minimum funding levels could significantly increase the funding requirements of these obligations. Also, changes in demographics, including an increased number of retirements or changes in life expectancy assumptions, could significantly increase the funding requirements of the obligations related to the pension and postretirement benefit plans.

Industry/Regulatory Risks

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

Michigan law allows electric customers in Consumers' service territory to buy electric generation service from alternative electric suppliers in an aggregate amount capped at ten percent of Consumers' sales, with certain exceptions. The proportion of Consumers' electric deliveries under the ROA program and on the ROA waiting list is over ten percent. Consumers' rates are regulated by the MPSC, while alternative electric suppliers charge market-based rates, putting competitive pressure on Consumers' electric supply. Groups are advocating for an ROA-like community solar system that allows third parties to sell directly to customers and offer them a regulated bill credit. If the ROA limit were increased, this new ROA-like community solar system were allowed, or electric generation service in Michigan were deregulated, it could have a material adverse effect on CMS Energy and Consumers.

Distributed energy resources could have a material adverse effect on CMS Energy's and Consumers' businesses.

Michigan law allows customers to use distributed energy resources for their electric energy needs. These distributed energy resources are connected to Consumers' electric grid. The 2023 Energy Law increases the cap on distributed generation to ten percent of utilities' peak loads. It also specifies an inflow and outflow rate method that must be implemented by the MPSC and provides federal funding for low-income distributed generation. Recent FERC policy allows many customer-owned behind-the-meter and grid-connected distributed energy resources to participate in and receive revenue from wholesale electricity markets. Increased customer use of distributed energy resources could result in a reduction of Consumers' electric sales. Third parties' operations of distributed energy resources could also potentially have a negative impact on the stability of the grid. An increase in customers' use of distributed energy resources, and the rate structure for distributed energy resources customers' use of Consumers' system and Consumers' purchases of their excess generation, could have a material adverse effect on CMS Energy and Consumers.

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

CMS Energy and Consumers are subject to rate regulation. Consumers' electric and gas retail rates are set by the MPSC and cannot be changed without regulatory authorization. If rate regulators fail to provide adequate rate relief, it could have a material adverse effect on Consumers or Consumers' plans for making significant capital investments. Additionally, increasing rates could result in additional regulatory scrutiny, regulatory or legislative actions, and increased competitive or political pressures, all of which could have a material adverse effect on CMS Energy's and Consumers' liquidity, financial condition, and results of operations.

Orders of the MPSC could limit recovery of costs of providing service. These orders could also result in adverse regulatory treatment of other matters. For example, MPSC orders could prevent or curtail Consumers from shutting off non-paying customers or could prevent or limit the implementation of an electric or gas revenue mechanism. Regulators could face competitive or political pressures to avoid or limit rate increases for a number of reasons, including economic downturn in the state, reliability and economic justice concerns, or decreased customer base, among others.

FERC authorizes certain subsidiaries of CMS Energy, including Consumers, to sell wholesale electricity at market-based rates and to provide certain other wholesale electric services at rates and terms subject to FERC approval. Failure of these subsidiaries to maintain this FERC authority could have a material adverse effect on CMS Energy's and Consumers' liquidity, financial condition, and results of operations. Electric transmission and natural gas pipeline rates paid by Consumers and other CMS Energy subsidiaries are also set by FERC, as are the tariff terms governing the participation of Consumers and other CMS Energy subsidiaries in FERC-regulated wholesale electricity markets operated by regional transmission organizations and independent system operators such as MISO and PJM. At least one CMS Energy subsidiary participates in the wholesale electricity markets operated by ERCOT, over which FERC has limited control.

The various risks associated with the MPSC and FERC regulation of CMS Energy's and Consumers' businesses, which include the risk of adverse decisions in any number of rate or regulatory proceedings before either agency, as well as judicial proceedings challenging any agency decisions, could have a material adverse effect on CMS Energy and Consumers. Changes to the tariffs or business practice manuals of certain wholesale market operators such as MISO, PJM, or ERCOT could also have a material adverse effect on CMS Energy and Consumers.

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

CMS Energy and certain of its subsidiaries, including Consumers, are subject to, or affected by, extensive utility regulation and state and federal legislation. If it were determined that CMS Energy or Consumers failed to comply with applicable laws and regulations or with applicable tariff provisions, they could become subject to fines, penalties, or disallowed costs, or be required to implement additional compliance, cleanup, or remediation programs, the cost of which could be material. CMS Energy and Consumers cannot predict the impact of new laws, rules, regulations, principles, or practices by federal or state agencies or wholesale electricity market operators, or challenges or changes to present laws, rules, regulations, principles, or practices and the interpretation of any adoption or change. Furthermore, any state or federal legislation concerning CMS Energy's or Consumers' operations could also have a material adverse effect.

FERC, through NERC and its delegated regional entities, oversees reliability of certain portions of the electric grid. CMS Energy and Consumers cannot predict the impact of FERC orders or actions of NERC and its regional entities on electric system reliability. Additionally, national gas pipeline infrastructure has recently been under scrutiny following disruptions related to extreme weather and cyber incidents. In 2021, the Transportation Security Administration issued two mandatory security directives related to natural gas pipelines that apply to Consumers. Additional regulation in this area could adversely affect Consumers' gas operations.

CMS Energy and Consumers have announced ambitious plans to reduce their impact on climate change and increase the reliability of their electric distribution system. Achieving these plans depends on numerous factors, many of which are outside of their control.

Consumers has announced a long-term strategy for delivering clean, reliable, resilient, and affordable energy, including a plan to end coal use in 2025. The MPSC, FERC, other regulatory authorities, or other third parties may prohibit, delay, or impair some or all of Consumers' planned acquisitions of owned or purchased electric generation capacity. Consumers may be unable to acquire, site, and/or permit some or all of the generation capacity proposed in its plan. Consumers' ability to implement its plan may be affected by environmental regulations, global supply chain disruptions, and changes in the cost, availability, and supply of generation capacity. While CMS Energy and Consumers continue to advocate for advances in technologies required to reduce or eliminate greenhouse gases on a cost-effective basis, such advances are largely outside of CMS Energy's and Consumers' control. Advancements in technology related to items such as battery storage and electric vehicles may not become commercially available or economically feasible as projected. Customer programs such as energy efficiency and demand response may not realize the projected levels of customer participation.

Consumers has also announced its Natural Gas Delivery Plan, a rolling ten-year investment plan to deliver safe, reliable, clean, and affordable natural gas to customers. This plan includes accelerated infrastructure replacements, innovative leak detection technology, and process changes to reduce or eliminate methane emissions. The MPSC, FERC, other regulatory authorities, or other third parties may prohibit, delay, or impair the Natural Gas Delivery Plan and some or all of the associated capital investments. Consumers' ability to implement its plan may be affected by environmental regulations, global supply chain disruptions, and changes in the cost, availability, and supply of natural gas or the ability to deliver natural gas to customers. Advancements in technology related to items such as renewable natural gas may not become commercially available or economically feasible as projected in Consumers' plan.

CMS Energy and Consumers could suffer financial loss, reputational damage, litigation, or other negative repercussions if they are unable to achieve their ambitious plans.

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

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

CMS Energy and its subsidiaries, including Consumers, must comply with the Dodd-Frank Act and its related regulations.

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

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

CMS Energy and Consumers are subject to costly and stringent environmental regulations that may require additional significant capital expenditures for CCR disposal and storage, emission reductions, and PCB remediation. In addition, regulatory action on PFAS at the state and/or federal level could cause CMS Energy and Consumers to further test and remediate some sites if PFAS is present at certain levels. Present and reasonably anticipated state and federal environmental statutes and regulations will continue to have a material effect on CMS Energy and Consumers.

CMS Energy and Consumers have interests in fossil-fuel-fired power plants, other types of power plants, and natural gas systems that emit greenhouse gases. Federal, state, and local environmental laws and rules, as well as international accords and treaties, could require CMS Energy and Consumers to install additional equipment for emission controls, undertake heat-rate improvement projects, purchase carbon emissions allowances, curtail operations, invest in generating capacity with fewer carbon dioxide emissions, or take other significant steps to manage or lower the emission of greenhouse gases. Similarly, Consumers could be restricted from constructing natural gas infrastructure due to potential environmental regulations, which could require more costly alternatives.

The following risks related to climate change, emissions, and environmental regulations could also have a material adverse impact on CMS Energy and Consumers:

- a change in regulators' implementation of policy or litigation originated by third parties against CMS Energy or Consumers due to CMS Energy's or Consumers' greenhouse gas or other emissions or CCR disposal and storage
- impairment of CMS Energy's or Consumers' reputation due to their greenhouse gas or other emissions and public perception of their response to potential environmental regulations, rules, and legislation
- weather that may affect customer demand, company operations, or company infrastructure, including catastrophic weather-related damage and extreme temperatures; natural disasters such as severe storms, floods, and droughts; fires; or smoke
- implementation of state or federal environmental justice requirements

Consumers expects to collect fully from its customers, through the ratemaking process, expenditures incurred to comply with environmental regulations, but cannot guarantee this outcome. If Consumers were unable to recover these expenditures from customers in rates, CMS Energy or Consumers could be required to seek significant additional financing to fund these expenditures.

For additional information regarding compliance with environmental regulations, see Item 1. Business—CMS Energy and Consumers Environmental Strategy and Compliance and Item 7. Management's Discussion and Analysis of Financial Condition and Results of Operations—Outlook.

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

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

- prevent the construction of new facilities
- prevent the continued operation of and sale of energy from existing facilities
- modify the way in which a facility is operated
- prevent the suspension of operations at existing facilities
- prevent the modification of existing facilities
- result in significant additional costs, including fines or penalties

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

Consumers expects to incur additional substantial costs related to the remediation of its former MGP sites and other response activity costs at a number of other former sites, including, but not limited to, sites of retired coal-fueled electric generating units, under NREPA, RCRA, and CERCLA. Consumers believes these costs should be recoverable in rates, but cannot guarantee that outcome.

Business/Operations Risks

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

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

- effective pre-acquisition evaluation of asset values, future operating costs, potential environmental and other liabilities, and other factors beyond Consumers' control
- effective cost and schedule management of new capital projects
- availability of qualified construction personnel, both internal and contracted
- changes in commodity and other prices, applicable tariffs, and/or material and equipment availability
- governmental actions
- operational performance
- changes in environmental, legislative, and regulatory requirements
- regulatory cost recovery
- inflation of labor rates and material and equipment prices
- supply chain disruptions and increased lead times
- barriers to accessing key materials for renewable projects (solar, battery, and other key equipment) created by geopolitical relations

It is possible that adverse events associated with these factors could have a material adverse effect on Consumers.

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

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

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

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

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

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

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

Technology advances, government incentives and subsidies, and regulatory decisions could increase the cost effectiveness of customer-owned methods of producing electricity and managing energy use resulting in reduced load, cross subsidization, and increased costs.

Customers could also reduce their consumption through energy waste reduction programs. Similarly, customers could also reduce their consumption of natural gas through alternative technologies or fuels or through electrification.

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

CMS Energy's and Consumers' utility operations are seasonal. The consumption of electric energy typically increases in the summer months, due primarily to the use of air conditioners and other cooling equipment, while peak demand for natural gas occurs in the winter due to colder temperatures and the resulting use of natural gas as heating fuel. Accordingly, CMS Energy's and Consumers' overall results may fluctuate substantially on a seasonal basis. Mild temperatures during the summer cooling season and winter heating season as well as the impact of extreme weather events on Consumers' system could have a material adverse effect.

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

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

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

CMS Energy's and Consumers' businesses have liability risks.

Consumers' electric and gas delivery systems, power plants, gas infrastructure including storage facilities, wind energy or solar equipment, energy products, vehicle fleets and equipment, or other assets; the independent power plants or other assets and equipment owned in whole or in part by CMS Energy; or CMS Energy or Consumers employees could be involved in incidents, failures, or accidents that result in injury, loss of life, or property loss to customers, employees, or the public. Although CMS Energy and Consumers have insurance coverage for many potential incidents (subject to deductibles, limitations, and self-insurance amounts that could be material), depending upon the nature or severity of any incident, failure, or accident, CMS Energy or Consumers could suffer financial loss, reputational damage, and negative repercussions from regulatory agencies or other public authorities.

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

Natural disasters, severe weather, extreme temperatures, fires, smoke, flooding, wars, terrorist acts, civil unrest, vandalism, theft, cyber incidents, pandemics, and other catastrophic events could result in severe damage to CMS Energy's and Consumers' assets beyond what could be recovered through insurance policies (which are subject to deductibles, limitations, and self-insurance amounts that could be material), could require CMS Energy and Consumers to incur significant upfront costs, and could severely disrupt operations, resulting in loss of service to customers. There is also a risk that regulators could, after the fact, conclude that Consumers' preparedness or response to such an event was inadequate and take adverse actions as a result.

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

CMS Energy and Consumers are exposed to changes in market prices for commodities including, but not limited to, natural gas, coal, electric capacity, electric energy, emission allowances, gasoline, diesel fuel, and RECs. CMS Energy and Consumers manage commodity price risk using established policies and procedures, and they may use various contracts to manage this risk, including swaps, options, futures, and forward contracts. No assurance can be made that these strategies will be successful in managing CMS Energy's and Consumers' risk or that they will not result in net liabilities to CMS Energy or Consumers as a result of future volatility.

A substantial portion of Consumers' operating expenses for its electric generating plants and vehicle fleet consists of the costs of obtaining these commodities. The contracts associated with Consumers' fuel for electric generation and purchased power are executed in conjunction with the PSCR mechanism, which is designed to allow Consumers to recover prudently incurred costs associated with its positions in these commodities. If the MPSC determined that any of these contracts or related contracting policies were imprudent, recovery of these costs could be disallowed.

Natural gas prices in particular have been historically volatile. Consumers routinely enters into contracts for natural gas to mitigate exposure to the risks of demand, market effects of weather, and changes in commodity prices associated with the gas distribution business. These contracts are executed in conjunction with the GCR mechanism, which is designed to allow Consumers to recover prudently incurred costs associated with its natural gas positions. If the MPSC determined that any of these contracts or related contracting policies were imprudent, recovery of these costs could be disallowed.

CMS Energy and Consumers do not always hedge any or all of the exposure of their operations from commodity price volatility. Furthermore, the ability to hedge exposure to commodity price volatility depends on liquid commodity markets. As a result, to the extent the commodity markets are illiquid, CMS Energy and Consumers might not be able to execute their risk management strategies, which could result in larger unhedged positions than preferred at a given time. To the extent that unhedged positions exist, fluctuating commodity prices could have a negative effect on CMS Energy and Consumers. Changes in laws that limit CMS Energy's and Consumers' ability to hedge could also have a negative effect on CMS Energy and Consumers.

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

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

If Consumers were unable to obtain its supply requirements, it could be required to purchase natural gas or coal at higher prices, implement its natural gas curtailment program filed with the MPSC, or purchase replacement power at higher prices.

Unplanned outages or maintenance could be costly for CMS Energy or Consumers.

Unforeseen outages or maintenance of the electric and gas delivery systems, power plants, gas infrastructure including storage facilities and compression stations, wind energy or solar equipment, and energy products owned in whole or in part by CMS Energy or Consumers may be required for many reasons. When unplanned outages occur, CMS Energy and Consumers will not only incur unexpected maintenance expenses, but may also have to make spot market purchases of electric and gas commodities that may exceed CMS Energy's or Consumers' expected cost of generation or gas supply, be forced to curtail services, or retire a given asset if the cost or timing of the maintenance is not reasonable and prudent. Unplanned generator outages could reduce the capacity credit CMS Energy or Consumers receives from MISO and could cause CMS Energy or Consumers to incur additional capacity costs in future years.

General Risk Factors

CMS Energy and Consumers are exposed to counterparty risk.

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

Volatility and disruptions in capital and credit markets could have a negative impact on CMS Energy's and Consumers' lenders, vendors, contractors, suppliers, customers, and other counterparties, causing them to fail to meet their obligations.

CMS Energy and Consumers are exposed to significant reputational risks.

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

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

At December 31, 2023, unions represent 45 percent of Consumers' employees. Consumers' union agreements expire in 2025. If these employees were to engage in a strike, work stoppage, or other slowdown, Consumers could experience a significant disruption in its operations and higher ongoing labor costs.

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

In some areas, competition for skilled employees is high and if CMS Energy and Consumers were unable to match skill sets to future needs, they could encounter operating challenges and increased costs. These challenges could include a lack of resources, loss of knowledge, and delays in skill development. Additionally, higher costs could result from the use of contractors to replace employees, loss of productivity, and safety incidents. Failing to train replacement employees adequately and to transfer internal knowledge and expertise could adversely affect CMS Energy's and Consumers' ability to manage and operate their businesses.

Item 1B. Unresolved Staff Comments

None.

Item 1C. Cybersecurity

Enterprise Risk Management: CMS Energy and Consumers manage security risks, including cybersecurity risks, through a robust enterprise risk management program that includes people, processes, technology, and governance structures. The enterprise risk management program identifies risks that may significantly impact the business and informs the companies' risk-mitigation strategies. The enterprise risk management program is reviewed with the Board at least annually.

Cybersecurity Program: CMS Energy's and Consumers' security function, led by the Executive Director of Security, is an integrated organization accountable for cyber and physical security and is subject to various state, federal, and industry cybersecurity, physical security, and privacy regulations. Their cybersecurity program is responsible for assessing, identifying, and managing risks from cybersecurity threats using industry frameworks, as well as best practices developed by government and industry partners. All employees and contractors are required to complete annual trainings on a variety of security-related topics. Additionally, the companies continuously upgrade technological investments designed to prevent, detect, and respond to attacks. The companies' electric, natural gas, and corporate systems each follow standards, controls, and requirements designed to maintain compliance with applicable regulations and standards, such as MPSC, NERC critical infrastructure protection, and payment card industry regulations. Technology projects and third-party service providers are reviewed for adherence to cybersecurity requirements.

CMS Energy's and Consumers' cybersecurity program focuses on finding and remediating vulnerabilities in their systems. The companies use third-party firms for penetration testing, audits, and assessments, and conduct exercises to practice their response to simulated events. The companies also have a dedicated, proactive function focused fully on monitoring CMS Energy's and Consumers' systems and responding when issues occur. This includes regular information sharing with industry partners, peer utilities, and state and federal partners. The companies' incident response plan outlines the individuals responsible, the methods employed, and the timeline for notifying state and federal governmental agencies. The companies retain a third-party cybersecurity firm to assist with potentially significant incidents and have invested in cybersecurity insurance to offset costs incurred from any such incidents. To manage cybersecurity risks associated with the companies' use of third-party service providers, the companies incorporate security requirements into contracts, when deemed applicable, and pursue third-party security certifications for vendors with a higher risk profile.

CMS Energy and Consumers have experienced no material cybersecurity incidents; however, future cybersecurity incidents could materially affect their business strategy, results of operations, or financial condition. For additional details regarding these and other uncertainties, see Item 1A. Risk Factors.

Management's Role: The Executive Director of Security has 25 years of information technology and security experience. To enhance governance, the Executive Director of Security reports to the Senior Vice President and Chief Customer Officer, who has extensive experience overseeing cybersecurity and has had executive oversight of the security function for nine years at CMS Energy and Consumers. Prior to joining CMS Energy, this officer served as Vice President of Business Technology at Pacific Gas & Electric Company, a non-affiliated company. The Executive Director of Security is responsible for informing the CEO and other members of senior management, as necessary, about cybersecurity incidents, covering prevention, detection, mitigation, and remediation efforts as they are detected by the Executive Director's team. Cyber incidents are managed using the companies' standard process for critical events. In the event of such incidents, the Executive Director of Security communicates and collaborates with the officers of the companies and subject matter experts to address business continuity, contingency, and recovery plans. Senior management will notify the Board, including the Audit Committee, of any significant cybersecurity incidents.

Board Oversight: As part of the Board's risk oversight process, senior management meets with the Board or Audit Committee at least twice annually to provide updates on and discuss cybersecurity. Such updates include a review of the companies' cybersecurity strategy, a scan of the threat landscape, and recent performance. Additionally, cybersecurity risks are included in the Audit Committee's risk oversight functions, which focus on operating and financial activities that could impact the companies' financial and other disclosure reporting. The Audit Committee's oversight involves reviewing and approving policies on risk assessment, controls, and accounting risk exposure. The Audit Committee also reviews internal audit reports regarding cybersecurity processes, and receives updates that focus on CMS Energy's and Consumers' cybersecurity program, mitigation of cybersecurity risks, and assessments by third-party experts. Of note, two members of the Board have extensive industry experience in cybersecurity and are on CMS Energy's and Consumers' Audit Committee.

Item 2. Properties

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

- General—CMS Energy
- General—Consumers
- Business Segments—Consumers Electric Utility—Electric Utility Properties
- Business Segments—Consumers Electric Utility—Electric Utility Generation and Supply Mix
- Business Segments—Consumers Gas Utility—Gas Utility Properties
- Business Segments—NorthStar Clean Energy—Non-utility Operations and Investments—Independent Power Production

Item 3. Legal Proceedings

For information regarding CMS Energy's and Consumers' significant pending administrative and judicial proceedings involving regulatory, operating, transactional, environmental, and other matters, see Item 8. Financial Statements and Supplementary Data—Notes to the Consolidated Financial Statements—Note 2, Regulatory Matters and Note 3, Contingencies and Commitments.

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

Item 4. Mine Safety Disclosures

Not applicable.

Part II

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

CMS Energy

CMS Energy's common stock is traded on the New York Stock Exchange under the symbol CMS. At January 12, 2024, the number of registered holders of CMS Energy's common stock totaled 25,328, based on the number of record holders.

For additional information regarding securities authorized for issuance under equity compensation plans, see Item 8. Financial Statements and Supplementary Data—Notes to the Consolidated Financial Statements—Note 11, Stock-based Compensation and Item 12. Security Ownership of Certain Beneficial Owners and Management and Related Stockholder Matters. For additional information regarding dividends and dividend restrictions, see Item 8. Financial Statements and Supplementary Data—Notes to the Consolidated Financial Statements—Note 4, Financings and Capitalization.

Comparison of Five-year Cumulative Total Return

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Company/ Index	Five-Year Cumulative Total Return					
	2018	2019	2020	2021	2022	2023
CMS Energy	$ 100	$ 130	$ 130	$ 142	$ 142	$ 135
S&P 500 Index	100	131	156	200	164	207
S&P 400 Utilities Index	100	114	99	118	118	102

These cumulative total returns assume reinvestments of dividends.

Consumers

Consumers' common stock is privately held by its parent, CMS Energy, and does not trade in the public market.

Issuer Repurchases of Equity Securities

CMS Energy repurchases common stock to satisfy the minimum statutory income tax withholding obligation for common shares that have vested under the PISP. The value of shares repurchased is based on the market price on the vesting date. Presented in the following table are CMS Energy's repurchases of common stock for the three months ended December 31, 2023:

Period	Total Number of Shares Purchased	Average Price Paid per Share
October 1, 2023 to October 31, 2023	730	$ 52.87
November 1, 2023 to November 30, 2023	187	56.51
December 1, 2023 to December 31, 2023	2,042	58.37
Total	2,959	$ 56.90

As of December 31, 2023, CMS Energy has no other publicly announced plans or programs that permit the repurchase of equity securities.

Unregistered Sales of Equity Securities

None.

Item 6. Reserved

Item 7. Management's Discussion and Analysis of Financial Condition and Results of Operations

This Management's Discussion and Analysis of Financial Condition and Results of Operations 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 NorthStar Clean Energy, primarily a domestic independent power producer and marketer. 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 primarily residential, commercial, and diversified industrial customers. NorthStar Clean Energy, through its subsidiaries and equity investments, is engaged in domestic independent power production, including the development and operation of renewable generation, and the marketing of independent power production.

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 NorthStar Clean Energy, its non-utility operations and investments. Consumers operates principally in two business segments: electric utility and gas utility. CMS Energy’s and Consumers’ businesses are affected primarily by:

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

The Triple Bottom Line

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

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

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

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

The safety of employees, customers, and the general public is a priority of CMS Energy and Consumers. Accordingly, CMS Energy and Consumers have worked to integrate a set of safety principles into their business operations and culture. These principles include complying with applicable safety, health, and security regulations and implementing programs and processes aimed at continually improving safety and security conditions. Over the last ten years, Consumers’ OSHA recordable incident rate has decreased by 20 percent.

CMS Energy and Consumers also place a high priority on customer value and on providing a hometown customer experience. Consumers' customer-driven investment program is aimed at improving safety and increasing electric and gas reliability.

In September 2023, Consumers filed its Reliability Roadmap, an update to its previous Electric Distribution Infrastructure Investment Plan filed in 2021, with the MPSC. The Reliability Roadmap outlines a five-year strategy to improve Consumers' electric distribution system and the reliability of the grid. The plan proposes the following spending for projects designed to reduce the number and duration of power outages to customers through investment in infrastructure upgrades, forestry management, and grid modernization:

- capital expenditures of $7 billion over the next five years; this amount is $3 billion higher than proposed in the previous plan
- maintenance and operating spending of $1.7 billion over the next five years, reflecting an increase of $300 million over the previous plan

Consumers will request rate recovery of these proposed expenditures in future electric rate cases.

Central to Consumers' commitment to its customers are the initiatives it has undertaken to keep electricity and natural gas affordable, including:

- replacement of coal-fueled generation and PPAs with a cost-efficient mix of renewable energy, less-costly dispatchable generation sources, and energy waste reduction and demand response programs
- targeted infrastructure investment to reduce maintenance costs and improve reliability and safety
- supply chain optimization
- economic development to increase sales and reduce overall rates
- information and control system efficiencies
- employee and retiree health care cost sharing
- tax planning
- cost-effective financing
- workforce productivity enhancements

While CMS Energy and Consumers have experienced some supply chain disruptions and inflationary pressures, they have taken steps to mitigate the impact on their ability to provide safe and reliable service to customers.

Planet: The planet element of the triple bottom line represents CMS Energy's and Consumers' commitment to protect the environment. This commitment extends beyond compliance with various state and federal environmental, health, and safety laws and regulations. Management considers climate change and other environmental risks in strategy development, business planning, and enterprise risk management processes.

CMS Energy and Consumers continue to focus on opportunities to protect the environment and reduce their carbon footprint from owned generation. CMS Energy, including Consumers, has decreased its combined percentage of electric supply (self-generated and purchased) from coal by 25 percentage points since 2015. Additionally, as a result of actions already taken through 2023, initial measurement data indicates Consumers has:

- reduced carbon dioxide emissions by nearly 40 percent since 2005
- reduced methane emissions by more than 25 percent since 2012
- reduced the volume of water used to generate electricity by more than 50 percent since 2012

- reduced landfill waste disposal by more than 1.8 million tons since 1992
- enhanced, restored, or protected more than 8,800 acres of land since 2017

Since 2005, Consumers has reduced its sulfur dioxide and particulate matter emissions by more than 95 percent and its NOx emissions by nearly 88 percent. Consumers began tracking mercury emissions in 2007; since that time, it has reduced such emissions by nearly 93 percent.

Presented in the following illustration are Consumers' reductions in these emissions:

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In November 2023, Michigan enacted the 2023 Energy Law, which among other things:

- raises the renewable energy standard from the present 15-percent requirement to 50 percent by 2030 and 60 percent by 2035; renewable energy generated anywhere within MISO may be applied to meeting this standard, with certain limitations
- sets a clean energy standard of 80 percent by 2035 and 100 percent by 2040; low- or zero-carbon emitting resources, such as nuclear generation and natural gas generation coupled with carbon capture, are considered clean energy sources under this standard
- enhances existing incentives for energy efficiency programs and returns earned on competitively bid PPAs
- expands the statutory cap on distributed generation resources to ten percent

Consumers is required to file updates to its amended renewable energy plan before or in 2025 and its Clean Energy Plan before or in 2027. Together, these updated plans will outline a path to meeting the requirements of the 2023 Energy Law by focusing on increasing the generation of renewable energy, deploying energy storage, helping customers use less energy, and offering demand response programs to reduce demand during critical peak times.

Consumers' Clean Energy Plan details its strategy to meet customers' long-term energy needs and was most recently revised and approved by the MPSC in June 2022 under Michigan's integrated resource planning process. The Clean Energy Plan outlines Consumers' long-term strategy for delivering clean, reliable, resilient, and affordable energy to its customers, including plans to:

- end the use of coal-fueled generation in 2025, 15 years sooner than initially planned
- purchase the Covert Generating Station, a natural gas-fueled generating facility with 1,200 MW of nameplate capacity, allowing Consumers to continue to provide controllable sources of electricity to customers; this purchase was completed in May 2023
- solicit up to 700 MW of capacity through PPAs from sources able to deliver to Michigan's Lower Peninsula beginning in 2025
- expand its investment in renewable energy, adding nearly 8,000 MW of solar generation by 2040

Under the Clean Energy Plan, Consumers earns a return equal to its pre-tax weighted-average cost of capital on permanent capital structure on payments made under new competitively bid PPAs with non-affiliated entities approved by the MPSC.

The Clean Energy Plan will allow Consumers to exceed its breakthrough goal of at least 50-percent combined renewable energy and energy waste reduction by 2030.

Presented in the following illustration is Consumers' 2021 capacity portfolio and its future capacity portfolio under its Clean Energy Plan. This illustration includes the effects of purchased capacity and customer programs and uses the nameplate capacity for all energy sources:

8507

[1] Does not include RECs.

[2] Includes energy waste reduction, demand response, and conservation voltage reduction programs.

[3] These amounts and fuel sources will vary and are dependent on a one-time competitive solicitation to acquire up to 700 MW of capacity through PPAs from sources able to deliver to Michigan's Lower Peninsula beginning in 2025.

In addition to Consumers' plan to eliminate its use of coal-fueled generation in 2025, CMS Energy and Consumers have set the net-zero emissions goals discussed below.

Net-zero methane emissions from natural gas delivery system by 2030: Under its Methane Reduction Plan, Consumers plans to reduce methane emissions from its system by about 80 percent, from 2012 baseline levels, by accelerating the replacement of aging pipe, rehabilitating or retiring outdated infrastructure, and adopting new technologies and practices. The remaining emissions will likely be offset by purchasing and/or producing renewable natural gas. To date, Consumers has reduced methane emissions by more than 25 percent.

Net-zero carbon emissions from electric business by 2040: This goal includes not only emissions from owned generation, but also emissions from the generation of power purchased through long-term PPAs and from the MISO energy market. Consumers expects to meet 90 percent of its customers' needs with clean energy sources by 2040 through execution of its Clean Energy Plan. New technologies and carbon offset measures including, but not limited to, carbon sequestration, methane emission capture, forest preservation, and reforestation may be used to close the gap to achieving net-zero carbon emissions.

Net-zero greenhouse gas emissions target for the entire business by 2050: This goal incorporates greenhouse gas emissions from Consumers' natural gas delivery system, including suppliers and customers, and has an interim goal of reducing customer emissions by 20 percent by 2030. Consumers expects to meet this goal through carbon offset measures, renewable natural gas, energy efficiency and demand response programs, and the adoption of cost-effective emerging technologies once proven and commercially available.

Additionally, to advance its environmental stewardship in Michigan and to minimize the impact of future regulations, Consumers set the following targets in 2022:

- to enhance, restore, or protect 6,500 acres of land by 2026; through 2023, Consumers enhanced, restored, or protected more than 2,700 acres of land
- to reduce water usage by 1.5 billion gallons by 2026; through 2023, Consumers reduced water usage by more than 1.4 billion gallons
- to increase the rate of waste diverted from landfills (through waste reduction, recycling, and reuse) to 90 percent through 2023 from a baseline of 88 percent in 2021; during 2023, Consumers' rate of waste diverted from landfills was 91 percent

CMS Energy and Consumers are monitoring numerous legislative, policy, and regulatory initiatives, including those to regulate and report greenhouse gases, and related litigation. While CMS Energy and Consumers cannot predict the outcome of these matters, which could affect them materially, they intend to continue to move forward with their clean and lean strategy.

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

In 2023, CMS Energy's net income available to common stockholders was $877 million, and diluted EPS were $3.01. This compares with net income available to common stockholders of $827 million and diluted EPS of $2.85 in 2022. In 2023, gas and electric rate increases, operational cost performance, and gains on the extinguishment of debt were offset partially by lower gas and electric sales due primarily to unfavorable weather, higher service restoration costs attributable to storms, and higher interest charges. 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.

Over the next five years, Consumers expects weather-normalized electric and gas deliveries to remain relatively stable compared to 2023. This outlook reflects the effects of energy waste reduction programs offset by modest growth in electric and gas demand.

Performance: Impacting the Triple Bottom Line

CMS Energy and Consumers remain committed to achieving world class performance while delivering hometown service and positively impacting the triple bottom line of people, planet, and profit. During 2023, CMS Energy met all requirements for inclusion in the MSCI ESG Leaders Indexes; these indexes are designed to represent the performance of companies that have high environmental, social, and governance ratings relative to their sector peers. Additionally, Consumers:

- was selected to receive a $100 million grant from the U.S. Department of Energy to fund investments in its electric distribution system, improving the reliability of Michigan's electric grid
- participated in the state's economic development efforts that have resulted in commitments by large third-party manufacturers to construct facilities for electric vehicle batteries and battery components in Michigan
- announced plans for an 85-MW solar array to be constructed at the former D.E. Karn coal-generating facilities, which were retired earlier in 2023
- grew its voluntary large customer renewable energy program to approximately 365 MW
- opened a state-of-the-art natural gas training facility in Flint, Michigan that will facilitate employee training that is critical to keeping workers, customers, and the public safe
- announced plans to install more than 120 automatic transfer reclosers to improve electric reliability and help prevent power outages
- completed the first phase of its Mid-Michigan Pipeline Project, part of Consumers' commitment to providing safe, reliable, and affordable natural gas to Michigan homes and businesses
- announced new efforts to install electric vehicle chargers at apartment buildings, condominiums, and overnight community locations across the state of Michigan
- was one of 15 recipients of the U.S. Department of Defense's 2023 Secretary of Defense Employer Support Freedom Award, an honor to employers for support of National Guard and Reserve employees

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

Investment Plan: Over the next five years, Consumers expects to make significant expenditures on infrastructure upgrades, replacements, and clean generation. While it has a large number of potential investment opportunities that would add customer value, Consumers has prioritized its spending based on the criteria of enhancing public safety, increasing reliability, maintaining affordability for its customers, and advancing its environmental stewardship. Consumers' investment program, which is subject to approval through general rate case proceedings, is expected to result in annual rate-base growth of more than seven percent. This rate-base growth, together with cost-control measures, should allow Consumers to maintain affordable customer prices.

Presented in the following illustration are Consumers' planned capital expenditures through 2028 of $17.0 billion:

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Of this amount, Consumers plans to spend $13.6 billion over the next five years primarily to maintain and upgrade its electric distribution systems and gas infrastructure in order to enhance safety and reliability, improve customer satisfaction, reduce energy waste on those systems, and facilitate its clean energy transformation. Electric distribution and other projects comprise $7.3 billion primarily to strengthen circuits and substations, replace poles, and interconnect clean energy resources. The gas infrastructure projects comprise $6.3 billion to sustain deliverability, enhance pipeline integrity and safety, and reduce methane emissions. Consumers also expects to spend $3.4 billion on clean generation, which includes investments in wind, solar, and hydroelectric generation resources.

Regulation: Regulatory matters are a key aspect of Consumers' business, particularly rate cases and regulatory proceedings before the MPSC, which permit recovery of new investments while helping to ensure that customer rates are fair and affordable. Important regulatory events and developments not already discussed are summarized below.

2023 Gas Rate Case: In December 2023, Consumers filed an application with the MPSC seeking an annual rate increase of $136 million based on a 10.25-percent authorized return on equity for the projected 12-month period ending September 30, 2025. The filing requests authority to recover new infrastructure investment and related costs that are expected to allow Consumers to continue to provide safe, reliable, affordable, and increasingly cleaner natural gas service.

2022 Gas Rate Case: In August 2023, the MPSC approved a settlement agreement authorizing an annual rate increase of $95 million, based on a 9.9-percent authorized return on equity, effective October 1, 2023. The MPSC also authorized the use of a cost deferral mechanism that will allow Consumers to defer for future recovery or refund pension and OPEB expense above or below the amounts used to set existing rates.

2023 Electric Rate Case: In May 2023, Consumers filed an application with the MPSC seeking a rate increase of $216 million, made up of two components. First, Consumers requested a $207 million annual rate increase, based on an authorized return on equity of 10.25 percent for the projected 12-month period ending February 28, 2025. The filing requested authority to recover costs related to new infrastructure investment primarily in distribution system reliability and cleaner energy resources. Second, Consumers requested approval of a surcharge for the recovery of $9 million of distribution investments made in 2022 that exceeded the rates authorized in accordance with the December 2021 electric rate order. In September 2023, Consumers revised its requested increase to $169 million.

2022 Electric Rate Case: In January 2023, the MPSC approved a settlement agreement authorizing an annual rate increase of $155 million, based on a 9.9-percent authorized return on equity. The MPSC also approved a surcharge for the recovery of $6 million of depreciation, property tax, and interest expense related to distribution investments made in 2021 that exceeded what was authorized in rates in accordance with the December 2020 electric rate order. The new rates became effective January 20, 2023.

Looking Forward

CMS Energy and Consumers will continue to consider the impact on the triple bottom line of people, planet, and profit in their daily operations as well as in their long-term strategic decisions. Consumers will continue to seek fair and timely regulatory treatment that will support its customer-driven investment plan, while pursuing cost-control measures that will allow it to maintain sustainable customer base rates. The CE Way is an important means of realizing CMS Energy's and Consumers' purpose of achieving world class performance while delivering hometown service.

Results of Operations

CMS Energy Consolidated Results of Operations

In Millions, Except Per Share Amounts

Years Ended December 31	2023	2022	Change
Net Income Available to Common Stockholders	$ 877	$ 827	$ 50
Basic Earnings Per Average Common Share	$ 3.01	$ 2.85	$ 0.16
Diluted Earnings Per Average Common Share	$ 3.01	$ 2.85	$ 0.16

In Millions

Years Ended December 31	2023	2022	Change
Electric utility	$ 550	$ 567	$ (17)
Gas utility	315	378	(63)
NorthStar Clean Energy	67	34	33
Corporate interest and other	(55)	(152)	97
Net Income Available to Common Stockholders	$ 877	$ 827	$ 50

For a summary of net income available to common stockholders for 2022 versus 2021, as well as detailed changes by reportable segment, see Item 7. Management's Discussion and Analysis of Financial Condition and Results of Operations—Results of Operations, in the Form 10-K for the fiscal year ended December 31, 2022, filed February 9, 2023.

Amounts in the following tables are presented pre-tax, with the exception of income tax changes.

Presented in the following table is a summary of changes to net income available to common stockholders for 2023 versus 2022:

		In Millions
Year Ended December 31, 2022		$ 827
Reasons for the change		
Consumers electric utility and gas utility		
Electric sales	$ (103)	
Gas sales	(130)	
Electric rate increase	165	
Gas rate increase	151	
Lower other maintenance and operating expenses	108	
Absence of 2022 voluntary revenue refunds, including one-time bill credit commitment[1]	37	
Higher other income, net of expenses	21	
Higher interest charges	(112)	
Higher service restoration costs	(75)	
Higher depreciation and amortization	(48)	
Higher property taxes, reflecting higher capital spending, and other	(37)	
2023 voluntary separation program expenses	(33)	
Higher income tax expense	(24)	
		$ (80)
NorthStar Clean Energy		33
Corporate interest and other		97
Year Ended December 31, 2023		$ 877

1 See Note 2, Regulatory Matters.

Consumers Electric Utility Results of Operations

Presented in the following table are the detailed changes to the electric utility's net income available to common stockholders for 2023 versus 2022:

				In Millions
Year Ended December 31, 2022			$	567
Reasons for the change				
Electric deliveries[1] and rate increases				
Rate increase, including return on higher renewable capital spending	$	165		
Absence of 2022 voluntary revenue refunds, including one-time bill credit commitment[2]		29		
Lower revenue due primarily to unfavorable weather and sales mix		(101)		
Lower other revenues		(3)		
			$	90
Maintenance and other operating expenses				
Lower corporate and general operating expenses		37		
Lower distribution and generation expenses		35		
Higher service restoration costs due primarily to increased storm activity		(75)		
2023 voluntary separation program expenses		(20)		
Lower mutual insurance distribution		(9)		
Higher vegetation management costs		(7)		
Higher other maintenance and operating expenses		(7)		
				(46)
Depreciation and amortization				
Increased plant in service, reflecting higher capital spending				(40)
General taxes				
Higher property taxes, reflecting higher capital spending, and other				(20)
Other income, net of expenses				
Higher interest income		18		
Higher non-operating retirement benefits expenses		(9)		
Higher other income, net of expenses		15		
				24
Interest charges				(67)
Income taxes				
Lower electric utility pre-tax earnings		16		
Deferred tax liability reversal[3]		10		
Lower income tax expense due to excess deferred income taxes		8		
Lower other income taxes		8		
				42
Year Ended December 31, 2023			$	550

1 Deliveries to end-use customers were 36.3 billion kWh in 2023 and 37.3 billion kWh in 2022.

[2] See Note 2, Regulatory Matters.

[3] See Note 12, Income Taxes.

Consumers Gas Utility Results of Operations

Presented in the following table are the detailed changes to the gas utility's net income available to common stockholders for 2023 versus 2022:

				In Millions
Year Ended December 31, 2022			$	378
Reasons for the change				
Gas deliveries[1] and rate increases				
Rate increase	$	151		
Absence of 2022 voluntary revenue refund[2]		8		
Lower revenue due primarily to unfavorable weather		(134)		
Higher other revenues		9		
			$	34
Maintenance and other operating expenses				
Lower distribution, transmission, and compression expenses		26		
Lower corporate and general operating expenses		14		
Absence of 2022 Ray Compressor Station impairment		10		
2023 voluntary separation program expenses		(13)		
Lower other maintenance and operating expenses		5		
				42
Depreciation and amortization				
Increased plant in service, reflecting higher capital spending				(8)
General taxes				
Higher property taxes, reflecting higher capital spending, and other				(17)
Other income, net of expenses				
Higher non-operating retirement benefits expenses		(15)		
Higher other income, net of expenses		12		
				(3)
Interest charges				(45)
Income taxes				
Absence of 2022 accelerated tax amortizations[3]		(71)		
Deferred tax liability reversal[3]		4		
Lower other income taxes		1		
				(66)
Year Ended December 31, 2023			$	315

1 Deliveries to end-use customers were 282 bcf in 2023 and 315 bcf in 2022.

2 See Note 2, Regulatory Matters.

3 See Note 12, Income Taxes.

NorthStar Clean Energy Results of Operations

Presented in the following table are the detailed changes to NorthStar Clean Energy's net income available to common stockholders for 2023 versus 2022:

		In Millions
Year Ended December 31, 2022	$	34
Reason for the change		
Higher earnings from renewable projects due primarily to Newport Solar achieving commercial operations[1]	$	46
Higher renewable energy tax credits		7
Other income tax expense		(10)
Lower operating earnings, primarily at DIG		(10)
Year Ended December 31, 2023	$	67

1 See Note 18, Variable Interest Entities.

Corporate Interest and Other Results of Operations

Presented in the following table are the detailed changes to corporate interest and other results for 2023 versus 2022:

		In Millions
Year Ended December 31, 2022	$	(152)
Reasons for the change		
Gain on extinguishment of debt[1]	$	131
Higher interest earnings and other		14
Higher income tax expense due to higher pre-tax earnings		(26)
Higher interest charges		(19)
Lower discontinued operations		(3)
Year Ended December 31, 2023	$	(55)

1 See Note 4, Financings and Capitalization.

Cash Position, Investing, and Financing

At December 31, 2023, CMS Energy had $248 million of consolidated cash and cash equivalents, which included $21 million of restricted cash and cash equivalents. At December 31, 2023, Consumers had $56 million of consolidated cash and cash equivalents, which included $21 million of restricted cash and cash equivalents.

For specific components of net cash provided by operating activities, net cash used in investing activities, and net cash provided by (used in) financing activities for 2022 versus 2021, see Item 7. Management's Discussion and Analysis of Financial Condition and Results of Operations—Cash Position, Investing, and Financing, in the Form 10-K for the fiscal year ended December 31, 2022, filed February 9, 2023.

Operating Activities

Presented in the following table are specific components of net cash provided by operating activities for 2023 versus 2022:

		In Millions
CMS Energy, including Consumers		
Year Ended December 31, 2022	$	855
Reasons for the change		
Lower net income	$	(5)
Non-cash transactions[1]		(70)
Favorable impact of changes in core working capital,[2] due primarily to higher collections, higher prices on gas sold to customers, and lower prices on gas purchased in 2023		1,413
Favorable impact of changes in other assets and liabilities, due primarily to recovery in 2023 of 2022 power supply costs[3]		116
Year Ended December 31, 2023	$	2,309
Consumers		
Year Ended December 31, 2022	$	994
Reasons for the change		
Lower net income	$	(78)
Non-cash transactions[1]		19
Favorable impact of changes in core working capital,[2] due primarily to higher collections, higher prices on gas sold to customers, and lower prices on gas purchased in 2023		1,394
Favorable impact of changes in other assets and liabilities, due primarily to recovery in 2023 of 2022 power supply costs[3]		101
Year Ended December 31, 2023	$	2,430

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

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

3 For information regarding the underrecovery of power supply costs, see Note 2, Regulatory Matters.

Investing Activities

Presented in the following table are specific components of net cash used in investing activities for 2023 versus 2022:

		In Millions
CMS Energy, including Consumers		
Year Ended December 31, 2022	$	(2,476)
Reasons for the change		
Higher capital expenditures	$	(33)
Purchase of Covert Generating Station[1]		(812)
Other investing activities, primarily higher costs to retire property and lower proceeds from the sale of assets		(65)
Year Ended December 31, 2023	$	(3,386)
Consumers		
Year Ended December 31, 2022	$	(2,344)
Reasons for the change		
Higher capital expenditures	$	(9)
Purchase of Covert Generating Station[1]		(812)
Other investing activities, primarily higher costs to retire property and lower proceeds from the sale of assets		(36)
Year Ended December 31, 2023	$	(3,201)

1 See Note 7, Plant, Property, and Equipment.

Financing Activities

Presented in the following table are specific components of net cash provided by financing activities for 2023 versus 2022:

		In Millions
CMS Energy, including Consumers		
Year Ended December 31, 2022	$	1,327
Reasons for the change		
Higher debt issuances	$	1,652
Higher debt retirements		(2,026)
Higher borrowings of notes payable		53
Higher issuances of common stock		123
Higher payments of dividends on common stock		(35)
Higher proceeds from sales of membership interests in VIEs to tax equity investors[1]		37
Higher contributions from noncontrolling interest		4
Other financing activities, primarily absence of a payment of a long-term contract liability, offset partially by higher debt issuance costs		8
Year Ended December 31, 2023	$	1,143
Consumers		
Year Ended December 31, 2022	$	1,366
Reasons for the change		
Higher debt issuances	$	867
Higher debt retirements		(1,626)
Higher borrowings of notes payable		53
Higher borrowings from CMS Energy		242
Lower stockholder contribution from CMS Energy		(210)
Lower payments of dividends on common stock		74
Other financing activities		1
Year Ended December 31, 2023	$	767

1 See Note 18, Variable Interest Entities.

Capital Resources and Liquidity

CMS Energy and Consumers expect to have sufficient liquidity to fund their present and future commitments. CMS Energy uses dividends and tax-sharing payments from its subsidiaries and external financing and capital transactions to invest in its utility and non-utility businesses, retire debt, pay dividends, and fund its other obligations. The ability of CMS Energy's subsidiaries, including Consumers, to pay dividends to CMS Energy depends upon each subsidiary's revenues, earnings, cash needs, and other factors. In addition, Consumers' ability to pay dividends is restricted by certain terms included in its 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 Item 8. Financial Statements and Supplementary Data—Notes to the Consolidated Financial Statements—Note 4, Financings and Capitalization—Dividend Restrictions. During the year ended December 31, 2023, Consumers paid $695 million in dividends on its common stock to CMS Energy.

Consumers uses cash flows generated from operations and external financing transactions, as well as stockholder contributions from CMS Energy, to fund capital expenditures, retire debt, pay dividends, and fund its other obligations. Consumers also uses these sources of funding to contribute to its employee benefit plans.

Financing and Capital Resources: CMS Energy and Consumers rely on the capital markets to fund their robust capital plan. Barring any sustained market dislocations or disruptions, CMS Energy and Consumers expect to continue to have ready access to the financial and capital markets and will continue to explore possibilities to take advantage of market opportunities as they arise with respect to future funding needs. 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.

In January 2024, Consumers issued $600 million of first mortgage bonds that mature in May 2029 and bear interest at a rate of 4.600 percent. The proceeds of the bonds will be used for general corporate purposes.

Also in January 2024, CMS Energy retired $250 million of its senior notes bearing an interest rate of 3.875 percent and an original maturity date of March 2024.

In 2023, CMS Energy entered into an equity offering program under which it may sell shares of its common stock having an aggregate sales price of up to $1 billion in privately negotiated transactions, in “at the market” offerings, or through forward sales transactions. There have been no sales of securities under this program.

CMS Energy entered into forward sales transactions, under its previous equity offering program, that it may either settle physically by issuing shares of its common stock at the then-applicable forward sale price specified by the agreement or settle net by delivering or receiving cash or shares. CMS Energy may settle the contracts at any time through their maturity dates, and presently intends to physically settle the contracts by delivering shares of its common stock. As of December 31, 2023, these contracts had an aggregate sales price of $265 million, maturing through December 2024. In January 2024, CMS Energy settled the remaining forward sale contracts issued under its previous equity offering program. For more information on these forward sale contracts, see Notes to the Consolidated Financial Statements—Note 4, Financings and Capitalization.

At December 31, 2023, CMS Energy had $526 million of its revolving credit facility available and Consumers had $1.3 billion available under its revolving credit facilities. CMS Energy and Consumers use these credit facilities for general working capital purposes and to issue letters of credit. An additional source of liquidity is Consumers’ commercial paper program, which allows Consumers to issue, in one or more placements, up to $500 million in aggregate principal amount of commercial paper notes with maturities of up to 365 days at market interest rates. These issuances are supported by Consumers’ revolving credit facilities. While the amount of outstanding commercial paper does not reduce the available capacity of the revolving credit facilities, Consumers does not intend to issue commercial paper in an amount exceeding the available capacity of the facilities. At December 31, 2023, there were $93 million commercial paper notes outstanding under this program. For additional details on CMS Energy’s and Consumers’ secured revolving credit facilities and commercial paper program, see Notes to the Consolidated Financial Statements—Note 4, Financings and Capitalization.

Certain of CMS Energy's and Consumers' credit agreements contain covenants that require CMS Energy and Consumers to maintain certain financial ratios, as defined therein. At December 31, 2023, no default had occurred with respect to any financial covenants contained in CMS Energy's and Consumers' credit agreements. CMS Energy and Consumers were each in compliance with these covenants as of December 31, 2023, as presented in the following table:

	Limit	Actual
CMS Energy, parent only		
Debt to Capital[1]	≤ 0.70 to 1.0	0.58 to 1.0
Consumers		
Debt to Capital[2]	≤ 0.65 to 1.0	0.49 to 1.0

1 Applies to CMS Energy's revolving credit agreement and letter of credit reimbursement agreement.

2 Applies to Consumers' revolving credit agreements.

Material Cash Requirements: Based on the present investment plan, during 2024, CMS Energy, including Consumers, projects capital expenditures of $3.5 billion and Consumers projects capital expenditures of $3.3 billion. CMS Energy's 2024 contractual commitments comprise $2.4 billion of purchase obligations and $1.7 billion of principal and interest payments on long-term debt. Consumers' 2024 contractual commitments comprise $2.3 billion of purchase obligations and $1.2 billion of principal and interest payments on long-term debt.

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 contractual obligations and other material cash requirements for 2024 and beyond.

Capital Expenditures: Over the next five years, CMS Energy and Consumers expect to make substantial capital investments. The companies may revise their forecast of capital expenditures periodically due to a number of factors, including environmental regulations, MPSC approval or disapproval, business opportunities, market volatility, economic trends, and the ability to access capital. Presented in the following table are CMS Energy's and Consumers' estimated capital expenditures, including lease commitments, for 2024 through 2028:

						In Billions
	2024	2025	2026	2027	2028	Total
CMS Energy, including Consumers						
Consumers	$ 3.3	$ 3.9	$ 3.3	$ 3.4	$ 3.1	$ 17.0
NorthStar Clean Energy, including subsidiaries	0.2	0.6	0.3	0.4	0.2	1.7
Total CMS Energy	$ 3.5	$ 4.5	$ 3.6	$ 3.8	$ 3.3	$ 18.7
Consumers						
Electric utility operations	$ 2.1	$ 2.6	$ 2.0	$ 2.1	$ 1.9	$ 10.7
Gas utility operations	1.2	1.3	1.3	1.3	1.2	6.3
Total Consumers	$ 3.3	$ 3.9	$ 3.3	$ 3.4	$ 3.1	$ 17.0

Other Material Cash Requirements: Presented in the following table are CMS Energy's and Consumers' material cash obligations from known contractual and other legal obligations:

		In Billions
	Payments Due	
December 31, 2023	Less Than One Year	Total
CMS Energy, including Consumers		
Long-term debt	$ 1.0	$ 15.6
Interest payments on long-term debt	0.7	13.9
Purchase obligations	2.4	10.7
AROs	0.1	2.7
Total obligations	$ 4.2	$ 42.9
Consumers		
Long-term debt	$ 0.7	$ 11.3
Interest payments on long-term debt	0.5	8.6
Purchase obligations	2.3	10.0
AROs	0.1	2.6
Total obligations	$ 3.6	$ 32.5

Purchase obligations arise from long-term contracts for the purchase of commodities and related services, and construction and service agreements. The commodities and related services include long-term PPAs, natural gas and associated transportation, and coal and associated transportation. For more information on CMS Energy's and Consumers' purchase obligations, see Item 8. Financial Statements and Supplementary Data—Notes to the Consolidated Financial Statements—Note 3, Contingencies and Commitments—Contractual Commitments.

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. For additional details on indemnity and guarantee arrangements, see Item 8. Financial Statements and Supplementary Data—Notes to the Consolidated Financial Statements—Note 3, Contingencies and Commitments—Guarantees. For additional details on letters of credit and CMS Energy's forward sales contracts, see Item 8. Financial Statements and Supplementary Data—Notes to the Consolidated Financial Statements—Note 4, Financings and Capitalization—Issuance of Common Stock.

Outlook

Several business trends and uncertainties may affect CMS Energy's and Consumers' financial condition and results of operations. These trends and uncertainties could have a material impact on CMS Energy's and Consumers' consolidated income, cash flows, or financial position. For additional details regarding these and other uncertainties, see Forward-looking Statements and Information; Item 1A. Risk Factors; and Item 8. Financial Statements and Supplementary Data—Notes to the Consolidated Financial Statements—Note 2, Regulatory Matters and Note 3, Contingencies and Commitments.

Consumers Electric Utility Outlook and Uncertainties

Clean Energy Plan: Consumers' Clean Energy Plan details its strategy to meet customers' long-term energy needs and provides the foundation for its goal to achieve net-zero carbon emissions from its electric business by 2040. Under this net-zero goal, Consumers plans to eliminate the impact of carbon

emissions created by the electricity it generates or purchases for customers. Additionally, through its Clean Energy Plan, Consumers continues to make progress on expanding its customer programs, namely its demand response, energy efficiency, and conservation voltage reduction programs, as well as increasing its renewable energy generation.

The Clean Energy Plan was most recently revised and approved by the MPSC in June 2022. Under this plan, Consumers will eliminate the use of coal-fueled generation in 2025 and expects to meet 90 percent of its customers' needs with clean energy sources by 2040. Specifically, the Clean Energy Plan provides for:

- the retirement of the D.E. Karn coal-fueled generating units, totaling 515 MW of nameplate capacity; these units closed in June 2023
- the retirement of the J.H. Campbell coal-fueled generating units, totaling 1,407 MW of nameplate capacity, in 2025
- the retirement of the D.E. Karn oil and gas-fueled generating units, totaling 1,219 MW of nameplate capacity, in 2031

The MPSC authorized Consumers to issue securitization bonds to finance the recovery of and return on the D.E. Karn coal-fueled generating units; Consumers issued these bonds in December 2023. Additionally, the MPSC has authorized regulatory asset treatment for Consumers to recover the remaining book value of the J.H. Campbell coal-fueled generating units, as well as a 9.0-percent return on equity, commencing in 2025.

Under the Clean Energy Plan, Consumers:

- purchased the Covert Generating Station, a natural gas-fueled generating facility with 1,200 MW of nameplate capacity in Van Buren County, Michigan in May 2023
- conducted a one-time competitive solicitation for up to 700 MW of capacity through PPAs from sources able to deliver to Michigan's Lower Peninsula beginning in 2025 (including up to 500 MW from dispatchable sources)

These actions are expected to help Consumers continue to provide controllable sources of electricity to customers while expanding its investment in renewable energy. The Clean Energy Plan forecasts renewable energy capacity levels of 30 percent in 2025, 43 percent in 2030, and 61 percent in 2040, including the addition of nearly 8,000 MW of solar generation. Additionally, Consumers plans to deploy battery storage beginning in 2024, with 75 MW of energy storage expected by 2027 and an additional 475 MW by 2040. The 2023 Energy Law, enacted in November 2023, set more ambitious standards for renewable energy and energy storage. Under Michigan's integrated resource planning process, Consumers is required to file proposed updates to its Clean Energy Plan before or in 2027 to meet these accelerated timelines.

Under its Clean Energy Plan, Consumers bids new capacity competitively and expects to own and operate approximately 50 percent of new capacity, with the remainder being built and owned by third parties. Additionally, Consumers earns a return equal to its pre-tax weighted-average cost of capital on permanent capital structure on payments made under new competitively bid PPAs with non-affiliated entities approved by the MPSC.

As a result of requests for proposals, Consumers has entered into PPAs to purchase renewable capacity, energy, and RECs from solar generating facilities and build transfer agreements to purchase solar generating facilities. Presented in the following illustration is the aggregate renewable capacity that Consumers expects to add to its portfolio as a result of these agreements:

3393

Additionally, as a result of its one-time solicitation, Consumers entered into a 20-year PPA under which it will purchase 100 MW of capacity, energy and RECs from a battery storage facility to be constructed in Branch County, Michigan. The facility is expected to be operational in 2025. Consumers continues to evaluate the acquisition of additional capacity from intermittent resources and dispatchable, non-intermittent clean capacity resources (including battery storage resources). Any contracts entered into as a result of the one-time solicitation are subject to MPSC approval.

Renewable Energy Plan: The 2023 Energy Law raises the renewable energy standard from the present 15-percent requirement to 50 percent by 2030 and 60 percent by 2035. Consumers is required to submit RECs, which represent proof that the associated electricity was generated from a renewable energy resource, in an amount equal to at least the required percentage of Consumers' electric sales volume each year. Under its renewable energy plan, Consumers has met and expects to continue 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 MPSC has approved the acquisition of up to 525 MW of new wind generation projects and authorized Consumers to earn a 10.7-percent return on equity on any projects approved by the MPSC under Consumers' amended renewable energy plan. Specifically, the MPSC has approved the following:

- purchase and construction of a 150-MW wind generation project in Gratiot County, Michigan; the project became operational and Consumers took full ownership in 2020
- purchase of a 166-MW wind generation project in Hillsdale, Michigan; the project became operational and Consumers took full ownership in 2021

- purchase of a 201-MW wind generation project in Gratiot County, Michigan; the project became operational and Consumers took full ownership of the project in December 2023

The MPSC also approved the execution of a 20-year PPA under which Consumers will purchase 100 MW of renewable capacity, energy, and RECs from a 149-MW solar generating facility to be constructed in Calhoun County, Michigan; the facility is targeted to be operational in 2024.

Voluntary Large Customer Renewable Energy Program: Consumers provides service under a program that provides large full-service electric customers with the opportunity to advance the development of renewable energy beyond the present 15-percent requirement. In September 2023, Consumers filed an application to amend its renewable energy plan. Among other things, Consumers requested that the MPSC remove the 1,000-MW limit on new wind and solar generation, which will allow Consumers to meet growing customer demand for the program. Consumers competitively solicits for additional renewable energy assets based on customer applications and will construct the assets based on customer subscriptions to the program.

As part of this program, a 2022 request for proposals resulted in the execution of a build transfer agreement for a 309-MW solar generating facility to be constructed in Calhoun County, Michigan; the facility is targeted to be operational in 2025. The build transfer agreement was approved by the MPSC in September 2023. Additionally, the request for proposals resulted in the selection of a solar generation project that Consumers will develop and construct at its D.E. Karn generating site, with a capacity of up to 85 MW. The facility is expected to be operational in 2026.

Electric Customer Deliveries and Revenue: Consumers' electric customer deliveries are seasonal and largely dependent on Michigan's economy. The consumption of electric energy typically increases in the summer months, due primarily to the use of air conditioners and other cooling equipment. In addition, Consumers' electric rates, which follow a seasonal rate design, are higher in the summer months than in the remaining months of the year. Each year in June, electric residential customers transition to a summer peak time-of-use rate that allows them to take advantage of lower-cost energy during off-peak times during the summer months. Thus, customers can reduce their electric bills by shifting their consumption from on-peak to off-peak times.

Over the next five years, Consumers expects weather-normalized electric deliveries to remain relatively stable compared to 2023. This outlook reflects the effects of energy waste reduction programs offset by modest growth in electric demand. Actual delivery levels will depend on:

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

Electric ROA: Michigan law allows electric customers in Consumers' service territory to buy electric generation service from alternative electric suppliers in an aggregate amount capped at ten percent of Consumers' sales, with certain exceptions. At December 31, 2023, electric deliveries under the ROA program were at the ten-percent limit. Fewer than 300 of Consumers' electric customers purchased electric generation service under the ROA program.

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

During 2017, the MPSC issued orders finding that it has statutory authority to determine and implement a local clearing requirement, which requires all electric suppliers to demonstrate that a portion of the capacity used to serve customers is located in the MISO footprint in Michigan's Lower Peninsula. In 2020, the Michigan Supreme Court affirmed the MPSC's statutory authority to implement a local clearing requirement on individual electric providers.

In 2020, ABATE and another intervenor filed a complaint against the MPSC in the U.S. District Court for the Eastern District of Michigan challenging the constitutionality of a local clearing requirement. The complaint requests the federal court to issue a permanent injunction prohibiting the MPSC from implementing a local clearing requirement on individual electric providers. In February 2023, the U.S. District Court for the Eastern District of Michigan dismissed the complaint. In March 2023, ABATE and the other intervenor filed a claim of appeal of the Eastern District Court's decision with the U.S. Court of Appeals for the Sixth Circuit. Oral arguments occurred in December 2023.

Electric Rate Matters: Rate matters are critical to Consumers' electric utility business. For additional details on rate matters, see Item 8. Financial Statements and Supplementary Data—Notes to the Consolidated Financial Statements—Note 2, Regulatory Matters and Note 3, Contingencies and Commitments.

MPSC Distribution System Audit: In October 2022, the MPSC ordered the state's two largest electric utilities, including Consumers, to report on their compliance with regulations and past MPSC orders governing the utilities' response to outages and downed lines. Consumers responded to the MPSC's order in November 2022.

Additionally, as directed by the MPSC, the MPSC Staff has engaged a third-party auditor to review all equipment and operations of the two utilities' distribution systems; this audit began in August 2023. The MPSC Staff released a report prepared by the third-party auditor to summarize the audit's progress in December 2023, and a final report is expected in late summer 2024. Consumers is committed to working with the third-party auditor and the MPSC to continue improving electric reliability and safety in Michigan.

2023 Electric Rate Case: In May 2023, Consumers filed an application with the MPSC seeking a rate increase of $216 million, made up of two components. First, Consumers requested a $207 million annual rate increase, based on an authorized return on equity of 10.25 percent for the projected 12-month period ending February 28, 2025. The filing requested authority to recover costs related to new infrastructure investment primarily in distribution system reliability and cleaner energy resources. Second, Consumers requested approval of a surcharge for the recovery of $9 million of distribution investments made in 2022 that exceeded the rates authorized in accordance with the December 2021 electric rate order.

In September 2023, Consumers revised its requested increase to $169 million, primarily to reflect the delay of certain capital expenditures beyond the test year. Presented in the following table are the components of the revised requested increase in revenue:

		In Millions
Projected 12-Month Period Ending February 28		2025
Components of the requested rate increase		
Investment in rate base	$	101
Operating and maintenance costs		(14)
Cost of capital		77
Sales and other revenue		(4)
Subtotal	$	160
Surcharge		9
Total	$	169

PSCR Plan: Consumers submitted its 2024 PSCR plan to the MPSC in September 2023 and, in accordance with its proposed plan, self-implemented the 2024 PSCR charge beginning in January 2024.

Retention Incentive Program: Under its Clean Energy Plan, Consumers will retire the J.H. Campbell coal-fueled generating units in 2025. Consumers implemented a retention incentive program to ensure necessary staffing at the facility through retirement. The aggregate cost of the J.H. Campbell program through 2025 is estimated to be $50 million; Consumers expects to recognize $10 million of retention benefit costs in 2024. The MPSC has approved deferred accounting treatment for these costs; these expenses are deferred as a regulatory asset. For additional details on this program, see Item 8. Financial Statements and Supplementary Data—Notes to the Consolidated Financial Statements—Note 19, Exit Activities and Discontinued Operations.

Electric Environmental Outlook: Consumers' electric operations are subject to various federal, state, and local environmental laws and regulations. Consumers estimates that it will incur capital expenditures of $240 million from 2024 through 2028 to continue to comply with RCRA, the Clean Air Act, and numerous other environmental regulations. Consumers expects to recover these costs in customer rates, but cannot guarantee this result. Multiple environmental laws and regulations are subject to litigation. Consumers' primary environmental compliance focus includes, but is not limited to, the following matters.

Air Quality: Multiple air quality regulations apply, or may apply, to Consumers' electric utility.

In 2012, the EPA published emission standards for electric generating units, known as MATS, based on Section 112 of the Clean Air Act. Consumers has complied, and continues to comply, with the MATS regulation, and does not expect MATS to materially impact its environmental strategy.

CSAPR requires Michigan and many other states to improve air quality by reducing power plant emissions that, according to EPA modeling, contribute to ground-level ozone in other downwind states. Since its 2015 effective date, CSAPR has been revised several times. In June 2023, the EPA published the "Good Neighbor Plan," a revision to CSAPR. This regulation tightens allowance budgets for electric generating units in Michigan between 2023 and 2029 and changes the mechanism for allocating such allowances on a year-over-year basis beginning in 2026. Consumers' initial evaluation of this regulation indicates that it will have minimal financial and operational impact in the near term. Additionally, Consumers does not expect any major financial and operational impact in the long term. However, due to the dynamic nature of this regulation, it is difficult to forecast the long-term impact.

In 2015, the EPA lowered the NAAQS for ozone and made it more difficult to construct or modify power plants and other emission sources in areas of the country that do not meet the ozone standard. As of May 2023, three counties in western Michigan have been designated as not meeting the ozone standard. None of Consumers' fossil-fuel-fired generating units are located in these areas. Additionally, in January 2023, the EPA proposed lowering the NAAQS for particulate matter. Consumers will continue to monitor NAAQS rulemakings and evaluate potential impacts to its generating assets.

Consumers continues to evaluate these rules in conjunction with other EPA and EGLE rulemakings, litigation, executive orders, treaties, and congressional actions. This evaluation could result in:

- a change in Consumers' fuel mix
- changes in the types of generating units Consumers may purchase or build in the future
- changes in how certain units are operated, including the installation of additional emission control equipment
- the retirement, mothballing, or repowering with an alternative fuel of some of Consumers' generating units
- changes in Consumers' environmental compliance costs
- the purchase or sale of allowances

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

In May 2023, the EPA released its proposed rule to address greenhouse gas emissions from existing fossil-fuel-fired electric generating units. Under its Clean Energy Plan, Consumers will eliminate the use of coal-fueled generation in 2025. Therefore, this proposed rule will not materially impact Consumers over the remaining operating lives of these coal-fueled facilities. The proposed rule has requirements for existing natural gas-fueled facilities that could have a material impact on Consumers' natural gas-fueled facilities. The EPA is scheduled to finalize the rule in April 2024.

Under the Paris Agreement, an international agreement addressing greenhouse gas emissions, the U.S. has committed to reduce greenhouse gas emissions by 50 to 52 percent from 2005 levels by 2030. Under its Clean Energy Plan, Consumers plans to reduce carbon emissions from its electric business by 60 percent from 2005 levels in 2025. At this time, Consumers does not expect any adverse changes to its environmental strategy as a result of this event, as its plans exceed the nationally committed reduction. The commitment made by the U.S. is not binding without new Congressional legislation.

In 2020, Michigan's Governor signed an executive order creating the Michigan Healthy Climate Plan, which outlines goals for Michigan to achieve economy-wide net-zero greenhouse gas emissions and to be carbon neutral by 2050. The executive order aims for a 28-percent reduction below 2005 levels of greenhouse gas emissions by 2025. Consumers has already surpassed the 28-percent reduction milestone for its owned electric generation and previously announced a goal of achieving net-zero carbon emissions from its electric business by 2040. The 2023 Energy Law codifies much of the Governor's goals. For additional details on the 2023 Energy Law, see the Planet section of the Executive Overview.

Increased frequency or intensity of severe or extreme weather events, including those due to climate change, could materially impact Consumers' facilities, energy sales, and results of operations. Consumers is unable to predict these events or their financial impact; however, Consumers evaluates the potential physical impacts of climate change on its operations, including increased frequency or intensity of storm activity; increased precipitation; increased temperature; and changes in lake and river levels. Consumers released a report addressing the physical risks of climate change on its infrastructure in 2022. Consumers is taking steps to mitigate these risks as appropriate.

While Consumers cannot predict the outcome of changes in U.S. policy or of other legislative, executive, or regulatory initiatives involving the potential regulation or reporting of greenhouse gases, it intends to move forward with its Clean Energy Plan, its present net-zero goals, and its emphasis on reliable and resilient supply. Litigation, international treaties, executive orders, federal laws and regulations (including regulations by the EPA), and state laws and regulations, if enacted or ratified, could ultimately impact Consumers. Consumers may be required to:

- replace equipment
- install additional emission control equipment
- purchase emission allowances or credits (including potential greenhouse gas offset credits)
- curtail operations
- arrange for alternative sources of supply
- purchase or build facilities that generate fewer emissions
- mothball, sell, or retire facilities that generate certain emissions
- pursue energy efficiency or demand response measures more swiftly
- 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 in rates consistent with the recovery of other reasonable costs of complying with environmental laws and regulations.

CCRs: In 2015, the EPA published a rule regulating CCRs under RCRA. This rule adopts minimum standards for the disposal of non-hazardous CCRs in CCR landfills and surface impoundments and criteria for the beneficial use of CCRs. The rule also sets out conditions under which some CCR units would be forced to cease receiving CCR wastewater and initiate closure. Due to continued litigation, many aspects of the rule have been remanded to the EPA, resulting in more proposed and final rules.

Separately, Congress passed legislation in 2016 allowing participating states to develop permitting programs for CCRs under RCRA Subtitle D. The EPA was granted authority to review these permitting programs to determine if permits issued under the proposed program would be as protective as the federal rule. Once approved, permits issued from an authorized state would replace the requirement to certify compliance with each aspect of the CCR rule. In 2020, EGLE submitted a regulatory package for Michigan's permit program to the EPA for its review, which is still pending.

Consumers, with agreement from EGLE, completed the work necessary to initiate closure by excavating CCRs or placing a final cover over each of its relevant CCR units prior to the closure initiation deadline. Consumers has historically been authorized to recover in electric rates costs related to coal ash disposal sites.

Water: Multiple water-related regulations apply, or may apply, to Consumers.

The EPA regulates cooling water intake systems of existing electric generating plants under Section 316(b) of the Clean Water Act. The rules seek to reduce alleged harmful impacts on aquatic organisms, such as fish. In 2018, Consumers submitted to EGLE for approval all required studies and recommended plans to comply with Section 316(b) for its coal-fueled units, but has not yet received final approval.

The EPA also regulates the discharge of wastewater through its effluent limitation guidelines for steam electric generating plants. In 2020, the EPA revised previous guidelines related to the discharge of certain wastewater, but allowed for extension of the compliance deadline from the end of 2023 to the end of 2025, upon approval by EGLE through the NPDES permitting process. Consumers received such an extension to 2025 for its J.H. Campbell generating facility, which it plans to retire in 2025. In March 2023, the EPA released a proposed rule seeking to replace its 2020 rule and corresponding effluent limitation guidelines. Consumers is evaluating the proposed effluent limitation guidelines for its potential impacts on its generating facilities.

In recent years, the EPA and the U.S. Army Corps of Engineers have proposed changes to the scope of federal jurisdiction over bodies of water and to the frequency of dual jurisdiction in states with authority to regulate the same waters; Michigan is one such state. A 2022 rule changed the definition of "Waters of the United States," which defines the scope of waters protected under the Clean Water Act. Additionally, in May 2023, the U.S. Supreme Court issued a decision reducing the scope of "Waters of the United States." Consumers does not expect adverse changes to its environmental strategy as a result of the current interpretations and court decision.

Many of Consumers' facilities maintain NPDES permits, which are vital to the facilities' operations. Consumers applies for renewal of these permits every five years. Failure of EGLE to renew any NPDES permit, a successful appeal against a permit, a change in the interpretation or scope of NPDES permitting, or onerous terms contained in a permit could have a significant detrimental effect on the operations of a facility.

Protected Wildlife: Multiple regulations apply, or may apply, to Consumers relating to protected species and habitats.

Statutes like the federal Endangered Species Act, the Migratory Bird Treaty Act, and the Bald and Golden Eagle Protection Act of 1940 may impact operations at Consumers' facilities. In 2021, the U.S. Fish and Wildlife Service announced its intent to regulate incidental take under the Migratory Bird Treaty Act. Any resulting permitting and monitoring fees and/or restrictions on operations could impact Consumers' existing and future operations, including wind and solar generation facilities.

Additionally, Consumers is monitoring proposed changes to the listing status of several species within its operational area due to an increase in wildlife-related regulatory activity at federal and state levels. A change in species listed under the Endangered Species Act may impact Consumers' costs to mitigate its impact on protected species and habitats at certain existing facilities as well as siting choices for new facilities.

Other Matters: Other electric environmental matters could have a material impact on Consumers' outlook. For additional details on other electric environmental matters, see Item 8. Financial Statements and Supplementary Data—Notes to the Consolidated Financial Statements—Note 3, Contingencies and Commitments—Consumers Electric Utility Contingencies—Electric Environmental Matters.

Consumers Gas Utility Outlook and Uncertainties

Gas Deliveries: Consumers' gas customer deliveries are seasonal. The peak demand for natural gas occurs in the winter due to colder temperatures and the resulting use of natural gas as heating fuel.

Over the next five years, Consumers expects weather-normalized gas deliveries to remain stable relative to 2023. This outlook reflects the effects of energy waste reduction programs offset by modest growth in gas demand. Actual delivery levels will depend on:

- weather fluctuations
- use by power producers
- availability and development of renewable energy sources

- gas price changes
- Michigan's economic conditions, including population trends and housing activity
- the price or demand of competing energy sources or fuels
- energy efficiency and conservation impacts

Gas Rate Matters: Rate matters are critical to Consumers' gas utility business. For additional details on rate matters, see Item 8. Financial Statements and Supplementary Data—Notes to the Consolidated Financial Statements—Note 2, Regulatory Matters and Note 3, Contingencies and Commitments.

2023 Gas Rate Case: In December 2023, Consumers filed an application with the MPSC seeking an annual rate increase of $136 million based on a 10.25-percent authorized return on equity for the projected 12-month period ending September 30, 2025. The filing requests authority to recover new infrastructure investment and related costs that are expected to allow Consumers to continue to provide safe, reliable, affordable, and increasingly cleaner natural gas service.

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

		In Millions
Projected 12-Month Period Ending September 30		2025
Components of the requested rate increase		
Investment in rate base	$	75
Operating and maintenance costs		(14)
Cost of capital		45
Sales and other revenue		30
Subtotal	$	136
Home products credit[1]		(14)
Total	$	122

1 Consumers has proposed to share voluntarily half of the gain to be recognized on the sale of its unregulated appliance service plan program (discussed below).

Gain Sharing Application: In February 2024, Consumers signed an agreement to sell its unregulated appliance service plan program to a non-affiliated company; this sale is expected to close in the first half of 2024. Also in February 2024, Consumers filed an application requesting the MPSC's approval to share voluntarily with customers half of the gain, net of transaction costs, to be recognized on this sale. In Consumers' 2023 gas rate case, it has proposed sharing the gain with customers over five years in the form of a surcharge credit.

GCR Plan: Consumers submitted its 2024-2025 GCR plan to the MPSC in December 2023 and, in accordance with its proposed plan, expects to self-implement the 2024-2025 GCR charge beginning in April 2024.

Gas Pipeline and Storage Integrity and Safety: The U.S. Department of Transportation's Pipeline and Hazardous Materials Safety Administration has published various rules that expand federal safety standards for gas transmission pipelines and underground storage facilities. Initial expanded requirements for transmission pipelines took effect in 2020, with additional requirements released in 2023. There are also proposed rules expanding requirements for gas distribution systems pending. To comply with these rules, Consumers will incur increased capital and operating and maintenance costs to install and remediate pipelines and to expand inspections, maintenance, and monitoring of its existing pipelines and storage facilities.

Although associated capital or operating and maintenance costs relating to these regulations could be material and cost recovery cannot be assured, Consumers expects to recover such costs in rates consistent with the recovery of other reasonable costs of complying with laws and regulations.

Gas Environmental Outlook: Consumers expects to incur response activity costs at a number of sites, including 23 former MGP sites. For additional details, see Item 8. Financial Statements and Supplementary Data—Notes to the Consolidated Financial Statements—Note 3, Contingencies and Commitments—Consumers Gas Utility Contingencies—Gas Environmental Matters.

Consumers' gas operations are subject to various federal, state, and local environmental laws and regulations. Multiple environmental laws and regulations are subject to litigation. Consumers' primary environmental compliance focus includes, but is not limited to, the following matters.

Air Quality: Multiple air quality regulations apply, or may apply, to Consumers' gas utility.

In June 2023, the EPA published the "Good Neighbor Plan," a revision to CSAPR that impacts Michigan. This regulation will reduce interstate air pollution transport issues that EPA modeling suggests contribute to downwind states attaining or maintaining compliance with the NAAQS for ozone. While prior CSAPR regulations focused only on electric generating units, this latest rule includes other emission sources, including some engines used at compressor stations. Consumers has determined that the revised CSAPR regulation does not apply to Consumers' natural gas compressor station engines.

In 2015, the EPA lowered the NAAQS for ozone and made it more difficult to construct or modify natural gas compressor stations and other emission sources in areas of the country that do not meet the ozone standard. As of May 2023, three counties in western Michigan have been designated as not meeting the ozone standard. One of Consumers' compressor stations is located in an ozone nonattainment area. Consequently, Consumers has initiated plans to retrofit equipment at this compressor station to lower NOx emissions and comply with a rule proposed by the State of Michigan, as required for a source located in a moderate ozone nonattainment area. Additionally, in January 2023, the EPA proposed lowering the NAAQS for particulate matter. Consumers will continue to monitor NAAQS rulemakings and evaluate potential impacts to its compressor stations and other applicable natural gas storage and delivery assets.

Greenhouse Gases: There is increasing interest at the federal, state, and local levels in potential regulation of greenhouse gases or their sources. Such regulation, if adopted, may involve requirements to reduce methane emissions from Consumers' gas utility operations and carbon dioxide emissions from customer use of natural gas. No such measures apply to Consumers at this time.

In 2020, Michigan's Governor signed an executive order creating the Michigan Healthy Climate Plan, which outlines goals for Michigan to achieve economy-wide net-zero greenhouse gas emissions and to be carbon neutral by 2050. The executive order aims for a 28-percent reduction below 2005 levels of greenhouse gas emissions by 2025. For additional details on the executive order, see Consumers Electric Utility Outlook and Uncertainties—Electric Environmental Outlook.

Under the Paris Agreement, an international agreement addressing greenhouse gas emissions, the U.S. has committed to reduce greenhouse gas emissions by 50 to 52 percent from 2005 levels by 2030. The commitment made by the U.S. is not binding without new Congressional legislation. Consumers continues to monitor these initiatives and comment as appropriate. Consumers cannot predict the impact of any potential future legislation or regulation on its gas utility.

Consumers is making voluntary efforts to reduce its gas utility's methane emissions. Under its Methane Reduction Plan, Consumers has set a goal of net-zero methane emissions from its natural gas delivery system by 2030. Consumers plans to reduce methane emissions from its system by about 80 percent, from 2012 baseline levels, by accelerating the replacement of aging pipe, rehabilitating or retiring outdated infrastructure, and adopting new technologies and practices. The remaining emissions will likely be offset by purchasing and/or producing renewable natural gas. To date, Consumers has reduced methane emissions by more than 25 percent.

In March 2022, Consumers also announced a net-zero greenhouse gas emissions target for its entire natural gas system by 2050. This includes suppliers and customers, and has an interim goal of reducing customer emissions by 20 percent by 2030. Consumers' Natural Gas Delivery Plan, a rolling ten-year investment plan to deliver safe, reliable, clean, and affordable natural gas to customers, outlines ways in which Consumers can make early progress toward these goals in a cost-effective manner, including energy waste reduction, carbon offsets, and renewable natural gas supply.

Consumers has already initiated work in these key areas, continuing to expand its energy waste reduction targets, launching a program allowing gas customers to purchase carbon offset credits on a voluntary basis, and announcing plans to begin development of renewable natural gas facilities that will capture methane from manure generated at Michigan-based farms and convert it into renewable natural gas. Consumers is evaluating and monitoring newer technologies to determine their role in achieving Consumers' interim and long-term net-zero goals, including hydrogen, biofuels, and synthetic methane; carbon capture sequestration systems; and other innovative technologies.

NorthStar Clean Energy Outlook and Uncertainties

CMS Energy's primary focus with respect to its NorthStar Clean Energy businesses is to maximize the value of generating assets, its share of which represents 1,658 MW of capacity, and to pursue opportunities for the development of renewable generation projects.

During 2023, NorthStar Clean Energy sold a Class A membership interest in Newport Solar Holdings to tax equity investors for $86 million. Newport Solar Holdings wholly owns Newport Solar, a 180-MW solar generation project located in Jackson County, Arkansas; the project began commercial operation in October 2023. All of the project's nameplate capacity has been committed under a 15-year PPA. NorthStar Clean Energy retained a Class B membership interest in Newport Solar Holdings. Earnings, tax attributes, and cash flows generated by Newport Solar Holdings will be allocated among and distributed to the membership classes in accordance with the ratios specified in the associated limited liability company operating agreement; these ratios change over time and are not representative of the ownership interest percentages of each membership class. For additional details, see Item 8. Financial Statements and Supplementary Data—Notes to the Consolidated Financial Statements—Note 18, Variable Interest Entities.

NorthStar Clean Energy's operations may be subject to various federal, state, and local environmental laws and regulations. Multiple environmental laws and regulations are subject to litigation. NorthStar Clean Energy's primary environmental compliance focus includes, but is not limited to, the following matters.

CSAPR requires Michigan and many other states to improve air quality by reducing power plant emissions that, according to EPA modeling, contribute to ground-level ozone in other downwind states. Since its 2015 effective date, CSAPR has been revised several times. In June 2023, the EPA published the "Good Neighbor Plan," a revision to CSAPR. This regulation tightens allowance budgets for electric generating units in Michigan between 2023 and 2029 and changes the mechanism for allocating such allowances on a year-over-year basis beginning in 2026. NorthStar Clean Energy may incur increased costs to purchase allowances or retrofit equipment.

For additional details regarding the ozone NAAQS or CSAPR rule, see Consumers Electric Utility Outlook and Uncertainties—Electric Environmental Outlook.

In May 2023, the EPA released its proposed rule to address greenhouse gas emissions from existing fossil-fuel-fired and natural gas-fueled electric generating units. This proposed regulation could have a material financial and operational impact on NorthStar Clean Energy, if the regulation ultimately applies to its facilities. The EPA is scheduled to finalize the rule in April 2024.

Many of NorthStar Clean Energy's facilities maintain NPDES permits, which are vital to the facilities' operations. NorthStar Clean Energy applies for renewal of these permits every five years. Failure of EGLE to renew any NPDES permit, a successful appeal against a permit, a change in the interpretation or scope of NPDES permitting, or onerous terms contained in a permit could have a significant detrimental effect on the operations of a facility.

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

- investment in and financial benefits received from renewable energy and energy storage projects
- changes in energy and capacity prices
- severe weather events and climate change associated with increasing levels of greenhouse gases
- changes in commodity prices 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
- indemnity obligations assumed in connection with ownership interests in facilities that involve tax equity financing
- representations, warranties, and indemnities provided by CMS Energy in connection with sales of assets
- delays or difficulties in obtaining environmental permits for facilities located in areas associated with environmental justice concerns

For additional details regarding NorthStar Clean Energy's uncertainties, see Item 8. Financial Statements and Supplementary Data—Notes to the Consolidated Financial Statements—Note 3, Contingencies and Commitments—Guarantees.

Other Outlook and Uncertainties

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 Item 8. Financial Statements and Supplementary Data—Notes to the Consolidated Financial Statements—Note 2, Regulatory Matters and Note 3, Contingencies and Commitments.

Employee Separation Program: In April 2023, CMS Energy and Consumers announced a voluntary separation program for non-union employees. For the year ended December 31, 2023, CMS Energy and Consumers recorded a pre-tax charge of $33 million related to the program, under which more than 400 employees were approved for and accepted early separation.

Critical Accounting Policies and Estimates

The following information is important to understand CMS Energy's and Consumers' results of operations and financial condition. For additional accounting policies, see Item 8. Financial Statements and Supplementary Data—Notes to the Consolidated Financial Statements—Note 1, Significant Accounting Policies.

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

Accounting for the Effects of Industry Regulation: Because Consumers has regulated operations, it uses regulatory accounting to recognize the effects of the regulators' decisions on its financial statements. Consumers continually assesses whether future recovery of its regulatory assets is probable by considering communications and experience with its regulators and changes in the regulatory environment. If Consumers determined that recovery of a regulatory asset were not probable, Consumers would be required to write off the asset and immediately recognize the expense in earnings. For additional information, see Item 8. Financial Statements and Supplementary Data—Notes to the Consolidated Financial Statements—Note 2, Regulatory Matters.

Contingencies: CMS Energy and Consumers make judgments regarding the future outcome of various matters that give rise to contingent liabilities. For such matters, they record liabilities when they are considered probable and reasonably estimable, based on all available information. In particular, CMS Energy and Consumers are participating in various environmental remediation projects for which they have recorded liabilities. The recorded amounts represent estimates that may take into account such considerations as the number of sites, the anticipated scope, cost, and timing of remediation work, the available technology, applicable regulations, and the requirements of governmental authorities. For remediation projects in which the timing of estimated expenditures is considered reliably determinable, CMS Energy and Consumers record the liability at its net present value, using a discount rate equal to the interest rate on monetary assets that are essentially risk-free and have maturities comparable to that of the environmental liability. The amount recorded for any contingency may differ from actual costs incurred when the contingency is resolved. For additional details, see Item 8. Financial Statements and Supplementary Data—Notes to the Consolidated Financial Statements—Note 3, Contingencies and Commitments.

Derivative Instruments: CMS Energy and Consumers account for certain contracts as derivative instruments. If a contract is a derivative and does not qualify for the normal purchases and sales exception, it is recorded on the consolidated balance sheets at its fair value. For the FTRs at Consumers, changes in fair value are deferred as regulatory assets or liabilities.

The criteria used to determine if an instrument qualifies for derivative accounting or for an exception from derivative accounting are complex and often require judgment in application. Changes in business strategies or market conditions, as well as a requirement to apply different interpretations of the derivative accounting literature, could result in changes in accounting for a single contract or groups of contracts, which could have a material impact on CMS Energy's and Consumers' financial statements. For additional details on CMS Energy's and Consumers' derivatives and how the fair values of derivatives are determined, see Item 8. Financial Statements and Supplementary Data—Notes to the Consolidated Financial Statements—Note 5, Fair Value Measurements.

Income Taxes: The amount of income taxes paid by CMS Energy is subject to ongoing audits by federal, state, and foreign tax authorities, which can result in proposed assessments. An estimate of the potential outcome of any uncertain tax issue is highly judgmental. CMS Energy believes adequate reserves have been provided for these exposures; however, future results may include favorable or unfavorable adjustments to the estimated tax liabilities in the period the assessments are made or resolved or when statutes of limitation on potential assessments expire. Additionally, CMS Energy's judgment as to the ability to recover its deferred tax assets may change. CMS Energy believes the valuation allowances related to its deferred tax assets are adequate, but future results may include favorable or unfavorable adjustments. As a result, CMS Energy's effective tax rate may fluctuate significantly over time. For additional details, see Item 8. Financial Statements and Supplementary Data—Notes to the Consolidated Financial Statements—Note 12, Income Taxes.

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

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

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

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

Presented in the following table are estimates of credits and cash contributions through 2026 for the DB Pension Plans and OPEB Plan. Actual future costs, credits, and contributions will depend on future investment performance, discount rates, and various factors related to the participants of the DB Pension Plans and OPEB Plan. CMS Energy and Consumers will, at a minimum, contribute to the plans as needed to comply with federal funding requirements.

				In Millions
	DB Pension Plans		OPEB Plan	
	Credit	Contribution	Credit	Contribution
CMS Energy, including Consumers				
2024	$ (76)	$ —	$ (88)	$ —
2025	(80)	—	(93)	—
2026	(80)	—	(97)	—
Consumers[1]				
2024	$ (71)	$ —	$ (81)	$ —
2025	(75)	—	(85)	—
2026	(75)	—	(89)	—

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

Lowering the expected long-term rate of return on the assets of the DB Pension Plans by 25 basis points would increase estimated pension cost for 2024 by $8 million for both CMS Energy and Consumers. Lowering the PBO discount rates by 25 basis points would decrease estimated pension cost for 2024 by $1 million for both CMS Energy and Consumers. Pension and OPEB costs above or below the amounts used to set existing rates will be deferred as a regulatory asset or liability in accordance with Consumers' postretirement benefits expense deferral mechanism; for more information, see Item 8. Financial Statements and Supplementary Data—Notes to the Consolidated Financial Statements—Note 2, Regulatory Matters.

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

For additional details on postretirement benefits, including the fair value measurements for the assets of the DB Pension Plans and OPEB Plan, see Item 8. Financial Statements and Supplementary Data—Notes to the Consolidated Financial Statements—Note 10, Retirement Benefits.

Unbilled Revenues: Consumers' customers are billed monthly in cycles having billing dates that do not generally coincide with the end of a calendar month. This results in customers having received electricity or natural gas that they have not been billed for as of the month-end. Consumers estimates its unbilled revenues by applying an average billed rate to total unbilled deliveries for each customer class. Consumers records unbilled revenues as accounts receivable and accrued revenue on its consolidated balance sheet. For additional information on unbilled revenues, see Item 8. Financial Statements and Supplementary Data—Notes to the Consolidated Financial Statements—Note 14, Revenue.

New Accounting Standards

There are no new accounting standards issued but not yet effective that are expected to have a material impact on CMS Energy's or Consumers' consolidated financial statements.

Item 7A. Quantitative and Qualitative Disclosures About Market Risk

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

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

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

Presented in the following table is a sensitivity analysis of interest-rate risk on CMS Energy's and Consumers' debt instruments (assuming an adverse change in market interest rates of ten percent):

		In Millions
December 31	2023	2022
Fixed-rate financing—potential loss in fair value		
CMS Energy, including Consumers	$ 751	$ 711
Consumers	534	482

The fair value losses in the above table could be realized only if CMS Energy and Consumers transferred all of their fixed-rate financing to other creditors. The annual earnings exposure related to variable-rate financing was immaterial for both CMS Energy and Consumers at December 31, 2023 and 2022, assuming an adverse change in market interest rates of ten percent. For additional details on financial instruments see Item 8. Financial Statements and Supplementary Data—Notes to the Consolidated Financial Statements—Note 6, Financial Instruments

Item 8. Financial Statements and Supplementary Data

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CMS Energy Corporation
Consolidated Statements of Income

			In Millions, Except Per Share Amounts
Years Ended December 31	2023	2022	2021
Operating Revenue	$ 7,462	$ 8,596	$ 7,329
Operating Expenses			
Fuel for electric generation	561	905	593
Purchased and interchange power	1,375	1,928	1,665
Purchased power – related parties	75	76	77
Cost of gas sold	902	1,256	735
Maintenance and other operating expenses	1,687	1,669	1,610
Depreciation and amortization	1,180	1,126	1,114
General taxes	447	412	389
Total operating expenses	6,227	7,372	6,183
Operating Income	1,235	1,224	1,146
Other Income (Expense)			
Non-operating retirement benefits, net	180	205	165
Other income	195	19	30
Other expense	(13)	(27)	(18)
Total other income	362	197	177
Interest Charges			
Interest on long-term debt	616	509	481
Interest expense – related parties	12	12	12
Other interest expense	18	—	10
Allowance for borrowed funds used during construction	(3)	(2)	(3)
Total interest charges	643	519	500
Income Before Income Taxes	954	902	823
Income Tax Expense	147	93	95
Income From Continuing Operations	807	809	728
Income From Discontinued Operations, Net of Tax of $—, $1, and $170	1	4	602
Net Income	808	813	1,330
Loss Attributable to Noncontrolling Interests	(79)	(24)	(23)
Net Income Attributable to CMS Energy	887	837	1,353
Preferred Stock Dividends	10	10	5
Net Income Available to Common Stockholders	$ 877	$ 827	$ 1,348

			In Millions, Except Per Share Amounts
Years Ended December 31	2023	2022	2021
Basic Earnings Per Average Common Share			
Income from continuing operations per average common share available to common stockholders	$ 3.01	$ 2.84	$ 2.58
Income from discontinued operations per average common share available to common stockholders	—	0.01	2.08
Basic earnings per average common share	$ 3.01	$ 2.85	$ 4.66
Diluted Earnings Per Average Common Share			
Income from continuing operations per average common share available to common stockholders	$ 3.01	$ 2.84	$ 2.58
Income from discontinued operations per average common share available to common stockholders	—	0.01	2.08
Diluted earnings per average common share	$ 3.01	$ 2.85	$ 4.66

The accompanying notes are an integral part of these statements.

CMS Energy Corporation
Consolidated Statements of Comprehensive Income

			In Millions
Years Ended December 31	2023	2022	2021
Net Income	$ 808	$ 813	$ 1,330
Retirement Benefits Liability			
Net gain arising during the period, net of tax of $2, $—, and $6	5	1	19
Settlement arising during the period, net of tax of $— for all periods	—	—	1
Amortization of net actuarial loss, net of tax of $ —, $1, and $2	2	4	5
Amortization of prior service credit, net of tax of $— for all periods	(1)	(1)	(1)
Derivatives			
Unrealized gain on derivative instruments, net of tax of $—, $1, and $—	—	2	2
Reclassification adjustments included in net income, net of tax of $—, $—, and $1	—	1	1
Other Comprehensive Income	6	7	27
Comprehensive Income	814	820	1,357
Comprehensive Loss Attributable to Noncontrolling Interests	(79)	(24)	(23)
Comprehensive Income Attributable to CMS Energy	$ 893	$ 844	$ 1,380

The accompanying notes are an integral part of these statements.

CMS Energy Corporation
Consolidated Statements of Cash Flows

			In Millions
Years Ended December 31	2023	2022	2021
Cash Flows from Operating Activities			
Net income	$ 808	$ 813	$ 1,330
Adjustments to reconcile net income to net cash provided by operating activities			
Depreciation and amortization	1,180	1,126	1,114
Deferred income taxes and investment tax credits	157	89	249
Bad debt expense	34	50	22
Postretirement benefits contributions	(12)	(12)	(12)
Gain from sale of EnerBank	—	(5)	(657)
Other non-cash operating activities and reconciling adjustments	(274)	(93)	(70)
Net cash used in discontinued operations	—	—	(111)
Changes in assets and liabilities			
Accounts receivable and accrued revenue	241	(677)	(103)
Inventories	185	(450)	(93)
Accounts payable and accrued rate refunds	(136)	4	153
Other current assets and liabilities	(21)	14	13
Other non-current assets and liabilities	147	(4)	(16)
Net cash provided by operating activities	2,309	855	1,819
Cash Flows from Investing Activities			
Capital expenditures (excludes assets placed under finance lease)	(2,407)	(2,374)	(2,076)
Covert Generating Station acquisition	(812)	—	—
Net proceeds from sale of EnerBank	—	5	898
Net cash provided by discontinued operations	—	—	78
Cost to retire property and other investing activities	(167)	(107)	(133)
Net cash used in investing activities	(3,386)	(2,476)	(1,233)
Cash Flows from Financing Activities			
Proceeds from issuance of debt	3,551	1,899	335
Retirement of debt	(2,132)	(106)	(235)
Increase in notes payable	73	20	—
Issuance of common stock	192	69	26
Issuance of preferred stock, net of issuance costs	—	—	224
Payment of dividends on common and preferred stock	(579)	(544)	(508)
Proceeds from the sale of membership interest in VIE to tax equity investor	86	49	—
Contribution from noncontrolling interest	6	2	1
Net cash used in discontinued operations	—	—	(84)
Other financing costs	(54)	(62)	(54)
Net cash provided by (used in) financing activities	1,143	1,327	(295)

			In Millions
Years Ended December 31	2023	2022	2021
Net Increase (Decrease) in Cash and Cash Equivalents, Including Restricted Amounts	66	(294)	291
Cash and Cash Equivalents, Including Restricted Amounts, Beginning of Period	182	476	185
Cash and Cash Equivalents, Including Restricted Amounts, End of Period	$ 248	$ 182	$ 476
Other Cash Flow Activities and Non-cash Investing and Financing Activities			
Cash transactions			
Interest paid (net of amounts capitalized)	$ 607	$ 490	$ 489
Income taxes paid	15	1	16
Non-cash transactions			
Capital expenditures not paid	$ 265	$ 228	$ 196

The accompanying notes are an integral part of these statements.

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CMS Energy Corporation
Consolidated Balance Sheets

ASSETS		
		In Millions
December 31	2023	2022
Current Assets		
Cash and cash equivalents	$ 227	$ 164
Restricted cash and cash equivalents	21	18
Accounts receivable and accrued revenue, less allowance of $21 in 2023 and $27 in 2022	933	1,564
Accounts receivable – related parties	11	16
Inventories at average cost		
Gas in underground storage	587	840
Materials and supplies	267	212
Generating plant fuel stock	84	65
Deferred property taxes	426	384
Regulatory assets	203	57
Prepayments and other current assets	80	113
Total current assets	2,839	3,433
Plant, Property, and Equipment		
Plant, property, and equipment, gross	33,135	30,491
Less accumulated depreciation and amortization	9,007	8,960
Plant, property, and equipment, net	24,128	21,531
Construction work in progress	944	1,182
Total plant, property, and equipment	25,072	22,713
Other Non-current Assets		
Regulatory assets	3,683	3,595
Accounts receivable	22	23
Investments	76	71
Postretirement benefits	1,468	1,208
Other	357	310
Total other non-current assets	5,606	5,207
Total Assets	$ 33,517	$ 31,353

LIABILITIES AND EQUITY

		In Millions
December 31	2023	2022
Current Liabilities		
Current portion of long-term debt and finance leases	$ 980	$ 1,099
Notes payable	93	20
Accounts payable	802	928
Accounts payable – related parties	7	8
Accrued rate refunds	54	—
Accrued interest	142	122
Accrued taxes	612	538
Regulatory liabilities	56	104
Other current liabilities	149	166
Total current liabilities	2,895	2,985
Non-current Liabilities		
Long-term debt	14,508	13,122
Non-current portion of finance leases	62	68
Regulatory liabilities	3,894	3,796
Postretirement benefits	106	108
Asset retirement obligations	771	746
Deferred investment tax credit	126	129
Deferred income taxes	2,615	2,407
Other non-current liabilities	415	397
Total non-current liabilities	22,497	20,773
Commitments and Contingencies (Notes 2 and 3)		
Equity		
Common stockholders' equity		
Common stock, authorized 350.0 shares in both periods; outstanding 294.4 shares in 2023 and 291.3 shares in 2022	3	3
Other paid-in capital	5,705	5,490
Accumulated other comprehensive loss	(46)	(52)
Retained earnings	1,658	1,350
Total common stockholders' equity	7,320	6,791
Cumulative redeemable perpetual preferred stock, Series C, authorized 9.2 depositary shares; outstanding 9.2 depositary shares in both periods	224	224
Total stockholders' equity	7,544	7,015
Noncontrolling interests	581	580
Total equity	8,125	7,595
Total Liabilities and Equity	$ 33,517	$ 31,353

The accompanying notes are an integral part of these statements.

CMS Energy Corporation

Consolidated Statements of Changes in Equity

In Millions, Except Number of Shares in Thousands and Per Share Amounts						
	Number of Shares					
Years Ended December 31	2023	2022	2021	2023	2022	2021
Total Equity at Beginning of Period				$ 7,595	$ 7,188	$ 6,077
Common Stock						
At beginning and end of period				3	3	3
Other Paid-in Capital						
At beginning of period	291,268	289,758	288,940	5,490	5,406	5,365
Common stock issued	3,355	1,704	997	222	93	50
Common stock repurchased	(119)	(151)	(157)	(7)	(9)	(9)
Common stock reacquired	(64)	(43)	(22)	—	—	—
At end of period	294,440	291,268	289,758	5,705	5,490	5,406
Accumulated Other Comprehensive Loss						
At beginning of period				(52)	(59)	(86)
Retirement benefits liability						
At beginning of period				(52)	(56)	(80)
Net gain arising during the period				5	1	19
Settlement arising during the period				—	—	1
Amortization of net actuarial loss				2	4	5
Amortization of prior service credit				(1)	(1)	(1)
At end of period				(46)	(52)	(56)
Derivative instruments						
At beginning of period				—	(3)	(6)
Unrealized gain on derivative instruments				—	2	2
Reclassification adjustments included in net income				—	1	1
At end of period				—	—	(3)
At end of period				(46)	(52)	(59)
Retained Earnings						
At beginning of period				1,350	1,057	214
Net income attributable to CMS Energy				887	837	1,353
Dividends declared on common stock				(569)	(534)	(505)
Dividends declared on preferred stock				(10)	(10)	(5)
At end of period				1,658	1,350	1,057
Cumulative Redeemable Perpetual Preferred Stock, Series C						
At beginning of period				224	224	—
Preferred stock issued, net of issuance costs				—	—	224
At end of period				224	224	224

				In Millions, Except Number of Shares in Thousands and Per Share Amounts		
	Number of Shares					
Years Ended December 31	2023	2022	2021	2023	2022	2021
Noncontrolling Interests						
At beginning of period				580	557	581
Sale of membership interest in VIE to tax equity investor				86	49	—
Contribution from noncontrolling interest				6	2	1
Loss attributable to noncontrolling interests				(79)	(24)	(23)
Distributions and other changes in noncontrolling interests				(12)	(4)	(2)
At end of period				581	580	557
Total Equity at End of Period				$ 8,125	$ 7,595	$ 7,188
Dividends declared per common share				$ 1.9500	$ 1.8400	$ 1.7400
Dividends declared per preferred stock Series C depositary share				$ 1.0500	$ 1.0500	$ 0.5688

The accompanying notes are an integral part of these statements.

Consumers Energy Company
Consolidated Statements of Income

			In Millions
Years Ended December 31	2023	2022	2021
Operating Revenue	$ 7,166	$ 8,151	$ 7,021
Operating Expenses			
Fuel for electric generation	435	662	463
Purchased and interchange power	1,331	1,867	1,599
Purchased power – related parties	75	76	77
Cost of gas sold	897	1,243	726
Maintenance and other operating expenses	1,586	1,582	1,531
Depreciation and amortization	1,137	1,088	1,077
General taxes	437	400	373
Total operating expenses	5,898	6,918	5,846
Operating Income	1,268	1,233	1,175
Other Income (Expense)			
Non-operating retirement benefits, net	171	195	155
Other income	49	17	23
Other expense	(12)	(25)	(18)
Total other income	208	187	160
Interest Charges			
Interest on long-term debt	415	325	294
Interest expense – related parties	20	12	12
Other interest expense	16	—	8
Allowance for borrowed funds used during construction	(3)	(2)	(3)
Total interest charges	448	335	311
Income Before Income Taxes	1,028	1,085	1,024
Income Tax Expense	161	140	156
Net Income	867	945	868
Preferred Stock Dividends	2	2	2
Net Income Available to Common Stockholder	$ 865	$ 943	$ 866

The accompanying notes are an integral part of these statements.

Consumers Energy Company

Consolidated Statements of Comprehensive Income

			In Millions
Years Ended December 31	2023	2022	2021
Net Income	$ 867	$ 945	$ 868
Retirement Benefits Liability			
Net gain (loss) arising during the period, net of tax of $—, $5, and $1	(1)	15	2
Amortization of net actuarial loss, net of tax of $ —, $—, and $1	1	2	2
Other Comprehensive Income	—	17	4
Comprehensive Income	$ 867	$ 962	$ 872

The accompanying notes are an integral part of these statements.

Consumers Energy Company
Consolidated Statements of Cash Flows

			In Millions
Years Ended December 31	2023	2022	2021
Cash Flows from Operating Activities			
Net income	$ 867	$ 945	$ 868
Adjustments to reconcile net income to net cash provided by operating activities			
Depreciation and amortization	1,137	1,088	1,077
Deferred income taxes and investment tax credits	156	134	154
Bad debt expense	34	50	22
Postretirement benefits contributions	(9)	(9)	(9)
Other non-cash operating activities and reconciling adjustments	(123)	(87)	(64)
Changes in assets and liabilities			
Accounts and notes receivable and accrued revenue	219	(660)	(103)
Inventories	186	(447)	(90)
Accounts payable and accrued rate refunds	(127)	(9)	140
Other current assets and liabilities	(35)	18	27
Other non-current assets and liabilities	125	(29)	(40)
Net cash provided by operating activities	2,430	994	1,982
Cash Flows from Investing Activities			
Capital expenditures (excludes assets placed under finance lease)	(2,248)	(2,239)	(2,052)
Covert Generating Station acquisition	(812)	—	—
Cost to retire property and other investing activities	(141)	(105)	(133)
Net cash used in investing activities	(3,201)	(2,344)	(2,185)
Cash Flows from Financing Activities			
Proceeds from issuance of debt	2,666	1,799	335
Retirement of debt	(1,654)	(28)	(27)
Increase in notes payable	73	20	—
Increase (decrease) in notes payable – related parties	(75)	(317)	85
Stockholder contribution	475	685	575
Payment of dividends on common and preferred stock	(697)	(771)	(724)
Other financing costs	(21)	(22)	(32)
Net cash provided by financing activities	767	1,366	212
Net Increase (Decrease) in Cash and Cash Equivalents, Including Restricted Amounts	(4)	16	9
Cash and Cash Equivalents, Including Restricted Amounts, Beginning of Period	60	44	35
Cash and Cash Equivalents, Including Restricted Amounts, End of Period	$ 56	$ 60	$ 44

			In Millions
Years Ended December 31	2023	2022	2021
Other Cash Flow Activities and Non-cash Investing and Financing Activities			
Cash transactions			
Interest paid (net of amounts capitalized)	$ 417	$ 309	$ 298
Income taxes paid (refunds received), net	31	(2)	(10)
Non-cash transactions			
Capital expenditures not paid	$ 264	$ 210	$ 192

The accompanying notes are an integral part of these statements.

Consumers Energy Company
Consolidated Balance Sheets

ASSETS

In Millions

December 31	2023	2022
Current Assets		
Cash and cash equivalents	$ 35	$ 43
Restricted cash and cash equivalents	21	17
Accounts receivable and accrued revenue, less allowance of $21 in 2023 and $27 in 2022	909	1,524
Accounts and notes receivable – related parties	11	10
Inventories at average cost		
Gas in underground storage	587	840
Materials and supplies	257	206
Generating plant fuel stock	80	59
Deferred property taxes	426	384
Regulatory assets	203	57
Prepayments and other current assets	65	96
Total current assets	2,594	3,236
Plant, Property, and Equipment		
Plant, property, and equipment, gross	31,723	29,342
Less accumulated depreciation and amortization	8,796	8,791
Plant, property, and equipment, net	22,927	20,551
Construction work in progress	845	994
Total plant, property, and equipment	23,772	21,545
Other Non-current Assets		
Regulatory assets	3,683	3,595
Accounts receivable	28	29
Accounts and notes receivable – related parties	95	99
Postretirement benefits	1,367	1,126
Other	313	286
Total other non-current assets	5,486	5,135
Total Assets	$ 31,852	$ 29,916

LIABILITIES AND EQUITY		
		In Millions
December 31	2023	2022
Current Liabilities		
Current portion of long-term debt and finance leases	$ 731	$ 1,000
Notes payable	93	20
Notes payable – related parties	—	75
Accounts payable	764	864
Accounts payable – related parties	13	15
Accrued rate refunds	54	—
Accrued interest	110	90
Accrued taxes	614	556
Regulatory liabilities	56	104
Other current liabilities	128	147
Total current liabilities	2,563	2,871
Non-current Liabilities		
Long-term debt	10,037	9,192
Long-term debt – related parties	424	—
Non-current portion of finance leases	39	45
Regulatory liabilities	3,894	3,796
Postretirement benefits	77	79
Asset retirement obligations	739	722
Deferred investment tax credit	126	129
Deferred income taxes	2,789	2,585
Other non-current liabilities	364	342
Total non-current liabilities	18,489	16,890
Commitments and Contingencies (Notes 2 and 3)		
Equity		
Common stockholder's equity		
Common stock, authorized 125.0 shares; outstanding 84.1 shares in both periods	841	841
Other paid-in capital	7,759	7,284
Accumulated other comprehensive loss	(15)	(15)
Retained earnings	2,178	2,008
Total common stockholder's equity	10,763	10,118
Cumulative preferred stock, $4.50 series, authorized 7.5 shares; outstanding 0.4 shares in both periods	37	37
Total equity	10,800	10,155
Total Liabilities and Equity	$ 31,852	$ 29,916

The accompanying notes are an integral part of these statements.

Consumers Energy Company
Consolidated Statements of Changes in Equity

			In Millions
Years Ended December 31	2023	2022	2021
Total Equity at Beginning of Period	$ 10,155	$ 9,279	$ 8,556
Common Stock			
At beginning and end of period	841	841	841
Other Paid-in Capital			
At beginning of period	7,284	6,599	6,024
Stockholder contribution	475	685	575
At end of period	7,759	7,284	6,599
Accumulated Other Comprehensive Loss			
Retirement benefits liability			
At beginning of period	(15)	(32)	(36)
Net gain (loss) arising during the period	(1)	15	2
Amortization of net actuarial loss	1	2	2
At end of period	(15)	(15)	(32)
Retained Earnings			
At beginning of period	2,008	1,834	1,690
Net income	867	945	868
Dividends declared on common stock	(695)	(769)	(722)
Dividends declared on preferred stock	(2)	(2)	(2)
At end of period	2,178	2,008	1,834
Cumulative Preferred Stock			
At beginning and end of period	37	37	37
Total Equity at End of Period	$ 10,800	$ 10,155	$ 9,279

The accompanying notes are an integral part of these statements.

CMS Energy Corporation
Consumers Energy Company
Notes to the Consolidated Financial Statements

1: Significant Accounting Policies

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

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

Cash and Cash Equivalents and Restricted Cash and Cash Equivalents: Cash and cash equivalents include short-term, highly liquid investments with original maturities of three months or less. Restricted cash and cash equivalents are held primarily for the repayment of securitization bonds and funds held in escrow. Cash and cash equivalents may also be restricted to pay other contractual obligations such as leasing of coal railcars. These amounts are classified as current assets since they relate to payments that could or will occur within one year.

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

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

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

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

Consumers also uses FTRs to manage price risk related to electricity transmission congestion. An FTR is a financial instrument that entitles its holder to receive compensation or requires its holder to remit payment for congestion-related transmission charges. Consumers accounts for FTRs as derivatives and changes in the fair value of FTRs are deferred as regulatory assets or liabilities. For details regarding CMS Energy's and Consumers' derivative instruments recorded at fair value, see Note 5, Fair Value Measurements.

EPS: CMS Energy calculates basic and diluted EPS using the weighted-average number of shares of common stock and dilutive potential common stock outstanding during the period. Potential common stock, for purposes of determining diluted EPS, includes the effects of nonvested stock awards, forward equity sales, and convertible securities. CMS Energy computes the effect on potential common stock using the treasury stock method. Potentially dilutive common shares issuable upon conversion of the convertible senior notes are determined using the if-converted method for calculating diluted EPS. Diluted EPS excludes the impact of antidilutive securities, which are those securities resulting in an increase in EPS or a decrease in loss per share. For EPS computations, see Note 13, Earnings Per Share—CMS Energy.

Impairment of Long-lived Assets and Equity Method Investments: CMS Energy and Consumers perform tests of impairment if certain triggering events occur that indicate the carrying amount of an asset may not be recoverable or that there has been a decline in value that may be other than temporary.

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

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

Investment Tax Credits: CMS Energy and its subsidiaries use the flow-through method of accounting for investment tax credits. Under the flow-through method, the credit is recognized as a reduction to income tax expense when the related plant, property, and equipment is placed into service. For its regulated utility assets, Consumers amortizes its investment tax credits over the life of the related property in accordance with regulatory treatment.

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

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

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

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

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

Other: For additional accounting policies, see:

- Note 2, Regulatory Matters
- Note 7, Plant, Property, and Equipment
- Note 8, Leases
- Note 9, Asset Retirement Obligations
- Note 10, Retirement Benefits
- Note 12, Income Taxes
- Note 13, Earnings Per Share—CMS Energy
- Note 14, Revenue
- Note 18, Variable Interest Entities

2: Regulatory Matters

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

There are multiple appeals pending that involve various issues concerning cost recovery from customers, the MPSC's authority to approve voluntary revenue refunds, and other matters. Consumers is unable to predict the outcome of these appeals.

Regulatory Assets and Liabilities

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

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

		In Millions
December 31	2023	2022
Regulatory assets		
Current		
2022 PSCR underrecovery[1]	$ 126	$ —
Energy waste reduction plan incentive[2]	54	47
Retention incentive program[3]	12	2
Other	11	8
Total current regulatory assets	$ 203	$ 57
Non-current		
Costs of coal-fueled electric generating units to be retired[1]	$ 1,265	$ 1,258
Securitized costs[1]	778	843
Postretirement benefits[4]	741	856
ARO[3]	328	281
2022 PSCR underrecovery[1]	126	—
MGP sites[1]	99	108
Unamortized loss on reacquired debt[1]	96	100
Decommissioning costs[3]	83	24
Energy waste reduction plan incentive[2]	58	55
Retention incentive program[3]	27	31
Postretirement benefits expense deferral mechanism[3]	24	—
Energy waste reduction plan[3]	19	10
Ludington overhaul contract dispute[3]	13	—
Other	26	29
Total non-current regulatory assets	$ 3,683	$ 3,595
Total regulatory assets	$ 3,886	$ 3,652
Regulatory liabilities		
Current		
Income taxes, net	$ 49	$ 48
Reserve for customer refunds	2	47
Other	5	9
Total current regulatory liabilities	$ 56	$ 104
Non-current		
Cost of removal	$ 2,545	$ 2,426
Income taxes, net	1,220	1,267
Renewable energy grant	43	45
Renewable energy plan	29	32
Energy waste reduction plan	25	6
Postretirement benefits expense deferral mechanism	12	—
Other	20	20
Total non-current regulatory liabilities	$ 3,894	$ 3,796
Total regulatory liabilities	$ 3,950	$ 3,900

[1] The MPSC has provided a specific return on these regulatory assets.

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

[3] These regulatory assets represent incurred costs for which the MPSC has provided recovery without a return on investment.

[4] This regulatory asset is included in rate base, thereby providing a return.

Regulatory Assets

2022 PSCR Underrecovery: As a result of rising fuel prices during 2022, Consumers' power supply costs for 2022 were significantly higher than those projected in its 2022 PSCR plan. At the end of 2022, Consumers had recorded $401 million of under-recovered power supply costs. In February 2023, the MPSC authorized Consumers to recover the 2022 underrecovery amount over three years, providing immediate relief to electric customers.

Energy Waste Reduction Plan Incentive: The energy waste reduction incentive mechanism provides a financial incentive if the energy savings of Consumers' customers exceed annual targets established by the MPSC. Consumers accounts for this program as an alternative-revenue program that meets the criteria for recognizing revenue related to the incentive as soon as energy savings exceed the annual targets established by the MPSC.

In November 2023, the MPSC approved a settlement agreement authorizing Consumers to collect $55 million during 2024 as an incentive for exceeding its statutory savings targets in 2022. Consumers recognized incentive revenue under this program of $55 million in 2022.

Consumers also exceeded its statutory savings targets in 2023, achieved certain other goals, and will request the MPSC's approval to collect $58 million, the maximum performance incentive, in the energy waste reduction reconciliation to be filed in May 2024. Consumers recognized incentive revenue under this program of $58 million in 2023.

Retention Incentive Program: To ensure necessary staffing at the D.E. Karn and J.H. Campbell coal-fueled generating units through their retirement, Consumers established retention incentive programs. The MPSC has approved deferred accounting treatment for the retention and severance costs incurred under these programs and has allowed for recovery over three years. For additional details regarding the retention incentive program, see Note 19, Exit Activities and Discontinued Operations.

Costs of Coal-fueled Electric Generating Units to be Retired: In June 2022, the MPSC approved Consumers' Clean Energy Plan, under which Consumers plans to retire the J.H. Campbell coal-fueled generating units in 2025. Upon the units' retirement, Consumers will receive regulatory asset treatment to recover their remaining book value, as well as a 9.0-percent return on equity, through 2040, the units' original retirement date. Until retirement, the book value of the generating units will remain in rate base and receive full regulatory returns in general rate cases.

In June 2022, Consumers removed from total plant, property, and equipment an amount of $1.3 billion, representing the projected remaining book value of the electric generating units upon their retirement, and recorded it as a non-current regulatory asset on its consolidated balance sheets.

Securitized Costs: The MPSC has issued securitization financing orders authorizing Consumers to issue securitization bonds in order to finance the recovery of the remaining book value of three smaller natural gas-fueled electric generating units that Consumers retired in 2015, seven smaller coal-fueled electric generating units that Consumers retired in 2016, and the D.E. Karn coal-fueled electric generating units that Consumers retired in June 2023. Consumers has removed from plant, property, and equipment and recorded as a regulatory asset the book value of these units. Consumers is amortizing the regulatory asset over the life of the related securitization bonds, which it issued through subsidiaries in 2014 and 2023. For additional details regarding the securitization bonds, see Note 4, Financings and Capitalization—Securitization Bonds.

Postretirement Benefits: As part of the ratemaking process, the MPSC allows Consumers to recover the costs of postretirement benefits. Accordingly, Consumers defers the net impact of actuarial losses and gains, prior service costs and credits, and settlements associated with postretirement benefits as a regulatory asset or liability. The asset or liability will decrease as the deferred items are amortized and recognized as components of net periodic benefit cost. For details about settlements and the amortization periods, see Note 10, Retirement Benefits.

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

MGP Sites: Consumers is incurring environmental remediation and other response activity costs at 23 former MGP facilities. The MPSC allows Consumers to recover from its natural gas customers over a ten-year period the costs incurred to remediate the MGP sites. For additional information, see Note 3, Contingencies and Commitments—Consumers Gas Utility Contingencies—Gas Environmental Matters.

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

Decommissioning Costs: In Consumers' electric depreciation and general rate cases, the MPSC has authorized Consumers to remove from depreciation rates the costs of decommissioning the D.E. Karn coal-fueled electric generating units, and instead defer those costs as a regulatory asset to be recovered through 2031. Additionally, ash disposal costs related to Consumers' retired coal-fueled generating units may be deferred as a regulatory asset and collected over a ten-year period. In its 2022 order approving Consumers' Clean Energy Plan, the MPSC authorized similar treatment for the decommissioning and ash disposal costs associated with the J.H. Campbell coal-fueled generating units that will be retired in 2025.

Postretirement Benefits Expense Deferral Mechanism: In Consumers' general rate cases, the MPSC approved a mechanism allowing Consumers to defer the future recovery or refund of pension and OPEB expenses above or below the amounts used to set existing rates, respectively, beginning in January 2023 for the electric utility and October 2023 for the gas utility.

Energy Waste Reduction Plan: The MPSC allows Consumers to collect surcharges from customers to fund its energy waste reduction plan. The amount of spending incurred in excess of surcharges collected is recorded as a regulatory asset and amortized as surcharges are collected from customers over the plan period. The amount of surcharges collected in excess of spending incurred is recorded as a regulatory liability and amortized as costs are incurred.

Ludington Overhaul Contract Dispute: The MPSC has authorized Consumers to defer as a regulatory asset costs associated with repairing or replacing defective work performed by TAES during a major overhaul and upgrade of Ludington. Consumers will defer such costs while litigation with TAES and Toshiba moves forward; such costs will be offset by potential future litigation proceeds received from

TAES or Toshiba. Consumers will have the opportunity to seek appropriate recovery and ratemaking treatment for amounts recorded as a regulatory asset following resolution of the litigation. For additional details on the contract dispute, see Note 3, Contingencies and Commitments—Consumers Electric Utility Contingencies.

Regulatory Liabilities

Income Taxes, Net: Consumers records regulatory assets and liabilities to reflect the difference between deferred income taxes recognized for financial reporting purposes and amounts previously reflected in Consumers' rates. This net balance will decrease over the remaining life of the related temporary differences and flow through income tax expense. The majority of the net regulatory liability recorded related to income taxes is associated with plant assets that are subject to normalization, which is governed by the Internal Revenue Code, and will be returned to customers over the remaining book life of the related plant assets. For additional details on deferred income taxes, see Note 12, Income Taxes.

Reserve for Customer Refunds: In December 2022, the MPSC issued an order authorizing Consumers to refund $22 million voluntarily to utility customers. During 2023, the MPSC approved Consumers' requests that the refund take the form of contributions to programs that assist vulnerable electric and gas customers and incremental vegetation management. Additionally, in the settlement of its 2022 electric rate case, Consumers agreed to refund voluntarily $15 million of 2022 revenues to utility customers through a one-time bill credit and to fund $10 million in contributions to programs that directly assist vulnerable customers with utility bills.

Cost of Removal: The MPSC allows Consumers to collect amounts from customers to fund future asset removal activities. This regulatory liability is reduced as costs are incurred to remove the assets at the end of their useful lives.

Renewable Energy Grant: In 2013, Consumers received a $69 million renewable energy grant for Lake Winds® Energy Park, which began operations in 2012. This grant reduces Consumers' cost of complying with Michigan's renewable portfolio standard and, accordingly, reduces the overall renewable energy surcharge to be collected from customers. The regulatory liability recorded for the grant will be amortized over the life of Lake Winds® Energy Park. Consumers presents the amortization as a reduction to maintenance and other operating expenses on its consolidated statements of income.

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

Consumers Electric and Gas Utility

Meter Investigation: In July 2023, the MPSC issued an order initiating an investigation into Consumers' handling of malfunctioning meters and meters requiring transition from 3G to 4G technology, estimated billing, and new service installations. The order directed Consumers to provide information on such meters and their replacement, meter-reading performance, communications with customers and the MPSC regarding these issues, and other information; Consumers provided this information in August 2023. As directed in the order, the MPSC Staff analyzed this information and made recommendations, including continued monitoring of Consumers' performance in these areas and penalties for failure to comply with MPSC service rules.

In October 2023, the MPSC issued a show-cause order directing Consumers to provide further information on consecutive estimated billings, the provision of actual meter readings, and new service installation issues. Consumers cannot predict the outcome of this matter, but it could be subject to regulatory penalties that are not expected to have a material effect on Consumers' results of operations and Consumers could be subject to increased regulatory scrutiny.

Consumers Electric Utility

2022 Electric Rate Case: In January 2023, the MPSC approved a settlement agreement authorizing an annual rate increase of $155 million, based on a 9.9-percent authorized return on equity. The MPSC also approved a surcharge for the recovery of $6 million of depreciation, property tax, and interest expense related to distribution investments made in 2021 that exceeded what was authorized in rates in accordance with the December 2020 electric rate order. The new rates became effective January 20, 2023.

Consumers Gas Utility

2022 Gas Rate Case: In December 2022, Consumers filed an application with the MPSC seeking an annual rate increase of $212 million, based on a 10.25-percent authorized return on equity for the projected 12-month period ending September 30, 2024. In August 2023, the MPSC approved a settlement agreement authorizing an annual rate increase of $95 million, based on a 9.9-percent authorized return on equity, effective October 1, 2023. The MPSC also authorized the use of a cost deferral mechanism that will allow Consumers to defer for future recovery or refund pension and OPEB expense above or below the amounts used to set existing rates.

Power Supply Cost Recovery and Gas Cost Recovery

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

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

					In Millions
December 31			2023		2022
Assets					
PSCR underrecoveries	$	—		$	401
GCR underrecoveries		—			8
Accounts receivable and accrued revenue	$	—		$	409
Liabilities					
PSCR overrecoveries	$	10		$	—
GCR overrecoveries		44			—
Accrued rate refunds	$	54		$	—

PSCR Plans and Reconciliations: In September 2023, the MPSC issued an order in Consumers' 2021 PSCR reconciliation, authorizing recovery of $2.1 billion of power costs and authorizing Consumers to reflect in its 2022 PSCR reconciliation the overrecovery of $7 million.

In March 2023, Consumers filed its 2022 PSCR reconciliation, requesting full recovery of $2.5 billion of power costs and authorization to reflect in its 2023 PSCR reconciliation the underrecovery of $404 million. In November 2023, Consumers revised its reconciliation, requesting authorization to reflect in its 2023 PSCR reconciliation the underrecovery of $401 million.

Consumers submitted its 2023 PSCR plan to the MPSC in September 2022 and self-implemented a 2023 PSCR charge in accordance with that plan in January 2023. As a result of significantly higher-than-projected power costs during 2022, Consumers subsequently filed a motion for a temporary order in its 2023 PSCR plan, requesting that the MPSC approve only a third of the 2022 underrecovery amount for recovery in 2023, with the remaining amount to be recovered equally during 2024 and 2025. The MPSC approved Consumers' motion in February 2023, providing immediate relief to electric customers. The MPSC approved Consumers' 2023 PSCR plan in August 2023.

GCR Plans and Reconciliations: In March 2023, the MPSC approved a settlement agreement in Consumers' 2021-2022 GCR reconciliation, authorizing recovery of $0.7 billion of gas costs and authorizing Consumers to reflect in its 2022-2023 GCR reconciliation the underrecovery of $9 million.

In June 2023, Consumers filed its 2022-2023 GCR reconciliation, requesting full recovery of $1.1 billion of gas costs and authorization to reflect in its 2023-2024 GCR reconciliation the underrecovery of $15 million.

Consumers submitted its 2023-2024 GCR plan to the MPSC in December 2022 and self-implemented its proposed 2023-2024 GCR charge in April 2023.

3: Contingencies and Commitments

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

CMS Energy Contingencies

Bay Harbor: CMS Land retained environmental remediation obligations for the collection and treatment of leachate at Bay Harbor after selling its interests in the development in 2002. Leachate is produced when water enters into cement kiln dust piles left over from former cement plant operations at the site. In 2012, CMS Land and EGLE finalized an agreement establishing the final remedies and the future water quality criteria at the site. CMS Land completed all construction necessary to implement the remedies required by the agreement and will continue to maintain and operate a system to discharge treated leachate into Little Traverse Bay under an NPDES permit, which is valid through 2025.

At December 31, 2023, CMS Energy had a recorded liability of $45 million for its remaining obligations for environmental remediation. CMS Energy calculated this liability based on discounted projected costs, using a discount rate of 4.34 percent and an inflation rate of one percent on annual operating and maintenance costs. The undiscounted amount of the remaining obligation is $57 million. CMS Energy expects to pay the following amounts for long-term leachate disposal and operating and maintenance costs in each of the next five years:

					In Millions
	2024	2025	2026	2027	2028
CMS Energy					
Long-term leachate disposal and operating and maintenance costs	$ 4	$ 4	$ 4	$ 4	$ 4

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

Consumers Electric Utility Contingencies

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

Cleanup and Solid Waste: Consumers expects to incur remediation and other response activity costs at a number of sites under NREPA. Consumers believes that these costs should be recoverable in rates, but cannot guarantee that outcome. Consumers estimates its liability for NREPA sites for which it can estimate a range of loss to be between $2 million and $4 million. At December 31, 2023, Consumers had a recorded liability of $2 million, the minimum amount in the range of its estimated probable NREPA liability, as no amount in the range was considered a better estimate than any other amount.

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

Based on its experience, Consumers estimates its share of the total liability for known CERCLA sites to be between $3 million and $8 million. Various factors, including the number and creditworthiness of potentially responsible parties involved with each site, affect Consumers' share of the total liability. At December 31, 2023, Consumers had a recorded liability of $3 million for its share of the total liability at these sites, the minimum amount in the range of its estimated probable CERCLA liability, as no amount in the range was considered a better estimate than any other amount.

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

nature and extent of contamination, and legal and regulatory requirements, could affect its estimates of NREPA and CERCLA liability.

Ludington Overhaul Contract Dispute: Consumers and DTE Electric, co-owners of Ludington, are parties to a 2010 engineering, procurement, and construction agreement with TAES, under which TAES contracted to perform a major overhaul and upgrade of Ludington. The overhauled Ludington units are operational, but TAES' work has been defective and non-conforming. Consumers and DTE Electric have demanded that TAES provide a comprehensive plan to resolve those matters, including adherence to its warranty commitments and other contractual obligations. Consumers and DTE Electric have taken extensive efforts to resolve these issues with TAES, including a formal demand to TAES' parent, Toshiba, under a parent guaranty it provided. TAES has not provided a comprehensive plan or otherwise met its performance obligations.

In order to enforce the contract, Consumers and DTE Electric filed a complaint against TAES and Toshiba in the U.S. District Court for the Eastern District of Michigan in April 2022. In June 2022, TAES and Toshiba filed a motion to dismiss the complaint, along with an answer and counterclaims seeking approximately $15 million in damages related to payments allegedly owed under the parties' contract. As a co-owner of Ludington, Consumers would be liable for 51 percent of any such damages, if liability and damages were proven. In September 2022, the court denied the motion to dismiss filed by TAES and Toshiba. The parties are engaged in ongoing litigation, including discovery, pursuant to a court-ordered schedule. Consumers believes the counterclaims filed by TAES and Toshiba are without merit, but cannot predict the financial impact or outcome of this matter. An unfavorable outcome could have a material adverse effect on CMS Energy's and Consumers' financial condition, results of operations, or liquidity.

Toshiba has announced that, through a common stock purchase, TBJH became the majority shareholder and new parent company of Toshiba. TBJH is a subsidiary of a Japanese private equity firm. Consumers and DTE Electric continue to monitor this development, but do not believe that this affects their rights under the parent guaranty provided by Toshiba.

In May 2023, the MPSC approved Consumers' and DTE Electric's jointly-filed request for authority to defer as a regulatory asset the costs associated with repairing or replacing the defective work performed by TAES while the litigation with TAES and Toshiba moves forward; such costs will be offset by potential future litigation proceeds received from TAES or Toshiba. Consumers and DTE Electric will have the opportunity to seek appropriate recovery and ratemaking treatment for amounts recorded as a regulatory asset following resolution of the litigation, but cannot predict the financial impact or outcome of such proceedings.

J.H. Campbell 3 Plant Retirement Contract Dispute: In May 2022, Consumers filed a complaint against Wolverine Power in the Ottawa County Circuit Court and requested a ruling that Consumers has sole authority to decide to retire the J.H. Campbell 3 coal-fueled generating unit under the unit's Joint Ownership and Operating Agreement. In July 2022, Wolverine Power filed an answer, affirmative defenses, and a counterclaim seeking approximately $37 million in damages allegedly caused by Consumers' decision to retire the unit before the end of its useful life. In October 2022, the state circuit court judge found that Consumers may, in its sole discretion, retire the J.H. Campbell 3 coal-fueled generating unit, provided that Consumers continues to operate and make necessary improvements to the unit while the litigation concerning Wolverine Power's claim for damages is pending. In May 2023, the circuit court judge issued an order granting Consumers' Motion for Clarification confirming that Consumers may continue to operate and invest in J.H. Campbell 3 consistent with the May 2025 retirement date. Consumers believes Wolverine Power's claim has no merit, but cannot predict the final impact or outcome on this matter. An unfavorable outcome could have a material adverse effect on CMS Energy's and Consumers' financial condition, results of operations, or liquidity.

Consumers Gas Utility Contingencies

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

At December 31, 2023, Consumers had a recorded liability of $62 million for its remaining obligations for these sites. Consumers expects to pay the following amounts for remediation and other response activity costs in each of the next five years:

					In Millions
	2024	2025	2026	2027	2028
Consumers					
Remediation and other response activity costs	$ 2	$ 1	$ 7	$ 10	$ 25

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

Pursuant to orders issued by the MPSC, Consumers defers its MGP-related remediation costs and recovers them from its customers over a ten-year period. At December 31, 2023, Consumers had a regulatory asset of $99 million related to the MGP sites.

Consumers estimates that its liability to perform remediation and other response activities at NREPA sites other than the MGP sites could reach $1 million. At December 31, 2023, Consumers had a recorded liability of less than $1 million, the minimum amount in the range of its estimated probable liability, as no amount in the range was considered a better estimate than any other amount.

Guarantees

Presented in the following table are CMS Energy's and Consumers' guarantees at December 31, 2023:

				In Millions
Guarantee Description	Issue Date	Expiration Date	Maximum Obligation	Carrying Amount
CMS Energy, including Consumers				
Indemnity obligations from sale of membership interests in VIEs[1]	various	indefinite	$ 304	$ —
Indemnity obligations from stock and asset sale agreements[2]	various	indefinite	153	1
Guarantee[3]	2011	indefinite	30	—
Consumers				
Guarantee[3]	2011	indefinite	$ 30	$ —

1 These obligations arose from the sale of membership interests in NWO Holdco, Aviator Wind, and Newport Solar Holdings to tax equity investors. NorthStar Clean Energy provided certain indemnity obligations that protect the tax equity investors

against losses incurred as a result of breaches of representations and warranties under the associated limited liability company agreements. These obligations are generally capped at an amount equal to the tax equity investor's capital contributions plus a specified return, less any distributions and tax benefits it receives, in connection with its membership interest. For any indemnity obligations related to Aviator Wind, NorthStar Clean Energy would recover 49 percent of any amounts paid to the tax equity investor from the other owner of Aviator Wind Equity Holdings. Additionally, Aviator Wind holds insurance coverage that would partially protect against losses incurred as a result of certain failures to qualify for production tax credits. For further details on NorthStar Clean Energy's ownership interest in NWO Holdco, Aviator Wind, and Newport Solar Holdings, see Note 18, Variable Interest Entities.

[2] These obligations arose from stock and asset sale agreements under which CMS Energy or a subsidiary of CMS Energy indemnified the purchaser for losses resulting from various matters, including claims related to taxes. The maximum obligation amount is mostly related to an Equatorial Guinea tax claim.

[3] This obligation comprises a guarantee provided by Consumers to the U.S. Department of Energy in connection with a settlement agreement regarding damages resulting from the department's failure to accept spent nuclear fuel from nuclear power plants formerly owned by Consumers.

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

Other Contingencies

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

Contractual Commitments

Purchase Obligations: Purchase obligations arise from long-term contracts for the purchase of commodities and related services, and construction and service agreements. The commodities and related services include long-term PPAs, natural gas and associated transportation, and coal and associated transportation. Related-party PPAs are between Consumers and certain affiliates of NorthStar Clean

Energy. Presented in the following table are CMS Energy’s and Consumers’ contractual purchase obligations at December 31, 2023 for each of the periods shown:

	Payments Due					
	Total	2024	2025	2026	2027	
CMS Energy, including Consumers						
Total PPAs	$ 7,204	$ 711	$ 792	$ 783	$ 787	$ 70
Other	3,491	1,720	885	301	207	15
Total purchase obligations	$ 10,695	$ 2,431	$ 1,677	$ 1,084	$ 994	$ 85
Consumers						
PPAs						
MCV PPA	$ 2,506	$ 342	$ 402	$ 416	$ 410	$ 37
Related-party PPAs	206	60	44	30	31	1
Other PPAs	4,492	309	346	337	346	31
Total PPAs	$ 7,204	$ 711	$ 792	$ 783	$ 787	$ 70
Other	2,802	1,615	648	266	168	8
Total purchase obligations	$ 10,006	$ 2,326	$ 1,440	$ 1,049	$ 955	$ 78

MCV PPA: Consumers has a PPA with the MCV Partnership giving Consumers the right to purchase up to 1,240 MW of capacity and energy produced by the MCV Facility through May 2030. The MCV PPA provides for:

- a capacity charge of $10.14 per MWh of available capacity through March 2025 and $5.00 per MWh of available capacity from March 2025 through the termination date of the PPA
- a fixed energy charge of $6.30 per MWh for on-peak hours and $6.00 for off-peak hours
- a variable energy charge based on the MCV Partnership’s cost of production for energy delivered to Consumers
- a $5 million annual contribution by the MCV Partnership to a renewable resources program through March 2025

Capacity and energy charges under the MCV PPA were $340 million in 2023, $519 million in 2022, and $348 million in 2021.

Other PPAs: Consumers has PPAs expiring through 2048 with various counterparties. The majority of the PPAs have capacity and energy charges for delivered energy. Capacity and energy charges under these PPAs were $498 million in 2023, $510 million in 2022, and $338 million in 2021. In addition, CMS Energy and Consumers account for several of their PPAs as leases. See Note 8, Leases for more information about CMS Energy’s and Consumers’ lease obligations.

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4: Financings and Capitalization

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

				In Millions
	Interest Rate (%)	Maturity	2023	2022
CMS Energy, including Consumers				
CMS Energy, parent only				
Senior notes	3.875	2024	$ 250	$ 250
	3.600	2025	250	250
	3.000	2026	300	300
	2.950	2027	275	275
	3.450	2027	350	350
	4.700	2043	250	250
	4.875	2044	300	300
			$ 1,975	$ 1,975
Convertible senior notes	3.375	2028	800	—
			$ 800	$ —
Junior subordinated notes[1]	4.750 [2]	2050	500	500
	3.750 [3]	2050	400	400
	5.625	2078	200	200
	5.875	2078	280	280
	5.875	2079	630	630
			$ 2,010	$ 2,010
Total CMS Energy, parent only			$ 4,785	$ 3,985
CMS Energy subsidiaries				
Consumers			10,863	$ 10,277
NorthStar Clean Energy, including subsidiaries				
Term loan facility	variable	2023	—	100
Total principal amount outstanding			$ 15,648	$ 14,362
Current amounts			(975)	(1,090)
Unamortized discounts			(30)	(30)
Unamortized issuance costs			(135)	(120)
Total long-term debt			$ 14,508	$ 13,122

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

[2] On June 1, 2030, and every five years thereafter, the notes will reset to an interest rate equal to the five-year treasury rate plus 4.116 percent.

[3] On December 1, 2030, and every five years thereafter, the notes will reset to an interest rate equal to the five-year treasury rate plus 2.900 percent.

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

				In Millions
	Interest Rate (%)	Maturity	2023	2022
Consumers				
First mortgage bonds				
	0.350	2023	$ —	$ 300
	3.375	2023	—	325
	3.125	2024	250	250
	3.190	2024	52	52
	5.240	2026	115	—
	3.680	2027	100	100
	3.390	2027	35	35
	4.650	2028	425	—
	3.800	2028	300	300
	4.900	2029	500	—
	5.070	2029	50	—
	5.170	2032	95	—
	3.600	2032	350	350
	3.180	2032	100	100
	4.625	2033	700	—
	5.800	2035	175	175
	5.380	2037	140	—
	3.520	2037	335	335
	4.010	2038	215	215
	6.170	2040	50	50
	4.970	2040	50	50
	4.310	2042	263	263
	3.950	2043	425	425
	4.100	2045	250	250
	3.250	2046	450	450
	3.950	2047	350	350
	4.050	2048	550	550
	4.350	2049	550	550
	3.750	2050	300	300
	3.100	2050	550	550
	3.500	2051	575	575
	2.650	2052	300	300
	4.200	2052	450	450
	3.860	2052	50	50
	4.280	2057	185	185
	2.500	2060	525	525
	4.350	2064	250	250
	variable [1]	2069	76	76
	variable [1]	2070	134	134
	variable [1]	2070	127	127

In Millions

	Interest Rate (%)	Maturity	2023	2022
			$ 10,397	$ 8,997
Tax-exempt revenue bonds	0.875 [2]	2035	35	35
	1.800 [3]	2049	75	75
			$ 110	$ 110
2014 Securitization bonds	3.421 [4]	2025-2029 [5]	$ 141	$ 170
2023 Securitization bonds	5.342 [6]	2028-2031 [5]	646	—
			$ 787	$ 170
Term loan facility	variable	2024	—	1,000
Total principal amount outstanding			$ 11,294	$ 10,277
Current amounts			(725)	(991)
Long-term debt – related parties[7] principal amount outstanding		2050-2060	(431)	—
Unamortized discounts			(28)	(27)
Unamortized issuance costs			(73)	(67)
Total long-term debt			$ 10,037	$ 9,192

1 The variable-rate bonds bear interest quarterly at a rate of three-month SOFR minus 0.038 percent, subject to a zero-percent floor. At December 31, 2023, the interest rates were 5.346 percent for bonds due September 2069, 5.329 percent for bonds due May 2070, and 5.368 percent for bonds due October 2070. The interest rate for all variable-rate bonds at December 31, 2022 was zero percent. The holders of these variable-rate bonds may put them to Consumers for redemption on certain dates prior to their stated maturity, including dates within one year of December 31, 2023.

2 The interest rate on these tax-exempt revenue bonds will reset on October 8, 2026.

3 The interest rate on these tax-exempt revenue bonds will reset on October 1, 2024.

4 The weighted-average interest rate for Consumers’ securitization bonds issued through its subsidiary, Consumers 2014 Securitization Funding, was 3.421 percent at December 31, 2023 and 3.343 percent at December 31, 2022.

5 Principal and interest payments are made semiannually.

6 The weighted-average interest rate for Consumers’ securitization bonds issued through its subsidiary, Consumers 2023 Securitization Funding, was 5.342 percent at December 31, 2023.

7 Long-term debt – related parties reflects Consumers’ outstanding debt held by its parent as a result of CMS Energy’s repurchase of Consumers’ first mortgage bonds.

CMS Energy's Purchase of Consumers' First Mortgage Bonds: Presented in the following table is Consumers' long-term debt—related parties at December 31, 2023:

	Principal *(In Millions)*	Interest Rate (%)
First mortgage bonds due 2060	$ 163	2.500
First mortgage bonds due 2052	106	2.650
First mortgage bonds due 2050	23	3.750
First mortgage bonds due 2050	52	3.100
First mortgage bonds due 2051	27	3.500
First mortgage bonds due 2048	60	4.050
Total principal amount outstanding	$ 431	
Unamortized discounts	(3)	
Unamortized issuance costs	(4)	
Total long-term debt — related parties	$ 424	

During 2023, CMS Energy purchased these Consumers' first mortgage bonds for $293 million. On a consolidated basis, CMS Energy's repurchase of Consumers' first mortgage bonds was accounted for as a debt extinguishment and resulted in a pre-tax gain of $131 million. Interest expense related to the repurchased bonds was $5 million for the year ended December 31, 2023.

Financings: Presented in the following table is a summary of major long-term debt issuances during 2023:

	Principal (In Millions)	Interest Rate (%)	Issuance Date	Maturity Date
CMS Energy, parent only				
Convertible senior notes	$ 800	3.375	May 2023	May 2028
Total CMS Energy, parent only	$ 800			
NorthStar Clean Energy, including subsidiaries				
Term loan facility[1]	$ 85	variable	February 2023	November 2023
Total NorthStar Clean Energy, including subsidiaries	$ 85			
Consumers				
First mortgage bonds	$ 425	4.650	January 2023	March 2028
First mortgage bonds	700	4.625	February 2023	May 2033
First mortgage bonds	115	5.240	May 2023	May 2026
First mortgage bonds	50	5.070	May 2023	May 2029
First mortgage bonds	95	5.170	May 2023	May 2032
First mortgage bonds	140	5.380	May 2023	May 2037
First mortgage bonds	500	4.900	August 2023	February 2029
2023 Securitization bonds[2]	250	5.550	December 2023	March 2028
2023 Securitization bonds[2]	396	5.210	December 2023	September 2031
Total Consumers	$ 2,671			
Total CMS Energy	$ 3,556			

1 In December 2022, a subsidiary of NorthStar Clean Energy entered into a $185 million unsecured term loan credit agreement. Under this credit agreement, a subsidiary of NorthStar Clean Energy borrowed $85 million in 2023.

2 For additional details on the securitization, see Note 2, Regulatory Matters— Securitized Costs.

In January 2024, Consumers issued $600 million of first mortgage bonds that mature in May 2029 and bear interest at a rate of 4.600 percent. The proceeds of the bonds will be used for general corporate purposes.

Issuance of Convertible Senior Notes: In May 2023, CMS Energy issued an aggregate principal amount of $800 million convertible senior notes that bear an interest rate of 3.375 percent and mature in May 2028 unless redeemed, repurchased, or converted earlier. Unamortized debt costs associated with this issuance were $12 million at December 31, 2023. The convertible senior notes rank equal in right of payment to any of CMS Energy's unsecured indebtedness that is not subordinated. There are no sinking fund requirements for the notes.

Holders of the convertible senior notes may convert their notes at their option in accordance with the conditions outlined in the related indenture. CMS Energy will settle conversions of the notes by paying cash up to the aggregate principal amount of the notes to be converted and paying or delivering, as the case may be, cash, shares of CMS Energy common stock, or a combination of cash and shares of CMS Energy common stock, at its election, in respect of the remainder, if any, of its conversion obligation in excess of the aggregate principal amount of the notes being converted. The conversion rate will be subject to adjustment for anti-dilutive events and fundamental change and redemption provisions

as described in the related indenture. At December 31, 2023, the conversion price for the notes was $73.97 per share of common stock.

CMS Energy may redeem for cash all or any portion of the notes, at its option, on or after May 6, 2026 if the last reported sale price of its common stock has been at least 130 percent of the conversion price then in effect for at least 20 trading days during any 30 consecutive trading day period. Holders of the convertible senior notes may require CMS Energy to repurchase for cash all or any portion of their notes if a fundamental change, as outlined in the related indenture, occurs. In both cases, CMS Energy will redeem or repurchase the notes at a price equal to 100 percent of the principal amount of the notes to be redeemed or repurchased, plus accrued and unpaid interest.

Retirements: Presented in the following table is a summary of major long-term debt retirements during 2023:

	Principal (In Millions)	Interest Rate (%)	Retirement Date	Maturity Date
NorthStar Clean Energy, including subsidiaries				
Term loan facility	$ 185	variable	November 2023	November 2023
Total NorthStar Clean Energy, including subsidiaries	$ 185			
Consumers				
Term loan facility	$ 1,000	variable	February 2023	January 2024
First mortgage bonds	300	0.350	June 2023	June 2023
First mortgage bonds	325	3.375	August 2023	August 2023
Total Consumers	$ 1,625			

In January 2024, CMS Energy retired $250 million of its senior notes bearing an interest rate of 3.875 percent and an original maturity date of March 2024.

Regulatory Authorization for Financings: Consumers is required to maintain FERC authorization for financings. Its current authorization ends on March 31, 2025. Any long-term issuances during the authorization period are exempt from FERC's competitive bidding and negotiated placement requirements.

First Mortgage Bonds: Consumers secures its first mortgage bonds by a mortgage and lien on substantially all of its property. Consumers' ability to issue first mortgage bonds is restricted by certain provisions in the First Mortgage Bond Indenture and the need for regulatory approvals under federal law. Restrictive issuance provisions in the First Mortgage Bond Indenture include achieving a two-times interest coverage ratio and having sufficient unfunded net property additions.

Securitization Bonds: Certain regulatory assets held by Consumers' subsidiaries, Consumers 2014 Securitization Funding and Consumers 2023 Securitization Funding, collateralize Consumers' securitization bonds. Consumers 2014 Securitization Funding and Consumers 2023 Securitization Funding are distinct subsidiaries. The bondholders of each entity have no recourse to the other's assets or the assets of Consumers. Consumers collects securitization surcharges to cover the principal and interest on the bonds as well as certain other qualified costs. The surcharges collected by Consumers on behalf of each entity are remitted to that subsidiary's account and are not available to creditors of Consumers or creditors of Consumers' affiliates other than the subsidiary that issued the bonds.

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Debt Maturities: At December 31, 2023, the aggregate annual maturities for long-term debt for the next five years, based on stated maturities or earlier put dates, were:

														In Millions
	2024			2025			2026			2027			2028	
CMS Energy, including Consumers														
Long-term debt														
CMS Energy, parent only	$	250		$	250		$	300		$	625		$	800
Consumers		725			116			237			263			843
Total CMS Energy[1]	$	975		$	366		$	537		$	888		$	1,643
Consumers														
Long-term debt	$	725		$	116		$	237		$	263		$	843

Credit Facilities: The following credit facilities with banks were available at December 31, 2023:

								In Millions
Expiration Date	Amount of Facility		Amount Borrowed		Letters of Credit Outstanding		Amount Available	
CMS Energy, parent only								
December 14, 2027[1]	$	550	$	—	$	24	$	526
September 22, 2024		50		—		50		—
NorthStar Clean Energy, including subsidiaries								
September 25, 2025[2]	$	37	$	—	$	37	$	—
Consumers[3]								
December 14, 2027	$	1,100	$	—	$	27	$	1,073
November 18, 2025		250		—		48		202

1 There were no borrowings under this facility during the year ended December 31, 2023.

2 This letter of credit facility is available to Aviator Wind Equity Holdings. For more information regarding Aviator Wind Equity Holdings, see Note 18, Variable Interest Entities.

3 Obligations under these facilities are secured by first mortgage bonds of Consumers. There were no borrowings under these facilities during the year ended December 31, 2023.

Short-term Borrowings: Under Consumers' commercial paper program, Consumers may issue, in one or more placements, investment-grade commercial paper notes with maturities of up to 365 days at market interest rates. These issuances are supported by Consumers' revolving credit facilities and may have an aggregate principal amount outstanding of up to $500 million. While the amount of outstanding commercial paper does not reduce the available capacity of the revolving credit facilities, Consumers does not intend to issue commercial paper in an amount exceeding the available capacity of the facilities. At December 31, 2023, there were $93 million of commercial paper notes outstanding under this program with a weighted-average annual interest rate of 5.609 percent, recorded as current notes payable on the consolidated balance sheets of CMS Energy and Consumers.

In December 2023, Consumers renewed a short-term credit agreement with CMS Energy, permitting Consumers to borrow up to $500 million at an interest rate of the prior month's average one-month Term SOFR minus 0.100 percent. At December 31, 2023, there were no outstanding borrowings under the agreement.

Consumers' Supplier Financing Program: Under a supplier financing program, Consumers agrees to pay a bank, acting as its payment agent, the stated amount of confirmed invoices from participating suppliers on the original maturity dates of the invoices. The supplier invoices that have been confirmed as valid under the program require payment in full within 60 days of the invoice date. Consumers does not provide collateral or a guarantee to the bank in support of its payment obligations under the agreement, nor does it pay a fee for the service. Consumers or the bank may terminate the supplier financing program agreement upon 30 days prior written notice to the other party. There were no trade payables outstanding under the program in accounts payable on CMS Energy's and Consumers' consolidated balance sheets at December 31, 2023, and less than $1 million at December 31, 2022.

Dividend Restrictions: At December 31, 2023, payment of dividends by CMS Energy on its common stock was limited to $7.3 billion under provisions of the Michigan Business Corporation Act of 1972.

Under the provisions of its articles of incorporation, at December 31, 2023, Consumers had $2.1 billion of unrestricted retained earnings available to pay dividends on its common stock to CMS Energy. Provisions of the Federal Power Act and the Natural Gas Act appear to restrict dividends payable by Consumers to the amount of Consumers' retained earnings. Several decisions from FERC suggest that, under a variety of circumstances, dividends from Consumers on its common stock would not be limited to amounts in Consumers' retained earnings. Any decision by Consumers to pay dividends on its common stock in excess of retained earnings would be based on specific facts and circumstances and would be subject to a formal regulatory filing process.

During the year ended December 31, 2023, Consumers paid $695 million in dividends on its common stock to CMS Energy.

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

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

Issuance of Common Stock: In 2023, CMS Energy entered into an equity offering program under which it may sell shares of its common stock having an aggregate sales price of up to $1 billion in privately negotiated transactions, in "at the market" offerings, or through forward sales transactions. There have been no sales of securities under this program.

In November 2023, CMS Energy partially settled a forward contract, issued under its previous equity offering program, by issuing shares of its common stock at a weighted-average price of $68.05 per share, resulting in net proceeds of $178 million.

Presented in the following table are details of CMS Energy's forward sales contracts under its equity offering program at December 31, 2023:

			Forward Price Per Share	
Contract Date	Maturity Date	Number of Shares	Initial	December 31, 2023
August 3, 2022	December 31, 2024	328,207	$ 67.59	$ 68.37
August 24, 2022	December 31, 2024	1,677,938	69.46	70.91
August 29, 2022	December 31, 2024	1,783,388	68.18	69.54

Under these contracts, CMS Energy may either settle physically by issuing shares of its common stock at the then-applicable forward sale price specified by the agreement or settle net by delivering or receiving

cash or shares. CMS Energy may settle the contracts at any time through their maturity dates, and presently intends to physically settle the contracts by delivering shares of its common stock.

The initial forward price in the forward equity sale contracts includes a deduction for commissions and will be adjusted on a daily basis over the term based on an interest rate factor and decreased on certain dates by certain predetermined amounts to reflect expected dividend payments. No amounts are recorded on CMS Energy's consolidated balance sheets until settlements of the forward equity sale contracts occur. If CMS Energy had elected to net share settle or net cash settle the contracts as of December 31, 2023, CMS Energy would not have been required to deliver shares or pay cash. In January 2024, CMS Energy settled the remaining forward sale contracts issued under its previous equity offering program by issuing shares at a weighted average price of $70.31 per share, resulting in net proceeds of $266 million.

Preferred Stock: CMS Energy's Series C preferred stock is traded on the New York Stock Exchange under the symbol CMS PRC. Depositary shares represent a 1/1000th interest in a share of its Series C preferred stock. The Series C preferred stock has no maturity or mandatory redemption date and is not redeemable at the option of the holders. CMS Energy may, at its option, redeem the Series C preferred stock, in whole or in part, at any time on or after July 15, 2026. The Series C preferred stock ranks senior to CMS Energy's common stock with respect to dividend rights and distribution rights upon liquidation. Presented in the following table are details of CMS Energy's Series C preferred stock at December 31, 2023 and 2022:

	Depositary Share Par Value	Depositary Share Optional Redemption Price	Number of Depositary Shares Authorized	Number of Depositary Shares Outstanding
Cumulative, redeemable perpetual	$ 25	$ 25	9,200,000	9,200,000

Preferred Stock of Subsidiary: Consumers' preferred stock is traded on the New York Stock Exchange under the symbol CMS-PB. Presented in the following table are details of Consumers' preferred stock at December 31, 2023 and 2022:

	Par Value	Optional Redemption Price	Number of Shares Authorized	Number of Shares Outstanding
Cumulative, with no mandatory redemption	$ 100	$ 110	7,500,000	373,148

5: Fair Value Measurements

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

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

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

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

Assets and Liabilities Measured at Fair Value on a Recurring Basis

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

					In Millions
	CMS Energy, including Consumers			Consumers	
December 31	2023	2022		2023	2022
Assets[1]					
Cash equivalents	$ 18	$ —		$ —	$ —
Restricted cash equivalents	21	18		21	17
Nonqualified deferred compensation plan assets	30	24		22	18
Derivative instruments	2	2		2	2
Total assets	$ 71	$ 44		$ 45	$ 37
Liabilities[1]					
Nonqualified deferred compensation plan liabilities	$ 30	$ 24		$ 22	$ 18
Total liabilities	$ 30	$ 24		$ 22	$ 18

[1] All assets and liabilities were classified as Level 1 with the exception of derivative contracts, which were classified as Level 3.

Cash Equivalents: Cash equivalents and restricted cash equivalents consist of money market funds with daily liquidity.

Nonqualified Deferred Compensation Plan Assets and Liabilities: The nonqualified deferred compensation plan assets consist of mutual funds, which are bought and sold only at the discretion of plan participants.The assets are valued using the daily quoted net asset values. CMS Energy and Consumers value their nonqualified deferred compensation plan liabilities based on the fair values of the plan assets, as they reflect the amount owed to the plan participants in accordance with their investment elections. CMS Energy and Consumers report the assets in other non-current assets and the liabilities in other non-current liabilities on their consolidated balance sheets.

Derivative Instruments: CMS Energy and Consumers value their derivative instruments using either a market approach that incorporates information from market transactions, or an income approach that discounts future expected cash flows to a present value amount. CMS Energy's and Consumers' derivatives are classified as Level 3.

The majority of derivatives classified as Level 3 are FTRs held by Consumers. Due to the lack of quoted pricing information, Consumers determines the fair value of its FTRs based on Consumers' average historical settlements. There was no material activity within the Level 3 categories of assets and liabilities during the periods presented.

6: Financial Instruments

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

	December 31, 2023					
		Fair Value				
			Level			
	Carrying Amount	Total	1	2	3	Carrying
CMS Energy, including Consumers						
Assets						
Long-term receivables[1]	$ 11	$ 11	$ —	$ —	$ 11	$
Liabilities						
Long-term debt[2]	15,483	14,305	1,103	11,186	2,016	14,
Long-term payables[3]	11	11	—	—	11	
Consumers						
Assets						
Long-term receivables[1]	$ 11	$ 11	$ —	$ —	$ 11	$
Notes receivable – related party[4]	97	97	—	—	97	
Liabilities						
Long-term debt[5]	10,762	9,757	—	7,741	2,016	10,
Long-term debt – related party	424	303	—	303	—	
Long-term payables	5	5	—	—	5	

1 Includes current portion of long-term accounts receivable and notes receivable of $6 million at December 31, 2023 and $7 million at December 31, 2022.

2 Includes current portion of long-term debt of $975 million at December 31, 2023 and $1,090 million at December 31, 2022.

3 Includes current portion of long-term payables of $2 million at December 31, 2022.

[4] Includes current portion of notes receivable – related party of $7 million at December 31, 2023 and 2022.

[5] Includes current portion of long-term debt of $725 million at December 31, 2023 and $991 million at December 31, 2022.

Notes receivable – related party represents Consumers' portion of the DB SERP demand note payable issued by CMS Energy to the DB SERP rabbi trust. The demand note bears interest at an annual rate of 4.10 percent and has a maturity date of 2028.

7: Plant, Property, and Equipment

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

			In Millions
December 31	Estimated Depreciable Life in Years	2023	2022
CMS Energy, including Consumers			
Plant, property, and equipment, gross			
Consumers	3 – 125	$ 31,723	$ 29,342
NorthStar Clean Energy			
Independent power production[1]	3 – 40	1,387	1,124
Assets under finance leases[2]		24	24
Other	3 – 5	1	1
Plant, property, and equipment, gross		$ 33,135	$ 30,491
Construction work in progress		944	1,182
Accumulated depreciation and amortization		(9,007)	(8,960)
Total plant, property, and equipment[3]		$ 25,072	$ 22,713
Consumers			
Plant, property, and equipment, gross			
Electric			
Generation	15 – 125	$ 6,511	$ 5,780
Distribution	15 – 75	11,339	10,590
Other	5 – 55	1,355	1,374
Assets under finance leases[2]		97	126
Gas			
Distribution	20 – 85	7,452	6,951
Transmission	17 – 75	2,806	2,440
Underground storage facilities[4]	27 – 75	1,295	1,197
Other	5 – 55	815	835
Assets under finance leases[2]		15	20
Other non-utility property	3 – 51	38	29
Plant, property, and equipment, gross		$ 31,723	$ 29,342
Construction work in progress		845	994
Accumulated depreciation and amortization		(8,796)	(8,791)
Total plant, property, and equipment[2]		$ 23,772	$ 21,545

1 A portion of independent power production assets are leased to others under operating leases. For information regarding CMS Energy's operating leases of owned assets, see Note 8, Leases.

[2] For information regarding the amortization terms of CMS Energy's and Consumers' assets under finance leases, see Note 8, Leases.

3 Consumers' plant additions were $3.1 billion for the year ended December 31, 2023 and $2.3 billion for the year ended December 31, 2022. Consumers' plant retirements, which include the impact of transfers to held for sale, were $856 million for the year ended December 31, 2023 and $290 million for the year ended December 31, 2022. Consumers plans to retire the J.H. Campbell coal-fueled generating units in 2025. Accordingly, in 2022, Consumers removed from total plant, property, and equipment an amount of $1.3 billion, representing the projected remaining book value of the electric generating units upon their retirement, and recorded it as a regulatory asset. For additional details, see Note 2, Regulatory Matters.

4 Underground storage includes base natural gas of $26 million at December 31, 2023 and 2022. Base natural gas is not subject to depreciation.

Asset Acquisition: In May 2023, Consumers purchased the Covert Generating Station, a natural gas-fueled generating facility with 1,200 MW of nameplate capacity in Van Buren County, Michigan for $810 million. In August 2023, Consumers paid an additional $2 million as a result of a post-closing adjustment required under the purchase agreement.

Consumers accounted for the purchase as an asset acquisition, allocating the purchase price to the assets acquired and liabilities assumed based on their relative fair value. The original cost of the plant was $665 million and the seller had recognized $225 million of accumulated depreciation. Upon acquisition, Consumers recorded the net book value of $440 million and a plant acquisition adjustment of $370 million, resulting in an increase to plant, property, and equipment of $810 million. The remainder of the purchase price was allocated among various working capital accounts.

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

						In Millions
		December 31, 2023			December 31, 2022	
Description	Amortization Life in Years	Gross Cost[1]	Accumulated Amortization		Gross Cost[1]	Accumulated Amortization
Consumers						
Software development	3 – 15	$ 772	$ 543		$ 846	$ 593
Rights of way	50 – 85	229	64		218	61
Franchises and consents	5 – 50	16	11		16	10
Leasehold improvements	various[2]	11	7		9	6
Other intangibles	various	24	15		25	16
Total		$ 1,052	$ 640		$ 1,114	$ 686

1 Consumers' intangible asset additions were $80 million for the year ended December 31, 2023 and $116 million for the year ended December 31, 2022. Consumers' intangible asset retirements were $142 million for the year ended December 31, 2023 and $104 million for the year ended December 31, 2022.

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

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

With the exception of utility property for which the remaining book value has been securitized, mothballed utility property stays in rate base and continues to be depreciated at the same rate as before the mothball period. When utility property is retired or otherwise disposed of in the ordinary course of business, Consumers records the original cost to accumulated depreciation, along with associated cost of removal, net of salvage. CMS Energy and Consumers recognize gains or losses on the retirement or disposal of non-regulated assets in income. Consumers records cost of removal collected from customers, but not spent, as a regulatory liability.

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

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

Years Ended December 31	2023	2022	2021
Electric	6.5 %	6.2 %	6.2 %
Gas	5.8	5.6	5.6

Assets Under Finance Leases: Presented in the following table are further details about changes in CMS Energy's and Consumers' assets under finance leases:

		In Millions
Years Ended December 31	2023	2022
CMS Energy, including Consumers		
Balance at beginning of period	$ 170	$ 332
Additions	—	44
Net retirements and other adjustments	(34)	(206)
Balance at end of period	$ 136	$ 170
Consumers		
Balance at beginning of period	$ 146	$ 332
Additions	—	20
Net retirements and other adjustments	(34)	(206)
Balance at end of period	$ 112	$ 146

Assets under finance leases are presented as gross amounts. CMS Energy and Consumers' accumulated amortization of assets under finance leases was $64 million at December 31, 2023 and $88 million at December 31, 2022.

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

		In Millions
Years Ended December 31	2023	2022
CMS Energy, including Consumers		
Utility plant assets	$ 8,790	$ 8,785
Non-utility plant assets	217	175
Consumers		
Utility plant assets	$ 8,790	$ 8,785
Non-utility plant assets	6	6

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

Years Ended December 31	2023	2022	2021
Electric utility property	3.8 %	3.7 %	3.9 %
Gas utility property	2.8	2.9	2.9
Other property	7.8	8.9	9.4

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

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

			In Millions
Years Ended December 31	2023	2022	2021
CMS Energy, including Consumers			
Depreciation expense – plant, property, and equipment	$ 1,050	$ 990	$ 975
Amortization expense			
Software	92	103	108
Other intangible assets	5	5	4
Securitized regulatory assets	33	28	27
Total depreciation and amortization expense	$ 1,180	$ 1,126	$ 1,114
Consumers			
Depreciation expense – plant, property, and equipment	$ 1,007	$ 952	$ 938
Amortization expense			
Software	92	103	108
Other intangible assets	5	5	4
Securitized regulatory assets	33	28	27
Total depreciation and amortization expense	$ 1,137	$ 1,088	$ 1,077

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

In Millions	2024	2025	2026	2027	2028
Consumers					
Intangible asset amortization expense	$ 89	$ 88	$ 87	$ 81	$ 73

Jointly Owned Regulated Utility Facilities

Presented in the following table are Consumers' investments in jointly owned regulated utility facilities at December 31, 2023:

In Millions, Except Ownership Share	J.H. Campbell Unit 3	Ludington	Other
Ownership share	93.3 %	51.0 %	various
Utility plant in service	$ 1,752	$ 619	$ 443
Accumulated provision for depreciation	(812)	(227)	(97)
Plant under construction	1	5	11
Net investment	$ 941	$ 397	$ 357

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

Consumers plans to retire the J.H. Campbell coal-fueled generating units and, in 2022, removed an amount representing the projected remaining book value of the electric generating units upon their retirement from total plant, property, and equipment and recorded it as a regulatory asset on its consolidated balance sheets. For additional details, see Note 2, Regulatory Matters.

Consumers is engaged in ongoing litigation with Wolverine Power related to Consumers' authority to decide to retire the J.H. Campbell 3 coal-fueled generating unit under the unit's Joint Ownership and Operating Agreement. For additional details on this dispute, see Note 3, Contingencies and Commitments—J.H. Campbell 3 Plant Retirement Contract Dispute.

Consumers and DTE Electric are engaged in ongoing litigation with TAES and Toshiba related to the 2010 engineering, procurement, and construction agreement with TAES, under which TAES contracted to perform a major overhaul and upgrade of Ludington. For additional details on this dispute, see Note 3, Contingencies and Commitments—Ludington Overhaul Contract Dispute.

8: Leases

Lessee

CMS Energy and Consumers lease various assets from third parties, including coal-carrying railcars, real estate, service vehicles, and gas pipeline capacity. In addition, CMS Energy and Consumers account for several of their PPAs as leases.

CMS Energy and Consumers do not record right-of-use assets or lease liabilities on their consolidated balance sheets for rentals with lease terms of 12 months or less, most of which are for the lease of real estate and service vehicles. Lease expense for these rentals is recognized on a straight-line basis over the lease term.

CMS Energy and Consumers include future payments for all renewal options, fair market value extensions, and buyout provisions reasonably certain of exercise in their measurement of lease right-of-use assets and lease liabilities. In addition, certain leases for service vehicles contain end-of-lease adjustment clauses based on proceeds received from the sale or disposition of the vehicles. CMS Energy and Consumers also include executory costs in the measurement of their right-of-use assets and lease liabilities, except for maintenance costs related to their coal-carrying railcar leases.

Most of Consumers' PPAs contain provisions at the end of the initial contract terms to renew the agreements annually under mutually agreed-upon terms at the time of renewal. Energy and capacity payments that vary depending on quantities delivered are recognized as variable lease costs when incurred. Consumers accounts for a PPA with one of CMS Energy's equity method subsidiaries as a finance lease.

Presented in the following table is information about CMS Energy's and Consumers' lease right-of-use assets and lease liabilities:

				In Millions, Except as Noted
	CMS Energy, including Consumers		Consumers	
December 31	2023	2022	2023	2022
Operating leases				
Right-of-use assets[1]	$ 26	$ 31	$ 23	$ 27
Lease liabilities				
Current lease liabilities[2]	4	4	4	4
Non-current lease liabilities[3]	22	27	19	23
Finance leases				
Right-of-use assets	71	82	48	58
Lease liabilities[4]				
Current lease liabilities	5	9	5	9
Non-current lease liabilities	62	68	39	45
Weighted-average remaining lease term (in years)				
Operating leases	19	20	18	18
Finance leases	19	18	11	10
Weighted-average discount rate				
Operating leases	5.2 %	4.0 %	5.3 %	3.9 %
Finance leases[5]	5.3	5.2	1.5	1.6

1 CMS Energy's and Consumers' operating right-of-use lease assets are reported as other non-current assets on their consolidated balance sheets.

2 The current portion of CMS Energy's and Consumers' operating lease liabilities are reported as other current liabilities on their consolidated balance sheets.

3 The non-current portion of CMS Energy's and Consumers' operating lease liabilities are reported as other non-current liabilities on their consolidated balance sheets.

4 Includes related-party lease liabilities of $24 million, of which less than $1 million was current, at December 31, 2023 and 2022.

5 This rate excludes the impact of Consumers' pipeline agreements and long-term PPAs accounted for as finance leases. The required capacity payments under these agreements, when compared to the underlying fair value of the leased assets, result in effective interest rates that exceed market rates for leases with similar terms.

CMS Energy and Consumers report operating, variable, and short-term lease costs as operating expenses on their consolidated statements of income, except for certain amounts that may be capitalized to other assets. Presented in the following table is a summary of CMS Energy's and Consumers' total lease costs:

		In Millions
Years Ended December 31	2023	2022
CMS Energy, including Consumers		
Operating lease costs	$ 6	$ 6
Finance lease costs		
Amortization of right-of-use assets	9	12
Interest on lease liabilities	15	14
Variable lease costs	107	93
Short-term lease costs	14	23
Total lease costs	$ 151	$ 148
Consumers		
Operating lease costs	$ 5	$ 6
Finance lease costs		
Amortization of right-of-use assets	8	12
Interest on lease liabilities	13	14
Variable lease costs	107	93
Short-term lease costs	14	22
Total lease costs	$ 147	$ 147

Presented in the following table is supplemental cash flow information related to CMS Energy's and Consumers' lease liabilities:

		In Millions
Years Ended December 31	2023	2022
CMS Energy, including Consumers		
Cash paid for amounts included in the measurement of lease liabilities		
Cash used in operating activities for operating leases	$ 6	$ 6
Cash used in operating activities for finance leases	15	14
Cash used in financing activities for finance leases	8	13
Lease liabilities arising from obtaining right-of-use assets		
Operating leases	1	10
Finance leases	—	36
Consumers		
Cash paid for amounts included in the measurement of lease liabilities		
Cash used in operating activities for operating leases	$ 6	$ 6
Cash used in operating activities for finance leases	13	14
Cash used in financing activities for finance leases	8	12
Lease liabilities arising from obtaining right-of-use assets		
Operating leases	1	10
Finance leases	—	12

Presented in the following table are the minimum rental commitments under CMS Energy's and Consumers' non-cancelable leases:

				In Millions
		Finance Leases		
December 31, 2023	Operating Leases	Pipelines and PPAs	Other	Total
CMS Energy, including Consumers				
2024	$ 5	$ 13	$ 6	$ 19
2025	4	13	3	16
2026	3	13	4	17
2027	2	13	1	14
2028	1	13	1	14
2029 and thereafter	30	26	66	92
Total minimum lease payments	$ 45	$ 91	$ 81	$ 172
Less discount	19	62	43	105
Present value of minimum lease payments	$ 26	$ 29	$ 38	$ 67
Consumers				
2024	$ 5	$ 13	$ 5	$ 18
2025	4	13	2	15
2026	2	13	2	15
2027	2	13	—	13
2028	1	13	—	13
2029 and thereafter	24	26	8	34
Total minimum lease payments	$ 38	$ 91	$ 17	$ 108
Less discount	15	62	2	64
Present value of minimum lease payments	$ 23	$ 29	$ 15	$ 44

Lessor

CMS Energy and Consumers are the lessor under power sales and natural gas delivery agreements that are accounted for as leases.

CMS Energy has power sales agreements that are accounted for as operating leases. In addition to fixed payments, these agreements have variable payments based on energy delivered. For the year ended December 31, 2023, lease revenue from these power sales agreements was $116 million, which included variable lease payments of $74 million. For the year ended December 31, 2022, lease revenue from these power sales agreements was $240 million, which included variable lease payments of $191 million.

Presented in the following table are the minimum rental payments to be received under CMS Energy's non-cancelable operating leases:

		In Millions
December 31, 2023		
2024	$	43
2025		44
2026		18
Total minimum lease payments	$	105

Consumers has a natural gas transportation agreement with a subsidiary of CMS Energy that extends through 2038, related to a pipeline owned by Consumers. This agreement is accounted for as a direct finance lease and will automatically extend annually unless terminated by either party. The effects of the lease are eliminated on CMS Energy's consolidated financial statements.

Minimum rental payments to be received under Consumers' direct financing lease are less than $1 million for each of the next five years and $6 million for the years thereafter. The lease receivable was $6 million as of December 31, 2023, which does not include unearned income of $5 million.

9: Asset Retirement Obligations

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

CMS Energy and Consumers calculate the fair value of ARO liabilities using an expected present-value technique that reflects assumptions about costs and inflation, and uses a credit-adjusted risk-free rate to discount the expected cash flows. CMS Energy's ARO liabilities are primarily at Consumers.

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

ARO Description	In-Service Date	Long-Lived Assets
Closure of coal ash disposal areas	various	Generating plants coal ash areas
Gas distribution cut, purge, and cap	various	Gas distribution mains and services
Asbestos abatement	1973	Electric and gas utility plant
Closure of renewable generation assets	various	Wind and solar generation facilities
Gas wells plug and abandon	various	Gas transmission and storage

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

						In Millions
Company and ARO Description	ARO Liability 12/31/2022	Incurred	Settled	Accretion	Cash Flow Revisions	ARO Liability 12/31/2023
CMS Energy, including Consumers						
Consumers	$ 722	$ 4	$ (28)	$ 32	$ 9	$ 739
Renewable generation assets	24	7	—	1	—	32
Total CMS Energy	$ 746	$ 11	$ (28)	$ 33	$ 9	$ 771
Consumers						
Coal ash disposal areas	$ 272	$ —	$ (15)	$ 11	$ —	$ 268
Gas distribution cut, purge, and cap	287	—	(10)	14	(1)	290
Asbestos abatement	39	—	(1)	3	10	51
Renewable generation assets	95	4	—	3	—	102
Gas wells plug and abandon	29	—	(2)	1	—	28
Total Consumers	$ 722	$ 4	$ (28)	$ 32	$ 9	$ 739

Company and ARO Description	ARO Liability 12/31/2021	Incurred	Settled	Accretion	Cash Flow Revisions[1]	ARO Liability 12/31/2022
						In Millions
CMS Energy, including Consumers						
Consumers	$ 605	$ 1	$ (39)	$ 27	$ 128	$ 722
Renewable generation assets	23	—	—	1	—	24
Total CMS Energy	$ 628	$ 1	$ (39)	$ 28	$ 128	$ 746
Consumers						
Coal ash disposal areas	$ 157	$ —	$ (20)	$ 7	$ 128	$ 272
Gas distribution cut, purge, and cap	282	1	(11)	15	—	287
Asbestos abatement	38	—	(1)	2	—	39
Renewable generation assets	93	—	—	2	—	95
Gas wells plug and abandon	35	—	(7)	1	—	29
Total Consumers	$ 605	$ 1	$ (39)	$ 27	$ 128	$ 722

[1] Increase was attributable to a proposed change for closure work at the J.H. Campbell 3 ash disposal landfill and an updated cost estimate for other coal ash disposal areas.

10: Retirement Benefits

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

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

DB Pension Plans: Participants in the pension plans include present and former employees of CMS Energy and Consumers, including certain present and former affiliates and subsidiaries. Pension plan trust assets are not distinguishable by company. Effective December 31, 2017, CMS Energy's and Consumers' then-existing pension plan was amended to include only retired and former employees already covered; this amended plan is referred to as DB Pension Plan B. Also effective December 31, 2017, active employees were moved to a newly created pension plan, referred to as DB Pension Plan A, whose benefits mirror those provided under DB Pension Plan B. Maintaining separate plans for the two groups allows CMS Energy and Consumers to employ a more targeted investment strategy and provides additional opportunities to mitigate risk and volatility.

DCCP: CMS Energy and Consumers provide an employer contribution to the DCCP 401(k) plan for employees hired on or after July 1, 2003. The contribution ranges from five percent to ten percent of base pay, depending on years of service and employee class. Employees are not required to contribute in order to receive the plan's employer contribution. DCCP expense for CMS Energy, including Consumers, was $51 million for the year ended December 31, 2023, $48 million for the year ended December 31, 2022, and $41 million for the year ended December 31, 2021. DCCP expense for Consumers was $50 million for the year ended December 31, 2023, $48 million for the year ended December 31, 2022, and $41 million for the year ended December 31, 2021.

DB SERP: The DB SERP is a nonqualified plan as defined by the Internal Revenue Code. DB SERP benefits are paid from a rabbi trust established in 1988. The trust assets are not considered plan assets under ASC 715. DB SERP rabbi trust earnings are taxable. Presented in the following table are the fair values of trust assets and ABO for CMS Energy's and Consumers' DB SERP:

		In Millions
Years Ended December 31	2023	2022
CMS Energy, including Consumers		
Trust assets	$ 132	$ 137
ABO	115	118
Consumers		
Trust assets	$ 98	$ 101
ABO	83	85

Neither CMS Energy nor Consumers made any contributions to the DB SERP in 2023 or 2022.

DC SERP: On April 1, 2006, CMS Energy and Consumers implemented a DC SERP and froze further new participation in the DB SERP. The DC SERP provides participants benefits ranging from five percent to 15 percent of total compensation. The DC SERP requires a minimum of five years of participation before vesting. CMS Energy's and Consumers' contributions to the plan, if any, are placed in a grantor trust. For CMS Energy and Consumers, trust assets were $14 million at December 31, 2023 and $12 million at December 31, 2022. DC SERP assets are included in other non-current assets on CMS Energy's and Consumers' consolidated balance sheets. CMS Energy's and Consumers' DC SERP expense was $1 million for the years ended December 31, 2023 and 2022, and $2 million for the year ended December 31, 2021.

401(k) Plan: The 401(k) plan employer match equals four to six percent of employee eligible contributions based on an employee's wages and class. The total 401(k) plan cost for CMS Energy, including Consumers, was $41 million for the year ended December 31, 2023, $44 million for the year ended December 31, 2022, and $31 million for the year ended December 31, 2021. The total 401(k) plan cost for Consumers was $40 million for the year ended December 31, 2023, $43 million for the year ended December 31, 2022, and $31 million for the year ended December 31, 2021.

OPEB Plan: Participants in the OPEB Plan include all regular full-time employees covered by the employee health care plan on the day before retirement from either CMS Energy or Consumers at age 55 or older with at least 10 full years of applicable continuous service. Regular full-time employees who qualify for disability retirement under the DB Pension Plans or are disabled and covered by the DCCP and who have 15 years of applicable continuous service may also participate in the OPEB Plan. Retiree health care costs were based on the assumption that costs would increase 8.00 percent in 2024 and 6.50 percent in 2023 for those under 65 and would increase 8.50 percent in 2024 and 6.75 percent in 2023 for those over 65. The rate of increase was assumed to decline to 4.75 percent by 2032 and thereafter for all retirees.

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

December 31	2023	2022	2021
CMS Energy, including Consumers			
Weighted average for benefit obligations[1]			
Discount rate[2]			
DB Pension Plan A	5.05 %	5.24 %	3.02 %
DB Pension Plan B	4.95	5.14	2.79
DB SERP	4.94	5.13	2.78
OPEB Plan	5.02	5.21	2.99
Rate of compensation increase			
DB Pension Plan A	3.60	3.60	3.60
DB SERP[3]	—	5.50	5.50
Weighted average for net periodic benefit cost[1]			
Service cost discount rate[2,4]			
DB Pension Plan A	5.27 %	3.09 %	2.83 %
DB SERP	5.18	3.09	2.84
OPEB Plan	5.31	3.23	3.03
Interest cost discount rate[2,4]			
DB Pension Plan A	5.12	2.44	1.97
DB Pension Plan B	5.06	2.21	1.70
DB SERP	5.06	2.21	1.72
OPEB Plan	5.10	2.45	1.99
Expected long-term rate of return on plan assets[5]			
DB Pension Plans	7.20	6.50	6.75
OPEB Plan	7.20	6.50	6.75
Rate of compensation increase			
DB Pension Plan A	3.60	3.60	3.50
DB SERP	5.50	5.50	5.50

1 The mortality assumption for benefit obligations was based on the Pri-2012 Mortality Table, with improvement scale MP-2021. The mortality assumption for net periodic benefit cost was based on the Pri-2012 Mortality Table, with improvement scale MP-2021 for 2023 and 2022 and improvement scale MP-2020 for 2021.

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

3 The DB SERP no longer requires rate of compensation increase as the last active participant retired in 2023.

4 CMS Energy and Consumers have elected to use a full-yield-curve approach in the estimation of service cost and interest cost; this approach applies individual spot rates along the yield curve to future projected benefit payments based on the time of payment.

[5] CMS Energy and Consumers determined the long-term rate of return using historical market returns, the present and expected future economic environment, the capital market principles of risk and return, and the expert opinions of individuals and firms with financial market knowledge. CMS Energy and Consumers considered the asset allocation of the portfolio in forecasting the future expected total return of the portfolio. The goal was to determine a long-term rate of return that could be incorporated into the planning of future cash flow requirements in conjunction with the change in the liability. Annually, CMS Energy and Consumers review for reasonableness and appropriateness the forecasted returns for various classes of assets used to construct an expected return model. CMS Energy's and Consumers' expected long-term rate of return on the assets of the DB Pension Plans was 7.20 percent in 2023. The actual return (loss) on the assets of the DB Pension Plans was 12.6 percent in 2023, (15.9) percent in 2022, and 12.0 percent in 2021.

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

						In
	DB Pension Plans and DB SERP			OPEB Plan		
Years Ended December 31	2023	2022	2021	2023	2022	
CMS Energy, including Consumers						
Net periodic cost (credit)						
Service cost	$ 29	$ 41	$ 53	$ 12	$ 17	$
Interest cost	112	84	63	44	28	
Settlement loss	—	1	1	—	—	
Expected return on plan assets	(220)	(206)	(208)	(103)	(115)	
Amortization of:						
Net loss	12	40	100	12	1	
Prior service cost (credit)	4	4	4	(41)	(51)	
Settlement loss	11	9	6	—	—	
Net periodic cost (credit)	$ (52)	$ (27)	$ 19	$ (76)	$ (120)	$
Consumers						
Net periodic credit						
Service cost	$ 28	$ 39	$ 51	$ 11	$ 17	$
Interest cost	105	79	59	42	27	
Expected return on plan assets	(208)	(194)	(197)	(95)	(107)	
Amortization of:						
Net loss	11	37	96	12	—	
Prior service cost (credit)	4	4	4	(40)	(50)	
Settlement loss	11	9	6	—	—	
Net periodic credit	$ (49)	$ (26)	$ 19	$ (70)	$ (113)	$

In Consumers' 2022 electric and gas rate cases, the MPSC approved a mechanism allowing Consumers to defer the future recovery or refund of pension and OPEB expenses above or below the amounts used to set existing rates, respectively, beginning in January 2023 for the electric utility and October 2023 for the gas utility. At December 31, 2023, CMS Energy, including Consumers, had deferred $11 million of pension credits and $23 million of OPEB costs under this mechanism.

CMS Energy and Consumers amortize net gains and losses in excess of ten percent of the greater of the PBO or the MRV over the average remaining service period for DB Pension Plan A and the OPEB Plan and over the average remaining life expectancy of participants for DB Pension Plan B. For DB Pension Plan A, the estimated period of amortization of gains and losses was eight years for the years ended

December 31, 2023, 2022, and 2021. For DB Pension Plan B, the estimated period of amortization of gains and losses was 17 years for the year ended December 31, 2023, and 18 years for the years ended December 31, 2022 and 2021. For the OPEB Plan, the estimated amortization period was nine years for the years ended December 31, 2023, 2022, and 2021.

Prior service cost (credit) amortization is established in the year in which the prior service cost (credit) first occurred, and is based on the same amortization period for all future years until the prior service cost (credit) is fully amortized. CMS Energy and Consumers had new prior service costs for OPEB in 2020. The estimated period of amortization of these new prior service costs is eight years.

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

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

Years Ended December 31	DB Pension Plans 2023	DB Pension Plans 2022	DB SERP 2023	DB SERP 2022	
CMS Energy, including Consumers					
Benefit obligation at beginning of period	$ 2,169	$ 3,070	$ 117	$ 149	$ 88
Service cost	29	41	—	—	1
Interest cost	106	81	6	3	4
Plan amendments	—	—	—	—	–
Actuarial loss (gain)	52 [1]	(811) [1]	1	(25)	
Benefits paid	(161)	(212)	(10)	(10)	(5
Benefit obligation at end of period	$ 2,195	$ 2,169	$ 114	$ 117	$ 90
Plan assets at fair value at beginning of period	$ 2,820	$ 3,599	$ —	$ —	$ 1,44
Actual return on plan assets	345	(567)	—	—	16
Company contribution	—	—	10	10	–
Actual benefits paid	(161)	(212)	(10)	(10)	(5
Plan assets at fair value at end of period	$ 3,004	$ 2,820	$ —	$ —	$ 1,55
Funded status	$ 809 [2]	$ 651 [2]	$ (114)	$ (117)	$ 65
Consumers					
Benefit obligation at beginning of period			$ 85	$ 109	$ 85
Service cost			—	—	1
Interest cost			4	2	4
Plan amendments			—	—	–
Actuarial loss (gain)			1	(19)	1
Benefits paid			(7)	(7)	(5
Benefit obligation at end of period			$ 83	$ 85	$ 86
Plan assets at fair value at beginning of period			$ —	$ —	$ 1,35

1 The actuarial losses for 2023 for the DB Pension Plans and OPEB Plan were primarily the result of lower discount rates. The actuarial gains for 2022 for the DB Pension Plans and OPEB Plan were primarily the result of higher discount rates.

2 The total funded status of the DB Pension Plans attributable to Consumers, based on an allocation of expenses, was $781 million at December 31, 2023 and $632 million at December 31, 2022.

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

		In Millions
December 31	2023	2022
CMS Energy, including Consumers		
Non-current assets		
DB Pension Plans	$ 809	$ 651
OPEB Plan	659	557
Current liabilities		
DB SERP	10	10
Non-current liabilities		
DB SERP	104	107
Consumers		
Non-current assets		
DB Pension Plans	$ 781	$ 632
OPEB Plan	586	494
Current liabilities		
DB SERP	7	7
Non-current liabilities		
DB SERP	76	78

The ABO for the DB Pension Plans was $2.0 billion at December 31, 2023 and 2022. At December 31, 2023 and 2022, the PBO and ABO did not exceed plan assets for any of the defined benefit pension plans.

Items Not Yet Recognized as a Component of Net Periodic Benefit Cost: Presented in the following table are the amounts recognized in regulatory assets and AOCI that have not been recognized as components of net periodic benefit cost. For additional details on regulatory assets see Note 2, Regulatory Matters.

				In Millions
	DB Pension Plans and DB SERP		OPEB Plan	
December 31	2023	2022	2023	2022
CMS Energy, including Consumers				
Regulatory assets				
Net loss	$ 634	$ 724	$ 191	$ 251
Prior service cost (credit)	16	21	(100)	(140)
Regulatory assets	$ 650	$ 745	$ 91	$ 111
AOCI				
Net loss (gain)	65	69	(3)	2
Prior service cost (credit)	1	1	(2)	(3)
Total amounts recognized in regulatory assets and AOCI	$ 716	$ 815	$ 86	$ 110
Consumers				
Regulatory assets				
Net loss	$ 634	$ 724	$ 191	$ 251
Prior service cost (credit)	16	21	(100)	(140)
Regulatory assets	$ 650	$ 745	$ 91	$ 111
AOCI				
Net loss	20	20	—	—
Total amounts recognized in regulatory assets and AOCI	$ 670	$ 765	$ 91	$ 111

Plan Assets: Presented in the following tables are the fair values of the assets of CMS Energy's DB Pension Plans and OPEB Plan, by asset category and by level within the fair value hierarchy. For additional details regarding the fair value hierarchy, see Note 5, Fair Value Measurements.

In Millions

	DB Pension Plans				
	December 31, 2023			December 31, 2022	
	Total	Level 1	Level 2	Total	Level 1
CMS Energy, including Consumers					
Cash and short-term investments	$ 178	$ 178	$ —	$ 122	$ 122
Mutual funds	47	47	—	263	263
	$ 225	$ 225	$ —	$ 385	$ 385
Pooled funds	2,779			2,435	
Total	$ 3,004			$ 2,820	

In Millions

	OPEB Plan				
	December 31, 2023			December 31, 2022	
	Total	Level 1	Level 2	Total	Level 1
CMS Energy, including Consumers					
Cash and short-term investments	$ 82	$ 82	$ —	$ 28	$ 28
U.S. government and agencies securities	16	—	16	—	—
Corporate debt	67	—	67	—	—
State and municipal bonds	1	—	1	—	—
Foreign corporate bonds	15	—	15	—	—
Common stocks	161	161	—	69	69
Mutual funds	60	60	—	754	754
	$ 402	$ 303	$ 99	$ 851	$ 851
Pooled funds	1,157			595	
Total	$ 1,559			$ 1,446	

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

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

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

State and Municipal Bonds: State and municipal bonds are valued using a matrix-pricing model that incorporates Level 2 market-based information. The fair value of the bonds is derived from various observable inputs, including benchmark yields, reported securities trades, broker/dealer quotes, bond ratings, and general information on market movements for investment grade state and municipal securities normally considered by market participants when pricing such debt securities.

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

Common Stocks: Common stocks in the OPEB Plan consist of equity securities that are actively managed and tracked to the S&P 500 Index and MSCI All Country World ex-US. These securities are valued at their quoted closing prices.

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

Pooled Funds: Pooled funds include both common and collective trust funds as well as special funds that contain only employee benefit plan assets from two or more unrelated benefit plans. These funds primarily consist of U.S. and foreign equity securities, but also include U.S. and foreign fixed-income securities and multi-asset investments. Since these investments are valued at their net asset value as a practical expedient, they are not classified in the fair value hierarchy.

Asset Allocations: Presented in the following table are the investment components of the assets of CMS Energy's DB Pension Plans and OPEB Plan as of December 31, 2023:

	DB Pension Plans	OPEB Plan
Fixed-income securities	42.0 %	40.0 %
Equity securities	38.0	42.0
Real asset investments	9.0	8.0
Return-seeking fixed income	6.0	5.0
Liquid alternative investments	4.0	4.0
Cash and cash equivalents	1.0	1.0
	100.0 %	100.0 %

CMS Energy's target 2023 asset allocation for the assets of the DB Pension Plans was 40-percent fixed income, 38-percent equity, 11-percent real assets, 7-percent return-seeking fixed income, and 4-percent liquid alternatives.

CMS Energy established union and non-union VEBA trusts to fund future retiree health and life insurance benefits known as OPEB. These trusts are funded through the ratemaking process for Consumers and through direct contributions from the non-utility subsidiaries. CMS Energy's target 2023 asset allocation for OPEB trusts was 40-percent fixed income, 38-percent equity, 11-percent real assets, 7-percent return-seeking fixed income, and 4-percent liquid alternatives.

The goal of these target allocations was to maximize the long-term return on plan assets, while maintaining a prudent level of risk. The level of acceptable risk is a function of the liabilities of the plans. Equity investments are diversified mostly across the S&P 500 Index, with lesser allocations to the S&P MidCap and SmallCap Indexes and Foreign Equity Funds. Fixed-income investments are diversified across investment grade instruments of government and corporate issuers, as well as high-yield and global bond funds. Return-seeking fixed-income investments are diversified exposure to high-yield bonds, emerging market debt, and bank loans. Real asset investments are diversified across core real estate and real estate investment trusts. Liquid alternatives are investments in private funds comprised of different and independent hedge funds with various investment strategies. CMS Energy uses annual liability measurements, quarterly portfolio reviews, and periodic asset/liability studies to evaluate the need for adjustments to the portfolio allocations.

Contributions: Contributions comprise required amounts and discretionary contributions. Neither CMS Energy nor Consumers made any contributions in 2023 or 2022, or plans to contribute to the DB Pension Plans or OPEB Plan in 2024. Actual future contributions will depend on future investment performance, discount rates, and various factors related to the participants of the DB Pension Plans and OPEB Plan. CMS Energy and Consumers will, at a minimum, contribute to the plans as needed to comply with federal funding requirements.

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

			In Millions
	DB Pension Plans	DB SERP	OPEB Plan
CMS Energy, including Consumers			
2024	$ 158	$ 10	$ 55
2025	160	10	57
2026	159	10	58
2027	159	10	60
2028	159	9	61
2029-2033	785	43	315
Consumers			
2024	$ 148	$ 7	$ 53
2025	151	7	54
2026	150	7	56
2027	150	7	57
2028	150	6	59
2029-2033	741	29	301

Collective Bargaining Agreements: At December 31, 2023, unions represented 44 percent of CMS Energy's employees and 45 percent of Consumers' employees. The UWUA represents Consumers' operating, maintenance, construction, and customer contact center employees. The USW represents Zeeland plant employees. The UWUA and USW agreements expire in 2025.

11: Stock-based Compensation

CMS Energy and Consumers provide a PISP to officers, employees, and non-employee directors based on their contributions to the successful management of the company. The PISP has a ten-year term, expiring in May 2030.

In 2023, all awards were in the form of restricted stock or restricted stock units. The PISP also allows for unrestricted common stock, stock options, stock appreciation rights, phantom shares, performance units, and incentive options, none of which was granted in 2023, 2022, or 2021.

Shares awarded or subject to stock options, phantom shares, or performance units may not exceed 6.5 million shares from June 2020 through May 2030. CMS Energy and Consumers may issue awards of up to 4,960,465 shares of common stock under the PISP as of December 31, 2023. Shares for which payment or exercise is in cash, as well as shares that expire, terminate, or are canceled or forfeited, may be awarded or granted again under the PISP.

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

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

Performance-based restricted stock vesting is contingent on meeting at least a 36-month service requirement and a performance condition. The performance condition is based on an adjusted measure of CMS Energy's EPS growth relative to a peer group over a three-year period. The awards granted in 2023, 2022, and 2021 require a 38-month service period. Market-based restricted stock vesting is generally contingent on meeting a three-year service requirement and a market condition. The market condition is based on a comparison of CMS Energy's total shareholder return with the median total shareholder return of a peer group over the same three-year period. Depending on the outcome of the performance condition or the market condition, a recipient may earn a total award ranging from zero to 200 percent of the initial grant. Time-lapse restricted stock generally vests after a service period of three years.

Restricted Stock Units: In 2023, 2022, and 2021, CMS Energy and Consumers granted restricted stock units to certain non-employee directors who elected to defer their restricted stock awards. The restricted stock units generally vest after a service period of one year or, if earlier, at the next annual meeting. The restricted stock units will be distributed to the recipients as shares in accordance with the directors' deferral agreements. Restricted stock units do not have voting rights, but do have dividend rights. In lieu of cash dividend payments, the dividends on restricted stock units are paid in additional units equal to the value of the dividends. These additional restricted stock units are subject to the same vesting and distribution conditions as the underlying restricted stock units. No restricted stock units were forfeited during 2023.

Presented in the following tables is the activity for restricted stock and restricted stock units under the PISP:

	CMS Energy, including Consumers		Consumers	
Year Ended December 31, 2023	Number of Shares	Weighted-Average Grant Date Fair Value per Share	Number of Shares	Weighted-Average Grant Date Fair Value per Share
Nonvested at beginning of period	1,029,523	$ 60.13	978,146	$ 60.15
Granted				
Restricted stock	502,039	52.62	474,917	52.42
Restricted stock units	19,082	50.32	18,315	50.34
Vested				
Restricted stock	(313,344)	51.54	(302,177)	51.48
Restricted stock units	(15,211)	52.60	(14,523)	52.55
Forfeited – restricted stock	(63,987)	53.57	(60,312)	53.45
Nonvested at end of period	1,158,102	$ 59.50	1,094,366	$ 59.50

Year Ended December 31, 2023	CMS Energy, including Consumers	Consumers
Granted		
Time-lapse awards	115,591	108,216
Market-based awards	147,453	139,255
Performance-based awards	153,383	145,008
Restricted stock units	15,545	14,925
Dividends on market-based awards	14,825	14,038
Dividends on performance-based awards	15,608	14,787
Dividends on restricted stock units	3,537	3,390
Additional performance-based shares based on achievement of condition	55,179	53,613
Total granted	521,121	493,232

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

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

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

Years Ended December 31	2023	2022	2021
Expected volatility	30.3 %	27.3 %	27.6 %
Expected dividend yield	2.9	2.8	2.8
Risk-free rate	3.9	1.4	0.2

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

			In Millions
Years Ended December 31	2023	2022	2021
CMS Energy, including Consumers			
Weighted-average grant-date fair value per share			
Restricted stock granted	$ 52.62	$ 48.69	$ 43.52
Restricted stock units granted	50.32	56.13	54.11
Consumers			
Weighted-average grant-date fair value per share			
Restricted stock granted	$ 52.42	$ 48.57	$ 42.85
Restricted stock units granted	50.34	56.07	53.93

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

			In Millions
Years Ended December 31	2023	2022	2021
CMS Energy, including Consumers			
Fair value of shares that vested during the year	$ 20	$ 27	$ 25
Compensation expense recognized	28	26	22
Income tax benefit recognized	3	—	1
Consumers			
Fair value of shares that vested during the year	$ 19	$ 25	$ 24
Compensation expense recognized	26	25	21
Income tax benefit recognized	2	—	1

At December 31, 2023, $29 million of total unrecognized compensation cost was related to restricted stock for CMS Energy, including Consumers, and $27 million of total unrecognized compensation cost was related to restricted stock for Consumers. CMS Energy and Consumers expect to recognize this cost over a weighted-average period of two years.

12: Income Taxes

CMS Energy and its subsidiaries file a consolidated U.S. federal income tax return as well as a Michigan Corporate Income Tax return for the unitary business group and various other state unitary group combined income tax returns. Income taxes are allocated based on each company's separate taxable income in accordance with the CMS Energy tax sharing agreement.

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

			In Millions, Except Tax Rate
Years Ended December 31	2023	2022	2021
CMS Energy, including Consumers			
Income from continuing operations before income taxes	$ 954	$ 902	$ 823
Income tax expense at statutory rate	200	189	173
Increase (decrease) in income taxes from:			
State and local income taxes, net of federal effect[1]	31	51	39
Renewable energy tax credits	(58)	(51)	(44)
TCJA excess deferred taxes[2]	(40)	(65)	(50)
Taxes attributable to noncontrolling interests	17	5	5
Accelerated flow-through of regulatory tax benefits[3]	—	(39)	(28)
Other, net	(3)	3	—
Income tax expense	$ 147	$ 93	$ 95
Effective tax rate	15.4 %	10.3 %	11.5 %
Consumers			
Income from continuing operations before income taxes	$ 1,028	$ 1,085	$ 1,024
Income tax expense at statutory rate	216	228	215
Increase (decrease) in income taxes from:			
State and local income taxes, net of federal effect[1]	36	59	54
Renewable energy tax credits	(46)	(46)	(37)
TCJA excess deferred taxes[2]	(40)	(65)	(50)
Accelerated flow-through of regulatory tax benefits[3]	—	(39)	(28)
Other, net	(5)	3	2
Income tax expense	$ 161	$ 140	$ 156
Effective tax rate	15.7 %	12.9 %	15.2 %

1 CMS Energy initiated a plan to divest immaterial business activities in a non-Michigan jurisdiction and will no longer have a taxable presence within that jurisdiction after 2023. As a result of these actions, CMS Energy reversed a $13 million non-Michigan reserve, all of which was recognized at Consumers.

[2] In 2020, the MPSC authorized Consumers to accelerate the amortization of the gas portion of its regulatory liability associated with unprotected, non-property-related excess deferred income taxes resulting from the TCJA. This portion of the regulatory liability was fully amortized in 2022.

[3] In 2020, the MPSC authorized Consumers to accelerate the amortization of income tax benefits associated with the cost to remove gas plant assets. These tax benefits were fully amortized in 2022.

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

			In Millions
Years Ended December 31	2023	2022	2021
CMS Energy, including Consumers			
Current income taxes			
Federal	$ 5	$ 6	$ (1)
State and local	1	—	1
	$ 6	$ 6	$ —
Deferred income taxes			
Federal	107	4	49
State and local	38	65	49
	$ 145	$ 69	$ 98
Deferred income tax credit	(4)	18	(3)
Tax expense	$ 147	$ 93	$ 95
Consumers			
Current income taxes			
Federal	$ 3	$ (2)	$ (13)
State and local	2	8	15
	$ 5	$ 6	$ 2
Deferred income taxes			
Federal	117	50	103
State and local	43	66	54
	$ 160	$ 116	$ 157
Deferred income tax credit	(4)	18	(3)
Tax expense	$ 161	$ 140	$ 156

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

						In Millions
December 31		2023				2022
CMS Energy, including Consumers						
Deferred income tax assets						
Tax loss and credit carryforwards	$	428		$	385	
Net regulatory tax liability		305			318	
Reserves and accruals		28			35	
Total deferred income tax assets	$	761		$	738	
Valuation allowance		(2)			(2)	
Total deferred income tax assets, net of valuation allowance	$	759		$	736	
Deferred income tax liabilities						
Plant, property, and equipment	$	(2,520)		$	(2,515)	
Employee benefits		(473)			(433)	
Gas inventory		(66)			(53)	
Securitized costs		(194)			(39)	
Other		(121)			(103)	
Total deferred income tax liabilities	$	(3,374)		$	(3,143)	
Total net deferred income tax liabilities	$	(2,615)		$	(2,407)	
Consumers						
Deferred income tax assets						
Net regulatory tax liability	$	305		$	318	
Tax loss and credit carryforwards		175			145	
Reserves and accruals		27			28	
Total deferred income tax assets	$	507		$	491	
Deferred income tax liabilities						
Plant, property, and equipment	$	(2,498)		$	(2,458)	
Employee benefits		(459)			(423)	
Gas inventory		(66)			(53)	
Securitized costs		(194)			(39)	
Other		(79)			(103)	
Total deferred income tax liabilities	$	(3,296)		$	(3,076)	
Total net deferred income tax liabilities	$	(2,789)		$	(2,585)	

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

Presented in the following table are the tax loss and credit carryforwards at December 31, 2023:

		In Millions
	Tax Attribute	Expiration
CMS Energy, including Consumers		
State net operating loss carryforwards	$ 69	2030 – 2033
Local net operating loss carryforwards	3	2024 – 2040
General business credits	356	2035 – 2043
Total tax attributes	$ 428	
Consumers		
State net operating loss carryforwards	$ 53	2030 – 2033
General business credits	122	2035 – 2043
Total tax attributes	$ 175	

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

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

			In Millions
Years Ended December 31	2023	2022	2021
CMS Energy, including Consumers			
Balance at beginning of period	$ 28	$ 27	$ 25
Additions for current-year tax positions	1	1	2
Additions for prior-year tax positions	—	1	—
Reductions for prior-year tax positions	(3)	(1)	—
Balance at end of period	$ 26	$ 28	$ 27
Consumers			
Balance at beginning of period	$ 36	$ 34	$ 31
Additions for current-year tax positions	1	3	3
Additions for prior-year tax positions	2	1	—
Reductions for prior-year tax positions	(3)	(2)	—
Balance at end of period	$ 36	$ 36	$ 34

If recognized, all of these uncertain tax benefits would affect CMS Energy’s and Consumers’ annual effective tax rates in future years. One uncertain tax benefit relates to the methodology of state apportionment for Consumers’ electricity sales to MISO. The Michigan Tax Tribunal heard oral arguments on this methodology during 2022. A final conclusion is not anticipated in the next 12 months.

CMS Energy and Consumers recognize accrued interest and penalties, where applicable, as part of income tax expense. CMS Energy, including Consumers, recognized no interest or penalties for each of the years ended December 31, 2023, 2022, or 2021.

The amount of income taxes paid is subject to ongoing audits by federal, state, local, and foreign tax authorities, which can result in proposed assessments. CMS Energy’s federal income tax returns for 2020 and subsequent years remain subject to examination by the IRS. CMS Energy's Michigan Corporate Income Tax returns for 2013-2016 and 2019 and subsequent years remain subject to examination by the State of Michigan. CMS Energy's and Consumers' estimate of the potential outcome for any uncertain tax issue is highly judgmental. CMS Energy and Consumers believe that their accrued tax liabilities at December 31, 2023 were adequate for all years.

13: Earnings Per Share—CMS Energy

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

						In Millions, Except Per Share Amounts
Years Ended December 31		2023		2022		2021
Income available to common stockholders						
Income from continuing operations	$	807	$	809	$	728
Less loss attributable to noncontrolling interests		(79)		(24)		(23)
Less preferred stock dividends		10		10		5
Income from continuing operations available to common stockholders – basic and diluted	$	876	$	823	$	746
Average common shares outstanding						
Weighted-average shares – basic		291.2		289.5		289.0
Add dilutive nonvested stock awards		0.5		0.3		0.5
Add dilutive forward equity sale contracts		—		0.2		—
Weighted-average shares – diluted		291.7		290.0		289.5
Income from continuing operations per average common share available to common stockholders						
Basic	$	3.01	$	2.84	$	2.58
Diluted		3.01		2.84		2.58

Nonvested Stock Awards

CMS Energy's nonvested stock awards are composed of participating and non-participating securities. The participating securities accrue cash dividends when common stockholders receive dividends. Since the recipient is not required to return the dividends to CMS Energy if the recipient forfeits the award, the nonvested stock awards are considered participating securities. As such, the participating nonvested stock awards were included in the computation of basic EPS. The non-participating securities accrue stock dividends that vest concurrently with the stock award. If the recipient forfeits the award, the stock dividends accrued on the non-participating securities are also forfeited. Accordingly, the non-participating awards and stock dividends were included in the computation of diluted EPS, but not in the computation of basic EPS.

Forward Equity Sale Contracts

CMS Energy has entered into forward equity sale contracts. These forward equity sale contracts are non-participating securities. While the forward sale price in the forward equity sale contract is decreased on certain dates by certain predetermined amounts to reflect expected dividend payments, these price adjustments were set upon inception of the agreement and the forward contract does not give the owner the right to participate in undistributed earnings. Accordingly, the forward equity sale contracts were

included in the computation of diluted EPS, but not in the computation of basic EPS. For further details on the forward equity sale contracts, see Note 4, Financings and Capitalization.

Convertible Securities

In May 2023, CMS Energy issued an aggregate principal amount of $800 million convertible senior notes. Potentially dilutive common shares issuable upon conversion of the convertible senior notes are determined using the if-converted method for calculating diluted EPS. Upon conversion, the convertible senior notes are required to be paid in cash with only amounts exceeding the principal permitted to be settled in shares. The convertible senior notes were anti-dilutive for the year ended December 31, 2023. For further details on CMS Energy's convertible senior notes, see Note 4, Financings and Capitalization.

14: Revenue

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

								In Millions
Year Ended December 31, 2023		Electric Utility		Gas Utility		NorthStar Clean Energy[1]		Consolidated
CMS Energy, including Consumers								
Consumers utility revenue	$	4,686	$	2,394	$	—	$	7,080
Other		—		—		181		181
Revenue recognized from contracts with customers	$	4,686	$	2,394	$	181	$	7,261
Leasing income		—		—		116		116
Financing income		10		6		—		16
Consumers alternative-revenue programs		49		20		—		69
Total operating revenue – CMS Energy	$	4,745	$	2,420	$	297	$	7,462
Consumers								
Consumers utility revenue								
Residential	$	2,236	$	1,619			$	3,855
Commercial		1,550		489				2,039
Industrial		660		60				720
Other		240		226				466
Revenue recognized from contracts with customers	$	4,686	$	2,394			$	7,080
Financing income		10		6				16
Alternative-revenue programs		49		20				69
Other non-segment revenue		—		—				1
Total operating revenue – Consumers	$	4,745	$	2,420			$	7,166

1 Amounts represent NorthStar Clean Energy's operating revenue from independent power production and its sales of energy commodities.

				In Millions
Year Ended December 31, 2022	Electric Utility	Gas Utility	NorthStar Clean Energy[1]	Consolidated
CMS Energy, including Consumers				
Consumers utility revenue	$ 5,395	$ 2,720	$ —	$ 8,115
Other	—	—	205	205
Revenue recognized from contracts with customers	$ 5,395	$ 2,720	$ 205	$ 8,320
Leasing income	—	—	240	240
Financing income	10	6	—	16
Consumers alternative-revenue programs	43	14	—	57
Consumers revenues to be refunded	(29)	(8)	—	(37)
Total operating revenue – CMS Energy	$ 5,419	$ 2,732	$ 445	$ 8,596
Consumers				
Consumers utility revenue				
Residential	$ 2,523	$ 1,879		$ 4,402
Commercial	1,733	559		2,292
Industrial	792	75		867
Other	347	207		554
Revenue recognized from contracts with customers	$ 5,395	$ 2,720		$ 8,115
Financing income	10	6		16
Alternative-revenue programs	43	14		57
Revenues to be refunded	(29)	(8)		(37)
Total operating revenue – Consumers	$ 5,419	$ 2,732		$ 8,151

[1] Amounts represent NorthStar Clean Energy's operating revenue from independent power production and its sales of energy commodities.

												In Millions
Year Ended December 31, 2021	Electric Utility		Gas Utility		NorthStar Clean Energy[1]		Consolidated					
CMS Energy, including Consumers												
Consumers utility revenue	$	4,915	$	2,046	$	—	$	6,961				
Other		—		—		114		114				
Revenue recognized from contracts with customers	$	4,915	$	2,046	$	114	$	7,075				
Leasing income		—		—		194		194				
Financing income		10		5		—		15				
Consumers alternative-revenue programs		33		12		—		45				
Total operating revenue – CMS Energy	$	4,958	$	2,063	$	308	$	7,329				
Consumers												
Consumers utility revenue												
Residential	$	2,402	$	1,396			$	3,798				
Commercial		1,573		396				1,969				
Industrial		624		54				678				
Other		316		200				516				
Revenue recognized from contracts with customers	$	4,915	$	2,046			$	6,961				
Financing income		10		5				15				
Alternative-revenue programs		33		12				45				
Total operating revenue – Consumers	$	4,958	$	2,063			$	7,021				

1 Amounts represent NorthStar Clean Energy's operating revenue from independent power production and its sales of energy commodities.

Electric and Gas Utilities

Consumers Utility Revenue: Consumers recognizes revenue primarily from the sale of electric and gas utility services at tariff-based rates regulated by the MPSC. Consumers' customer base consists of a mix of residential, commercial, and diversified industrial customers. Consumers' tariff-based sales performance obligations are described below.

- Consumers has performance obligations for the service of standing ready to deliver electricity or natural gas to customers, and it satisfies these performance obligations over time. Consumers recognizes revenue at a fixed rate as it provides these services. These arrangements generally do not have fixed terms and remain in effect as long as the customer consumes the utility service. The rates are set by the MPSC through the rate-making process and represent the stand-alone selling price of Consumers' service to stand ready to deliver.

- Consumers has performance obligations for the service of delivering the commodity of electricity or natural gas to customers, and it satisfies these performance obligations upon delivery. Consumers recognizes revenue at a price per unit of electricity or natural gas delivered, based on the tariffs established by the MPSC. These arrangements generally do not have fixed terms and remain in effect as long as the customer consumes the utility service. The rates are set by the MPSC through the rate-making process and represent the stand-alone selling price of a bundled product comprising the commodity, electricity or natural gas, and the service of delivering such commodity.

In some instances, Consumers has specific fixed-term contracts with large commercial and industrial customers to provide electricity or gas at certain tariff rates or to provide gas transportation services at contracted rates. The amount of electricity and gas to be delivered under these contracts and the associated future revenue to be received are generally dependent on the customers' needs. Accordingly, Consumers recognizes revenues at the tariff or contracted rate as electricity or gas is delivered to the customer. Consumers also has other miscellaneous contracts with customers related to pole and other property rentals, appliance service plans, and utility contract work. Generally, these contracts are short term or evergreen in nature.

Accounts Receivable and Unbilled Revenues: Accounts receivable comprise trade receivables and unbilled receivables. CMS Energy and Consumers record their accounts receivable at cost less an allowance for uncollectible accounts. The allowance is increased for uncollectible accounts expense and decreased for account write-offs net of recoveries. CMS Energy and Consumers establish the allowance based on historical losses, management's assessment of existing economic conditions, customer payment trends, and reasonable and supported forecast information. CMS Energy and Consumers assess late payment fees on trade receivables based on contractual past-due terms established with customers. Accounts are written off when deemed uncollectible, which is generally when they become six months past due.

CMS Energy and Consumers recorded uncollectible accounts expense of $34 million for the year ended December 31, 2023, $50 million for the year ended December 31, 2022, and $22 million for the year ended December 31, 2021. Uncollectible accounts expense for the year ended December 31, 2022 included a commitment to contribute $10 million to directly assist vulnerable customers with utility bills.

Consumers' customers are billed monthly in cycles having billing dates that do not generally coincide with the end of a calendar month. This results in customers having received electricity or natural gas that they have not been billed for as of the month-end. Consumers estimates its unbilled revenues by applying an average billed rate to total unbilled deliveries for each customer class. Unbilled revenues, which are recorded as accounts receivable and accrued revenue on CMS Energy's and Consumers' consolidated balance sheets, were $494 million at December 31, 2023 and $663 million at December 31, 2022.

Alternative-revenue Programs: Consumers accounts for its energy waste reduction incentive mechanism and financial compensation mechanism as alternative-revenue programs. Consumers recognizes revenue related to the energy waste reduction incentive as soon as energy savings exceed the annual targets established by the MPSC and recognizes revenue related to the financial compensation mechanism as payments are made on MPSC-approved PPAs. For additional information on these mechanisms, see Note 2, Regulatory Matters.

Consumers does not reclassify revenue from its alternative-revenue program to revenue from contracts with customers at the time the amounts are collected from customers.

Revenues to Be Refunded: In December 2022, the MPSC issued an order authorizing Consumers to refund $22 million voluntarily to utility customers. Additionally, in the settlement of its 2022 electric rate case, Consumers agreed to refund voluntarily $15 million of 2022 revenues to utility customers through a one-time bill credit. For additional information, see Note 2, Regulatory Matters.

15: Other Income and Other Expense

Presented in the following table are the components of other income and other expense at CMS Energy and Consumers:

In Millions			
Years Ended December 31	2023	2022	2021
CMS Energy, including Consumers			
Other income			
Gain on extinguishment of debt[1]	$ 131	$ —	$ —
Interest income	37	5	3
Allowance for equity funds used during construction	7	6	8
Income from equity method investees	7	3	10
All other	13	5	9
Total other income – CMS Energy	$ 195	$ 19	$ 30
Consumers			
Other income			
Interest income	$ 25	$ 2	$ 2
Interest income - related parties	5	5	5
Allowance for equity funds used during construction	7	6	8
All other	12	4	8
Total other income – Consumers	$ 49	$ 17	$ 23
CMS Energy, including Consumers			
Other expense			
Donations	$ (1)	$ (9)	$ (6)
Civic and political expenditures	(5)	(6)	(5)
All other	(7)	(12)	(7)
Total other expense – CMS Energy	$ (13)	$ (27)	$ (18)
Consumers			
Other expense			
Donations	$ (1)	$ (9)	$ (6)
Civic and political expenditures	(5)	(6)	(5)
All other	(6)	(10)	(7)
Total other expense – Consumers	$ (12)	$ (25)	$ (18)

1 For information regarding the gain on extinguishment of debt, see Note 4, Financings and Capitalization—CMS Energy's Purchase of Consumers' First Mortgage Bonds.

16: Reportable Segments

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

Accounting policies for CMS Energy's and Consumers' segments are as described in Note 1, Significant Accounting Policies. The consolidated financial statements reflect the assets, liabilities, revenues, and expenses of the individual segments when appropriate. Accounts are allocated among the segments when common accounts are attributable to more than one segment. The allocations are based on certain measures of business activities, such as revenue, labor dollars, customers, other operating and maintenance expense, construction expense, leased property, taxes, or functional surveys. For example, customer receivables are allocated based on revenue, and pension provisions are allocated based on labor dollars.

Inter-segment sales and transfers are accounted for at current market prices and are eliminated in consolidated net income available to common stockholders by segment. Inter-segment sales and transfers were immaterial for all periods presented.

CMS Energy

The segments reported for CMS Energy are:

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

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

Consumers

The segments reported for Consumers are:

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

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

Presented in the following tables is financial information by segment:

			In Millions
Years Ended December 31	2023	2022	2021
CMS Energy, including Consumers			
Operating revenue			
Electric utility	$ 4,745	$ 5,419	$ 4,958
Gas utility	2,420	2,732	2,063
NorthStar Clean Energy	297	445	308
Total operating revenue – CMS Energy	$ 7,462	$ 8,596	$ 7,329
Consumers			
Operating revenue			
Electric utility	$ 4,745	$ 5,419	$ 4,958
Gas utility	2,420	2,732	2,063
Other reconciling items	1	—	—
Total operating revenue – Consumers	$ 7,166	$ 8,151	$ 7,021
CMS Energy, including Consumers			
Depreciation and amortization			
Electric utility	$ 797	$ 757	$ 772
Gas utility	338	330	304
NorthStar Clean Energy	43	38	37
Other reconciling items	2	1	1
Total depreciation and amortization – CMS Energy	$ 1,180	$ 1,126	$ 1,114
Consumers			
Depreciation and amortization			
Electric utility	$ 797	$ 757	$ 772
Gas utility	338	330	304
Other reconciling items	2	1	1
Total depreciation and amortization – Consumers	$ 1,137	$ 1,088	$ 1,077

				In Millions
Years Ended December 31		2023	2022	2021
CMS Energy, including Consumers				
Income from equity method investees[1]				
NorthStar Clean Energy		$ 7	$ 3	$ 10
Total income from equity method investees – CMS Energy		$ 7	$ 3	$ 10
CMS Energy, including Consumers				
Interest charges				
Electric utility		$ 281	$ 218	$ 207
Gas utility		158	116	104
NorthStar Clean Energy		2	3	6
Other reconciling items		202	182	183
Total interest charges – CMS Energy		$ 643	$ 519	$ 500
Consumers				
Interest charges				
Electric utility		$ 285	$ 218	$ 207
Gas utility		161	116	104
Other reconciling items		2	1	—
Total interest charges – Consumers		$ 448	$ 335	$ 311
CMS Energy, including Consumers				
Income tax expense (benefit)				
Electric utility		$ 67	$ 109	$ 117
Gas utility		98	32	39
NorthStar Clean Energy		4	3	(2)
Other reconciling items		(22)	(51)	(59)
Total income tax expense – CMS Energy		$ 147	$ 93	$ 95
Consumers				
Income tax expense (benefit)				
Electric utility		$ 67	$ 109	$ 117
Gas utility		98	32	39
Other reconciling items		(4)	(1)	—
Total income tax expense – Consumers		$ 161	$ 140	$ 156

			In Millions
Years Ended December 31	2023	2022	2021
CMS Energy, including Consumers			
Net income (loss) available to common stockholders			
Electric utility	$ 550	$ 567	$ 565
Gas utility	315	378	302
NorthStar Clean Energy	67	34	23
Other reconciling items	(55)	(152)	458
Total net income available to common stockholders – CMS Energy	$ 877	$ 827	$ 1,348
Consumers			
Net income (loss) available to common stockholder			
Electric utility	$ 550	$ 567	$ 565
Gas utility	315	378	302
Other reconciling items	—	(2)	(1)
Total net income available to common stockholder – Consumers	$ 865	$ 943	$ 866
CMS Energy, including Consumers			
Plant, property, and equipment, gross			
Electric utility[2]	$ 19,302	$ 17,870	$ 18,147
Gas utility[2]	12,383	11,443	10,601
NorthStar Clean Energy	1,420	1,148	1,122
Other reconciling items	30	30	23
Total plant, property, and equipment, gross – CMS Energy	$ 33,135	$ 30,491	$ 29,893
Consumers			
Plant, property, and equipment, gross			
Electric utility[2]	$ 19,302	$ 17,870	$ 18,147
Gas utility[2]	12,383	11,443	10,601
Other reconciling items	38	29	23
Total plant, property, and equipment, gross – Consumers	$ 31,723	$ 29,342	$ 28,771
CMS Energy, including Consumers			
Investments in equity method investees[1]			
NorthStar Clean Energy	$ 76	$ 71	$ 71
Total investments in equity method investees – CMS Energy	$ 76	$ 71	$ 71

			In Millions
Years Ended December 31	2023	2022	2021
CMS Energy, including Consumers			
Total assets			
Electric utility[2]	$ 19,358	$ 17,907	$ 16,493
Gas utility[2]	12,353	11,873	10,517
NorthStar Clean Energy	1,604	1,464	1,312
Other reconciling items	202	109	431
Total assets – CMS Energy	$ 33,517	$ 31,353	$ 28,753
Consumers			
Total assets			
Electric utility[2]	$ 19,417	$ 17,968	$ 16,555
Gas utility[2]	12,397	11,918	10,564
Other reconciling items	38	30	21
Total assets – Consumers	$ 31,852	$ 29,916	$ 27,140
CMS Energy, including Consumers			
Capital expenditures[3]			
Electric utility[4]	$ 2,081	$ 1,265	$ 1,153
Gas utility[4]	1,041	1,008	989
NorthStar Clean Energy	156	113	17
Other reconciling items	2	7	2
Total capital expenditures – CMS Energy	$ 3,280	$ 2,393	$ 2,161
Consumers			
Capital expenditures[3]			
Electric utility[4]	$ 2,081	$ 1,265	$ 1,153
Gas utility[4]	1,041	1,008	989
Other reconciling items	23	7	2
Total capital expenditures – Consumers	$ 3,145	$ 2,280	$ 2,144

1 Consumers had no equity method investments.

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

3 Amounts include assets placed under finance lease.

4 Amounts include a portion of Consumers’ capital expenditures for plant and equipment attributable to both the electric and gas utility businesses.

17: Related-party Transactions—Consumers

Consumers enters into a number of transactions with related parties in the normal course of business. These transactions include but are not limited to:

- purchases of electricity from affiliates of NorthStar Clean Energy
- payments to and from CMS Energy related to parent company overhead costs
- payments of principal and interest when due to CMS Energy related to borrowings under certain credit agreements and CMS Energy's repurchase of Consumers' first mortgage bonds

Transactions involving power supply purchases from certain affiliates of NorthStar Clean Energy are based on avoided costs under PURPA, state law, and competitive bidding. The payment of parent company overhead costs is based on the use of accepted industry allocation methodologies. These payments are for costs that occur in the normal course of business.

Presented in the following table is Consumers' expense recorded from related-party transactions for the years ended December 31:

				In Millions
Description	Related Party	2023	2022	2021
Purchases of capacity and energy	Affiliates of NorthStar Clean Energy	$ 75	$ 76	$ 77

Amounts payable to related parties for purchased power and other services were $19 million at December 31, 2023 and $20 million at December 31, 2022. Accounts receivable from related parties were $9 million at December 31, 2023 and $8 million at December 31, 2022.

CMS Energy has a demand note payable to the DB SERP rabbi trust. The demand note bears interest at an annual rate of 4.10 percent and has a maturity date of 2028. The portion of the demand note attributable to Consumers was recorded as a note receivable – related party on Consumers' consolidated balance sheets at December 31, 2023 and 2022.

Consumers has a natural gas transportation agreement with a subsidiary of CMS Energy that extends through 2038, related to a pipeline owned by Consumers. For additional details about the agreement, see Note 8, Leases.

During 2023, CMS Energy repurchased certain of Consumers' first mortgage bonds. For more information about these repurchases, see Note 4, Financings and Capitalization—CMS Energy's Purchase of Consumers' First Mortgage Bonds.

In November 2023, an unregulated subsidiary of Consumers sold certain non-utility renewable development projects to NorthStar Clean Energy for $20 million, the projects' net book value; there was no gain or loss recognized on this sale.

In December 2023, Consumers renewed a short-term credit agreement with CMS Energy, permitting Consumers to borrow up to $500 million. For additional details about the agreement, see Note 4, Financings and Capitalization—Short-term Borrowings.

18: Variable Interest Entities

Consolidated VIEs: During 2023, NorthStar Clean Energy sold a Class A membership interest in Newport Solar Holdings to tax equity investors for $86 million. Newport Solar Holdings wholly owns Newport Solar, a 180-MW solar generation project located in Jackson County, Arkansas; the project began commercial operation in October 2023.

NorthStar Clean Energy holds a Class B membership interest in NWO Holdco, which wholly owns Northwest Ohio Wind, LLC, a 100-MW wind generation project in Paulding County, Ohio. The Class A membership interest in NWO Holdco is held by a tax equity investor.

NorthStar Clean Energy has a 51-percent ownership interest in Aviator Wind Equity Holdings, which holds a Class B membership interest in Aviator Wind, the holding company of a 525-MW wind generation project in Coke County, Texas. The Class A membership interest in Aviator Wind is held by a tax equity investor.

Earnings, tax attributes, and cash flows generated by Newport Solar Holdings, NWO Holdco, and Aviator Wind are allocated among and distributed to the membership classes in accordance with the ratios specified in the associated limited liability company agreements; these ratios change over time and are not representative of the ownership interest percentages of each membership class. Since these entities' income and cash flows are not distributed among their investors based on ownership interest percentages, NorthStar Clean Energy allocates the entities' income (loss) among the investors by applying the hypothetical liquidation at book value method. This method calculates each investor's earnings based on a hypothetical liquidation of the entities at the net book value of underlying assets as of the balance sheet date. The liquidation tax gain (loss) is allocated to each investor's capital account, resulting in income (loss) equal to the period change in the investor's capital account balance.

Newport Solar Holdings, NWO Holdco, Aviator Wind Equity Holdings, and Aviator Wind are VIEs. In accordance with the associated limited liability company agreements, the tax equity investors are guaranteed preferred returns from these entities. However, NorthStar Clean Energy manages and controls the entities' operating activities. As a result, NorthStar Clean Energy is the primary beneficiary, as it has the power to direct the activities that most significantly impact the economic performance of the companies, as well as the obligation to absorb losses or the right to receive benefits from the companies. NorthStar Clean Energy consolidates Newport Solar Holdings, NWO Holdco, Aviator Wind Equity Holdings, and Aviator Wind and presents the Class A membership interests and 49 percent of Aviator Wind Equity Holdings as noncontrolling interests.

Presented in the following table are the carrying values of the VIEs' assets and liabilities included on CMS Energy's consolidated balance sheets:

		In Millions
December 31	2023	2022
Current		
Cash and cash equivalents	$ 28	$ 43
Accounts receivable	3	7
Prepayments and other current assets	4	7
Non-current		
Plant, property, and equipment, net	1,064	850
Construction work in progress	—	156
Other non-current assets	3	—
Total assets[1]	$ 1,102	$ 1,063
Current		
Current portion of long-term debt	$ —	$ 100
Accounts payable	12	33
Non-current		
Non-current portion of finance leases	23	23
Asset retirement obligations	32	24
Total liabilities	$ 67	$ 180

1 Assets may be used only to meet VIEs' obligations and commitments.

NorthStar Clean Energy is obligated under certain indemnities that protect the tax equity investors against losses incurred as a result of breaches of representations and warranties under the associated limited liability company agreements. For additional details on these indemnity obligations, see Note 3, Contingencies and Commitments—Guarantees.

Consumers' wholly-owned subsidiaries, Consumers 2014 Securitization Funding and Consumers 2023 Securitization Funding, are VIEs designed to collateralize Consumers' securitization bonds. These entities are considered VIEs primarily because their equity capitalization is insufficient to support their operations. Consumers is the primary beneficiary of and consolidates these VIEs, as it has the power to direct the activities that most significantly impact the economic performance of the companies, as well as the obligation to absorb losses or the right to receive benefits from the companies. The VIEs' primary assets and liabilities comprise regulatory assets and long-term debt. For more information on these assets and liabilities, see Note 2, Regulatory Matters— Securitized Costs and Note 4, Financings and Capitalization—Securitization Bonds.

Non-consolidated VIEs: CMS Energy has variable interests in T.E.S. Filer City, Grayling, Genesee, and Craven. While CMS Energy owns 50 percent of each partnership, it is not the primary beneficiary of any of these partnerships because decision making is shared among unrelated parties, and no one party has the ability to direct the activities that most significantly impact the entities' economic performance, such as operations and maintenance, plant dispatch, and fuel strategy. The partners must agree on all major decisions for each of the partnerships.

Presented in the following table is information about these partnerships:

Name	Nature of the Entity	Nature of CMS Energy's Involvement
T.E.S. Filer City	Coal-fueled power generator	Long-term PPA between partnership and Consumers
		Employee assignment agreement
Grayling	Wood waste-fueled power generator	Long-term PPA between partnership and Consumers
		Reduced dispatch agreement with Consumers[1]
		Operating and management contract
Genesee	Wood waste-fueled power generator	Long-term PPA between partnership and Consumers
		Reduced dispatch agreement with Consumers[1]
		Operating and management contract
Craven	Wood waste-fueled power generator	Operating and management contract

1 Reduced dispatch agreements allow the facilities to be dispatched based on the market price of power compared with the cost of production of the plants. This results in fuel cost savings that each partnership shares with Consumers' customers.

The creditors of these partnerships do not have recourse to the general credit of CMS Energy or Consumers. CMS Energy's maximum risk exposure to these partnerships is generally limited to its investment in the partnerships, which is included in investments on its consolidated balance sheets in the amount of $74 million at December 31, 2023 and $71 million at December 31, 2022.

19: Exit Activities and Discontinued Operations

Exit Activities: In accordance with its Clean Energy Plan, Consumers retired the D.E. Karn coal-fueled electric generating units in June 2023 and plans to retire the J.H. Campbell coal-fueled generating units in 2025. In order to ensure necessary staffing at both D.E. Karn and J.H. Campbell through retirement, Consumers has implemented retention incentive programs. The aggregate cost of the D.E. Karn program, which is now complete, was $32 million. The aggregate cost of the J.H. Campbell program through 2025 is estimated to be $50 million. The MPSC has approved deferred accounting treatment for these costs; these expenses are deferred as a regulatory asset.

As of December 31, 2023, the cumulative cost incurred and charged to maintenance and other operating expenses related to the D.E. Karn retention incentive program was $16 million. Additionally, an amount of $4 million was capitalized as a cost of plant, property, and equipment and an amount of $12 million was deferred as a regulatory asset. The cumulative cost incurred and deferred as a regulatory asset related to the J.H. Campbell retention incentive program was $35 million. The regulatory assets for both programs will be collected from customers over three years.

Presented in the following table is a reconciliation of the retention benefit liability recorded in other liabilities on Consumers' consolidated balance sheets:

				In Millions
Years Ended December 31		2023		2022
Retention benefit liability at beginning of period	$	21	$	14
Costs deferred as a regulatory asset		16		24
Costs paid or settled		(21)		(17)
Retention benefit liability at the end of the period[1]	$	16	$	21

1 Includes current portion of other liabilities of $7 million at December 31, 2023 and $13 million at December 31, 2022.

Discontinued Operations: In 2021, EnerBank was acquired by a non-affiliated company. CMS Energy received proceeds of over $1.0 billion from the transaction and recognized a pre-tax gain of $657 million in 2021. In March 2022, CMS Energy received $6 million of additional proceeds as the result of a post-closing adjustment. Net of related transaction costs, CMS Energy recognized a pre-tax gain of $5 million during 2022.

EnerBank's results of operations through the date of the sale are presented as income from discontinued operations on CMS Energy's consolidated statements of income for the year ended December 31, 2021. The table below presents the financial results of EnerBank included in income from discontinued operations:

				In Millions
Years Ended December 31		2022		2021
Operating revenue	$	—	$	209
Expenses				
Operating expenses		—		60
Interest expense		—		34
Income before income taxes	$	—	$	115
Gain on sale		5		657
Income from discontinued operations before income taxes	$	5	$	772
Income tax expense		1		170
Income from discontinued operations, net of tax	$	4	$	602

Report of Independent Registered Public Accounting Firm

To the Board of Directors and Stockholders of CMS Energy Corporation

Opinions on the Financial Statements and Internal Control over Financial Reporting

We have audited the accompanying consolidated balance sheets of CMS Energy Corporation and its subsidiaries (the "Company") as of December 31, 2023 and 2022, and the related consolidated statements of income, of comprehensive income, of changes in equity and of cash flows for each of the three years in the period ended December 31, 2023, including the related notes and financial statement schedules listed in the index appearing under Item 15 (collectively referred to as the "consolidated financial statements"). We also have audited the Company's internal control over financial reporting as of December 31, 2023, based on criteria established in *Internal Control - Integrated Framework* (2013) issued by the Committee of Sponsoring Organizations of the Treadway Commission (COSO).

In our opinion, the consolidated financial statements referred to above present fairly, in all material respects, the financial position of the Company as of December 31, 2023 and 2022, and the results of its operations and its cash flows for each of the three years in the period ended December 31, 2023 in conformity with accounting principles generally accepted in the United States of America. Also in our opinion, the Company maintained, in all material respects, effective internal control over financial reporting as of December 31, 2023, based on criteria established in *Internal Control - Integrated Framework* (2013) issued by the COSO.

Basis for Opinions

The Company's management is responsible for these consolidated financial statements, for maintaining effective internal control over financial reporting, and for its assessment of the effectiveness of internal control over financial reporting, included in the accompanying Management's Annual Report on Internal Control Over Financial Reporting appearing under Item 9A. Our responsibility is to express opinions on the Company's consolidated financial statements and on the Company's internal control over financial reporting based on our audits. We are a public accounting firm registered with the Public Company Accounting Oversight Board (United States) (PCAOB) and are required to be independent with respect to the Company in accordance with the U.S. federal securities laws and the applicable rules and regulations of the Securities and Exchange Commission and the PCAOB.

We conducted our audits in accordance with the standards of the PCAOB. Those standards require that we plan and perform the audits to obtain reasonable assurance about whether the consolidated financial statements are free of material misstatement, whether due to error or fraud, and whether effective internal control over financial reporting was maintained in all material respects.

Our audits of the consolidated financial statements included performing procedures to assess the risks of material misstatement of the consolidated financial statements, whether due to error or fraud, and performing procedures that respond to those risks. Such procedures included examining, on a test basis, evidence regarding the amounts and disclosures in the consolidated financial statements. Our audits also included evaluating the accounting principles used and significant estimates made by management, as well as evaluating the overall presentation of the consolidated financial statements. Our audit of internal control over financial reporting included obtaining an understanding of internal control over financial reporting, assessing the risk that a material weakness exists, and testing and evaluating the design and operating effectiveness of internal control based on the assessed risk. Our audits also included performing such other procedures as we considered necessary in the circumstances. We believe that our audits provide a reasonable basis for our opinions.

Definition and Limitations of Internal Control over Financial Reporting

A company's internal control over financial reporting is a process designed to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles. A company's internal control over financial reporting includes those policies and procedures that (i) pertain to the maintenance of records that, in reasonable detail, accurately and fairly reflect the transactions and dispositions of the assets of the company; (ii) provide reasonable assurance that transactions are recorded as necessary to permit preparation of financial statements in accordance with generally accepted accounting principles, and that receipts and expenditures of the company are being made only in accordance with authorizations of management and directors of the company; and (iii) provide reasonable assurance regarding prevention or timely detection of unauthorized acquisition, use, or disposition of the company's assets that could have a material effect on the financial statements.

Because of its inherent limitations, internal control over financial reporting may not prevent or detect misstatements. Also, projections of any evaluation of effectiveness to future periods are subject to the risk that controls may become inadequate because of changes in conditions, or that the degree of compliance with the policies or procedures may deteriorate.

Critical Audit Matters

The critical audit matter communicated below is a matter arising from the current period audit of the consolidated financial statements that was communicated or required to be communicated to the audit committee and that (i) relates to accounts or disclosures that are material to the consolidated financial statements and (ii) involved our especially challenging, subjective, or complex judgments. The communication of critical audit matters does not alter in any way our opinion on the consolidated financial statements, taken as a whole, and we are not, by communicating the critical audit matter below, providing a separate opinion on the critical audit matter or on the accounts or disclosures to which it relates.

Accounting for the Effects of New Regulatory Matters

As described in Note 2 to the consolidated financial statements, the Company is a utility and must apply regulatory accounting when its rates are designed to recover specific costs of providing regulated services. Under regulatory accounting, the Company records regulatory assets or liabilities for certain transactions that would have been treated as expense or revenue by a non-regulated business. As of December 31, 2023, the Company has recognized a total of $3,886 million of regulatory assets, $3,950 million of regulatory liabilities, and $54 million of accrued rate refunds. As described by management, there are multiple participants to rate case proceedings who often challenge various aspects of those proceedings, including the prudence of the Company's policies and practices. These participants often seek cost disallowances and other relief and have appealed significant decisions reached by the regulators. The recovery of regulatory assets and the settlement of regulatory liabilities are contingent upon the outcomes of rate cases and regulatory proceedings. The principal considerations for our determination that performing procedures relating to accounting for the effects of new regulatory matters is a critical audit matter are (i) the high degree of auditor judgment and subjectivity applied to evaluate management's assessment of the potential outcomes and related accounting impacts associated with pending rate case proceedings; (ii) in some cases, the significant audit effort necessary to assess contrary evidence from various parties involved in rate case proceedings; and (iii) the significant audit effort necessary to evaluate audit evidence related to the recovery of regulatory assets and the settlement of regulatory liabilities. Addressing the matter involved performing procedures and evaluating audit evidence in connection with forming our overall opinion on the consolidated financial statements. These procedures included testing the effectiveness of controls relating to management's assessment of regulatory proceedings, including the probability of recovering incurred costs and the related accounting and disclosure impacts. These procedures also included, among others, (i) evaluating the Company's correspondence with regulators; (ii) evaluating the reasonableness of management's assessment regarding whether recovery of regulatory assets and settlement of regulatory liabilities is probable; (iii) evaluating the sufficiency of the disclosures in the consolidated financial statements; and (iv) testing, on a sample basis, the regulatory assets and liabilities, including those subject to pending rate cases and regulatory proceedings, based on (a) provisions and formulas outlined in rate orders; (b) other regulatory correspondence; and (c) application of relevant regulatory precedents.

/s/ PricewaterhouseCoopers LLP

Detroit, Michigan
February 8, 2024

We have served as the Company's auditor since 2007.

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Report of Independent Registered Public Accounting Firm

To the Board of Directors and Stockholder of Consumers Energy Company

Opinions on the Financial Statements and Internal Control over Financial Reporting

We have audited the accompanying consolidated balance sheets of Consumers Energy Company and its subsidiaries (the "Company") as of December 31, 2023 and 2022, and the related consolidated statements of income, of comprehensive income, of changes in equity and of cash flows for each of the three years in the period ended December 31, 2023, including the related notes and financial statement schedule listed in the index appearing under Item 15 (collectively referred to as the "consolidated financial statements"). We also have audited the Company's internal control over financial reporting as of December 31, 2023, based on criteria established in *Internal Control - Integrated Framework* (2013) issued by the Committee of Sponsoring Organizations of the Treadway Commission (COSO).

In our opinion, the consolidated financial statements referred to above present fairly, in all material respects, the financial position of the Company as of December 31, 2023 and 2022, and the results of its operations and its cash flows for each of the three years in the period ended December 31, 2023 in conformity with accounting principles generally accepted in the United States of America. Also in our opinion, the Company maintained, in all material respects, effective internal control over financial reporting as of December 31, 2023, based on criteria established in *Internal Control - Integrated Framework* (2013) issued by the COSO.

Basis for Opinions

The Company's management is responsible for these consolidated financial statements, for maintaining effective internal control over financial reporting, and for its assessment of the effectiveness of internal control over financial reporting, included in the accompanying Management's Annual Report on Internal Control Over Financial Reporting appearing under Item 9A. Our responsibility is to express opinions on the Company's consolidated financial statements and on the Company's internal control over financial reporting based on our audits. We are a public accounting firm registered with the Public Company Accounting Oversight Board (United States) (PCAOB) and are required to be independent with respect to the Company in accordance with the U.S. federal securities laws and the applicable rules and regulations of the Securities and Exchange Commission and the PCAOB.

We conducted our audits in accordance with the standards of the PCAOB. Those standards require that we plan and perform the audits to obtain reasonable assurance about whether the consolidated financial statements are free of material misstatement, whether due to error or fraud, and whether effective internal control over financial reporting was maintained in all material respects.

Our audits of the consolidated financial statements included performing procedures to assess the risks of material misstatement of the consolidated financial statements, whether due to error or fraud, and performing procedures that respond to those risks. Such procedures included examining, on a test basis, evidence regarding the amounts and disclosures in the consolidated financial statements. Our audits also included evaluating the accounting principles used and significant estimates made by management, as well as evaluating the overall presentation of the consolidated financial statements. Our audit of internal control over financial reporting included obtaining an understanding of internal control over financial reporting, assessing the risk that a material weakness exists, and testing and evaluating the design and operating effectiveness of internal control based on the assessed risk. Our audits also included performing such other procedures as we considered necessary in the circumstances. We believe that our audits provide a reasonable basis for our opinions.

Definition and Limitations of Internal Control over Financial Reporting

A company’s internal control over financial reporting is a process designed to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles. A company’s internal control over financial reporting includes those policies and procedures that (i) pertain to the maintenance of records that, in reasonable detail, accurately and fairly reflect the transactions and dispositions of the assets of the company; (ii) provide reasonable assurance that transactions are recorded as necessary to permit preparation of financial statements in accordance with generally accepted accounting principles, and that receipts and expenditures of the company are being made only in accordance with authorizations of management and directors of the company; and (iii) provide reasonable assurance regarding prevention or timely detection of unauthorized acquisition, use, or disposition of the company’s assets that could have a material effect on the financial statements.

Because of its inherent limitations, internal control over financial reporting may not prevent or detect misstatements. Also, projections of any evaluation of effectiveness to future periods are subject to the risk that controls may become inadequate because of changes in conditions, or that the degree of compliance with the policies or procedures may deteriorate.

Critical Audit Matters

The critical audit matter communicated below is a matter arising from the current period audit of the consolidated financial statements that was communicated or required to be communicated to the audit committee and that (i) relates to accounts or disclosures that are material to the consolidated financial statements and (ii) involved our especially challenging, subjective, or complex judgments. The communication of critical audit matters does not alter in any way our opinion on the consolidated financial statements, taken as a whole, and we are not, by communicating the critical audit matter below, providing a separate opinion on the critical audit matter or on the accounts or disclosures to which it relates.

Accounting for the Effects of New Regulatory Matters

As described in Note 2 to the consolidated financial statements, the Company is a utility and must apply regulatory accounting when its rates are designed to recover specific costs of providing regulated services. Under regulatory accounting, the Company records regulatory assets or liabilities for certain transactions that would have been treated as expense or revenue by a non-regulated business. As of December 31, 2023, the Company has recognized a total of $3,886 million of regulatory assets, $3,950 million of regulatory liabilities, and $54 million of accrued rate refunds. As described by management, there are multiple participants to rate case proceedings who often challenge various aspects of those proceedings, including the prudence of the Company’s policies and practices. These participants often seek cost disallowances and other relief and have appealed significant decisions reached by the regulators. The recovery of regulatory assets and the settlement of regulatory liabilities are contingent upon the outcomes of rate cases and regulatory proceedings. The principal considerations for our determination that performing procedures relating to accounting for the effects of new regulatory matters is a critical audit matter are (i) the high degree of auditor judgment and subjectivity applied to evaluate management’s assessment of the potential outcomes and related accounting impacts associated with pending rate case proceedings; (ii) in some cases, the significant audit effort necessary to assess contrary evidence from various parties involved in rate case proceedings; and (iii) the significant audit effort necessary to evaluate audit evidence related to the recovery of regulatory assets and the settlement of regulatory liabilities. Addressing the matter involved performing procedures and evaluating audit evidence in connection with forming our overall opinion on the consolidated financial statements. These procedures included testing the effectiveness of controls relating to management’s assessment of regulatory proceedings, including the probability of recovering incurred costs and the related accounting and disclosure impacts. These procedures also included, among others, (i) evaluating the Company’s correspondence with regulators; (ii) evaluating the reasonableness of management’s assessment regarding whether recovery of regulatory assets and settlement of regulatory liabilities is probable; (iii) evaluating the sufficiency of the disclosures in the consolidated financial statements; and (iv) testing, on a sample basis, the regulatory assets and liabilities, including those subject to pending rate cases and regulatory proceedings, based on (a) provisions and formulas outlined in rate orders; (b) other regulatory correspondence; and (c) application of relevant regulatory precedents.

/s/ PricewaterhouseCoopers LLP

Detroit, Michigan
February 8, 2024

We have served as the Company’s auditor since 2007.

Item 9. Changes in and Disagreements with Accountants on Accounting and Financial Disclosure

None.

Item 9A. Controls and Procedures

CMS Energy

Conclusion Regarding the Effectiveness of Disclosure Controls and Procedures: Under the supervision and with the participation of management, including its CEO and CFO, CMS Energy conducted an evaluation of its disclosure controls and procedures (as such term is defined in Rules 13a-15(e) and 15d-15(e) under the Exchange Act). Based on such evaluation, CMS Energy's CEO and CFO have concluded that its disclosure controls and procedures were effective as of December 31, 2023.

Management's Annual Report on Internal Control Over Financial Reporting: CMS Energy's management is responsible for establishing and maintaining adequate internal control over financial reporting, as defined in Exchange Act Rules 13a-15(f) and 15d-15(f). CMS Energy's internal control over financial reporting is a process designed to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with GAAP and includes policies and procedures that:

- pertain to the maintenance of records that, in reasonable detail, accurately and fairly reflect the transactions and dispositions of the assets of CMS Energy
- provide reasonable assurance that transactions are recorded as necessary to permit preparation of financial statements in accordance with GAAP, and that receipts and expenditures of CMS Energy are being made only in accordance with authorizations of management and directors of CMS Energy
- provide reasonable assurance regarding prevention or timely detection of unauthorized acquisition, use, or disposition of CMS Energy's assets that could have a material effect on its financial statements

Management, including its CEO and CFO, does not expect that its internal controls will prevent or detect all errors and all fraud. A control system, no matter how well designed and operated, can provide only reasonable, not absolute, assurance that the objectives of the control system are met. Further, the design of a control system must reflect the fact that there are resource constraints, and the benefits of controls must be considered relative to their costs. In addition, any evaluation of the effectiveness of controls is subject to risks that those internal controls may become inadequate in future periods because of changes in business conditions, or that the degree of compliance with the policies or procedures deteriorates.

Under the supervision and with the participation of management, including its CEO and CFO, CMS Energy conducted an evaluation of the effectiveness of its internal control over financial reporting as of December 31, 2023. In making this evaluation, management used the criteria set forth in the framework in Internal Control—Integrated Framework (2013) issued by the Committee of Sponsoring Organizations of the Treadway Commission. Based on such evaluation, CMS Energy's management concluded that its internal control over financial reporting was effective as of December 31, 2023. The effectiveness of CMS Energy's internal control over financial reporting as of December 31, 2023 has been audited by PricewaterhouseCoopers LLP, an independent registered public accounting firm, as stated in their report which appears under Item 8. Financial Statements and Supplementary Data.

Changes in Internal Control Over Financial Reporting: There have not been any changes in CMS Energy's internal control over financial reporting during the last fiscal quarter that have materially affected, or are reasonably likely to affect materially, its internal control over financial reporting.

Consumers

Conclusion Regarding the Effectiveness of Disclosure Controls and Procedures: Under the supervision and with the participation of management, including its CEO and CFO, Consumers conducted an evaluation of its disclosure controls and procedures (as such term is defined in Rules 13a-15(e) and 15d-15(e) under the Exchange Act). Based on such evaluation, Consumers' CEO and CFO have concluded that its disclosure controls and procedures were effective as of December 31, 2023.

Management's Annual Report on Internal Control Over Financial Reporting: Consumers' management is responsible for establishing and maintaining adequate internal control over financial reporting, as defined in Exchange Act Rules 13a-15(f) and 15d-15(f). Consumers' internal control over financial reporting is a process designed to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with GAAP and includes policies and procedures that:

- pertain to the maintenance of records that, in reasonable detail, accurately and fairly reflect the transactions and dispositions of the assets of Consumers
- provide reasonable assurance that transactions are recorded as necessary to permit preparation of financial statements in accordance with GAAP, and that receipts and expenditures of Consumers are being made only in accordance with authorizations of management and directors of Consumers
- provide reasonable assurance regarding prevention or timely detection of unauthorized acquisition, use, or disposition of Consumers' assets that could have a material effect on its financial statements

Management, including its CEO and CFO, does not expect that its internal controls will prevent or detect all errors and all fraud. A control system, no matter how well designed and operated, can provide only reasonable, not absolute, assurance that the objectives of the control system are met. Further, the design of a control system must reflect the fact that there are resource constraints, and the benefits of controls must be considered relative to their costs. In addition, any evaluation of the effectiveness of controls is subject to risks that those internal controls may become inadequate in future periods because of changes in business conditions, or that the degree of compliance with the policies or procedures deteriorates.

Under the supervision and with the participation of management, including its CEO and CFO, Consumers conducted an evaluation of the effectiveness of its internal control over financial reporting as of December 31, 2023. In making this evaluation, management used the criteria set forth in the framework in Internal Control—Integrated Framework (2013) issued by the Committee of Sponsoring Organizations of the Treadway Commission. Based on such evaluation, Consumers' management concluded that its internal control over financial reporting was effective as of December 31, 2023. The effectiveness of Consumers' internal control over financial reporting as of December 31, 2023 has been audited by PricewaterhouseCoopers LLP, an independent registered public accounting firm, as stated in their report which appears under Item 8. Financial Statements and Supplementary Data.

Changes in Internal Control Over Financial Reporting: There have not been any changes in Consumers' internal control over financial reporting during the last fiscal quarter that have materially affected, or are reasonably likely to affect materially, its internal control over financial reporting.

Item 9B. Other Information

None.

Item 9C. Disclosure Regarding Foreign Jurisdictions that Prevent Inspections

Not applicable.

Part III

Item 10. Directors, Executive Officers and Corporate Governance

CMS Energy

Information that is required in Item 10 of this Form 10-K regarding executive officers is included in the Item 1. Business—Information About CMS Energy's and Consumers' Executive Officers section, which is incorporated by reference herein.

Information that is required in Item 10 of this Form 10-K regarding directors, executive officers, and corporate governance is incorporated by reference from CMS Energy's and Consumers' definitive proxy statement for their 2024 Annual Meetings of Shareholders to be held May 3, 2024. The proxy statement will be filed with the SEC, pursuant to Regulation 14A under the Exchange Act, within 120 days after the end of the fiscal year covered by this Form 10-K, all of which information is hereby incorporated by reference in, and made part of, this Form 10-K.

Code of Ethics

CMS Energy has adopted an employee code of ethics, entitled "CMS Energy 2024 Code of Conduct and Guide to Ethical Business Behavior" (Employee Code) that applies to its CEO, CFO, and CAO, as well as all other officers and employees of CMS Energy and its affiliates. The Employee Code is administered by the Chief Compliance Officer of CMS Energy, who reports directly to the Audit Committee. CMS Energy has also adopted a director code of ethics entitled "2024 Board of Directors Code of Conduct and Guide to Ethical Business Behavior" (Director Code) that applies to its directors. The Director Code is administered by the Audit Committee. Any alleged violation of the Director Code by a director will be investigated by disinterested members of the Audit Committee, or if none, by disinterested members of the entire Board. The Employee Code and Director Code and any waivers of, or amendments or exceptions to, a provision of the Employee Code that applies to CMS Energy's CEO, CFO, CAO or persons performing similar functions and any waivers of, or amendments or exceptions to, a provision of CMS Energy's Director Code will be disclosed on CMS Energy's website at www.cmsenergy.com/corporate-governance/compliance-and-ethics.

Consumers

Information that is required in Item 10 of this Form 10-K regarding executive officers is included in the Item 1. Business—Information About CMS Energy’s and Consumers’ Executive Officers section, which is incorporated by reference herein.

Information that is required in Item 10 of this Form 10-K regarding directors, executive officers, and corporate governance is incorporated by reference from CMS Energy’s and Consumers’ definitive proxy statement for their 2024 Annual Meetings of Shareholders to be held May 3, 2024. The proxy statement will be filed with the SEC, pursuant to Regulation 14A under the Exchange Act, within 120 days after the end of the fiscal year covered by this Form 10-K, all of which information is hereby incorporated by reference in, and made part of, this Form 10-K.

Code of Ethics

Consumers has adopted an employee code of ethics, entitled “CMS Energy 2024 Code of Conduct and Guide to Ethical Business Behavior” (Employee Code) that applies to its CEO, CFO, and CAO, as well as all other officers and employees of Consumers and its affiliates. The Employee Code is administered by the Chief Compliance Officer of Consumers, who reports directly to the Audit Committee. Consumers has also adopted a director code of ethics entitled “2024 Board of Directors Code of Conduct and Guide to Ethical Business Behavior” (Director Code) that applies to its directors. The Director Code is administered by the Audit Committee. Any alleged violation of the Director Code by a director will be investigated by disinterested members of the Audit Committee, or if none, by disinterested members of the entire Board. The Employee Code and Director Code and any waivers of, or amendments or exceptions to, a provision of the Employee Code that applies to Consumers’ CEO, CFO, CAO or persons performing similar functions and any waivers of, or amendments or exceptions to, a provision of Consumers’ Director Code will be disclosed on Consumers’ website at www.cmsenergy.com/corporate-governance/compliance-and-ethics.

Item 11. Executive Compensation

See the note below.

Item 12. Security Ownership of Certain Beneficial Owners and Management and Related Stockholder Matters

Securities Authorized for Issuance Under Equity Compensation Plans

Presented in the following table is information regarding CMS Energy's equity compensation plans as of December 31, 2023:

	(a)	(b)	(c)
Plan Category	Number of securities to be issued upon exercise of outstanding options, warrants, and rights	Weighted-average exercise price of outstanding options, warrants, and rights	Number of securities remaining available for future issuance under equity compensation plans (excluding securities reflected in column (a))
Equity compensation plan approved by shareholders	—	$ —	4,960,465

Also see the note below.

Item 13. Certain Relationships and Related Transactions, and Director Independence

See the note below.

Item 14. Principal Accountant Fees and Services

See the note below.

NOTE: Information that is required by Part III—Items 11, 12, 13, and 14 of this Form 10-K is incorporated by reference from CMS Energy's and Consumers' definitive proxy statement for their 2024 Annual Meetings of Shareholders to be held May 3, 2024. The proxy statement will be filed with the SEC, pursuant to Regulation 14A under the Exchange Act, within 120 days after the end of the fiscal year covered by this Form 10-K, all of which information is hereby incorporated by reference in, and made part of, this Form 10-K.

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Part IV

Item 15. Exhibits and Financial Statement Schedules

The following financial statements are filed as part of this report under Item 8. Financial Statements and Supplementary Data:

- Consolidated Statements of Income of CMS Energy for the years ended December 31, 2023, 2022, and 2021
- Consolidated Statements of Comprehensive Income of CMS Energy for the years ended December 31, 2023, 2022, and 2021
- Consolidated Statements of Cash Flows of CMS Energy for the years ended December 31, 2023, 2022, and 2021
- Consolidated Balance Sheets of CMS Energy at December 31, 2023 and 2022
- Consolidated Statements of Changes in Equity of CMS Energy for the years ended December 31, 2023, 2022, and 2021
- Consolidated Statements of Income of Consumers for the years ended December 31, 2023, 2022, and 2021
- Consolidated Statements of Comprehensive Income of Consumers for the years ended December 31, 2023, 2022, and 2021
- Consolidated Statements of Cash Flows of Consumers for the years ended December 31, 2023, 2022, and 2021
- Consolidated Balance Sheets of Consumers at December 31, 2023 and 2022
- Consolidated Statements of Changes in Equity of Consumers for the years ended December 31, 2023, 2022, and 2021
- Notes to the Consolidated Financial Statements
- Report of Independent Registered Public Accounting Firm for CMS Energy
- Report of Independent Registered Public Accounting Firm for Consumers

The following financial statement schedules are included below:

- Schedule I — Condensed Financial Information of Registrant, CMS Energy—Parent Company at December 31, 2023 and 2022 and for the years ended December 31, 2023, 2022, and 2021
- Schedule II — Valuation and Qualifying Accounts and Reserves of CMS Energy for the years ended December 31, 2023, 2022, and 2021
- Schedule II — Valuation and Qualifying Accounts and Reserves of Consumers for the years ended December 31, 2023, 2022, and 2021

Schedule I — Condensed Financial Information of Registrant

CMS Energy—Parent Company

Condensed Statements of Income

			In Millions
Years Ended December 31	2023	2022	2021
Operating Expenses			
Other operating expenses	$ 10	$ 7	$ 7
Total operating expenses	10	7	7
Operating Loss	(10)	(7)	(7)
Other Income (Expense)			
Equity earnings of subsidiaries	929	980	1,482
Nonoperating retirement benefits, net	(1)	(1)	(1)
Other income	31	5	2
Other expense	—	(1)	—
Total other income	959	983	1,483
Interest Charges			
Interest on long-term debt	201	181	183
Intercompany interest expense and other	10	8	7
Total interest charges	211	189	190
Income Before Income Taxes	738	787	1,286
Income Tax Benefit	(20)	(50)	(60)
Income From Continuing Operations	758	837	1,346
Income From Discontinued Operations, Net of Tax of $ —, $—, and $(5)	—	—	7
Net Income Attributable to CMS Energy	758	837	1,353
Preferred Stock Dividends	10	10	5
Net Income Available to Common Stockholders	$ 748	$ 827	$ 1,348

The accompanying notes are an integral part of these statements.

Schedule I — Condensed Financial Information of Registrant (Continued)

CMS Energy—Parent Company

Condensed Statements of Cash Flows

			In Millions
Years Ended December 31	2023	2022	2021
Cash Flows from Operating Activities			
Net cash provided by operating activities	$ 595	$ 565	$ 1,549
Cash Flows from Investing Activities			
Investment in subsidiaries	(630)	(796)	(581)
Investment in debt securities - intercompany	(293)	—	—
Decrease (increase) in notes receivable – intercompany	55	286	(83)
Net cash used in investing activities	(868)	(510)	(664)
Cash Flows from Financing Activities			
Proceeds from issuance of debt	800	—	—
Issuance of common stock	192	69	26
Issuance of preferred stock	—	—	224
Retirement of long-term debt	—	—	(200)
Payment of dividends on common and preferred stock	(579)	(544)	(507)
Debt issuance costs and financing fees	(20)	(11)	(10)
Change in notes payable – intercompany	(7)	77	(28)
Net cash provided by (used in) financing activities	386	(409)	(495)
Net Increase (Decrease) in Cash and Cash Equivalents, Including Restricted Amounts	113	(354)	390
Cash and Cash Equivalents, Including Restricted Amounts, Beginning of Period	36	390	—
Cash and Cash Equivalents, Including Restricted Amounts, End of Period	$ 149	$ 36	$ 390

The accompanying notes are an integral part of these statements.

Schedule I — Condensed Financial Information of Registrant (Continued)

CMS Energy—Parent Company

Condensed Balance Sheets

ASSETS		
		In Millions
December 31	2023	2022
Current Assets		
Cash and cash equivalents	$ 149	$ 36
Notes and accrued interest receivable – intercompany	60	107
Accounts receivable – intercompany and related parties	9	8
Taxes receivable	11	45
Prepayments and other current assets	—	1
Total current assets	229	197
Other Non-current Assets		
Deferred income taxes	137	105
Investments in subsidiaries	11,701	10,881
Investment in debt securities – intercompany	296	—
Other investments	8	6
Other	24	11
Total other non-current assets	12,166	11,003
Total Assets	$ 12,395	$ 11,200

LIABILITIES AND EQUITY		
		In Millions
December 31	2023	2022
Current Liabilities		
Current portion of long-term debt	$ 250	$ —
Accounts and notes payable – intercompany	75	74
Accrued interest, including intercompany	37	33
Other current liabilities	9	9
Total current liabilities	371	116
Non-current Liabilities		
Long-term debt	4,471	3,930
Notes payable – intercompany	105	109
Postretirement benefits	15	15
Other non-current liabilities	18	15
Total non-current liabilities	4,609	4,069
Equity		
Common stock	3	3
Other stockholders' equity	7,188	6,788
Total common stockholders' equity	7,191	6,791
Preferred stock	224	224
Total equity	7,415	7,015
Total Liabilities and Equity	$ 12,395	$ 11,200

The accompanying notes are an integral part of these statements.

Schedule I — Condensed Financial Information of Registrant (Continued)

CMS Energy—Parent Company

Notes to the Condensed Financial Statements

1: Basis of Presentation

CMS Energy's condensed financial statements have been prepared on a parent-only basis. In accordance with Rule 12-04 of Regulation S-X, these parent-only financial statements do not include all of the information and notes required by GAAP for annual financial statements, and therefore these parent-only financial statements and other information included should be read in conjunction with CMS Energy's audited consolidated financial statements contained within Item 8. Financial Statements and Supplementary Data.

2: Guarantees

CMS Energy has issued guarantees with a maximum potential obligation of $886 million on behalf of some of its wholly owned subsidiaries and related parties. CMS Energy's maximum potential obligation consists primarily of potential payments:

- to third parties under certain commodity purchase and sales agreements entered into by CMS ERM and other subsidiaries of NorthStar Clean Energy
- to tax equity investors that hold membership interests in certain VIEs held by NorthStar Clean Energy
- to EGLE on behalf of CMS Land and CMS Capital, for environmental remediation obligations at Bay Harbor
- to the U.S. Department of Energy on behalf of Consumers, in connection with Consumers' 2011 settlement agreement with the U.S. Department of Energy regarding damages resulting from the department's failure to accept spent nuclear fuel from nuclear power plants formerly owned by Consumers

The expiration dates of these guarantees vary, depending upon contractual provisions or upon the statute of limitations under the relevant governing law.

Schedule II — Valuation and Qualifying Accounts and Reserves

CMS Energy Corporation

Years Ended December 31, 2023, 2022, and 2021

In Millions

Description	Balance at Beginning of Period	Charged to Expense	Charged to Other Accounts	Deductions	Balance at End of Period
Allowance for uncollectible accounts[1]					
2023	$ 27	$ 34	$ —	$ 40	$ 21
2022	20	50	—	43	27
2021	29	22	—	31	20
Deferred tax valuation allowance					
2023	$ 2	$ —	$ —	$ —	$ 2
2022	2	—	—	—	2
2021	1	1	—	—	2

1 Deductions represent write-offs of uncollectible accounts, net of recoveries.

Consumers Energy Company

Years Ended December 31, 2023, 2022, and 2021

In Millions

Description	Balance at Beginning of Period	Charged to Expense	Charged to Other Accounts	Deductions	Balance at End of Period
Allowance for uncollectible accounts[1]					
2023	$ 27	$ 34	$ —	$ 40	$ 21
2022	20	50	—	43	27
2021	29	22	—	31	20

1 Deductions represent write-offs of uncollectible accounts, net of recoveries.

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Exhibit Index

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

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

	Previously Filed			
Exhibits	With File Number	As Exhibit Number		Description
3.1[1]	1-9513	3.1	—	Restated Articles of Incorporation of CMS Energy, effective June 1, 2004, as amended May 22, 2009, together with the Certificate of Designation of 4.200% Cumulative Redeemable Perpetual Preferred Stock, Series C, effective June 29, 2021 (Form 10-Q for the quarterly period ended June 30, 2021)
3.2[1]	1-9513	3.2	—	CMS Energy Bylaws, amended and restated effective February 8, 2016 (Form 8-K filed February 8, 2016)
3.3	1-5611	3(c)	—	Restated Articles of Incorporation of Consumers effective June 7, 2000 (Form 10-K for the fiscal year ended December 31, 2000)
3.4	1-5611	3.2	—	Consumers Bylaws, amended and restated as of January 24, 2013 (Form 8-K filed January 29, 2013)
4.1	2-65973	(b)(1)-4	—	Indenture dated as of September 1, 1945 between Consumers and Chemical Bank (successor to Manufacturers Hanover Trust Company), as Trustee, including therein indentures supplemental thereto through the Forty-third Supplemental Indenture dated as of May 1, 1979 (Form S-16 filed November 13, 1979)
				Indentures Supplemental thereto:
4.1.a	1-5611	4.2	—	104th dated as of 8/11/05 (Form 8-K filed August 11, 2005)
4.1.b	1-5611	4.1	—	112th dated as of 9/1/10 (Form 8-K filed September 7, 2010)
4.1.c	1-5611	4.1	—	113th dated as of 10/15/10 (Form 8-K filed October 20, 2010)
4.1.d	1-5611	4.1	—	114th dated as of 3/31/11 (Form 8-K filed April 6, 2011)
4.1.e	1-5611	4.1	—	120th dated as of 12/17/12 (Form 8-K filed December 20, 2012)
4.1.f	1-5611	4.1	—	121st dated as of 5/17/13 (Form 8-K filed May 17, 2013)
4.1.g	1-5611	4.1	—	123rd dated as of 12/20/13 (Form 8-K filed December 27, 2013)
4.1.h	1-5611	4.1	—	124th dated as of 8/18/2014 (Form 8-K filed August 18, 2014)
4.1.i	1-5611	4.1	—	125th dated as of 11/6/2015 (Form 8-K filed November 6, 2015)

	Previously Filed			
Exhibits	With File Number	As Exhibit Number		Description
4.1.j	1-5611	4.1	—	126th dated as of 11/23/2015 (Form 8-K filed November 25, 2015)
4.1.k	1-5611	4.1	—	127th dated as of 8/10/16 (Form 8-K filed August 10, 2016)
4.1.l	1-5611	4.1	—	128th dated as of 2/22/17 (Form 8-K filed February 22, 2017)
4.1.m	1-5611	4.1	—	129th dated as of 9/28/17 (Form 8-K filed September 28, 2017)
4.1.n	1-5611	4.1	—	130th dated as of 11/15/17 (Form 8-K filed November 15, 2017)
4.1.o	1-5611	4.1	—	131st dated as of 5/14/18 (Form 8-K filed May 14, 2018)
4.1.p	1-5611	4.1	—	132nd dated as of 6/5/18 (Form 8-K filed June 5, 2018)
4.1.q	1-5611	4.1	—	133rd dated as of 10/1/18 (Form 8-K filed October 1, 2018)
4.1.r	1-5611	4.1	—	134th dated as of 11/13/18 (Form 8-K filed November 13, 2018)
4.1.s	1-5611	4.1	—	135th dated as of 5/28/19 (Form 8-K filed May 28, 2019)
4.1.t	1-5611	4.1	—	136th dated as of 9/3/19 (Form 8-K filed September 3, 2019)
4.1.u	1-5611	4.1	—	137th dated as of 9/19/19 (Form 8-K filed September 19, 2019)
4.1.v	1-5611	4.3	—	138th dated as of 10/1/19 (Form 10-Q for the quarterly period ended September 30, 2019)
4.1.w	1-5611	4.1	—	139th dated as of 3/26/20 (Form 8-K filed March 26, 2020)
4.1.x	1-5611	4.1	—	140th dated as of 5/13/20 (Form 8-K filed May 13, 2020)
4.1.y	1-5611	4.1	—	141st dated as of 5/20/20 (Form 8-K filed May 20, 2020)
4.1.z	1-5611	4.1	—	142nd dated as of 10/7/20 (Form 8-K filed October 7, 2020)
4.1.aa	1-5611	4.1	—	144th dated as of 8/12/21 (Form 8-K filed August 12, 2021)
4.1.bb	1-5611	4.1	—	145th dated as of 8/11/22 (Form 8-K filed August 11, 2022)
4.1.cc	1-5611	4.1	—	146th dated as of 12/14/22 (Form 8-K filed December 15, 2022)
4.1.dd	1-5611	4.1	—	147th dated as of 1/10/23 (Form 8-K filed January 10, 2023)
4.1.ee	1-5611	4.1	—	148th dated as of 2/23/23 (Form 8-K filed February 23, 2023)
4.1.ff	1-5611	4.1	—	149th dated as of 5/30/23 (Form 8-K filed May 30, 2023)
4.1.gg	1-5611	4.1	—	150th dated as of 8/4/23 (Form 8-K filed August 4, 2023)
4.1.hh	1-5611	4.1	—	151st dated as of 1/9/24 (Form 8-K filed January 9, 2024)
4.2	1-5611	(4)(b)	—	Indenture dated as of January 1, 1996 between Consumers and The Bank of New York Mellon, as Trustee (Form 10-K for the fiscal year ended December 31, 1995)
4.3	1-5611	(4)(c)	—	Indenture dated as of February 1, 1998 between Consumers and The Bank of New York Mellon (formerly The Chase Manhattan Bank), as Trustee (Form 10-K for the fiscal year ended December 31, 1997)
4.4[1]	33-47629	(4)(a)	—	Indenture dated as of September 15, 1992 between CMS Energy and NBD Bank, as Trustee (Form S-3 filed May 1, 1992)
				Indentures Supplemental thereto:
4.4.a[1]	1-9513	4.1	—	29th dated as of 3/22/13 (Form 8-K filed March 22, 2013)
4.4.b[1]	1-9513	4.1	—	30th dated as of 2/27/14 (Form 8-K filed February 27, 2014)
4.4.c[1]	1-9513	4.2	—	31st dated as of 2/27/14 (Form 8-K filed February 27, 2014)

	Previously Filed			
Exhibits	With File Number	As Exhibit Number		Description
4.4.d[1]	1-9513	4.1	—	32nd dated as of 11/9/15 (Form 8-K filed November 9, 2015)
4.4.e[1]	1-9513	4.1	—	33rd dated as of 5/5/16 (Form 8-K filed May 5, 2016)
4.4.f[1]	1-9513	4.1	—	34th dated as of 11/3/16 (Form 8-K filed November 3, 2016)
4.4.g[1]	1-9513	4.1	—	35th dated as of 2/13/17 (Form 8-K filed February 13, 2017)
4.5[1]	1-9513	(4a)	—	Indenture dated as of June 1, 1997 between CMS Energy and The Bank of New York Mellon, as Trustee (Form 8-K filed July 1, 1997)
				Indentures Supplemental thereto:
4.5.a[1]	1-9513	4.5.a	—	5th dated as of 2/13/18 (Form 10-K for the fiscal year ended December 31, 2017)
4.5.b[1]	1-9513	4.1	—	6th dated as of 3/8/18 (Form 8-K filed March 8, 2018)
4.5.c[1]	1-9513	4.1	—	7th dated as of 9/26/18 (Form 8-K filed September 26, 2018)
4.5.d[1]	1-9513	4.1	—	8th dated as of 2/20/19 (Form 8-K filed February 20, 2019)
4.5.e[1]	1-9513	4.1	—	9th dated as of 5/28/20 (Form 8-K filed May 28, 2020)
4.5.f[1]	1-9513	4.1	—	10th dated as of 11/25/20 (Form 8-K filed November 25, 2020)
4.6[1]	1-9513	4.1	—	Indenture dated as of May 5, 2023 between CMS Energy and The Bank of New York Mellon, as Trustee (Form 8-K filed May 5, 2023)
4.7[1]	1-9513	4.6	—	Description of CMS Energy Securities (Form 10-K for the fiscal year ended December 31, 2021)
4.8	1-5611	4.7	—	Description of Consumers Securities (Form 10-K for the fiscal year ended December 31, 2019)
4.9[1]	1-9513	4.2	—	Deposit Agreement, dated as of July 1, 2021, among CMS Energy, Equiniti Trust Company, and the holders from time to time of the depositary receipts described therein, including Form of Depositary Receipt (Form 8-K filed July 1, 2021)
10.1[2]	1-9513	10.1	—	CMS Energy 2020 Performance Incentive Stock Plan, effective June 1, 2020 (Form 8-K filed May 5, 2020)
10.2[2]			—	CMS Energy's Deferred Salary Savings Plan, as amended and restated, effective January 1, 2022
10.3[2]	1-9513	10.5	—	CMS Energy and Consumers Directors' Deferred Compensation Plan, effective as of November 30, 2007 (Form 10-K for the fiscal year ended December 31, 2014)
10.4[2]	1-9513	10.6	—	Supplemental Executive Retirement Plan for Employees of CMS Energy/Consumers effective on January 1, 1982 and as amended effective April 1, 2011 (Form 10-Q for the quarterly period ended March 31, 2011)
10.5[2]			—	Defined Contribution Supplemental Executive Retirement Plan, amended December 21, 2023, effective January 1, 2024
10.6[2]	1-9513	10.2	—	Form of Officer Separation Agreement as of July 1, 2023 (Form 10-Q for the quarterly period ended June 30, 2023)

	Previously Filed			
Exhibits	With File Number	As Exhibit Number		Description
10.7[1]	1-9513	(10)(y)	—	Environmental Agreement dated as of June 1, 1990 made by CMS Energy to The Connecticut National Bank and Others (Form 10-K for the fiscal year ended December 31, 1990)
10.8[1,2]	1-9513	(10)(a)	—	Form of Indemnification Agreement between CMS Energy and its Directors, effective as of November 1, 2007 (Form 10-Q for the quarterly period ended September 30, 2007)
10.9[2]	1-5611	(10)(b)	—	Form of Indemnification Agreement between Consumers and its Directors, effective as of November 1, 2007 (Form 10-Q for the quarterly period ended September 30, 2007)
10.10[2]	1-9513	10.10	—	CMS Incentive Compensation Plan for CMS Energy and Consumers Officers as amended, effective as of January 27, 2022 (Form 10-K for the fiscal year ended December 31, 2021)
10.11[2]	1-9513	10.3	—	Form of Change in Control Agreement as of July 1, 2023 (Form 10-Q for the quarterly period ended June 30, 2023)
10.12[2]			—	Annual Employee Incentive Compensation Plan for Consumers amended December 11, 2023, effective July 1, 2023
10.13[1,2]	1-9513	10.2	—	Annual NorthStar Clean Energy Employee Incentive Compensation Plan as amended, effective as of July 1, 2023 (Form 10-Q for the quarterly period ended September 30, 2023)
10.14[1]	1-9513	10.1	—	$550 million Fifth Amended and Restated Revolving Credit Agreement dated as of December 14, 2022 among CMS Energy, the Banks, as defined therein, and Barclays Bank PLC, as Agent (Form 8-K filed December 15, 2022)
10.15	1-5611	10.2	—	$1.1 billion Sixth Amended and Restated Revolving Credit Agreement dated as of December 14, 2022 among Consumers, the Banks, as defined therein, and JPMorgan Chase Bank, N.A., as Agent (Form 8-K filed December 15, 2022)
10.16	1-5611	10.1	—	$250 million Amended and Restated Revolving Credit Agreement dated as of November 19, 2018 among Consumers, the Banks, as defined therein, and The Bank of Nova Scotia, as Agent (Form 8-K filed November 20, 2018)
10.16.a	1-5611	10.1	—	Description of the Extension to the Amended and Restated $250 million Secured Revolving Credit Agreement (Form 8-K filed November 19, 2019)
10.16.b	1-5611	10.1	—	Description of the Second Extension to the Amended and Restated $250 million Secured Revolving Credit Agreement (Form 8-K filed November 19, 2020)
10.16.c	1-5611	10.1	—	Description of the Third Extension to the Amended and Restated $250 million Secured Revolving Credit Agreement (Form 8-K filed November 22, 2021)
10.16.d	1-5611	10.1	—	First Amendment to the Amended and Restated $250 million Secured Revolving Credit Agreement (Form 8-K filed November 29, 2022)

	Previously Filed			
Exhibits	With File Number	As Exhibit Number		Description
10.16.e	1-5611	10.1	—	Amendment No. 2 to the Amended and Restated $250 million Secured Revolving Credit Agreement (Form 8-K filed November 29, 2023)
10.17[2]	1-9513	10.1	—	Consumers and other CMS Energy Companies Retired Executives Survivor Benefit Plan for Management/Executive Employees, distributed July 1, 2011 (Form 10-Q for the quarterly period ended September 30, 2011)
10.18	1-5611	10.1	—	Form of Commercial Paper Dealer Agreement between Consumers, as Issuer, and the Dealer party thereto (Form 10-Q for the quarterly period ended September 30, 2014)
10.19	1-5611	10.1	—	Purchase and Sale Agreement dated June 21, 2021 by and among Consumers and New Covert Generating Company, LLC (Form 8-K filed June 23, 2021)
10.19.a	1-5611	10.4	—	Amendment No. 1 dated as of May 31, 2023 to the Purchase and Sale Agreement, dated June 21, 2021 by and among Consumers and New Covert Generating Company, LLC (Form 10-Q for the quarterly period ending June 30, 2023)
10.20	1-5611	10.1	—	$1 billion unsecured Term Loan Credit Agreement dated as of July 22, 2022 among Consumers, the Banks defined therein, and U.S. Bank National Association, as Agent (Form 10-Q for the quarterly period ended June 30, 2022)
10.21	1355417	10.1	—	Bond Purchase Agreement dated as of January 12, 2023 between Consumers and each of the Purchasers named therein (Form 8-K filed January 12, 2023)
10.22[2]			—	Annual Employee Incentive Compensation Plan for Consumers amended and restated effective January 1, 2024
21.1			—	Subsidiaries of CMS Energy and Consumers
23.1			—	Consent of PricewaterhouseCoopers LLP for CMS Energy
23.2			—	Consent of PricewaterhouseCoopers LLP for Consumers
31.1			—	CMS Energy's certification of the CEO pursuant to Section 302 of the Sarbanes-Oxley Act of 2002
31.2			—	CMS Energy's certification of the CFO pursuant to Section 302 of the Sarbanes-Oxley Act of 2002
31.3			—	Consumers' certification of the CEO pursuant to Section 302 of the Sarbanes-Oxley Act of 2002
31.4			—	Consumers' certification of the CFO pursuant to Section 302 of the Sarbanes-Oxley Act of 2002
32.1			—	CMS Energy's certifications pursuant to Section 906 of the Sarbanes-Oxley Act of 2002
32.2			—	Consumers' certifications pursuant to Section 906 of the Sarbanes-Oxley Act of 2002
97.1[2]			—	CMS Energy/Consumers Clawback Policy

	Previously Filed			
Exhibits	With File Number	As Exhibit Number		Description
99.1[1]	333-275106	99.1	—	CMS Energy Stock Purchase Plan, as amended and restated October 20, 2023 (Form S-3ASR filed October 20, 2023)
101.INS			—	Inline XBRL Instance Document
101.SCH			—	Inline XBRL Taxonomy Extension Schema
101.CAL			—	Inline XBRL Taxonomy Extension Calculation Linkbase
101.DEF			—	Inline XBRL Taxonomy Extension Definition Linkbase
101.LAB			—	Inline XBRL Taxonomy Extension Labels Linkbase
101.PRE			—	Inline XBRL Taxonomy Extension Presentation Linkbase
104			—	Cover Page Interactive Data File (the cover page XBRL tags are embedded in the Inline XBRL document)

1 Obligations of CMS Energy or its subsidiaries, but not of Consumers.

2 Management contract or compensatory plan or arrangement.

Exhibits that have been previously filed with the SEC, designated above, are incorporated herein by reference and made a part hereof.

Item 16. Form 10-K Summary

None.

Signatures

Pursuant to the requirements of Section 13 or 15(d) of the Securities Exchange Act of 1934, CMS Energy Corporation has duly caused this Annual Report to be signed on its behalf by the undersigned, thereunto duly authorized.

/s/ Garrick J. Rochow	
Name:	Garrick J. Rochow
Title:	President and Chief Executive Officer
Date:	February 8, 2024

Pursuant to the requirements of the Securities Exchange Act of 1934, this Annual Report has been signed below by the following persons on behalf of CMS Energy Corporation and in the capacities indicated and on February 8, 2024.

/s/ Garrick J. Rochow		/s/ William D. Harvey
Garrick J. Rochow		William D. Harvey, Director
President, Chief Executive Officer, and Director		
(Principal Executive Officer)		
		/s/ Ralph Izzo
		Ralph Izzo, Director
/s/ Rejji P. Hayes		
Rejji P. Hayes		
		/s/ John G. Russell
Executive Vice President and Chief Financial Officer		John G. Russell, Director
(Principal Financial Officer)		
		/s/ Suzanne F. Shank
/s/ Scott B. McIntosh		Suzanne F. Shank, Director
Scott B. McIntosh		
Vice President, Controller, and Chief Accounting Officer		/s/ Myrna M. Soto
(Controller)		Myrna M. Soto, Director
/s/ Jon E. Barfield		/s/ John G. Sznewajs
Jon E. Barfield, Director		John G. Sznewajs, Director
/s/ Deborah H. Butler		/s/ Ronald J. Tanski
Deborah H. Butler, Director		Ronald J. Tanski, Director
/s/ Kurt L. Darrow		/s/ Laura H. Wright
Kurt L. Darrow, Director		Laura H. Wright, Director

Signatures

Pursuant to the requirements of Section 13 or 15(d) of the Securities Exchange Act of 1934, Consumers Energy Company has duly caused this Annual Report to be signed on its behalf by the undersigned, thereunto duly authorized.

/s/ Garrick J. Rochow	
Name:	Garrick J. Rochow
Title:	President and Chief Executive Officer
Date:	February 8, 2024

Pursuant to the requirements of the Securities Exchange Act of 1934, this Annual Report has been signed below by the following persons on behalf of Consumers Energy Company and in the capacities indicated and on February 8, 2024.

/s/ Garrick J. Rochow	/s/ William D. Harvey
Garrick J. Rochow	William D. Harvey, Director
President, Chief Executive Officer, and Director	
(Principal Executive Officer)	
	/s/ Ralph Izzo
	Ralph Izzo, Director
/s/ Rejji P. Hayes	
Rejji P. Hayes	
	/s/ John G. Russell
Executive Vice President and Chief Financial Officer	John G. Russell, Director
(Principal Financial Officer)	
	/s/ Suzanne F. Shank
/s/ Scott B. McIntosh	Suzanne F. Shank, Director
Scott B. McIntosh	
Vice President, Controller, and Chief Accounting Officer	/s/ Myrna M. Soto
(Controller)	Myrna M. Soto, Director
/s/ Jon E. Barfield	/s/ John G. Sznewajs
Jon E. Barfield, Director	John G. Sznewajs, Director
/s/ Deborah H. Butler	/s/ Ronald J. Tanski
Deborah H. Butler, Director	Ronald J. Tanski, Director
/s/ Kurt L. Darrow	/s/ Laura H. Wright
Kurt L. Darrow, Director	Laura H. Wright, Director