



# SERVING MICHIGAN. THAT'S OUR PROMISE.



2015 ACCOUNTABILITY REPORT



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### 2015 ACCOUNTABILITY REPORT

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On the cover: Employees at our One Energy Plaza headquarters in Jackson participated in one of 30 Walk for Warmth events to raise funds to help low-income customers pay their heating bills. In 2014, the company and employees raised more than \$300,000 that was provided to Michigan households through the state's Community Action Agency network.

Above: Our Karn-Weadock generating complex near Bay City produces enough electricity to meet the needs of more than 1.3 million people.



**AT CONSUMERS ENERGY**, we are committed to conducting our business safely and ethically while enhancing our customers' quality of life.

Our business is changing because of emerging technologies, new environmental regulations and evolving customer needs.

But our commitment to getting the job done right has not changed in nearly 130 years. We're working hard to provide our customers with the best in class service they've come to expect.

Each day, we safely deliver affordable, reliable electricity and natural gas to customers throughout Michigan. We're also committed to operating sustainably to help leave our state better than we found it.

Accountability is the key to our long track record of success. We hold ourselves to the highest standards and measure our performance against peers to drive consistent, high quality results.

This report details our efforts to meet Michigan's energy needs and shows how we're doing in critical performance areas. It also shares our vision for a new energy policy that will help us better serve the state for decades to come.

Thank you for supporting our company and sharing our commitment to Michigan's success.

John Russell  
President and Chief Executive Officer  
Consumers Energy

# MEETING MICHIGAN'S FUTURE ENERGY NEEDS



We recently reached our goal of increasing spending with Michigan businesses by \$1 billion over five years through the state's Pure Michigan Business Connect initiative. That's in addition to the more than \$2 billion we spend annually on Michigan goods and services.

**M**ICHIGAN HAS TAKEN positive steps in recent years to secure its energy future. We're using more renewable energy, reducing energy waste and making our electric and natural gas systems more reliable.

Consumers Energy has led the way in helping the state transition to a cleaner, more sustainable energy landscape.

We've built wind farms and tapped sources such as hydroelectric power, biomass and solar to meet the state's renewable energy target a full year ahead of schedule. We've also lowered emissions at our generating plants and created programs to help customers reduce their usage and save money.

## OUR PLAN

Consumers Energy has a strategic plan to continue serving its customers with affordable, reliable energy as it has for nearly 130 years.

The plan includes energy efficiency to reduce demand for electricity and natural gas as well as a diverse mix of energy sources to supply what we need to power and heat our homes and businesses.

We're also equipping our customers with smart meters, providing charging stations for plug-in electric vehicles and experimenting with the potential of solar energy to prepare for the energy challenges of a new millennium.

Cross Winds® Energy Park in Tuscola County, our second wind farm, began commercial operation in late 2014.

# A NEW CHALLENGE



The recently completed 24-mile Southwest Michigan Pipeline is a critical piece of our strategic plan to meet Michigan's future energy needs. It will help us provide our customers with safe, affordable and reliable natural gas for decades to come.

**N**EW AND CHANGING federal regulations on air quality will lead to the shutdown of nine coal plants in Michigan by 2016, including seven Consumers Energy units.

The plant retirements will create an electric capacity shortfall in the state of up to 3,000 megawatts – enough power to serve a city three times the size of Detroit.

Resolving this challenge is made more complicated by Michigan's one-of-a-kind "hybrid"

regulatory system where a select group of electric customers rely on energy marketers to meet their power needs.

Consumers Energy will have enough power to meet our customers' needs. But with power shortfalls looming, it's unclear whether the retail energy marketers are planning for their customers.

Not having enough electricity could lead to reliability concerns and higher costs for Michigan.



# A COMMONSENSE SOLUTION

The state needs a "Michigan first" energy policy to build the next generation of cleaner power plants and ensure there's enough power for our families, businesses and neighbors.

## Consumers Energy supports an energy law that promotes:



**Returning** to a fully regulated market.



**Affordable**, stable prices for Michigan families and businesses.



**Flexible**, responsible clean energy policies.



**A balanced** and increasingly clean portfolio to help protect the environment.



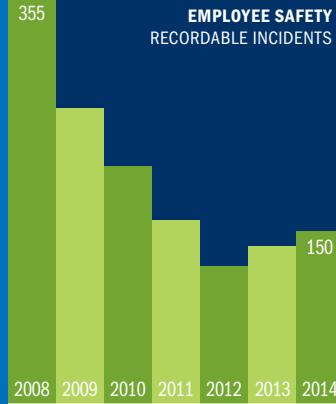
**Long-term** reliability for customers.



**Certainty** to make significant investments such as new power plants.

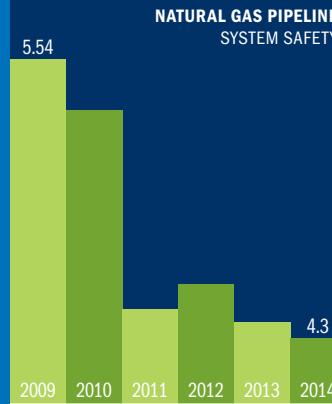
# COMPANY SCORECARD

## SAFETY



A relentless commitment to employee safety and a "stop the job" campaign have helped our employees work more safely.

Source: Consumers Energy safety department

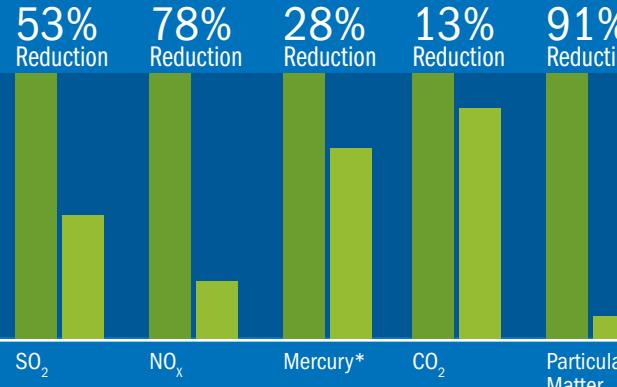


We have worked to help reduce the rate of digs that cause some form of damage to our natural gas system.

Source: Consumers Energy safety department

## AIR EMISSIONS

1998 - 2014



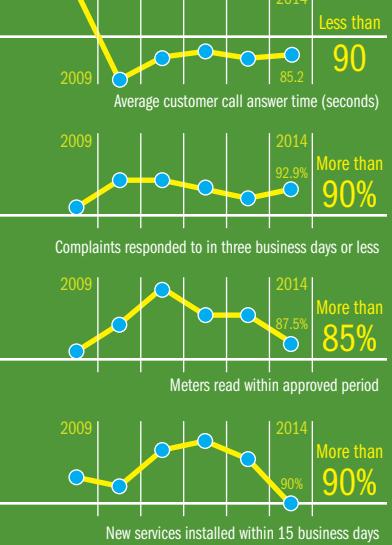
\*Tracking began in 2007

By switching to low-sulfur Western coal and making significant investments in control technology, we've reduced many types of emissions at our coal-fired generating plants.

Source: Consumers Energy environmental department

## CUSTOMER SERVICE

Michigan Public Service Commission (MPSC)  
Customer Service Performance Standards

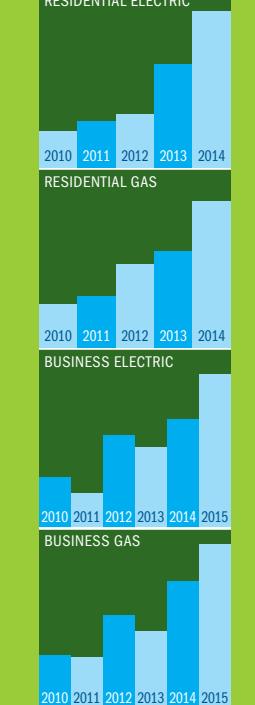


In 2014, we met key MPSC performance standards directly related to customer service. Right: Our scores in a national survey show we're improving customer service across the board.

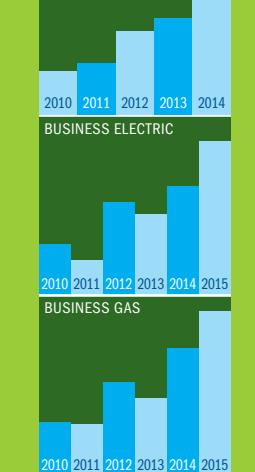
Source: Filing with Michigan Public Service Commission March 2015

## NATIONAL CUSTOMER SATISFACTION SCORES

RESIDENTIAL ELECTRIC



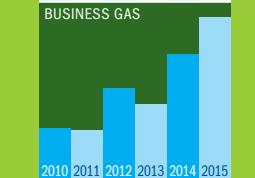
RESIDENTIAL GAS



BUSINESS ELECTRIC

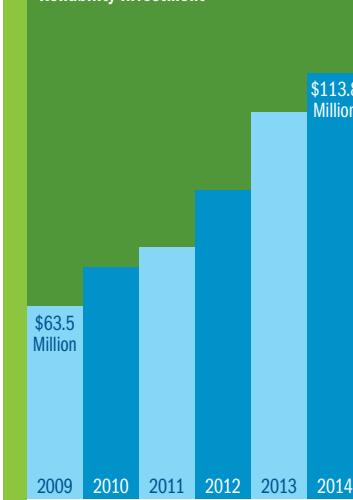


BUSINESS GAS



## RELIABILITY

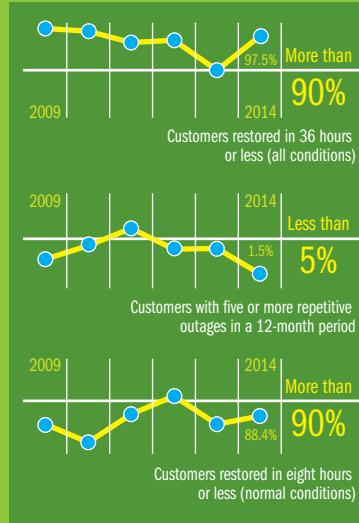
Reliability Investment



Consumers Energy makes major investments each year to upgrade and modernize its electric distribution system.

Source: Consumers Energy energy delivery and asset management department

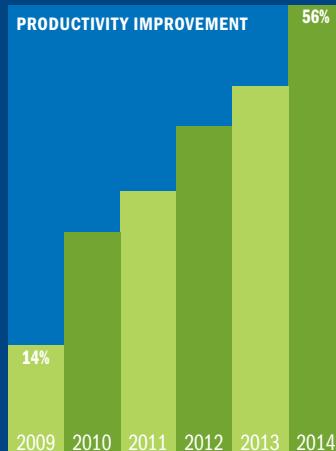
Michigan Public Service Commission  
Customer Service Performance Standards



The investments we're making in our electric distribution system and the hard work of our employees are helping us limit customer outages and restore power as quickly as possible.

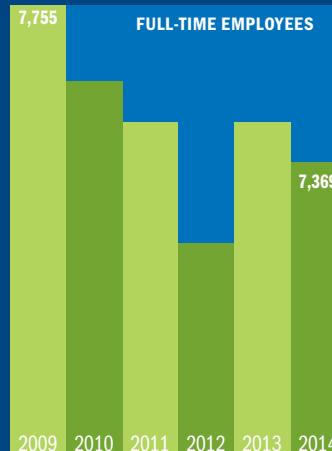
Source: Filing with Michigan Public Service Commission March 2015

## CONTROLLING COSTS



We're working harder and smarter to provide maximum value for our customers.

Source: Consumers Energy breakthrough goal data

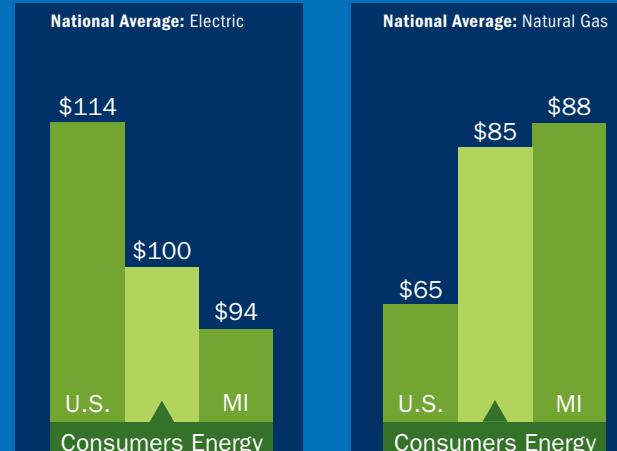


We've become more efficient and productive with a smaller workforce.

Source: CMS Energy 10K report

## PRICES

AVERAGE RESIDENTIAL BILL COST PER MONTH

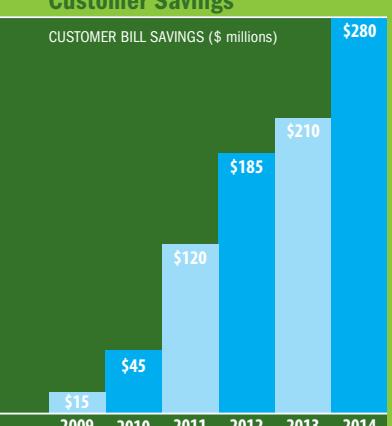


The company continually strives to offer its customers the best energy value and affordable energy rates, keeping residential monthly bills below the U.S. average.

Source: Consumers Energy rates department and Energy Information Agency

## ENERGY EFFICIENCY

### Customer Savings



The company's energy efficiency programs have helped us meet our required targets under the state's 2008 energy law and saved participating customers a collective \$855 million since 2009.

Source: Consumers Energy smart energy efficiency solutions department

## WORKFORCE

### Overall Employee Engagement

Utility Peer average: 63%

Consumers Energy: 78%

High Performing Companies: 75%

Consumers Energy is a great place to work. Our employees are proud of the work they perform, give extra effort and plan to stay at the company.

Source: CEB Valtera

### Employee Diversity

Total Consumers Energy Employees

31% Female

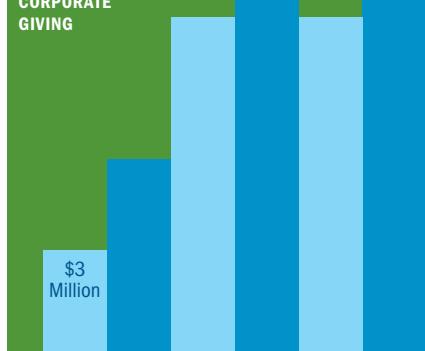
14% Minority

We're working hard to build a workforce that's more diverse, not only in gender and ethnicity, but in experiences, ideas and talents.

Source: Consumers Energy human resources department

## GIVING

### Overall Corporate Giving



Here's a six-year look at contributions to nonprofit organizations from Consumers Energy, its employees, retirees, its foundation, and the utility's parent company, CMS Energy.

Source: Consumers Energy Foundation

# SAFE.

# AFFORDABLE.

# RELIABLE.

# SUSTAINABLE.

#### INVESTING IN MICHIGAN

We are investing \$15 billion over the next 10 years in areas such as reliability, renewable energy, environmental quality and energy efficiency.



Hundreds of hard-working employees are running our "Classic Seven" coal-fired generating plants – including the Cobb plant in Muskegon – safely and productively. The plants will retire no later than April 2016. We're working to help Muskegon and the other impacted communities transition after the plant closures.

#### GENERATING AND DELIVERING ENERGY

in a way that meets any one of these goals requires an enormous amount of teamwork, effort and investment. Our employees work hard to meet all four targets each day because that's the value our customers deserve from their energy provider.

And we're determined to earn their business 24/7. We're embracing the opportunities of a new millennium, evolving to tackle unprecedented challenges and making improvements to create lasting value in Michigan. The only way to make progress is to measure our performance carefully and share the results.

The following pages contain the highlights of our efforts in all four areas.

#### EARNING RECOGNITION

Cogent Reports, a division of MSI that measures customer engagement with utilities, named us the top "environmental champion" as well as the second most trusted among combination energy providers in the Midwest.



# SAFE

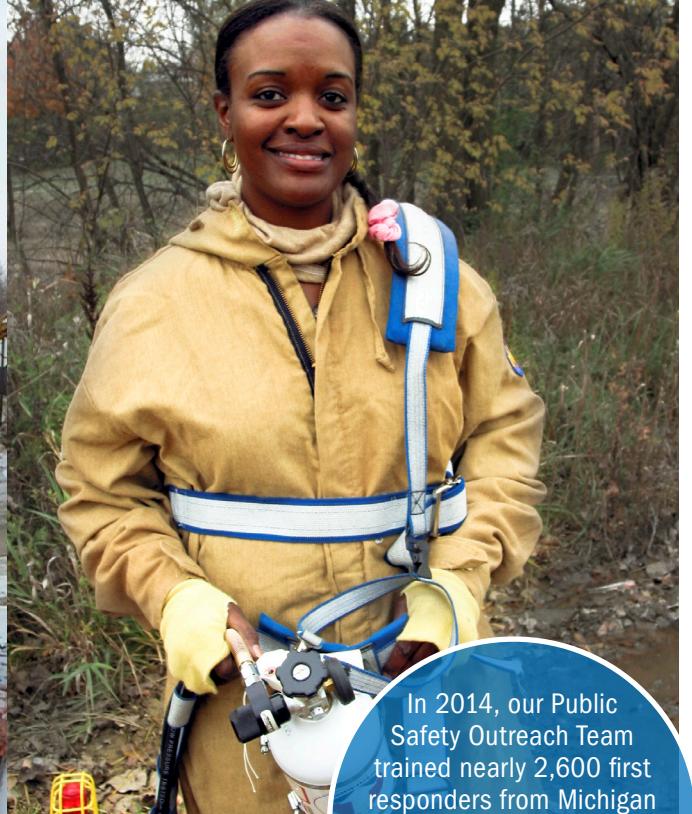


## THE SAFETY OF OUR EMPLOYEES,

customers and the environment is the foundation for all we do. Internally, a relentless focus on safety culture has reduced employee injuries on the job. Externally, we're increasing awareness of public safety issues and responding quickly and effectively to incidents.

INVESTING IN MICHIGAN  
 Through our relationships with post-secondary educators, Consumers Energy is investing in the next generation of utility workers. We've hired nearly 80 certified graduates of Lansing Community College's operations and safety focused Lineworker Training Program.

Pre-job discussions help our employees identify challenges and potential safety hazards.



Our generation operations safety record is best-in-class, and we're committed to fostering a strong safety culture and reducing incidents throughout the company.



In 2014, our Public Safety Outreach Team trained nearly 2,600 first responders from Michigan police and fire departments to recognize and deal with potential electric and natural gas safety hazards.



Our "Slow Down, Go Around" campaign is designed to protect our employees and roadside workers throughout the state.

We've reduced recordable safety incidents in the workplace by



**58%**  
since 2008.

Our dedicated employees have the tools and training they need to safely deliver electricity and natural gas to our customers.



# AFFORDABLE

**WE REMAIN COMMITTED** to the regulated utility model, which is designed to provide stable and competitive rates over the long haul. We're working hard to deliver the best value for our customers' energy dollars. Steady improvement in our customer satisfaction scores shows our efforts are paying dividends for Michigan's families and businesses.

We're providing our customers with the information they need to make smart, informed decisions about their energy use.

## EARNING RECOGNITION

In a national survey, gas residential customers ranked us in the first quartile, and we were named the "Most Improved Utility" in the nation.



Residential electric bills were

**ENERGY BILL**

**12%**

below the national average in 2014.



The average cost of electricity or natural gas is about \$3 per day over the course of a year for our residential customers.

Source: Consumers Energy rates department

From providing smart meters to developing a more effective bill, we're determined to enable our customers' quality of life.



We saved Michigan homes and businesses \$295 million in 2014 by purchasing natural gas at lower prices during the summer and storing it in our massive underground storage fields.



# RELIABLE

## EARNING RECOGNITION

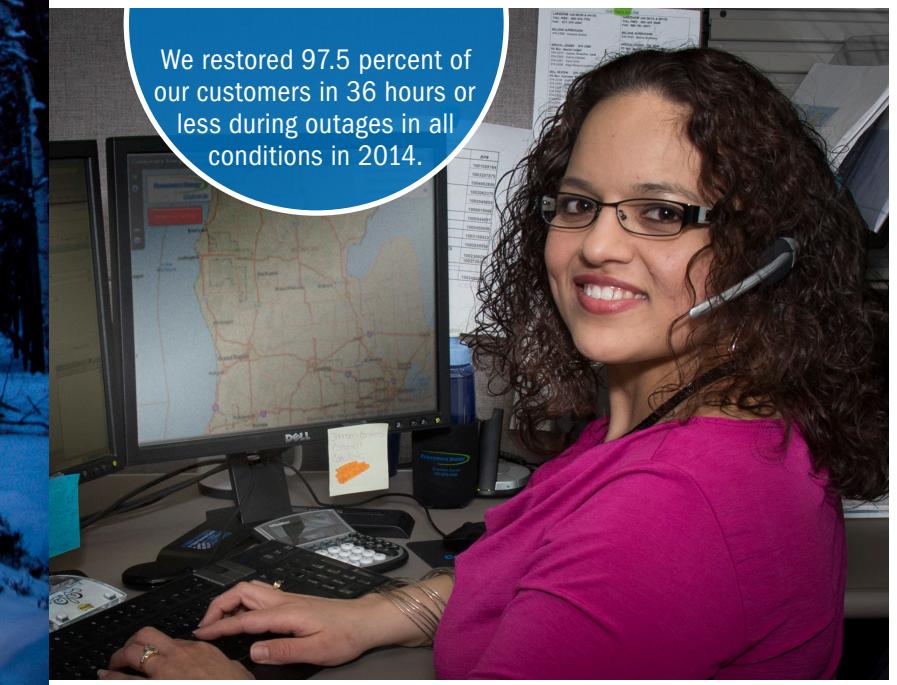
The Edison Electric Institute presented us with the association's "Emergency Recovery Award" for our outstanding power restoration efforts following the late December 2013 ice storm.



**OUR FIRST AND MOST**  
important job is to supply you with the electricity and natural gas you need. We're investing hundreds of millions of dollars to upgrade and modernize our electric and natural gas distribution systems. Those investments are helping us keep our promise to deliver you the energy you need, whenever you need it.



Investments to upgrade our infrastructure have helped us deliver record amounts of electricity and natural gas to meet the demands of Michigan's warmest and coldest weather and reduce customer outages.



We restored 97.5 percent of our customers in 36 hours or less during outages in all conditions in 2014.

'Count on Us' is more than a catchy slogan. From ice storms to blistering summer days, we're investing resources to make sure our customers have the energy they need.



We've invested nearly \$450 million in reliability over the past five years. Our investments and hard work resulted in **149,000** fewer customer interruptions in 2014 compared to 2013.

# SUSTAINABLE

## CREATING A SUSTAINABLE ENERGY

future for Michigan means doing our part to care for the environment. But it's more than just a "green" initiative. Operating sustainably means working to leave our company, our state and the world better than we found them. From reducing emissions at our generating plants to strengthening the communities we serve, we are committed to a vision beyond our next quarterly financial results.

## INVESTING IN MICHIGAN

The company has invested about \$3.7 million to improve habitats for fish and wildlife – including threatened and endangered species – over the last decade at the 16,000 acres of company-owned forest, wetlands and river lands.



We've been generating clean, renewable energy since the early 20th century when we first harnessed Michigan's rushing rivers to create hydroelectric power. Today, we continue to operate 13 hydroelectric dams, including Tippy Hydro on the Manistee River.

Operating ethically and responsibly and caring for Michigan's environment and communities are major reasons we've succeeded for so long. From volunteer efforts such as Habitat for Humanity to our EmPOWERed Kids educational campaign, we're improving the quality of life in Michigan.



- OUR GOALS**
  - Reduce water use by 17 percent by 2017 compared to 2012. We're aiming for a 20 percent reduction by 2020.
  - Reduce greenhouse gas emissions in three phases compared to a 2008 baseline:
    - 5 percent reduction by 2015.
    - 10 percent reduction by 2020.
    - 20 percent reduction by 2025.
  - Save 1 million cubic yards of landfill space through 2019. That means increasing our cumulative amount of landfill avoided material by 10 percent annually for the next five years.
  - Promote sustainable business practices among our suppliers.

# SERVING MICHIGAN.

THAT'S OUR PROMISE.

## CONSUMERS ENERGY

is committed to serving Michigan, where our roots trace to the company's 1886 founding in Jackson. We're determined to help our state succeed economically and environmentally. That's why we're working daily to find more effective and efficient ways to deliver value to our customers. Thank you for supporting Consumers Energy and working with us to make Michigan a better place to work and live.

**Consumers Energy**  
Count on Us



[ConsumersEnergy.com](http://ConsumersEnergy.com)



### Production Notes

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