

CMS ENERGY CORP  
Form 10-Q  
July 28, 2016  
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UNITED STATES SECURITIES AND EXCHANGE COMMISSION

Washington, D.C. 20549

FORM 10-Q

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

For the quarterly period ended **June 30, 2016**

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  
1-9513

Registrant; State of Incorporation;  
Address; and Telephone Number  
**CMS ENERGY CORPORATION**  
(A Michigan Corporation)  
One Energy Plaza, Jackson, Michigan 49201  
(517) 788-0550

IRS Employer  
Identification No.  
38-2726431

1-5611

**CONSUMERS ENERGY COMPANY**  
(A Michigan Corporation)  
One Energy Plaza, Jackson, Michigan 49201  
(517) 788-0550

38-0442310

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

**CMS Energy Corporation:** Yes  No

**Consumers Energy Company:** Yes  No

Indicate by check mark whether the registrant has submitted electronically and posted on its corporate Web site, if any, every Interactive Data file required to be submitted and posted pursuant to Rule 405 of Regulation S-T (§232.405 of this chapter) during the preceding 12 months (or for such shorter period that the registrant was required to submit and post such files).

**CMS Energy Corporation:** Yes  No

**Consumers Energy Company:** Yes  No

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

**CMS Energy Corporation:**

Large accelerated filer  Accelerated filer   
Non-Accelerated filer  (Do not check if a smaller reporting company) Smaller reporting company

**Consumers Energy Company:**

Large accelerated filer  Accelerated filer   
Non-Accelerated filer  (Do not check if a smaller reporting company) Smaller reporting 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

Indicate the number of shares outstanding of each of the issuer's classes of common stock at July 11, 2016:

**CMS Energy Corporation:**

CMS Energy Common Stock, \$0.01 par value  
(including 803,551 shares owned by Consumers Energy Company) 279,829,081

**Consumers Energy Company:**

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

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CMS Energy Corporation

Consumers Energy Company

**Quarterly Reports on Form 10-Q to the Securities and Exchange  
Commission for the Period Ended June 30, 2016**

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## **GLOSSARY**

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

### **2008 Energy Law**

Comprehensive energy reform package enacted in Michigan in 2008

### **2015 Form 10-K**

Each of CMS Energy's and Consumers' Annual Report on Form 10-K for the year ended December 31, 2015

### **ABATE**

Association of Businesses Advocating Tariff Equity

### **AOCI**

Accumulated other comprehensive income (loss)

### **ASU**

Financial Accounting Standards Board Accounting Standards Update

### **Bay Harbor**

A residential/commercial real estate area located near Petoskey, Michigan, in which CMS Energy sold its interest in 2002

### **bcf**

Billion cubic feet

**Cantera Gas Company**

Cantera Gas Company LLC, a non-affiliated company, formerly known as CMS Field Services

**Cantera Natural Gas, Inc.**

Cantera Natural Gas, Inc., a non-affiliated company that purchased CMS Field Services

**CCR**

Coal combustion residual

**CEO**

Chief Executive Officer

**CERCLA**

Comprehensive Environmental Response, Compensation, and Liability Act of 1980

**CFO**

Chief Financial Officer

**Clean Air Act**

Federal Clean Air Act of 1963, as amended

**Clean Water Act**

Federal Water Pollution Control Act of 1972, as amended

**CMS Capital**

CMS Capital, L.L.C., a wholly owned subsidiary of CMS Energy



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**CMS Energy**

CMS Energy Corporation and its consolidated subsidiaries, unless otherwise noted; the parent of Consumers and CMS Enterprises

**CMS Enterprises**

CMS Enterprises Company, a wholly owned subsidiary of CMS Energy

**CMS Field Services**

CMS Field Services, Inc., a former wholly owned subsidiary of CMS Gas Transmission Company, a wholly owned subsidiary of CMS Enterprises

**CMS Land**

CMS Land Company, a wholly owned subsidiary of CMS Capital

**CMS MST**

CMS Marketing, Services and Trading Company, a wholly owned subsidiary of CMS Enterprises, whose name was changed to CMS Energy Resource Management Company in 2004

**Consumers**

Consumers Energy Company and its consolidated subsidiaries, unless otherwise noted; a wholly owned subsidiary of CMS Energy

**CSAPR**

The Cross-State Air Pollution Rule

**DB Pension Plan**

Defined benefit pension plan of CMS Energy and Consumers, including certain present and former affiliates and subsidiaries

**DB SERP**

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Defined Benefit Supplemental Executive Retirement Plan

### **DIG**

Dearborn Industrial Generation, L.L.C., a wholly owned subsidiary of Dearborn Industrial Energy, L.L.C., a wholly owned subsidiary of CMS Energy

### **Dodd-Frank Act**

Dodd-Frank Wall Street Reform and Consumer Protection Act of 2010

### **DOE**

U.S. Department of Energy

### **DTIA**

Distribution-Transmission Interconnection Agreement dated April 1, 2001 between METC and Consumers, as amended

### **EBITDA**

Earnings before interest, taxes, depreciation, and amortization

### **EnerBank**

EnerBank USA, a wholly owned subsidiary of CMS Capital

### **EPA**

U.S. Environmental Protection Agency



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**EPS**

Earnings per share

**Exchange Act**

Securities Exchange Act of 1934

**FDIC**

Federal Deposit Insurance Corporation

**FERC**

The Federal Energy Regulatory Commission

**FTR**

Financial transmission right

**GAAP**

U.S. Generally Accepted Accounting Principles

**Gas AMR**

Consumers' gas automated meter reading project, which involves the installation of communication modules to allow drive-by meter reading

**GCR**

Gas cost recovery

**Genesee**

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Genesee Power Station Limited Partnership, a variable interest entity in which HYDRA-CO Enterprises, Inc., a wholly owned subsidiary of CMS Enterprises, has a 50 percent interest

### **Health Care Acts**

Comprehensive health care reform enacted in 2010, comprising the Patient Protection and Affordable Care Act and the related Health Care and Education Reconciliation Act

### **kWh**

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

### **Ludington**

Ludington pumped-storage plant, jointly owned by Consumers and DTE Electric Company, a non-affiliated company

### **MATS**

Mercury and Air Toxics Standards, which limit mercury, acid gases, and other toxic pollution from coal-fueled and oil-fueled power plants

### **MD&A**

Management's Discussion and Analysis of Financial Condition and Results of Operations

### **MDEQ**

Michigan Department of Environmental Quality

### **METC**

Michigan Electric Transmission Company, LLC, a non-affiliated company

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**MGP**

Manufactured gas plant

**Michigan Mercury Rule**

Michigan Air Pollution Control Rules, Part 15, Emission Limitations and Prohibitions Mercury, addressing mercury emissions from coal-fueled electric generating units

**MISO**

Midcontinent Independent System Operator, Inc.

**mothball**

To place a generating unit into a state of extended reserve shutdown in which the unit is inactive and unavailable for service for a specified period, during which the unit can be brought back into service after receiving appropriate notification and completing any necessary maintenance or other work; generation owners in MISO must request approval to mothball a unit, and MISO then evaluates the request for reliability impacts

**MPSC**

Michigan Public Service Commission

**MW**

Megawatt, a unit of power equal to one million watts

**NAAQS**

National Ambient Air Quality Standards

**NAV**

Net asset value

**NERC**

The North American Electric Reliability Corporation, a non-affiliated company responsible for developing and enforcing reliability standards, monitoring the bulk power system, and educating and certifying industry personnel

**NPDES**

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

**NREPA**

Part 201 of the Michigan Natural Resources and Environmental Protection Act, a statute that covers environmental activities including remediation

**NSR**

New Source Review, a construction-permitting program under the Clean Air Act

**OPEB**

Other Post-Employment Benefits

**OPEB Plan**

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

**PCB**

Polychlorinated biphenyl

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**PSCR**

Power supply cost recovery

**REC**

Renewable energy credit established under the 2008 Energy Law

**Resource Conservation and Recovery Act**

Federal Resource Conservation and Recovery Act of 1976

**RMRR**

Routine maintenance, repair, and replacement

**ROA**

Retail Open Access, which allows electric generation customers to choose alternative electric suppliers pursuant to a Michigan statute enacted in 2000

**SEC**

U.S. Securities and Exchange Commission

**securitization**

A financing method authorized by statute and approved by the MPSC which allows a utility to sell its right to receive a portion of the rate payments received from its customers for the repayment of securitization bonds issued by a special-purpose entity affiliated with such utility

**Sherman Act**

Sherman Antitrust Act of 1890

**Smart Energy**

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Consumers Smart Energy grid modernization project, which includes the installation of smart meters that transmit and receive data, a two-way communications network, and modifications to Consumers existing information technology system to manage the data and enable changes to key business processes

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## **FILING FORMAT**

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

This report should be read in its entirety. No one section of this report deals with all aspects of the subject matter of this report. This report should be read in conjunction with the consolidated financial statements and related notes and with MD&A included in the 2015 Form 10-K.

## **AVAILABLE INFORMATION**

CMS Energy's internet address is [www.cmsenergy.com](http://www.cmsenergy.com). CMS Energy routinely posts important information on its website and considers the Investor Relations section, [www.cmsenergy.com/investor-relations](http://www.cmsenergy.com/investor-relations), a channel of distribution. Information contained on CMS Energy's website is not incorporated herein.

## **FORWARD-LOOKING STATEMENTS AND INFORMATION**

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

- the impact of new regulation by the MPSC, FERC, and other applicable governmental proceedings and regulations, including any associated impact on electric or gas rates or rate structures
- potentially adverse regulatory treatment or failure to receive timely regulatory orders affecting Consumers that are or could come before the MPSC, FERC, or other governmental authorities

- changes in the performance of or regulations applicable to MISO, METC, pipelines, railroads, vessels, or other service providers that CMS Energy, Consumers, or any of their affiliates rely on to serve their customers
  
- the adoption of federal or state laws or regulations or changes in applicable laws, rules, regulations, principles, or practices, or in their interpretation, such as those related to energy



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policy and ROA, infrastructure security, gas pipeline safety, gas pipeline capacity, energy efficiency, the environment, regulation or deregulation, reliability, health care reforms (including the Health Care Acts), taxes, accounting matters, climate change, air emissions, renewable energy, potential effects of the Dodd-Frank Act, and other business issues that could have an impact on CMS Energy s, Consumers , or any of their affiliates businesses or financial results

- factors affecting operations, such as costs and availability of personnel, equipment, and materials; weather conditions; natural disasters; catastrophic weather-related damage; scheduled or unscheduled equipment outages; maintenance or repairs; environmental incidents; equipment failures; and electric transmission and distribution or gas pipeline system constraints
- increases in demand for renewables by customers seeking to meet sustainability goals
- the ability of Consumers to execute its 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 the MDEQ, EPA, and/or U.S. Army Corps of Engineers, and potential environmental remediation costs associated with these interpretations or decisions, including those that may affect Bay Harbor or Consumers RMRR classification under NSR regulations
- changes in energy markets, including availability and price of electric capacity and the timing and extent of changes in commodity prices and availability and deliverability of coal, natural gas, natural gas liquids, electricity, oil, and certain related products
- the price of CMS Energy common stock, the credit ratings of CMS Energy and Consumers, capital and financial market conditions, and the effect of these market conditions on CMS Energy s and Consumers interest costs and access to the capital markets, including availability of financing to CMS Energy, Consumers, or any of their affiliates
- the investment performance of the assets of CMS Energy s and Consumers pension and benefit plans, the discount rates used in calculating the plans obligations, and the resulting impact on future funding requirements
- the impact of the economy, particularly in Michigan, and potential future volatility in the financial and credit markets on CMS Energy s, Consumers , or any of their affiliates revenues, ability to collect accounts receivable from customers, or cost and availability of capital

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- 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 energy suppliers, increased use of distributed generation, or energy efficiency
- federal regulation of electric sales and transmission of electricity, including periodic re-examination by federal regulators of CMS Energy's and Consumers' market-based sales authorizations

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- the impact of credit markets, economic conditions, and any new banking regulations on EnerBank
- the availability, cost, coverage, and terms of insurance, the stability of insurance providers, and the ability of Consumers to recover the costs of any insurance from customers
- the effectiveness of CMS Energy's and Consumers' risk management policies, procedures, and strategies, including strategies to hedge risk related to future prices of electricity, natural gas, and other energy-related commodities
- factors affecting development of electric generation projects and gas and electric transmission and distribution infrastructure replacement, conversion, and expansion projects, including factors related to project site identification, construction material pricing, schedule delays, availability of qualified construction personnel, permitting, and government approvals
- potential disruption to, interruption of, or other impacts on facilities, utility infrastructure, or operations due to accidents, explosions, physical disasters, cyber incidents, vandalism, war, or terrorism, and the ability to obtain or maintain insurance coverage for these events
- changes or disruption in fuel supply, including but not limited to supplier bankruptcy and delivery disruptions
- potential costs, lost revenues, or other consequences resulting from misappropriation of assets or sensitive information, corruption of data, or operational disruption in connection with a cyber attack or other cyber incident
- technological developments in energy production, storage, delivery, usage, and metering
- the ability to implement technology, including Smart Energy, successfully
- the impact of CMS Energy's and Consumers' integrated business software system and its effects on their operations, including utility customer billing and collections
- adverse consequences resulting from any past, present, or future assertion of indemnity or warranty claims associated with assets and businesses previously owned by CMS Energy or Consumers, including claims resulting from attempts by foreign or domestic governments to assess taxes on or to impose environmental liability associated with past operations or transactions

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- 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

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- 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 Part I Item 1. Financial Statements MD&A Outlook and Notes to the Unaudited Consolidated Financial Statements Note 2, Regulatory Matters and Note 3, Contingencies and Commitments; and Part II Item 1A. Risk Factors.

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## Part I Financial Information

### Item 1. Financial Statements

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