

SUSTAINABILITY REPORT 2018



Consumers Energy's community solar power plant
at Grand Valley State University in Allendale, Mich.



A CMS ENERGY COMPANY

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A Message from Patti

— CMS ENERGY —
WORLD CLASS PERFORMANCE
DELIVERING
HOMETOWN SERVICE



EVERY DAY, Consumers Energy employees report to work with a single purpose – World Class Performance

Delivering Hometown Service. We are inspired by our calling to provide the energy that our friends and neighbors depend upon to warm their homes and power their businesses. Whether we are investing in renewable energy, replacing a natural gas line, connecting a new business or answering customer calls, we fulfill our jobs with a commitment to quality and a focus on our customers.

As Michigan’s largest utility, we’re uniquely positioned to be a driving force for good. We care for our customers, because they’re our friends, families and neighbors. We invest in the communities we serve, because we live here too. And we take actions to preserve and protect our natural resources, because we enjoy Michigan’s beauty just as much as you.

At Consumers Energy, we believe a company can serve more than the bottom line. We operate with a triple bottom line – measuring our success in the areas of People, Planet and Prosperity.

“As Michigan’s largest utility, we’re uniquely positioned to be a driving force for good.”

In fact, our recent decision to reduce carbon by 80 percent and eliminate the use of coal to generate electricity by 2040 is a direct result of this thinking.

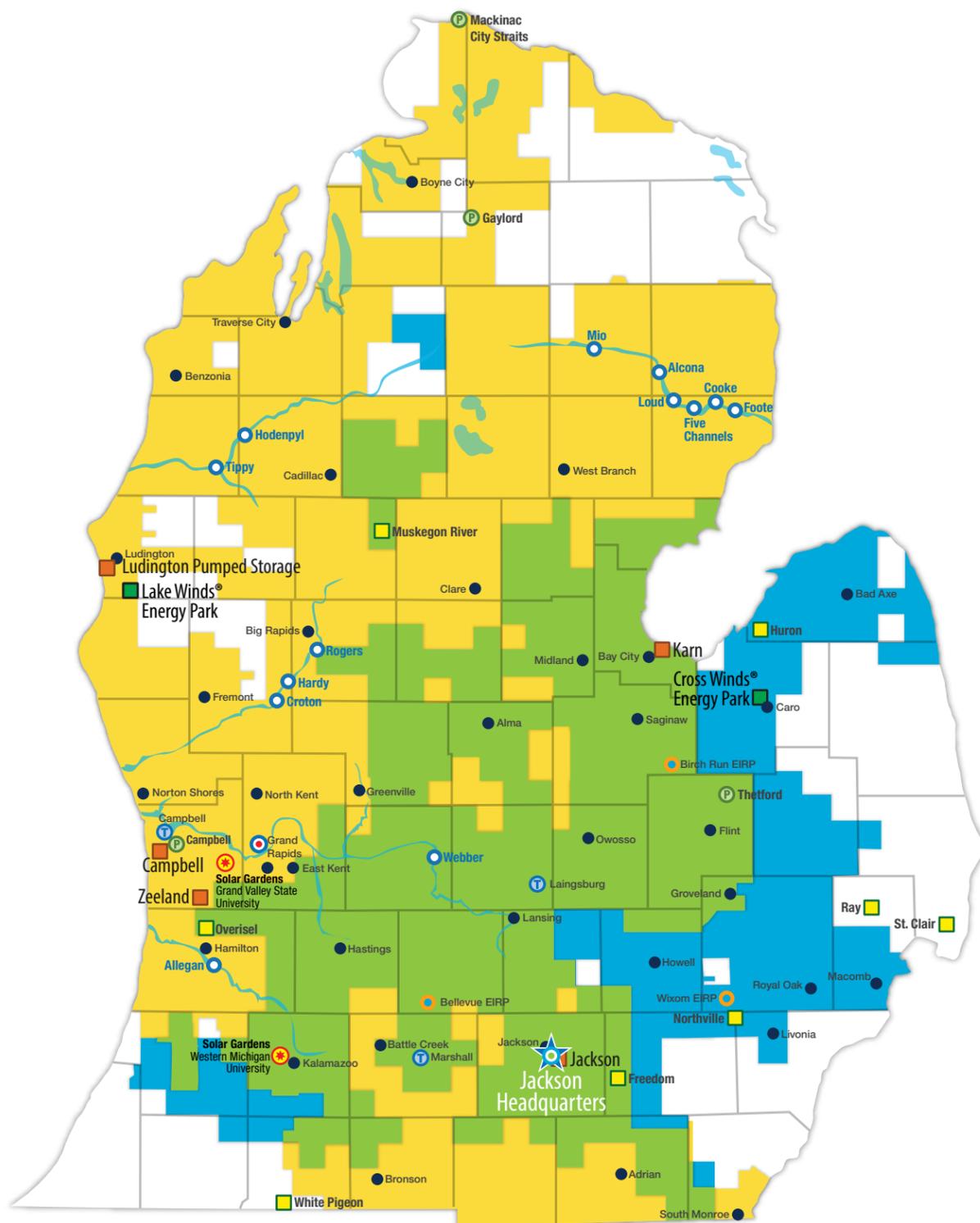
With more than 130 years under our belt, we have a strong track record of success – but actions speak louder than words. I invite you to look inside for more of our story.



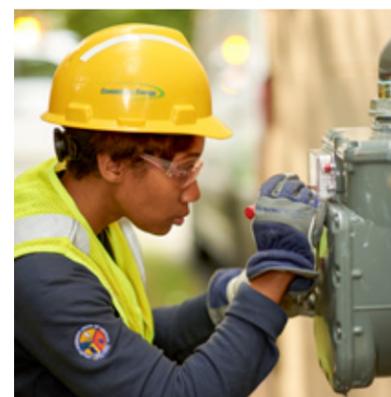
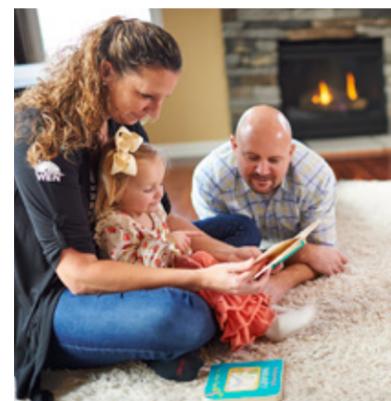
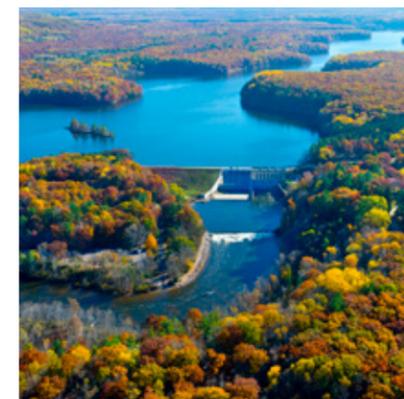
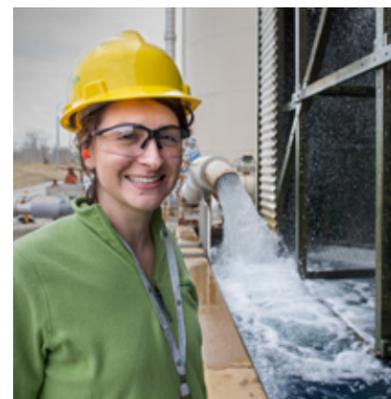
Patricia K. Poppe

Patricia K. Poppe
 President and Chief Executive Officer
 CMS Energy and Consumers Energy

WHERE WE ARE



- Hydro ● Solar ● Wind ● Electric Generation ● Natural Gas Compressor ● Peaking Plant ● Service Center
- Enhanced Infrastructure Replacement Program (EIRP) ● Training Center ● Russell Leadership Center ● Innovation Center
- Electric Service Territory ■ Combination Service Territory ■ Natural Gas Service Territory



(From top to bottom, left to right) Electric lineworkers in **Jackson, Mich.**, Karn Generating Complex in **Essexville, Mich.**, Reviewing construction plans in **Livonia, Mich.**, Jackson Generating Station in **Jackson, Mich.**, Tippy Hydro in **Wellston, Mich.**, Customer Contact Center in **Lansing, Mich.**, Employees with their daughter in **Brighton, Mich.**, Cross Winds® Energy Park construction in **Tuscola County, Mich.**, Zeeland Generating Station in **Zeeland, Mich.**, Installing a new natural gas meter in **Livonia, Mich.**, Solar Gardens power plant – Grand Valley State University in **Allendale, Mich.**, St. Clair Natural Gas Compressor Station in **Ira, Mich.**

OUR 2017 RESULTS

At **CMS ENERGY**, we are COMMITTED to operating with a mindset of being MORE THAN. We believe we can stand for MORE THAN profits, regulatory compliance and basic service. With EVERY decision we make, we consider its IMPACT to **PEOPLE, PLANET and PROSPERITY**.



PEOPLE



Consumers Energy is the **LARGEST COMBINATION UTILITY** in Michigan, providing natural gas and/or electricity to 6.7 million Michigan residents.

NEARLY
7,500
EMPLOYEES
+ MORE THAN
4,500
CONTRACTORS



MICHIGAN'S BEST
LARGE EMPLOYER
by Forbes



MICHIGAN'S BEST
EMPLOYER FOR DIVERSITY
by Forbes

MORE THAN 130 YEARS PROUDLY SERVING MICHIGAN
PROVIDING ELECTRICITY BEFORE



WERE INVENTED

PLANET



According to **Newsweek**

GREENEST COMPANY
in Michigan

9TH
in the
NATION

HIGHEST SUSTAINABILITY PERFORMANCE
among U.S. energy providers

Ranking by Sustainalytics



2017 Renewable Energy Mix

Continued focus on replacing coal-fueled generation with cleaner energy sources



10%
TODAY

40%
BY 2040

Introduced a new program to allow **Michigan businesses to match**

100%

of their energy use with **renewable sources** - helping to meet their unique sustainability goals

PROSPERITY



OPEN

MORE THAN \$1 BILLION
spent with Michigan **BUSINESSES**

2,400*
NEW JOBS
IN MICHIGAN

*TOTAL NEW GROWTH IN MICHIGAN BASED ON PROJECTS IN THE 2017 CALENDAR YEAR.

\$89

MILLION
in **ENERGY EFFICIENCY REBATES & INCENTIVES** for Michigan homes and businesses

>\$17 million DONATED
to **MICHIGAN NONPROFITS**



Looking to the Future

TAKING A STAND: We believe climate change is happening, and know we can do our part to care for the planet by focusing on a clean and lean operating strategy. In the past, people thought it was necessary to choose between affordable and clean energy – but we know that’s not the case. As we look to the future, we remain committed to providing the safe, affordable, reliable and increasingly clean energy Michigan customers deserve.



CLEAN ENERGY GOALS

WHETHER IT'S WATER rushing over our hydroelectric dams, the sun shining on a summer afternoon, or the wind blowing through the countryside, Consumers Energy has long relied on our state's clean natural resources to power the communities, homes and businesses we serve. We've also taken actions to preserve and protect the environment we all cherish.



To date, we've reduced our carbon intensity by 38 percent, reduced our water use by 35 percent and avoided over 1 million cubic yards of landfill disposal. But we are not satisfied.

That's why we spent months engaging with our employees, customers, local governments and other businesses to set a plan for continuous improvement. With the help of environmental experts, we set goals that demonstrate our commitment to leaving the planet better than we found it.

By 2040: Reduce carbon emissions by 80 percent and eliminate the use of coal for electric generation.
 This goal is a decade ahead of the Paris Climate Accord.

OVER FIVE YEARS:



SAVE 1 BILLION GALLONS OF WATER



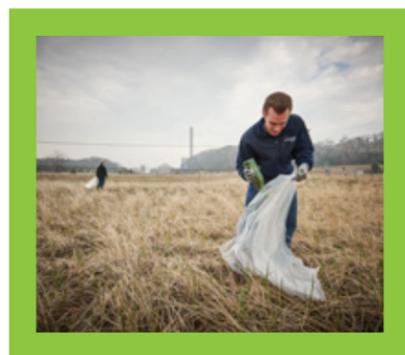
That's equivalent to **1,760 football fields covered in 10 feet of water!**



REDUCE WASTE TO LANDFILLS BY 35 PERCENT



That's about 14,000 tons – or the weight of **7,000 average four door sedans!**



ENHANCE, RESTORE OR PROTECT 5,000 ACRES OF MICHIGAN LAND



That's the **size of Mackinac Island – times two!**

Leaving it Better

AS WE REDUCE dependence on coal to meet our clean energy goals, we're ensuring our employees and the communities we serve experience a smooth transition.

In April 2016, we retired seven of our oldest coal-fired generating units at three sites:

- The Cobb Plant near Muskegon.
- The Whiting Plant near Monroe.
- The Weadock Plant near Bay City.

Affectionately nicknamed the "Classic Seven," the units played a significant role in our company's history since the 1950s.

Before the plants closed, we worked with impacted employees to ensure they were able to retire or find new positions with the company. We also worked with the impacted communities to envision their economic futures and develop new ideas for success after the plant retirements.

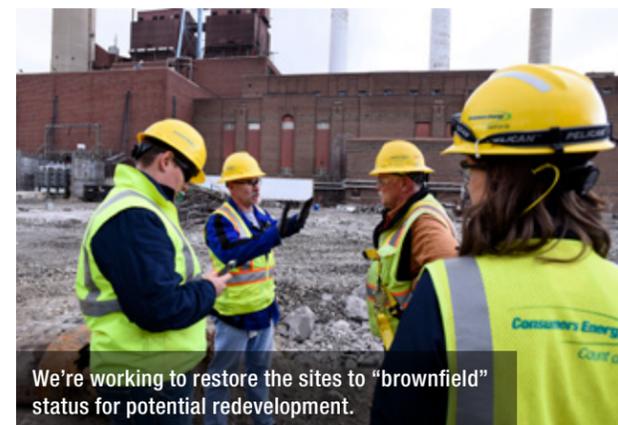
We've supported those efforts with grants from the Consumers Energy Foundation. In Luna Pier, a \$200,000 grant provided seed funding for a plan to help secure economic development opportunities in the county. In Muskegon, \$230,000 in grant funds helped establish an

"We also worked with the impacted communities to envision their economic futures and develop new ideas for success after the plant retirements."

initiative to showcase Muskegon's favorable attributes to new and expanding food processors.

Caring for these communities also means doing the right thing environmentally and meeting all local rules and regulations. We're working to restore the three sites to "brownfield" status for potential redevelopment.

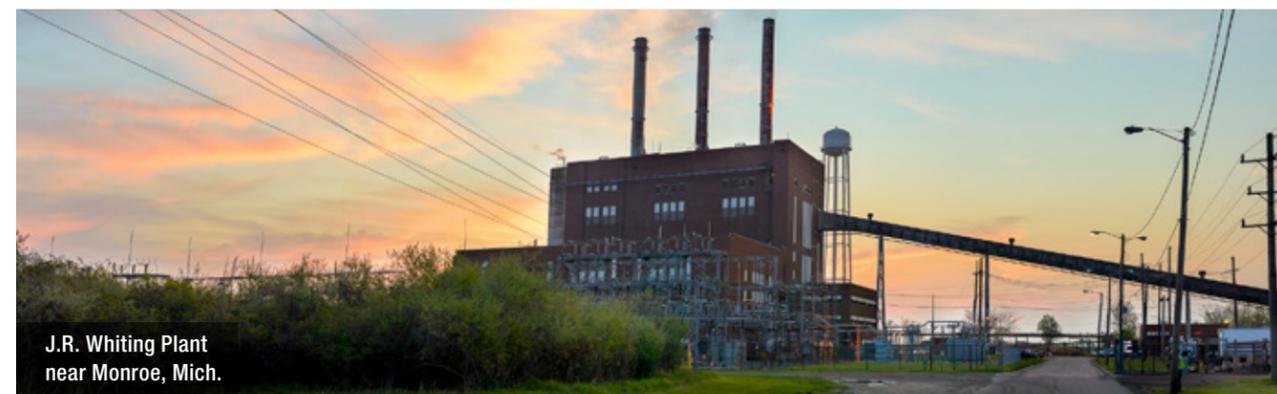
The preparation process includes abatement of any environmental hazards, dismantling and demolition of buildings on the site. We're doing that work at the Weadock site, while Forsite Development, Inc. is handling the job at the Whiting and Cobb sites.



We're working to restore the sites to "brownfield" status for potential redevelopment.



B.C. Cobb Plant Muskegon, Mich.



J.R. Whiting Plant near Monroe, Mich.

People

Consumers Energy is committed to caring for the communities we serve. Whether it's helping Flint students achieve their educational dreams with a \$1 million grant or supporting a Habitat for Humanity volunteer project, we are leaving Michigan better than we found it. But we can't do it alone. Our work is enabled by our employees. We're continually recruiting and retaining the best talent to better serve our communities. We are proud to have a culture that supports rewarding careers and world class performance.



From cleaning up parks and planting trees to beautifying roadways, Consumers Energy employees volunteer thousands of hours each year to leave Michigan better than we found it.

THE CONSUMERS ENERGY FOUNDATION

– our philanthropic funding arm – along with Consumers Energy, and employees and retirees, have been caring for Michigan communities for decades. Our grants have helped fight poverty, build parks and encourage kids to pursue critical job skills and higher education. We've helped restore endangered wildlife, protect fragile habitats and preserve cultural assets, like museums, zoos and libraries. Last year, Consumers Energy, its employees, retirees and Foundation contributed \$17 million to Michigan's nonprofits.

But we also know it's about giving more than just money. Our employees and retirees generously give their time and talents to improve the quality of life in the state we all love.

“We support employees who give to their communities through two volunteer grant programs.”

They're mentors for Michigan FIRST® Robotics teams. They build homes for families and habitats for endangered wildlife. They coach Little League and lead scout troops. They volunteer weekends to clean forests and river beds. They raise funds for schools and their communities.

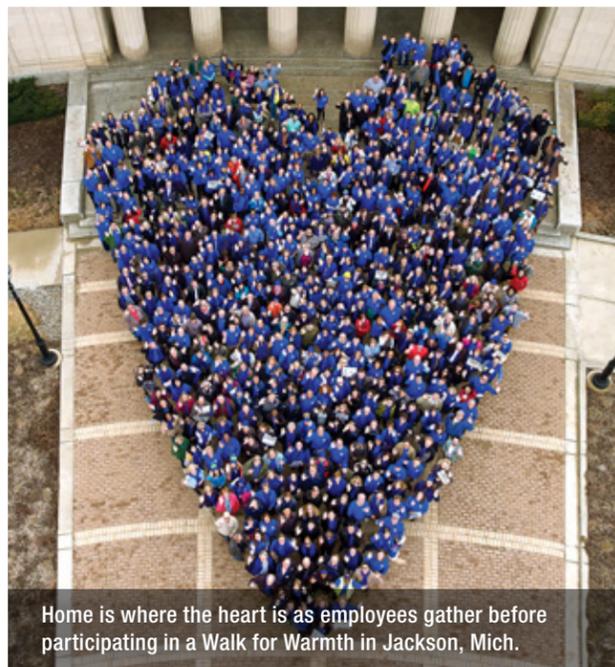
We support employees who give to their communities through two volunteer grant programs:

- Volunteer Investment Program – If an employee or retiree volunteers 45 hours or more for a qualifying nonprofit organization, the Consumers Energy Foundation will award a \$100 to \$500 grant to the nonprofit on behalf of the volunteer.
- Caring for Community™ Program – When five or more employees or retirees volunteer together for a qualifying nonprofit, the Consumers Energy Foundation will award a \$250 grant on the group's behalf.

Last year, the Foundation contributed \$238,500 to support 562 organizations on behalf of 684 employee and retiree volunteers through our grant programs.



Carolyn Bloodworth, director of corporate giving, addresses a crowd of volunteers before presenting a Michigan nonprofit with a grant check from the Consumers Energy Foundation.

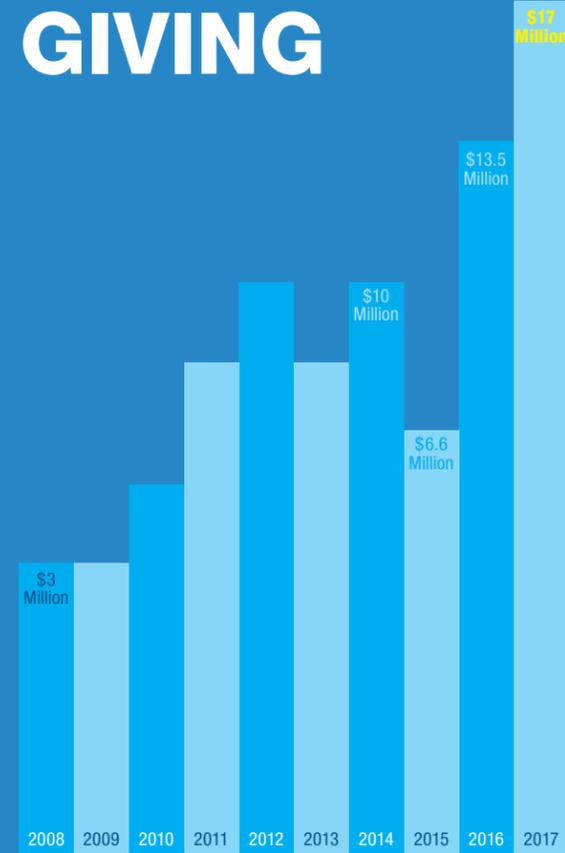


Home is where the heart is as employees gather before participating in a Walk for Warmth in Jackson, Mich.

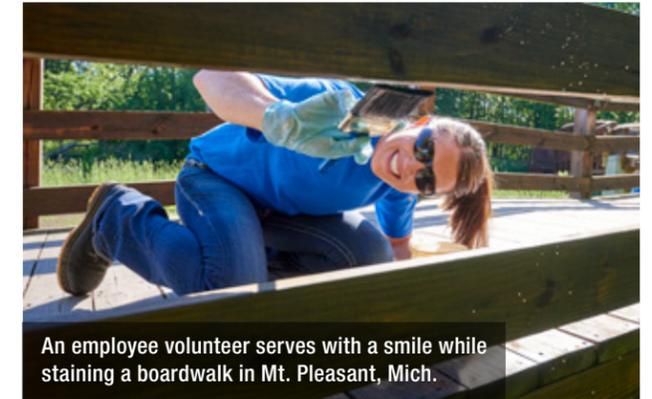


One shirt, two shirt ... everywhere a blue shirt. Consumers Energy employees are proud to wear the company colors in the communities they serve. #CEVolunteers

GIVING



Here's a 10 year look at contributions to nonprofit organizations from Consumers Energy, its employees, retirees and Foundation.



An employee volunteer serves with a smile while staining a boardwalk in Mt. Pleasant, Mich.



Employees participate in the 2017 Walk for Warmth in Jackson, Mich., to raise money for heating assistance.



Patti Poppe, President and CEO, speaks to the media during the Flint Promise announcement.

A Brighter Future for Flint's Next Generation

In August 2017, the Consumers Energy Foundation awarded its largest grant in history when it gave \$1 million to the Flint Promise, a locally driven initiative designed to offer Flint students more opportunities for post-secondary education. The scholarship is available to students graduating from a high school or GED program in Flint in 2018 or later and will cover up to 100 percent of tuition and book fees at Mott Community College and University of Michigan-Flint.



PAYING IT FORWARD: Hurricane Irma Restoration

SOMETIMES caring for our communities means crossing state lines, and when Hurricane Irma left a path of devastation across Florida and Georgia, our employees and contractors were ready to help their fellow utility peers.

More than 350 employees and contractors traveled to Florida and Georgia to assess damage, repair wires and restore power. And while some of our employees were deployed for restoration efforts, many employees at home supported the cause as well.

While our crews were providing restoration support, the Consumers Energy Foundation donated \$25,000 to the American Red Cross Disaster Relief Fund.

The Foundation matched full-time employee contributions to the fund for a total donation of \$52,800.

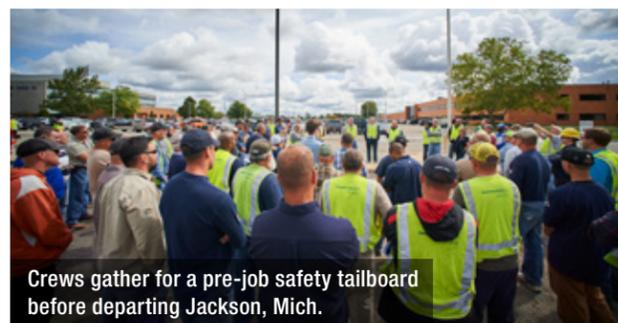
In the past, out-of-state crews have assisted with our restoration efforts following major storms. Our employees and contractors were honored to return the service following Hurricane Irma.



Consumers Energy joins hundreds of lineworkers in Florida.



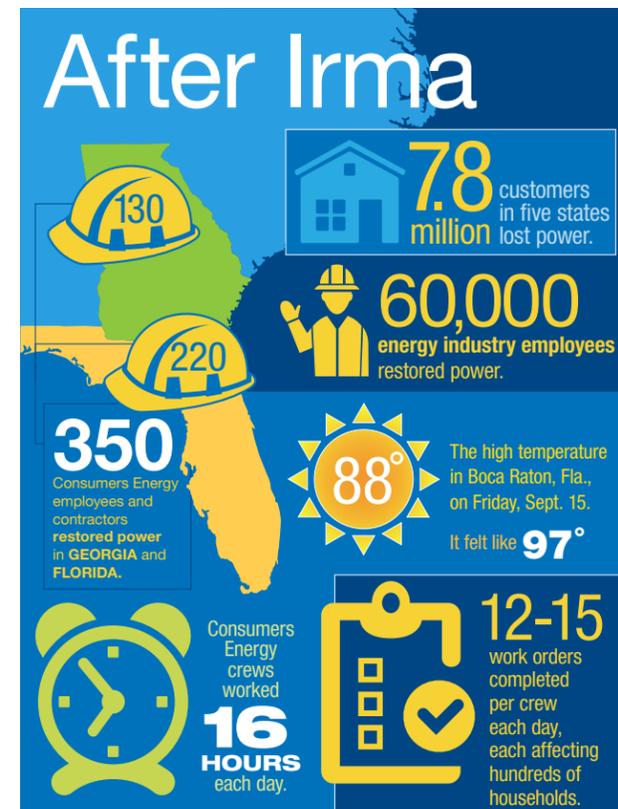
Many damaged utility poles were located in Florida residents' backyards.



Crews gather for a pre-job safety tailboard before departing Jackson, Mich.



Crews assemble in Jackson, Mich., (top) before heading to Georgia and Florida (below) where they participate in a morning group stretching routine.



EARNING RECOGNITION



- Rated #1 in Michigan and 62nd overall on Forbes' list of America's 500 Best Large Employers.
- Recognized as a gold-level Veteran-Friendly Employer by the Michigan Veterans Affairs Agency.
- Ranked #3 in Michigan on the Military Times Best for Vets: Employers 2017 list.
- Labeled the #1 company in Michigan and #1 utility in the country on Forbes' list of America's Best Employers for Diversity.
- Named Company of the Year by Career Mastered for our commitment to women in leadership and diverse hiring.
- Received a perfect score on the Corporate Equality Index for corporate policies and practices related to LGBTQ workplace equality.

Delivering Hometown Service

IN HIS 200,000 PLUS MILES of on-the-job travel, James Stratton has seen his share of accidents – but it was usually after they had happened. That all changed last October, when Stratton, a journeyman pipeline welder, was the first responder at an accident involving a mother and young child.

Headed to a work assignment, Stratton came upon an SUV on its side. A woman with visible scrapes on her face was standing by the road screaming that her daughter was stuck.

He crawled into the vehicle, which was quickly filling with smoke, shut it off and located the child. Stratton was able to free her before climbing out of the ditch to reunite the little girl with her mother. Fortunately, no one was severely injured.

Stratton credits his safety training at Consumers Energy as the reason he was able to stay calm. “We’re trained to pay attention to every little detail at work about our safety,” Stratton said.

Because of his efforts, Stratton is one of five employees to be nominated for an American Gas Association Meritorious Service Award.

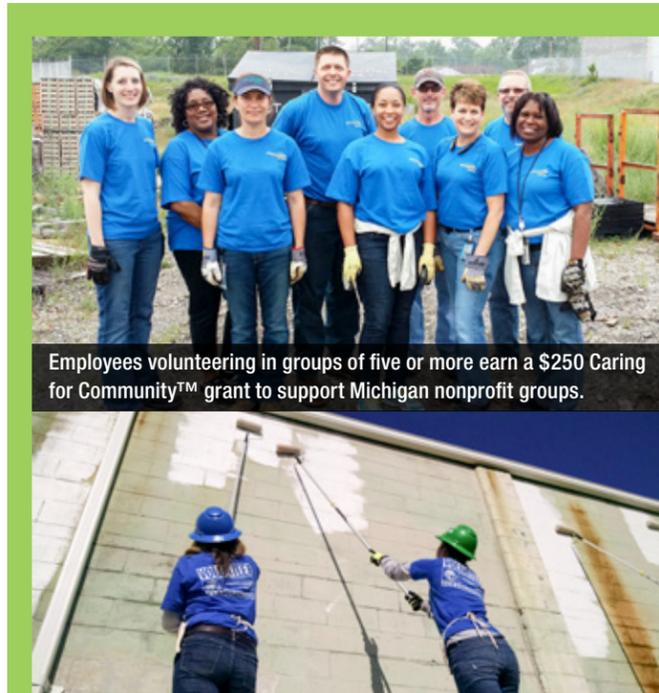


James Stratton, Consumers Energy journeyman pipeline welder.

Supporting Affordable Housing in Michigan

Consumers Energy, the Foundation and employees across the state supported Habitat for Humanity of Michigan through several ways in 2017:

- The Consumers Energy Foundation contributed \$200,000 to Habitat’s Neighborhood Revitalization Initiative. The effort aims to increase the number of families living in safe, decent, affordable housing, and develop relationships within communities.
- Consumers Energy donated \$100,000 to Home Run for Habitat – an annual collaboration with Habitat for Humanity and the Detroit Tigers that challenges affiliates, donors and the community to give more to support Habitat’s local mission.
- Our Helping Neighbors program has provided over \$272,000 in energy efficiency incentives since 2013 to Habitat homes in Michigan, making home ownership more affordable. Upgrades include attic insulation, lighting and more.
- More than 350 employees volunteered in company-sponsored Habitat projects across the state.



Employees volunteering in groups of five or more earn a \$250 Caring for Community™ grant to support Michigan nonprofit groups.



EMPLOYEE DIVERSITY

Total Consumers Energy Employees



We’re also focused on maintaining a diverse Board of Directors. Currently, 40% of our Board members and nearly 30% of our officers are women.

Additionally, CMS Energy ranked 3rd in the U.S. and 6th in the world for gender and diversity in the Ernst & Young Women in Power and Utilities Index 2016.

A diverse and inclusive workforce allows us to better serve our customers, and helps us understand their unique needs.

A Hometown Inclusive of ALL

When the Jackson City Council debated in 2017 whether to pass a Non-Discrimination Ordinance that protected people from discrimination on the basis of their sexual orientation and gender identity, a team of Consumers Energy employees stepped up to provide support, promote equality and ensure all voices were heard. We’re proud to share the ordinance passed, and our hometown is one step closer to becoming an inclusive place for all.



Safety 24/7

SAFETY IS THE FOUNDATION of everything we do at Consumers Energy. That is why we're traveling the road to zero recordable injuries. In 2016, we had the best safety results of our Edison Electric Institute peer group with 73 Occupational Safety and Health Administration (OSHA) injuries.

But we didn't rest on past success, and we set the bar high and broke our record once again in 2017 with 65 injuries.

"2017 marked the third consecutive year of record breaking safety performance," said Garret Miller, director of safety.

"We also reduced vehicle incidents by 27 percent in 2017 compared to 2016 and achieved the 3rd fewest vehicle incidents among our peers."

In addition to this great achievement, there were many operational achievements including:

- Electric Operations achieved a 38 percent reduction in injuries from 2016.
- CMS Enterprises finished the year with zero injuries.
- We responded to Hurricane Irma with over 15 crews and returned home without a single injury.
- Gas Operations achieved a 15 percent reduction in injuries from 2016.
- Meter Reading experienced a 132 day stretch with no injury.
- Generation Operations achieved a 25 percent reduction in injuries from 2016 and had a 181 day stretch with no injury.



A Consumers Energy lineworker helps ensure safe, reliable electric service.

"We still have work to do to send everyone home safely every day, but we are heading in the right direction," said Miller.

Multiple locations had zero injuries in 2017, including:

- Alma
- Battle Creek
- Big Rapids
- Clare
- Campbell
- Livonia
- Norton Shores
- Traverse City
- Saginaw Trail Pipeline



All assignments in the field begin with a pre-job safety tailboard to identify hazards and define responsibilities.

The Challenge to Give Back

EACH YEAR, interns and cooperative assistants are immersed in our culture of giving back to the communities we serve by participating in our annual Intern Challenge.

The program challenges intern groups to design, organize and participate in volunteer projects which will better their communities.

At the end of the challenge, each team presents their volunteer project to peers and a panel of judges, who determine the winners.

In 2017, 124 interns gave their time to 26 nonprofit organizations across Michigan.

- 45 lbs. of invasive plants removed
- 100+ invasive saplings removed
- About 50 seniors reached

- Over 500 children reached
- 87 pairs of shoes donated
- 55 canned food items donated
- 10 bags of trash collected
- 90 families fed in 30 minutes
- 380 clothing items donated

Learn more about our intern program at ConsumersEnergy.com/intern.



We offer paid college internships in various departments and locations that typically start in May and end in August.



Our annual Intern Challenge supports our giving culture.



Supporting STEM and FIRST® Robotics

As MICHIGAN'S LARGEST ENERGY PROVIDER, we are committed to diversity and hiring qualified candidates to support science, technology, engineering and math. The STEM skills we need to do our jobs at Consumers Energy are the same skills students learn in FIRST® Robotics.

Our commitment is making a difference for students, our state and company. Today, even the smallest schools from rural areas and under-resourced schools from urban communities have a chance to participate.

In 2017, The Consumers Energy Foundation contributed more than \$425,000 to support STEM programs, including FIRST Robotics teams at elementary, middle school and high school levels across Michigan. With help from the Foundation, FIRST in Michigan has grown to 500 teams – the most school robotics teams of any state.

Learn how we're supporting STEM with our Generation Genius Project at ConsumersEnergy.com/genius.

Planet

We all share this planet and our great state. That's why we're determined to help improve Michigan's air, land and water for generations to come. From embracing cleaner energy sources to reducing air emissions and conserving water, we're creating a sustainable energy future for our state.



Croton Hydro, located on the Muskegon River, is one of 13 hydroelectric power plants we have in Michigan.

A Cleaner, Leaner Approach to Meeting Michigan's Energy Needs

RENEWABLE ENERGY is not new for Consumers Energy. In fact, our company was founded on clean energy by harnessing Michigan's rushing rivers to generate hydroelectricity in the early 20th century.

One way we plan to reduce carbon emissions by 80 percent is increasing the use of renewable energy sources and energy storage by up to 40 percent by 2040.

Today, about 10 percent of our electricity is from renewable sources such as wind, solar and hydroelectric power. That's up from about 3 percent in 2005, and puts us on track to meet the state's 15 percent renewable energy standard by 2021.

The boost in renewable energy – along with closure of aging coal-fired plants and the installation of pollution control equipment – has helped us reduce criteria air pollutants by about 90 percent.

We own and operate two wind farms: Lake Winds® Energy Park in Mason County and Cross Winds® Energy Park in Tuscola County. We recently finished expansion efforts at Cross Winds II; it began operating in January 2018. That means 19 new wind turbines are producing up to 44 megawatts of clean energy for our customers. Cross Winds III will add 33 turbines and even more clean energy to our portfolio, and is expected to begin commercial operation in January 2020.

In addition to wind, we've listened to our customers to develop new renewable energy sources including:

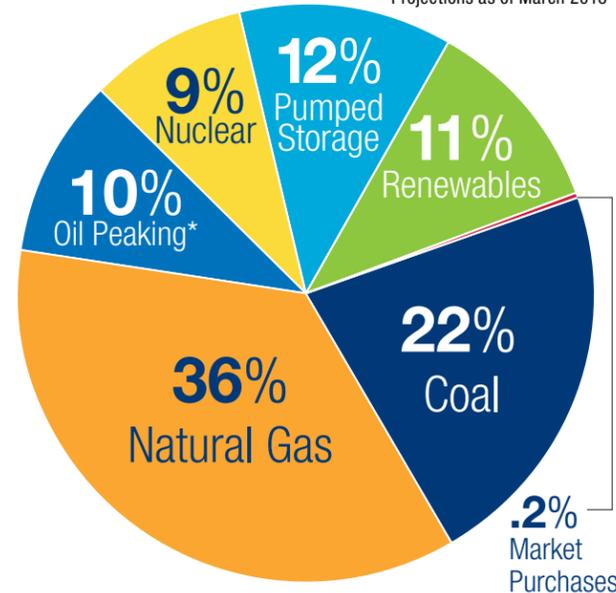
- Operating solar power plants at Grand Valley State and Western Michigan universities that collectively generate up to 4 megawatts of clean energy.
- Offering a pilot program for households to install solar panels on rooftops.
- Launching a program to allow businesses to purchase 100 percent clean energy, helping businesses like General Motors and database company Switch achieve their corporate sustainability goals.
- Buying electricity from the 100-megawatt Apple Blossom wind farm in the Thumb.



The last of 19 new wind turbines was installed during expansion of our Cross Winds® Energy Park in the state's Thumb region.

Electric Capacity by Fuel Source

Projections as of March 2018



Since 2005, our renewable energy capacity has grown from 3% to 11%. We look forward to continue growing this percentage as we transition from coal to renewables in support of our clean energy goals.

*Oil fuels our peaking plants, which are only rarely used to generate electricity on the hottest days of summer when power is in high demand.

Reducing Energy with Demand Response

DEMAND RESPONSE PROGRAMS encourage business and residential customers to voluntarily reduce energy use at critical times – such as the hottest summer days when energy demand, and the cost to supply and deliver that energy, is exceptionally high.

By reducing energy demand on peak, critical days, we also reduce the need to build power plants or purchase expensive power.

The residential and business programs began in late 2016 but really ramped up in 2017.

In 2016, we had approximately 1,750 residential customers enrolled in DR. By the end of 2017, the number of residential customers had increased to nearly 46,000. This equates to approximately 27.5 megawatts (MW) of enrolled residential demand response potential.

In 2017, we began enrolling customers in the business DR program, with roughly 50 MW of business demand response potential. The total demand response potential from the two programs combined is nearly 80 MW.

Helping Michigan Become More Efficient



Our energy efficiency programs have saved customers more than \$1.5 billion on their energy bills since 2009 and helped avoid more than 5 million tons of carbon dioxide greenhouse gas emissions. For homeowners, there are rebates and instant savings on energy efficient products. For businesses, there are incentives that can reduce energy use and deliver significant savings.

AIR EMISSIONS

2005 – 2017



By closing our Classic Seven coal plants, 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.

*Tracking began in 2007



Employees perform chemistry tests at our Lab Services facility in Jackson, Mich.

Future Blooms Bright For Pollinators Near Pipeline

We RESTORED 93 ACRES of construction areas by using seed mix containing native grasses and wildflowers to attract bees, butterflies and other pollinators losing habitat across the country.

The special seed mix is just one example of how the company is exceeding environmental requirements on the Saginaw Trail Pipeline, a four-phase effort to replace 78 miles of aging natural gas transmission pipeline in Saginaw, Genesee and Oakland counties.

The native grasses and wildflowers will bloom this spring as new habitat for butterflies, bees and other pollinators. The additional cost was about \$5,000 compared to traditional grass seed.

“It’s the right thing to do,” said Lindsey Johnson, the project’s environmental engineer. “This is a great opportunity to have a positive impact on the whole ecosystem and leave it better than we found it.”



Saginaw Trail Pipeline

Started in 2017, the Saginaw Trail Pipeline project is a \$610 million effort to modernize our natural gas infrastructure. Learn more by watching this video or visiting ConsumersEnergy.com/saginawpipeline.

“This is a great opportunity to have a positive impact on the whole ecosystem and leave it better than we found it.”



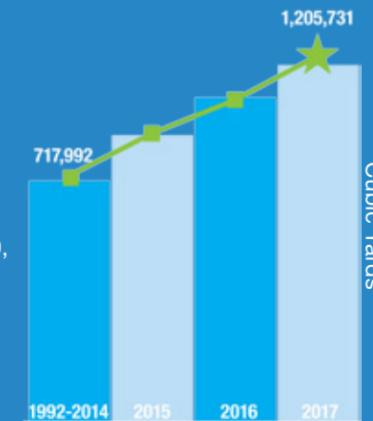
J.C. Weadock Decommissioning Team

Leaving it Better at Weadock

Consumers Energy is leaving it better in Hampton Township, a community near Bay City where we closed the historic J.C. Weadock power plant in 2016. We’re helping return the site to “brownfield” status, and making it available for potential reuse. The preparation includes abatement of environmental hazards, and dismantling and demolition of buildings.

TOTAL LANDFILL SPACE AVOIDED

We committed to a cumulative waste reduction goal of 1 million cubic yards of landfill space avoided by 2019, and met that goal in 2017!



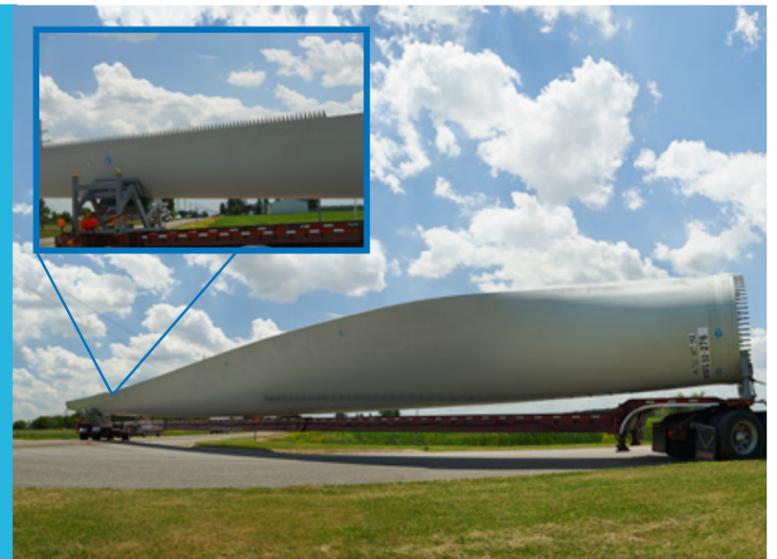
Delta Solar and Flambeau Solar

CMS Enterprises, a CMS Energy affiliate, recently developed the Flambeau Solar project, a 3.4 MW array in Wisconsin. The carbon offset is about equivalent to planting more than 90,000 trees. The company is also developing two solar generation projects, totaling 24 MW, which are currently under construction in Delta Township, near Lansing, Mich.



Feathering Strategy to Protect Birds and Bats at Our Wind Farms

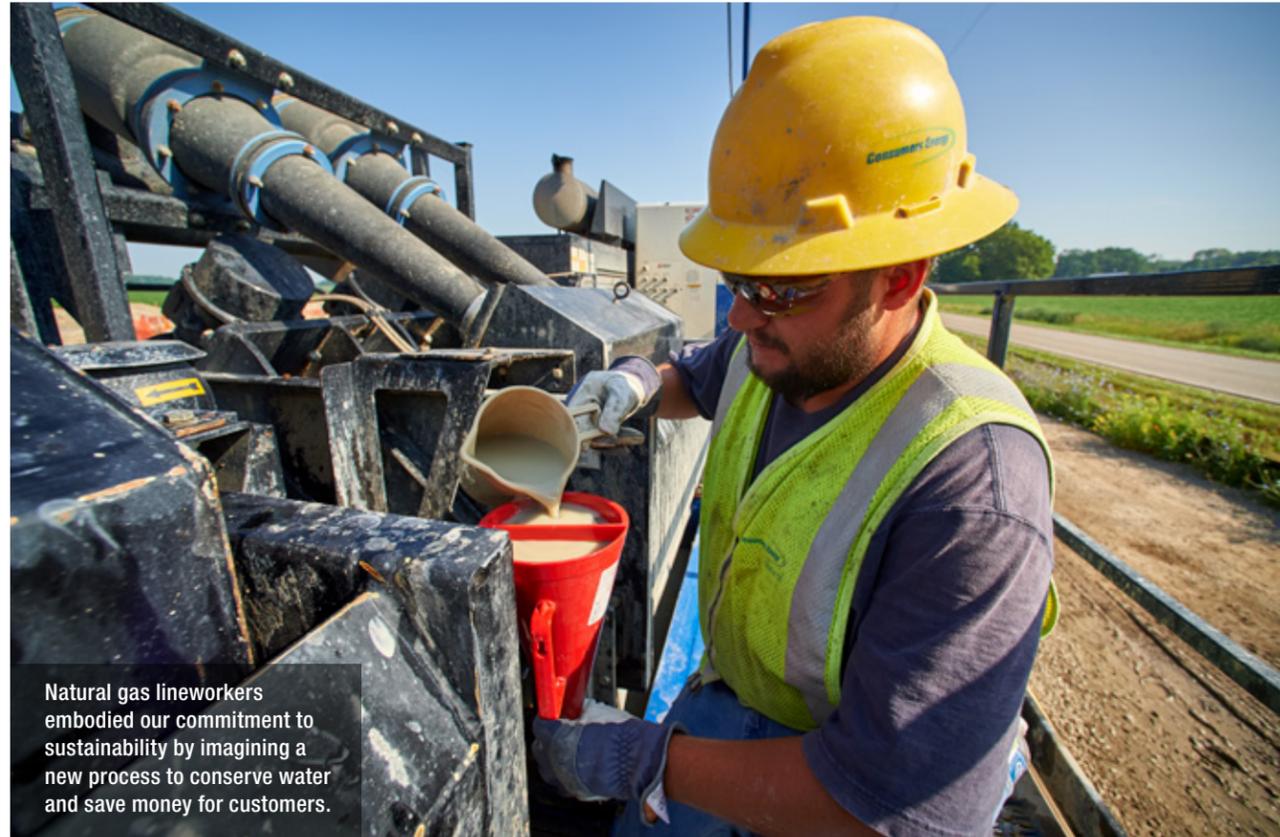
We’ve implemented a “feathering” system to help protect bats at our Lake Winds® and Cross Winds® Energy Parks. Specialized software slows down wind turbine blades when the time and temperature are ideal for bats to fly. The industry-best practice is expected to reduce bat fatalities by 30 percent.





THE SCENIC AU SABLE RIVER is home to six of our hydroelectric dams, which have produced clean, renewable energy since the early 20th century.

We're also the primary sponsor of the AuSable River Canoe Marathon each summer.



Natural gas lineworkers embodied our commitment to sustainability by imagining a new process to conserve water and save money for customers.

Cutting Water Use Increases Customer Value

THE ENHANCED INFRASTRUCTURE REPLACEMENT PROGRAM (EIRP)

team utilized a water/drilling slurry reclamation process to save millions of dollars during a massive project in Southwest Michigan to install about 14 miles of pipeline.

The new process has resulted in saving nearly 6 million gallons of water and avoiding 15,767 cubic yards of mud waste.

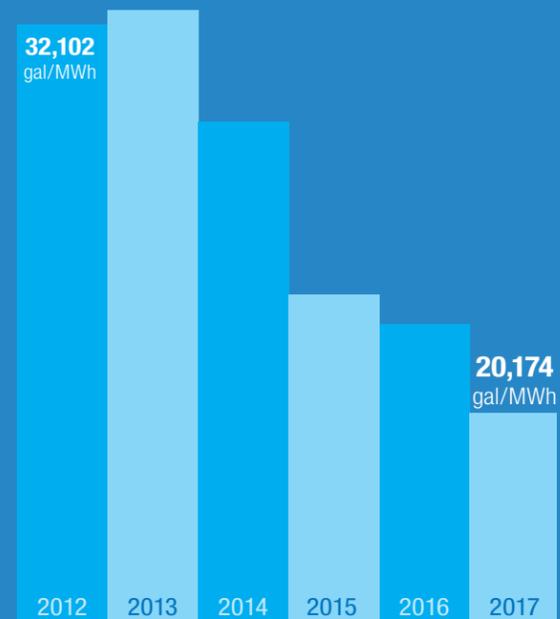
The machine – a mud reclaimer or recycler – filters and cleans drilling fluid coming back from a drill bore. The machine also includes a mud tank with compartments for both incoming dirty and cleaned fluid and a desilter. After the fluid goes through the desilter and is deposited in the clean tank, it can then be pumped to the mud pump to be put back down the hole.

The unit has saved about \$4 million in project costs and has provided additional environmental benefits such as less diesel fuel use, road traffic and dust.



WATER INTENSITY

Water Intensity = gallons per megawatt-hour (MWh) of electricity generated



Water Reduction Efforts

We've reduced the amount of water used to generate electricity by 35 percent since 2012. That represents a savings of more than 200 billion gallons per year. Our coal-fired generating plants, located at or near the Great Lakes, primarily use water as a source for cooling and return it to the lakes with a small increase in temperature.



EARNING RECOGNITION



- Ranked Michigan's #1 company and #9 in the U.S. in Newsweek's annual Green Rankings.
- Scored highest for sustainability performance among U.S. energy providers for the second consecutive year according to an independent ranking by Sustainalytics. Also ranked No. 16 among 195 worldwide utilities.
- Received U.S. Environmental Protection Agency recognition as an ENERGY STAR® Partner of the Year.
- Received the Excellence in Recycling award from the Michigan Department of Environmental Quality. We were one of five organizations honored for outstanding success in promoting recycling and finding new uses for recycled materials.

Safe Disposal of Coal Combustion Residuals

Construction of a \$16 million concrete-lined tank system to store coal ash at our Campbell Plant represents a major leap forward in groundwater protection. The new tanks will help protect groundwater and promote beneficial reuse of about 50,000 tons of coal ash at the site each year.



The Campbell Generating Plant near Holland, Mich.

Prosperity

We delivered another year of strong financial performance in 2017, achieving adjusted earnings per share growth of 7 percent and marking 15 years of meeting our adjusted earnings guidance. We're proud of our consistent, industry-leading financial performance – but our business is about more than profits. We know we won't achieve success unless the communities we serve also share in it.



Growing Businesses IN MICHIGAN

WHEN MICHIGAN WINS, we all win. We're involved in economic development because we're committed to our communities in ways beyond energy to sustain Michigan's economic future.

When new and expanding businesses look for sites, energy supply is foundational to their decisions. We work with the Michigan Economic Development Corporation (MEDC) and local economic development organizations to better understand each business' short- and long-term plans and offer tools to help make them a reality.

While bringing new businesses and the jobs and investment they create to Michigan is critical, so is keeping businesses here and helping them grow. Together with state and local allies, we've successfully attracted and retained several businesses.

For example, Lear Corporation, a global automotive seating and electrical systems supplier, plans to locate a 156,000-square-foot manufacturing facility and employ 600 workers on the former Buick City complex in Flint – also an Energy Ready site. This is the first such facility to be constructed in Flint in more than 30 years.

Businesses have many choices when considering expansion. We, along with state and local agencies, help businesses select a Michigan location with confidence, helping Michigan compete for and win jobs, growth and investment.

Learn more at ConsumersEnergy.com/econdev.

2017 Business Highlights

★ **Stryker**
 Medical technology manufacturer
 Portage, Mich.
\$130 million investment
105 jobs

★ **Lear Corporation**
 Automotive and electrical systems supplier
 Flint, Mich.
\$25 million investment
600 jobs

★ **FP Horak**
 Commercial printing
 Bay City, Mich.
\$4.5 million investment
71 jobs

2,400*
NEW JOBS

\$1.268
BILLION
in new investments

*Total new growth in Michigan based on projects in the 2017 calendar year.

Making Site Selection Easier

FOR NEW AND EXPANDING businesses considering Michigan, site information is critical. Consumers Energy is committed to helping business customers and economic development professionals better understand the energy potential of any site in our service territory.

The award-winning Energy Ready program was created in collaboration with the Michigan Economic Development Corporation and several regional and local economic development organizations.

We feature more than 20 Energy Ready sites that contain energy profile information and also identify “best-fit” business customers based on a range of energy needs. Site information includes competitive, customer-focused engineering service options and estimates.

By bringing energy information forward, the program also helps eliminate sites certain businesses may find inadequate for their needs, improving Michigan's competitiveness. Energy Ready also helps us reuse energy infrastructure already in place at available sites.

Visit ConsumersEnergy.com/econdev for more information.



Energy Ready Site Locations



The Energy Ready program helps speed responses to site searches and requests for information from new and expanding businesses.

Growing Michigan's Talent Pipeline

At CONSUMERS ENERGY, we believe collaboration is one of the best ways to solve the challenges facing our state. When we recognized businesses across the state, including ours, were struggling to attract and retain a skilled workforce, we reached out to several stakeholders to put our minds together and solve the problem.

In fall 2017, we led the formation of the Michigan Talent Architecture Coalition, an initiative to help solve our state's talent shortage and meet long-term unemployment needs. The group includes more than 100 leaders from roughly 60 organizations.



In fall 2017, we launched the Michigan Talent Pipeline Management Academy to help businesses attract, develop and retain talent in the communities we serve.

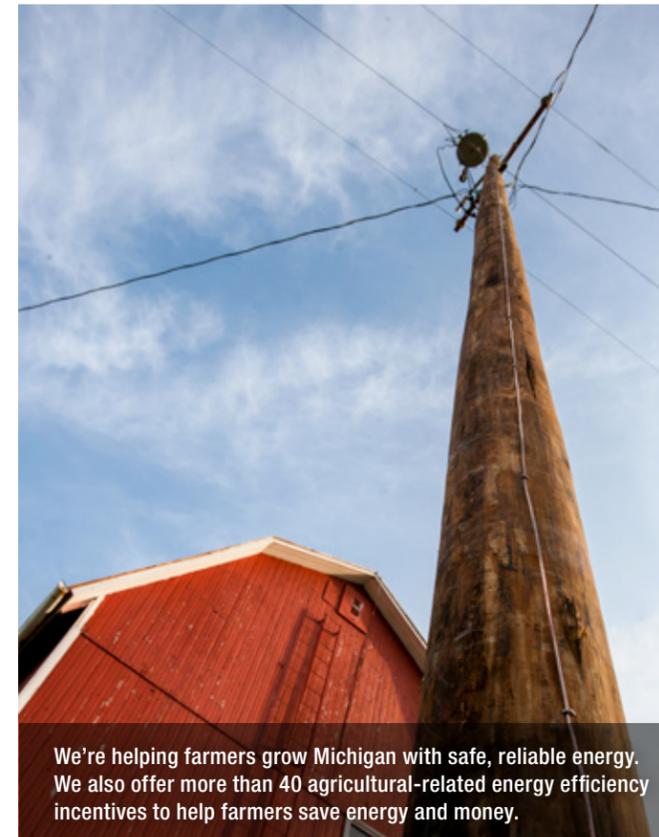
Today, the Coalition has three strategies in play:

- The Michigan Talent Pipeline Management Academy is a first-of-its-kind program that uses a proven training methodology to help businesses clearly identify and communicate their talent needs with their preferred training providers.
- MI Bright Future is a new career development web tool that provides direct links between students and employers in Michigan. Through this initiative, students connect with Michigan companies to learn about local careers, job shadowing and internship opportunities.
- The Coalition is also working to define "soft skills" and provide the guidelines for nurturing these talents in Michigan schools.

We're supporting all of this because we want to make Michigan the top business destination in the country, while also developing and retaining hometown talent that will fill the jobs of the future.



A new journeyman lineworker at Marshall Training Center.



We're helping farmers grow Michigan with safe, reliable energy. We also offer more than 40 agricultural-related energy efficiency incentives to help farmers save energy and money.

A History of Supporting Farmers

For nearly a century, we've been helping Michigan farms grow. In the early 1900s, the only farmers who had electricity lived on the edge of a village or town.

That all changed in 1927 when we built a seven-mile electric line between Mason and Dansville.

Nearly 10 years later, we had more than 10,000 miles of rural lines and 41,307 farm customers.

In 1949, we brought electricity to our 100,000th farm customer, making us the first utility in the nation to reach the milestone. In 2018, we serve more than 30,000 farm customers, more than any other utility in Michigan.

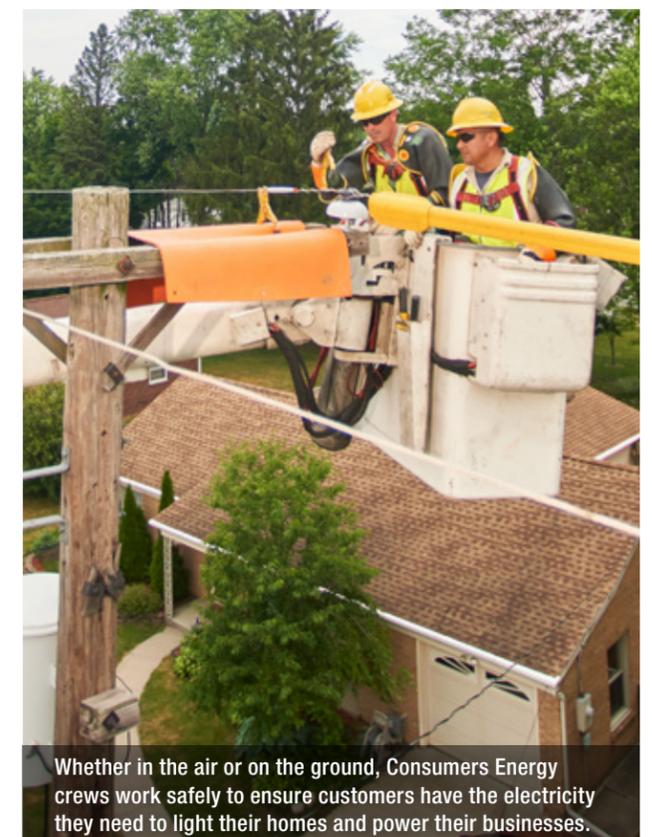
"We look forward to continue providing the safe, reliable and affordable electric service to agricultural customers that they've come to expect of us," said Jim Baisden, manager of agricultural services.

Learn more at ConsumersEnergy.com/farm.

EARNING RECOGNITION



- Ranked the #4 "Most Trusted Brand" in the U.S. among residential energy providers by Market Strategies International.
- Named an Honorable Mention in the list of Top U.S. Utilities by Site Selection magazine.
- Received the 2017 Mid-America Economic Development Council's "Deal of the Year" and "Marketing Program" awards.
- Honored with a 2018 Impact Award by the Michigan Works! Association.
- Recognized with the award for Best Communication/Education Program during the 2017 Governor's Energy Excellence Awards.



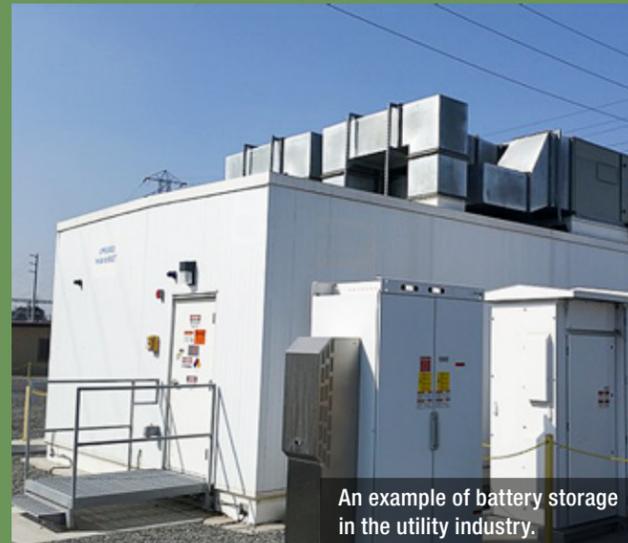
Whether in the air or on the ground, Consumers Energy crews work safely to ensure customers have the electricity they need to light their homes and power their businesses.

Leveraging Battery Storage and Drones

"I'm excited about helping the company chart a new path rooted in reliability, efficiency, and safety using technology," said Nate Washburn, Consumers Energy's newly named battery storage and UAV (unmanned aerial vehicle) program manager.

"Today, we use electricity as it's produced," Washburn said. "Storing it in batteries for use later enables grid flexibility. When energy demand is high, we can tap electricity in batteries to reduce grid demand and mitigate outages."

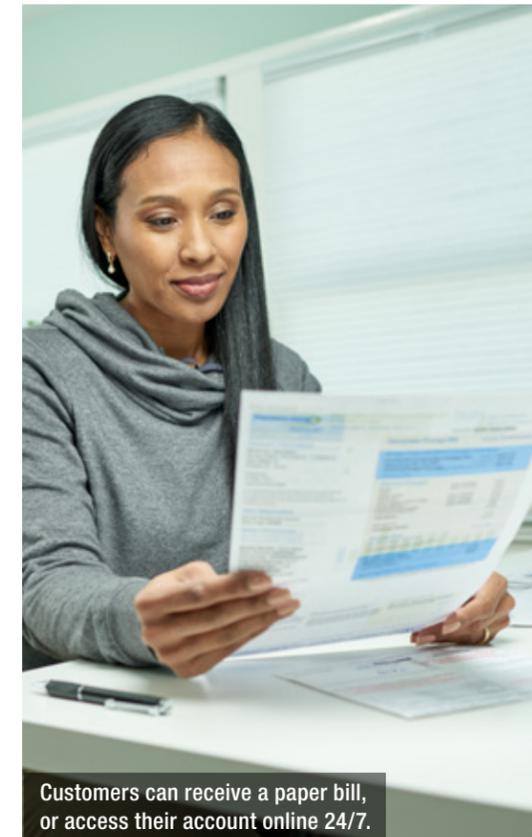
UAVs use sensors to collect data about our electric and natural gas systems. They can inspect circuits, wind turbines and hydroelectric dams, assess post-storm damage and detect overgrown vegetation to improve reliability and safety.



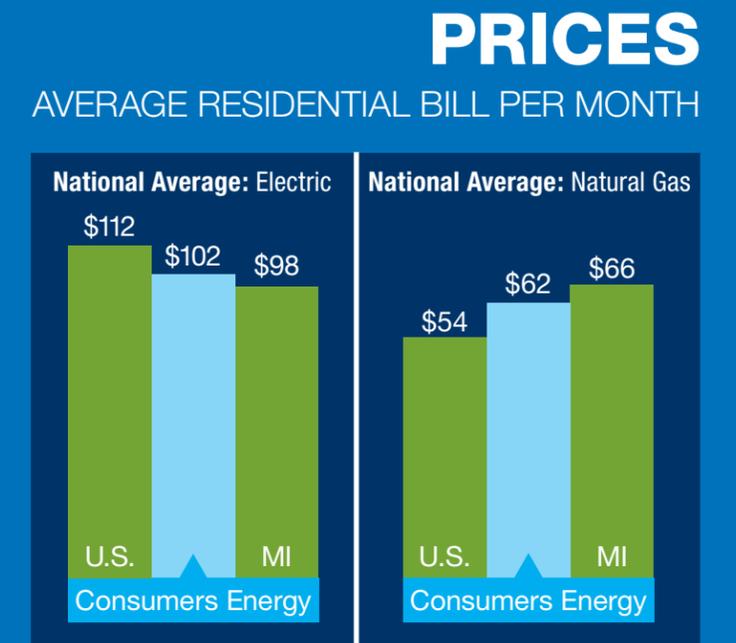
An example of battery storage in the utility industry.



Nate Washburn, battery storage and UAV program manager, is helping chart the future of UAVs and energy storage at Consumers Energy.



Customers can receive a paper bill, or access their account online 24/7.



In addition to supporting the growth of Michigan's business community, we're striving to keep monthly energy bills affordable for our residential customers. Low energy bills mean more money in our customers' pockets to spend in their communities.

The Future of Energy

Two new energy districts in Michigan will be the sites for implementing the next generation of energy technology, with the goal to reduce energy use and eliminate waste.

"We're setting a precedent for how we look at the grid of the future and that includes pursuing greener and more modular forms of energy supply," said Garrick Rochow, senior vice president of operations at Consumers Energy.

- **Circuit West** in Grand Rapids will span about 13 blocks and experience fewer and shorter power outages, greater energy efficiency and more accurate meter reads. Plans include an array of rooftop solar panels and a battery storage facility in a 10-block area west of downtown Grand Rapids.
- **The Jackson Smart Energy District** in our hometown will serve as an energy innovation hub, incorporating smart energy technology, solar panels, electric vehicle charging, high performance buildings and battery storage units. Jackson was already ranked the fourth-most energy efficient small town in Michigan by the U.S. Environmental Protection Agency in 2017. It is our goal that this project elevates our hometown to first place.



Circuit West – Grand Rapids, Mich.



Jackson Smart Energy District – Jackson, Mich.



New Renewable Energy Program Helps Switch, General Motors in Michigan

General Motors and Switch are the first participants in a Consumers Energy program to help large businesses use renewable energy sources.

Both companies are matching 100 percent of their electric use at key operations in Michigan with wind-generated power produced by Cross Winds® Energy Park II in Michigan's Thumb.

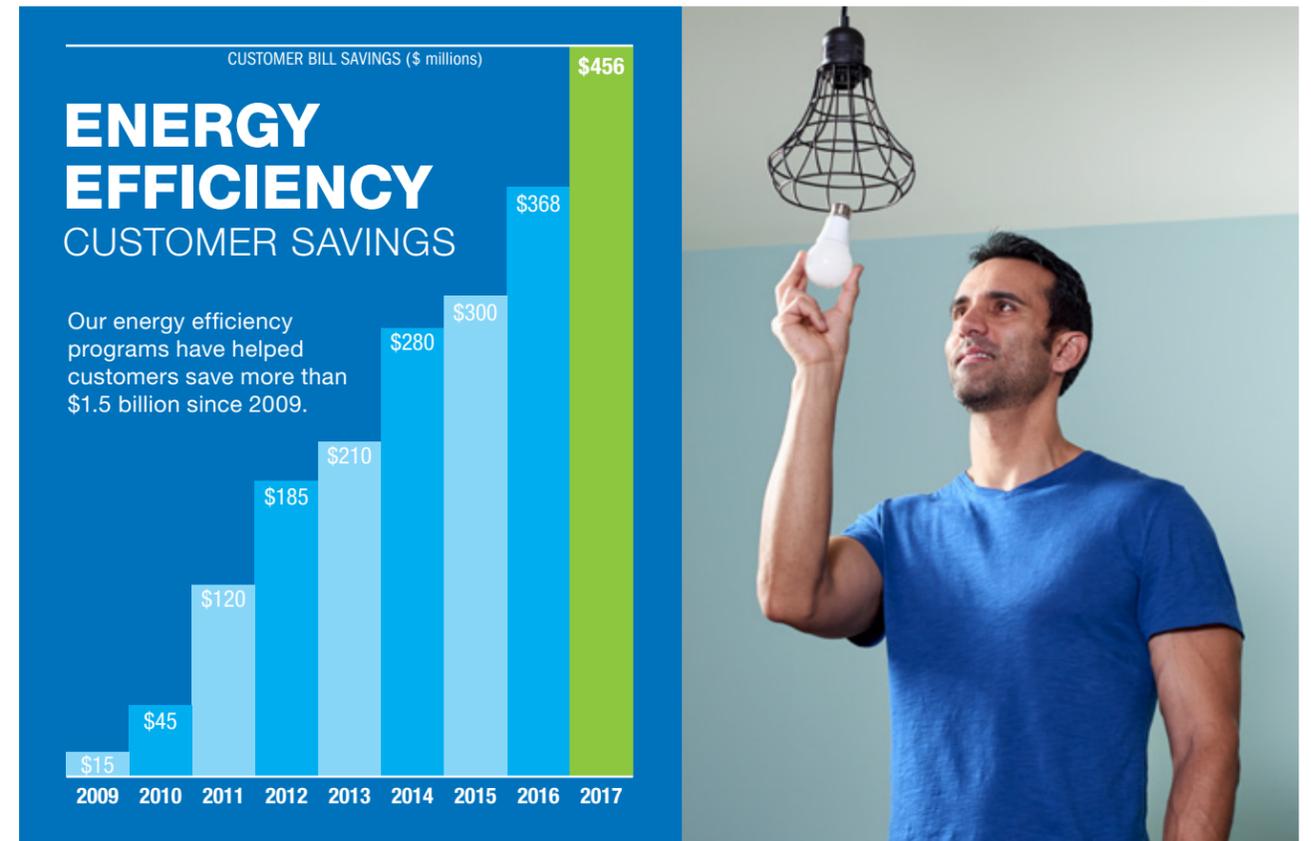
The Company We Keep

Protecting the safety and security of our customers, employees and business is essential to running a sustainable company – and we're proud of our proactive approach to governance.

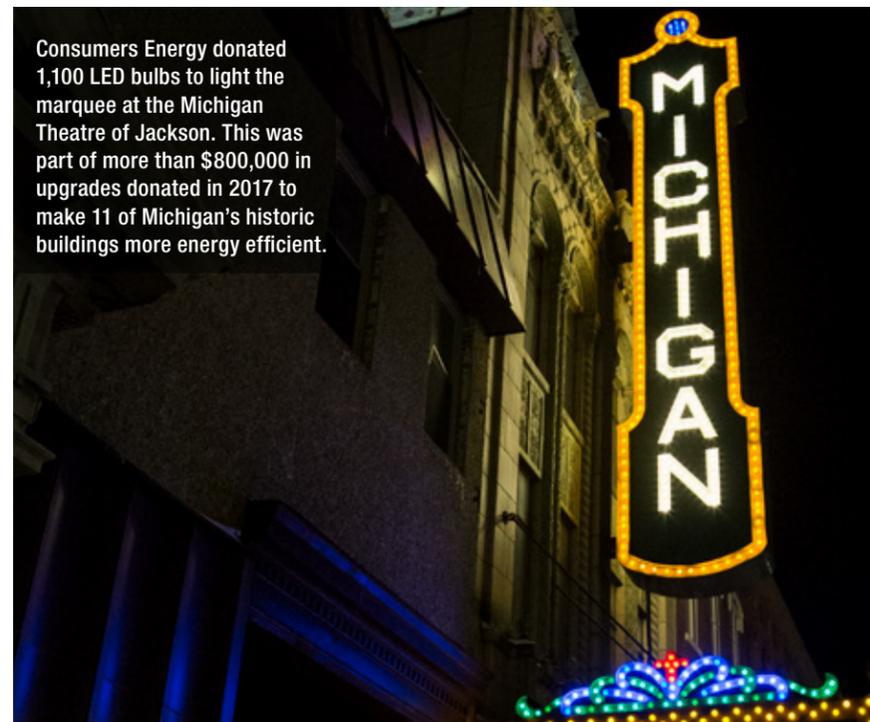
We're successful in this area because we ensure information is shared regularly and transparently from Daily Operating Reviews with those closest to the work, to a regular cadence of information and risk sharing with senior leaders and board members. We also have a mature program in place to monitor risk and ensure we meet regulatory requirements.

Because of our commitment to doing things right, our ethical culture is world class. Our co-workers are trained to speak up and stop the job if something isn't right. Not only do our employees hold themselves and others to the highest standards, they do so while embodying our six guiding principles:

- We Act with Integrity
- We Put Points on the Board
- We Earn Our Customers' Business 24/7
- We Leave it Better than We Found it
- We Cross the Finish Line Together
- It's a Great Place to Work Together



Helping Those Who Help Others



IN 2013, WE LAUNCHED the Consumers Energy Nonprofit Energy Efficiency Program to help those who help others – nonprofits, houses of worship and local community organizations that operate out of historic buildings. When these groups don't have the funding or staff necessary to tackle energy problems, we step in to design and implement efficiency plans and provide materials and labor at minimal to no cost. Over the last five years, more than 1,330 Michigan organizations have taken advantage of the program, saving about \$1.5 million per year in energy costs – and using those savings to help build stronger communities.

Improving Safety and Reliability One Pipe at a Time

We are improving safety and reliability to our natural gas system through our Enhanced Infrastructure Replacement Program (EIRP), about a \$1.5 billion investment over the next two decades to replace vintage natural gas distribution pipes. In 2017, we completed more than 60 natural gas improvement projects in 17 Michigan counties.

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This report includes “forward-looking statements;” please refer to our SEC filings for information regarding the risks and uncertainties that could cause our results to differ materially.

