

Readying Michigan to Make Good Energy Decisions March 4, 2013



Consumers Energy

Count on Us

A Unique Industry

- Electricity is the most volatile commodity.
- Can't be stored like oil, wheat or gold.
- Must be available at the flip of a switch.
- Requires long-term capital investment, planning and teamwork.
- Must have regulatory and market certainty.



Electric industry is second only to railroads in capital intensiveness.

Committed to Michigan

- Investing \$6.5 billion to 7 billion to improve safety, customer service, reliability and the environment.
- Plan to increase spending with Michigan-based suppliers by \$500 million over the next five years.
- Already spend \$2 billion/year on goods and services.
- Directly employ about 7,500 people throughout the state.

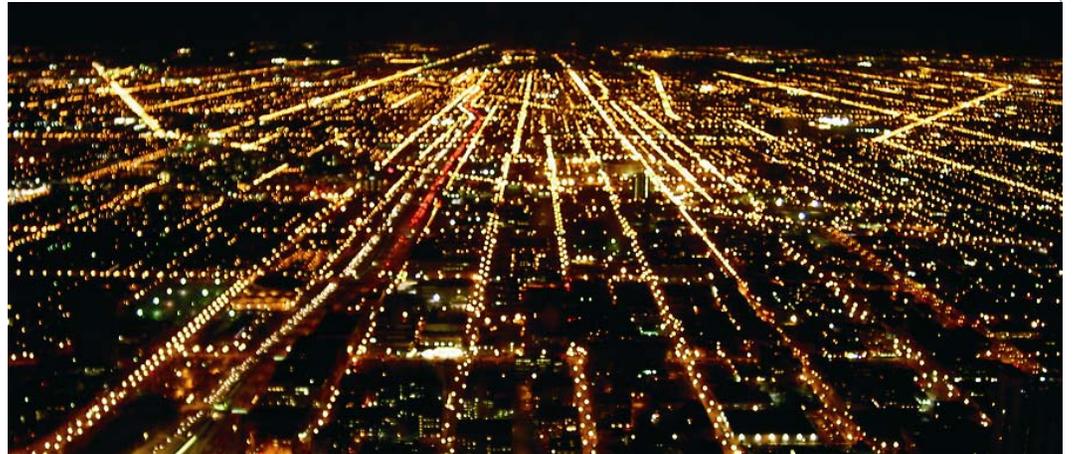
PURE  MICHIGAN[®]
Business Connect

Consumers Energy is powering the state's economic comeback.


Count on Us

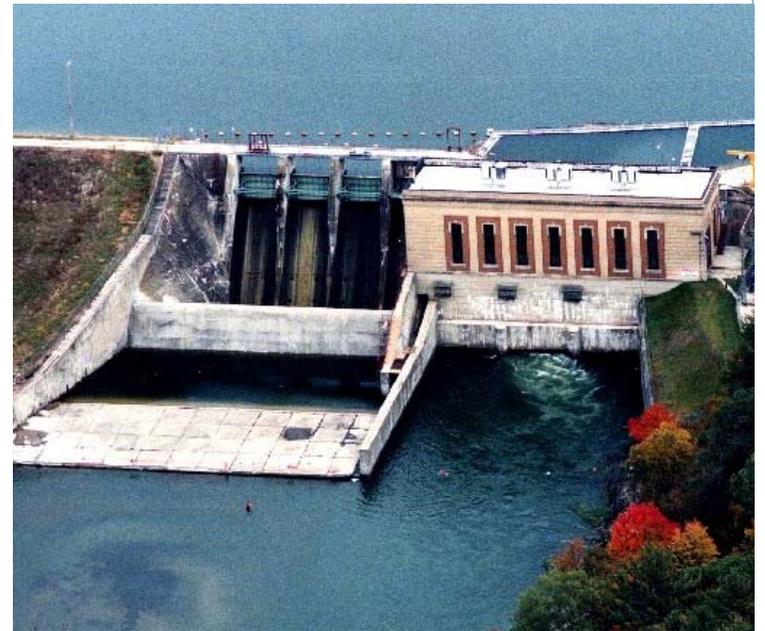
Deregulation Hurt Michigan

- Michigan's 8-year deregulation experiment failed.
- Uncertain market and regulatory environment.
- Competition and lower prices never materialized.
- Uncertainty kept utilities from investing in new power plants.



New Law: A Commonsense Solution

- In 2008, Michigan adopted landmark energy reforms.
 - 10 percent deregulation cap provides market stability, and protects customers from price spikes and enables investment.
 - A 10 percent renewable energy standard by 2015.
 - Energy efficiency programs to reduce use of electricity and natural gas.
 - A streamlined regulatory process.



Michigan's energy policy was passed with strong bipartisan support.

Delivering On Our Promises

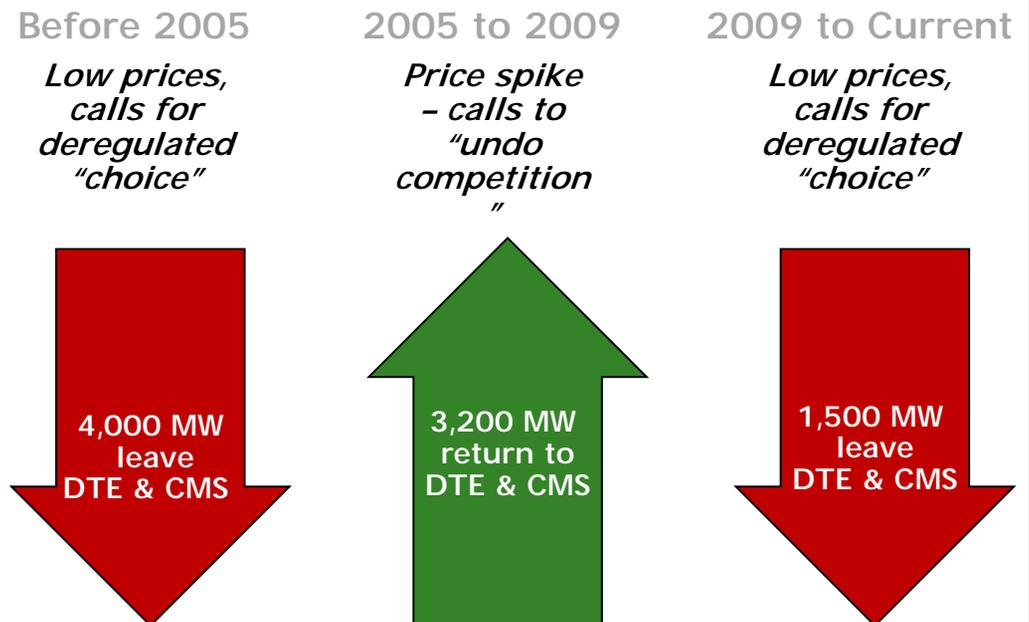
- Michigan's energy policy helps us provide:
 - Price Stability
 - Consistent Value and Reliability
 - Significant Capital Investments



Sound energy policy powers Michigan's progress and innovation.

Price Stability

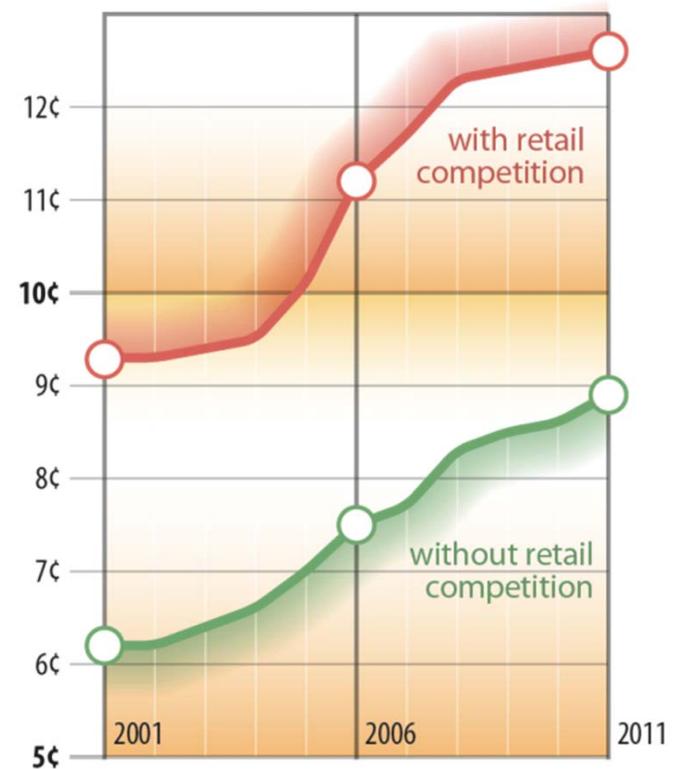
- Consumers Energy's rates are less volatile than market rates.
- Working to offer competitive rates to grow jobs.
- Deregulation cap shields customers from price spikes.
- Market rates driven by reduced demand and boom in natural gas supply – not regulation.



Price Stability

- Deregulation not the solution.
- Every 1 percent increase in deregulation means \$15 million in higher bills annually.
- Customers in many deregulated states pay more, and experience price spikes and reliability issues.

Average electric price per kWh in states with and without retail competition

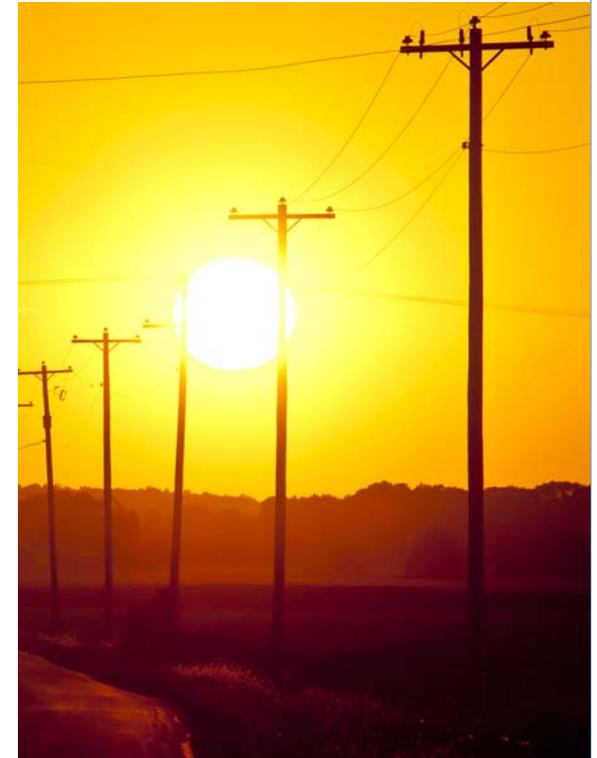


Source: Energy Information Administration

Five of six states with highest rates had deregulated markets.

Consistent Value and Reliability

- Consumers Energy customers used record amount of electricity in summer 2012.
- Customers experienced a high level of reliability.
- 62 percent fewer heat-related outages compared to 2006.
- System met the peak-load test because of \$640 million infrastructure investment.
- Met all MPSC reliability metrics for 2012.



Hard work and investments are providing reliable service for customers.

Consistent Value and Reliability

- **Balanced fuel portfolio prevents price spikes.**
- **Natural gas prices lowest in a decade, scheduled to drop additional 15 percent.**
- **Keep gas prices low by buying when cheap and storing underground.**
- **Investing to capitalize on lower cost of natural gas.**



Natural gas plays an integral role in Michigan's energy future.

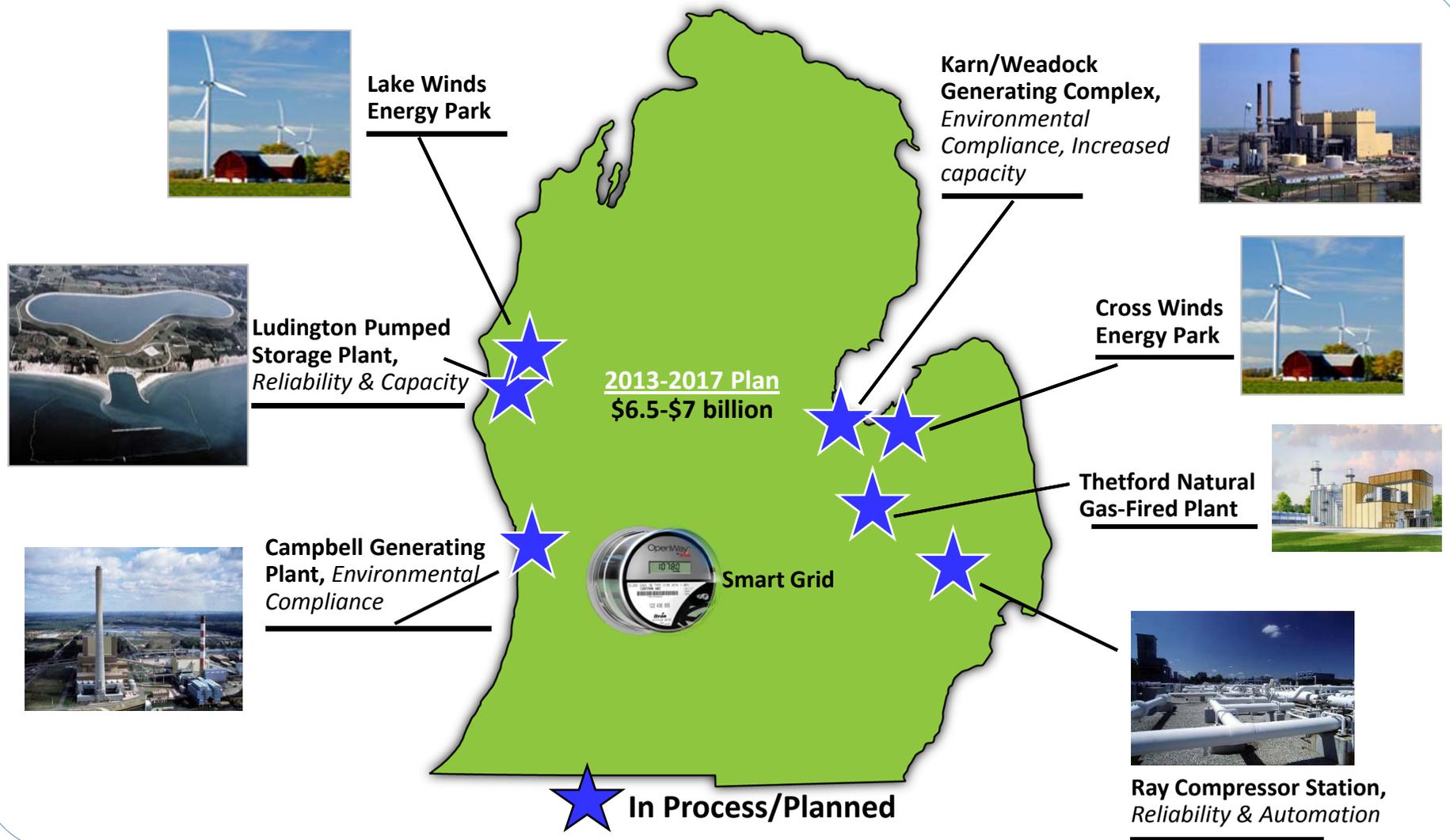
Significant Capital Investments

- Many deregulated states struggling to attract investment in new power plants.
- Consumers Energy plans to build a new \$750 million, 700-megawatt natural gas-fired generating plant near Flint.



Consumers Energy is the state's second largest investor.

Balanced, Diverse Investment in Michigan



Regulatory certainty leads to better decisions for energy investment.