

Reconciliation of CONSUMERS ENERGY 2007 Non-GAAP Cash Flow

to

Consumers Energy GAAP Cash Flow

(\$ Mills)

	Consumers Energy Non-GAAP	Reclassifi- cations/ Eliminations		Consumers Energy GAAP	
Cash from Operating Activities					
Operating earnings	\$ 638	\$ (326)	(a)	\$ 312	Net Income
Depreciation	514	10	(a)	524	Depreciation, depletion and amortization
Interest and preferred dividends	(202)	202	(a)		
		55	(a)	55	Deferred income taxes and ITC
Pension contribution		(31)	(a)	(31)	Regulatory return on capital expenditures
		124	(a)	124	Postretirement benefits expense
		44	(a)	44	Capital lease and other amortization
		33	(a)	33	Bad debt expense
		(2)	(a)	(2)	Gain on sale of assets
Dividend and tax sharing payments to parent	(254)	254	(b)		
Pension contribution	(103)	(70)		(173)	Postretirement benefits contributions
Core Working Capital	34	(405)	(b)	(371)	Changes in working capital
		(73)	(b)	(73)	Changes in other assets and liabilities
		<u>\$ (185)</u>		<u>\$ 442</u>	Net cash provided by operating activities
Cash from Investing Activities					
Capital expenditures	(738)	(1)		(739)	Capital expenditures
Zeeland purchase	(519)	-		(519)	Capital exp. for Zeeland purchase
Capital expenditures - costs to retire	(41)	13	(b)	(28)	Costs to retire property
		32	(b)	32	Restricted cash
		(1)		(1)	Investments in nuclear decommissioning trust funds
Net decommissioning funds	245	88	(b)	333	Proceeds from nuclear decommissioning trust funds
		(31)		(31)	Purchase of available-for-sale SERP investments
		29		29	Proceeds from available-for-sale SERP investments
Asset sales proceeds	\$ 305	\$ 32	(b)	\$ 337	Asset sale proceeds
		2		2	Other investing
	<u>\$ (121)</u>	<u>\$ 163</u>		<u>\$ (585)</u>	Net cash used in Investment Activities
Financing					
Cash from Financing Activities					
Debt retired	\$ (370)	\$ 336	(b)	\$ (34)	Retirement of long-term debt
		(251)	(b)	(251)	Payment of common stock dividends
		(20)	(b)	(20)	Payment of capital & finance lease obligations
Equity infusion	650			650	Stockholder's contribution, net
		\$ (1)	(b)	(1)	Payment of preferred stock dividends
		\$ (42)		(42)	Decrease in notes payable
		\$ (1)		(1)	Debt issuance and financing costs
	<u>\$ 280</u>	<u>\$ 21</u>		<u>\$ 301</u>	Net cash provided by Financing Activities
Net Increase (Decrease) in Cash	\$ 159	\$ (1)		\$ 158	Net Increase in Cash and Cash Equivalents
Cash at beginning of year	\$ 36	\$ 1		\$ 37	Cash and Cash Equivalents at Beginning of Period
Cash at end of year	\$ 195			\$ 195	Cash and Cash Equivalents at End of Period

The above adjustments were made to conform for GAAP reporting purposes. Their descriptions follow:

(a) For GAAP purposes, amounts reflected in net income under operating activities.

(b) For GAAP purposes, certain cash and non-cash impacts to non-GAAP operating earnings and working capital are reclassified between operating, investing and financing activities.

