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July 29, 2011

U.S. Securities and Exchange Commission
Office of the Chief Accountant
100 F Street, NE
Washington, DC 20549

RE: File No. 4-600, *Work Plan for the Consideration of Incorporating International Financial Reporting Standards into the Financial Reporting System for U.S. Issuers: Exploring a Possible Method of Incorporation*

We appreciate the opportunity to comment on the Securities and Exchange Commission (SEC) Staff Paper entitled, *Work Plan for the Consideration of Incorporating International Financial Reporting Standards into the Financial Reporting System for U.S. Issuers: Exploring a Possible Method of Incorporation* (the Staff Paper). This letter contains the comments of both CMS Energy Corporation and Consumers Energy Company.

CMS Energy Corporation, whose common stock is traded on the New York Stock Exchange, is a domestic energy company engaged in electric and natural gas utility services and independent power production, operating through subsidiaries in the U.S., primarily in Michigan. CMS Energy Corporation's consolidated assets are $16 billion and annual operating revenues are $6.4 billion. Consumers Energy Company, the principal subsidiary of CMS Energy Corporation, provides electricity and/or natural gas to more than 6 million of Michigan's 10 million residents and serves customers in all 68 counties of Michigan's Lower Peninsula.

Overall Assessment – While we appreciate the SEC Staff's consideration of an alternative approach to international financial reporting standards (IFRS) that is responsive to many constituent concerns, we are unconvinced that a move to IFRS would be beneficial for the U.S. financial reporting system. We anticipate no benefits for our company in particular, and we question whether a transition to IFRS would be a positive step for the U.S. economy in general. We recommend that the SEC weigh the costs and benefits of IFRS adoption before making a decision. If the Commission decides that the benefits of transitioning to IFRS will exceed the costs, then we would prefer the gradual transition approach discussed in the Staff paper as opposed to a full adoption all at once.

Suggestions on Approach – If the Commission decides to incorporate IFRS in the U.S., we have some suggestions regarding the approach discussed in the Staff Paper.

<u>Rate-regulated Accounting Guidance</u> – First, we continue to have a major concern about the lack of specific accounting guidance in IFRS for rate-regulated entities. The guidance for regulated operations in U.S. GAAP (as codified in Accounting Standards Codification Topic 980) has served the investor-owned utility industry well, and has the support of both preparers and financial statement users in the industry. We believe that, without this guidance, the incorporation of IFRS would lower substantially the quality of reported financial information provided by our company and other investor-owned utilities. It is our understanding that the

SEC staff has discussed this issue with investors and analysts in the utility industry who have supported the rate-regulated accounting model in U.S. GAAP. We would recommend that the U.S. GAAP guidance in this area be maintained.

Modifications to IFRS – Second, we think the Staff Paper may be overly optimistic about the potential for achieving complete uniformity between U.S. GAAP and IFRS. The stated objective would be that, at the end of the transition period, a U.S. issuer compliant with U.S. GAAP would also be compliant with IFRS. The paper suggests that "modifications should be rare and generally avoidable." These statements seem to anticipate almost total consistency between U.S. GAAP and IFRS, and we think that this goal is unwarranted.

The convergence projects of the FASB and the IASB have demonstrated that complete agreement may not be achievable in all circumstances, and that the FASB may decide that certain U.S. reporting concerns are more important than full convergence. As the Commission has frequently emphasized, the quality of U.S. accounting standards should never be sacrificed for the goal of convergence.

FASB Due Process – Third, it was unclear whether the FASB would follow its standard due process under the Staff Paper's approach. For example, the paper did not clarify whether the FASB would expose all proposed changes for public comment and consider the feedback received in making decisions about IFRS. We would expect that the FASB's established due process would be followed as part of any IFRS endorsement protocol.

Final Considerations – If the Commission decides to follow the approach discussed in the Staff Paper, it will be critical for the FASB to develop a comprehensive transition plan, as recognized in the Staff Paper. This plan should include details on the specific IFRS guidance that will be assessed for endorsement in the U.S., and the timing of this assessment.

Also, we understand that developing a timeline for a potential transition was beyond the scope of the Staff Paper. We believe, however, that the five-to-seven-year transition period mentioned in the paper is aggressive. Incorporating IFRS in the U.S. would involve many complex issues and would impact multiple parties. The convergence projects of the FASB and the IASB have demonstrated the need for sufficient time to consider changes appropriately and to incorporate feedback from all stakeholders.

We appreciate the opportunity to comment on the Staff Paper and to have input into what will be a major decision for the U.S. capital markets.

Sincerely,

Glenn P. Barba

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Vice President, Controller and Chief Accounting Officer
CMS Energy Corporation and Consumers Energy Company