

September 29, 2011

Public Company Accounting Oversight Board  
Office of the Secretary  
1666 K Street, N.W.  
Washington, DC 20006-2803

**Glenn P. Barba**  
Vice President, Controller  
and Chief Accounting Officer

RE: PCAOB Rulemaking Docket Matter No. 34

We appreciate the opportunity to comment on Public Company Accounting Oversight Board (PCAOB) Release No. 2011-003, *Concept Release on Possible Revisions to PCAOB Standards Related to Reports on Audited Financial Statements* (the Concept Release). 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** – We recognize that some investors have suggested that auditors' reports would be more relevant and transparent if they contained more information. In response, the PCAOB has proposed establishing requirements for an Auditor's Discussion and Analysis (AD&A), emphasis paragraphs in audit opinions, auditor reporting on information outside the financial statements, and/or clarification of certain language in the auditor's report. For the reasons given below, we believe that management, not the auditor, is best positioned to provide investors with information and commentary on a company's financial statements. In our opinion, any concerns that companies' disclosures are incomplete or unreliable should be addressed through the existing standard-setting, enforcement, and audit processes, rather than through a change to the auditor's reporting model.

#### Auditor's Discussion and Analysis and Required and Expanded Use of Emphasis Paragraphs

The Concept Release proposes that the auditor provide a supplemental AD&A, which would be a narrative report offering a view on the audit and financial statements, and/or include emphasis paragraphs in the auditor's report that highlight significant matters. We understand that these proposals are in response to some investors' desire for more information and commentary from auditors on companies' financial statements. These investors have stated that the auditor is uniquely positioned to provide such information and commentary because of the knowledge gained through the audit process combined with the auditor's independence.

We believe that commentary on a company's financial statements should come from a single source, rather than from both management and the auditor. Providing two perspectives on a single set of financial statements has the potential to confuse users and to reduce confidence in

reported information. Moreover, if investors desire further commentary on a company's financial statements, then the best source of this information is the company's management. Though an auditor's understanding of a company's financial statements is more extensive than that of other third parties, it is still less complete than that of management. The degree to which the auditor must gain an understanding of the company's business, industry, transactions, and financial statements in order to render an audit opinion is substantially less than the depth of understanding required of the company's management. Correspondingly, the time the auditor devotes to gaining an understanding of these matters is a small fraction of the time invested by management. For these reasons, commentary on the financial statements should come from management, not the auditor.

The concerns of investors described in the Concept Release are best addressed through existing regulatory structures and roles. Any perceived deficiencies in existing disclosure requirements regarding such matters as significant risks and uncertainties, critical accounting estimates, unusual transactions, or alternative accounting policies should be addressed through the established standard-setting and rulemaking structures at the Financial Accounting Standards Board and the Securities Exchange Commission (SEC), rather than through a change to the auditor's reporting model. Further, any concerns that companies are not complying with existing disclosure requirements, or that the associated disclosures are unreliable, should be addressed through audits or through the SEC's review of company filings.

Such concerns should not lead to a requirement that the auditor publish information or commentary on a company's financial statements independently of management. Today, management is accountable for the quality and content of its SEC filings. In our opinion, the inclusion of commentary from the auditor in a company's SEC filings would represent an inappropriate departure from the auditor's attestation role, and a blurring of the present lines of responsibility according to which management prepares the financial statements and the auditor opines on these statements. The proposal would cast the auditor into the role of co-preparer, together with management, of public disclosures about a company; however, the auditor's public statements would not be subject to independent verification, except perhaps informally by the company's own management. Such a role reversal seems analogous to requiring the company's management to publish interpretive commentary on the design and execution of the audit engagement.

Additionally, as proposed in the Concept Release, the information that would be communicated in the AD&A and emphasis paragraphs would be similar to the information that the auditor now provides to the audit committee, whose role includes overseeing financial reporting and monitoring accounting policies on behalf of the company's investors. In many instances, the information reported in the AD&A would relate to complex issues that involve significant management judgment and that require a deep understanding of the company's business, industry, and specific transactions, as well as of complex accounting literature. Audit committee members have the expertise and background for this analysis. If such information were provided to investors with the full context needed to make it comprehensible, the extensive background details and technical explanations could ultimately create confusion and uncertainty among investors rather than provide insight.

Auditor Assurance on Other Information Outside of the Financial Statements

The Concept Release also proposes that the auditor provide assurance on information outside the financial statements, such as management's discussion and analysis (MD&A), earnings press releases, and non-GAAP information. The objective would be to give investors more confidence in the information that management provides in these communications.

As the SEC has stated in its guidance, "MD&A should be a discussion and analysis of a company's business as seen through the eyes of those who manage that business. Management has a unique perspective on its business that only it can present." Accordingly, much of the information contained in MD&A is highly subjective. We believe that the auditor's present responsibilities with respect to this information – reading and considering whether such information is materially inconsistent with the financial statements or represents a material misstatement of fact – are appropriate. Today, auditing standards contain guidelines for attestation engagements regarding MD&A. If investors had a compelling need for such assurance, then shareholders would put pressure on companies to incur the costs of attestation engagements. The number of such engagements now performed, however, does not support the view that a universal requirement for auditor assurance regarding MD&A would justify the cost.

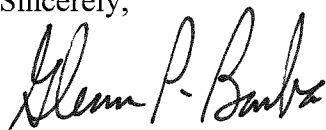
Regarding earnings press releases, the capital markets offer sufficient disincentives for companies to issue press releases that contradict their audited financial statements, and auditor assurance would add little value to the earnings-release process. Moreover, existing standards regulate the use of non-GAAP information in such communications, and require that non-GAAP information be reconciled to the GAAP information in the audited financial statements.

Clarification of the Standard Auditor's Report

We do not oppose the proposal to add language to the standard auditor's report clarifying what an audit represents and describing the related auditor responsibilities, if there is sufficient evidence that many investors do not understand these concepts.

**Final Considerations** – In conclusion, while we appreciate the PCAOB's effort to respond to investor concerns, we believe that any information or commentary on a company's financial statements should originate from management, not the auditor. Furthermore, any concerns that disclosure of such information is inadequate should be addressed through normal standard-setting, enforcement, and audit processes, rather than through a change to the auditor's reporting model. Thank you for the opportunity to comment on the Concept Release.

Sincerely,



Glenn P. Barba  
Vice President, Controller and Chief Accounting Officer  
CMS Energy Corporation and Consumers Energy Company