UNITED STATES SECURITIES AND EXCHANGE COMMISSION
WASHINGTON, DC 20549

FORM 10-Q

[X] QUARTERLY REPORT PURSUANT TO SECTION 13 OR 15(d)
OF THE SECURITIES EXCHANGE ACT OF 1934
FOR THE QUARTERLY PERIOD ENDED SEPTEMBER 30, 2000

OR

[ ] TRANSITION REPORT PURSUANT TO SECTION 13 OR 15(d)
OF THE SECURITIES EXCHANGE ACT OF 1934
For the transition period from ____ to _____

Commission File Number	Registrant; State of Incorporation; Address; and Telephone Number	IRS Employer Identification No.
1-9513	CMS ENERGY CORPORATION (A Michigan Corporation) Fairlane Plaza South, Suite 1100 330 Town Center Drive, Dearborn, Michigan 48126 (313)436-9200	38-2726431
1-5611	CONSUMERS ENERGY COMPANY (A Michigan Corporation) 212 West Michigan Avenue, Jackson, Michigan 49201 (517)788-0550	38-0442310
1-2921	PANHANDLE EASTERN PIPE LINE COMPANY (A Delaware Corporation) 5444 Westheimer Road, P.O. Box 4967, Houston, Texas 77210-4967 (713)989-7000	44-0382470

Indicate by check mark whether the Registrants (1) have filed all reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 during the preceding 12 months(or for such shorter period that the Registrants were required to file such reports), and (2) have been subject to such filing requirements for the past 90 days. Yes X No

Panhandle Eastern Pipe Line Company meets the conditions set forth in General Instructions H(1)(a) and (b) of Form 10-Q and is therefore filing this Form 10-Q with the reduced disclosure format. In accordance with Instruction H, Part I, Item 2 has been reduced and Part II, Items 2, 3 and 4 have been omitted.

Number of shares outstanding of each of the issuer's classes of common stock at October 31, 2000:

CMS ENERGY CORPORATION:	
CMS Energy Common Stock, $.01 par value	120,876,752
CMS Energy Class G Common Stock, no par value	0
CONSUMERS ENERGY COMPANY, $10 par value, privately held by CMS Energy	84,108,789
PANHANDLE EASTERN PIPE LINE COMPANY, no par value, indirectly privately held by CMS Energy	1,000

CMS ENERGY CORPORATION
AND
CONSUMERS ENERGY COMPANY
AND
PANHANDLE EASTERN PIPE LINE COMPANY

QUARTERLY REPORTS ON FORM 10-Q TO THE SECURITIES AND EXCHANGE COMMISSION
FOR THE QUARTER ENDED SEPTEMBER 30, 2000

This combined Form 10-Q is separately filed by each of CMS Energy Corporation, Consumers Energy Company and Panhandle Eastern Pipe Line Company. Information contained herein relating to each individual registrant is filed by such registrant on its own behalf. Accordingly, except for their respective subsidiaries, Consumers Energy Company and Panhandle Eastern Pipe Line Company make no representation as to information relating to any other companies affiliated with CMS Energy Corporation.

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GLOSSARY

Certain terms used in the text and financial statements are defined below.

ABATE	Association of Businesses Advocating Tariff Equity
ALJ	Administrative Law Judge
Alliance	Alliance Regional Transmission Organization
Articles	Articles of Incorporation
Attorney General	Michigan Attorney General
bcf	Billion cubic feet
Big Rock	Big Rock Point nuclear power plant, owned by Consumers
Board of Directors	Board of Directors of CMS Energy
Btu	British thermal unit
Class G Common Stock	One of two classes of common stock of CMS Energy, no par value, which reflects the separate performance of the Consumers Gas Group, redeemed in October 1999.
Clean Air Act	Federal Clean Air Act, as amended
CMS Electric and Gas	CMS Electric and Gas Company, a subsidiary of Enterprises
CMS Energy	CMS Energy Corporation, the parent of Consumers and Enterprises
CMS Energy Common Stock	One of two classes of common stock of CMS Energy, par value $.01 per share
CMS Gas Transmission	CMS Gas Transmission Company, a subsidiary of Enterprises
CMS Generation	CMS Generation Co., a subsidiary of Enterprises
CMS Holdings	CMS Midland Holdings Company, a subsidiary of Consumers
CMS Midland	CMS Midland Inc., a subsidiary of Consumers
CMS MST	CMS Marketing, Services and Trading Company, a subsidiary of Enterprises
CMS Oil and Gas	CMS Oil and Gas Company, a subsidiary of Enterprises
CMS Panhandle Holding	CMS Panhandle Holding Company, a subsidiary of CMS Gas Transmission
Common Stock	All classes of Common Stock of CMS Energy and each of its subsidiaries, or any of them individually, at the time of an award or grant under the Performance Incentive Stock Plan
Consumers	Consumers Energy Company, a subsidiary of CMS Energy
Consumers Gas Group	The gas distribution, storage and transportation businesses currently conducted by Consumers and Michigan Gas Storage
Court of Appeals	Michigan Court of Appeals
Customer Choice Act	Customer Choice and Electricity Reliability Act, a Michigan statute enacted in June 2000 that allows all retail customers choice of alternative electric suppliers no later than January 1, 2002, provides for full recovery of net stranded costs and implementation costs, establishes a five percent reduction in residential rates, establishes rate freeze and rate cap, and allows for securitization
Detroit Edison	The Detroit Edison Company, a non-affiliated company
DOE	U.S. Department of Energy
Dow	The Dow Chemical Company, a non-affiliated company
Duke Energy	Duke Energy Corporation, a non-affiliated company

EITF............................ Emerging Issues Task Force
Enterprises..................... CMS Enterprises Company, a subsidiary of CMS Energy
EPA............................. Environmental Protection Agency
EPS............................. Earnings per share

FASB............................ Financial Accounting Standards Board
FERC............................ Federal Energy Regulatory Commission
FMLP............................ First Midland Limited Partnership, a partnership which holds a 75.5% lessor interest in the Midland Cogeneration Venture facility
FTC............................. Federal Trade Commission

GCR............................. Gas cost recovery
GTNs............................ CMS Energy General Term Notes(R), $250 million Series A, $125 million Series B, $150 million Series C, $200 million Series D and $400 million Series E

Huron........................... Huron Hydrocarbons, Inc., a subsidiary of Consumers

kWh............................. Kilowatt-hour

Loy Yang........................ The 2,000 MW brown coal fueled Loy Yang A power plant and an associated coal mine in Victoria, Australia, in which CMS Generation holds a 50 percent ownership interest
LNG............................. Liquefied natural gas
Ludington....................... Ludington pumped storage plant, jointly owned by Consumers and Detroit Edison

mcf............................. Thousand cubic feet
MCV Facility.................... A natural gas-fueled, combined-cycle cogeneration facility operated by the MCV Partnership
MCV Partnership................. Midland Cogeneration Venture Limited Partnership in which Consumers has a 49 percent interest through CMS Midland
MD&A............................ Management's Discussion and Analysis
MEPCC........................... Michigan Electric Power Coordination Center
Michigan Gas Storage............ Michigan Gas Storage Company, a subsidiary of Consumers
Michigan State Utility Workers Council.............. The executive board and negotiating body for local chapters of the Union
Michigan Transco................ Michigan Electric Transmission Company
MMBtu........................... Million British thermal unit
MPSC............................ Michigan Public Service Commission
MW.............................. Megawatts

NEIL............................ Nuclear Electric Insurance Limited, an industry mutual insurance company owned by member utility companies
NMC............................. Nuclear Management Company, formed in 1999 by Northern States Power Company (now Xcel Energy Inc.), Alliant Energy, Wisconsin Electric Power Company, and Wisconsin Public Service Company to operate and manage nuclear capacity owned by the four utilities.
NOx............................. Nitrogen Oxide
NRC............................. Nuclear Regulatory Commission
NYMEX........................... New York Mercantile Exchange

Outstanding Shares.............. Outstanding shares of Class G Common Stock

Palisades....................... Palisades nuclear power plant, owned by Consumers

Panhandle....................... Panhandle Eastern Pipe Line Company, including its subsidiaries Trunkline, Pan Gas Storage, Panhandle Storage, and Trunkline LNG. Panhandle is a wholly owned subsidiary of CMS Gas Transmission

Panhandle Eastern Pipe Line..... Panhandle Eastern Pipe Line Company, a wholly owned subsidiary of CMS Gas Transmission

Panhandle Storage............... CMS Panhandle Storage Company, a subsidiary of Panhandle Eastern Pipe Line Company

PCBs............................ Poly chlorinated biphenyls

PECO............................ PECO Energy Company, a non-affiliated company

PPA............................. The Power Purchase Agreement between Consumers and the MCV Partnership with a 35-year term commencing in March 1990

PSCR............................ Power supply cost recovery

RTO............................. Regional Transmission Organization

Sea Robin....................... Sea Robin Pipeline Company

SAB............................. Staff Accounting Bulletin

SEC............................. U.S. Securities and Exchange Commission

Securitization.................. A financing authorized by statute in which the statutorily assured flow of revenues from a portion of the rates charged by a utility to its customers is set aside and pledged as security for the repayment of rate reduction bonds issued by a special purpose entity affiliated with such utility.

Senior Credit Facility.......... $1 billion one-year revolving credit facility maturing in June 2001

SFAS............................ Statement of Financial Accounting Standards

SOP............................. Statement of Position

Stranded Costs.................. Costs incurred by utilities in order to serve their customers in a regulated monopoly environment, but which may not be recoverable in a competitive environment because of customers leaving their systems and ceasing to pay for their costs. These costs could include owned and purchased generation and regulatory assets.

Superfund....................... Comprehensive Environmental Response, Compensation and Liability Act

TBtu............................ Trillion british thermal unit

Transition Costs................ Stranded Costs, as defined, plus the costs incurred in the transition to competition.

Trunkline....................... Trunkline Gas Company, a subsidiary of Panhandle Eastern Pipe Line Company

Trunkline LNG................... Trunkline LNG Company, a subsidiary of Panhandle Eastern Pipe Line Company

Trust Preferred Securities...... Securities representing an undivided beneficial interest in the assets of statutory business trusts, which interests have a preference with respect to certain trust distributions over the interests of either CMS Energy or Consumers, as applicable, as owner of the common beneficial interests of the trusts

Union........................... Utility Workers of America, AFL-CIO

CMS Energy Corporation
MANAGEMENT'S DISCUSSION AND ANALYSIS

CMS Energy is the parent holding company of Consumers and Enterprises. Consumers is a combination electric and gas utility company serving the Lower Peninsula of Michigan. Enterprises, through subsidiaries, is engaged in several domestic and international diversified energy businesses including: natural gas transmission, storage and processing; independent power production; oil and gas exploration and production; energy marketing, services and trading; and international energy distribution. On March 29, 1999, CMS Energy completed the acquisition of Panhandle, as further discussed in the Capital Resources and Liquidity section of this MD&A and Note 1. Panhandle is primarily engaged in the interstate transportation and storage of natural gas.

The MD&A of this Form 10-Q should be read along with the MD&A and other parts of CMS Energy's 1999 Form 10-K. This MD&A also refers to, and in some sections specifically incorporates by reference, CMS Energy's Condensed Notes to Consolidated Financial Statements and should be read in conjunction with such Statements and Notes. This report and other written and oral statements made by CMS Energy from time to time contain forward-looking statements as defined by the Private Securities Litigation Reform Act of 1995. The words "anticipates," "believes," "estimates," "expects," "intends," and "plans," and variations of such words and similar expressions, are intended to identify forward-looking statements that involve risk and uncertainty. These forward-looking statements are subject to various factors which could cause CMS Energy's actual results to differ materially from those anticipated in such statements. CMS Energy disclaims any obligation to update or revise forward-looking statements, whether from new information, future events or otherwise. CMS Energy details certain risk factors, uncertainties and assumptions in this MD&A and particularly in the section entitled "CMS Energy, Consumers and Panhandle Forward-Looking Statements Cautionary Factors" in CMS Energy's 1999 Form 10-K Item 1 and periodically in various public filings it makes with the SEC. This discussion of potential risks and uncertainties is by no means complete but is designed to highlight important factors that may impact CMS Energy's outlook. This report also describes material contingencies in the Condensed Notes to Consolidated Financial Statements and readers are encouraged to read such Notes.

RESULTS OF OPERATIONS

CMS ENERGY CONSOLIDATED EARNINGS

	In Millions, Except Per Share Amounts		
Three months ended September 30,	2000	1999	Change
Consolidated Net Income	$ 55	$ 83	$ (28)
Net Income Attributable to Common Stocks:			
CMS Energy	55	86	(31)
Class G	-	(3)	3
Earnings Per Average Common Share:			
CMS Energy			
Basic	.51	.79	(.28)
Diluted	.51	.78	(.27)
Class G			
Basic and Diluted	-	(.38)	.38

In Millions, Except Per Share Amounts			
Nine months ended September 30,	2000	1999	Change
Consolidated Net Income	$ 216	$ 256	$ (40)
Net Income Attributable to Common Stocks:			
CMS Energy	216	248	(32)
Class G	-	8	(8)
Earnings Per Average Common Share:			
CMS Energy			
Basic	1.95	2.29	(.34)
Diluted	1.93	2.25	(.32)
Class G			
Basic and Diluted	-	.90	(.90)

The decrease in consolidated net income for the third quarter 2000 over the comparable period in 1999 resulted from decreased earnings from the electric utility, independent power production and marketing, services and trading businesses, coupled with higher interest expense. Partially offsetting these decreases were increased earnings from the gas utility business and from CMS Energy's other diversified energy businesses, including the natural gas transmission business, the oil and gas exploration and production business, and the international energy distribution business, as well as gains on the sale of non-strategic assets. CMS Energy's recurring asset optimization program is expected to generate $50 million of pre-tax gains, or approximately $.30 per diluted share, from asset sales annually. Third quarter 2000 results include approximately $5 million, or $.04 per diluted share, of after-tax gains from major asset sales, all of which exceeds the amount CMS Energy expects to sustain in future years.

The decrease in consolidated net income for the nine months ended September 30, 2000 over the comparable period in 1999 resulted from decreased earnings from the electric and gas utilities, coupled with higher interest expense principally related to the Panhandle acquisition. Partially offsetting these decreases were increased earnings from CMS Energy's diversified energy businesses, including the natural gas transmission business primarily reflecting ownership of Panhandle for the entire first nine months of 2000 versus only the second and third quarters of 1999, the independent power production business, the oil and gas exploration and production business, the international energy distribution business, and the marketing, services and trading business, as well as gains on the sale of non-strategic assets. The nine months ended September 30, 2000 results include approximately $55 million, or $.47 per diluted share, of after-tax gains from major asset sales. Approximately $.17 per diluted share of after-tax gains exceeds the amount CMS Energy expects to sustain in future years as part of its recurring asset optimization program.

For further information, see the individual results of operations for each CMS Energy business segment in this MD&A.

CONSUMERS' ELECTRIC UTILITY RESULTS OF OPERATIONS

ELECTRIC PRETAX OPERATING INCOME: For the three months ended September 30, 2000, electric pretax operating income decreased $50 million from the comparable period in 1999. The earnings decrease reflects lower temperature-related electric revenues, the purchase of electricity options, which were not needed due to the milder-than-expected summer temperatures, and the passage of the Customer Choice Act in Michigan, partially offset by decreased operating expenses. The Customer Choice Act required an immediate five percent electric rate reduction for residential customers, while commercial and industrial rates remain unchanged. Power costs increased significantly due to higher purchased electricity options costs in anticipation of a predicted hot summer that did not materialize and due to additional purchased power as a result of unscheduled outages at Consumers' internal generating facilities. For the nine months ended September 30, 2000, electric pretax operating income decreased $83 million from the comparable period in 1999. The earnings decrease reflects the increased cost of power and electricity options and the impact of the electric rate reduction, partially offset by increased electric sales revenue and decreased operations expenses. During the current year, Consumers needed additional purchased power to meet customer requirements due to scheduled and unscheduled outages at Consumers' internal generating facilities. Consumers also had higher costs to purchase electricity options this year to ensure an adequate supply of power for its customers for a predicted hotter-than-normal summer. Current-year operating expenses also reflect benefits of $11 million related to reductions in employee paid absence cost. The following table quantifies these impacts on pretax operating income:

		In Millions
Change Compared to Prior Year	Three Months Ended September 30 2000 vs 1999	Nine Months Ended September 30 2000 vs 1999
Electric deliveries	$ (7)	$ 5
Power supply costs and related revenue	(45)	(70)
Rate decrease	(14)	(19)
Non-commodity revenue	7	3
Operation and maintenance expense	11	2
General taxes and depreciation expense	(2)	(4)
Total change	$ (50)	$ (83)

ELECTRIC DELIVERIES: Electric deliveries were 10.7 billion kWh for the three months ended September 30, 2000, slightly less than the third quarter of 1999. Electric deliveries were 30.4 billion kWh for the nine months ended September 30, 2000, again a slight decrease from the corresponding 1999 period. Total electric deliveries decreased due to lower intersystem sales, and less usage by residential and industrial customers.

POWER SUPPLY COSTS:

			In Millions
September 30	2000	1999	Change
Three months ended	$ 355	$ 335	$ 20
Nine months ended	949	906	43

Power supply costs increased for the three months ended September 30, 2000 from the comparable period in 1999 and also increased for the nine-month period, primarily due to higher interchange power costs and electricity options costs. Consumers had to purchase more, higher-priced external power because of decreased internal generation resulting from scheduled and unscheduled outages. Consumers also incurred higher electricity options costs to reserve the availability of extra power in 2000 due to a predicted hotter-than-normal summer.

CONSUMERS' GAS UTILITY RESULTS OF OPERATIONS

GAS PRETAX OPERATING INCOME: Gas pretax operating income increased by $15 million in the three months ended September 30, 2000. The earnings increase reflects higher gas deliveries due to cooler temperatures in the three months ended September 30, 2000, lower operating costs and the absence of a 1999 regulatory disallowance of $7 million. Gas pretax operating income decreased in the nine months ended September 30, 2000 by $43 million. The earnings decrease primarily reflects the recording of a $45 million regulatory obligation related to gas prices, which are significantly above the gas commodity rate that is frozen through March 31, 2001. This frozen commodity rate relates to a three-year experimental gas choice pilot program, which provides Consumers the opportunity to benefit or lose from changes in commodity gas prices. See Note 2, Uncertainties, "Gas Rate Matters -- Gas Restructuring", for more detailed information on this matter. The earnings decrease also reflects decreased gas deliveries in the nine months ended September 30, 2000 due to warmer temperatures during the first quarter of 2000. Partially offsetting these decreases were increased gas wholesale and retail services revenue and lower operating costs including benefits of $5 million related to reductions in employee paid absence cost. The following table quantifies these impacts on Pretax Operating Income.

In Millions

Change Compared to Prior Year	Three Months Ended September 30 2000 vs 1999	Nine Months Ended September 30 2000 vs 1999
Gas deliveries	$ 5	$ (2)
Gas commodity costs and related revenue	8	(52)
Gas wholesale and retail services	1	5
Operation and maintenance expense	4	7
General taxes and depreciation expense	(3)	(1)
Total change	$ 15	$ (43)

GAS DELIVERIES: Gas system deliveries for the three months ended September 30, 2000, including miscellaneous transportation, totaled 45 bcf, an increase of 1 bcf or 3 percent from the comparable period in 1999. The increased deliveries reflect cooler temperatures during the third quarter of 2000. Gas system deliveries for the nine months ended September 30, 2000, including miscellaneous transportation, totaled 273 bcf, an increase of 1 bcf or .1 percent from the comparable period in 1999.

COST OF GAS SOLD:

In Millions

September 30	2000	1999	Change
Three months ended	$ 60	$ 44	$ 16
Nine months ended	450	428	22

The cost of gas sold increased for the three months ended September 30, 2000 due to higher gas prices and increased gas deliveries due to cooler than normal temperature. Higher gas prices also impacted the cost of gas sold for the nine months ended September 30, 2000. These higher gas costs were partially offset by decreased sales from warmer-than-normal temperatures during the first quarter of 2000.

NATURAL GAS TRANSMISSION RESULTS OF OPERATIONS

PRETAX OPERATING INCOME: Pretax operating income for the three months ended September 30, 2000 increased $2 million (4 percent) from the comparable period in 1999. The increase reflects increased earnings primarily from a more than 100 percent increase in LNG shipments over the comparable period in 1999, partially offset by decreased earnings from international operations. Pretax operating income for the nine months ended September 30, 2000 increased $80 million (87 percent) from the comparable period in 1999. The increase reflects earnings from Panhandle and Sea Robin, which CMS Energy acquired in March 1999 and March 2000, respectively, as well as increased earnings from other international and domestic operations and lower operating expenses.

INDEPENDENT POWER PRODUCTION RESULTS OF OPERATIONS

PRETAX OPERATING INCOME: Pretax operating income for the three months ended September 30, 2000 decreased $3 million (6 percent) from the comparable period in 1999. The decrease primarily reflects decreased domestic plant earnings, primarily resulting from the sale of the Lakewood plant in May 2000, and higher operating expenses. Partially offsetting these decreases were the earnings benefits from a new facility in Africa and increased earnings from other international plant operations. Pretax operating income for the nine months ended September 30, 2000 increased $16 million (13 percent) from the comparable period in 1999. The increase is attributable to earnings from the new African facility and an Asian facility that commenced operations in the third quarter of 1999, the restructuring of a power supply contract and increased earnings from other international plant operations. Partially offsetting these increases were decreased earnings from domestic plants primarily due to the sale of the Lakewood plant in May 2000 and lower earnings from the MCV Facility, a scheduled reduction in operating fees and higher operating expenses.

OIL AND GAS EXPLORATION AND PRODUCTION RESULTS OF OPERATIONS

PRETAX OPERATING INCOME: Pretax operating income for the three months ended September 30, 2000 increased $9 million (225 percent) from the comparable period in 1999 as a result of higher realized commodity prices, increased production from Venezuelan properties, and increased production from new core areas, including West Texas and Powder River properties, and decreased exploration, depreciation, depletion and amortization expenses. This increase was partially offset by increased general and administrative expenses and reduced earnings from northern Michigan and Ecuador properties, which were sold in March 2000 and June 2000, respectively. Pretax operating income for the nine months ended September 30, 2000 increased $12 million (109 percent) from the comparable period in 1999 as a result of higher realized commodity prices, increased production from Venezuelan properties, increased production from new core areas, including West Texas and Powder River properties, and decreased depreciation, depletion and amortization expenses due to the sale of the Michigan and Ecuador properties, partially offset by lower production as a result of the aforementioned sales and higher operating, general and administrative, and exploration costs.

MARKETING, SERVICES AND TRADING RESULTS OF OPERATIONS

PRETAX OPERATING INCOME: Pretax operating income for the three months ended September 30, 2000 decreased $2 million from the comparable period in 1999. The decrease primarily reflects decreased earnings from power trading activities, primarily due to cooler than normal summer weather in Michigan, partially offset by increased earnings from wholesale gas activities, which benefited from natural gas market price increases. The volumes of marketed natural gas and power traded increased 72 percent and over 1,000 percent, respectively. Pretax operating income for the nine months ended September 30, 2000 increased $2 million from the comparable period in 1999 as a result of increased wholesale gas earnings due to capturing gains from natural gas price market volatility, increased LNG sales and earnings benefits from an energy management services acquisition made in late 1999. The volumes of marketed natural gas and power traded increased 65 percent and 546 percent, respectively. Partially offsetting these increases were decreased earnings from power trading activities, primarily due to cooler than normal summer weather in Michigan.

INTERNATIONAL ENERGY DISTRIBUTION RESULTS OF OPERATIONS

PRETAX OPERATING INCOME: Pretax operating income for the three months ended September 30, 2000 increased $8 million from the comparable period in 1999. The increase primarily reflects earnings from new investments in a Brazilian electric distribution utility, increased earnings from Argentine and Venezuelan electric distribution utilities, and lower operating expenses. Pretax operating income for the nine months ended September 30, 2000 increased $22 million from the comparable period in 1999. The increase is the result of increased earnings from new investments in a Brazilian electric distribution utility, increased earnings from Argentine and Venezuelan electric distribution utilities, and lower operating expenses.

MARKET RISK INFORMATION

CMS Energy is exposed to market risks including, but not limited to, changes in interest rates, currency exchange rates, and certain commodity and equity security prices. Management employs established policies and procedures to manage its risks associated with these market fluctuations, including the use of various derivative instruments such as futures, swaps, options and forward contracts. Management believes that any losses incurred on derivative instruments used to hedge risk would be offset by an opposite movement of the value of the hedged item.

In accordance with SEC disclosure requirements, CMS Energy has performed sensitivity analyses to assess the potential loss in fair value, cash flows and earnings based upon hypothetical 10 percent increases and decreases in market exposures. Management does not believe that sensitivity analyses alone provide an accurate or reliable method for monitoring and controlling risks. Therefore, CMS Energy and its subsidiaries rely on the experience and judgment of senior management and traders to revise strategies and adjust positions as they deem necessary. Losses in excess of the amounts determined in the sensitivity analyses could occur if market rates or prices exceed the 10 percent shift used for the analyses.

COMMODITY PRICE RISK: CMS Energy, through its subsidiaries, is exposed to market fluctuations in the price of natural gas, oil, electricity and natural gas liquids. CMS Energy employs established policies and procedures to manage these risks using various commodity derivatives, including futures contracts, options and swaps (which require a net cash payment for the difference between a fixed and variable price.) The prices of these energy commodities can fluctuate, among other things, because of changes in the supply of and demand for those commodities. To minimize adverse price changes, CMS Energy also hedges certain inventory and purchases and sales contracts. Based on a sensitivity analysis, CMS Energy estimates that if energy commodity prices average 10 percent higher or lower, pretax operating income for the subsequent twelve months would increase or decrease, respectively, by approximately $17 million. These hypothetical 10 percent shifts in quoted commodity prices would not have had a material impact on CMS Energy's consolidated financial position or cash flows as of September 30, 2000. The analysis assumes that the maximum exposure associated with purchased options is premiums paid for the options. The analysis also does not quantify short-term exposure to hypothetically adverse price fluctuations in commodity inventories.

INTEREST RATE RISK: CMS Energy is exposed to interest rate risk resulting from the issuance of fixed-rate debt, variable-rate debt and trust preferred securities, and interest rate swaps and interest rate lock agreements. CMS Energy uses a combination of fixed-rate and variable-rate debt, as well as interest rate swaps and rate locks to manage and mitigate interest rate risk exposure when deemed appropriate, based upon market conditions. CMS Energy employs these strategies to attempt to provide and maintain the lowest cost of capital. In August 2000, CMS Energy entered into floating-to-fixed interest rate swap agreements for a total notional amount of $1.0 billion to exchange variable rate interest payment obligations to fixed rate obligations to minimize potential adverse interest rate changes. At September 30, 2000 the carrying amounts of long-term debt and trust preferred securities were $7.2 billion and $1.1 billion, respectively, with corresponding fair values of $7.0 billion and $1.0 billion, respectively. The fair value of CMS Energy's interest rate swaps at September 30, 2000, with a notional amount of $1.7 billion, was $4 million, representing the amount CMS Energy would pay upon settlement. Based on a sensitivity analysis at September 30, 2000, CMS Energy estimates that if market interest rates average 10 percent higher or lower, pretax operating income for the subsequent twelve months would decrease or increase, respectively, by approximately $7 million. In addition, based on a 10 percent adverse shift in market rates, CMS Energy would have an exposure of approximately $365 million to the fair value of its long-term debt and trust preferred securities if it had to refinance all of its long-term fixed-rate debt and trust preferred securities. CMS Energy does not intend to refinance its fixed-rate debt and trust preferred securities in the near term and believes that any adverse change in interest rates would not have a material effect on CMS Energy's consolidated financial position or cash flows as of September 30, 2000.

CURRENCY EXCHANGE RISK: CMS Energy is exposed to foreign currency risk that arises from investments in foreign operations. CMS Energy uses forward exchange and option contracts to hedge certain investments in foreign operations. At September 30, 2000, CMS Energy's primary foreign currency exchange rate exposures were the Brazilian real, the Argentine peso and the Australian dollar. Based on a sensitivity analysis at September 30, 2000, a 10 percent adverse shift in currency exchange rates would not have a material effect on CMS Energy's consolidated financial position or results of operations as of September 30, 2000, but would result in a net cash settlement of approximately $26 million. The estimated fair value of the foreign exchange and option contracts at September 30, 2000 was $24 million, representing the amount CMS Energy would pay upon settlement.

EQUITY SECURITY PRICE RISK: CMS Energy and certain of its subsidiaries have equity investments in companies in which they hold less than a 20 percent interest. A hypothetical 10 percent adverse shift in equity security prices would not have a material effect on CMS Energy's consolidated financial position, results of operations or cash flows as of September 30, 2000.

For a discussion of accounting policies related to derivative transactions, see Note 5.

CAPITAL RESOURCES AND LIQUIDITY

CASH POSITION, INVESTING AND FINANCING

CMS Energy's primary ongoing source of cash is dividends and distributions from subsidiaries. During the first nine months of 2000, Consumers paid $126 million in common dividends and Enterprises paid $481 million in common dividends and distributions to CMS Energy. In October 2000, Consumers declared a $61 million dividend payable in November 2000 to CMS Energy. CMS Energy's consolidated cash requirements are met by its operating and financing activities.

OPERATING ACTIVITIES: CMS Energy's consolidated net cash provided by operating activities is derived mainly from the processing, storage, transportation and sale of natural gas; the generation, transmission, distribution and sale of electricity; and the sale of oil. Consolidated cash from operations totaled $163 million and $440 million for the first nine months of 2000 and 1999, respectively. The $277 million decrease resulted primarily from a decrease in earnings, excluding gains from asset sales, primarily resulting from gas purchase prices that were significantly higher than the frozen gas customer rate and the electric rate reduction required by the customer choice legislation enacted in June 2000, and the timing of cash receipts and payments related to working capital items. CMS Energy uses its cash derived from operating activities primarily to maintain and expand its international and domestic businesses, to maintain and expand electric and gas systems of Consumers, to pay interest on and retire portions of its long-term debt, and to pay dividends.

INVESTING ACTIVITIES: CMS Energy's consolidated net cash used in investing activities totaled $372 million and $2.718 billion for the first nine months of 2000 and 1999, respectively. The decrease of $2.346 billion primarily reflects the acquisition of Panhandle in March 1999 for $1.9 billion and a $555 million increase in proceeds from the sales of assets. CMS Energy's expenditures (excluding acquisitions) during the first nine months of 2000 for its utility and diversified energy businesses were $357 million and $436 million, respectively, compared to $304 million and $479 million, respectively, during the comparable period in 1999.

FINANCING ACTIVITIES: CMS Energy's net cash provided by financing activities totaled $358 million and $2.411 billion for the first nine months of 2000 and 1999, respectively. Net cash provided in 1999 primarily related to funding the approximately $1.9 billion Panhandle acquisition in March 1999. The decrease of $2.053 billion in net cash provided by financing activities resulted from a decrease of $1.988 billion in the issuance of new securities (see table below for securities issued in first nine months of 2000), an increase in the retirement of bonds, other long-term debt and trust preferred securities ($346 million), an increase in the repurchase of common stock ($129 million), and a decrease in the issuance of common stock ($69 million), partially offset by decreases in the retirement of notes payable ($239 million) and preferred stock ($194 million).

In Millions

	Month Issued	Maturity	Distribution/ Interest Rate	Principal Amount	Use of Proceeds
CMS ENERGY					
GTNs Series E	(1)	(1)	9.00%(1)	$102	General corporate purposes
Trust Preferred Securities (2)	August	2004	7.25%	220	To redeem the Trust Preferred Securities of CMS RHINOS Trust
				322	
PANHANDLE					
Senior Notes	March	2010	8.25%	100	To fund acquisition of Sea Robin and general corporate purposes
				100	
Total				$422	

(1) GTNs are issued from time to time with varying maturity dates. The rate shown herein is a weighted average interest rate.

(2) Refer to Note 3 for further information regarding these securities.

For the first nine months of 2000, CMS Energy declared and paid $122 million in cash dividends to holders of CMS Energy Common Stock. In October 2000, the Board of Directors declared a quarterly dividend of $.365 per share on CMS Energy Common Stock, payable in November 2000.

OTHER INVESTING AND FINANCING MATTERS: At September 30, 2000, the book value per share of CMS Energy Common Stock was $21.02.

At November 1, 2000, CMS Energy had an aggregate $646 million in securities registered for future issuance.

CMS Energy's Senior Credit Facility consists of a $1 billion one-year revolving credit facility maturing in June 2001. Additionally, CMS Energy has unsecured lines of credit as anticipated sources of funds to finance working capital requirements and to pay for capital expenditures between long-term financings. At September 30, 2000, the total amount available under the Senior Credit Facility was $60 million, and under the unsecured lines of credit was $63 million. Subsequent to the October 2000 senior note and equity issuances described below, the total amounts available at November 1, 2000 under the Senior Credit Facility and unsecured lines of credit were $900 million and $63 million, respectively. For detailed information, see Note 3, incorporated by reference herein.

Consumers has credit facilities, lines of credit and a trade receivable sale program in place as anticipated sources of funds to fulfill its currently expected capital expenditures. For detailed information about these sources of funds, see Note 3, incorporated by reference herein.

In October 2000, CMS Energy sold $500 million aggregate principal amount of 9.875 percent senior notes due 2007. Net proceeds from the sale were approximately $489 million. CMS Energy will ultimately use the net proceeds from this offering to repay $300 million aggregate principal amount of 7.375 percent unsecured notes due November 15, 2000 and to reduce the outstanding balance under the Senior Credit Facility. Pending application of the net proceeds to the repayment at maturity of these unsecured notes later in 2000, CMS Energy used the proceeds to reduce the outstanding balance under the Senior Credit Facility.

In October 2000, as part of its financial plan to strengthen the balance sheet as discussed further in the Outlook-Financial Plan section below, CMS Energy sold 11 million shares of CMS Energy Common Stock. CMS Energy used the net proceeds of approximately $305 million primarily to repay borrowings under the Senior Credit Facility. CMS Energy used the remaining amounts to repay various lines of credit.

CMS Energy has identified for possible sale certain assets that are expected to contribute little or no earnings benefit in the short to medium term. From December 1999 through October 31, 2000, CMS Energy had sold or had reached agreements to sell $689 million of these assets, including a partial interest in its Northern Header gathering system, all of its ownership interest in a Brazilian distribution system, all of its northern Michigan oil and gas properties, its ownership interest in the Lakewood Cogeneration plant located in Lakewood, New Jersey, and all of its ownership interest in certain oil reserves located in Ecuador. These asset sales have resulted in total cash proceeds and associated reduction of consolidated project debt of approximately $870 million. CMS Energy plans to continue to sell additional assets resulting in cash proceeds and associated reduction of consolidated project debt, as more fully discussed in the Outlook-Financial Plan section below.

In addition, in February 2000, CMS Energy announced its intention to sell its 50 percent interest in Loy Yang. The amount CMS Energy ultimately realizes from the sale of Loy Yang could differ materially from the approximately $500 million investment amount currently reflected as an asset on the balance sheet. CMS Energy, however, continues to evaluate various financial and accounting alternatives for Loy Yang by year-end, including continuing the sale process.

CAPITAL EXPENDITURES

CMS Energy estimates that capital expenditures, including new lease commitments and investments in new business developments through partnerships and unconsolidated subsidiaries, will total $4.3 billion during 2000 through 2002. These estimates are prepared for planning purposes and are subject to revision. CMS Energy expects to satisfy a substantial portion of the capital expenditures with cash from operations. CMS Energy will continue to evaluate capital markets in 2000 as a potential source for financing its subsidiaries' investing activities. CMS Energy estimates capital expenditures by business segment over the next three years as follows:

			In Millions
Years Ending December 31	2000	2001	2002
Consumers electric operations (a) (b)	$ 440	$ 580	$ 545
Consumers gas operations (a)	115	140	145
Natural gas transmission	305	130	260
Independent power production	430	200	215
Oil and gas exploration and production	158	160	165
Marketing, services and trading	32	30	5
International energy distribution	133	25	-
Other	17	25	25
	$ 1,630	$ 1,290	$ 1,360

(a) These amounts include an attributed portion of Consumers' anticipated capital expenditures for plant and equipment common to both the electric and gas utility businesses.
(b) These amounts include estimates for capital expenditures possibly required to comply with recently revised national air quality standards under the Clean Air Act. For further information see Note 2, Uncertainties.

CMS Energy currently plans investments in the years 2000 through 2002 in focused markets, which include: North and South America; the Middle East; and India. Investments will be made in market segments which align with CMS Energy's varied business units' skills with a focus on optimization and integration of existing assets, as further discussed in Outlook section below.

OUTLOOK

As the deregulation and privatization of the energy industry takes place in global energy markets, CMS Energy has positioned itself to be a leading regional diversified energy company developing energy facilities and marketing energy-related services in the United States and selected world growth markets. The key elements of the strategy to achieve this objective are as follows:

- Effectively implement the Michigan electric utility restructuring legislation and gas utility customer choice program;

- Use the natural gas pipeline business for growth opportunities across other CMS Energy businesses;

- Expand the range of energy-related services;

- Expand CMS Energy's presence in select high-growth international markets through the diversified energy businesses;

- Grow the marketing, services and trading activities to optimize and leverage gas and electric assets in the United States; and

- Continued management of the asset portfolio.

FINANCIAL PLAN

In October 2000, CMS Energy announced a program to strengthen its balance sheet while maintaining its forecasted $2.37 sustainable earnings per share guidance for the year 2000, $2.75 sustainable earnings per share guidance for 2001 and its forecasted 10 percent annual growth rate thereafter. As a part of that program, CMS Energy issued $305 million of CMS Energy Common Stock in October 2000. In addition, CMS Energy intends to execute an initial public offering of up to 49 percent of its ownership interest in CMS Oil and Gas in the first quarter of 2001. CMS Energy anticipates that the combined actions will raise approximately $800 million of cash and generate about $450 million of equity. CMS Energy intends to use the $800 million of proceeds to reduce debt and supplement the $1.4 billion asset sale program currently underway. While there is no assurance that this forecasted level of earnings and growth will be achieved, this guidance and growth assumes, among other things, normal weather conditions for the utility business and successful implementation of Securitization.

Under the asset sale program, CMS Energy identified for possible sale certain assets expected to contribute little or no earnings benefit in the short to medium terms. With the sale of certain of these assets, CMS intends to generate approximately $1 billion of asset sale proceeds and $400 million of consolidated project debt eliminations from asset sales by early 2001. As of October 31, 2000, CMS Energy sold assets resulting in approximately $870 million of cash proceeds and associated debt reduction of consolidated project debt. There are no assurances that CMS Energy can sell an additional $530 million of assets by early 2001 as planned.

CMS Energy also intends to enhance long-term growth through a portfolio management program that entails the ongoing sale of assets. CMS Energy expects to reinvest the proceeds from this program in assets having greater potential for synergies with its existing or planned assets. In particular, CMS Energy is reviewing its options regarding certain assets performing below prior expectations, including generating assets in Argentina. Under the program, CMS Energy continues to seek improvement in the operating efficiency and profitability of all assets retained in its portfolio.

The Board of Directors has approved the repurchase of up to 10 million shares of CMS Energy Common Stock, from time to time, in open market or private transactions. From February through April 2000, CMS Energy repurchased approximately 6.6 million shares at a total cost of $129 million. CMS Energy does not anticipate repurchase of additional shares in the near-term while strengthening its balance sheet.

DIVERSIFIED ENERGY OUTLOOK

CMS Energy continues to sharpen its geographic focus on key growth areas where it already has significant business concentrations and opportunities. These markets are India, the Middle East, North America, South America and, for CMS Oil and Gas, West Africa. In pursuing global growth, CMS Energy intends to make energy investments that provide expansion opportunities for multiple existing businesses. For example, CMS Energy seeks to capitalize on its West Africa oil and gas reserves by expanding the undersea pipeline and onshore processing facilities in this area. CMS Energy intends to use the gas from the processing plant in a new methanol-producing plant and in a gas-fired power plant in West Africa. CMS Energy is extending the gas pipelines in South America to carry fuel for power plants in that area. In addition, a CMS Energy subsidiary is a partner in the first independent power and water project in the United Arab Emirates, and another subsidiary is building CMS Energy's third power plant in India. These growth plans are subject to political and economic factors over which CMS Energy has no control, such as changes in foreign governmental and regulatory policies (including changes in industrial regulation and control and changes in taxation), changing political conditions and international monetary fluctuations.

In the United States, CMS Energy also intends to grow its oil and gas exploration and production business by aggressively developing the West Texas and Powder River gas reserves.

CMS Energy intends to use its marketing, services and trading business to improve the return on other CMS Energy businesses. CMS Energy plans to continue centralizing the marketing of energy products produced by various CMS Energy non-utility businesses. Other strategies include expanding the industrial and commercial energy services to enhance CMS Energy's commodity marketing business and developing risk management products that address customer needs.

CONSUMERS' ELECTRIC UTILITY OUTLOOK

GROWTH: Consumers expects average annual growth of approximately two and one half percent per year in electric system deliveries for the years 2000 to 2005 based on a steadily growing customer base. This growth rate does not take into account the impact of electric industry restructuring, including the impact of the Customer Choice Act that allows customers to choose their electricity supplier, or changing regulation. Abnormal weather, changing economic conditions or the developing competitive market for electricity may affect actual electric deliveries by Consumers in future periods.

COMPETITION AND REGULATORY RESTRUCTURING: Since 1997, there have been repeated efforts made in the Michigan Legislature to enact electric utility restructuring legislation. These efforts resulted in the passage of the Customer Choice Act, which became effective June 5, 2000.

Generally, electric utility restructuring is the regulatory and legislative attempt to introduce competition to the electric industry by allowing customers to choose their supplier of electricity generation. Such competition affects, and will continue to affect, Consumers' retail electric business. Several years ago, prior to the enactment of the Customer Choice Act, Consumers had entered multi-year electric supply contracts with a number of its largest industrial customers to provide power to some of their facilities and the MPSC approved these contracts as part of its phased introduction to competition. During the period from 2000 through 2005, some of these contracts can be terminated or restructured. These contracts involve approximately 600 MW of customer power supply requirements. The ultimate financial impact of changes related to these power supply contracts is not known at this time.

As a result of a transition of the wholesale and retail electric businesses in Michigan to competition, Detroit Edison, in December 1996, gave Consumers the required four-year notice of its intent to terminate, effective January 1, 2001, the current agreements under which the companies jointly operate the MEPCC. At the same time, Detroit Edison filed with the FERC seeking early termination of the agreements. The FERC has not acted on Detroit Edison's application. Detroit Edison and Consumers are currently in negotiations to restructure and continue certain parts of the MEPCC control area and joint transmission operations, but expressly exclude any merchant operations (electricity purchasing, sales, and dispatch operations). Consumers is unable to predict the outcome of these negotiations, but does not anticipate any adverse impacts caused by restructuring of the MEPCC. In the interim, Detroit Edison negotiated with Consumers a one-month extension of the current agreement's termination effective date to February 1, 2001. Consumers is in the process of establishing systems and procedures to perform independent merchant operations, which are expected to be in place by February 1, 2001. The termination of joint merchant operations with Detroit Edison will open Detroit Edison and Consumers to wholesale market competition as individual companies. Consumers can not predict the financial impact of terminating these joint operations.

In part, because of certain policy pronouncements by the FERC, Consumers joined the Alliance RTO and recently filed an application with the FERC to transfer ownership and control of its transmission facilities to a wholly owned subsidiary, Michigan Transco. This represents the first step in Consumers' plan to transfer control of or to divest itself of ownership, operation and control of its transmission assets.

Uncertainty exists with respect to the enactment of federal electric industry restructuring legislation. A variety of bills introduced in Congress in recent years have sought to change existing federal regulation of the industry. These federal bills could potentially affect or supercede state regulation; however, none have been enacted.

CMS Energy cannot predict the outcome of these electric industry-restructuring issues on its financial position, liquidity, or results of operations.

RATE MATTERS: Prior to June 5, 2000 there were several pending rate issues that could have affected Consumers' electric business. As a result of the passage of the Customer Choice Act, certain MPSC rate proceedings and a complaint by ABATE seeking a reduction in rates have been dismissed.

For further information and material changes relating to the rate matters and restructuring of the electric utility industry, see Note 1 and Note 2, incorporated by reference herein.

NUCLEAR MATTERS: Subsequent to quarter end, Consumers has signed an agreement to become a full partner in NMC, acquiring a financial interest in NMC and a position on the NMC Board of Directors. Consumers will transfer responsibility for the operation of its Palisades nuclear plant to NMC. NMC was formed by four upper Midwest utilities in February 1999 to operate seven nuclear units at five plant sites in Wisconsin, Minnesota and Iowa. With Consumers as a partner, NMC will have responsibility for operating eight units with 4,500 megawatts of generating capacity.

Consumers will retain ownership of the plant, its 789 MW output, the spent fuel on site, and ultimate responsibility for the safe operation, maintenance and decommissioning of the plant. Approval will be sought from the NRC for an amendment to Palisades' operating license designating NMC as the plant's operator. Under this agreement, salaried Palisades employees will become NMC employees in approximately mid 2001. Union employees will work under NMC supervision pursuant to their existing labor contract as Consumers employees. This agreement will benefit Consumers by consolidating expertise and controlling costs and resources among all of the nuclear plants being operated by the five NMC member companies. The ultimate financial impact is uncertain.

UNCERTAINTIES: Several electric business trends or uncertainties may affect CMS Energy's financial results and condition. These trends or uncertainties have, or CMS Energy reasonably expects could have, a material impact on net sales, revenues, or income from continuing electric operations. Such trends and uncertainties include: 1) capital expenditures for compliance with the Clean Air Act; 2) environmental liabilities arising from compliance with various federal, state and local environmental laws and regulations, including potential liability or expenses relating to the Michigan Natural Resources and Environmental Protection Act and Superfund; 3) electric industry restructuring, how the MPSC ultimately calculates the amount of Stranded Costs and the related true-up adjustments and the manner in which the true-up operates, and the ability to recover fully the cost of doing business under the rate caps; 4) the successful sale of Securitization bonds on a timely basis; 5)the ability to meet peak electric demand loads at a reasonable cost and without market disruption and initiatives undertaken to reduce exposure to energy price increases; 6) the transfer of Consumers transmission facilities to Michigan Transco and its successful disposition or integration into an RTO and 7) ongoing issues relating to the storage of spent nuclear fuel and the operating life of Palisades and the successful operation of NMC. For detailed information about these trends or uncertainties, see Note 2, Uncertainties, incorporated by reference herein.

CONSUMERS' GAS UTILITY BUSINESS OUTLOOK

GROWTH: Consumers currently anticipates gas deliveries, including gas customer choice deliveries (excluding transportation to the MCV Facility and off-system deliveries), to grow at an average annual rate of between one and two percent over the next five years based primarily on a steadily growing customer base. Actual gas deliveries in future periods may be affected by abnormal weather, alternative energy prices, changes in competitive conditions, and the level of natural gas consumption per customer.

GAS RESTRUCTURING: In December 1997, the MPSC approved Consumers' application to implement a gas customer choice pilot program. The program was designed to encourage Consumers to minimize its purchased natural gas commodity costs while providing rate stability for its customers. This pilot program became effective on April 1, 1998. The pilot program ends on March 31, 2001. The program allows up to 300,000 residential, commercial and industrial retail gas sales customers to choose an alternative gas commodity supplier in direct competition with Consumers. As of September 30, 2000, more than 155,000 customers chose alternative gas suppliers, representing approximately 39 bcf of gas load. Customers who had voluntarily chosen to remain as sales customers of Consumers will not see a rate change in their gas rates. This three-year program: 1) freezes gas distribution rates through March 31, 2001, establishing a delivered gas commodity cost at a fixed rate of $2.84 per mcf; 2) establishes an earnings sharing mechanism with customers if Consumers' earnings exceed certain pre-determined levels; and 3) establishes a gas transportation code of conduct that addresses the relationship between Consumers and marketers, including its affiliated marketers. The Michigan appellate courts have affirmed the pilot program in its entirety the December 1997 MPSC order. On October 13, 2000, the MPSC adopted model terms and conditions for permanent gas customer choice programs. On October 24, 2000, the MPSC approved Consumers' voluntary application to establish a permanent customer choice program in its service territory beginning April 1, 2001 after the pilot program expires. Beginning April 1, 2001, Consumers will no longer be subject to a frozen gas commodity cost. Consumers will then return to a gas cost recovery mechanism such that it will recover all prudently incurred natural gas commodity costs from it customers. Under the permanent gas customer choice program, up to 600,000 of Consumers' natural gas customers will be eligible to participate in the program beginning April 1, 2001. By April 1, 2002, up to 900,000 gas customers will be eligible to participate. All of Consumers' gas customers will be eligible to select an alternate natural gas supplier beginning April 1, 2003. Consumers would continue to transport and distribute gas to these customers.

Recent significant increases in gas prices have exposed Consumers to gas commodity losses during the last year of the pilot program. Additional exposure to losses could occur if the cost of purchased gas exceeds $7.00 per mcf or abnormal weather causes additional gas purchases. Consumers recorded a regulatory liability of $45 million in the second quarter 2000 to reflect estimated losses due to increases in natural gas commodity prices. On October 24, 2000, the MPSC approved Consumers' application to reclassify recoverable, low-cost, base gas in Consumers' gas storage reservoirs. The MPSC allowed Consumers to begin immediately to include the cost of its recoverable base gas with higher cost purchased gas. The gas accounting order is expected to eliminate the need for Consumers to recognize any further losses related to gas commodity cost under-recoveries.

UNCERTAINTIES: CMS Energy's financial results and position may be affected by a number of trends or uncertainties that have, or Consumers reasonably expects could have, a material impact on net sales or revenues or income from continuing gas operations. Such trends and uncertainties include: 1) potential environmental costs at a number of sites, including sites formerly housing manufactured gas plant facilities; 2) successful implementation of the new expanded gas customer choice program beginning in April 2001; 3) permanent gas industry restructuring; and 4) implementation of the GCR mechanism in April 2001 and the success or failure of initiatives undertaken to protect against gas commodity price increases. For further detailed information about these uncertainties, see Note 2.

CONSUMERS' OTHER OUTLOOK

Consumers offers a variety of energy-related services to electric and gas customers focused upon appliance maintenance, home safety, commodity choice and assistance to customers purchasing heating, ventilation and air conditioning equipment. Consumers continues to look for additional growth opportunities in energy-related services for Consumers' customers.

PANHANDLE OUTLOOK

CMS Energy intends to use Panhandle as a platform for growth in the United States and derive added value through expansion opportunities for multiple CMS Energy businesses. The growth strategy around Panhandle includes enhancing the opportunities for other CMS Energy businesses involved in electric power generation and distribution, mid-stream activities (gathering and processing), and exploration and production. By providing additional transportation, storage and other asset-based value-added services to customers such as gas-fueled power plants, local distribution companies, industrial and end-users, marketers and others, CMS Energy expects to expand its natural gas pipeline business. CMS Energy also plans to convert certain Panhandle pipeline facilities through a joint-venture (See Note 2). Panhandle, however, continues to attempt to maximize revenues from existing assets and to advance acquisition opportunities and development projects that provide expanded services to meet the specific needs of customers.

UNCERTAINTIES: Panhandle's results of operations and financial position may be affected by a number of trends or uncertainties that have, or Panhandle reasonably expects could have, a material impact on income from continuing operations and cashflows. Such trends and uncertainties include: 1) the increased competition in the market for transmission of natural gas to the Midwest causing pressure on prices charged by Panhandle and the potential for the increasing necessity by Panhandle to discount prices (reducing revenues); 2) the current market conditions causing more contracts to be of shorter duration, which may increase revenue volatility; 3) the effects of a January 2000 FERC order that could, if approved without modification upon rehearing, reduce Trunkline's tariff rates and future revenue levels; 4) the expected increase in competition for LNG terminalling services, and the volatility in natural gas prices, creating volatility for LNG terminalling revenues; 5) the impact of future rate cases, if any, for any of Panhandle's regulated operations; and 6) current initiatives for additional federal rules and legislation regarding pipeline safety.

REGULATORY MATTERS: For detailed information about Panhandle's regulatory uncertainties see Note 2, Uncertainties -- Panhandle Matters, incorporated by reference herein.

OTHER MATTERS

NEW ACCOUNTING RULES

In June 1998, the FASB issued SFAS 133, Accounting for Derivative Instruments and Hedging Activities, which has been deferred by SFAS 137, Accounting for Derivative Instruments and Hedging Activities - Deferral of the Effective Date of FASB Statement No. 133, and amended by the issuance in June 2000 of SFAS 138, Accounting for Certain Derivative Instruments and Certain Hedging Activities, an amendment of FASB Statement No. 133. SFAS 133 requires that every derivative instrument be recorded on the balance sheet as an asset or liability measured at its fair value and that changes in the fair value of derivative instruments be recognized currently in earnings unless specific hedge accounting criteria are met. SFAS 133 is effective for fiscal years beginning after June 15, 2000.

In order to implement SFAS 133 by January 1, 2001, CMS Energy has established various cross-functional project teams to identify all derivative instruments, measure the fair value of those derivative instruments, designate and document various hedge relationships, and evaluate the effectiveness of those hedge relationships. As of November 2000, CMS Energy has completed the process of identifying all derivative instruments and is currently in the process of establishing appropriate fair value measurements of those derivative instruments. In addition, CMS Energy is also in the process of designating and documenting all hedging relationships anew and establishing tests and methodologies for evaluating the hedge effectiveness of its hedging relationships.

CMS Energy believes that the majority of its non-trading derivative contracts, power purchase agreements and gas transportation contracts, qualify for the normal purchases and sales exception of the new standard, and therefore would not be required to be recognized at fair value. However, CMS Energy anticipates that its electric and gas option contracts, interest rate swap agreements and foreign currency exchange contracts will be required to be recorded on its balance sheet at fair value. CMS Energy believes that these contracts will meet specific hedge criteria; accordingly, changes in the fair value of these contracts will be recorded in other comprehensive income on the balance sheet. However, derivative and hedge accounting for utility industry option contracts remains uncertain and the financial impact is dependent upon resolution of certain industry issues with the FASB. If the standards are not amended to allow option contracts to be classified as either normal purchases or cash flow hedges, changes in the fair value of these contracts will be recorded in earnings, and could cause earnings volatility. The potential financial impact to earnings is unknown at this time, but CMS Energy continues to quantify the effects of adoption on its financial statements.

In December 1999, the SEC released Staff Accounting Bulletin No. 101 (SAB 101) summarizing the SEC staff's views on revenue recognition policies based upon existing generally accepted accounting principles. The SEC staff has deferred the implementation date of SAB 101 until no later than the fourth quarter of fiscal years beginning after December 15, 1999. CMS Energy has adopted the provisions of SAB 101 as of October 1, 2000. The impact of adopting SAB 101 is not material to CMS Energy's consolidated results of operations or financial position.

OTHER

The Union represents Consumers' operating, maintenance and construction employees. Consumers and the Union negotiated a new collective bargaining agreement that became effective as of June 1, 2000. By its terms, that agreement will continue in full force and effect until June 1, 2005. Consumers does not anticipate any material adverse financial effects on its financial position, liquidity, or results of operations as a result of changes to this agreement.

During the first and third quarters of 2000, Consumers implemented the results of a change in its paid personal absences plan, in part due to provisions of a new union labor contract. The change resulted in employees receiving the benefit of paid personal absence immediately at the beginning of each fiscal year, rather than earning it in the previous year. The change for non-union employees affected the first quarter of 2000. The change for union employees affected the third quarter of 2000. The cumulative effect of these one-time changes decreased operating expenses by $16 million collectively, and increased earnings, net of tax, by $6 million in the first quarter and $4 million in the third quarter.

FOREIGN CURRENCY TRANSLATION

CMS Energy adjusts common stockholders equity to reflect foreign currency translation adjustments for the operation of long-term investments in foreign countries. The adjustment is primarily due to the exchange rate fluctuations between the United States dollar and each of the Australian dollar, Brazilian real and Argentine peso. From January 1, 2000 through September 30, 2000, the foreign currency translation amount realized from asset sales increased equity by $25 million and the change in the foreign currency translation adjustment decreased equity by $138 million, net of after-tax hedging proceeds. Although management currently believes that the currency exchange rate fluctuations over the long term will not have a material adverse affect on CMS Energy's financial position, liquidity or results of operations, CMS Energy has hedged its exposure to the Australian dollar, the Brazilian real and the Argentine peso. CMS Energy uses forward exchange and option contracts to hedge certain receivables, payables, long-term debt and equity value relating to foreign investments. The notional amount of the outstanding foreign exchange contracts was $601 million at September 30, 2000, which includes $1 million, $150 million and $450 million for Australian, Brazilian and Argentine foreign exchange contracts, respectively. The estimated fair value of the foreign exchange and option contracts at September 30, 2000 was $24 million, representing the amount CMS Energy would pay upon settlement.

CMS ENERGY CORPORATION
CONSOLIDATED STATEMENTS OF INCOME
(UNAUDITED)

SEPTEMBER 30	THREE MONTHS ENDED 2000	THREE MONTHS ENDED 1999	NINE MONTHS ENDED 2000	NINE MONTHS ENDED 1999
	In Millions, Except Per Share Amounts			
OPERATING REVENUE				
Electric utility	$ 715	$ 753	$ 2,002	$ 2,052
Gas utility	142	112	765	792
Natural gas transmission	249	211	604	501
Independent power production	143	103	355	261
Oil and gas exploration and production	36	25	101	69
Marketing, services and trading	1,034	216	1,776	520
International energy distribution	70	40	198	124
Other	6	6	20	16
	2,395	1,466	5,821	4,335
OPERATING EXPENSES				
Operation				
Fuel for electric generation	104	116	286	315
Purchased and interchange power	740	151	1,071	357
Purchased power - related parties	141	140	438	418
Cost of gas sold	604	285	1,625	1,034
Other	270	247	759	706
	1,859	939	4,179	2,830
Maintenance	68	53	217	141
Depreciation, depletion and amortization	152	141	470	429
General taxes	69	60	210	186
	2,148	1,193	5,076	3,586
PRETAX OPERATING INCOME (LOSS)				
Electric utility	118	168	342	425
Gas utility	9	(6)	44	87
Natural gas transmission	48	46	172	92
Independent power production	50	53	135	119
Oil and gas exploration and production	13	4	23	11
Marketing, services and trading	(2)	--	2	--
International energy distribution	7	(1)	17	(5)
Other	4	9	10	20
	247	273	745	749
OTHER INCOME (DEDUCTIONS)				
Accretion income	--	1	2	3
Accretion expense	(8)	(9)	(25)	(19)
Gain on asset sales, net of foreign currency translation losses of $25 in 2000	7	--	76	9
Other, net	5	5	14	21
	4	(3)	67	14
FIXED CHARGES				
Interest on long-term debt	152	135	443	365
Other interest	13	21	25	44
Capitalized interest	(14)	(11)	(35)	(34)
Preferred dividends	--	--	1	6
Preferred securities distributions	24	18	71	35
	175	163	505	416
INCOME BEFORE INCOME TAXES AND MINORITY INTERESTS	76	107	307	347
INCOME TAXES	20	24	88	91
MINORITY INTERESTS	1	--	3	--
CONSOLIDATED NET INCOME	$ 55	$ 83	$ 216	$ 256

SEPTEMBER 30		THREE MONTHS ENDED 2000	1999	NINE MONTHS ENDED 2000	1999
		In Millions, Except Per Share Amounts			
NET INCOME ATTRIBUTABLE TO COMMON STOCKS	CMS ENERGY	$ 55	$ 86	$ 216	$ 248
	CLASS G	--	$ (3)	--	$ 8
AVERAGE COMMON SHARES OUTSTANDING	CMS ENERGY	110	109	111	109
	CLASS G	--	9	--	9
BASIC EARNINGS PER AVERAGE COMMON SHARE	CMS ENERGY	$ .51	$ .79	$ 1.95	$ 2.29
	CLASS G	--	$(.38)	--	$ .90
DILUTED EARNINGS PER AVERAGE COMMON SHARE	CMS ENERGY	$ .51	$ .78	$ 1.93	$ 2.25
	CLASS G	--	$(.38)	--	$ .90
DIVIDENDS DECLARED PER COMMON SHARE	CMS ENERGY	$.365	$.365	$1.095	$1.025
	CLASS G	--	$ .34	--	$ .99

THE ACCOMPANYING CONDENSED NOTES ARE AN INTEGRAL PART OF THESE STATEMENTS.

CMS ENERGY CORPORATION
CONSOLIDATED STATEMENTS OF CASH FLOWS
(UNAUDITED)

September 30	Nine Months Ended 2000	1999
		In Millions
CASH FLOWS FROM OPERATING ACTIVITIES		
Consolidated net income	$ 216	$ 256
Adjustments to reconcile net income to net cash provided by operating activities		
Depreciation, depletion and amortization (includes nuclear decommissioning of $29 and $38, respectively)	470	429
Capital lease and debt discount amortization	25	36
Accretion expense	25	19
Accretion income - abandoned Midland project	(2)	(3)
MCV power purchases	(42)	(45)
Undistributed earnings of related parties	(125)	(70)
Gain on the sale of assets, net of foreign currency translation losses	(76)	(9)
Changes in assets and liabilities:		
Increase in accounts receivable	(592)	(192)
Increase in inventories	(143)	(114)
Increase in accounts payable and accrued expenses	454	211
Increase in Regulatory obligation - gas choice	27	--
Increase (decrease) in deferred income taxes and investment tax credit	(2)	16
Changes in other assets and liabilities	(72)	(94)
Net cash provided by operating activities	163	440
CASH FLOWS FROM INVESTING ACTIVITIES		
Acquisition of companies, net of cash acquired	(74)	(1,899)
Capital expenditures (excludes assets placed under capital lease)	(732)	(479)
Investments in partnerships and unconsolidated subsidiaries	(48)	(291)
Cost to retire property, net	(68)	(62)
Proceeds from sale of property	583	28
Other	(33)	(15)
Net cash used in investing activities	(372)	(2,718)
CASH FLOWS FROM FINANCING ACTIVITIES		
Proceeds from bank loans, notes and bonds	758	2,415
Proceeds from trust preferred securities	220	551
Issuance of common stock	3	72
Retirement of bonds and other long-term debt	(328)	(232)
Retirement of trust preferred securities	(250)	--
Increase (decrease) in notes payable, net	228	(11)
Repurchase of common stock	(129)	--
Payment of common stock dividends	(122)	(162)
Payment of capital lease obligations	(22)	(28)
Retirement of preferred stock	--	(194)
Net cash provided by financing activities	358	2,411
NET INCREASE IN CASH AND TEMPORARY CASH INVESTMENTS	149	133
CASH AND TEMPORARY CASH INVESTMENTS, BEGINNING OF PERIOD	132	101
CASH AND TEMPORARY CASH INVESTMENTS, END OF PERIOD	$ 281	$ 234

OTHER CASH FLOW ACTIVITIES AND NON-CASH INVESTING AND FINANCING ACTIVITIES WERE:

CASH TRANSACTIONS		
Interest paid (net of amounts capitalized)	$ 423	$ 311
Income taxes paid (net of refunds)	24	54
NON-CASH TRANSACTIONS		
Nuclear fuel placed under capital lease	$ 3	$ 2
Other assets placed under capital leases	10	11
Assumption of debt	-	305

All highly liquid investments with an original maturity of three months or less are considered cash equivalents.

THE ACCOMPANYING CONDENSED NOTES ARE AN INTEGRAL PART OF THESE STATEMENTS.

CMS ENERGY CORPORATION
CONSOLIDATED BALANCE SHEETS

ASSETS	SEPTEMBER 30 2000 (UNAUDITED)	DECEMBER 31 1999	SEPTEMBER 30 1999 (UNAUDITED)
			In Millions
PLANT AND PROPERTY (AT COST)			
Electric utility	$ 7,146	$ 6,981	$ 6,920
Gas utility	2,529	2,461	2,427
Natural gas transmission	2,119	1,934	1,912
Independent power production	736	974	593
Oil and gas properties (successful efforts method)	577	817	725
International energy distribution	460	445	372
Other	99	62	50
	13,666	13,674	12,999
Less accumulated depreciation, depletion and amortization	6,315	6,157	6,018
	7,351	7,517	6,981
Construction work-in-progress	817	604	413
	8,168	8,121	7,394
INVESTMENTS			
Independent power production	959	950	1,019
Natural gas transmission	410	369	564
International energy distribution	29	150	133
Midland Cogeneration Venture Limited Partnership	273	247	240
First Midland Limited Partnership	241	240	238
Other	40	40	34
	1,952	1,996	2,228
CURRENT ASSETS			
Cash and temporary cash investments at cost, which approximates market	281	132	234
Accounts receivable, notes receivable and accrued revenue, less allowances of $22, $12 and $12, respectively	1,578	959	1,023
Inventories at average cost			
Gas in underground storage	334	225	288
Materials and supplies	186	158	144
Generating plant fuel stock	48	47	37
Deferred income taxes	28	33	13
Prepayments and other	238	263	222
	2,693	1,817	1,961
NON-CURRENT ASSETS			
Goodwill, net	903	891	717
Nuclear decommissioning trust funds	617	602	572
Unamortized nuclear costs	476	519	506
Postretirement benefits	326	348	351
Notes receivable - related party	180	251	15
Abandoned Midland Project	28	48	53
Other	912	869	797
	3,442	3,528	3,011
TOTAL ASSETS	$ 16,255	$ 15,462	$ 14,594

STOCKHOLDERS' INVESTMENT AND LIABILITIES	SEPTEMBER 30 2000 (UNAUDITED)	DECEMBER 31 1999	SEPTEMBER 30 1999 (UNAUDITED)
			In Millions
CAPITALIZATION			
Common stockholders' equity	$ 2,309	$ 2,456	$ 2,393
Preferred stock of subsidiary	44	44	44
Company-obligated mandatorily redeemable preferred securities of:			
Consumers Power Company Financing I (a)	100	100	100
Consumers Energy Company Financing II (a)	120	120	120
Consumers Energy Company Financing III (a)	175	175	--
Company-obligated convertible Trust Preferred Securities of:			
CMS Energy Trust I (b)	173	173	173
CMS Energy Trust II (b)	301	301	301
CMS Energy Trust III (b)	220	--	--
Company-obligated Trust Preferred Securities of CMS RHINOS Trust (c)	--	250	250
Long-term debt	7,246	6,987	7,092
Non-current portion of capital leases	81	88	89
	10,769	10,694	10,562
MINORITY INTERESTS	221	222	153
CURRENT LIABILITIES			
Current portion of long-term debt and capital leases	542	552	308
Notes payable	432	230	317
Accounts payable	1,355	775	466
Accrued taxes	276	320	215
Accrued interest	145	148	114
Accounts payable - related parties	67	61	58
Power purchases - MCV Partnership	47	47	47
Accrued refunds	1	11	19
Other	467	363	407
	3,332	2,507	1,951
NON-CURRENT LIABILITIES			
Deferred income taxes	644	702	646
Postretirement benefits	450	485	479
Deferred investment tax credit	119	126	129
Regulatory liabilities for income taxes, net	86	64	121
Power purchases - MCV Partnership	37	73	87
Other	597	589	466
	1,933	2,039	1,928
COMMITMENTS AND CONTINGENCIES (NOTES 1 AND 2)			
TOTAL STOCKHOLDERS' INVESTMENT AND LIABILITIES	$ 16,255	$ 15,462	$ 14,594

(a) The primary asset of Consumers Power Company Financing I is $103 million principal amount of 8.36 percent subordinated deferrable interest notes due 2015 from Consumers. The primary asset of Consumers Energy Company Financing II is $124 million principal amount of 8.20 percent subordinated deferrable interest notes due 2027 from Consumers. The primary asset of Consumers Energy Company Financing III is $180 million principal amount of 9.25 percent subordinated deferrable interest notes due 2029 from Consumers. For further discussion, see Note 7 to the Consolidated Financial Statements contained in CMS Energy's 1999 Form 10-K.
(b) The primary asset of CMS Energy Trust I is $178 million principal amount of 7.75 percent convertible subordinated deferrable interest debentures due 2027 from CMS Energy. The primary asset of CMS Energy Trust II is $310 million principal amount of 8.625 percent convertible junior subordinated debentures due July 2004 from CMS Energy. The primary asset of CMS Energy Trust III is $226 million of 7.25 percent subordinated deferrable notes due August 2004 from CMS Energy. For further discussion, see Note 7 contained in CMS Energy's 1999 Form 10-K and Note 3 to the Consolidated Financial Statements.
(c) As described in Note 7 contained in CMS Energy's 1999 Form 10-K and Note 3, the primary asset of CMS RHINOS Trust was $258 million principal amount of LIBOR plus 1.75 percent subordinated deferrable interest debentures, which were redeemed in August 2000.

THE ACCOMPANYING CONDENSED NOTES ARE AN INTEGRAL PART OF THESE STATEMENTS.

CMS ENERGY CORPORATION
CONSOLIDATED STATEMENTS OF COMMON STOCKHOLDERS' EQUITY
(UNAUDITED)

SEPTEMBER 30	THREE MONTHS ENDED 2000	1999	NINE MONTHS ENDED 2000	1999 In Millions
COMMON STOCK				
At beginning and end of period	$ 1	$ 1	$ 1	$ 1
OTHER PAID-IN CAPITAL				
At beginning of period	2,626	2,643	2,749	2,594
Redemption of affiliate's preferred stock	--	--	--	(2)
Common stock repurchased	--	--	(129)	--
Common stock reacquired	(14)	--	(14)	--
Common stock reissued	8	2	11	2
Common stock issued:				
CMS Energy	3	20	6	67
Class G	--	1	--	5
At end of period	2,623	2,666	2,623	2,666
REVALUATION CAPITAL				
At beginning of period	1	10	3	(9)
Change in unrealized investments-gain (loss) (a)	--	(7)	(2)	12
At end of period	1	3	1	3
FOREIGN CURRENCY TRANSLATION				
At beginning of period	(173)	(126)	(108)	(136)
Change in foreign currency translation realized from asset sale (a)	--	--	25	--
Change in foreign currency translation (a)	(48)	(11)	(138)	(1)
At end of period	(221)	(137)	(221)	(137)
RETAINED EARNINGS (DEFICIT)				
At beginning of period	(110)	(138)	(189)	(234)
Consolidated net income (a)	55	83	216	256
Common stock dividends declared:				
CMS Energy	(40)	(82)	(122)	(153)
Class G	--	(3)	--	(9)
At end of period	(95)	(140)	(95)	(140)
TOTAL COMMON STOCKHOLDERS' EQUITY	$ 2,309	$ 2,393	$ 2,309	$ 2,393
(a) DISCLOSURE OF COMPREHENSIVE INCOME:				
Revaluation capital				
Unrealized investments-gain (loss), net of tax of $-, $4, $1 and $(6), respectively	$ --	$ (7)	$ (2)	$ 12
Foreign currency translation, net	(48)	(11)	(113)	(1)
Consolidated net income	55	83	216	256
Total Consolidated Comprehensive Income	$ 7	$ 65	$ 101	$ 267

THE ACCOMPANYING CONDENSED NOTES ARE AN INTEGRAL PART OF THESE STATEMENTS.

CMS ENERGY CORPORATION
CONDENSED NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

These Condensed Notes and their related Consolidated Financial Statements should be read along with the Consolidated Financial Statements and Notes contained in the 1999 Form 10-K of CMS Energy, which includes the Reports of Independent Public Accountants. Certain prior year amounts have been reclassified to conform with the presentation in the current year. In the opinion of management, the unaudited information herein reflects all adjustments necessary to assure the fair presentation of financial position, results of operations and cash flows for the periods presented.

1: CORPORATE STRUCTURE AND BASIS OF PRESENTATION

CORPORATE STRUCTURE AND BASIS OF PRESENTATION

CMS Energy is the parent holding company of Consumers and Enterprises. Consumers, a combination electric and gas utility company serving the Lower Peninsula of Michigan, is a subsidiary of CMS Energy. Enterprises, through subsidiaries, is engaged in several domestic and international diversified energy businesses including: natural gas transmission, storage and processing; independent power production; oil and gas exploration and production; energy marketing, services and trading; and international energy distribution.

The consolidated financial statements include CMS Energy, Consumers and Enterprises and their majority owned subsidiaries. The financial statements are prepared in conformity with generally accepted accounting principles and use management's estimates where appropriate. Affiliated companies (where CMS Energy has more than 20 percent but less than a majority ownership interest) are accounted for by the equity method. For the three and nine months ended September 30, 2000, undistributed equity earnings were $24 million and $125 million, respectively compared to $24 million and $70 million for the three and nine months ended September 30, 1999, respectively.

Foreign currency translation adjustments relating to the operation of CMS Energy's long-term investments in foreign countries are included in common stockholders' equity. From January 1, 2000 through September 30, 2000, the foreign currency translation amount realized from assets sales increased equity by $25 million and the change in the foreign currency translation adjustment decreased equity by $138 million, net of after-tax hedging proceeds.

OIL AND GAS PROPERTIES

CMS Oil and Gas follows the successful efforts method of accounting for its investments in oil and gas properties. CMS Oil and Gas capitalizes, as incurred, the costs of property acquisitions, successful exploratory wells, all development costs, and support equipment and facilities. It expenses unsuccessful exploratory wells when they are determined to be non-productive. CMS Oil and Gas also charges to expense, as incurred, production costs, overhead, and all exploration costs other than exploratory drilling. CMS Oil and Gas determines depreciation, depletion and amortization of proved oil and gas properties on a field-by-field basis using the units-of-production method over the life of the remaining proved reserves.

UTILITY REGULATION

Consumers accounts for the effects of regulation based on the regulated utility accounting standard SFAS 71, Accounting for the Effects of Certain Types of Regulation. As a result, the actions of regulators affect when Consumers recognizes revenues, expenses, assets and liabilities.

In March 1999, Consumers received MPSC electric restructuring orders. Consistent with these orders, Consumers discontinued application of SFAS 71 for the energy supply portion of its business in the first quarter of 1999 because Consumers expected to implement retail open access for its electric customers in September 1999. Discontinuation of SFAS 71 for the energy supply portion of Consumers' business resulted in Consumers reducing the carrying value of its Palisades plant-related assets by approximately $535 million and establishing a regulatory asset for a corresponding amount. According to current accounting standards, Consumers can continue to carry its energy supply-related regulatory assets if legislation or an MPSC rate order allows the collection of cash flows to recover these regulatory assets from its regulated transmission and distribution customers. As of September 30, 2000, Consumers had a net investment in energy supply facilities of $1.048 billion included in electric plant and property. See Note 2, Uncertainties.

ACQUISITION

In March 1999, CMS Energy, through a subsidiary, acquired Panhandle from Duke Energy for a cash payment of $1.9 billion and existing Panhandle debt of $300 million. CMS Energy used the purchase method of accounting to account for the acquisition and, accordingly, included the results of operations of Panhandle for the period from March 29, 1999 in the accompanying consolidated financial statements. Assets acquired and liabilities assumed are recorded at their fair values. CMS Energy allocated the excess purchase price over the fair value of net assets acquired of approximately $800 million to goodwill and amortizes this amount on a straight-line basis over 40 years.

The following unaudited pro forma amounts for operating revenue, consolidated net income, basic earnings per share and diluted earnings per share, as if the acquisition had occurred on January 1, 1999, illustrate the effects of: (1) various restructuring, realignment, and elimination of activities between Panhandle and Duke Energy prior to the closing of the acquisition by CMS Energy; (2) the adjustments resulting from the acquisition by CMS Energy; and (3) financing transactions which include the public issuance of $800 million of senior notes by Panhandle, $850 million of senior notes by CMS Energy, and the private sale of $250 million of Trust Preferred Securities by CMS Energy.

	In Millions, except per share amounts	
Nine Months Ended September 30,	2000	1999
Operating revenue	$ 5,821	$ 4,448
Consolidated net income	$ 216	$ 267
Basic earnings per share	$ 1.95	$ 2.38
Diluted earnings per share	$ 1.93	$ 2.35

2: UNCERTAINTIES

CONSUMERS' ELECTRIC UTILITY CONTINGENCIES

ELECTRIC ENVIRONMENTAL MATTERS: The Clean Air Act limits emissions of sulfur dioxide and nitrogen oxides and requires emissions and air quality monitoring. Consumers currently operates within these limits and meets current emission requirements. The Clean Air Act requires the EPA to review periodically the effectiveness of the national air quality standards in preventing adverse health effects.

1997 EPA Revised NOx and Small Particulate Emissions Standards - In 1997, the EPA revised these standards to impose further limitations on nitrogen oxide and small particulate-related emissions. After a United States Court of Appeals found the revision an unconstitutional delegation of legislative power, the EPA suspended the standards under the 1997 rule and reinstated the pre-1997 standards. In January 2000, the Department of Justice, on behalf of the EPA, filed a petition for the United States Supreme Court to review the case. In May 2000, the Supreme Court agreed to hear the appeal.

1998 EPA Plan for NOx Emissions - In September 1998, based in part upon the 1997 standards, the EPA Administrator issued final regulations requiring the state of Michigan to further limit nitrogen oxide emissions. Consumers anticipates a reduction in nitrogen oxide emissions by 2003 to only 32 percent of levels allowed for the year 2000. The state of Michigan had one year to submit an implementation plan. The state of Michigan filed a lawsuit objecting to the extent of the required emission reductions and requesting an extension of the submission date. In May 1999, the United States Court of Appeals granted an indefinite stay of the submission date for the state of Michigan's implementation plan. However, in early 2000, the United States Court of Appeals then upheld the EPA's final regulations. The state of Michigan has filed a petition with the United States Supreme Court appealing this ruling. During this time period, the state of Michigan established alternative, less stringent nitrogen oxide emission reduction requirements. At this time the state of Michigan has decided to draft new rules to comply with the more stringent EPA requirements while continuing to pursue its appeal to the United States Supreme Court. In August 2000, the United States Court of Appeals extended the time to comply with the 1998 EPA final rule until May 2004.

Section 126 Petitions - In December 1999, the EPA Administrator signed a revised final rule under Section 126 of the Clean Air Act. The rule requires some electric utility generators, including some of Consumers electric generating facilities, to achieve the same emission rate as that required by the currently challenged September 1998 EPA final rule for nitrous oxide emissions. Under the revised Section 126 rule, the emission rate will become effective on May 1, 2003 and apply for the ozone season in 2003 and during each subsequent year. Various parties' petitions challenging the EPA's rule have been filed.

Until all air quality targets are conclusively established, the estimated cost of compliance discussed below is subject to revision.

Cost of Environmental Law Compliance - The preliminary estimates of capital expenditures to reduce nitrogen oxide-related emissions to the initial level originally proposed by the state of Michigan for Consumers' fossil-fueled generating units range from $150 million to $290 million, calculated in year 2000 dollars. If Consumers has to meet the EPA's 1998 and/or Section 126 petition requirements, the estimated cost to Consumers would be between $290 million and $500 million, calculated in year 2000 dollars. In both cases the lower estimate represents the capital expenditure level that would satisfactorily meet the proposed emissions limits but would result in higher operating expense. The higher estimate in the range includes expenditures that result in lower operating costs while complying with the proposed emissions limit. Consumers anticipates that it will incur these capital expenditures between 2000 and 2004, or between 2000 and 2003 if the EPA ultimately imposes its limits. In addition, Consumers expects to incur cost of removal related to this effort, but is unable to predict the amount at this time.

Consumers may need an equivalent amount of capital expenditures to comply with the new small particulate standards sometime after 2004 if those standards become effective.

Consumers coal-fueled electric generating units burn low-sulfur coal and are currently operating at or near the sulfur dioxide emission limits. Beginning in 1992 and continuing into 2000, Consumers incurred capital expenditures totaling $72 million to install equipment at certain generating units to comply with the acid rain provisions of the Clean Air Act. Management believes that these expenditures will not materially affect Consumers' annual operating costs.

Cleanup and Solid Waste - Under the Michigan Natural Resources and Environmental Protection Act, Consumers expects that it will ultimately incur investigation and remedial action costs at a number of sites. Nevertheless, it believes that these costs are recoverable in rates under current ratemaking policies.

Consumers is a potentially responsible party at several contaminated sites administered under Superfund. Superfund liability is joint and several. Along with Consumers, many other creditworthy, potentially responsible parties with substantial assets cooperate with respect to the individual sites. Based upon past negotiations, Consumers estimates that its share of the total liability for the known Superfund sites will be between $2 million and $9 million. As of September 30, 2000, Consumers had accrued the minimum amount of the range for its estimated Superfund liability.

During routine maintenance activities, Consumers identified PCB as a component in certain paint, grout and sealant materials at the Ludington Pumped Storage Facility. Consumers removed and replaced part of the PCB material. Consumers is studying the remaining materials and determining options and their related costs.

ANTITRUST: In October 1997, two independent power producers sued Consumers in a federal court. The suit alleged antitrust violations relating to contracts which Consumers entered into with some of its customers, and interference with contract claims relating to proposed power facilities. In March 1999, the court issued an opinion and order granting Consumers' motion for summary judgment, resulting in the dismissal of the case. The plaintiffs appealed this decision. The 6th Circuit Court of Appeals in Cincinnati unanimously dismissed the appeal of the antitrust case against Consumers, but the parties have filed a petition for rehearing.

CONSUMERS' ELECTRIC UTILITY RATE MATTERS

ELECTRIC RESTRUCTURING: Since 1997, there have been repeated efforts made in the Michigan Legislature to enact electric restructuring legislation. On June 3, 2000, these efforts resulted in the passage of the Customer Choice Act and related Securitization laws, which became effective June 5, 2000.

The Customer Choice Act: 1) permits all customers to exercise choice of electric generation suppliers by January 1, 2002; 2) cuts residential electric rates by five percent; 3) freezes all electric rates through

December 31, 2003, and establishes a rate cap for residential customers through at least December 31, 2005, and a rate cap for small commercial and industrial customers through at least December 31, 2004; 4) allows for the use of Securitization to refinance stranded costs as a means of offsetting the earnings impact of the five percent residential rate reduction; 5) establishes a market power test which may require the transfer of control of a portion of generation resources in excess of that required to serve firm retail sales load (a requirement that Consumers is in compliance with); 6) requires Michigan utilities to join a FERC approved RTO or divest their interest in transmission facilities to an independent transmission owner; 7) requires the joint expansion of available transmission capability by Consumers, Detroit Edison and American Electric Power by at least 2,000 MW by June 5 of 2002; and 8) allows for the recovery of stranded costs and implementation costs incurred as a result of the passage of the act. Consumers is highly confident that it will meet the conditions of items 5 and 7 above, prior to the earliest rate cap termination dates specified in the act. Failure to do so would result in an extension of the rate caps to as late as December 31, 2013.

In accordance with the Securitization law, Consumers filed an application with the MPSC in July 2000, to begin the Securitization process. Securitization typically involves the issuance of asset backed bonds with a higher credit rating than conventional utility corporate financing. The MPSC issued a financing order on October 24, 2000 authorizing Securitization of approximately $470 million in qualified costs (primarily electric utility stranded generation costs) plus recovery of the expenses of the Securitization. Approximately $50 million of annual cost savings effects from Securitization will offset, prospectively, the earnings impact of the five percent residential rate reduction required by the Customer Choice Act. The order permits Consumers to apply the cost savings in excess of the five percent residential rate reduction to rate reductions for non-residential and retail open access customers after the bonds are sold. Consumers will seek on a priority basis to recover the five residential rate reduction's effect on revenues lost from the date of the financing order. Consumers estimates that the disallowed portion of revenue recovery relating to the year 2000 five percent residential rate reduction may reduce its operating earnings by $24 million in 2000. Consumers, and its special purpose subsidiary that will issue the bonds, will recover the repayment of principal, interest and other expenses relating to the issuance of the bonds through a Securitization charge and a tax charge. These charges are subject to an annual true-up until one year prior to the last expected maturity date of the Securitization bonds, and no more than quarterly thereafter. The MPSC's order will not increase current electric rates for any of Consumers' tariff customers.

Consumers has accepted the MPSC's financing order with clarifications needing confirmation by the MPSC that will permit its special purpose subsidiary to issue Securitization bonds during the first quarter of 2001. As with other significant MPSC orders, the financing order is subject to appeal by any party to the MPSC proceeding. During the appeal, the amortization of the approved regulatory assets being securitized as qualified costs would be suspended and effectively offset the loss in revenue resulting from the five percent residential rate reduction. The amortization would be reestablished later, after the bond sale, based on a schedule that is the same as the recovery of the principal amounts of the securitized qualified costs. Ultimately, sale of Securitization bonds will be required for the full rate reduction offset to continue over the term of the bonds.

In September 1999, Consumers began implementing a plan for electric retail customer open access. Consumers submitted this plan to the MPSC in 1998, and the MPSC issued orders in March 1999 that generally supported the plan. The Customer Choice Act states that orders issued by the MPSC before the date of this act that 1) allow electric customers to choose their supplier, 2) authorize recovery of net stranded costs and implementation costs, and 3) confirm any voluntary commitments of electric utilities, are in compliance with this act and enforceable by the MPSC. As required by the MPSC, on September 20, 2000, Consumers filed tariffs governing its retail open access program and addressed revisions appropriate to comply with the Customer Choice Act. Consumers cannot predict how the MPSC will modify the tariff or enforce the existing restructuring orders.

In June 2000, the Court of Appeals issued an opinion relating to a number of consolidated MPSC restructuring orders. The opinion primarily involved issues that the Customer Choice Act has rendered moot. In a separate pending case, ABATE and the Attorney General each appealed an August 1999 order in which the MPSC found that it had jurisdiction to approve rates, terms and conditions for electric retail wheeling (also known as electric customer choice) if a utility voluntarily chooses to offer that service. Consumers believes that the Customer Choice Act has rendered the issue moot, but cannot predict how the Court of Appeals will resolve the issue.

During periods when electric demand is high, the cost of purchasing energy on the spot market can be substantial. To reduce Consumers' exposure to the fluctuating cost of electricity, and to ensure adequate supply to meet demand, Consumers intends to maintain sufficient generation and to purchase electricity from others to create a power reserve (also called a reserve margin) of approximately 15 percent. The reserve margin provides Consumers with additional power above its anticipated peak power demands. It also allows Consumers to provide reliable service to its electric service customers and to protect itself against unscheduled plant outages and unanticipated demand. Consumers is planning for a reserve margin for the summers 2001, 2002, and 2003, of 15 percent. The actual reserve margin needed will depend primarily on summer weather conditions, the level of retail open access load being served by others during the summer, and any unscheduled plant outages. The existing retail open access plan allows other electric service providers with the opportunity to serve up to 750 MW of nominal retail open access load. As of October 2000, only one electric service provider has initiated service to retail open access load.

To reduce the risk of high energy prices during peak demand periods and to achieve its reserve margin target, Consumers has employed a strategy of purchasing electricity call option contracts for the physical delivery of electricity during the months of June through September. The cost of these electricity call option contracts for summer 2000 was approximately $51 million. Consumers expects to use a similar strategy in the future, but cannot predict the cost of this strategy at this time. As of September 30, 2000, Consumers had purchased or had commitments to purchase electricity call option contracts covering the estimated reserve margin requirements for summer 2001, and partially covering the estimated reserve margin requirements for summers 2002 and 2003, at a cost of $77 million, of which $39 million pertains to 2001.

In 1999, the FERC issued Order No. 2000, which describes the characteristics the FERC would find acceptable in a model RTO. In this order, the FERC declined to mandate that utilities join RTOs, but did order utilities to make filings in October 2000 and January 2001 declaring their intentions with respect to RTO membership.

In 1999, Consumers and four other electric utility companies joined together to form a coalition known as the Alliance Companies for the purpose of creating a FERC approved RTO. Both the Alliance Companies and Consumers have separately filed proposed alternative governance structures for the formation of an RTO. Neither of these proposals has been approved by the FERC.

On October 13, 2000, Consumers filed an application with the FERC to transfer ownership and control of its transmission facilities to a wholly owned subsidiary, Michigan Transco. In that application, Consumers and Michigan Transco stated that the filing represented the first step in Consumers' plan to transfer control of or to divest itself of ownership, operation and control of its transmission business to an independent third party. Whether Consumers chooses to divest its transmission business or to transfer control of it to an RTO, Consumers' current plan is to remain in the business of generating and distributing electric energy to retail customers.

On October 16, 2000, Consumers made an informational filing in compliance with the FERC's Order No. 2000. In that filing Consumers responded to the FERC's request for information about the RTO membership. In that filing Consumers said it was a member of Alliance and intended to continue its membership for the near future, but that it was also exploring other RTO options, as well as divestiture of its transmission assets. While Consumers said it had not finally decided on a specific end result, it nevertheless intended to comply with the Customer Choice Act, which among other things, requires electric utilities like Consumers to either join a FERC approved multistate RTO or divest its interest in transmission facilities by December 31, 2001. Consumers anticipates that it will make a decision regarding the transfer of its transmission assets to an RTO by January 2001.

Consumers is uncertain about the outcome of the Alliance matter before the FERC and its continued participation in Alliance.

ELECTRIC PROCEEDINGS: In 1996, the MPSC issued a final order that authorized Consumers to recover costs associated with the purchase of the additional 325 MW of MCV Facility capacity (see "Power Purchases from the MCV Partnership" in this Note). In addition, the order allowed Consumers to recover its nuclear plant investment by increasing prospective annual nuclear plant depreciation expense by $18 million, with a corresponding decrease in fossil-fueled generating plant depreciation expense. The order also established an experimental direct-access program. The Attorney General, ABATE, the MCV Partnership and other parties filed appeals with the Court of Appeals challenging the MPSC's 1996 order. In 1999, the Court of Appeals affirmed the MPSC's 1996 order in all respects. The Attorney General, however, filed an application for leave to appeal this decision to the Michigan Supreme Court. In June 2000, the Michigan Supreme Court denied the application for leave to appeal. This case is now closed.

In 1997, ABATE filed a complaint with the MPSC. The complaint alleged that Consumers' electric earnings are more than its authorized rate of return and sought an immediate reduction in Consumers' electric rates that approximated $189 million annually. As a result of the rate freeze imposed by the Customer Choice Act, the MPSC issued an order in June 2000 dismissing the ABATE complaint. In July 2000 ABATE filed a rehearing petition with the MPSC. Consumers cannot predict the outcome of the rehearing process.

Before 1998, the PSCR process provided for the reconciliation of actual power supply costs with power supply revenues. This process assured recovery of all reasonable and prudent power supply costs actually incurred by Consumers, such as, the actual cost of fuel, interchange power and purchased power. In 1998, as part of the electric restructuring efforts, the MPSC suspended the PSCR process through December 31, 2001. Under the suspension, the MPSC would not grant adjustment of customer rates through 2001. As a result of the rate freeze imposed by the Customer Choice Act, the current rates will remain in effect until at least December 31, 2003.

OTHER CONSUMERS' ELECTRIC UTILITY UNCERTAINTIES

THE MIDLAND COGENERATION VENTURE: The MCV Partnership, which leases and operates the MCV Facility, contracted to sell electricity to Consumers for a 35-year period beginning in 1990 and to supply electricity and steam to Dow. Consumers, through two wholly owned subsidiaries, holds the following assets related to the MCV Partnership and MCV Facility: 1) CMS Midland owns a 49 percent general partnership interest in the MCV Partnership; and 2) CMS Holdings holds, through FMLP, a 35 percent lessor interest in the MCV Facility.

Summarized Statements of Income for CMS Midland and CMS Holdings (unaudited)

	In Millions	
	Nine Months Ended	
September 30	2000	1999
Pretax operating income	$35	$39
Income taxes and other	11	12
Net income	$24	$27

Power Purchases from the MCV Partnership - Consumers' annual obligation to purchase capacity from the MCV Partnership is 1,240 MW through the termination of the PPA in 2025. The PPA provides that Consumers is to pay, based on the MCV Facility's availability, a levelized average capacity charge of 3.77 cents per kWh, a fixed energy charge, and a variable energy charge based primarily on Consumers' average cost of coal consumed for all kWh delivered. Since January 1, 1993, the MPSC has permitted Consumers to recover capacity charges averaging 3.62 cents per kWh for 915 MW, plus a substantial portion of the fixed and variable energy charges. Since January 1, 1996, the MPSC has also permitted Consumers to recover capacity charges for the remaining 325 MW of contract capacity with an initial average charge of 2.86 cents per kWh increasing periodically to an eventual 3.62 cents per kWh by 2004 and thereafter. However, due to the current freeze of Consumers' retail rates that was required by Public Act 141, the capacity charge for the 325 MW is now frozen at 3.17 cents per kWh. After September 2007, under the terms of the PPA, Consumers will only be required to pay the MCV Partnership capacity and energy charges that the MPSC has authorized for recovery from electric customers.

Consumers recognized a loss in 1992 for the present value of the estimated future underrecoveries of power costs under the PPA based on MPSC cost recovery orders. At September 30, 2000 and September 30, 1999, the remaining after-tax present value of the estimated future PPA liability associated with the 1992 loss totaled $55 million and $87 million, respectively. In March 1999, Consumers and the MCV Partnership reached an agreement effective January 1, 1999 that capped availability payments to the MCV Partnership at 98.5 percent. If the MCV Facility generates electricity at the maximum 98.5 percent level during the next five years, Consumers' after-tax cash underrecoveries associated with the PPA could be as follows:

In Millions	2000	2001	2002	2003	2004
Estimated cash underrecoveries at 98.5%, net of tax	$37	$39	$38	$37	$36

Consumers continually evaluates the adequacy of the PPA liability. These evaluations consider management's assessment of operating levels at the MCV Facility through 2007, along with certain other factors including MCV related costs that are included in Consumers' frozen retail rates. Should future results be different than management's assessments, additional charges for a given year of up to $33 million may be necessary. Management believes that the PPA liability is adequate at this time. For further discussion on the impact of the frozen PSCR, see "Electric Rate Matters" in this Note.

In March 1999, Consumers signed a long-term power sales agreement to resell to PECO its capacity and energy purchases under the PPA until September 2007. Implementation of the agreement was contingent upon regulatory treatment satisfactory to Consumers. Given uncertainties associated with the electric restructuring legislation in Michigan, Consumers and PECO entered into an interim arrangement for the sale of 125 MW of PPA capacity and associated energy to PECO during 2000 until the regulatory treatment was determined. The requested regulatory treatment was not received. Consequently, in August 2000, Consumers advised PECO of its intention to terminate the long-term power sales agreement prior to it becoming effective. The interim arrangement will be completed in 2000. Its completion will not affect the termination of the long-term agreement.

NUCLEAR MATTERS: In January 1997, the NRC issued its Systematic Assessment of Licensee Performance report for Palisades. The report rated all areas as good. The NRC suspended this assessment process for all licensees in 1998. Until the NRC completes its review of processes for assessing performance at nuclear power plants, the NRC uses the Plant Performance Review to provide an assessment of licensee performance. Palisades received its annual performance review in March 2000 in which the NRC stated that no significant performance issues existed during the assessment period in the reactor safety, radiation safety, and safeguards strategic performance areas. The NRC stated that Palisades continues to operate in a safe manner. Further, it stated that the NRC plans to conduct only routine inspections at Palisades over the next year. The NRC implemented the revised reactor oversight process industry-wide, including for Palisades, in April 2000. As part of that process, Palisades submitted required NRC performance data in April 2000 that indicated that Consumers was within the limits of acceptable performance for which no NRC response is required.

Palisades' temporary on-site storage pool for spent nuclear fuel is at capacity. Consequently, Consumers is using NRC-approved steel and concrete vaults, commonly known as "dry casks", for temporary on-site storage. As of September 30, 2000, Consumers had loaded 18 dry storage casks with spent nuclear fuel at Palisades. Palisades will need to load more casks by 2004 in order to continue operation. Palisades has three additional storage-only casks available for loading. Consumers anticipates, however, that licensed transportable casks will be available prior to 2004.

Consumers maintains insurance against property damage, debris removal, personal injury liability and other risks that are present at its nuclear facilities. Consumers also maintains coverage for replacement power costs during prolonged accidental outages at Palisades. Insurance would not cover such costs during the first 12 weeks of any outage, but would cover most of such costs during the next 52 weeks of the outage, followed by reduced coverage to 80 percent for 110 additional weeks. If certain covered losses occur at its own or other nuclear plants similarly insured, Consumers could be required to pay maximum assessments of $15.5 million in any one year to NEIL; $88 million per occurrence under the nuclear liability secondary financial protection program, limited to $10 million per occurrence in any year; and $6 million if nuclear workers claim bodily injury from radiation exposure. Consumers considers the possibility of these assessments to be remote.

The NRC requires Consumers to make certain calculations and report on the continuing ability of the Palisades reactor vessel to withstand postulated pressurized thermal shock events during its remaining license life, considering the embrittlement of reactor materials. In December 1996, Consumers received an interim Safety Evaluation Report from the NRC indicating that the reactor vessel can be safely operated through 2003 before reaching the NRC's screening criteria for reactor embrittlement. In February 2000, Consumers submitted an analysis to the NRC that shows that the NRC's screening criteria will not be reached until 2014. Accordingly, Consumers believes that with fuel management designed to minimize embrittlement, it can operate Palisades to the end of its license life in the year 2007 without annealing the reactor vessel. Nevertheless, Consumers will continue to monitor the matter.

In May 2000, Consumers requested that the NRC modify the operating license for the Palisades nuclear plant to recapture the four-year construction period. This modification would extend the plant's operation to March of 2011 and allow a full 40-year operating period, consistent with current NRC practice.

NUCLEAR FUEL COST: Consumers amortizes nuclear fuel cost to fuel expense based on the quantity of heat produced for electric generation. Interest on leased nuclear fuel is expensed as incurred. Under current federal law, as confirmed by court decision, the DOE was to begin accepting deliveries of spent nuclear fuel for disposal by January 31, 1998. For fuel used after April 6, 1983, Consumers charges disposal costs to nuclear fuel expense, recovers them through electric rates, and then remits them to the DOE quarterly. Consumers elected to defer payment for disposal of spent nuclear fuel burned before April 7, 1983. As of September 30, 2000, Consumers had a recorded liability to the DOE of $128 million, including interest, which is payable upon the first delivery of spent nuclear fuel to the DOE. Consumers recovered through electric rates the amount of this liability, excluding a portion of interest. In January 1997, in response to the DOE's declaration that it would not begin to accept spent nuclear fuel deliveries in 1998, Consumers and other utilities filed suit in federal court. The court issued a decision in late 1997 affirming the DOE's duty to take delivery of spent fuel, but was not specific as to the relief available for failure of the DOE to comply. Further litigation brought by Consumers and others in 1998, intended to produce specific relief for the DOE's failure to comply, has not been successful to date.

In July 2000, the DOE announced that an agreement had been reached with another utility to address the DOE's delay in accepting spent fuel. The DOE stated that the agreement, which is in the form of a contract amendment, is intended to be a framework that can be applied to other nuclear power plants. Consumers is evaluating this matter further. In addition, two recent court decisions support the right of utilities to pursue damage claims in the U. S. Court of Claims against the DOE for failure to take delivery of spent fuel. Consumers is also evaluating those rulings and their applicability to its contracts with DOE.

CONSUMERS' GAS UTILITY CONTINGENCIES

GAS ENVIRONMENTAL MATTERS: Under the Michigan Natural Resources and Environmental Protection Act, Consumers expects that it will ultimately incur investigation and remedial action costs at a number of sites. These include 23 sites that formerly housed manufactured gas plant facilities, even those in which it has a partial or no current ownership interest. Consumers has completed initial investigations at the 23 sites. On sites where Consumers has received site-wide study plan approvals, it will continue to implement these plans. It will also work toward closure of environmental issues at sites as studies are completed. Consumers has estimated its costs related to further investigation and remedial action for all 23 sites using the Gas Research Institute-Manufactured Gas Plant Probabilistic Cost Model. Using this model, Consumers estimates the costs to be between $66 million and $118 million. These estimates are based on undiscounted 1999 costs. As of September 30, 2000, after consideration of prior years' expenses, Consumers has a remaining accrued liability of $59 million and a regulatory asset of $64 million. Any significant change in assumptions, such as remediation techniques, nature and extent of contamination, and legal and regulatory requirements, could affect the estimate of remedial action costs for the sites. Consumers defers and amortizes, over a period of ten years, environmental clean-up costs above the amount currently being recovered in rates. Rate recognition of amortization expense cannot begin until after a prudence review in a future general gas rate case. Consumers is allowed current recovery of $1 million annually. Consumers has initiated lawsuits against certain insurance companies regarding coverage for some or all of the costs that it may incur for these sites.

CONSUMERS' GAS UTILITY MATTERS

GAS RESTRUCTURING: In December 1997, the MPSC approved Consumers' application to implement a gas customer choice pilot program. The program was designed to encourage Consumers to minimize its purchased natural gas commodity costs while providing rate stability for its customers. This pilot program became effective on April 1, 1998. The pilot program ends on March 31, 2001. The program allows up to 300,000 residential, commercial and industrial retail gas sales customers to choose an alternative gas commodity supplier in direct competition with Consumers. As of September 30, 2000, more than 155,000 customers chose alternative gas suppliers, representing approximately 39 bcf of gas load. Customers who had voluntarily chosen to remain as sales customers of Consumers will not see a rate change in their gas rates. This three-year program: 1) freezes gas distribution rates through March 31, 2001, establishing a delivered gas commodity cost at a fixed rate of $2.84 per mcf; 2) establishes an earnings sharing mechanism with customers if Consumers' earnings exceed certain pre-determined levels; and 3) establishes a gas transportation code of conduct that addresses the relationship between Consumers and marketers, including its affiliated marketers. The Michigan appellate courts have affirmed the pilot program in its entirety the December 1997 MPSC order. On October 13, 2000, the MPSC adopted model terms and conditions for permanent gas customer choice programs. On October 24, 2000, the MPSC approved Consumers' voluntary application to establish a permanent customer choice program in its service territory beginning April 1, 2001 after the pilot program expires. Beginning April 1, 2001, Consumers will no longer be subject to a frozen gas commodity cost. Consumers will then return to a gas cost recovery mechanism such that it will recover all prudently incurred natural gas commodity costs from it customers. Under the permanent gas customer choice program, up to 600,000 of Consumers' natural gas customers will be eligible to participate in the program beginning April 1, 2001. By April 1, 2002, up to 900,000 gas customers will be eligible to participate. All of Consumers' gas customers will be eligible to select an alternate natural gas supplier beginning April 1, 2003. Consumers would continue to transport and distribute gas to these customers.

Recent significant increases in gas prices have exposed Consumers to gas commodity losses during the last year of the pilot program. Additional exposure to losses could occur if the cost of purchased gas exceeds $7.00 per mcf or abnormal weather causes additional gas purchases. Consumers recorded a regulatory liability of $45 million in the second quarter 2000 to reflect estimated losses due to increases in natural gas commodity prices. On October 24, 2000, the MPSC approved Consumers' application to reclassify recoverable, low-cost, base gas in Consumers' gas storage reservoirs. The MPSC allowed Consumers to begin immediately to include the cost of its recoverable base gas with higher cost purchased gas. The gas accounting order is expected to eliminate the need for Consumers to recognize any further losses related to gas commodity cost under-recoveries.

PANHANDLE MATTERS

REGULATORY MATTERS: Effective August 1996, Trunkline placed into effect a general rate increase, subject to refund. On September 16, 1999, Trunkline filed a FERC settlement agreement to resolve certain issues in this proceeding. FERC approved this settlement February 1, 2000 and required refunds of approximately $2 million that were made in April 2000, with supplemental refunds of $1.3 million in June 2000. On January 12, 2000, FERC issued an order on the remainder of the rate proceeding which, if approved without modification, would result in a substantial reduction to Trunkline's tariff rates and would require refunds. Management believes that reserves for refund established are adequate and there will not be a material adverse effect on consolidated results of operations or financial position. Trunkline has requested rehearing of certain matters in this order.

In conjunction with a FERC order issued in September 1997, FERC required certain natural gas producers to refund previously collected Kansas ad-valorem taxes to interstate natural gas pipelines, including Panhandle. FERC ordered these pipelines to refund these amounts to their customers. The pipelines must make all payments in compliance with prescribed FERC requirements. At September 30, 2000 and December 31, 1999, Panhandle's Accounts Receivable included $57 million and $54 million, respectively, due from natural gas producers, and Other Current Liabilities included $58 million and $54 million, respectively, for related obligations.

On March 9, 2000, Trunkline filed an abandonment application with FERC seeking to abandon 720 miles of its 26-inch diameter pipeline that extends from Longville, Louisiana to Bourbon, Illinois. This filing is in conjunction with a plan for a limited liability corporation to convert the line from natural gas transmission service to a refined products pipeline, called Centennial Pipeline, by the end of 2001. Panhandle will own a one-third interest in the venture along with TEPPCO Partners L.P. and Marathon Ashland Petroleum LLC.

ENVIRONMENTAL MATTERS: Panhandle is subject to federal, state and local regulations regarding air and water quality, hazardous and solid waste disposal and other environmental matters. Panhandle has identified environmental contamination at certain sites on its systems and has undertaken clean-up programs at these sites. The contamination resulted from the past use of lubricants in compressed air systems containing PCBs and the prior use of wastewater collection facilities and other on-site disposal areas. Under the terms of the sale of Panhandle to CMS Energy, a subsidiary of Duke Energy is obligated to complete the Panhandle clean-up programs at certain agreed-upon sites and to indemnify against certain future environmental litigation and claims. The Illinois EPA included Panhandle and Trunkline, together with other non-affiliated parties, in a cleanup of former waste oil disposal sites in Illinois. Prior to a partial cleanup by the United States EPA, a preliminary study estimated the cleanup costs at one of the sites to be between $5 million and $15 million. The State of Illinois contends that Panhandle Eastern Pipe Line Company's and Trunkline's share for the costs of assessment and remediation of the sites, based on the volume of waste sent to the facilities, is 17.32 percent. Management believes that the costs of cleanup, if any, will not have a material adverse impact on Panhandle's financial position, liquidity, or results of operations.

OTHER UNCERTAINTIES

CMS GENERATION - LOY YANG: At September 30, 2000, CMS Energy has an approximately $500 million investment in Loy Yang. In February 2000, CMS Energy announced its intention to sell its 50 percent interest in Loy Yang. The amount CMS Energy ultimately realizes from the sale of Loy Yang could differ materially in the near term from the amount currently reflected as an asset on the balance sheet. CMS Energy, however, continues to evaluate various financial and accounting alternatives for Loy Yang by year-end, including continuing the sale process.

CMS GENERATION ENVIRONMENTAL MATTERS: CMS Generation does not currently expect to incur significant capital costs at its power facilities for compliance with current environmental regulatory standards.

CAPITAL EXPENDITURES: CMS Energy estimates capital expenditures, including investments in unconsolidated subsidiaries and new lease commitments, of $1.63 billion for 2000, $1.29 billion for 2001, and $1.36 billion for 2002. For further information, see Capital Resources and Liquidity-Capital Expenditures in the MD&A.

OTHER: As of September 30, 2000, CMS Energy and Enterprises guaranteed up to $602 million in contingent obligations of unconsolidated affiliates and related parties.

In March 2000, Adams Affiliates, Inc. and Cottonwood Partnership (prior majority owners of Continental Natural Gas) initiated arbitration proceedings through the American Arbitration Association against CMS Energy. The plaintiffs claim, in connection with an Agreement and Plan of Merger among CMS Energy, CMS Merging Corporation, Continental Natural Gas and the plaintiffs, damages for breach of warranty, implied duty of good faith, violation of the Michigan Uniform Securities Act, and common law fraud and negligent misrepresentation. The plaintiffs allege $13 million of compensatory damages and $26 million in exemplary damages. CMS Energy filed a response denying all the claims made by the plaintiffs and asserting several counterclaims. CMS Energy believes this lawsuit is without merit and will vigorously defend against it, but cannot predict the outcome of this matter.

In addition to the matters disclosed in this Note, Consumers and certain other subsidiaries of CMS Energy are parties to certain lawsuits and administrative proceedings before various courts and governmental agencies arising from the ordinary course of business. These lawsuits and proceedings may involve personal injury, property damage, contractual matters, environmental issues, federal and state taxes, rates, licensing and other matters.

CMS Energy has accrued estimated losses for certain contingencies discussed in this Note. Resolution of these contingencies is not expected to have a material adverse impact on CMS Energy's financial position, liquidity, or results of operations.

3: SHORT-TERM AND LONG-TERM FINANCINGS, AND CAPITALIZATION

CMS ENERGY: CMS Energy's Senior Credit Facility consists of a $1 billion one-year revolving credit facility maturing in June 2001. Additionally, CMS Energy has unsecured lines of credit in an aggregate amount of $63 million. As of September 30, 2000, the total amount utilized under the Senior Credit Facility and the unsecured lines of credit were $940 million and zero, respectively, and the amounts available under the Senior Credit Facility and the unsecured lines of credit were $60 million and $63 million, respectively.

At September 30, 2000, CMS Energy had $110 million of Series A GTNs, $107 million of Series B GTNs, $127 million of Series C GTNs, $196 million Series D GTNs, and $379 million Series E GTNs issued and outstanding with weighted average interest rates of 7.9 percent, 8.1 percent, 7.9 percent, 7.0 percent and 7.7 percent, respectively.

In February 2000, the Board of Directors approved a stock repurchase program whereby CMS Energy could reacquire up to 10 million shares of CMS Energy Common Stock. From February through April 2000, CMS Energy repurchased approximately 6.6 million shares for $129 million. CMS Energy does not anticipate repurchase of additional shares in the near term while strengthening its balance sheet. Subsequently, in October 2000, CMS Energy sold 11 million new shares of CMS Energy Common Stock which previously had been planned for mid-year 2001. CMS Energy used the net proceeds of approximately $305 million primarily to repay borrowings under the Senior Credit Facility. CMS Energy used the remaining amounts to repay various lines of credit.

CMS Energy is currently implementing a financial plan to strengthen its balance sheet, reduce fixed expenses and enhance earnings per share growth. In conjunction with this plan, CMS Energy has identified for possible sale certain non-strategic assets which are expected to contribute little or no earnings benefits in the short to medium term. In addition, this plan will allow CMS Energy to achieve more geographic and business focus, thereby allowing CMS Energy to concentrate on its most profitable and growing ventures. From December 1999 through September 30, 2000, CMS Energy has received $673 million of proceeds from the sale of these assets, including a partial interest in its Northern Header gathering system, all of its ownership interest in a Brazilian distribution system, all of its northern Michigan oil and gas properties, its ownership interest in the Lakewood Cogeneration plant located in Lakewood, New Jersey, and all of its ownership interest in certain oil reserves located in Ecuador.

In August 2000, CMS Energy and CMS Energy Trust III, a Delaware statutory business trust established by CMS Energy, sold 8.8 million units of 7.25 percent Premium Equity Participating Securities. Each security consists of a trust preferred security of CMS Energy Trust III maturing in four years and a contract requiring the purchase, no later than August 2003, of CMS Energy Common Stock at a rate that adjusts for the market price at the time of conversion. Net proceeds from the sale totaled $213 million. CMS Energy used the net proceeds, along with $37 million from the Senior Credit Facility, to redeem the Trust Preferred Securities of the CMS RHINOS Trust.

CONSUMERS: At September 30, 2000, Consumers had FERC authorization to issue or guarantee through June 2002, up to $900 million of short-term securities outstanding at any one time. Consumers also had remaining FERC authorization to issue through June 2002 up to $250 million and $800 million of long-term securities for refinancing or refunding purposes and for general corporate purposes, respectively. Additionally, Consumers had FERC authorization to issue $500 million of first mortgage bonds to be issued solely as security for the long-term securities mentioned above.

Consumers has an unsecured $300 million credit facility and unsecured lines of credit aggregating $190 million. These facilities are available to finance seasonal working capital requirements and to pay for capital expenditures between long-term financings. At September 30, 2000, a total of $430 million was outstanding at a weighted average interest rate of 7.4 percent, compared with $317 million outstanding at September 30, 1999, at a weighted average interest rate of 6.1 percent. In August 2000, Consumers entered into variable-to-fixed interest rate swaps totaling $300 million in order to reduce the impact of interest rate fluctuations.

Consumers currently has in place a $325 million trade receivables sale program. At September 30, 2000 and 1999, receivables sold under the program totaled $307 million and $314 million, respectively. Accounts receivable and accrued revenue in the Consolidated Balance Sheets have been reduced to reflect receivables sold.

Under the provisions of its Articles of Incorporation, Consumers had $404 million of unrestricted retained earnings available to pay common dividends at September 30, 2000. In January 2000, Consumers declared and paid a $79 million common dividend; in April 2000, Consumers declared a $30 million common dividend which was paid in May 2000; and in July 2000, Consumers declared a $17 million common dividend, which was paid in August 2000. In October 2000, Consumers declared a $61 million common dividend payable in November 2000.

PANHANDLE: In March 2000, Panhandle received net proceeds of $99 million from the sale of $100 million 8.25 percent senior notes, due April 2010. Proceeds from this offering were used to fund the acquisition of Sea Robin, a 1 bcf per day natural gas and condensate pipeline in the Gulf of Mexico offshore Louisiana west of Trunkline's existing Terrebonne system.

CMS OIL AND GAS: CMS Oil and Gas has a three-year $225 million floating rate revolving credit facility which matures in May 2002. At September 30, 2000, the amount utilized under the credit facility was $65 million.

4: EARNINGS PER SHARE AND DIVIDENDS

On October 25, 1999, CMS Energy exchanged approximately 6.1 million shares of CMS Energy Common Stock for all of the approximately 8.7 million issued and outstanding shares of Class G Common Stock in a tax-free exchange for United States federal income tax purposes.

Earnings per share attributable to Common Stock for the three and nine months ended September 30, 1999 reflect the performance of Consumers Gas Group. The allocation of earnings attributable to each class of Common Stock and the related amounts per share are computed by considering the weighted average number of shares outstanding.

Earnings attributable to the Outstanding Shares are equal to Consumers Gas Group net income multiplied by a fraction; the numerator is the weighted average number of Outstanding Shares during the period and the denominator is the weighted average number of Outstanding Shares and authorized but unissued shares of Class G Common Stock not held by holders of the Outstanding Shares during the period.

COMPUTATION OF EPS:

	Three Months Ended September 30, 2000	Three Months Ended September 30, 1999	Nine Months Ended September 30, 2000	Nine Months Ended September 30, 1999
	In Millions, Except Per Share Amounts			
NET INCOME APPLICABLE TO BASIC AND DILUTED EPS				
Consolidated Net Income	$ 55	$ 83	$ 216	$ 256
Net Income Attributable to Common Stocks:				
CMS Energy - Basic EPS	$ 55	$ 86	$ 216	$ 248
Add conversion of 7.75% Trust Preferred Securities (net of tax)	2	2	7	6
CMS Energy - Diluted EPS	$ 57	$ 88	$ 223	$ 254
Class G:				
Basic and Diluted EPS	$ -(a)	$ (3)	$ -(a)	$ 8
AVERAGE COMMON SHARES OUTSTANDING APPLICABLE TO BASIC AND DILUTED EPS				
CMS Energy:				
Average Shares - Basic	109.9	109.3	111.1	108.8
Add conversion of 7.75% Trust Preferred Securities	4.2	4.2	4.2	4.2
Options-Treasury Shares	.3	.3	.2	.3
Average Shares - Diluted	114.4	113.8	115.5	113.3
Class G:				
Average Shares Basic and Diluted	-(a)	8.7	-(a)	8.6
EARNINGS PER AVERAGE COMMON SHARE				
CMS Energy:				
Basic	$ .51	$ .79	$ 1.95	$ 2.29
Diluted	$ .51	$ .78	$ 1.93	$ 2.25
Class G:				
Basic and Diluted	$ -(a)	$ (.38)	$ -(a)	$ .90

(a) All of the outstanding shares of Class G Common Stock were exchanged for CMS Energy Common Stock on October 25, 1999.

In February, May and August 2000, CMS Energy paid dividends of $.365 per share on CMS Energy Common Stock. In October 2000, the Board of Directors declared a quarterly dividend of $.365 per share on CMS Energy Common Stock, payable in November 2000.

5: RISK MANAGEMENT ACTIVITIES AND DERIVATIVES TRANSACTIONS

CMS Energy and its subsidiaries use a variety of derivative instruments (derivatives), including futures contracts, swaps, options and forward contracts, to manage exposure to fluctuations in commodity prices, interest rates and foreign exchange rates. To qualify for hedge accounting, derivatives must meet the following criteria: i) the item to be hedged exposes the enterprise to price, interest or exchange rate risk; and ii) the derivative reduces that exposure and is designated as a hedge.

Derivative instruments contain credit risk if the counterparties, including financial institutions and energy marketers, fail to perform under the agreements. CMS Energy minimizes such risk by performing financial credit reviews using, among other things, publicly available credit ratings of such counterparties. Nonperformance by counterparties is not expected to have a material adverse impact on CMS Energy's financial position, liquidity, or results of operations.

COMMODITY PRICE HEDGES: CMS Energy engages in both energy trading and non-trading activities as defined by EITF 98-10, Accounting for Energy Trading and Risk Management Activities. CMS Energy accounts for its non-trading commodity price derivatives as hedges and, as such, defers any changes in market value and gains and losses resulting from settlements until the hedged transaction is complete. If there was a material lack of correlation between the changes in the market value of the commodity price contracts and the market price ultimately received for the hedged item, open commodity price contracts would be marked-to-market and gains and losses would be recognized in the income statement currently.

Consumers enters into electric call option contracts to ensure a reliable source of capacity to meet its customers' electric requirements and to limit its risk associated with electricity price increases. It is management's intent to take physical delivery of the commodity. Consumers continuously evaluates its daily capacity needs and sells the option contracts, if marketable, when it has excess daily capacity. Consumers' maximum exposure associated with these options is limited to the price paid. As of September 30, 2000, Consumers has a deferred asset of $55 million for electricity call option contracts, and commitments to purchase additional call options in the amount of $22 million.

A CMS Energy subsidiary has a swap agreement which fixes the prices that it will pay for gas sold to the MCV Facility for the years 2001 through 2006. The subsidiary pays fixed prices and receives floating prices under the agreement. The settlement periods are each a one-year period ending December 31, 2001 through 2006 on 3.65 million MMBtu. Since June 30, 2000, the agreement has been classified as a trading activity and correspondingly, has been marked-to-market.

INTEREST RATE HEDGES: CMS Energy and some of its subsidiaries enter into interest rate swap agreements to exchange variable rate interest payment obligations to fixed rate obligations without exchanging the underlying notional amounts. These agreements convert variable rate debt to fixed rate debt to reduce the impact of interest rate fluctuations. The notional amounts parallel the underlying debt levels and are used to measure interest to be paid or received and do not represent the exposure to credit loss. In August 2000, CMS Energy entered into floating-to-fixed interest rate swap agreements with a total notional amount of $1.0 billion. The notional amount of CMS Energy's and its subsidiaries' interest rate swaps was $1.7 billion at September 30, 2000. The difference between the amounts paid and received under the swaps is accrued and recorded as an adjustment to interest expense over the life of the hedged agreement.

FOREIGN EXCHANGE HEDGES: CMS Energy uses forward exchange and option contracts to hedge certain receivables, payables, long-term debt and equity value relating to foreign investments. The purpose of CMS Energy's foreign currency hedging activities is to protect the company from the risk that U.S. dollar net cash flows resulting from sales to foreign customers and purchases from foreign suppliers and the repayment of non-U.S. dollar borrowings as well as equity reported on the company's balance sheet, may be adversely affected by changes in exchange rates. These contracts do not subject CMS Energy to risk from exchange rate movements because gains and losses on such contracts offset losses and gains, respectively, on assets and liabilities being hedged. The notional amount of the outstanding foreign exchange contracts was $601 million at September 30, 2000, which includes $1 million, $150 million and $450 million for Australian, Brazilian and Argentine foreign exchange contracts, respectively. The estimated fair value of the foreign exchange and option contracts at September 30, 2000 was $24 million, representing the amount CMS Energy would pay upon settlement.

6: REPORTABLE SEGMENTS

CMS Energy operates principally in the following six reportable segments: electric utility; gas utility; independent power production; oil and gas exploration and production; natural gas transmission, storage and processing; and energy marketing, services and trading.

The electric utility segment consists of regulated activities associated with the generation, transmission and distribution of electricity in the state of Michigan. The gas utility segment consists of regulated activities associated with the transportation, storage and distribution of natural gas in the state of Michigan. The other reportable segments consist of the development and management of electric, gas and other energy-related projects in the United States and internationally, including energy trading and marketing. CMS Energy's reportable segments are strategic business units organized and managed by the nature of the products and services each provides. The accounting policies of each reportable segment are the same as those described in the summary of significant accounting policies. CMS Energy's management evaluates performance based on pretax operating income. Intersegment sales and transfers are accounted for at current market prices and are eliminated in consolidated pretax operating income by segment.

The Consolidated Statements of Income show operating revenue and pretax operating income by reportable segment. Revenues from an international energy distribution business and a land development business fall below the quantitative thresholds for reporting. Neither of these segments has ever met any of the quantitative thresholds for determining reportable segments.

Report of Independent Public Accountants

To CMS Energy Corporation:

We have reviewed the accompanying consolidated balance sheets of CMS ENERGY CORPORATION (a Michigan corporation) and subsidiaries as of September 30, 2000 and 1999, the related consolidated statements of income and common stockholders' equity for the three-month and nine-month periods then ended and the related consolidated statements of cash flows for the nine-month periods then ended. These financial statements are the responsibility of the Company's management.

We conducted our review in accordance with standards established by the American Institute of Certified Public Accountants. A review of interim financial information consists principally of applying analytical procedures to financial data and making inquiries of persons responsible for financial and accounting matters. It is substantially less in scope than an audit conducted in accordance with auditing standards generally accepted in the United States, the objective of which is the expression of an opinion regarding the financial statements taken as a whole. Accordingly, we do not express such an opinion.

Based on our review, we are not aware of any material modifications that should be made to the financial statements referred to above for them to be in conformity with accounting principles generally accepted in the United States.

We have previously audited, in accordance with auditing standards generally accepted in the United States, the consolidated balance sheet of CMS Energy Corporation and subsidiaries as of December 31, 1999, and, in our report dated February 4, 2000, we expressed an unqualified opinion on that statement. In our opinion, the information set forth in the accompanying consolidated balance sheet as of December 31, 1999, is fairly stated, in all material respects, in relation to the consolidated balance sheet from which it has been derived.

/s/ Arthur Andersen LLP

Detroit, Michigan,
October 27, 2000.

CONSUMERS ENERGY COMPANY
MANAGEMENT'S DISCUSSION AND ANALYSIS

Consumers is a combination electric and gas utility company serving the Lower Peninsula of Michigan and is a subsidiary of CMS Energy, a holding company. Consumers' customer base includes a mix of residential, commercial and diversified industrial customers, the largest segment of which is the automotive industry.

The MD&A of this Form 10-Q should be read along with the MD&A and other parts of Consumers' 1999 Form 10-K. This MD&A also refers to, and in some sections specifically incorporates by reference, Consumers' Condensed Notes to Consolidated Financial Statements and should be read in conjunction with such Statements and Notes.

This report and other written and oral statements made by Consumers from time to time contain forward-looking statements as defined by the Private Securities Litigation Reform Act of 1995. The words "anticipates," "believes," "estimates," "expects," "intends," and "plans," and variations of such words and similar expressions, are intended to identify forward-looking statements that involve risk and uncertainty. These forward-looking statements are subject to various factors that could cause Consumers' actual results to differ materially from those anticipated in such statements. Consumers disclaims any obligation to update or revise forward-looking statements, whether from new information, future events or otherwise. Consumers details certain risk factors, uncertainties and assumptions in this MD&A and particularly in the section entitled "CMS Energy, Consumers and Panhandle Forward-Looking Statements Cautionary Factors" in Consumers' 1999 Form 10-K Item 1 and periodically in various public filings it makes with the SEC. This discussion of potential risks and uncertainties is by no means complete, but is designed to highlight important factors that may impact Consumers' outlook. This report also describes material contingencies in Consumers' Condensed Notes to Consolidated Financial Statements and readers are encouraged to read such Notes.

RESULTS OF OPERATIONS

CONSUMERS CONSOLIDATED EARNINGS

			In Millions
September 30	2000	1999	Change
Three months ended	$ 63	$ 88	$ (25)
Nine months ended	172	265	(93)

Net income available to the common stockholder decreased $25 million from the 1999 level for the three months ended September 30, 2000. The earnings decrease was primarily due to lower temperature-related electric revenues and the purchase of electricity options, which were not needed due to the milder-than-expected summer temperatures. In addition, earnings decreased by $13 million due to the passing of the Customer Choice Act in Michigan, which required an immediate five percent electric rate reduction for residential customers, while commercial and industrial rates remain unchanged. Partially offsetting these decreases were benefits from increased gas revenues and lower operating costs, including a reduction in employee paid absence cost due to a change in the labor contract with the union. Net income for the nine months ended September 30, 2000 decreased $93 million from the comparable period in 1999. The earnings decrease primarily reflects the recording of a $45 million regulatory obligation related to gas prices which are significantly above the frozen gas commodity rate, purchased electricity options described above, lower gas deliveries, and the electric rate reduction required by the Customer Choice Act enacted in Michigan. Partially offsetting these decreases were lower operating costs including the benefits related to reductions in employee paid absence cost. For further information, see the Electric and Gas Utility Results of Operations sections and Note 2, Uncertainties.

ELECTRIC UTILITY RESULTS OF OPERATIONS

ELECTRIC PRETAX OPERATING INCOME:

			In Millions
September 30	2000	1999	Change
Three months ended	$ 118	$ 168	$ (50)
Nine months ended	342	425	(83)

For the three months ended September 30, 2000, electric pretax operating income decreased $50 million from the comparable period in 1999. The earnings decrease reflects lower temperature-related electric revenues, the purchase of electricity options, which were not needed due to the milder-than-expected summer temperatures, and the passage of the Customer Choice Act in Michigan, partially offset by decreased operating expenses. The Customer Choice Act required an immediate five percent electric rate reduction for residential customers, while commercial and industrial rates remain unchanged. Power costs increased significantly due to higher purchased electricity options costs in anticipation of a predicted hot summer that did not materialize and due to additional purchased power as a result of unscheduled outages at Consumers' internal generating facilities. For the nine months ended September 30, 2000, electric pretax operating income decreased $83 million from the comparable period in 1999. The earnings decrease reflects the increased cost of power and electricity options and the impact of the electric rate reduction, partially offset by increased electric sales revenue and decreased operations expenses. During the current year, Consumers needed additional purchased power to meet customer requirements due to scheduled and unscheduled outages at Consumers' internal generating facilities. Consumers also had higher costs to purchase electricity options this year to ensure an adequate supply of power for its customers for a predicted hotter-than-normal summer. Current-year operating expenses also reflect benefits of $11 million related to reductions in employee paid absence cost. The following table quantifies these impacts on pretax operating income:

		In Millions
Change Compared to Prior Year	Three Months Ended September 30 2000 vs 1999	Nine Months Ended September 30 2000 vs 1999
Electric deliveries	$ (7)	$ 5
Power supply costs and related revenue	(45)	(70)
Rate decrease	(14)	(19)
Non-commodity revenue	7	3
Operation and maintenance expense	11	2
General taxes and depreciation expense	(2)	(4)
Total change	$ (50)	$ (83)

ELECTRIC DELIVERIES: Electric deliveries were 10.7 billion kWh for the three months ended September 30, 2000, slightly less than the third quarter of 1999. Electric deliveries were 30.4 billion kWh for the nine months ended September 30, 2000, again a slight decrease from the corresponding 1999 period. Total electric deliveries decreased due to lower intersystem sales, and less usage by residential and industrial customers.

POWER SUPPLY COSTS:

September 30	2000	1999	Change
			In Millions
Three months ended	$ 355	$ 335	$ 20
Nine months ended	949	906	43

Power supply costs increased for the three months ended September 30, 2000 from the comparable period in 1999 and also increased for the nine-month period, primarily due to higher interchange power costs and electricity options costs. Consumers had to purchase more, higher-priced external power because of decreased internal generation resulting from scheduled and unscheduled outages. Consumers also incurred higher electricity options costs to reserve the availability of extra power in 2000 due to a predicted hotter-than-normal summer.

GAS UTILITY RESULTS OF OPERATIONS

GAS PRETAX OPERATING INCOME:

September 30	2000	1999	Change
			In Millions
Three months ended	$ 9	$ (6)	$ 15
Nine months ended	44	87	(43)

Gas pretax operating income increased by $15 million in the three months ended September 30, 2000. The earnings increase reflects higher gas deliveries due to cooler temperatures in the three months ended September 30, 2000, lower operating costs and the absence of a 1999 regulatory disallowance of $7 million. Gas pretax operating income decreased in the nine months ended September 30, 2000 by $43 million. The earnings decrease primarily reflects the recording of a $45 million regulatory obligation related to gas prices, which are significantly above the gas commodity rate that is frozen through March 31, 2001. This frozen commodity rate relates to a three-year experimental gas choice pilot program, which provides Consumers the opportunity to benefit or lose from changes in commodity gas prices. See Note 2, Uncertainties, "Gas Rate Matters - Gas Restructuring", for more detailed information on this matter. The earnings decrease also reflects decreased gas deliveries in the nine months ended September 30, 2000 due to warmer temperatures during the first quarter of 2000. Partially offsetting these decreases were increased gas wholesale and retail services revenue and lower operating costs including benefits of $5 million related to reductions in employee paid absence cost. The following table quantifies these impacts on Pretax Operating Income.

Change Compared to Prior Year	Three Months Ended September 30 2000 vs 1999	Nine Months Ended September 30 2000 vs 1999
		In Millions
Gas deliveries	$ 5	$ (2)
Gas commodity costs and related revenue	8	(52)
Gas wholesale and retail services	1	5
Operation and maintenance expense	4	7
General taxes and depreciation expense	(3)	(1)
Total change	$15	$ (43)

GAS DELIVERIES: Gas system deliveries for the three months ended September 30, 2000, including miscellaneous transportation, totaled 45 bcf, an increase of 1 bcf or 3 percent from the comparable period in 1999. The increased deliveries reflect cooler temperatures during the third quarter of 2000. Gas system deliveries for the nine months ended September 30, 2000, including miscellaneous transportation, totaled 273 bcf, an increase of 1 bcf or .1 percent from the comparable period in 1999.

COST OF GAS SOLD:

			In Millions
September 30	2000	1999	Change
Three months ended	$ 60	$ 44	$ 16
Nine months ended	450	428	22

The cost of gas sold increased for the three months ended September 30, 2000 due to higher gas prices and increased gas deliveries due to cooler than normal temperature. Higher gas prices also impacted the cost of gas sold for the nine months ended September 30, 2000. These higher gas costs were partially offset by decreased sales from warmer-than-normal temperatures during the first quarter of 2000.

CAPITAL RESOURCES AND LIQUIDITY

CASH POSITION, INVESTING AND FINANCING

OPERATING ACTIVITIES: Consumers derives cash from operating activities involving the sale and transportation of natural gas and the generation, transmission, distribution and sale of electricity. Cash from operations totaled $352 million and $544 million for the first nine months of 2000 and 1999, respectively. The $192 million decrease was primarily due to gas purchase prices which are significantly above the frozen gas commodity rate, purchased electricity options, lower gas deliveries and the electric rate reduction required by the Customer Choice Act as discussed in the results of operations. The decrease in cash was also affected by an $85 million increase in gas inventories and other temporary changes in working capital items due to timing of cash receipts and payments. Consumers primarily uses cash derived from operating activities to maintain and expand electric and gas systems, to retire portions of long-term debt, and to pay dividends.

INVESTING ACTIVITIES: Cash used for investing activities totaled $394 million and $335 million for the first nine months of 2000 and 1999, respectively. The change of $59 million is primarily the result of a $53 million increase in capital expenditures and a $16 million increase in the cost to retire property, predominately related to the Clean Air Act. Offsetting these costs was a $9 million decrease in investment in nuclear decommissioning trust funds.

FINANCING ACTIVITIES: Cash provided by financing activities totaled $33 million for the first nine months of 2000 compared to $215 million used in the first nine months of 1999. The change of $248 million is primarily the result of the absence of $200 million retirement of preferred stock and the absence of $150 million capital contribution from Consumers' common stockholder. The change was also affected by an increase of $114 million in notes payable and $82 million reduction in the payment of common stock dividends.

OTHER INVESTING AND FINANCING MATTERS: Consumers has credit facilities, lines of credit and a trade receivable sale program in place as anticipated sources of funds to fulfill its currently expected capital expenditures. For detailed information about these sources of funds, see Note 3, Short-Term Financing and Capitalization.

OUTLOOK

CAPITAL EXPENDITURES OUTLOOK

Consumers estimates the following capital expenditures, including new lease commitments, by expenditure type and by business segments over the next three years. These estimates are prepared for planning purposes and are subject to revision.

			In Millions
Years Ended December 31	2000	2001	2002
Construction	$529	$669	$639
Nuclear fuel lease	3	26	26
Capital leases other than nuclear fuel	23	25	25
	$555	$720	$690
Electric utility operations (a)(b)	$440	$580	$545
Gas utility operations (a)	115	140	145
	$555	$720	$690

(a) These amounts include an attributed portion of Consumers' anticipated capital expenditures for plant and equipment common to both the electric and gas utility businesses.

(b) These amounts include estimates for capital expenditures possibly required for compliance with recently revised national air quality standards under the Clean Air Act. For further information see Note 2, Uncertainties.

ELECTRIC BUSINESS OUTLOOK

GROWTH: Consumers expects average annual growth of approximately two and one half percent per year in electric system deliveries for the years 2000 to 2005 based on a steadily growing customer base. This growth rate does not take into account the impact of electric industry restructuring, including the impact of the Customer Choice Act that allows customers to choose their electricity supplier, or changing regulation. Abnormal weather, changing economic conditions or the developing competitive market for electricity may affect actual electric deliveries by Consumers in future periods.

COMPETITION AND REGULATORY RESTRUCTURING: Since 1997, there have been repeated efforts made in the Michigan Legislature to enact electric utility restructuring legislation. These efforts resulted in the passage of the Customer Choice Act, which became effective June 5, 2000.

Generally, electric utility restructuring is the regulatory and legislative attempt to introduce competition to the electric industry by allowing customers to choose their supplier of electricity generation. Such competition affects, and will continue to affect, Consumers' retail electric business. Several years ago, prior to the enactment of the Customer Choice Act, Consumers had entered multi-year electric supply contracts with a number of its largest industrial customers to provide power to some of their facilities and the MPSC approved these contracts as part of its phased introduction to competition. During the period from 2000 through 2005, some of these contracts can be terminated or restructured. These contracts involve approximately 600 MW of customer power supply requirements. The ultimate financial impact of changes related to these power supply contracts is not known at this time.

As a result of a transition of the wholesale and retail electric businesses in Michigan to competition, Detroit Edison, in December 1996, gave Consumers the required four-year notice of its intent to terminate, effective January 1, 2001, the current agreements under which the companies jointly operate the MEPCC. At the same time, Detroit Edison filed with the FERC seeking early termination of the agreements. The FERC has not acted on Detroit Edison's application. Detroit Edison and Consumers are currently in negotiations to restructure and continue certain parts of the MEPCC control area and joint transmission operations, but expressly exclude any merchant operations (electricity purchasing, sales, and dispatch operations). Consumers is unable to predict the outcome of these negotiations, but does not anticipate any adverse impacts caused by restructuring of the MEPCC. In the interim, Detroit Edison negotiated with Consumers a one-month extension of the current agreement's termination effective date to February 1, 2001. Consumers is in the process of establishing systems and procedures to perform independent merchant operations, which are expected to be in place by February 1, 2001. The termination of joint merchant operations with Detroit Edison will open Detroit Edison and Consumers to wholesale market competition as individual companies. Consumers can not predict the financial impact of terminating these joint operations.

In part, because of certain policy pronouncements by the FERC, Consumers joined the Alliance RTO and recently filed an application with the FERC to transfer ownership and control of its transmission facilities to a wholly owned subsidiary, Michigan Transco. This represents the first step in Consumers' plan to transfer control of or to divest itself of ownership, operation and control of its transmission assets.

Uncertainty exists with respect to the enactment of federal electric industry restructuring legislation. A variety of bills introduced in Congress in recent years have sought to change existing federal regulation of the industry. These federal bills could potentially affect or supercede state regulation; however, none have been enacted.

Consumers cannot predict the outcome of these electric industry-restructuring issues on its financial position, liquidity, or results of operations.

RATE MATTERS: Prior to June 5, 2000 there were several pending rate issues that could have affected Consumers' electric business. As a result of the passage of the Customer Choice Act, certain MPSC rate proceedings and a complaint by ABATE seeking a reduction in rates have been dismissed.

For further information and material changes relating to the rate matters and restructuring of the electric utility industry, see Note 1, Corporate Structure and Summary of Significant Accounting Policies, and Note 2, Uncertainties, "Electric Rate Matters - Electric Restructuring" and "Electric Rate Matters - Electric Proceedings," incorporated by reference herein.

NUCLEAR MATTERS: Subsequent to quarter end, Consumers has signed an agreement to become a full partner in NMC, acquiring a financial interest in NMC and a position on the NMC Board of Directors. Consumers will transfer responsibility for the operation of its Palisades nuclear plant to NMC. NMC was formed by four upper Midwest utilities in February 1999 to operate seven nuclear units at five plant sites in Wisconsin, Minnesota and Iowa. With Consumers as a partner, NMC will have responsibility for operating eight units with 4,500 megawatts of generating capacity.

Consumers will retain ownership of the plant, its 789 MW output, the spent fuel on site, and ultimate responsibility for the safe operation, maintenance and decommissioning of the plant. Approval will be sought from the NRC for an amendment to Palisades' operating license designating NMC as the plant's operator. Under this agreement, salaried Palisades employees will become NMC employees in approximately mid 2001. Union employees will work under NMC supervision pursuant to their existing labor contract as Consumer employees. This agreement will benefit Consumers by consolidating expertise and controlling costs and resources among all of the nuclear plants being operated by the five NMC member companies. The ultimate financial impact is uncertain.

UNCERTAINTIES: Several electric business trends or uncertainties may affect Consumers' financial results and condition. These trends or uncertainties have, or Consumers reasonably expects could have, a material impact on net sales, revenues, or income from continuing electric operations. Such trends and uncertainties include: 1) capital expenditures for compliance with the Clean Air Act; 2) environmental liabilities arising from compliance with various federal, state and local environmental laws and regulations, including potential liability or expenses relating to the Michigan Natural Resources and Environmental Protection Act and

Superfund; 3) electric industry restructuring, how the MPSC ultimately calculates the amount of Stranded Costs and the related true-up adjustments and the manner in which the true-up operates, and the ability to recover fully the cost of doing business under the rate caps; 4) the successful sale of Securitization bonds on a timely basis; 5)the ability to meet peak electric demand loads at a reasonable cost and without market disruption and initiatives undertaken to reduce exposure to energy price increases; 6) the transfer of Consumers transmission facilities to Michigan Transco and its successful disposition or integration into an RTO and 7) ongoing issues relating to the storage of spent nuclear fuel and the operating life of Palisades and the successful operation of NMC. For detailed information about these trends or uncertainties, see Note 2, Uncertainties, incorporated by reference herein.

GAS BUSINESS OUTLOOK

GROWTH: Consumers currently anticipates gas deliveries, including gas customer choice deliveries (excluding transportation to the MCV Facility and off-system deliveries), to grow at an average annual rate of between one and two percent over the next five years based primarily on a steadily growing customer base. Actual gas deliveries in future periods may be affected by abnormal weather, alternative energy prices, changes in competitive conditions, and the level of natural gas consumption per customer.

GAS RESTRUCTURING: In December 1997, the MPSC approved Consumers' application to implement a gas customer choice pilot program. The program was designed to encourage Consumers to minimize its purchased natural gas commodity costs while providing rate stability for its customers. This pilot program became effective on April 1, 1998. The pilot program ends on March 31, 2001. The program allows up to 300,000 residential, commercial and industrial retail gas sales customers to choose an alternative gas commodity supplier in direct competition with Consumers. As of September 30, 2000, more than 155,000 customers chose alternative gas suppliers, representing approximately 39 bcf of gas load. Customers who had voluntarily chosen to remain as sales customers of Consumers will not see a rate change in their gas rates. This three-year program: 1) freezes gas distribution rates through March 31, 2001, establishing a delivered gas commodity cost at a fixed rate of $2.84 per mcf; 2) establishes an earnings sharing mechanism with customers if Consumers' earnings exceed certain pre-determined levels; and 3) establishes a gas transportation code of conduct that addresses the relationship between Consumers and marketers, including its affiliated marketers. The Michigan appellate courts have affirmed the pilot program in its entirety the December 1997 MPSC order. On October 13, 2000, the MPSC adopted model terms and conditions for permanent gas customer choice programs. On October 24, 2000, the MPSC approved Consumers' voluntary application to establish a permanent customer choice program in its service territory beginning April 1, 2001 after the pilot program expires. Beginning April 1, 2001, Consumers will no longer be subject to a frozen gas commodity cost. Consumers will then return to a gas cost recovery mechanism such that it will recover all prudently incurred natural gas commodity costs from it customers. Under the permanent gas customer choice program, up to 600,000 of Consumers' natural gas customers will be eligible to participate in the program beginning April 1, 2001. By April 1, 2002, up to 900,000 gas customers will be eligible to participate. All of Consumers' gas customers will be eligible to select an alternate natural gas supplier beginning April 1, 2003. Consumers would continue to transport and distribute gas to these customers.

Recent significant increases in gas prices have exposed Consumers to gas commodity losses during the last year of the pilot program. Additional exposure to losses could occur if the cost of purchased gas exceeds $7.00 per mcf or abnormal weather causes additional gas purchases. Consumers recorded a regulatory liability of $45 million in the second quarter 2000 to reflect estimated losses due to increases in natural gas commodity prices. On October 24, 2000, the MPSC approved Consumers' application to reclassify recoverable, low-cost, base gas in Consumers' gas storage reservoirs. The MPSC allowed Consumers to begin immediately to include the cost of its recoverable base gas with higher cost purchased gas. The gas accounting order is expected to eliminate the need for Consumers to recognize any further losses related to gas commodity cost under-recoveries.

UNCERTAINTIES: Consumers' financial results and position may be affected by a number of trends or uncertainties that have, or Consumers reasonably expects could have, a material impact on net sales or revenues or income from continuing gas operations. Such trends and uncertainties include: 1) potential environmental costs at a number of sites, including sites formerly housing manufactured gas plant facilities; 2) successful implementation of the new expanded gas customer choice program beginning in April 2001; 3) permanent gas industry restructuring; and 4) implementation of the GCR mechanism in April 2001 and the success or failure of initiatives undertaken to protect against gas commodity price increases. For further detailed information about these uncertainties, see Note 2.

OTHER OUTLOOK

Consumers offers a variety of energy-related services to electric and gas customers focused upon appliance maintenance, home safety, commodity choice and assistance to customers purchasing heating, ventilation and air conditioning equipment. Consumers continues to look for additional growth opportunities in energy-related services for Consumers' customers.

OTHER MATTERS

NEW ACCOUNTING STANDARDS

Since 1998, the FASB has issued three accounting standards regarding accounting for derivative instruments and hedging activities, effective January 1, 2001. These standards require that Consumers recognize all derivative contracts on the balance sheet as either assets or liabilities and measure the derivative contracts at fair value. Consumers must recognize changes in fair value in either earnings or other comprehensive income depending on the intended use of the derivative.

Consumers believes that the majority of its derivatives contracts qualify for the normal purchases and sales exception and therefore, in accordance with this new accounting standard, would not be required to be recognized at fair value. However, Consumers currently anticipates that it will be required to record electricity and gas option contracts, and interest rate swaps on its balance sheet at fair value. It is anticipated that changes in the fair value of these contracts will be recorded in other comprehensive income. Derivative and hedge accounting for utility industry option contracts, however, remains uncertain and the financial impact is dependent upon resolution of certain industry issues with the FASB. If the standard is not amended to allow option contracts to be treated as normal purchases or cash flow hedges, changes in the fair value of these contracts will be recorded in earnings, and could cause earnings volatility. The financial impact to earnings is unknown at this time, but Consumers continues to quantify the effects of adoption on its financial statements.

In December 1999, the SEC released SAB No. 101 summarizing the SEC staff's views on revenue recognition policies based upon existing generally accepted accounting principles. The SEC staff has deferred the implementation date of SAB No. 101 until no later than the fourth quarter of fiscal years beginning after December 15, 1999. Consumers has adopted the provisions of SAB No. 101 as of October 1, 2000. The impact of adopting SAB No. 101 is not material to Consumers consolidated results of operations or financial position.

DERIVATIVES AND HEDGES

MARKET RISK INFORMATION: Consumers' exposure to market risk sensitive instruments and positions include, but are not limited to, changes in interest rates, debt prices and equity prices in which Consumers holds less than a 20 percent interest. In accordance with the SEC's disclosure requirements, Consumers performed a 10 percent sensitivity analysis on its derivative and non-derivative financial instruments. The analysis measures the change in the net present values based on a hypothetical 10 percent adverse change in the market rates to determine the potential loss in fair values, cash flows and earnings. Losses in excess of the amounts determined could occur if market rates or prices exceed the 10 percent change used for the analysis. Management does not believe that a sensitivity analysis alone provides an accurate or reliable method for monitoring and controlling risk. Therefore, Consumers relies on the experience and judgment of senior management to revise strategies and adjust positions, as they deem necessary.

For purposes of the analysis below, Consumers has not quantified short-term exposures to hypothetically adverse changes in the price or nominal amounts associated with inventories or trade receivables and payables. Furthermore, Consumers enters into all derivative financial instruments for purposes other than trading. In the case of hedges, management believes that gains or losses incurred on derivative instruments used as a hedge would be offset by the opposite movement of the underlying hedged item.

EQUITY SECURITY PRICE RISK: Consumers has a less than 20 percent equity investment in CMS Energy. A hypothetical 10 percent adverse change in market price would result in a $10 million change in its investment and equity since this equity instrument is currently marked-to-market through equity. Consumers believes that such an adverse change would not have a material effect on its consolidated financial position, results of operation or cash flows.

DEBT PRICE AND INTEREST RATE RISK: Management uses a combination of fixed-rate and variable-rate debt to reduce interest rate exposure. Interest rate swaps and rate locks may be used to adjust exposure when deemed appropriate, based upon market conditions. These strategies attempt to provide and maintain the lowest cost of capital.

As of September 30, 2000, Consumers had outstanding $851 million of variable-rate debt. In order to minimize adverse interest-rate changes, Consumers entered into fixed interest-rate swaps for a notional amount of $300 million. Assuming a hypothetical 10 percent adverse change in market interest rates, Consumers' exposure to earnings is limited to $6 million. As of September 30, 2000, Consumers had outstanding long-term fixed-rate debt including fixed-rate swaps of $2.360 billion with a fair value of $2.262 billion. Assuming a hypothetical 10 percent adverse change in market rates, Consumers would have an exposure of $131 million to its fair value if it had to refinance all of its long-term fixed-rate debt. Consumers believes that any adverse change in debt price and interest rates would not have a material effect on its consolidated financial position, results of operation or cash flows.

OTHER

The Union represents Consumers' operating, maintenance and construction employees. Consumers and the Union negotiated a new collective bargaining agreement that became effective as of June 1, 2000. By its terms, that agreement will continue in full force and effect until June 1, 2005. Consumers does not anticipate any material adverse financial effects on its financial position, liquidity, or results of operations as a result of changes to this agreement.

During the first and third quarters of 2000, Consumers implemented the results of a change in its paid personal absences plan, in part due to provisions of a new union labor contract. The change resulted in employees receiving the benefit of paid personal absence immediately at the beginning of each fiscal year, rather than earning it in the previous year. The change for non-union employees affected the first quarter of 2000. The change for union employees affected the third quarter of 2000. The cumulative effect of these one-time changes decreased operating expenses by $16 million collectively, and increased earnings, net of tax, by $6 million in the first quarter and $4 million in the third quarter.

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CONSUMERS ENERGY COMPANY
CONSOLIDATED STATEMENTS OF INCOME
(UNAUDITED)

SEPTEMBER 30	THREE MONTHS ENDED 2000	THREE MONTHS ENDED 1999	NINE MONTHS ENDED 2000	NINE MONTHS ENDED 1999
				In Millions
OPERATING REVENUE				
Electric	$ 715	$ 753	$2,002	$2,052
Gas	142	112	765	792
Other	17	13	41	41
	874	878	2,808	2,885
OPERATING EXPENSES				
Operation				
Fuel for electric generation	94	98	240	262
Purchased power - related parties	127	140	417	418
Purchased and interchange power	134	97	292	226
Cost of gas sold	60	44	450	428
Other	134	143	398	423
	549	522	1,797	1,757
Maintenance	38	43	130	122
Depreciation, depletion and amortization	96	94	312	307
General taxes	49	44	148	148
	732	703	2,387	2,334
PRETAX OPERATING INCOME				
Electric	118	168	342	425
Gas	9	(6)	44	87
Other	15	13	35	39
	142	175	421	551
OTHER INCOME (DEDUCTIONS)				
Dividends and interest from affiliates	2	4	7	10
Accretion income	-	1	2	3
Accretion expense	(2)	(4)	(6)	(11)
Other, net	1	1	3	10
	1	2	6	12
INTEREST CHARGES				
Interest on long-term debt	35	35	105	105
Other interest	12	12	29	29
Capitalized interest	(2)	-	(2)	-
	45	47	132	134
NET INCOME BEFORE INCOME TAXES	98	130	295	429
INCOME TAXES	26	37	96	144
NET INCOME	72	93	199	285
PREFERRED STOCK DIVIDENDS	-	-	1	6
PREFERRED SECURITIES DISTRIBUTIONS	9	5	26	14
NET INCOME AVAILABLE TO COMMON STOCKHOLDER	$ 63	$ 88	$ 172	$ 265

THE ACCOMPANYING CONDENSED NOTES ARE AN INTEGRAL PART OF THESE STATEMENTS.

CONSUMERS ENERGY COMPANY
CONSOLIDATED STATEMENTS OF CASH FLOWS
(UNAUDITED)

NINE MONTHS ENDED SEPTEMBER 30	2000	1999
		IN MILLIONS
CASH FLOWS FROM OPERATING ACTIVITIES		
Net income	$ 199	$ 285
Adjustments to reconcile net income to net cash provided by operating activities		
Depreciation, depletion and amortization (includes nuclear decommissioning of $29 and $38 respectively)	312	307
Capital lease and other amortization	23	28
Accretion expense	6	11
Accretion income - abandoned Midland project	(2)	(3)
Undistributed earnings of related parties (net of $8 and $10 dividends respectively)	(28)	(30)
Deferred income taxes and investment tax credit	(22)	(7)
MCV power purchases	(42)	(45)
Regulatory obligation - gas choice	27	-
Changes in other assets and liabilities	(121)	(2)
Net cash provided by operating activities	352	544
CASH FLOWS FROM INVESTING ACTIVITIES		
Capital expenditures (excludes assets placed under capital lease)	(344)	(291)
Cost to retire property, net	(78)	(62)
Investments in nuclear decommissioning trust funds	(29)	(38)
Investment in Electric Restructuring Implementation Plan	(20)	(24)
Proceeds from nuclear decommissioning trust funds	28	29
Associated company preferred stock redemption	49	50
Other	-	1
Net cash used in investing activities	(394)	(335)
CASH FLOWS FROM FINANCING ACTIVITIES		
Payment of common stock dividends	(126)	(208)
Preferred securities distributions	(26)	(14)
Payment of capital lease obligations	(23)	(28)
Payment of preferred stock dividends	(1)	(9)
Retirement of bonds and other long-term debt	(7)	(23)
Increase in notes payable, net	216	102
Retirement of preferred stock	-	(200)
Contribution from stockholder	-	150
Proceeds from bank loans	-	15
Net cash provided by (used in) financing activities	33	(215)
NET DECREASE IN CASH AND TEMPORARY CASH INVESTMENTS	(9)	(6)
CASH AND TEMPORARY CASH INVESTMENTS, BEGINNING OF PERIOD	18	25
CASH AND TEMPORARY CASH INVESTMENTS, END OF PERIOD	$ 9	$ 19
Other cash flow activities and non-cash investing and financing activities were:		
Cash transactions		
Interest paid (net of amounts capitalized)	$ 122	$ 131
Income taxes paid (net of refunds)	110	155
Non-cash transactions		
Nuclear fuel placed under capital lease	$ 3	$ 2
Other assets placed under capital leases	10	11

All highly liquid investments with an original maturity of three months or less are considered cash equivalents.

THE ACCOMPANYING CONDENSED NOTES ARE AN INTEGRAL PART OF THESE STATEMENTS.

CONSUMERS ENERGY COMPANY
CONSOLIDATED BALANCE SHEETS

ASSETS	SEPTEMBER 30 2000 (UNAUDITED)	DECEMBER 31 1999	SEPTEMBER 30 1999 (UNAUDITED)
			In Millions
PLANT (AT ORIGINAL COST)			
Electric	$7,146	$6,981	$6,920
Gas	2,529	2,461	2,427
Other	25	25	25
	9,700	9,467	9,372
Less accumulated depreciation, depletion and amortization	5,818	5,643	5,558
	3,882	3,824	3,814
Construction work-in-progress	294	199	179
	4,176	4,023	3,993
INVESTMENTS			
Stock of affiliates	73	139	147
First Midland Limited Partnership	241	240	238
Midland Cogeneration Venture Limited Partnership	273	247	240
	587	626	625
CURRENT ASSETS			
Cash and temporary cash investments at cost, which approximates market	9	18	19
Accounts receivable and accrued revenue, less allowances of $3, $4 and $4, respectively	4	98	22
Accounts receivable - related parties	66	67	62
Inventories at average cost			
Gas in underground storage	301	216	288
Materials and supplies	64	62	58
Generating plant fuel stock	48	46	37
Postretirement benefits	25	25	25
Deferred income taxes	2	8	-
Prepaid property taxes and other	98	159	85
	617	699	596
NON-CURRENT ASSETS			
Regulatory assets			
Unamortized nuclear costs	476	519	506
Postretirement benefits	317	341	349
Abandoned Midland Project	28	48	53
Other	116	125	128
Nuclear decommissioning trust funds	617	602	572
Other	198	187	167
	1,752	1,822	1,775
TOTAL ASSETS	$7,132	$7,170	$6,989

STOCKHOLDERS' INVESTMENT AND LIABILITIES	SEPTEMBER 30 2000 (UNAUDITED)	DECEMBER 31 1999	SEPTEMBER 30 1999 (UNAUDITED)
			In Millions
CAPITALIZATION			
Common stockholder's equity			
Common stock	$ 841	$ 841	$ 841
Paid-in capital	646	645	645
Revaluation capital	26	37	41
Retained earnings since December 31, 1992	531	485	437
	2,044	2,008	1,964
Preferred stock	44	44	44
Company-obligated mandatorily redeemable preferred securities of:			
Consumers Power Company Financing I (a)	100	100	100
Consumers Energy Company Financing II (a)	120	120	120
Consumers Energy Company Financing III (a)	175	175	-
Long-term debt	2,009	2,006	2,009
Non-current portion of capital leases	81	85	84
	4,573	4,538	4,321
CURRENT LIABILITIES			
Current portion of long-term debt and capital leases	80	90	148
Notes payable	430	214	317
Accounts payable	186	224	156
Accrued taxes	106	232	89
Accounts payable - related parties	61	82	81
Power purchases - MCV Partnership	47	47	47
Accrued interest	39	37	31
Deferred income taxes	-	-	5
Accrued refunds	1	11	19
Other	148	139	206
	1,098	1,076	1,099
NON-CURRENT LIABILITIES			
Deferred income taxes	651	700	620
Postretirement benefits	385	420	425
Power purchases - MCV Partnership	37	73	87
Deferred investment tax credit	119	125	127
Regulatory liabilities for income taxes, net	86	64	121
Other	183	174	189
	1,461	1,556	1,569
COMMITMENTS AND CONTINGENCIES (Notes 1 and 2)			
TOTAL STOCKHOLDERS' INVESTMENT AND LIABILITIES	$ 7,132	$ 7,170	$ 6,989

(a) The primary asset of Consumers Power Company Financing I is $103 million principal amount of 8.36% subordinated deferrable interest notes due 2015 from Consumers. The primary asset of Consumers Energy Company Financing II is $124 million principal amount of 8.20% subordinated deferrable interest notes due 2027 from Consumers. The primary asset of Consumers Energy Company Financing III is $180 million principal amount of 9.25% subordinated deferrable interest notes due 2029 from Consumers. For further discussion, see Note 3 contained in Consumers' 1999 Form 10-K.

THE ACCOMPANYING CONDENSED NOTES ARE AN INTEGRAL PART OF THESE BALANCE SHEETS.

CONSUMERS ENERGY COMPANY
CONSOLIDATED STATEMENTS OF COMMON STOCKHOLDER'S EQUITY
(UNAUDITED)

	THREE MONTHS ENDED		NINE MONTHS ENDED	
SEPTEMBER 30	2000	1999	2000	1999
				In Millions
COMMON STOCK				
at beginning and end of period (a)	$ 841	$ 841	$ 841	$ 841
OTHER PAID-IN CAPITAL				
At beginning of period	645	645	645	502
Stockholder's contribution	-	-	-	150
Capital stock expense	-	-	-	(7)
Miscellaneous	1	-	1	-
at end of period	646	645	646	645
REVALUATION CAPITAL				
At beginning of period	19	57	37	68
Change in unrealized investment-gain (loss) (b)	7	(16)	(11)	(27)
At end of period	26	41	26	41
RETAINED EARNINGS				
At beginning of period	485	438	485	434
Net income	72	93	199	285
Cash dividends declared- Common Stock	(17)	(89)	(126)	(262)
Cash dividends declared- Preferred Stock	-	-	(1)	(6)
Preferred securities distributions	(9)	(5)	(26)	(14)
At end of period	531	437	531	437
TOTAL COMMON STOCKHOLDER'S EQUITY	$2,044	$1,964	$2,044	$1,964

(a) Number of shares of common stock outstanding was 84,108,789 for all periods presented.

(b) Disclosure of Comprehensive Income:

Revaluation capital				
Unrealized investment-gain (loss), net of tax of $4, $(9), $(6) and $(15), respectively	$ 7	$ (16)	$ (11)	$ (27)
Net income	72	93	199	285
Total Comprehensive Income	$ 79	$ 77	$ 188	$ 258

THE ACCOMPANYING CONDENSED NOTES ARE AN INTEGRAL PART OF THESE STATEMENTS.

CONSUMERS ENERGY COMPANY
CONDENSED NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

These Condensed Notes and their related Consolidated Financial Statements should be read along with the Consolidated Financial Statements and Notes contained in the Consumers 1999 Form 10-K that includes the Report of Independent Public Accountants. In the opinion of management, the unaudited information herein reflects all adjustments necessary to assure the fair presentation of financial position, results of operations and cash flows for the periods presented.

1: CORPORATE STRUCTURE AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

CORPORATE STRUCTURE: Consumers is a combination electric and gas utility company serving the Lower Peninsula of Michigan and is a subsidiary of CMS Energy, a holding company. Consumers' customer base includes a mix of residential, commercial and diversified industrial customers, the largest segment of which is the automotive industry.

UTILITY REGULATION: Consumers accounts for the effects of regulation based on the regulated utility accounting standard SFAS 71, Accounting for the Effects of Certain Types of Regulation. As a result, the actions of regulators affect when Consumers recognizes revenues, expenses, assets and liabilities.

In March 1999, Consumers received MPSC electric restructuring orders. Consistent with these orders, Consumers discontinued application of SFAS 71 for the energy supply portion of its business in the first quarter of 1999 because Consumers expected to implement retail open access for its electric customers in September 1999. Discontinuation of SFAS 71 for the energy supply portion of Consumers' business resulted in Consumers reducing the carrying value of its Palisades plant-related assets by approximately $535 million and establishing a regulatory asset for a corresponding amount. According to current accounting standards, Consumers can continue to carry its energy supply-related regulatory assets if legislation or an MPSC rate order allows the collection of cash flows to recover these regulatory assets from its regulated transmission and distribution customers. As of September 30, 2000, Consumers had a net investment in energy supply facilities of $1.048 billion included in electric plant and property. See Note 2, Uncertainties, "Electric Rate Matters - Electric Restructuring.

REPORTABLE SEGMENTS: Consumers has two reportable segments: electric and gas. The electric segment consists of activities associated with the generation, transmission and distribution of electricity. The gas segment consists of activities associated with the production, transportation, storage and distribution of natural gas. Consumers' reportable segments are domestic strategic business units organized and managed by the nature of the product and service each provides. The accounting policies of the segments are the same as those described in Consumers' 1999 Form 10-K. Consumers' management evaluates performance based on pretax operating income. The Consolidated Statements of Income show operating revenue and pretax operating income by reportable segment. Intersegment sales and transfers are accounted for at current market prices and are eliminated in consolidated pretax operating income by segment.

RISK MANAGEMENT ACTIVITIES AND DERIVATIVES TRANSACTIONS: Consumers and its subsidiaries use derivative instruments, including swaps and options, to manage exposure to fluctuations in interest rates and commodity prices, respectively. To qualify for hedge accounting, derivatives must meet the following criteria: 1) the item to be hedged exposes the enterprise to price and interest rate risk; and 2) the derivative reduces that exposure and is designated as a hedge.

Derivative instruments contain credit risk if the counterparties, including financial institutions and energy marketers, fail to perform under the agreements. Consumers minimizes such risk by performing financial credit reviews using, among other things, publicly available credit ratings of such counterparties. The risk of nonperformance by the counterparties is considered remote.

Consumers enters into interest rate swap agreements to exchange variable-rate interest payment obligations for fixed-rate obligations without exchanging the underlying notional amounts. These agreements convert variable-rate debt to fixed-rate debt in order to reduce the impact of interest rate fluctuations. The notional amounts parallel the underlying debt levels and are used to measure interest to be paid or received and do not represent the exposure to credit loss.

Consumers enters into electric call option contracts to ensure a reliable source of capacity to meet its customers' electric requirements and to limit its risk associated with electricity price increases. It is management's intent to take physical delivery of the commodity. Consumers continuously evaluates its daily capacity needs and sells the option contracts, if marketable, when it has excess daily capacity. Consumers' maximum exposure associated with these options is limited to the price paid. As of September 30, 2000, Consumers has a deferred asset of $55 million for electricity call option contracts, and commitments to purchase additional call options in the amount of $22 million.

2: UNCERTAINTIES

ELECTRIC CONTINGENCIES

ELECTRIC ENVIRONMENTAL MATTERS: The Clean Air Act limits emissions of sulfur dioxide and nitrogen oxides and requires emissions and air quality monitoring. Consumers currently operates within these limits and meets current emission requirements. The Clean Air Act requires the EPA to review periodically the effectiveness of the national air quality standards in preventing adverse health effects.

1997 EPA Revised NOx and Small Particulate Emissions Standards - In 1997, the EPA revised these standards to impose further limitations on nitrogen oxide and small particulate-related emissions. After a United States Court of Appeals found the revision an unconstitutional delegation of legislative power, the EPA suspended the standards under the 1997 rule and reinstated the pre-1997 standards. In January 2000, the Department of Justice, on behalf of the EPA, filed a petition for the United States Supreme Court to review the case. In May 2000, the Supreme Court agreed to hear the appeal.

1998 EPA Plan for NOx Emissions - In September 1998, based in part upon the 1997 standards, the EPA Administrator issued final regulations requiring the state of Michigan to further limit nitrogen oxide emissions. Consumers anticipates a reduction in nitrogen oxide emissions by 2003 to only 32 percent of levels allowed for the year 2000. The state of Michigan had one year to submit an implementation plan. The state of Michigan filed a lawsuit objecting to the extent of the required emission reductions and requesting an extension of the submission date. In May 1999, the United States Court of Appeals granted an indefinite stay of the submission date for the state of Michigan's implementation plan. However, in early 2000, the United States Court of Appeals then upheld the EPA's final regulations. The state of Michigan has filed a petition with the United States Supreme Court appealing this ruling. During this time period, the state of Michigan established alternative, less stringent nitrogen oxide emission reduction requirements. At this time the state of Michigan has decided to draft new rules to comply with the more stringent EPA requirements while continuing to pursue its appeal to the United States Supreme Court. In August 2000, the United States Court of Appeals extended the time to comply with the 1998 EPA final rule until May 2004.

Section 126 Petitions - In December 1999, the EPA Administrator signed a revised final rule under Section 126 of the Clean Air Act. The rule requires some electric utility generators, including some of Consumers electric generating facilities, to achieve the same emission rate as that required by the currently challenged September 1998 EPA final rule for nitrous oxide emissions. Under the revised Section 126 rule, the emission rate will become effective on May 1, 2003 and apply for the ozone season in 2003 and during each subsequent year. Various parties' petitions challenging the EPA's rule have been filed.

Until all air quality targets are conclusively established, the estimated cost of compliance discussed below is subject to revision.

Cost of Environmental Law Compliance - The preliminary estimates of capital expenditures to reduce nitrogen oxide-related emissions to the initial level originally proposed by the state of Michigan for Consumers' fossil-fueled generating units range from $150 million to $290 million, calculated in year 2000 dollars. If Consumers has to meet the EPA's 1998 and/or Section 126 petition requirements, the estimated cost to Consumers would be between $290 million and $500 million, calculated in year 2000 dollars. In both cases the lower estimate represents the capital expenditure level that would satisfactorily meet the proposed emissions limits but would result in higher operating expense. The higher estimate in the range includes expenditures that result in lower operating costs while complying with the proposed emissions limit. Consumers anticipates that it will incur these capital expenditures between 2000 and 2004, or between 2000 and 2003 if the EPA ultimately imposes its limits. In addition, Consumers expects to incur cost of removal related to this effort, but is unable to predict the amount at this time.

Consumers may need an equivalent amount of capital expenditures to comply with the new small particulate standards sometime after 2004 if those standards become effective.

Consumers coal-fueled electric generating units burn low-sulfur coal and are currently operating at or near the sulfur dioxide emission limits. Beginning in 1992 and continuing into 2000, Consumers incurred capital expenditures totaling $72 million to install equipment at certain generating units to comply with the acid rain provisions of the Clean Air Act. Management believes that these expenditures will not materially affect Consumers' annual operating costs.

Cleanup and Solid Waste - Under the Michigan Natural Resources and Environmental Protection Act, Consumers expects that it will ultimately incur investigation and remedial action costs at a number of sites. Nevertheless, it believes that these costs are recoverable in rates under current ratemaking policies.

Consumers is a potentially responsible party at several contaminated sites administered under Superfund. Superfund liability is joint and several. Along with Consumers, many other creditworthy, potentially responsible parties with substantial assets cooperate with respect to the individual sites. Based upon past negotiations, Consumers estimates that its share of the total liability for the known Superfund sites will be between $2 million and $9 million. As of September 30, 2000, Consumers had accrued the minimum amount of the range for its estimated Superfund liability.

During routine maintenance activities, Consumers identified PCB as a component in certain paint, grout and sealant materials at the Ludington Pumped Storage Facility. Consumers removed and replaced part of the PCB material. Consumers is studying the remaining materials and determining options and their related costs.

ANTITRUST: In October 1997, two independent power producers sued Consumers in a federal court. The suit alleged antitrust violations relating to contracts which Consumers entered into with some of its customers, and interference with contract claims relating to proposed power facilities. In March 1999, the court issued an opinion and order granting Consumers' motion for summary judgment, resulting in the dismissal of the case. The plaintiffs appealed this decision. The 6th Circuit Court of Appeals in Cincinnati unanimously dismissed the appeal of the antitrust case against Consumers, but the parties have filed a petition for rehearing.

ELECTRIC RATE MATTERS

ELECTRIC RESTRUCTURING: Since 1997, there have been repeated efforts made in the Michigan Legislature to enact electric restructuring legislation. On June 3, 2000, these efforts resulted in the passage of the Customer Choice Act and related Securitization laws, which became effective June 5, 2000.

The Customer Choice Act: 1) permits all customers to exercise choice of electric generation suppliers by January 1, 2002; 2) cuts residential electric rates by five percent; 3) freezes all electric rates through December 31, 2003, and establishes a rate cap for residential customers through at least December 31, 2005, and a rate cap for small commercial and industrial customers through at least December 31, 2004; 4) allows for the use of Securitization to refinance stranded costs as a means of offsetting the earnings impact of the five percent residential rate reduction; 5) establishes a market power test which may require the transfer of control of a portion of generation resources in excess of that required to serve firm retail sales load (a requirement that Consumers is in compliance with); 6) requires Michigan utilities to join a FERC approved RTO or divest their interest in transmission facilities to an independent transmission owner; 7) requires the joint expansion of available transmission capability by Consumers, Detroit Edison and American Electric Power by at least 2,000 MW by June 5 of 2002; and 8) allows for the recovery of stranded costs and implementation costs incurred as a result of the passage of the act. Consumers is highly confident that it will meet the conditions of items 5 and 7 above, prior to the earliest rate cap termination dates specified in the act. Failure to do so would result in an extension of the rate caps to as late as December 31, 2013.

In accordance with the Securitization law, Consumers filed an application with the MPSC in July 2000, to begin the Securitization process. Securitization typically involves the issuance of asset backed bonds with a higher credit rating than conventional utility corporate financing. The MPSC issued a financing order on October 24, 2000 authorizing Securitization of approximately $470 million in qualified costs (primarily electric utility stranded generation costs) plus recovery of the expenses of the Securitization. Approximately $50 million of annual cost savings effects from Securitization will offset, prospectively, the earnings impact of the five percent residential rate reduction required by the Customer Choice Act. The order permits Consumers to apply the cost savings in excess of the five percent residential rate reduction to rate reductions for non-residential and retail open access customers after the bonds are sold. Consumers has sought on a priority basis to recover the five percent residential rate reduction's effect on revenues lost from the date of the financing order. Consumers estimates that the disallowed portion of revenue recovery relating to the year 2000 five percent residential rate reduction may reduce its operating earnings by $24 million in 2000. Consumers, and its special purpose subsidiary that will issue the bonds, will recover the repayment of principal, interest and other expenses relating to the issuance of the bonds through a Securitization charge and a tax charge. These charges are subject to an annual true-up until one year prior to the last expected maturity date of the Securitization bonds, and no more than quarterly thereafter. The MPSC's order will not increase current electric rates for any of Consumers' tariff customers.

Consumers has accepted the MPSC's financing order with clarifications needing confirmation by the MPSC that will permit its special purpose subsidiary to issue Securitization bonds during the first quarter of 2001. As with other significant MPSC orders, the financing order is subject to appeal by any party to the MPSC proceeding. During the appeal, the amortization of the approved regulatory assets being securitized as qualified costs would be suspended and effectively offset the loss in revenue resulting from the five percent residential rate reduction. The amortization would be reestablished later, after the bond sale, based on a schedule that is the same as the recovery of the principal amounts of the securitized qualified costs. Ultimately, sale of Securitization bonds will be required for the full rate reduction offset to continue over the term of the bonds.

In September 1999, Consumers began implementing a plan for electric retail customer open access. Consumers submitted this plan to the MPSC in 1998, and the MPSC issued orders in March 1999 that generally supported the plan. The Customer Choice Act states that orders issued by the MPSC before the date of this act that 1) allow electric customers to choose their supplier, 2) authorize recovery of net stranded costs and implementation costs, and 3) confirm any voluntary commitments of electric utilities, are in compliance with this act and enforceable by the MPSC. As required by the MPSC, on September 20, 2000, Consumers filed tariffs governing its retail open access program and addressed revisions appropriate to comply with the Customer Choice Act. Consumers cannot predict how the MPSC will modify the tariff or enforce the existing restructuring orders.

In June 2000, the Court of Appeals issued an opinion relating to a number of consolidated MPSC restructuring orders. The opinion primarily involved issues that the Customer Choice Act has rendered moot. In a separate pending case, ABATE and the Attorney General each appealed an August 1999 order in which the MPSC found that it had jurisdiction to approve rates, terms and conditions for electric retail wheeling (also known as electric customer choice) if a utility voluntarily chooses to offer that service. Consumers believes that the Customer Choice Act has rendered the issue moot, but cannot predict how the Court of Appeals will resolve the issue.

During periods when electric demand is high, the cost of purchasing energy on the spot market can be substantial. To reduce Consumers' exposure to the fluctuating cost of electricity, and to ensure adequate supply to meet demand, Consumers intends to maintain sufficient generation and to purchase electricity from others to create a power reserve (also called a reserve margin) of approximately 15 percent. The reserve margin provides Consumers with additional power above its anticipated peak power demands. It also allows Consumers to provide reliable service to its electric service customers and to protect itself against unscheduled plant outages and unanticipated demand. Consumers is planning for a reserve margin for the summers 2001, 2002, and 2003, of 15 percent. The actual reserve margin needed will depend primarily on summer weather conditions, the level of retail open access load being served by others during the summer, and any unscheduled plant outages. The existing retail open access plan allows other electric service providers with the opportunity to serve up to 750 MW of nominal retail open access load. As of October 2000, only one electric service provider has initiated service to retail open access load.

To reduce the risk of high energy prices during peak demand periods and to achieve its reserve margin target, Consumers has employed a strategy of purchasing electricity call option contracts for the physical delivery of electricity during the months of June through September. The cost of these electricity call option contracts for summer 2000 was approximately $51 million. Consumers expects to use a similar strategy in the future, but cannot predict the cost of this strategy at this time. As of September 30, 2000, Consumers had purchased or had commitments to purchase electricity call option contracts covering the estimated reserve margin requirements for summer 2001, and partially covering the estimated reserve margin requirements for summers 2002 and 2003, at a cost of $77 million, of which $39 million pertains to 2001.

In 1999, the FERC issued Order No. 2000, which describes the characteristics the FERC would find acceptable in a model RTO. In this order, the FERC declined to mandate that utilities join RTOs, but did order utilities to make filings in October 2000 and January 2001 declaring their intentions with respect to RTO membership.

In 1999, Consumers and four other electric utility companies joined together to form a coalition known as the Alliance Companies for the purpose of creating a FERC approved RTO. Both the Alliance Companies and Consumers have separately filed proposed alternative governance structures for the formation of an RTO. Neither of these proposals has been approved by the FERC.

On October 13, 2000, Consumers filed an application with the FERC to transfer ownership and control of its transmission facilities to a wholly owned subsidiary, Michigan Transco. In that application, Consumers and Michigan Transco stated that the filing represented the first step in Consumers' plan to transfer control of or to divest itself of ownership, operation and control of its transmission business to an independent third party. Whether Consumers chooses to divest its transmission business or to transfer control of it to an RTO, Consumers' current plan is to remain in the business of generating and distributing electric energy to retail customers.

On October 16, 2000, Consumers made an informational filing in compliance with the FERC's Order No. 2000. In that filing Consumers responded to the FERC's request for information about the RTO membership. In that filing Consumers said it was a member of Alliance and intended to continue its membership for the near future, but that it was also exploring other RTO options, as well as divestiture of its transmission assets. While Consumers said it had not finally decided on a specific end result, it nevertheless intended to comply with the Customer Choice Act, which among other things, requires electric utilities like Consumers to either join a FERC approved multistate RTO or divest its interest in transmission facilities by December 31, 2001. Consumers anticipates that it will make a decision regarding the transfer of its transmission assets to an RTO by January 2001.

Consumers is uncertain about the outcome of the Alliance matter before the FERC and its continued participation in Alliance.

ELECTRIC PROCEEDINGS: In 1996, the MPSC issued a final order that authorized Consumers to recover costs associated with the purchase of the additional 325 MW of MCV Facility capacity (see "Power Purchases from the MCV Partnership" in this Note). In addition, the order allowed Consumers to recover its nuclear plant investment by increasing prospective annual nuclear plant depreciation expense by $18 million, with a corresponding decrease in fossil-fueled generating plant depreciation expense. The order also established an experimental direct-access program. The Attorney General, ABATE, the MCV Partnership and other parties filed appeals with the Court of Appeals challenging the MPSC's 1996 order. In 1999, the Court of Appeals affirmed the MPSC's 1996 order in all respects. The Attorney General, however, filed an application for leave to appeal this decision to the Michigan Supreme Court. In June 2000, the Michigan Supreme Court denied the application for leave to appeal. This case is now closed.

In 1997, ABATE filed a complaint with the MPSC. The complaint alleged that Consumers' electric earnings are more than its authorized rate of return and sought an immediate reduction in Consumers' electric rates that approximated $189 million annually. As a result of the rate freeze imposed by the Customer Choice Act, the

MPSC issued an order in June 2000 dismissing the ABATE complaint. In July 2000 ABATE filed a rehearing petition with the MPSC. Consumers cannot predict the outcome of the rehearing process.

Before 1998, the PSCR process provided for the reconciliation of actual power supply costs with power supply revenues. This process assured recovery of all reasonable and prudent power supply costs actually incurred by Consumers, such as, the actual cost of fuel, interchange power and purchased power. In 1998, as part of the electric restructuring efforts, the MPSC suspended the PSCR process through December 31, 2001. Under the suspension, the MPSC would not grant adjustment of customer rates through 2001. As a result of the rate freeze imposed by the Customer Choice Act, the current rates will remain in effect until at least December 31, 2003.

OTHER ELECTRIC UNCERTAINTIES

THE MIDLAND COGENERATION VENTURE: The MCV Partnership, which leases and operates the MCV Facility, contracted to sell electricity to Consumers for a 35-year period beginning in 1990 and to supply electricity and steam to Dow. Consumers, through two wholly owned subsidiaries, holds the following assets related to the MCV Partnership and MCV Facility: 1) CMS Midland owns a 49 percent general partnership interest in the MCV Partnership; and 2) CMS Holdings holds, through FMLP, a 35 percent lessor interest in the MCV Facility.

Summarized Statements of Income for CMS Midland and CMS Holdings (unaudited)

In Millions		
	Nine Months Ended	
September 30	2000	1999
Pretax operating income	$35	$39
Income taxes and other	11	12
Net income	$24	$27

Power Purchases from the MCV Partnership - Consumers' annual obligation to purchase capacity from the MCV Partnership is 1,240 MW through the termination of the PPA in 2025. The PPA provides that Consumers is to pay, based on the MCV Facility's availability, a levelized average capacity charge of 3.77 cents per kWh, a fixed energy charge, and a variable energy charge based primarily on Consumers' average cost of coal consumed for all kWh delivered. Since January 1, 1993, the MPSC has permitted Consumers to recover capacity charges averaging 3.62 cents per kWh for 915 MW, plus a substantial portion of the fixed and variable energy charges. Since January 1, 1996, the MPSC has also permitted Consumers to recover capacity charges for the remaining 325 MW of contract capacity with an initial average charge of 2.86 cents per kWh increasing periodically to an eventual 3.62 cents per kWh by 2004 and thereafter. However, due to the current freeze of Consumers' retail rates that was required by Public Act 141, the capacity charge for the 325 MW is now frozen at 3.17 cents per kWh. After September 2007, under the terms of the PPA, Consumers will only be required to pay the MCV Partnership capacity and energy charges that the MPSC has authorized for recovery from electric customers.

Consumers recognized a loss in 1992 for the present value of the estimated future underrecoveries of power costs under the PPA based on MPSC cost recovery orders. At September 30, 2000 and September 30, 1999, the remaining after-tax present value of the estimated future PPA liability associated with the 1992 loss totaled $55 million and $87 million, respectively. In March 1999, Consumers and the MCV Partnership reached an agreement effective January 1, 1999 that capped availability payments to the MCV Partnership at 98.5 percent. If the MCV Facility generates electricity at the maximum 98.5 percent level during the next five years, Consumers' after-tax cash underrecoveries associated with the PPA could be as follows:

	In Millions				
	2000	2001	2002	2003	2004
Estimated cash underrecoveries at 98.5%, net of tax	$37	$39	$38	$37	$36

Consumers continually evaluates the adequacy of the PPA liability. These evaluations consider management's assessment of operating levels at the MCV Facility through 2007, along with certain other factors including MCV related costs that are included in Consumers' frozen retail rates. Should future results be different than management's assessments, additional charges for a given year of up to $33 million may be necessary. Management believes that the PPA liability is adequate at this time. For further discussion on the impact of the frozen PSCR, see "Electric Rate Matters" in this Note.

In March 1999, Consumers signed a long-term power sales agreement to resell to PECO its capacity and energy purchases under the PPA until September 2007. Implementation of the agreement was contingent upon regulatory treatment satisfactory to Consumers. Given uncertainties associated with the electric restructuring legislation in Michigan, Consumers and PECO entered into an interim arrangement for the sale of 125 MW of PPA capacity and associated energy to PECO during 2000 until the regulatory treatment was determined. The requested regulatory treatment was not received. Consequently, in August 2000, Consumers advised PECO of its intention to terminate the long-term power sales agreement prior to it becoming effective. The interim arrangement will be completed in 2000. Its completion will not affect the termination of the long-term agreement.

NUCLEAR MATTERS: In January 1997, the NRC issued its Systematic Assessment of Licensee Performance report for Palisades. The report rated all areas as good. The NRC suspended this assessment process for all licensees in 1998. Until the NRC completes its review of processes for assessing performance at nuclear power plants, the NRC uses the Plant Performance Review to provide an assessment of licensee performance. Palisades received its annual performance review in March 2000 in which the NRC stated that no significant performance issues existed during the assessment period in the reactor safety, radiation safety, and safeguards strategic performance areas. The NRC stated that Palisades continues to operate in a safe manner. Further, it stated that the NRC plans to conduct only routine inspections at Palisades over the next year. The NRC implemented the revised reactor oversight process industry-wide, including for Palisades, in April 2000. As part of that process, Palisades submitted required NRC performance data in April 2000 that indicated that Consumers was within the limits of acceptable performance for which no NRC response is required.

Palisades' temporary on-site storage pool for spent nuclear fuel is at capacity. Consequently, Consumers is using NRC-approved steel and concrete vaults, commonly known as "dry casks", for temporary on-site storage. As of September 30, 2000, Consumers had loaded 18 dry storage casks with spent nuclear fuel at Palisades. Palisades will need to load more casks by 2004 in order to continue operation. Palisades has three additional storage-only casks available for loading. Consumers anticipates, however, that licensed transportable casks will be available prior to 2004.

Consumers maintains insurance against property damage, debris removal, personal injury liability and other risks that are present at its nuclear facilities. Consumers also maintains coverage for replacement power costs during prolonged accidental outages at Palisades. Insurance would not cover such costs during the first 12 weeks of any outage, but would cover most of such costs during the next 52 weeks of the outage, followed by reduced coverage to 80 percent for 110 additional weeks. If certain covered losses occur at its own or other nuclear plants similarly insured, Consumers could be required to pay maximum assessments of $15.5 million in any one year to NEIL; $88 million per occurrence under the nuclear liability secondary financial protection program, limited to $10 million per occurrence in any year; and $6 million if nuclear workers claim bodily injury from radiation exposure. Consumers considers the possibility of these assessments to be remote.

The NRC requires Consumers to make certain calculations and report on the continuing ability of the Palisades reactor vessel to withstand postulated pressurized thermal shock events during its remaining license life, considering the embrittlement of reactor materials. In December 1996, Consumers received an interim Safety Evaluation Report from the NRC indicating that the reactor vessel can be safely operated through 2003 before reaching the NRC's screening criteria for reactor embrittlement. In February 2000, Consumers submitted an analysis to the NRC that shows that the NRC's screening criteria will not be reached until 2014. Accordingly, Consumers believes that with fuel management designed to minimize embrittlement, it can operate Palisades to the end of its license life in the year 2007 without annealing the reactor vessel. Nevertheless, Consumers will continue to monitor the matter.

In May 2000, Consumers requested that the NRC modify the operating license for the Palisades nuclear plant to recapture the four-year construction period. This modification would extend the plant's operation to March of 2011 and allow a full 40-year operating period, consistent with current NRC practice.

NUCLEAR FUEL COST: Consumers amortizes nuclear fuel cost to fuel expense based on the quantity of heat produced for electric generation. Interest on leased nuclear fuel is expensed as incurred. Under current federal law, as confirmed by court decision, the DOE was to begin accepting deliveries of spent nuclear fuel for disposal by January 31, 1998. For fuel used after April 6, 1983, Consumers charges disposal costs to nuclear fuel expense, recovers them through electric rates, and then remits them to the DOE quarterly. Consumers elected to defer payment for disposal of spent nuclear fuel burned before April 7, 1983. As of September 30, 2000, Consumers had a recorded liability to the DOE of $128 million, including interest, which is payable upon the first delivery of spent nuclear fuel to the DOE. Consumers recovered through electric rates the amount of this liability, excluding a portion of interest. In January 1997, in response to the DOE's declaration that it would not begin to accept spent nuclear fuel deliveries in 1998, Consumers and other utilities filed suit in federal court. The court issued a decision in late 1997 affirming the DOE's duty to take delivery of spent fuel, but was not specific as to the relief available for failure of the DOE to comply. Further litigation brought by Consumers and others in 1998, intended to produce specific relief for the DOE's failure to comply, has not been successful to date.

In July 2000, the DOE announced that an agreement had been reached with another utility to address the DOE's delay in accepting spent fuel. The DOE stated that the agreement, which is in the form of a contract amendment, is intended to be a framework that can be applied to other nuclear power plants. Consumers is evaluating this matter further. In addition, two recent court decisions support the right of utilities to pursue damage claims in the U. S. Court of Claims against the DOE for failure to take delivery of spent fuel. Consumers is also evaluating those rulings and their applicability to its contracts with the DOE.

CAPITAL EXPENDITURES: Consumers estimates electric capital expenditures, including new lease commitments and environmental costs under the Clean Air Act, of $440 million for 2000, $580 million for 2001, and $545 million for 2002. For further information, see the Capital Expenditures Outlook section in the MD&A.

GAS CONTINGENCIES

GAS ENVIRONMENTAL MATTERS: Under the Michigan Natural Resources and Environmental Protection Act, Consumers expects that it will ultimately incur investigation and remedial action costs at a number of sites. These include 23 sites that formerly housed manufactured gas plant facilities, even those in which it has a partial or no current ownership interest. Consumers has completed initial investigations at the 23 sites. On sites where Consumers has received site-wide study plan approvals, it will continue to implement these plans. It will also work toward closure of environmental issues at sites as studies are completed. Consumers has estimated its costs related to further investigation and remedial action for all 23 sites using the Gas Research Institute-Manufactured Gas Plant Probabilistic Cost Model. Using this model, Consumers estimates the costs to be between $66 million and $118 million. These estimates are based on undiscounted 1999 costs. As of September 30, 2000, after consideration of prior years' expenses, Consumers has a remaining accrued liability of $59 million and a regulatory asset of $64 million. Any significant change in assumptions, such as remediation techniques, nature and extent of contamination, and legal and regulatory requirements, could affect the estimate of remedial action costs for the sites. Consumers defers and amortizes, over a period of ten years, environmental clean-up costs above the amount currently being recovered in rates. Rate recognition of amortization expense cannot begin until after a prudence review in a future general gas rate case. Consumers is allowed current recovery of $1 million annually. Consumers has initiated lawsuits against certain insurance companies regarding coverage for some or all of the costs that it may incur for these sites.

GAS RATE MATTERS

GAS RESTRUCTURING: In December 1997, the MPSC approved Consumers' application to implement a gas customer choice pilot program. The program was designed to encourage Consumers to minimize its purchased natural gas commodity costs while providing rate stability for its customers. This pilot program became effective on April 1, 1998. The pilot program ends on March 31, 2001. The program allows up to 300,000 residential, commercial and industrial retail gas sales customers to choose an alternative gas commodity supplier in direct competition with Consumers. As of September 30, 2000, more than 155,000 customers chose alternative gas suppliers, representing approximately 39 bcf of gas load. Customers who had voluntarily chosen to remain as sales customers of Consumers will not see a rate change in their gas rates. This three-year program: 1) freezes gas distribution rates through March 31, 2001, establishing a delivered gas commodity cost at a fixed rate of $2.84 per mcf; 2) establishes an earnings sharing mechanism with customers if Consumers' earnings exceed certain pre-determined levels; and 3) establishes a gas transportation code of conduct that addresses the relationship between Consumers and marketers, including its affiliated marketers. The Michigan appellate courts have affirmed the pilot program in its entirety the December 1997 MPSC order. On October 13, 2000, the MPSC adopted model terms and conditions for permanent gas customer choice programs. On October 24, 2000, the MPSC approved Consumers' voluntary application to establish a permanent customer choice program in its service territory beginning April 1, 2001 after the pilot program expires. Beginning April 1, 2001, Consumers will no longer be subject to a frozen gas commodity cost. Consumers will then return to a gas cost recovery mechanism such that it will recover all prudently incurred natural gas commodity costs from it customers. Under the permanent gas customer choice program, up to 600,000 of Consumers' natural gas customers will be eligible to participate in the program beginning April 1, 2001. By April 1, 2002, up to 900,000 gas customers will be eligible to participate. All of Consumers' gas customers will be eligible to select an alternate natural gas supplier beginning April 1, 2003. Consumers would continue to transport and distribute gas to these customers.

Recent significant increases in gas prices have exposed Consumers to gas commodity losses during the last year of the pilot program. Additional exposure to losses could occur if the cost of purchased gas exceeds $7.00 per mcf or abnormal weather causes additional gas purchases. Consumers recorded a regulatory liability of $45 million in the second quarter 2000 to reflect estimated losses due to increases in natural gas commodity prices. On October 24, 2000, the MPSC approved Consumers' application to reclassify recoverable, low-cost, base gas in Consumers' gas storage reservoirs. The MPSC allowed Consumers to begin immediately to include the cost of its recoverable base gas with higher cost purchased gas. The gas accounting order is expected to eliminate the need for Consumers to recognize any further losses related to gas commodity cost under-recoveries.

OTHER GAS UNCERTAINTIES

CAPITAL EXPENDITURES: Consumers estimates gas capital expenditures, including new lease commitments, of $115 million for 2000, $140 million for 2001, and $145 million for 2002. For further information, see the Capital Expenditures Outlook section in the MD&A.

OTHER UNCERTAINTIES

In addition to the matters disclosed in this note, Consumers and certain of its subsidiaries are parties to certain lawsuits and administrative proceedings before various courts and governmental agencies arising from the ordinary course of business. These lawsuits and proceedings may involve personal injury, property damage, contractual matters, environmental issues, federal and state taxes, rates, licensing and other matters.

Consumers has accrued estimated losses for certain contingencies discussed in this Note. Resolution of these contingencies is not expected to have a material adverse impact on Consumers' financial position, liquidity, or results of operations.

3: SHORT-TERM FINANCING AND CAPITALIZATION

AUTHORIZATION: At September 30, 2000, Consumers had FERC authorization to issue or guarantee through June 2002, up to $900 million of short-term securities outstanding at any one time. Consumers also had remaining FERC authorization to issue through June 2002 up to $250 million and $800 million of long-term securities for refinancing or refunding purposes and for general corporate purposes, respectively. Additionally, Consumers had FERC authorization to issue $500 million of first mortgage bonds to be issued solely as security for the long-term securities mentioned above.

SHORT-TERM FINANCING: Consumers has an unsecured $300 million credit facility and unsecured lines of credit aggregating $190 million. These facilities are available to finance seasonal working capital requirements and to pay for capital expenditures between long-term financings. At September 30, 2000, a total of $430 million was outstanding at a weighted average interest rate of 7.4 percent, compared with $317 million outstanding at September 30, 1999, at a weighted average interest rate of 6.1 percent. In August 2000, Consumers entered into variable-to-fixed interest rate swaps totaling $300 million in order to reduce the impact of interest rate fluctuations.

Consumers currently has in place a $325 million trade receivables sale program. At September 30, 2000 and 1999, receivables sold under the program totaled $307 million and $314 million, respectively. Accounts receivable and accrued revenue in the Consolidated Balance Sheets have been reduced to reflect receivables sold.

OTHER: Under the provisions of its Articles of Incorporation, Consumers had $404 million of unrestricted retained earnings available to pay common dividends at September 30, 2000. In January 2000, Consumers declared and paid a $79 million common dividend; in April 2000, Consumers declared a $30 million common dividend which was paid in May 2000; and in July 2000, Consumers declared a $17 million common dividend, which was paid in August 2000. In October 2000, Consumers declared a $61 million common dividend payable in November 2000.

Report of Independent Public Accountants

To Consumers Energy Company:

We have reviewed the accompanying consolidated balance sheets of CONSUMERS ENERGY COMPANY (a Michigan corporation and wholly owned subsidiary of CMS Energy Corporation) and subsidiaries as of September 30, 2000 and 1999, the related consolidated statements of income and common stockholders' equity for the three-month and nine-month periods then ended and the related consolidated statements of cash flows for the nine-month periods then ended. These financial statements are the responsibility of the Company's management.

We conducted our review in accordance with standards established by the American Institute of Certified Public Accountants. A review of interim financial information consists principally of applying analytical procedures to financial data and making inquiries of persons responsible for financial and accounting matters. It is substantially less in scope than an audit conducted in accordance with auditing standards generally accepted in the United States, the objective of which is the expression of an opinion regarding the financial statements taken as a whole. Accordingly, we do not express such an opinion.

Based on our review, we are not aware of any material modifications that should be made to the financial statements referred to above for them to be in conformity with accounting principles generally accepted in the United States.

We have previously audited, in accordance with auditing standards generally accepted in the United States, the consolidated balance sheet of Consumers Energy Company and subsidiaries as of December 31, 1999, and, in our report dated February 4, 2000, we expressed an unqualified opinion on that statement. In our opinion, the information set forth in the accompanying consolidated balance sheet as of December 31, 1999, is fairly stated, in all material respects, in relation to the consolidated balance sheet from which it has been derived.

/s/ Arthur Andersen LLP

Detroit, Michigan,
October 27, 2000.

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PANHANDLE EASTERN PIPE LINE COMPANY
MANAGEMENT'S DISCUSSION AND ANALYSIS

Panhandle is primarily engaged in the interstate transportation and storage of natural gas. Panhandle owns a LNG regasification plant, related tanker port unloading facilities and LNG and gas storage facilities. The rates and conditions of service of interstate natural gas transmission, storage and LNG operations of Panhandle are subject to the rules and regulations of the FERC.

The MD&A of this Form 10-Q should be read along with the MD&A and other parts of Panhandle's 1999 Form 10-K. This MD&A also refers to, and in some sections specifically incorporates by reference, Panhandle's Condensed Notes to Consolidated Financial Statements and should be read in conjunction with such Statements and Notes. This report and other written and oral statements made by Panhandle from time to time contain forward-looking statements, as defined by the Private Securities Litigation Reform Act of 1995. The words "anticipates," "believes," "estimates," "expects," "intends," and "plans" and variations of such words and similar expressions, are intended to identify forward-looking statements that involve risk and uncertainty. These forward-looking statements are subject to various factors which could cause Panhandle's actual results to differ materially from those anticipated in such statements. Panhandle disclaims any obligation to update or revise forward-looking statements, whether from new information, future events or otherwise. Panhandle details certain risk factors, uncertainties and assumptions in this MD&A and particularly in the section entitled "CMS Energy, Consumers, and Panhandle Forward-Looking Statements Cautionary Factors" in CMS Energy's 1999 Form 10-K, Item 1 and periodically in various public filings it makes with the SEC. This discussion of potential risks and uncertainties is by no means complete but is designed to highlight important factors that may impact Panhandle's outlook. This report also describes material contingencies in the Condensed Notes to Consolidated Financial Statements and the readers are encouraged to read such Notes.

In March 2000, Trunkline, a subsidiary of Panhandle, acquired the Sea Robin pipeline from El Paso Energy Corporation for cash of approximately $74 million. Sea Robin is a 1 bcf per day capacity pipeline system located in the Gulf of Mexico. On March 27, 2000, Panhandle issued $100 million of 8.25 percent senior notes due 2010. Panhandle used the funds primarily to finance the purchase of Sea Robin (See Note 1).

In March 2000, Trunkline refiled its abandonment application with the FERC regarding its 26-inch pipeline with a planned conversion of the line from natural gas service to a refined products pipeline. Panhandle will own one-third interest in the project, called the Centennial Pipeline, which if approved is planned to go into service at the end of 2001 (See Note 2).

The acquisition of Panhandle by CMS Panhandle Holding in March 1999 was accounted for using the purchase method of accounting in accordance with generally accepted accounting principles. Panhandle allocated the purchase price paid by CMS Panhandle Holding to Panhandle's net assets as of the acquisition date based on an appraisal completed in December 1999. Accordingly, the post-acquisition financial statements reflect a new basis of accounting. Pre-acquisition period and post-acquisition period financial results (separated by a heavy black line) are presented but are not comparable (See Note 1).

The following information is provided to facilitate increased understanding of the consolidated financial statements and accompanying notes of Panhandle and should be read in conjunction with these financial statements. Because all of the outstanding common stock of Panhandle is owned by a wholly-owned subsidiary of CMS Energy, the following discussion uses the reduced disclosure format permitted by Form 10-Q for issuers that are wholly-owned subsidiaries of reporting companies.

RESULTS OF OPERATIONS

NET INCOME:

			In Millions
September 30	2000	1999	Change
Three Months Ended	$14	$14	$-
Nine Months Ended	55	62	(7)

For the three months ended September 30, 2000, net income was $14 million; no change from the same period in 1999. For the nine months ended September 30, 2000, net income was $55 million, a decrease of $7 million from the corresponding period in 1999 due primarily to lower reservation revenues, higher benefit costs and corporate charges in 2000, partially offset by higher LNG terminalling revenues in 2000. Total natural gas transportation volumes delivered for the nine months ended September 30, 2000 increased 21 percent from 1999 primarily due to the addition of Sea Robin.

Revenues for the three months and the nine months ended September 30, 2000 increased $7 million and $11 million respectively, from the corresponding periods in 1999 due primarily to increased LNG terminalling revenues and revenues from Sea Robin in 2000, partially offset by lower reservation revenues in 2000.

Operating expenses for the three months and the nine months ended September 30, 2000 increased $6 million and $19 million respectively, from the corresponding period in 1999 due primarily to increased benefits, corporate charges and the acquisition of Sea Robin.

Other income for the three months ended September 30, 2000 increased $2 million from the corresponding period in 1999 due to interest income on a related party Note Receivable. For the nine months ended September 30, 2000 other income increased $1 million due to interest income on a higher related party Note Receivable balance, partially offset by a non-recurring transition surcharge recovery recorded in 1999.

Interest on long-term debt for the three months and the nine months ended September 30, 2000 increased $3 million and $18 million respectively, from the corresponding period in 1999 primarily due to interest on the additional debt incurred by Panhandle in 2000 and 1999 (See Note 1 and Note 6). Other interest decreased $13 million for the nine months ended September 30, 2000 from the corresponding period in 1999, primarily due to interest on the intercompany note with PanEnergy. The note was eliminated with the sale of Panhandle to CMS Panhandle Holding (See Note 1 and Note 3).

PRETAX OPERATING INCOME:

In Millions

Change Compared to Prior Year	Three Months Ended September 30 2000 vs 1999	Nine Months Ended September 30 2000 vs 1999
Reservation revenue	$(9)	$(23)
LNG terminalling revenue	10	20
Commodity revenue	5	12
Other revenue	1	2
Operations and maintenance	(5)	(17)
Depreciation and amortization	(2)	(5)
General taxes	1	3
Total Change	$1	$ (8)

OUTLOOK

CMS Energy intends to use Panhandle as a platform for growth in the United States and derive added value through expansion opportunities for multiple CMS Energy businesses. The growth strategy around Panhandle includes enhancing the opportunities for other CMS Energy businesses involved in electric power generation and distribution, mid-stream activities (gathering and processing), and exploration and production. By providing additional transportation, storage and other asset-based value-added services to customers such as new gas-fueled power plants, local distribution companies, industrial and end-users, marketers and others, CMS Energy expects to expand its natural gas pipeline business. CMS Energy also plans to convert certain Panhandle pipeline facilities through a joint-venture (See Note 2). Panhandle, however, continues to attempt to maximize revenues from existing assets and to advance acquisition opportunities and development projects that provide expanded services to meet the specific needs of customers.

UNCERTAINTIES: Panhandle's results of operations and financial position may be affected by a number of trends or uncertainties that have, or Panhandle reasonably expects could have, a material impact on income from continuing operations and cashflows. Such trends and uncertainties include: 1) the increased competition in the market for transmission of natural gas to the Midwest causing pressure on prices charged by Panhandle and the potential for the increasing necessity by Panhandle to discount prices (reducing revenues); 2) the current market conditions causing more contracts to be of shorter duration, which may increase revenue volatility; 3) the effects of a January 2000 FERC order that could, if approved without modification upon rehearing, reduce Trunkline's tariff rates and future revenue levels; 4) the expected increase in competition for LNG terminalling services, and the volatility in natural gas prices, creating volatility for LNG terminalling revenues; 5) the impact of future rate cases, if any, for any of Panhandle's regulated operations; and 6) current initiatives for additional federal rules and legislation regarding pipeline safety.

OTHER MATTERS

ENVIRONMENTAL MATTERS

PCB (POLYCHLORINATED BIPHENYL) ASSESSMENT AND CLEAN-UP PROGRAMS: Panhandle identified environmental contamination at certain sites on its systems and undertook clean-up programs at these sites. The contamination was caused by the past use of lubricants containing PCB's in compressed air systems and resulted in contamination of the on-site air systems, wastewater collection facilities and on-site disposal areas. Soil and sediment testing to date detected no significant off-site contamination. Panhandle communicated with the EPA and appropriate state regulatory agencies on these matters. Under the terms of the sale of Panhandle to CMS Energy (See Note 1), a subsidiary of Duke Energy is obligated to complete the Panhandle clean-up programs at certain agreed-upon sites and to defend and indemnify Panhandle against certain future environmental litigation and claims. Panhandle expects these clean-up programs to continue through 2001.

NEW ACCOUNTING RULES

In June 1998, the FASB issued SFAS 133, Accounting for Derivative Instruments and Hedging Activities, which has been deferred by SFAS 137, Accounting for Derivative Instruments and Hedging Activities - Deferral of the Effective Date of FASB Statement No. 133, and amended by the issuance in June 2000 of SFAS 138, Accounting for Certain Derivative Instruments and Certain Hedging Activities, an amendment of FASB Statement No. 133. SFAS 133 requires that every derivative instrument be recorded on the balance sheet as an asset or liability measured at its fair value and that changes in the fair value of derivative instruments be recognized currently in earnings unless specific hedge accounting criteria are met. SFAS 133 is effective for fiscal years beginning after June 15, 2000. Panhandle will implement SFAS 133 effective January 1, 2001.

Panhandle continues to evaluate the impact of SFAS 133 on its financial statements. Based on a preliminary assessment of its contracts, Panhandle believes that implementation will not have a material impact on consolidated results of operations or financial position.

In December 1999, the SEC released Staff Accounting Bulletin No. 101 (SAB 101) summarizing the SEC staff's views on revenue recognition policies based upon existing generally accepted accounting principles. The SEC staff has deferred the implementation date of SAB 101 until no later than the fourth quarter of fiscal years beginning after December 15, 1999. Panhandle has adopted the provisions of SAB 101 as of October 1, 2000. The impact of adopting SAB 101 is not material to Panhandle's consolidated results of operation or financial position.

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PANHANDLE EASTERN PIPE LINE COMPANY
CONSOLIDATED STATEMENT OF INCOME
(IN MILLIONS)
(UNAUDITED)

	Three Months Ended September 30 2000	Three Months Ended September 30 1999	Nine Months Ended September 30, 2000	March 29 - September 30, 1999	January 1 - March 28, 1999
OPERATING REVENUE					
Transportation and storage of natural gas	$ 94	$ 98	$ 311	$ 199	$ 123
Other	20	9	44	17	5
Total operating revenue	114	107	355	216	128
OPERATING EXPENSES					
Operation and maintenance	49	44	142	85	40
Depreciation and amortization	17	15	49	30	14
General taxes	6	7	18	14	7
Total operating expenses	72	66	209	129	61
PRETAX OPERATING INCOME	42	41	146	87	67
OTHER INCOME/(EXPENSE), NET	2	-	5	-	4
INTEREST CHARGES					
Interest on long-term debt	21	18	62	39	5
Other interest	-	-	-	-	13
Total interest charges	21	18	62	39	18
NET INCOME BEFORE INCOME TAXES	23	23	89	48	53
INCOME TAXES	9	9	34	19	20
CONSOLIDATED NET INCOME	$ 14	$ 14	$ 55	$ 29	$ 33

The accompanying condensed notes are an integral part of these statements.

PANHANDLE EASTERN PIPE LINE COMPANY
CONSOLIDATED STATEMENTS OF CASH FLOWS
(In millions)
(Unaudited)

	Nine Months Ended September 30, 2000	March 29 - September 30, 1999	January 1 - March 28, 1999
Cash Flows From Operating Activities			
Net income	$ 55	$ 29	$ 33
Adjustments to reconcile net income to net cash provided by operating activities:			
Depreciation and amortization	49	30	14
Deferred income taxes	47	14	-
Changes in current assets and liabilities	(48)	35	(29)
Other, net	(10)	(7)	3
Net cash provided by operating activities	93	101	21
Cash Flows From Investing Activities			
Acquisition of Panhandle	-	(1,900)	-
Capital and investment expenditures	(110)	(27)	(4)
Net increase in advances receivable - PanEnergy	-	-	(17)
Net cash used in investing activities	(110)	(1,927)	(21)
Cash Flows From Financing Activities			
Contribution from parent	-	1,116	-
Proceeds from senior notes	99	785	-
Net increase in note receivable - CMS Capital	(28)	(46)	-
Dividends paid	(54)	(29)	-
Net cash provided by financing activities	17	1,826	-
Net Increase (Decrease) in Cash and Temporary Cash Investments	-	-	-
Cash and Temporary Cash Investments, Beginning of Period	-	-	-
Cash and Temporary Cash Investments, End of Period	$ -	$ -	$ -
Other cash flow activities were:			
Interest paid (net of amounts capitalized)	$ 75	$ 30	$ 12
Income taxes paid (net of refunds)	6	5	37

The accompanying condensed notes are an integral part of these statements.

PANHANDLE EASTERN PIPE LINE COMPANY
CONSOLIDATED BALANCE SHEETS
(In millions)
(Unaudited)

	September 30, 2000	December 31, 1999
ASSETS		
PROPERTY, PLANT AND EQUIPMENT		
Cost	$ 1,622	$ 1,492
Less accumulated depreciation and amortization	87	37
Sub-total	1,535	1,455
Construction work-in-progress	51	45
Net property, plant and equipment	1,586	1,500
INVESTMENTS		
Investment in affiliates	2	2
Total investments and other assets	2	2
CURRENT ASSETS		
Receivables, less allowances of $1 as of September 30, 2000 and Dec. 31, 1999	128	112
Inventory and supplies	56	34
Deferred income taxes	13	11
Note receivable - CMS Capital	113	85
Other	66	30
Total current assets	376	272
NON-CURRENT ASSETS		
Goodwill, net	758	774
Debt issuance cost	11	11
Other	8	1
Total non-current assets	777	786
TOTAL ASSETS	$ 2,741	$ 2,560

The accompanying condensed notes are an integral part of these statements.

PANHANDLE EASTERN PIPE LINE COMPANY
CONSOLIDATED BALANCE SHEETS
(IN MILLIONS)
(UNAUDITED)

	September 30, 2000	December 31, 1999
COMMON STOCKHOLDER'S EQUITY AND LIABILITIES		
CAPITALIZATION		
Common stockholder's equity		
Common stock, no par, 1,000 shares authorized, issued and outstanding	$ 1	$ 1
Paid-in capital	1,127	1,127
Retained earnings	1	-
Total common stockholder's equity	1,129	1,128
Long-term debt	1,193	1,094
Total capitalization	2,322	2,222
CURRENT LIABILITIES		
Accounts payable	14	28
Accrued taxes	12	8
Accrued interest	15	29
Other	203	139
Total current liabilities	244	204
NON-CURRENT LIABILITIES		
Deferred income taxes	94	45
Other	81	89
Total non-current liabilities	175	134
TOTAL COMMON STOCKHOLDER'S EQUITY AND LIABILITIES	$ 2,741	$ 2,560

The accompanying condensed notes are an integral part of these statements.

PANHANDLE EASTERN PIPE LINE COMPANY
CONSOLIDATED STATEMENTS OF COMMON STOCKHOLDER'S EQUITY
(IN MILLIONS)
(UNAUDITED)

	Nine Months Ended September 30, 2000	March 29 - September 30, 1999	January 1 - March 28, 1999
COMMON STOCK			
At beginning and end of period	$ 1	$ 1	$ 1
OTHER PAID-IN CAPITAL			
At beginning of period	1,127	466	466
Acquisition adjustment to eliminate original paid-in capital	-	(466)	-
Capital contribution of acquisition costs by parent	-	11	-
Cash capital contribution by parent	-	1,116	-
At end of period	1,127	1,127	466
RETAINED EARNINGS			
At beginning of period	-	101	92
Acquisition adjustment to eliminate original retained earnings	-	(101)	-
Net Income	55	29	33
Assumption of net liability by PanEnergy	-	-	57
Common stock dividends	(54)	(29)	(81)
At end of period	1	-	101
TOTAL COMMON STOCKHOLDER'S EQUITY	$ 1,129	$ 1,128	$ 568

The accompanying condensed notes are an integral part of these statements.

PANHANDLE EASTERN PIPE LINE COMPANY
CONDENSED NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

These Condensed Notes and their related Consolidated Financial Statements should be read along with the Consolidated Financial Statements and Notes contained in the 1999 Form 10-K of Panhandle, which include the Reports of Independent Public Accountants. Certain prior year amounts have been reclassified to conform with the presentation in the current year. In the opinion of management, the unaudited information herein reflects all adjustments necessary to assure the fair presentation of financial position, results of operations and cash flows for the periods presented.

1. CORPORATE STRUCTURE

Panhandle is a wholly owned subsidiary of CMS Gas Transmission. Panhandle Eastern Pipe Line Company was incorporated in Delaware in 1929. Panhandle is engaged primarily in interstate transportation and storage of natural gas, and is subject to the rules and regulations of the FERC.

On March 29, 1999, Panhandle Eastern Pipe Line Company and its principal consolidated subsidiaries, Trunkline and Pan Gas Storage, as well as its affiliates, Trunkline LNG and Panhandle Storage, were acquired from subsidiaries of Duke Energy by CMS Panhandle Holding for $1.9 billion in cash and assumption of existing Panhandle debt of $300 million. Immediately following the acquisition, CMS Panhandle Holding contributed the stock of Trunkline LNG and Panhandle Storage to Panhandle Eastern Pipe Line Company. As a result, Trunkline LNG and Panhandle Storage became wholly owned subsidiaries of Panhandle Eastern Pipe Line Company.

In conjunction with the acquisition, Panhandle's interests in Northern Border Pipeline Company, Panhandle Field Services Company, Panhandle Gathering Company, and certain other assets, including the Houston corporate headquarters building, were transferred to other subsidiaries of Duke Energy; all intercompany accounts and notes between Panhandle and Duke Energy subsidiaries were eliminated; and with respect to certain other liabilities, including tax, environmental and legal matters, CMS Energy and its affiliates, are indemnified for any resulting losses. In addition, Duke Energy agreed to continue its environmental clean-up program at certain properties and to defend and indemnify Panhandle against certain future environmental litigation and claims with respect to certain agreed-upon sites or matters.

CMS Panhandle Holding privately placed $800 million of senior unsecured notes and received a $1.1 billion initial capital contribution from CMS Energy to fund the acquisition of Panhandle. On June 15, 1999, CMS Panhandle Holding was merged into Panhandle, at which point the CMS Panhandle Holding notes became direct obligations of Panhandle. In September 1999, Panhandle completed an exchange offer which replaced the $800 million of notes originally issued by CMS Panhandle Holding with substantially identical SEC-registered notes.

The acquisition by CMS Panhandle Holding was accounted for using the purchase method of accounting in accordance with generally accepted accounting principles. Panhandle allocated the purchase price paid by CMS Panhandle Holding to Panhandle's net assets as of the acquisition date based on an appraisal completed December 1999. Accordingly, the post-acquisition financial statements reflect a new basis of accounting. Pre-acquisition period and post-acquisition period financial results (separated by a heavy black line) are presented but are not comparable.

Assets acquired and liabilities assumed are recorded at their fair values. Panhandle allocated the excess purchase price over the fair value of net assets acquired of approximately $800 million to goodwill and is amortizing this amount on a straight-line basis over forty years. The amortization of the excess purchase price over 40 years reflects the nature of the industry in which Panhandle competes as well as the long-lived nature of Panhandle's assets. As a result of regulation, high replacement costs, and competition, entry into the natural gas transmission and storage business requires a significant investment. The excess purchase price over the prior carrying amount of Panhandle's net assets as of March 29, 1999 totaled $1.3 billion, and was allocated as follows:

	In Millions
Property, plant and equipment	$633
Accounts receivable	3
Inventory	(9)
Goodwill	788
Regulatory assets, net	(15)
Liabilities	(72)
Long-term debt	(6)
Other	(16)
Total	$1,306

In March 2000, Trunkline, a subsidiary of Panhandle, acquired the Sea Robin pipeline from El Paso Energy Corporation for cash of approximately $74 million (See Note 6). Sea Robin is a 1 bcf per day capacity pipeline system located in the Gulf of Mexico.

2. REGULATORY MATTERS

Effective August 1996, Trunkline placed into effect a general rate increase, subject to refund. On September 16, 1999, Trunkline filed a FERC settlement agreement to resolve certain issues in this proceeding. FERC approved this settlement February 1, 2000 and required refunds of approximately $2 million that were made in April 2000, with supplemental refunds of $1.3 million in June 2000. On January 12, 2000, FERC issued an order on the remainder of the rate proceeding which, if approved without modification, would result in a substantial reduction to Trunkline's tariff rates and would require refunds. Management believes that reserves for refund established are adequate and there will not be a material adverse effect on consolidated results of operations or financial position. Trunkline has requested rehearing of certain matters in this order.

In conjunction with a FERC order issued in September 1997, FERC required certain natural gas producers to refund previously collected Kansas ad-valorem taxes to interstate natural gas pipelines, including Panhandle. FERC ordered these pipelines to refund these amounts to their customers. The pipelines must make all payments in compliance with prescribed FERC requirements. At September 30, 2000 and December 31, 1999, Panhandle's Accounts Receivable included $57 million and $54 million, respectively, due from natural gas producers, and Other Current Liabilities included $58 million and $54 million, respectively, for related obligations.

On March 9, 2000, Trunkline filed an abandonment application with FERC seeking to abandon 720 miles of its 26-inch diameter pipeline that extends from Longville, Louisiana to Bourbon, Illinois. This filing is in conjunction with a plan for a limited liability corporation to convert the line from natural gas transmission service to a refined products pipeline, called Centennial Pipeline, by the end of 2001. Panhandle will own a one-third interest in the venture along with TEPPCO Partners L.P. and Marathon Ashland Petroleum LLC.

3. RELATED PARTY TRANSACTIONS

Interest charges include $13 million for the nine months ended September 30, 1999 for interest associated with notes payable to a subsidiary of Duke Energy. Other income includes $5 million for the nine months ended September 30, 2000 for interest on Note Receivable from CMS Capital.

A summary of certain balances due to or due from related parties included in the Consolidated Balance Sheets is as follows:

	In Millions	
	September 30, 2000	December 31, 1999
Receivables	$37	$8
Accounts payable	5	16

4. GAS IMBALANCES

The Consolidated Balance Sheets include in-kind balances as a result of differences in gas volumes received and delivered. At September 30, 2000 and December 31, 1999, other current assets included $52 million and $22 million, respectively, and other current liabilities included $54 million and $30 million, respectively, related to gas imbalances. Panhandle values gas imbalances at the lower of cost or market.

5. INCOME TAXES

As described in Note 1, CMS Panhandle Holding acquired the stock of Panhandle from subsidiaries of Duke Energy for a total of $2.2 billion in cash and acquired debt. Panhandle treated the acquisition as an asset acquisition for tax purposes, which eliminated Panhandle's deferred tax liability and gave rise to a new tax basis in Panhandle's assets equal to the purchase price.

6. LONG-TERM DEBT

On March 27, 2000, Panhandle issued $100 million of 8.25 percent senior notes due 2010. Panhandle used the funds primarily to finance the purchase of Sea Robin (See Note 1). In July, these notes were exchanged for substantially identical SEC registered notes.

On March 29, 1999, CMS Panhandle Holding privately placed $800 million of senior notes (See Note 1) including: $300 million of 6.125 percent senior notes due 2004; $200 million of 6.5 percent senior notes due 2009; and $300 million of 7.0 percent senior notes due 2029. On June 15, 1999, CMS Panhandle Holding merged into Panhandle and Panhandle assumed the obligations of CMS Panhandle Holding under the notes and the indenture. In September 1999, Panhandle completed an exchange offer which replaced the $800 million of notes originally issued by CMS Panhandle Holding with substantially identical SEC-registered notes.

In conjunction with the application of purchase accounting, Panhandle revalued its existing notes totaling $300 million. This resulted in a net premium recorded of approximately $5 million.

7. SFAS 71

As a result of Panhandle's new cost basis resulting from the merger with CMS Panhandle Holding, which includes costs not likely to be considered for regulatory recovery, in addition to the level of discounting being experienced by Panhandle, it no longer meets the criteria of SFAS 71 and has discontinued application of SFAS 71. Accordingly, upon acquisition by CMS Panhandle Holding in 1999, the remaining net regulatory assets of approximately $15 million were eliminated in purchase accounting (See Note 1).

8. COMMITMENTS AND CONTINGENCIES

CAPITAL EXPENDITURES: Panhandle estimates capital expenditures and investments, including allowance for funds used during construction, to be $90 million in 2001 and $62 million in 2002. Panhandle prepared these estimates for planning purposes and they are subject to revision. Panhandle satisfies capital expenditures using cash from operations.

LITIGATION: Under the terms of the sale of Panhandle to CMS Energy discussed in Note 1 to the Consolidated Financial Statements, subsidiaries of Duke Energy indemnified CMS Energy and its affiliates from losses resulting from certain legal and tax liabilities of Panhandle, including the matter specifically discussed below.

In May 1997, Anadarko filed suits against Panhandle and other PanEnergy affiliates, as defendants, both in the United States District Court for the Southern District of Texas and State District Court of Harris County, Texas. Pursuing only the federal court claim, Anadarko claims that it was effectively indemnified by the defendants against any responsibility for refunds of Kansas ad valorem taxes which are due from purchasers of gas from Anadarko, retroactive to 1983. In October 1998 and January 1999, the FERC issued orders on ad valorem tax issues, finding that first sellers of gas were primarily liable for refunds. The FERC also noted that claims for indemnity or reimbursement among the parties would be better addressed by the United States District Court for the Southern District of Texas. Panhandle believes the resolution of this matter will not have a material adverse effect on consolidated results of operations or financial position.

Panhandle is also involved in other legal, tax and regulatory proceedings before various courts, regulatory commissions and governmental agencies regarding matters arising in the ordinary course of business, some of which involve substantial amounts. Where appropriate, Panhandle has made accruals in accordance with SFAS 5, Accounting for Contingencies, in order to provide for such matters.

Management believes the final disposition of these proceedings will not have a material adverse effect on consolidated results of operations or financial position.

ENVIRONMENTAL MATTERS: Panhandle is subject to federal, state and local regulations regarding air and water quality, hazardous and solid waste disposal and other environmental matters. Panhandle has identified environmental contamination at certain sites on its systems and has undertaken clean-up programs at these sites. The contamination resulted from the past use of lubricants in compressed air systems containing PCBs and the prior use of wastewater collection facilities and other on-site disposal areas. Under the terms of the sale of Panhandle to CMS Energy, a subsidiary of Duke Energy is obligated to complete the Panhandle clean-up programs at certain agreed-upon sites and to indemnify against certain future environmental litigation and claims. The Illinois EPA included Panhandle and Trunkline, together with other non-affiliated parties, in a cleanup of former waste oil disposal sites in Illinois. Prior to a partial cleanup by the United States EPA, a preliminary study estimated the cleanup costs at one of the sites to be between $5 million and $15 million. The State of Illinois contends that Panhandle Eastern Pipe Line Company's and Trunkline's share for the costs of assessment and remediation of the sites, based on the volume of waste sent to the facilities, is 17.32 percent. Management believes that the costs of cleanup, if any, will not have a material adverse impact on Panhandle's financial position, liquidity, or results of operations.

OTHER COMMITMENTS AND CONTINGENCIES: In 1993, the U.S. Department of the Interior announced its intention to seek additional royalties from gas producers as a result of payments received by such producers in connection with past take-or-pay settlements, and buyouts and buydowns of gas sales contracts with natural gas pipelines. Panhandle's pipelines, with respect to certain producer contract settlements, may be contractually required to reimburse or, in some instances, to indemnify producers against such royalty claims. The potential liability of the producers to the government and of the pipelines to the producers involves complex issues of law and fact which are likely to take substantial time to resolve. If required to reimburse or indemnify the producers, Panhandle's pipelines will file with FERC to recover a portion of these costs from pipeline customers. Management believes these commitments and contingencies will not have a material adverse effect on consolidated results of operations or financial position.

Under the terms of a settlement related to a transportation agreement between Panhandle and Northern Border Pipeline Company, Panhandle guarantees payment to Northern Border Pipeline Company under a transportation agreement held by a third party. The transportation agreement requires estimated total payments of $20 million for the remainder of 2000 through the third quarter of 2001. Management believes the probability that Panhandle will be required to perform under this guarantee is remote.

In conjunction with the Centennial Pipeline project, Panhandle intends to provide a guaranty related to project financing in an amount up to $50 million during the construction and initial operating period of the project. The guaranty will be released when Centennial reaches certain operational and financial targets (See Note 2).

REPORT OF INDEPENDENT PUBLIC ACCOUNTANTS

To Panhandle Eastern Pipe Line Company:

We have reviewed the accompanying consolidated balance sheet of Panhandle Eastern Pipe Line Company (a Delaware corporation) and subsidiaries as of September 30, 2000, and the related consolidated statements of income, common stockholder's equity and cash flows for the three-month and nine-month periods ended September 30, 2000 and 1999. These financial statements are the responsibility of the company's management.

We conducted our review in accordance with standards established by the American Institute of Certified Public Accountants. A review of interim financial information consists principally of applying analytical procedures to financial data and making inquiries of persons responsible for financial and accounting matters. It is substantially less in scope than an audit conducted in accordance with auditing standards generally accepted in the United States, the objective of which is the expression of an opinion regarding the financial statements taken as a whole. Accordingly, we do not express such an opinion.

Based on our review, we are not aware of any material modifications that should be made to the consolidated financial statements referred to above for them to be in conformity with accounting principles generally accepted in the United States.

We have previously audited, in accordance with auditing standards generally accepted in the United States, the consolidated balance sheet of Panhandle Eastern Pipe Line Company and subsidiaries as of December 31, 1999, and, in our report dated February 25, 2000, we expressed an unqualified opinion on that statement. In our opinion, the information set forth in the accompanying consolidated balance sheet as of December 31, 1999, is fairly stated, in all material respects, in relation to the consolidated balance sheet from which it has been derived.

/s/ Arthur Andersen LLP

Houston, Texas
November 7, 2000

QUANTITATIVE AND QUALITATIVE DISCLOSURES ABOUT MARKET RISK

CMS ENERGY

Quantitative and Qualitative Disclosures about Market Risk is contained in PART I: CMS ENERGY CORPORATION'S MANAGEMENT'S DISCUSSION AND ANALYSIS, which is incorporated by reference herein.

CONSUMERS

Quantitative and Qualitative Disclosures about Market Risk is contained in PART I: CONSUMERS' ENERGY COMPANY'S MANAGEMENT'S DISCUSSION AND ANALYSIS, which is incorporated by reference herein.

PART II. OTHER INFORMATION

ITEM 1. LEGAL PROCEEDINGS

The discussion below is limited to an update of developments that have occurred in various judicial and administrative proceedings, many of which are more fully described in CMS Energy's, Consumers' and Panhandle's Form 10-K for the year ended December 31, 1999, and in their Form 10-Q for the quarters ended March 31, 2000 and June 30, 2000. Reference is made to the Condensed Notes to the Consolidated Financial Statements, in particular Note 2 - Uncertainties for CMS Energy and Consumers, and Note 8 - Commitments and Contingencies for Panhandle, included herein for additional information regarding various pending administrative and judicial proceedings involving rate, operating, regulatory and environmental matters.

CONSUMERS

ANTITRUST LITIGATION: For a discussion of Consumers' antitrust litigation see Note 2 subsection "Antitrust" of the Condensed Notes to the Consolidated Financial Statements in Part I of this Report, incorporated by reference herein.

CMS ENERGY, CONSUMERS AND PANHANDLE

ENVIRONMENTAL MATTERS: CMS Energy, Consumers, Panhandle and their subsidiaries and affiliates are subject to various federal, state and local laws and regulations relating to the environment. Several of these companies have been named parties to various actions involving environmental issues. Based on their present knowledge and subject to future legal and factual developments, CMS Energy, Consumers and Panhandle believe that it is unlikely that these actions, individually or in total, will have a material adverse effect on their financial condition. See CMS Energy's, Consumers' and Panhandle's MANAGEMENT'S DISCUSSION AND ANALYSIS; and CMS Energy's, Consumers' and Panhandle's CONDENSED NOTES TO CONSOLIDATED FINANCIAL STATEMENTS.

ITEM 6. EXHIBITS AND REPORTS ON FORM 8-K

(A) LIST OF EXHIBITS

(4)		Sixth Supplemental Indenture dated as of November 9, 2000 between CMS Energy and The Chase Manhattan Bank, as Trustee.	
(12)	-	CMS Energy:	Statements regarding computation of Ratio of Earnings to Fixed Charges
(15)(a)	-	CMS Energy:	Letter of Independent Public Accountant
(15)(b)	-	Consumers:	Letter of Independent Public Accountant
(27)(a)	-	CMS Energy:	Financial Data Schedule
(27)(b)	-	Consumers:	Financial Data Schedule
(27)(c)	-	Panhandle:	Financial Data Schedule

(B) REPORTS ON FORM 8-K

CMS ENERGY

Current Reports filed July 6, 2000, August 15, 2000, October 2, 2000, October 13, 2000 and November 1, 2000 covering matters pursuant to ITEM 5. OTHER EVENTS.

CONSUMERS

Current Reports filed July 6, 2000, October 2, 2000 and November 1, 2000 covering matters pursuant to ITEM 5. OTHER EVENTS.

PANHANDLE

No Current Reports on Form 8-K filed during the third quarter.

SIGNATURES

Pursuant to the requirements of the Securities Exchange Act of 1934, each registrant has duly caused this report to be signed on its behalf by the undersigned thereunto duly authorized. The signature for each undersigned company shall be deemed to relate only to matters having reference to such company or its subsidiary.

CMS ENERGY CORPORATION
(Registrant)

Dated: November 14, 2000 By: /s/ A.M. Wright

Alan M. Wright
Senior Vice President and
Chief Financial Officer

CONSUMERS ENERGY CORPORATION
(Registrant)

Dated: November 14, 2000 By: /s/ A.M. Wright

Alan M. Wright
Senior Vice President and
Chief Financial Officer

PANHANDLE EASTERN PIPE LINE COMPANY
(Registrant)

Dated: November 14, 2000 By: /s/ A.M. Wright

Alan M. Wright
Senior Vice President and
Chief Financial Officer and Treasurer

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Exhibit Number		Description	
(4)		Sixth Supplemental Indenture dated as of November 9, 2000 between CMS Energy and The Chase Manhattan Bank, as Trustee.	
(12)	-	CMS Energy:	Statements regarding computation of Ratio of Earnings to Fixed Charges
(15)(a)	-	CMS Energy:	Letter of Independent Public Accountant
(15)(b)	-	Consumers:	Letter of Independent Public Accountant
(27)(a)	-	CMS Energy:	Financial Data Schedule
(27)(b)	-	Consumers:	Financial Data Schedule
(27)(c)	-	Panhandle:	Financial Data Schedule

EXHIBIT (4)

SIXTH SUPPLEMENTAL INDENTURE
DATED AS OF

NOVEMBER 9, 2000

This Sixth Supplemental Indenture, dated as of the 9th day of November 2000 between CMS Energy Corporation, a corporation duly organized and existing under the laws of the State of Michigan (hereinafter called the "Company") and having its principal office at Fairlane Plaza South, 330 Town Center Drive, Suite 1100, Dearborn, Michigan 48126, and The Chase Manhattan Bank, a New York banking corporation (hereinafter called the "Trustee") and having its principal Corporate Trust Office at 450 West 33rd Street, 15th Floor, New York, New York 10001.

WITNESSETH:

WHEREAS, the Company and the Trustee entered into an Indenture, dated as of January 15, 1994 (the "Original Indenture"), pursuant to which one or more series of debt securities of the Company (the "Securities") may be issued from time to time; and

WHEREAS, Section 301 of the Original Indenture permits the terms of any series of Securities to be established in an indenture supplemental to the Original Indenture; and

WHEREAS, Section 901(7) of the Original Indenture provides that a supplemental indenture may be entered into by the Company and the Trustee without the consent of any Holders of the Securities to establish the form and terms of the Securities of any series; and

WHEREAS, the Company has requested the Trustee to join with it in the execution and delivery of this Sixth Supplemental Indenture in order to supplement and amend the Original Indenture by, among other things, establishing the form and terms of a series of Securities to be known as the Company's "General Term Notes(R), Series F (the "General Term Notes"), providing for the issuance of the General Term Notes and amending and adding certain provisions thereof for the benefit of the Holders of the General Term Notes; and

WHEREAS, the Company and the Trustee desire to enter into this Sixth Supplemental Indenture for the purposes set forth in Sections 301 and 901(7) of the Original Indenture as referred to above; and

WHEREAS, all things necessary to make this Sixth Supplemental Indenture a valid agreement of the Company and the Trustee and a valid supplement to the Original Indenture have been done,

- ----------------------------
(R) Registered servicemark of J. W. Korth & Company

NOW, THEREFORE, THIS SIXTH SUPPLEMENTAL INDENTURE

WITNESSETH:

For and in consideration of the premises and the purchase of the General Term Notes to be issued hereunder by holders thereof, the Company and the Trustee mutually covenant and agree, for the equal and proportionate benefit of the respective holders from time to time of the General Term Notes, as follows:

ARTICLE I
STANDARD PROVISIONS; DEFINITIONS

SECTION 101. Standard Provisions. The Original Indenture together with this Sixth Supplemental Indenture and all indentures supplemental thereto entered into pursuant to the applicable terms thereof are hereinafter sometimes collectively referred to as the "Indenture." All of the terms, conditions, covenants and provisions contained in the Original Indenture as heretofore supplemented are incorporated herein by reference in their entirety and, except as specifically noted herein or unless the context otherwise requires, shall be deemed to be a part hereof to the same extent as if such provisions had been set forth in full herein. All capitalized terms which are used herein and not otherwise defined herein are defined in the Indenture and are used herein with the same meanings as in the Indenture.

SECTION 102. Definitions. Section 101 of the Indenture is amended to insert the new definitions applicable to the General Term Notes, in the appropriate alphabetical sequence, as follows:

"Amortization Expense" means, for any period, amounts recognized during such period as amortization of capital leases, depletion, nuclear fuel, goodwill and assets classified as intangible assets in accordance with generally accepted accounting principles.

"Average Life" means, as of the date of determination, with respect to any Indebtedness, the quotient obtained by dividing (i) the sum of the products of (x) the number of years from the date of determination to the dates of each successive scheduled principal payment of such Indebtedness and (y) the amount of such principal payment by (ii) the sum of all such principal payments.

"Capital Lease Obligation" of a Person means any obligation that is required to be classified and accounted for as a capital lease on the face of a balance sheet of such Person prepared in accordance with generally accepted accounting principles; the amount of such obligation shall be the capitalized amount thereof, determined in accordance with generally accepted accounting principles; the stated maturity thereof shall be the date of the last payment of rent or any other amount due under such lease prior to the first date upon which such lease may be terminated by the lessee without payment of a penalty; and such obligation shall be deemed secured by a Lien on any property or assets to which such lease relates.

"Capital Stock" means any and all shares, interests, rights to purchase, warrants, options, participations or other equivalents of or interests in (however designated) corporate stock, including any Preferred Stock or Letter Stock; provided that Hybrid Preferred Securities shall not be considered Capital Stock for purposes of this definition.

"Change in Control" means an event or series of events by which (i) the Company ceases to own beneficially, directly or indirectly, at least 80% of the total voting power of all classes of Capital Stock then outstanding of Consumers (whether arising from issuance of securities of the Company or Consumers, any direct or indirect transfer of securities by the Company or Consumers, any merger, consolidation, liquidation or dissolution of the Company or Consumers or otherwise); (ii) any "person" or "group" (as such terms are used in Sections

13(d) and 14(d) of the Exchange Act) becomes the "beneficial owner" (as such term is used in Rules 13d-3 and 13d-5 under the Exchange Act, except that a person or group shall be deemed to have "beneficial ownership" of all shares that such person or group has the right to acquire, whether such right is exercisable immediately or only after the passage of time), directly or indirectly, of more than 30% of the Voting Stock of the Company; or (iii) the Company consolidates with or merges into another corporation or directly or indirectly conveys, transfers or leases all or substantially all of its assets to any Person, or any corporation consolidates with or merges into the Company, in either event pursuant to a transaction in which the outstanding Voting Stock of the Company is changed into or exchanged for cash, securities, or other property, other than any such transaction in which (A) the outstanding Voting Stock of the Company is changed into or exchanged for Voting Stock of the surviving corporation and (B) the holders of the Voting Stock of the Company immediately prior to such transaction retain, directly or indirectly, substantially proportionate ownership of the Voting Stock of the surviving corporation immediately after such transaction.

"CMS Oil & Gas Co. means, CMS Oil & Gas Company., a Michigan corporation and wholly-owned subsidiary of the Company.

"Consolidated Assets" means, at any date of determination, the aggregate assets of the Company and its Consolidated Subsidiaries determined on a consolidated basis in accordance with generally accepted accounting principles.

"Consolidated Capital" means, at any date of determination, the sum of (a) Consolidated Indebtedness, (b) consolidated equity of the common stockholders of the Company and the Consolidated Subsidiaries, (c) consolidated equity of the preference stockholders of the Company and the Consolidated Subsidiaries (d) consolidated equity of the preferred stockholders of the Company and the Consolidated Subsidiaries and (e) the aggregate amount of all Hybrid Preferred

Securities, in each case determined at such date in accordance with generally accepted accounting principles.

"Consolidated Coverage Ratio" with respect to any period means the ratio of (i) the aggregate amount of Operating Cash Flow for such period to (ii) the aggregate amount of Consolidated Interest Expense for such period.

"Consolidated Indebtedness" means, at any date of determination, the aggregate Indebtedness of the Company and its Consolidated Subsidiaries determined on a consolidated basis in accordance with generally accepted accounting principles provided, however that Consolidated Indebtedness shall not include any subordinated debt owned by any Hybrid Preferred Securities Subsidiary.

"Consolidated Interest Expense" means, for any period, the total interest expense in respect of Consolidated Indebtedness of the Company and its Consolidated Subsidiaries, including, without duplication, (i) interest expense attributable to capital leases, (ii) amortization of debt discount, (iii) capitalized interest, (iv) cash and noncash interest payments, (v) commissions, discounts and other fees and charges owed with respect to letters of credit and bankers' acceptance financing, (vi) net costs under Interest Rate Protection Agreements (including amortization of discount) and (vii) interest expense in respect of obligations of other Persons deemed to be Indebtedness of the Company or any Consolidated Subsidiaries under clause (v) or (vi) of the definition of Indebtedness, provided, however, that Consolidated Interest Expense shall exclude any costs otherwise included in interest expense recognized on early retirement of debt.

"Consolidated Leverage Ratio" means, at any date of determination, the ratio of Consolidated Indebtedness to Consolidated Capital.

"Consolidated Net Income" means, for any period, the net income of the Company and its Consolidated Subsidiaries determined on a consolidated basis in accordance with generally accepted accounting principles; provided, however, that there shall not be included in such Consolidated Net Income:

(i) any net income of any Person if such Person is not a Subsidiary, except that (A) the Company's equity in the net income of any such Person for such period shall be included in such Consolidated Net Income up to the aggregate amount of cash actually distributed by such Person during such period to the Company or a Consolidated Subsidiary as a dividend or other distribution and (B) the Company's equity in a net loss of any such Person for such period shall be included in determining such Consolidated Net Income;

(ii) any net income of any Person acquired by the Company or a Subsidiary in a pooling of interests transaction for any period prior to the date of such acquisition; and

(iii) any gain or loss realized upon the sale or other disposition of any property, plant or equipment of the Company or its Consolidated Subsidiaries which is not sold or otherwise disposed of in the ordinary course of business and any gain or loss realized upon the sale or other disposition of any Capital Stock of any Person.

"Consolidated Net Worth" of any Person means the total of the amounts shown on the consolidated balance sheet of such Person and its consolidated subsidiaries, determined on a consolidated basis in accordance with generally accepted accounting principles, as of any date selected by such Person not more than 90 days prior to the taking of any action for the purpose of which the determination is being made (and adjusted for any material events since such date), as (i) the par or stated value of all outstanding Capital Stock plus (ii) paid-in capital or capital surplus relating to such Capital Stock plus (iii) any retained earnings or earned surplus less (A) any accumulated deficit, (B) any amounts attributable to Redeemable Stock and (C) any amounts attributable to Exchangeable Stock.

"Consolidated Subsidiary" means, any Subsidiary whose accounts are or are required to be consolidated with the accounts of the Company in accordance with generally accepted accounting principles.

"Consumers" means Consumers Energy Company, a Michigan corporation, all of whose common stock is on the date hereof owned by the Company.

"Enterprises" means CMS Enterprises Company, a Michigan corporation.

"Event of Default" with respect to the General Term Notes has the meaning specified in Article VI of this Sixth Supplemental Indenture.

"Exchange Act" means the Securities Exchange Act of 1934, as amended.

"Exchangeable Stock" means any Capital Stock of a corporation that is exchangeable or convertible into another security (other than Capital Stock of such corporation that is neither Exchangeable Stock, or Redeemable Stock).

"Hybrid Preferred Securities" means any preferred securities issued by a Hybrid Preferred Securities Subsidiary, where such preferred securities have the following characteristics:

(i) such Hybrid Preferred Securities Subsidiary lends substantially all of the proceeds from the issuance of such preferred securities to the Company or Consumers in exchange for subordinated debt issued by the Company or Consumers, respectively;

(ii) such preferred securities contain terms providing for the deferral of distributions corresponding to provisions providing for the deferral of interest payments on such subordinated debt; and

(iii) the Company or Consumers (as the case may be) makes periodic interest payments on such subordinated debt, which interest payments are in turn used by the Hybrid Preferred Securities Subsidiary to make corresponding payments to the holders of the Hybrid Preferred Securities.

"Hybrid Preferred Securities Subsidiary" means any business trust (or similar entity)(i) all of the common equity interest of which is owned (either directly or indirectly through one or more wholly-owned Subsidiaries of the Company or Consumers)at all times by the Company or Consumers, (ii) that has been formed for the purpose of issuing Hybrid Preferred Securities and (iii) substantially all of the assets of which consist at all times solely of subordinated debt issued by the Company or Consumers (as the case may be) and payments made from time to time on such subordinated debt.

"Indebtedness" of any Person means, without duplication,

(i) the principal of and premium (if any) in respect of (A) indebtedness of such Person for money borrowed and (B) indebtedness evidenced by notes, debentures, bonds or other similar instruments for the payment of which such Person is responsible or liable;

(ii) all Capital Lease Obligations of such Person;

(iii) all obligations of such Person issued or assumed as the deferred purchase price of property, all conditional sale obligations and all obligations under any title retention agreement (but excluding trade accounts payable arising in the ordinary course of business);

(iv) all obligations of such Person for the reimbursement of any obligor on any letter of credit, bankers' acceptance or similar credit transaction (other than obligations with respect to letters of credit securing obligations (other than obligations described in clauses (i) through (iii) above) entered into in the ordinary course of business of such Person to the extent such letters of credit are not drawn upon or, if and to the extent drawn upon, such drawing is reimbursed no later than the third Business Day following receipt by such Person of a demand for reimbursement following payment on the letter of credit);

(v) all obligations of the type referred to in clauses (i) through (iv) of other Persons and all dividends of other Persons for the payment of which, in either case, such Person is responsible or liable as obligor, guarantor or otherwise; and

(vi) all obligations of the type referred to in clauses (i) through (v) of other Persons secured by any Lien on any property or asset of such Person (whether or not such obligation is assumed by such Person), the amount of such obligation being deemed to be the lesser of the value of such property or assets or the amount of the obligation so secured.

"Interest Rate Protection Agreement" means any interest rate swap agreement, interest rate cap agreement or other financial agreement or arrangement designed to protect the Company or any Subsidiary against fluctuations in interest rates.

"Letter Stock", as applied to the Capital Stock of any corporation, means Capital Stock of any class or classes (however designated) which is intended to reflect the separate performance of certain of the businesses or operations conducted by such corporation or any of its subsidiaries.

"Lien" means any lien, mortgage, pledge, security interest, conditional sale, title retention agreement or other charge or encumbrance of any kind.

"Net Proceeds" means, with respect to any issuance or sale or contribution in respect of Capital Stock, the aggregate proceeds of such issuance, sale or contribution, including the fair market value (as determined by the Board of Directors and net of any associated debt and of any consideration other than Capital Stock received in return) of property other than cash, received by the Company, net of attorneys' fees, accountants' fees, underwriters' or placement agents' fees, discounts, or commissions and brokerage, consultant and other fees actually incurred in connection with such issuance or sale and net of taxes paid or payable as a result thereof, provided, however, that if such fair market value as determined by the Board of Directors of property other than cash is greater than $25 million, the value thereof shall be based upon an opinion from an independent nationally recognized firm experienced in the appraisal or similar review of similar types of transactions.

"Non-Convertible Capital Stock" means, with respect to any corporation, any non-convertible Capital Stock of such corporation and any Capital Stock of such corporation convertible solely into non-convertible Capital Stock other than Preferred Stock of such corporation; provided, however, that Non-Convertible Capital Stock shall not include any Redeemable Stock or Exchangeable Stock.

"Operating Cash Flow" means, for any period, with respect to the Company and its Consolidated Subsidiaries, the aggregate amount of Consolidated Net Income after adding thereto Consolidated Interest Expense (adjusted to include costs recognized on early retirement of debt), income taxes, depreciation expense, Amortization Expense and any noncash amortization of debt issuance costs, any nonrecurring, noncash charges to earnings and any negative accretion recognition.

"Other Rating Agency" means any of Fitch IBCA, Duff & Phelps or Moody's Investors Service, Inc., and any successor to any of these organizations which is a nationally recognized statistical rating organization.

"Preferred Stock", as applied to the Capital Stock of any corporation, means Capital Stock of any class or classes (however designated) that is preferred as to the payment of dividends, or as to the distribution of assets upon any voluntary or involuntary liquidation or dissolution of such corporation, over shares of Capital Stock of any other class of such corporation; provided that Hybrid Preferred Securities shall not be considered "Preferred Stock" for purposes of this definition.

"Redeemable Stock" means any Capital Stock that by its terms or otherwise is required to be redeemed prior to the first anniversary of the Maturity of any Outstanding General Term Notes or is redeemable at the option of the holder thereof at any time prior to the first anniversary of the Maturity of any Outstanding General Term Notes.

"Restricted Subsidiary" means any Subsidiary (other than Consumers and its subsidiaries) of the Company which, as of the date of the Company's most recent quarterly consolidated balance sheet, constituted at least 10% of the total Consolidated Assets of the Company and its Consolidated Subsidiaries and any other Subsidiary which from time to time is designated a Restricted Subsidiary by the Board of Directors provided that no Subsidiary may be designated a Restricted Subsidiary if, immediately after giving effect thereto, an Event of Default or event that, with the lapse of time or giving of notice or both, would constitute an Event of Default would exist or the Company and its Restricted Subsidiaries could not incur at least $1 of additional Indebtedness under Section 510, and (i) any such Subsidiary so designated as a Restricted Subsidiary must be organized under the laws of the United States or any State thereof, (ii) more than 80% of the Voting Stock of such Subsidiary must be owned of record and beneficially by the Company or a Restricted Subsidiary, (iii) such Restricted Subsidiary must be a Consolidated Subsidiary, and (iv) such Subsidiary must not theretofore have been designated as a Restricted Subsidiary.

"Standard & Poor's" shall mean Standard & Poor's Ratings Group, a division of McGraw Hill Inc., and any successor thereto which is a nationally recognized statistical rating organization, or if such entity shall cease to rate the General Term Notes or shall cease to exist and there shall be no such successor thereto, any other nationally recognized statistical rating organization selected by the Company which is acceptable to the Trustee.

"Support Obligations" means, for any person, without duplication, any financial obligation, contingent or otherwise, of such person guaranteeing or otherwise supporting any debt or other obligation of any other person in any manner, whether directly or indirectly, and including, without limitation, any obligation of such person, direct or indirect, (i) to purchase or pay (or advance or supply funds for the purchase or payment of) such debt or to purchase (or to advance or supply funds for the purchase of) any security for the payment of such debt, (ii) to purchase property, securities or services for the purpose of assuring the owner of such debt of the payment of such debt, (iii) to maintain working capital, equity capital, available cash or other financial statement condition of the primary obligor so as to enable the primary obligor to pay such debt, (iv) to provide equity capital under or in respect of equity subscription arrangements (to the extent that such obligation to provide equity capital does not otherwise constitute debt), or (v) to perform, or arrange for the performance of, any non-monetary obligations or non-funded debt payment obligations of the primary obligor.

"Tax-Sharing Agreement" means the Amended and Restated Agreement for the Allocation of Income Tax Liabilities and Benefits, dated January 1, 1994, as amended or supplemented from time to time, by and among Company, each of the members of the Consolidated Group (as defined therein), and each of the corporations that become members of the Consolidated Group.

Certain terms, used principally in Articles Three, Four and Seven of this Sixth Supplemental Indenture, are defined in those Articles.

ARTICLE II

DESIGNATION AND TERMS OF THE GENERAL TERM NOTES; FORMS

SECTION 201. Establishment of Series. There is hereby created a series of Securities to be known and designated as the "General Term Notes(R), Series F and limited in aggregate principal amount (except as contemplated in Section 301(2) of the Indenture) to $300,000,000.

Each General Term Note will be dated and issued as of the date of its authentication by the Trustee. Each General Term Note shall also bear an Original Issue Date (as hereinafter defined) which, with respect to any General Term Note (or any portion thereof), shall mean the date of its original issue, as specified in such General Term Note (the "Original Issue Date"), and such Original Issue Date shall remain the same if such General Term Note is subsequently issued upon transfer, exchange, or substitution of such General Term Note regardless of its date of authentication. Principal on any General Term Note shall become due and payable from nine months to twenty-five years from the Original Issue Date of such General Term Note, as specified on such General Term Note.

Each General Term Note will bear interest from the Original Issue Date, or from the most recent date to which interest has been paid or duly provided for, at the rate per annum stated therein until the principal thereof is paid or made available for payment. Interest will be payable either monthly, quarterly or semi-annually on each Interest Payment Date and at Maturity, as specified below and in each General Term Note. Interest will be payable to the person in whose name a General Term Note is registered at the close of business on the Regular Record Date next preceding each Interest Payment Date; provided, however, interest payable at Maturity will be payable to the person to whom principal shall be payable. Interest on the General Term Notes will be computed on the basis of a 360-day year of twelve 30-day months.

The Interest Payment Dates for a General Term Note that provides for monthly interest payments shall be the fifteenth day of each calendar month; provided, however, that in the case of a General Term Note issued between the first and fifteenth day of a calendar month, interest otherwise payable on the fifteenth day of such calendar month will be payable on the fifteenth day of the next succeeding calendar month. In the case of a General Term Note that provides for quarterly interest payments, the Interest Payment Dates shall be the fifteenth day of each of the months specified in such General Term Note, commencing on the day that is three months from (i) the day on which such General Term Note is issued, if such General Term Note is issued on the fifteenth day of a calendar month, or (ii) the fifteenth day of the calendar month immediately preceding the calendar month in which such General Term Note is issued, if such General Term Note is issued prior to the fifteenth day of a calendar month, or (iii) the fifteenth day of the calendar month in which such General Term Note is issued, if such General Term Note is issued after the fifteenth day of a calendar month. In the case of a General Term Note that provides for semi-annual interest payments, the Interest Payment Dates shall be the fifteenth day of each of the months specified in such General Term Note, commencing on the day that is six months from (i) the day on which such General Term Note is issued, if such General Term Note is issued on the fifteenth day of a calendar month, or (ii) the fifteenth day of the calendar month immediately preceding the calendar month in which such General Term Note is issued, if such General Term Note is issued prior to the fifteenth day of a calendar month, or (iii) the fifteenth day of the calendar month in which such General Term Note is issued, if such General Term Note is issued after the fifteenth day of a calendar month.

Payment of principal of the General Term Notes (and premium, if any) and, unless otherwise paid as hereinafter provided, any interest thereon will be made at the office or agency of the Company in New York, New York; provided, however, that payment of interest (other than interest at Maturity) may be made at the option of the Company by check or draft mailed to the Person entitled thereto at such Person's address appearing in the Security Register or by wire transfer to an account designated by such Person not later than ten days prior to the date of such payment.

The Regular Record Date referred to in Section 301 of the Indenture for the payment of the interest on any General Term Note payable on any Interest Payment Date (other than at Maturity) shall be the first day (whether or not a Business Day) of the calendar month in which such Interest Payment Date occurs as is specified in such General Term Note, and, in the case of interest payable at Maturity, the Regular Record Date shall be the date of Maturity. Unless otherwise specified in such General Term Notes, the cities of New York, New York and Chicago, Illinois shall be the reference cities for determining a Business Day.

The General Term Notes may be issued only as registered notes, without coupons, in denominations of $1,000 and any larger denomination which is in an integral multiple of $1,000.

Upon the execution of this Sixth Supplemental Indenture, or from time to time thereafter, General Term Notes may be executed by the Company and delivered to the Trustee for authentication, and the Trustee shall thereupon authenticate and deliver said General Term Notes in accordance with the procedures set forth in or upon a Company Order complying with Sections 301 and 303 of the Indenture.

SECTION 202. Forms Generally. The General Term Notes shall be in substantially the form set forth in this Article, with such appropriate insertions, omissions, substitutions and other variations as are required or permitted by the Indenture, and may have such letters, numbers or other marks of identification and such legends or endorsements placed thereon as may be required to comply with the rules of any securities exchange or as may, consistently herewith, be determined by the officers executing such General Term Notes, as evidenced by their execution thereof.

The definitive General Term Notes shall be printed, lithographed or engraved on steel engraved borders or may be produced in any other manner, all as determined by the officers executing such General Term Notes, as evidenced by their execution thereof.

SECTION 203. Form of Face of General Term Note.

[Insert any legend required by the Internal Revenue Code and the regulations thereunder.]

CMS ENERGY CORPORATION
GENERAL TERM NOTE(R), SERIES F

No. ________ $__________
[Initial Redemption Date]

CMS Energy Corporation, a corporation duly organized and existing under the laws of the State of Michigan (herein called the "Company", which term includes any successor Person under the Indenture hereinafter referred to), for value received, hereby promises to pay to _________________________________, or registered assigns, the principal sum of ____________________ Dollars on __________________________ and to pay interest thereon from _____________ (the "Original Issue Date") or from the most recent Interest Payment Date to which interest has been paid or duly provided for, [choose one of the following -- monthly/quarterly/semi-annually [insert as applicable -- on ___________ [________, ____________] and _________ in each [year/month], commencing ______________, and at Maturity at the rate of ____% per annum, until the principal hereof is paid or made available for payment [if applicable, insert - --, and at the rate of ___% per annum on any overdue principal and premium and on any overdue installment of interest]. The interest so payable, and punctually paid or duly provided for, on any Interest Payment Date will, as provided in such Indenture, be paid to the Person in whose name this General Term Note (or one or more Predecessor Securities) is registered at the close of business on the Regular Record Date for such interest, which shall be the first day of the calendar month in which such Interest Payment Date occurs (whether or not a Business Day) next preceding such Interest Payment Date except that the Regular Record Date for interest payable at Maturity shall be the date of Maturity. Any such interest not so punctually paid or duly provided for will forthwith cease to be payable to the Holder on such Regular Record Date and may either be paid to the Person in whose name this General Term Note (or one or more Predecessor Securities) is registered at the close of business on a Special Record Date for the payment of such Defaulted Interest to be fixed by the Trustee, notice whereof shall be given to Holders of General Term Notes not less than 10 days prior to such Special Record Date, or be paid at any time in any other lawful manner not inconsistent with the requirements of any securities exchange on which the General Term Notes may be listed, and upon such notice as may be required by such exchange, all as more fully provided in said Indenture.

[If the General Term Note is not to bear interest prior to Maturity, insert -- The principal of this General Term Note shall not bear interest except in the case of a default in payment of principal upon acceleration, upon redemption or at Stated Maturity and in such case the overdue principal of this General Term Note shall bear interest at the rate of ___% per annum, which shall accrue from the date of such default in payment to the date payment of such principal has been made or duly provided for. Interest on any overdue principal shall be payable on demand. Any such interest on any overdue principal that is not so paid on demand shall bear interest at the rate of ____% per annum, which shall accrue from the date of such demand for payment to the date payment of such interest has been made or duly provided for, and such interest shall also be payable on demand.]

Payment of the principal of (and premium, if any) and interest, if any, on this General Term Note will be made at the office or agency of the Company maintained for that purpose in New York, New York (the "Place of Payment"), in such coin or currency of the United States of America as at the time of payment is legal tender for payment of public and private debts; provided, however, that at the option of the Company payment of interest (other than interest payable at Maturity) may be made by check mailed to the address of the Person entitled thereto as such address shall appear in the Security Register or by wire transfer to an account designated by such Person not later than ten days prior to the date of such payment.

Reference is hereby made to the further provisions of this General Term Note set forth on the reverse hereof, which further provisions shall for all purposes have the same effect as if set forth at this place.

Unless the certificate of authentication hereon has been executed by the Trustee referred to on the reverse hereof by manual signature, this General Term Note shall not be entitled to any benefit under the Indenture or be valid or obligatory for any purpose.

IN WITNESS WHEREOF, the Company has caused this instrument to be duly executed under its corporate seal.

Dated:

CMS ENERGY CORPORATION

By______________________________

Attest:

____

SECTION 204. Form of Reverse of General Term Note.

This General Term Note(R), Series F is one of a duly authorized issue of securities of the Company (herein called the "General Term Notes"), issued and to be issued in one or more series under an Indenture, dated as of January 15, 1994, as supplemented by certain supplemental indentures, including the Sixth Supplemental Indenture, dated as of November 9, 2000 (herein collectively referred to as the "Indenture"), between the Company and The Chase Manhattan Bank, a New York banking corporation, as Trustee (herein called the "Trustee", which term includes any successor trustee under the Indenture), to which Indenture and all indentures supplemental thereto reference is hereby made for a statement of the respective rights, limitations of rights, duties and immunities thereunder of the Company, the Trustee, the Holders of the General Term Notes and of the terms upon which the General Term Notes are, and are to be, authenticated and delivered. This General Term Note is one of the series designated on the face hereof, limited in aggregate principal amount to $300,000,000.

[If applicable, insert -- The General Term Notes of this series are subject to redemption upon not more than 60 nor less than 30 days' notice as provided in the Indenture, at any time [on or after __________, _____,] as a whole or in part from time to time, at the election of the Company, at the following

Redemption Prices (expressed as percentages of the principal amount): If redeemed [on or before , %, and if redeemed] during the 12-month period beginning of the years indicated,

Year	Redemption Price	Year	Redemption Price

and thereafter at a Redemption Price equal to % of the principal amount, together in the case of any such redemption with accrued interest to the Redemption Date, but interest installments whose Stated Maturity is on or prior to such Redemption Date will be payable to the Holders of such General Term Notes, or one or more Predecessor Securities, of record at the close of business on the relevant Record Dates referred to on the face hereof, all as provided in the Indenture.]

[Notwithstanding the foregoing, the Company may not, prior to , redeem this General Term Note as a part of, or in anticipation of, any refunding operation by the application, directly or indirectly, of moneys borrowed having an effective interest cost to the Company (calculated in accordance with generally accepted financial practice) of less than the effective interest cost to the Company (similarly calculated) of this General Term Note.]

[If the General Term Note is subject to redemption, insert -- In the event of redemption of this General Term Note in part only, a new General Term Note or Notes of this series and of like tenor for the unredeemed portion hereof will be issued in the name of the Holder hereof upon the cancellation hereof.]

If a Change in Control occurs, the Company shall notify the Holder of this General Term Note of such occurrence and such Holder shall have the right to require the Company to make a Required Repurchase of all or any part of this

General Term Note at a Change in Control Purchase Price equal to 101% of the principal amount of this General Term Note to be so purchased as more fully provided in the Indenture and subject to the terms and conditions set forth therein. In the event of a Required Repurchase of only a portion of this General Term Note, a new General Term Note or Notes for the unrepurchased portion hereof will be issued in the name of the Holder hereof upon the cancellation hereof.

[If this General Term Note is subject to redemption upon exercising a Survivor's Option, insert -- As more fully provided in the Indenture and subject to the terms and conditions set forth therein, the Company will repay this General Term Note (or portion thereof) properly tendered for repayment by or on behalf of the person (the "Representative") that has authority to act on behalf of a deceased owner of the beneficial interest in this General Term Note under the laws of the appropriate jurisdiction (including, without limitation, the trustee of a personal trust, the personal representative, executor, surviving joint tenant or surviving tenant by the entirety of such deceased beneficial owner) at a price equal to 100% of the principal amount hereof plus accrued interest to the date of such repayment. In order for a Holder to exercise the Survivor's Option, the deceased beneficial owner or his or her Representative must have individually or collectively held the General Term Note for 120 days. The Company may, in its sole discretion, limit the aggregate principal amount of all outstanding General Term Notes as to which exercises of this option (the "Survivor's Option") will be accepted in any calendar year to one percent (1%) of the outstanding principal amount of all General Term Notes as of the end of the most recent fiscal year, but not less than $500,000 in any such calendar year, or such greater amount as the Company in its sole discretion may determine for any calendar year, and may limit to $100,000, or such greater amount as the Company in its sole discretion may determine for any calendar year, the aggregate principal amount of General Term Notes (or portions thereof) as to which exercise of the Survivor's Option will be accepted in such calendar year with respect to any individual deceased owner of beneficial interests in such General Term Notes.

[If the General Term Note is not an Original Issue Discount Security, insert -- If an Event of Default with respect to this General Term Note shall occur and be continuing, the principal of this General Term Note may be declared due and payable in the manner and with the effect provided in the Indenture.]

In any case where any Interest Payment Date, Redemption Date, Repayment Date, Stated Maturity or Maturity of any General Term Note shall not be a Business Day at any Place of Payment, then (notwithstanding any other provision of the Indenture or this General Term Note), payment of interest or principal (and premium, if any) need not be made at such Place of Payment on such date, but may be made on the next succeeding Business Day at such Place of Payment with the same force and effect as if made on the Interest Payment Date, Redemption Date or Repayment Date or at the Stated Maturity or Maturity; provided that no interest shall accrue on the amount so payable for the period from and after such Interest Payment Date, Redemption Date, Repayment Date, Stated Maturity or Maturity, as the case may be, to such Business Day.

The Indenture permits, with certain exceptions as therein provided, the amendment thereof and the modification of the rights and obligations of the Company and the rights of the Holders of all Outstanding Securities under the Indenture at any time by the Company and the Trustee with the consent of the Holders of not less than a majority in principal amount of all Outstanding Securities affected. The Indenture also contains provisions permitting the Holders of specified percentages in principal amount of all Outstanding Securities, on behalf of the Holders of all Outstanding Securities, to waive compliance by the Company with certain provisions of the Indenture. Any such consent or waiver by the Holder of this General Term Note shall be conclusive and binding upon such Holder and upon all future Holders of this General Term Note and of any General Term Note issued upon the registration of transfer hereof or in exchange herefor or in lieu hereof, whether or not notation of such consent or waiver is made upon this General Term Note.

The Indenture permits the Holders of not less than a majority in principal amount of all Outstanding Securities of any series thereunder to waive on behalf of the Holders of all Outstanding Securities of such series any past default by the Company, provided that no such waiver may be made with respect to a default in the payment of the principal of or premium, if any, or the interest on any Security of such series or the default by the Company in respect of certain covenants or provisions of the Indenture, the modification or amendment of which must be consented to by the Holder of each Outstanding Security of each series affected.

As set forth in, and subject to, the provisions of the Indenture, no Holder of any General Term Note will have any right to institute any proceeding with respect to the Indenture or for any remedy thereunder, unless such Holder shall have previously given to the Trustee written notice of a continuing Event of Default, the Holders of not less than 25% in principal amount of the Outstanding General Term Notes shall have made written request, and offered satisfactory indemnity, to the Trustee to institute such proceeding as trustee, and the Trustee shall not have received from the Holders of a majority in principal amount of the Outstanding General Term Notes a direction inconsistent with such request and shall have failed to institute such proceeding within 60 days; provided, however, that such limitations do not apply to a suit instituted by the Holder hereof for the enforcement of payment of the principal of (and premium, if any) or any interest on this General Term Note on or after the respective due dates expressed herein.

No reference herein to the Indenture and no provision of this General Term Note or of the Indenture shall alter or impair the obligation of the Company, which is absolute and unconditional, to pay the principal of and any premium and interest on this General Term Note at the times, place and rate, and in the coin or currency, herein prescribed.

As provided in the Indenture and subject to certain limitations therein set forth, the transfer of this General Term Note is registerable in the Security Register, upon surrender of this General Term Note for registration of transfer at the office or agency of the Company in any place where the principal of and any premium and interest on this General Term Note are payable, duly endorsed by, or accompanied by a written instrument of transfer in form satisfactory to the Company and the Security Registrar duly executed by, the Holder hereof or his attorney duly authorized in writing, and thereupon one or more new General Term Notes of this series and of like tenor, of authorized denominations and for the same aggregate principal amount, will be issued to the designated transferee or transferees.

The General Term Notes of this series are issuable only in registered form without coupons in denominations of $1,000 and any integral multiple thereof. As provided in the Indenture and subject to certain limitations therein set forth, General Term Notes of this series are exchangeable for a like aggregate principal amount of General Term Notes of this series and of like tenor of a different authorized denomination, as requested by the Holder surrendering the same.

No service charge shall be made for any such registration of transfer or exchange, but the Company may require payment of a sum sufficient to cover any tax or other governmental charge payable in connection therewith.

[If this General Term Note is redeemable at the option of the Company, insert -- The Company shall not be required (i) to issue, register the transfer of or exchange this General Term Note if this General Term Note may be among those selected for redemption during a period beginning at the opening of business 15 days before selection of the General Term Notes to be redeemed under Section 1103 of the Indenture and ending at the close of business on the day of the mailing of the relevant notice of redemption, (ii) to register the transfer of or exchange any General Term Note so selected for redemption in whole or in part, except, in the case of any General Term Note to be redeemed in part, the portion thereof not to be redeemed, or (iii) to issue, register the transfer of or exchange any General Term Note which has been surrendered for repayment at the option of the Holder, except the portion, if any, of such General Term Note not to be so repaid.]

Prior to due presentment of this General Term Note for registration of transfer, the Company, the Trustee and any agent of the Company or the Trustee may treat the Person in whose name this General Term Note is registered as the owner hereof for all purposes, whether or not this General Term Note be overdue, and neither the Company, the Trustee nor any such agent shall be affected by notice to the contrary.

All terms used in this General Term Note without definition which are defined in the Indenture shall have the meanings assigned to them in the Indenture.

- ------------------------------
(R) Registered servicemark of J. W. Korth & Company

SECTION 205. Form of Legend for Global Notes. Any Global Note (as defined in Article VII below) authenticated and delivered hereunder shall bear a legend in substantially the following form:

> "This Security is a Global Note within the meaning of the Indenture hereinafter referred to and is registered in the name of a Depositary or a nominee of a Depositary. This General Term Note is not exchangeable for General Term Notes registered in the name of a Person other than the Depositary or its nominee except in the limited circumstances described in the Indenture, and no transfer of this General Term Note (other than a transfer of this General Term Note as a whole by the Depositary to a nominee of the Depositary or by a nominee of the Depositary to the Depositary or another nominee of the Depositary) may be registered except in the limited circumstances described in the Indenture."

SECTION 206. Form of Trustee's Certificate of Authentication. The Trustee's certificates of authentication shall be in substantially the following form:

This is one of the General Term Notes of the series designated therein referred to in the within-mentioned Indenture.

____,
as Trustee

By____
Authorized Officer

ARTICLE III

REDEMPTION OF GENERAL TERM NOTES; CHANGE OF CONTROL

SECTION 301. Redemption of General Term Notes. (a) Each General Term Note may be redeemed by the Company in whole or in part if so provided in, and in accordance with, the terms of such General Term Note issued by the Company. The Company may redeem any General Term Note which by its terms is redeemable prior to Stated Maturity without also redeeming any other General Term Note which is redeemable prior to Stated Maturity.

(b) Change of Control. Upon the occurrence of a Change in Control (the effective date of such Change in Control being the "Change in Control Date"), each Holder of a General Term Note shall have the right to require that the Company repurchase (a "Required Repurchase") all or any part of such Holder's General Term Note at a repurchase price payable in cash equal to 101% of the principal amount of such General Term Note plus accrued interest to the Purchase Date (the "Change in Control Purchase Price").

(1) Within 30 days following the Change in Control Date, the Company shall mail a notice (the "Required Repurchase Notice") to each Holder with a copy to the Trustee stating:

(i) that a Change in Control has occurred and that such Holder has the right to require the Company to repurchase all or any part of such Holder's General Term Notes at the Change of Control Purchase Price;

(ii) the Change of Control Purchase Price;

(iii) the date on which any Required Repurchase shall be made (which shall be no earlier than 60 days nor later than 90 days from the date such notice is mailed) (the "Purchase Date");

(iv) the name and address of the Paying Agent; and

(v) the procedures that Holders must follow to cause the General Term Notes to be repurchased, which shall be consistent with this Section and the Indenture.

(2) Holders electing to have a General Term Note repurchased must deliver a written notice (the "Change in Control Purchase Notice") to the Paying Agent (initially the Trustee) at its office in The City of New York, or any other office of the Paying Agent maintained for such purposes, not later than 30 days prior to the Purchase Date. The Change in Control Purchase Notice shall state: (i) the portion of the principal amount of any General Term Notes to be repurchased, which portion must be $1,000 or an integral multiple thereof; (ii) that such General Term Notes are to be repurchased by the Company pursuant to the change in control provisions of the Indenture; and (iii) unless the General Term Notes are represented by one or more Global Notes, the certificate numbers of the General Term Notes to be delivered by the Holder thereof for repurchase by the Company. Any Change in Control Purchase Notice may be withdrawn by the Holder by a written notice of withdrawal delivered to the Paying Agent not later than three Business Days prior to the Purchase Date. The notice of withdrawal shall state the

principal amount and, if applicable, the certificate numbers of the General Term Notes as to which the withdrawal notice relates and the principal amount of such General Term Notes, if any, which remains subject to a Change in Control Purchase Notice.

If a General Term Note is represented by a Global Note (as described in Article VII below), the Depositary or its nominee will be the Holder of such General Term Note and therefore will be the only entity that can elect a Required Repurchase of such General Term Note. To obtain repayment pursuant to this Section 301(b) with respect to such General Term Note, the beneficial owner of such General Term Note must provide to the broker or other entity through which it holds the beneficial interest in such General Term Note (i) the Change in Control Purchase Notice signed by such beneficial owner, and such signature must be guaranteed by a member firm of a registered national securities exchange or of the National Association of Securities Dealers, Inc. or a commercial bank or trust company having an office or correspondent in the United States, and (ii) instructions to such broker or other entity to notify the Depositary of such beneficial owner's desire to obtain repayment pursuant to this Section 301(b). Such broker or other entity will provide to the Paying Agent (i) the Change of Control Purchase Notice received from such beneficial owner and (ii) a certificate satisfactory to the Paying Agent from such broker or other entity stating that it represents such beneficial owner. Such broker or other entity will be responsible for disbursing any payments it receives pursuant to this Section 301(b) to such beneficial owner.

(3) Payment of the Change of Control Purchase Price for a General Term Note for which a Change in Control Purchase Notice has been delivered and not withdrawn is conditioned (except in the case of a General Term Note represented by one or more Global Notes) upon delivery of such General Term Note (together with necessary endorsements) to the Paying Agent at its office in The City of New York, or any other office of the Paying Agent maintained

for such purpose, at any time (whether prior to, on or after the Purchase Date) after the delivery of such Change in Control Purchase Notice. Payment of the Change of Control Purchase Price for such General Term Note will be made promptly following the later of the Purchase Date or the time of delivery of such General Term Note. If the Paying Agent holds, in accordance with the terms of the Indenture, money sufficient to pay the Change in Control Purchase Price of such General Term Note on the Business Day following the Purchase Date, then, on and after such date, interest will cease accruing, and, if applicable, amounts will no longer accrue on any such General Term Note that is an Original Issue Discount Security, whether or not such General Term Note is delivered to the Paying Agent, and all other rights of the Holder shall terminate (other than the right to receive the Change of Control Purchase Price upon delivery of the General Term Note).

(4) The Company shall comply with the provisions of Rule 13e-4 and any other tender offer rules under the Exchange Act, which may then be applicable and shall file Schedule 13E-4 or any other schedule required thereunder in connection with any offer by the Company to repurchase General Term Notes at the option of Holders upon a Change in Control.

(5) No General Term Note may be repurchased by the Company as a result of a Change in Control if there has occurred and is continuing an Event of Default (other than a default in the Payment of the Change in Control Purchase Price with respect to the General Term Notes).

ARTICLE IV

REPAYMENT UPON DEATH

If so specified in any General Term Note, the Holder of such General Term Note will have the option (the "Survivor's Option") to elect repayment of such General Term Note prior to its Stated Maturity in the event of the death of the beneficial owner of such General Term Note.

Pursuant to exercise of the Survivor's Option, if applicable, the Company will repay any General Term Note (or portion thereof) properly tendered for repayment by or on behalf of the person (the "Representative") that has authority to act on behalf of the deceased beneficial owner of such General Term Note under the laws of the appropriate jurisdiction (including, without limitation, the trustee of a personal trust, the personal representative, executor, surviving joint tenant or surviving tenant by the entirety of such deceased beneficial owner) at a price equal to one-hundred percent (100%) of the principal amount of the beneficial interest of the deceased owner of such General Term Note plus accrued interest to the date of such payment, subject to the limitations below. In order for a Holder to exercise the Survivor's Option, the deceased beneficial owner or his or her Representative must have individually or collectively held the General Term Note for 120 days. The Company may, in its sole discretion, limit the aggregate principal amount of General Term Notes as to which exercises of the Survivor's Option will be accepted in any calendar year (the "Annual Put Limitation") to one percent (1%) of the outstanding principal amount of the General Term Notes as of the end of the most recent fiscal year, but not less than $500,000 in any such calendar year, or such greater amount as the Company in its sole discretion may determine for any calendar year, and may limit to $100,000, or such greater amount as the Company in its sole discretion may determine for any calendar year, the aggregate principal amount of General Term Notes (or portions thereof) as to which exercise of the Survivor's Option will be accepted in such calendar year with respect to any individual deceased owner of beneficial interests in such General Term Notes (the "Individual Put Limitation"). Moreover, the Company will not make principal repayments pursuant to exercise of the Survivor's Option in amounts that are less that $1,000, and, in the event that the limitations described in the preceding sentence would result in the partial repayment of any General Term Note, the principal amount of such General Term Note remaining outstanding after repayment must be at least $1,000 (the minimum authorized denomination of the General Term Notes). Any General Term Note (or portion thereof) tendered pursuant to exercise of the Survivor's Option may be withdrawn by a written request of its Holder received by the Trustee prior to its repayment.

Each General Term Note (or portion thereof) that is tendered pursuant to a valid exercise of the Survivor's Option will be accepted promptly in the order all such General Term Notes are tendered, except for any General Term Note (or portion thereof) the acceptance of which would contravene (i) the Annual Put Limitation, if applied, or (ii) the Individual Put Limitation, if applied, with respect to the relevant individual deceased owner of beneficial interests therein. If, as of the end of any calendar year, the aggregate principal amount of General Term Notes (or portions thereof) that have been accepted pursuant to exercise of the Survivor's Option for such year has not exceeded the Annual Put Limitation, if applied, for such year, any exercise(s) of the Survivor's Option with respect to General Term Notes (or portions thereof) not accepted during such calendar year because such acceptance would have contravened the Individual Put Limitation, if applied, with respect to an individual deceased owner of beneficial interests therein will be accepted in the order all such General Term Notes (or portions thereof) were tendered, to the extent that any such exercise would not exceed the Annual Put Limitation, if applied, for such calendar year. Any General Term Note (or portion thereof) accepted for repayment pursuant to exercise of the Survivor's Option will be repaid no later than the first Interest Payment Date that occurs 20 or more calendar days after the date of such acceptance. Each General Term Note (or any portion thereof) tendered for repayment that is not accepted in any calendar year because of the application of the Annual Put Limitation will be deemed to be tendered in the following calendar year in the order in which all such General Term Notes (or portions thereof) were originally tendered, unless any such General Term Note (or portion thereof) is withdrawn by the Representative for the deceased owner prior to its repayment. In the event that a General Term Note (or any portion thereof) tendered for repayment pursuant to valid exercise of the Survivor's Option is not accepted, the Trustee will deliver a notice by first-class mail to the registered Holder thereof at its last known address as indicated in the

Security Register or, alternatively to the applicable Representative that states the reasons such General Term Note (or portion thereof) has not been accepted for repayment.

Subject to the foregoing, in order for a Survivor's Option to be validly exercised with respect to any General Term Note (or portion thereof), the Trustee must receive from the Representative of the individual deceased owner of beneficial interests therein (i) a written request for payment signed by the Representative, and such signature must be guaranteed by a member firm of a registered national securities exchange or of the National Association of Securities Dealers, Inc. or a commercial bank or trust company having an office or correspondent in the United States, (ii) if any such General Term Note is not represented by a Global Note (as described in Article VII below), tender of the General Term Note (or portion thereof) to be repaid, (iii) appropriate evidence satisfactory to the Company and the Trustee that (A) the Representative has authority to act on behalf of the individual deceased beneficial owner, (B) the death of such beneficial owner has occurred and (C) the deceased individual was the owner of a beneficial interest in such General Term Note at the time of death, (iv) if applicable, a properly executed assignment or endorsement, and (v) if the beneficial interest in such General Term Note is held by a nominee of the deceased beneficial owner, a certificate satisfactory to the Trustee from such nominee attesting to the deceased's ownership of a beneficial interest in such General Term Note. All questions as to the eligibility or validity of any exercise of the Survivor's Option will be determined by the Company, in its sole discretion, which determinations will be final and binding on all parties.

If a General Term Note is represented by a Global Note (as described in Article VII below), the Depositary or its nominee will be the Holder of such General Term Note and therefore will be the only entity that can exercise the Survivor's Option for such General Term Note. To obtain repayment pursuant to exercise of the Survivor's Option with respect to such General Term Note, the

Representative must provide to the broker or other entity through which the beneficial interest in such General Term Note is held by the deceased owner (i) the documents described in clauses (i) and (iii) of the preceding paragraph and (ii) instructions to such broker or other entity to notify the Depositary of such Representative's desire to obtain repayment pursuant to exercise of the Survivor's Option. Such broker or other entity shall provide to the Trustee (i) the documents received from the Representative referred to in clause (i) of the preceding sentence and (ii) a certificate satisfactory to the Trustee from such broker or other entity stating that it represents the deceased beneficial owner and that such deceased beneficial owner or such deceased beneficial owner's Representative individually or collectively held such General Term Note for at lease 120 days. Such broker or other entity will be responsible for disbursing any payments it receives pursuant to exercise of the Survivor's Option to the appropriate Representative.

ARTICLE V

ADDITIONAL COVENANTS OF THE COMPANY WITH RESPECT TO THE GENERAL TERM NOTES

SECTION 501. Statement by Officers as to Default. (a) The Company will deliver to the Trustee, within 120 days after the end of each fiscal year a brief certificate from the principal executive officer, principal financial officer or principal accounting officer as to his or her knowledge of the Company's compliance with all conditions and covenants under this Sixth Supplemental Indenture. For such purposes, such compliance shall be determined without regard to any period of grace or requirement of notice provided hereunder and, if the Company shall be in default, specifying all such defaults and the nature and status thereof of which they may have knowledge.

(b) The Company shall deliver to the Trustee, as soon as possible and in any event within 10 days after the Company becomes aware of the occurrence of an

Event of Default or an event which, with notice or the lapse of time or both, would constitute an Event of Default, an Officers' Certificate setting forth the details of such Event of Default or default, and the action which the Company proposes to take with respect thereto.

SECTION 502. Existence. So long as any of the General Term Notes are Outstanding, subject to Article 8 of the Indenture, the Company will do or cause to be done all things necessary to preserve and keep in full force and effect its corporate existence and all rights (charter and statutory) and franchises other than rights or franchises the loss of which would not be disadvantageous in any material respect to the Holders of the General Term Notes.

SECTION 503. Maintenance of Properties. So long as any of the General Term Notes are Outstanding, the Company will cause all properties used or useful in the conduct of its business to be maintained and kept in good condition, repair and working order and supplied with all necessary equipment and will cause to be made all necessary repairs, renewals, replacements, betterments and improvements thereof, all as in the judgment of the Company may be necessary so that the business carried on in connection therewith may be properly and advantageously conducted at all times; provided, however, that nothing in this Section shall prevent the Company from discontinuing the operation or maintenance of any of such properties if such discontinuance is, in the judgment of the Company, desirable in the conduct of its business and not disadvantageous in any material respect to the Holders.

SECTION 504. Payment of Taxes and Other Claims. So long as any of the General Term Notes are Outstanding, the Company will pay or discharge or cause to be paid or discharged, before the same shall become delinquent, (1) all taxes, assessments and governmental charges levied or imposed upon the Company or any Subsidiary or upon the income, profits or property of the Company or any Subsidiary, and (2) all lawful claims for labor, materials and supplies which, if unpaid, might by law become a Lien upon the property of the Company or any Subsidiary; provided, however, that the Company shall not be required to pay or discharge or cause to be paid or discharged any such tax, assessment, charge or claim the amount of which, applicability or validity is being contested in good faith by appropriate proceedings.

SECTION 505. Insurance. So long as any of the General Term Notes are Outstanding, the Company shall, and each of its Restricted Subsidiaries and Consumers shall, keep insured by financially sound and reputable insurers all property of a character usually insured by entities engaged in the same or similar businesses similarly situated against loss or damage of the kinds and in the amounts customarily insured against by such entities and carry such amounts of other insurance as is usually carried by such entities.

SECTION 506. Compliance with Laws. So long as any of the General Term Notes are Outstanding, the Company shall, and each of its Restricted Subsidiaries and Consumers shall, comply in all material respects with all laws applicable to the Company or such Restricted Subsidiary or Consumers, as the case may be, its respective business and properties.

SECTION 508. Limitation on Certain Liens. (a) So long as any of the General Term Notes are outstanding, the Company shall not create, incur, assume or suffer to exist any Lien or any other type of arrangement intended or having the effect of conferring upon a creditor of the Company or any Subsidiary a preferential interest (hereinafter in this Section referred to as a "Lien") upon or with respect to the Capital Stock of Consumers, Enterprises or CMS Oil & Gas Co. without making effective provision whereby the General Term Notes shall (so long as any such other creditor shall be so secured) be equally and ratably secured (along with any other creditor similarly entitled to be secured) by a direct Lien on all property subject to such Lien, provided, however, that the foregoing restrictions shall not apply to:

(i) Liens for taxes, assessments or governmental charges or levies to the extent not past due;

(ii) pledges or deposits to secure (a) obligations under workmen's compensation laws or similar legislation, (b) statutory obligations of the Company or (c) Support Obligations not to exceed $30 million at any one time outstanding;

(iii) Liens imposed by law, such as materialmen's, mechanics', carriers', workmen's and repairmen's Liens and other similar Liens arising in the ordinary course of business securing obligations which are not overdue or which have been fully bonded and are being contested in good faith;

(iv) purchase money Liens upon or in property acquired and held by the Company in the ordinary course of business to secure the purchase price of such property or to secure Indebtedness incurred solely for the purpose of financing the acquisition of any such property to be subject to such Liens, or Liens existing on any such property at the time of acquisition, or extensions, renewals or replacements of any of the foregoing for the same or a lesser amount, provided that no such Lien shall extend to or cover any property other than the property being acquired and no such extension, renewal or replacement shall extend to or cover property not theretofore subject to the Lien being extended, renewed or replaced, and provided, further, that the aggregate principal amount of the Indebtedness at any one time outstanding secured by Liens permitted by this clause (iv) shall not exceed $10,000,000; and

(v) Liens not otherwise permitted by clauses (i) through (iv) of this Section securing Indebtedness of the Company; provided that on the date such Liens are created, and after giving effect to such Indebtedness, the aggregate principal amount at maturity of all of the secured Indebtedness of the Company at such date shall not exceed 10% of Consolidated Assets at such date.

SECTION 509. Limitation on Consolidation, Merger, Sale or Conveyance. In addition to the limitations set forth in Article 8 of the Indenture, so long as the General Term Notes are Outstanding and until the General Term Notes are rated BBB- or above (or an equivalent rating) by Standard & Poor's and one Other Rating Agency (or if Standard & Poor's shall change its rating system, an equivalent of such rating then employed by such organization) at which time the Company shall be permanently released from the following provisions, the Company shall not consolidate with or merge into any other Person or sell, lease or convey the property of the Company in the entirety or substantially as an entirety unless (i) immediately after giving effect to such transaction the Consolidated Net Worth of the surviving entity is at least equal to the Consolidated Net Worth of the Company immediately prior to the transaction, and (ii) after giving effect to such transaction, the surviving entity would be entitled to incur at least one dollar of additional Indebtedness (other than revolving Indebtedness to banks) without violation of the limitations in Section 510 hereof.

SECTION 510. Limitation on Consolidated Indebtedness. (a) So long as any of the General Term Notes are Outstanding and until the General Term Notes are rated BBB- or above (or an equivalent rating) by Standard & Poor's and one Other Rating Agency (or if Standard & Poor's shall change its rating system, an equivalent of such rating then employed by such organization) at which time the Company shall be permanently released from the provision of this Section 510, the Company shall not, and shall not permit any Restricted Subsidiary of the Company to, issue, create, assume, guarantee, incur or otherwise become liable for (collectively, "issue"), directly or indirectly, any Indebtedness unless (i) the Consolidated Coverage Ratio of the Company and its Consolidated Subsidiaries for the four consecutive fiscal quarters immediately preceding the issuance of such Indebtedness (as shown by a pro forma consolidated income statement of the Company and its Consolidated Subsidiaries for the four most recent fiscal quarters ending at least 30 days prior to the issuance of such Indebtedness after giving effect to (i) the issuance of such Indebtedness and (if applicable) the application of the net proceeds thereof to refinance other Indebtedness as if such Indebtedness was issued at the beginning of the period, (ii) the issuance and retirement of any other Indebtedness since the first day of the period as if such Indebtedness was issued or retired at the beginning of the period and (iii) the acquisition of any company or business acquired by the Company or any Subsidiary since the first day of the period (including giving effect to the pro forma historical earnings of such company or business), including any acquisition which will be consummated contemporaneously with the issuance of such Indebtedness, as if in each case such acquisition occurred at the beginning of the period) exceeds a ratio of 1.6 to 1.0 and (ii), immediately after giving effect to the issuance of such Indebtedness and (if applicable) the application of the net proceeds thereof to refinance other Indebtedness, the Consolidated Leverage Ratio is equal to or less than a ratio of 0.75 to 1.0.

(b) Notwithstanding the foregoing paragraph, the Company or any Restricted Subsidiary may issue, directly or indirectly, the following Indebtedness:

(1) Revolving Indebtedness to banks not to exceed $1,000,000,000 in the aggregate outstanding principal amount at any time;

(2) Indebtedness (other than Indebtedness described in clause (1) of this Subsection) outstanding on the date of the original Indenture, as set forth on Schedule 510(b)(2) attached hereto and made a part hereof, and Indebtedness issued in exchange for, or the proceeds of which are used to refund or refinance, any Indebtedness permitted by this clause (2); provided, however, that (i) the principal amount (or accreted value in the case of Indebtedness issued at a discount) of the Indebtedness so issued shall not exceed the principal amount (or accreted value in the case of Indebtedness issued at a discount) of, premium, if any, and accrued but unpaid interest

on, the Indebtedness so exchanged, refunded or refinanced and (ii) the Indebtedness so issued (A) shall not mature prior to the stated maturity of the Indebtedness so exchanged, refunded or refinanced, (B) shall have an Average Life equal to or greater than the remaining Average Life of the Indebtedness so exchanged, refunded or refinanced and (C) if the Indebtedness to be exchanged, refunded or refinanced is subordinated to the General Term Notes, the Indebtedness is subordinated to the General Term Notes in right of payment;

(3) Indebtedness of the Company owed to and held by a Subsidiary and Indebtedness of a Subsidiary owed to and held by the Company; provided, however, that, in the case of Indebtedness of the Company owed to and held by a Subsidiary, (i) any subsequent issuance or transfer of any Capital Stock that results in any such Subsidiary ceasing to be a Subsidiary or (ii) any transfer of such Indebtedness (except to the Company or a Subsidiary) shall be deemed for the purposes of this Subsection to constitute the issuance of such Indebtedness by the Company;

(4) Indebtedness of the Company issued in exchange for, or the proceeds of which are used to refund or refinance, Indebtedness of the Company issued in accordance with Subsection (a) of this Section, provided that (i) the principal amount (or accreted value in the case of Indebtedness issued at a discount) of the Indebtedness so issued shall not exceed the principal amount (or accreted value in the case of Indebtedness issued at a discount) of, premium, if any, and accrued but unpaid interest on, the Indebtedness so exchanged, refunded or refinanced and (ii) the Indebtedness so issued (A) shall not mature prior to the stated maturity of the Indebtedness so exchanged, refunded or refinanced, (B) shall have an Average Life equal to or greater than the remaining Average Life of the Indebtedness so exchanged, refunded or refinanced and (C) if the Indebtedness to be exchanged, refunded

or refinanced is subordinated to the General Term Notes, the Indebtedness so issued is subordinated to the General Term Notes in right of payment; and

(5) Indebtedness of a Restricted Subsidiary issued in exchange for, or the proceeds of which are used to refund or refinance, Indebtedness of a Restricted Subsidiary issued in accordance with Subsection (a) of this Section, provided that (i) the principal amount (or accreted value in the case of Indebtedness issued at a discount) of the Indebtedness so issued shall not exceed the principal amount (or accreted value in the case of Indebtedness issued at a discount) of, premium, if any, and accrued but unpaid interest on, the Indebtedness so exchanged, refunded or refinanced and (ii) the Indebtedness so issued (A) shall not mature prior to the stated maturity of the Indebtedness so exchanged, refunded or refinanced and (B) shall have an Average Life equal to or greater than the remaining Average Life of the Indebtedness so exchanged, refunded or refinanced.

SECTION 511. Limitation on Restricted Payments. (a) So long as the General Term Notes are Outstanding and until the General Term Notes are rated BBB- or above (or an equivalent rating) by Standard & Poor's and one Other Rating Agency (or if Standard & Poor's shall change its rating system, an equivalent of such rating then employed by such organization) at which time the Company shall be permanently released from the provision of this Section 511, the Company shall not, and shall not permit any Restricted Subsidiary of the Company, directly or indirectly, to (i) declare or pay any dividend or make any distribution on the Capital Stock of the Company to the direct or indirect holders of the Capital Stock of the Company (except dividends or distributions payable solely in Non-Convertible Capital Stock of the Company or in options, warrants or other rights to purchase such Non-Convertible Capital Stock and except dividends or distributions payable to the Company or a Subsidiary), (ii) purchase, redeem or otherwise acquire or retire for value any Capital Stock of the Company (any such dividend, distribution, purchase, redemption, other acquisition or retirement being hereinafter referred to as a "Restricted Payment") if at the time the Company or such Subsidiary makes such Restricted Payment:

(1) an Event of Default, or an event that with the lapse of time or the giving of notice or both would constitute an Event of Default, shall have occurred and be continuing (or would result therefrom); or

(2) the aggregate amount of such Restricted Payment and all other Restricted Payments made since September 30, 1993, would exceed the sum of:

(A) $120,000,000;

(B) 100% of Consolidated Net Income, accrued during the period (treated as one accounting period) from September 30, 1993 to the end of the most recent fiscal quarter ending at least 45 days prior to the date of such Restricted Payment (or, in case such sum shall be a deficit, minus 100% of the deficit); and

(C) the aggregate Net Proceeds received by the Company from the issue or sale of or contribution with respect to its Capital Stock subsequent to September 30, 1993.

For the purpose of determining the amount of any Restricted Payment not in the form of cash, the amount shall be the fair value of such Restricted Payment as determined in good faith by the Board of Directors, provided that if the value of the non-cash portion of such Restricted Payment as determined by the Board of Directors is in excess of $25 million, such value shall be based on the opinion from a nationally recognized firm experienced in the appraisal of similar types of transactions.

(b) The provisions of Section 511(a) shall not prohibit:

(i) any purchase or redemption of Capital Stock of the Company made by exchange for, or out of the proceeds of the substantially concurrent sale of, Capital Stock of the Company (other than Redeemable Stock or Exchangeable Stock); provided, however, that such purchase or redemption shall be excluded from the calculation of the amount of Restricted Payments;

(ii) dividends or other distributions paid in respect of any class of the Company's Capital Stock issued in respect of the acquisition of any business or assets by the Company or a Restricted Subsidiary if the dividends or other distributions with respect to such Capital Stock are payable solely from the net earnings of such business or assets;

(iii) dividends paid within 60 days after the date of declaration thereof if at such date of declaration such dividend would have complied with this Section; provided, however, that at the time of payment of such dividend, no Event of Default shall have occurred and be continuing (or result therefrom), and provided further, however, that such dividends shall be included (without duplication) in the calculation of the amount of Restricted Payments; or

(iv) payments pursuant to the Tax-Sharing Agreement.

SECTION 512. Limitation on Transactions with Affiliates. So long as any of the General Term Notes are Outstanding, the Company shall not directly or indirectly, conduct any business or enter into any transaction or series of related transactions (including the purchase, sale, lease or exchange of any property or the rendering of any service) with an Affiliate unless the terms of such business, transaction or series of transactions are as favorable to the Company as terms that could be obtainable at the time for a comparable transaction or series of related transactions in arm's-length dealings with an unrelated third Person. This Section shall not apply to (x) compensation paid to officers and directors of the Company which has been approved by the Board of Directors of the Company or (y) loans to the Company or an Affiliate pursuant to a global cash management program, which loans mature within one year from the date thereof.

ARTICLE VI

ADDITIONAL EVENTS OF DEFAULT WITH RESPECT TO THE GENERAL TERM NOTES

SECTION 601. Definition. All of the events specified in Section 501 of the Indenture and the events specified in Section 602 of this Article shall be "Events of Default" with respect to the General Term Notes.

SECTION 602. Additional Events of Default. As contemplated by Sections 301(15) and 501(7) of the Indenture, any one of the following events (whatever the reason for such Event of Default and whether or not it shall be voluntary or involuntary or be effected by operation of law or pursuant to any judgment, decree or order of any court or any order, rule or regulation of any administrative or governmental body) shall be an Event of Default with respect to the General Term Notes for all purposes of the Indenture:

(a) a default or event of default in respect of any Indebtedness of the Company having an aggregate outstanding principal amount at the time of such default in excess of $25,000,000 shall occur which results in the acceleration of such Indebtedness or Indebtedness of the Company having an outstanding principal amount at maturity in excess of $25,000,000 shall not be paid at maturity thereof, which default shall not have been waived by the holder or holders of such Indebtedness within 30 days of such default; or

(b) the entry of a final judgment or judgments against the Company aggregating in excess of $25,000,000 which remain undischarged or unbonded for a period (during which execution shall not be effectively stayed) of 60 days.

ARTICLE VII

GLOBAL NOTES

The General Term Notes will be issued initially in the form of Global Notes. "Global Note" means a registered General Term Note evidencing one or more General Term Notes issued to a depositary (the "Depositary") or its nominee, in accordance with this Article and bearing the legend prescribed in this Article. A single Global Note will represent all General Term Notes issued on the same date and having the same terms, including, but not limited to, the same Interest Payment Dates, rate of interest, Stated Maturity, and redemption provisions (if any). The Company shall execute and the Trustee shall, in accordance with this Article and the Company Order with respect to the General Term Notes, authenticate and deliver one or more Global Notes in temporary or permanent form that (i) shall represent and shall be denominated in an aggregate amount equal to the aggregate principal amount of the General Term Notes to be represented by such Global Note or Notes, (ii) shall be registered in the name of the Depositary for such Global Note or Notes or the nominee of such Depositary, (iii) shall be delivered by the Trustee to such Depositary or pursuant to such Depositary's instructions and (iv) shall bear a legend substantially to the following effect: "Unless this Global Note is presented by an authorized representative of the Depositary to the Company or its agent for registration of transfer, exchange or payment, and any Note issued is registered in the name of the Depositary or in such other name as is requested by the Depositary, any transfer, pledge or other use hereof for value or otherwise by or to any person shall be wrongful inasmuch as the registered owner hereof, the Depositary, has an interest herein."

Notwithstanding Section 305 of the Indenture, unless and until it is exchanged in whole or in part for General Term Notes in definitive form, a Global Note representing one or more General Term Notes may not be transferred except as a whole by the Depositary, to a nominee of such Depositary or by a nominee of such Depositary to such Depositary or another nominee of such Depositary or by such Depositary or any such nominee to a successor Depositary for General Term Notes or a nominee of such successor Depositary.

If at any time the Depositary for the General Term Notes is unwilling or unable to continue as Depositary for the General Term Notes, the Company shall appoint a successor Depositary with respect to the General Term Notes. If a successor Depositary for the General Term Notes is not appointed by the Company by the earlier of (i) 90 days from the date the Company receives notice to the effect that the Depositary is unwilling or unable to act, or the Company determines that the Depositary is unable to act or (ii) the effectiveness of the Depositary's resignation or failure to fulfill its duties as Depositary, the Company will execute, and the Trustee, upon receipt of a Company Order for the authentication and delivery of definitive General Term Notes, will authenticate and deliver General Term Notes in definitive form in an aggregate principal amount equal to the principal amount of the Global Note or Notes representing such General Term Notes in exchange for such Global Note or Notes.

The Company may at any time and in its sole discretion determine that the General Term Notes issued in the form of one or more Global Notes shall no longer be represented by such Global Note or Notes. In such event the Company will execute, and the Trustee, upon receipt of a Company Order for the authentication and delivery of definitive General Term Notes, will authenticate and deliver General Term Notes in definitive form in an aggregate principal amount equal to the principal amount of the Global Note or Notes representing such General Term Notes in exchange for such Global Note or Notes.

The Depositary for such General Term Notes may surrender a Global Note or Notes for such General Term Notes in exchange in whole or in part for General Term Notes in definitive form on such terms as are acceptable to the Company and such Depositary. Thereupon, the Company shall execute, and the Trustee shall authenticate and deliver, without service charge:

(i) to each Person specified by such Depositary a new General Term Note or Notes, of any authorized denomination as requested by such Person in aggregate principal amount equal to and in exchange for such Person's beneficial interest in the Global Note; and

(ii) to such Depositary a new Global Note in a denomination equal to the difference, if any, between the principal amount of the surrendered Global Note and the aggregate principal amount of General Term Notes in definitive form delivered to Holders thereof.

In any exchange provided for in this Article, the Company will execute and the Trustee will authenticate and deliver General Term Notes in definitive registered form in authorized denominations.

Upon the exchange of a Global Note for General Term Notes in definitive form, such Global Note shall be canceled by the Trustee. General Term Notes in definitive form issued in exchange for a Global Note pursuant to this Article shall be registered in such names and in such authorized denominations as the Depositary for such Global Note, pursuant to instructions from its direct or indirect participants or otherwise, shall instruct the Trustee or Security Registrar. The Trustee shall deliver such General Term Notes to the persons in whose names such General Term Notes are so registered.

ARTICLE VIII

DEFEASANCE

All of the provisions of Article Fourteen of the Original Indenture shall be applicable to the General Term Notes. Upon satisfaction by the Company of the requirements of Section 1404 of the Indenture, in connection with any covenant defeasance (as provided in Section 1403 of the Indenture), the Company shall be released from its obligations under Article Eight of the Original Indenture and under Articles III and V of this Sixth Supplemental Indenture with respect to the General Term Notes.

ARTICLE IX

SUPPLEMENTAL INDENTURES

This Sixth Supplemental Indenture is a supplement to the Original Indenture. As supplemented by this Sixth Supplemental Indenture, the Original Indenture is in all respects ratified, approved and confirmed, and the Original Indenture and this Sixth Supplemental Indenture shall together constitute one and the same instrument.

The Company may, by supplemental indenture, amend this Sixth Supplemental Indenture to provide for additional definitions, terms and provisions relating to General Term Notes. Any such supplemental indenture shall not adversely affect the rights and privileges of Holders of General Term Notes issued prior to such supplemental indenture. Any such supplemental indenture may include, but is not limited to including, additional provisions permitting payment of General Term Notes prior to Stated Maturity at the option of the Holders, issuance of General Term Notes in currencies other than Dollars, and special provisions relating to interest rate provisions.

TESTIMONIUM

This Sixth Supplemental Indenture may be executed in any number of counterparts, each of which so executed shall be deemed to be an original, but all such counterparts shall together constitute but one and the same instrument.

IN WITNESS WHEREOF, the parties hereto have caused this Sixth Supplemental Indenture to be duly executed and their respective corporate seals to be hereunto affixed and attested, all as of the day and year first written above.

CMS ENERGY CORPORATION

By:

Name: Alan M. Wright
Title: Senior Vice President and
Chief Financial Officer

Attest:

(Corporate Seal)

- -------------------------
Name: Thomas A McNish
Title: Vice President and Secretary

THE CHASE MANHATTAN BANK
as Trustee

By:

Attest:

(Corporate Seal)

- -----------------

Schedule 510(b)(2)

Indebtedness of CMS Energy Corporation outstanding on January 20, 1994:

1. $146,000,000 of Series A Senior Deferred Coupon Notes due 1997; and

2. $248,000,000 of Series B Senior Deferred Coupon Notes due 1999.

EXHIBIT (12)

CMS ENERGY CORPORATION
Ratio of Earnings to Fixed Charges and Preferred
Securities Dividends and Distributions
(Millions of Dollars)

	Nine Months Ended September 30	Years Ended December 31 -				
	2000	1999	1998	1997	1996	1995
			(b)			
Earnings as defined (a)						
Consolidated net income	$ 216	$ 277	$ 242	$ 244	$ 224	$ 195
Income taxes	88	64	100	108	137	113
Exclude equity basis subsidiaries	(125)	(84)	(92)	(80)	(85)	(57)
Fixed charges as defined, adjusted to exclude capitalized interest of $35, $41, $29, $13, $5 and $4 million for the nine months ended September 30, 2000 and for the years ended December 31, 1999, 1998, 1997, 1996 and 1995, respectively	550	588	395	360	313	299
Earnings as defined	$ 729	$ 845	$ 645	$ 632	$ 589	$ 550
Fixed charges as defined (a)						
Interest on long-term debt	$ 443	$ 502	$ 319	$ 273	$ 230	$ 224
Estimated interest portion of lease rental	6	7	8	8	10	9
Other interest charges	24	57	48	49	43	42
Preferred securities dividends and distributions	111	96	77	67	54	42
Fixed charges as defined	$ 584	$ 662	$ 452	$ 397	$ 337	$ 317
Ratio of earnings to fixed charges and preferred securities dividends and distributions	1.25	1.28	1.43	1.59	1.75	1.74

NOTES:
(a) Earnings and fixed charges as defined in instructions for Item 503 of Regulation S-K.

(b) Excludes a cumulative effect of change in accounting after-tax gain of $43 million.

EXHIBIT (15)(a)

October 27, 2000

CMS Energy Corporation:

We are aware that CMS Energy Corporation has incorporated by reference in its Registration Statements No. 33-55805, No. 33-60007, No. 33-61595, No. 333-27849, No. 333-32229, No. 333-37241, No. 333-45556, No. 333-47464, No. 333-68937, No. 333-75805, and No. 333-76347 its Form 10-Q for the quarter ended September 30, 2000, which includes our report dated October 27, 2000 covering the unaudited interim financial information contained therein. Pursuant to Regulation C of the Securities Act of 1933, that report is not considered a part of the registration statement prepared or certified by our firm or a report prepared or certified by our firm within the meaning of Sections 7 and 11 of the Act.

Very truly yours,

/s/ Arthur Andersen LLP

EXHIBIT (15)(b)

October 27, 2000

Consumers Energy Company:

We are aware that CMS Energy Corporation has incorporated by reference in its Registration Statement No. 333-89363 its Form 10-Q for the quarter ended September 30, 2000, which includes our report dated October 27, 2000 covering the unaudited interim financial information contained therein. Pursuant to Regulation C of the Securities Act of 1933, that report is not considered a part of the registration statement prepared or certified by our firm or a report prepared or certified by our firm within the meaning of Sections 7 and 11 of the Act.

Very truly yours,

/s/ Arthur Andersen LLP

UT

THIS SCHEDULE CONTAINS SUMMARY FINANCIAL INFORMATION EXTRACTED FROM THE STATEMENT OF INCOME, STATEMENT OF CASH FLOWS, BALANCE SHEET, AND STATEMENT OF COMMON STOCKHOLDERS' EQUITY, AND IS QUALIFIED IN ITS ENTIRETY BY REFERENCE TO SUCH FINANCIAL STATEMENTS.

0000811156
CMS ENERGY CORPORATION
1,000,000

9-MOS
DEC-31-2000
JAN-01-2000
SEP-30-2000
PER-BOOK
4,157
5,963
2,693
3,442
0
16,255
1
2,623
(95)
2,309
1,089
44
1,819
432
5,427
0
510
0
81
32
4,292
16,255
5,821
88
5,076
5,164
657
64
721
433
288
72
216
122
0
163
1.95
1.93

UT

THIS SCHEDULE CONTAINS SUMMARY FINANCIAL INFORMATION EXTRACTED FROM THE STATEMENT OF INCOME, STATEMENT OF CASH FLOWS, BALANCE SHEET, AND STATEMENT OF COMMON STOCKHOLDERS'S EQUITY, AND IS QUALIFIED IN ITS ENTIRETY BY REFERENCE TO SUCH FINANCIAL STATEMENTS.

0000201533
CONSUMERS ENERGY COMPANY
1,000,000

9-MOS
DEC-31-2000
JAN-01-2000
SEP-30-2000
PER-BOOK
4,157
606
617
1,752
0
7,132
841
646
531
2,018
395
44
810
430
1,199
0
50
0
81
30
2,075
7,132
2,808
96
2,387
2,483
325
6
331
132
199
27
172
126
0
352
0
0

THIS SCHEDULE CONTAINS SUMMARY FINANCIAL INFORMATION EXTRACTED FROM THE STATEMENT OF INCOME, STATEMENT OF CASH FLOWS, BALANCE SHEET AND STATEMENT OF COMMON STOCKHOLDERS' EQUITY, AND IS QUALIFIED IN ITS ENTIRETY BY REFERENCE TO SUCH FINANCIAL STATEMENTS.

0000076063
PANHANDLE EASTERN PIPE LINE COMPANY
1,000

9-MOS
SEP-30-2000
SEP-30-2000
0
0
128,000
0
56,000
376,000
1,673,000
87,000
2,741,000
244,000
1,193,000
0
0
1,000
1,128,000
2,741,000
0
355,000
0
142,000
67,000
0
62,000
146,000
34,000
55,000
0
0
0
55,000
0
0

NOT MEANINGFUL SINCE PANHANDLE EASTERN PIPE LINE COMPANY IS A WHOLLY-OWNED SUBSIDIARY.