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 MARCH 31, 2001

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 April 30, 2001:

CMS ENERGY CORPORATION:	
CMS Energy Common Stock, $.01 par value	131,989,846
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 MARCH 31, 2001

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.

TABLE OF CONTENTS

	Page
Glossary	3
PART I:	
CMS Energy Corporation	
Management's Discussion and Analysis	CMS-1
Consolidated Statements of Income	CMS-13
Consolidated Statements of Cash Flows	CMS-14
Consolidated Balance Sheets	CMS-16
Consolidated Statements of Common Stockholders' Equity	CMS-18
Condensed Notes to Consolidated Financial Statements	CMS-19
Report of Independent Public Accountants	CMS-38
Consumers Energy Company	
Management's Discussion and Analysis	CE-1
Consolidated Statements of Income	CE-10
Consolidated Statements of Cash Flows	CE-11
Consolidated Balance Sheets	CE-12
Consolidated Statements of Common Stockholder's Equity	CE-14
Condensed Notes to Consolidated Financial Statements	CE-15
Report of Independent Public Accountants	CE-27
Panhandle Eastern Pipe Line Company	
Management's Discussion and Analysis	PE-1
Consolidated Statements of Income	PE-4
Consolidated Statements of Cash Flows	PE-5
Consolidated Balance Sheets	PE-6
Consolidated Statements of Common Stockholder's Equity	PE-8
Condensed Notes to Consolidated Financial Statements	PE-9
Report of Independent Public Accountants	PE-13
Quantitative and Qualitative Disclosures about Market Risk	CO-1
PART II:	
Item 1. Legal Proceedings	CO-1
Item 6. Exhibits and Reports on Form 8-K	CO-1
Signatures	CO-3

GLOSSARY

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

Term	Definition
ABATE	Association of Businesses Advocating Tariff Equity
ALJ	Administrative Law Judge
APB	Accounting Principles Board
Alliance	Alliance Regional Transmission Organization
Anadarko	Anadarko Petroleum Corporation, a non-affiliated company
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
Clean Air Act	Federal Clean Air Act, as amended
CMS Capital	CMS Capital Corporation, a subsidiary of Enterprises
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	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 Company, 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

Term	Definition
EPA	U.S. 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 lessor interest in the MCV 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, $400 million Series E and $72 million Series F
INGAA	Interstate Natural Gas Association of America
Jorf Lasfar	The 1,356 MW coal-fueled power plant in Morocco, jointly owned by CMS Generation and ABB Energy Venture, Inc.
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 Transco	Michigan Electric Transmission Company, a subsidiary of Consumers Energy
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, a Wisconsin 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

Palisades	Palisades nuclear power plant, owned by Consumers
Pan Gas Storage	Pan Gas Storage Company, a subsidiary of Panhandle Eastern Pipe Line Company
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
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
PUHCA	Public Utility Holding Company Act of 1935
RTO	Regional Transmission Organization
SAB	Staff Accounting Bulletin
Sea Robin	Sea Robin Pipeline Company
SEC	U.S. Securities and Exchange Commission
Securitization	A financing authorized by statute in which a MPSC approved 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 Securitization 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
SIPS	State Implementation Plans
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, including Panhandle and its 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 MD&A of this Form 10-Q should be read along with the MD&A and other parts of CMS Energy's 2000 Form 10-K. This MD&A 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 Consolidated Financial Statements and Notes. This report and other written and oral statements that CMS Energy may make contain forward-looking statements as defined by the Private Securities Litigation Reform Act of 1995. CMS Energy's intentions with the use of the words "anticipates," "believes," "estimates," "expects," "intends," and "plans," and variations of such words and similar expressions, are solely to identify forward-looking statements that involve risk and uncertainty. These forward-looking statements are subject to various factors that could cause CMS Energy's actual results to differ materially from the results anticipated in such statements. CMS Energy has no obligation to update or revise forward-looking statements regardless of whether new information, future events or any other factors affect the information contained in such statements. CMS Energy does, however, discuss certain risk factors, uncertainties and assumptions in this MD&A and in Item 1 of the 2000 Form 10-K in the section entitled "Forward-Looking Statements Cautionary Factors and Uncertainties" and in various public filings it periodically makes with the SEC. CMS Energy designed this discussion of potential risks and uncertainties, which is by no means comprehensive, to highlight important factors that may impact CMS Energy's outlook. This report also describes material contingencies in CMS Energy's Condensed Notes to Consolidated Financial Statements, and CMS Energy encourages its readers to review these Notes.

RESULTS OF OPERATIONS

CMS ENERGY CONSOLIDATED EARNINGS

	In Millions, Except Per Share Amounts		
Three months ended March 31,	2001	2000(a)	Change
Consolidated Net Income	$ 109	$ 75	$ 34
Earnings Per Average Common Share:			
Basic	.87	.66	.21
Diluted	.85	.65	.20

(a) Includes the cumulative effect of an accounting change for crude oil inventories, which decreased net income by $5 million, or $.04 per basic and diluted share.

For the three months ended March 31, 2001, the increase in consolidated net income as compared to the same period in 2000 resulted from increased earnings from CMS Energy's utility and diversified energy businesses.

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 March 31, 2001, electric utility pretax operating income increased $20 million from the comparable period in 2000. The earnings increase primarily reflects reduced power costs in part from increased internal generation that reduced the need for higher cost purchased power and increased sales to the company's higher-margin customers. Partially offsetting the increased operating income benefit was higher operations and maintenance costs. The following table quantifies these impacts on pretax operating income:

	In Millions
Change Compared to Prior Year	Three Months Ended March 31 2001 vs 2000
Electric deliveries	$ 3
Power supply costs and related revenue	3
Intersystem sales	26
Rate decrease	(13)
Non-commodity revenue	5
Operation and maintenance expense	(26)
General taxes and depreciation expense	22
Total change	$ 20

ELECTRIC DELIVERIES: For the three months ended March 31, 2001, electric deliveries were 10.0 billion kWh, an increase of 0.3 billion kWh or 3.1 percent compared to the first quarter of 2000. Total electric deliveries increased to residential and commercial customers and intersystem sales, partially offset by reduced industrial usage reflecting the economic slowdown impacting the automotive business.

POWER SUPPLY COSTS:

			In Millions
March 31	2001	2000	Change
Three months ended	$ 301	$ 301	$ -

For the three months ended March 31, 2001, power supply costs remained unchanged compared to the first quarter of 2000. Increased internal generation reduced the need for higher cost purchased power.

CONSUMERS' GAS UTILITY RESULTS OF OPERATIONS

GAS PRETAX OPERATING INCOME: For the three months ended March 31, 2001, gas pretax operating income increased $1 million from the comparable period in 2000. The earnings increase primarily reflects increased revenue from higher deliveries to residential and commercial customers due to colder temperatures in 2001. See Note 2, Uncertainties, for more detailed information on this matter. The following table quantifies these impacts on Pretax Operating Income.

Change Compared to Prior Year	In Millions Three Months Ended March 31 2001 vs 2000
Gas deliveries	$ 10
Gas commodity costs and related revenue	(3)
Gas wholesale and retail services	3
Operation and maintenance expense	(5)
General taxes and depreciation expense	(4)
Total change	$ 1

GAS DELIVERIES: For the three months ended March 31, 2001, gas system deliveries to ultimate customers were 114 bcf, an increase of 9 bcf compared to the first quarter of 2000. Total deliveries including miscellaneous transportation, totaled 160 bcf, a decrease of 1 bcf or 1 percent compared to the first quarter of 2000.

COST OF GAS SOLD:

March 31	2001	2000	Change
			In Millions
Three months ended	$ 349	$ 295	$ 54

For the three months ended March 31, 2001, the cost of gas sold increased by $54 million from the comparable period in 2000 due to higher gas prices and increased gas sales to our ultimate customers due to colder temperatures during the first quarter of 2001 compared to the first quarter of 2000.

NATURAL GAS TRANSMISSION RESULTS OF OPERATIONS

PRETAX OPERATING INCOME: For the three months ended March 31, 2001, pretax operating income increased $15 million (19 percent) from the comparable period in 2000. The increase reflects earnings associated with a 200 percent increase in LNG shipments compared to 2000 (15 shipments compared to 5 shipments). Additional increases resulted from domestic gas gathering and processing operations due to higher natural gas liquid prices. These increases were partially offset by higher operating expenses and lower transportation revenues.

INDEPENDENT POWER PRODUCTION RESULTS OF OPERATIONS

PRETAX OPERATING INCOME: For the three months ended March 31, 2001, pretax operating income increased $7 million (41 percent) from the comparable period in 2000. The increase reflects the earnings benefits from the expansion of the Jorf Lasfar facility, the operation of additional units at the Takoradi facility in Africa, increased earnings from the MCV Facility, and the absence of operating losses in 2001 from the investment in Loy Yang, which was written off in the fourth quarter of 2000. These increases were partially offset by decreased earnings from domestic plants due to the sale of a cogeneration plant and a hydro plant in 2000, and construction delays at the Dearborn Industrial Generation plant which led to increased costs for steam generation.

OIL AND GAS EXPLORATION AND PRODUCTION RESULTS OF OPERATIONS

PRETAX OPERATING INCOME: For the three months ended March 31, 2001, pretax operating income increased $9 million (225 percent) from the comparable period in 2000. The increase reflects higher realized commodity prices and lower operating expenses due to the sales in 2000 of gas and oil producing properties in Michigan

and Ecuador. This increase was partially offset by increased general and administrative and exploration expenses and reduced production due to the sale of the Michigan and Ecuador properties.

MARKETING, SERVICES AND TRADING RESULTS OF OPERATIONS

PRETAX OPERATING INCOME: For the three months ended March 31, 2001, pretax operating income increased $4 million (133 percent) from the comparable period in 2000. The increase reflects additional earnings from wholesale gas trading and increased LNG sales. The physical volumes of marketed and managed natural gas and power traded increased 17 percent and 1,383 percent, respectively, due largely to significantly increased lower-margin energy marketing and trading transactions.

INTERNATIONAL ENERGY DISTRIBUTION RESULTS OF OPERATIONS

PRETAX OPERATING INCOME: For the three months ended March 31, 2001, pretax operating income decreased $4 million (67 percent) from the comparable period in 2000. The decrease primarily reflects the reduced ownership interest in an Argentine electric distribution utility.

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. CMS Energy's derivative activities are subject to the direction of the Executive Oversight Committee, consisting of certain members of CMS Energy's senior management, and its Risk Committee, consisting of CMS Energy business unit managers. The goal of the risk management policy is to measure and limit CMS Energy's overall energy commodity risk by implementing an enterprise-wide policy across all CMS Energy business units. This allows CMS Energy to maximize the use of hedges among its business units before utilizing derivatives with external parties. The role of the Risk Committee is to review the corporate commodity position and ensure that net corporate exposures are within the economic risk tolerance levels established by the Board of Directors. Management employs established policies and procedures to manage its risks associated with 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 risk. For further information on CMS Energy's use of derivative instruments to manage risks, see Note 5, Risk Management Activities and Financial Instruments, incorporated by reference herein.

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 is exposed to market fluctuations in the price of natural gas, oil, electricity, coal 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 because of, among other things, 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 remainder of 2001 would increase or decrease by $21 million and $18 million, respectively. 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 March 31, 2001. The analysis does not quantify short-term exposure to hypothetically adverse price fluctuations in inventories.

Consumers enters into, for purposes other than trading, electricity and gas call options and swap contracts to protect against risk due to fluctuations in the market price of these commodities and to ensure a reliable source of capacity to meet its customers' electric needs.

At March 31, 2001 the fair value based on quoted future market prices of electricity-related option and swap contracts was $97 million. Assuming a hypothetical 10 percent adverse change in market prices, the potential reduction in fair value associated with these contracts would be $14 million. As of March 31, 2001, Consumers had an asset of $104 million as a result of premiums incurred for electricity call option contracts. Consumers' maximum exposure associated with the call option contracts is limited to the premiums paid.

INTEREST RATE RISK: CMS Energy is exposed to interest rate risk resulting from the issuance of fixed-rate and variable-rate debt, including that associated with trust preferred securities, and from 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. At March 31, 2001, the carrying amounts of long-term debt and trust preferred securities were $7.1 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 March 31, 2001, with a notional amount of $1.069 billion, was $15 million, representing the amount CMS Energy would pay upon settlement. Based on a sensitivity analysis at March 31, 2001, CMS Energy estimates that if market interest rates average 10 percent higher or lower, earnings before income taxes for the subsequent 12 months would not have a material impact on CMS Energy's consolidated financial position or cash flows. In addition, based on a 10 percent adverse shift in market rates, CMS Energy would have an exposure of approximately $388 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 as of March 31, 2001.

CURRENCY EXCHANGE RISK: CMS Energy is exposed to currency exchange risk that arises from net investments in foreign operations as well as various international projects that CMS Energy has an equity interest in that have debt denominated in the US dollar. CMS Energy uses forward exchange and option contracts to hedge these currency exchange risks. At March 31, 2001, CMS Energy's primary currency exchange rate exposures were the Brazilian real, the Argentine peso and the Australian dollar. The impact of the hedges of the net investments in foreign operations is reflected in other comprehensive income as a component of the foreign currency translation adjustment. For the first quarter of 2001, the adjustment for hedging was immaterial even though the net foreign currency translation adjustment was $(30) million. Due to favorable exchange rates, CMS Energy recognized approximately $4 million in earnings as a result of hedges for US dollar denominated debt that do not qualify as net investment hedges, and consequently, are marked-to-market through earnings currently. This gain appears on the Consolidated Statements of Income in Other Income (Deductions).

Based on a sensitivity analysis at March 31, 2001, 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 March 31, 2001, but would result in a net cash settlement of approximately $2 million. The estimated fair value of the foreign exchange and option contracts at March 31, 2001 was $4 million, representing the amount CMS Energy would receive 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 March 31, 2001.

For a discussion of accounting policies related to derivative transactions, see Note 5, Risk Management Activities and Financial Instruments, incorporated by reference herein.

CAPITAL RESOURCES AND LIQUIDITY

CASH POSITION, INVESTING AND FINANCING

CMS Energy's primary ongoing source of cash is dividends and other distributions from subsidiaries. During the first quarter of 2001, Consumers paid $66 million in common dividends and Enterprises paid $78 million in common dividends and other distributions to CMS Energy. In April 2001, Consumers declared a $30 million common dividend to CMS Energy, payable in May 2001. 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. For the first three months of 2001 and 2000, consolidated cash from operations totaled $361 million and $114 million, respectively. The $247 million increase resulted primarily from an increase in cash earnings 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: For the first three months of 2001 and 2000, CMS Energy's consolidated net cash used in investing activities totaled $332 million and $26 million, respectively. The increase of $306 million primarily reflects a $305 million decrease in proceeds from the sales of assets in 2000. CMS Energy's expenditures (excluding acquisitions) during the first three months of 2001 for its utility and diversified energy businesses were $195 million and $121 million, respectively, compared to $120 million and $131 million, respectively, during the comparable period in 2000.

FINANCING ACTIVITIES: For the first three months of 2001, CMS Energy's net cash provided by financing activities totaled $11 million, while net cash used in financing activities totaled $12 million for the first three months of 2000. The increase of $23 million resulted primarily from an increase in the issuance of common stock ($313 million) and a decrease in the repurchase of common stock ($102 million), partially offset by an increase in the retirement of bonds and other long-term debt ($223 million) and an increase in the retirement of notes payable ($191 million). The following table summarizes securities issued during the first three months of 2001:

In Millions

	Month Issued	Maturity	Distribution/ Interest Rate	Principal Amount	Use of Proceeds
CMS ENERGY					
GTNs Series F	(1)	(1)	8.54%	$ 61	General corporate purposes
Common Stock	February	n/a	10.0 shares	296	Repay debt and general corporate purposes
Senior Notes	March	2011	8.50%	350	Repay debt and general corporate purposes
Total				$ 707	

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

In the first quarter of 2001, CMS Energy declared and paid $45 million in cash dividends to holders of CMS Energy Common Stock. In April 2001, the Board of Directors declared a quarterly dividend of $.365 per share on CMS Energy Common Stock, payable in May 2001.

OTHER INVESTING AND FINANCING MATTERS: At March 31, 2001, the book value per share of CMS Energy Common Stock was $20.49.

At May 1, 2001, CMS Energy had an aggregate $1.6 billion 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. CMS Energy also 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 March 31, 2001, the total amount available under the Senior Credit Facility and the unsecured lines of credit were $1 billion and $38 million, respectively. For detailed information, see Note 3, Short-Term and Long-Term Financings, and Capitalization, 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 this source of funds, see Note 3, Short-Term and Long-Term Financings, and Capitalization, incorporated by reference herein.

In 2000, an impairment loss of $329 million ($268 million after-tax) was realized on the carrying amount of the Loy Yang investment. This loss does not include cumulative net foreign currency losses of $164 million due to unfavorable changes in the exchange rates, which, in accordance with SFAS No. 52, Foreign Currency Translation, will not be realized until there has been a sale or full liquidation of CMS Energy's investment. CMS Energy is continuing to review its business alternatives for its investment in Loy Yang, including future financing and operating alternatives, the nature and extent of CMS Energy's future involvement and the potential for an ultimate sale of its interest in the future. CMS Energy has not established a deadline for any of these alternatives.

CMS Energy currently intends to sell assets resulting in cash proceeds and associated reduction of consolidated project debt in the total amount of approximately $450 million, as more fully discussed in the Outlook - Financial Improvement Plan section below.

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 $3.9 billion during 2001 through 2003. 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 2001 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	2001	2002	2003
Consumers electric operations (a) (b)	$ 555	$ 555	$ 355
Consumers gas operations (a)	145	145	135
Natural gas transmission	220	215	280
Independent power production	65	150	240
Oil and gas exploration and production	200	235	245
Marketing, services and trading	5	5	5
International energy distribution	60	5	5
Other	35	25	5
	$ 1,285	$ 1,335	$ 1,270

(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 - Electric Environmental Matters.

CMS Energy currently plans investments in the years 2001 through 2003 in focused markets, which include: North and South America; the Middle East; and West Africa. 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

FINANCIAL IMPROVEMENT PLAN

In October 2000, CMS Energy announced a plan to strengthen its balance sheet using proceeds from equity offerings and asset sales to repay debt. As a part of that plan, CMS Energy sold approximately $600 million of CMS Energy Common Stock through offerings in October 2000 and February 2001, and applied the proceeds to repay debt.

CMS Energy intends to enhance long-term growth through a portfolio management program that entails the ongoing sale of assets. Towards this goal, CMS Energy currently intends to sell assets, potentially including Consumers' electric transmission facilities, that it anticipates will result in cash proceeds and associated reduction of consolidated project debt in the total amount of approximately $450 million. There are no assurances that CMS Energy will achieve this level of asset sales and associated debt reduction in 2001 as planned. Also, CMS Energy is reviewing its options regarding assets performing below prior expectations, including certain assets in Argentina and Australia.

GENERAL OUTLOOK

CMS Energy's vision is to be an integrated energy company with a strong asset base, supplemented with an active marketing, services and trading capability. CMS Energy intends to integrate the skills and assets of its business units to obtain optimal returns and to provide expansion opportunities for its multiple existing businesses.

CMS Energy continues to sharpen its geographic focus on key growth areas where it already has significant investments and opportunities. As a result, CMS Energy's primary development focus shifted to North America, particularly in the United States' central corridor. In addition, CMS Energy will focus its international activities on select high-growth regions, particularly in the Middle East, Latin America and West Africa.

CMS Energy is currently evaluating longer-term growth initiatives, including: natural gas acquisitions and joint ventures in North America; marketing acquisitions; expanded and new North American LNG regasification terminals; and various corporate and financial repositioning options, including possible separation of its utility and non-utility businesses.

DIVERSIFIED ENERGY OUTLOOK

NATURAL GAS TRANSMISSION AND PANHANDLE OUTLOOK: CMS Energy seeks to build on Panhandle's position as a leading United States interstate natural gas pipeline system and the nation's largest operating LNG receiving terminal through expansion and better utilization of its existing facilities and construction of new facilities. 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 to permit the throughput of liquid products, and to build a 150-mile natural gas pipeline from Illinois to Wisconsin to meet the needs of those significantly growing markets. CMS Energy seeks to capitalize on its West Africa oil and gas reserves by using the gas from an onshore processing facility in a methanol-producing plant in West Africa in which the natural gas transmission business has an ownership interest.

INDEPENDENT POWER PRODUCTION OUTLOOK: CMS Energy's independent power production business plans to continue its growth by addressing the increasing demand for electricity in selected markets, primarily in the United States and the Middle East. These plans include commencing operations of projects that are at or near the end of construction, such as a 407 MW facility in the United Arab Emirates, a 710 MW project in Michigan, and the expansion of a facility in Morocco from 660 MW to 1,356 MW.

OIL AND GAS EXPLORATION AND PRODUCTION OUTLOOK: CMS Energy seeks to accelerate natural gas exploration, development and production in North America through the significant natural gas potential in its existing properties in West Texas, Wyoming and Montana. CMS Energy also seeks to explore for or acquire natural gas reserves in North America where integrated development opportunities exist with other CMS businesses involved in gathering, processing and pipeline activities. Another important part of the CMS Energy growth plan is to continue an accelerated development program to increase gas/condensate production in Equatorial Guinea. Finally, CMS Energy plans to further develop its oil and gas assets in the Republic of Congo, Tunisia, Cameroon, Colombia and Venezuela.

MARKETING, SERVICES AND TRADING OUTLOOK: CMS Energy intends to use its marketing, services and trading business to focus on wholesale customers such as municipals, cooperatives and large industrial customers in

the central United States where CMS Energy's existing assets are concentrated. CMS Energy's marketing, services and trading business also intends to contract for use of significant gas transportation and storage assets in the central United States to provide a platform for wholesale marketing, trading, and physical arbitrage. CMS Energy also seeks to continue developing importing and marketing opportunities for LNG. CMS Energy plans to capitalize on favorable market conditions for energy performance contracting through expanding its services business in selected markets.

INTERNATIONAL ENERGY DISTRIBUTION OUTLOOK: Through its international energy distribution business, CMS Energy will continue focusing on areas of high growth and opportunity to expand the range of energy-related services, including commercial and technical service. At its existing distribution facilities in Venezuela and Brazil, CMS Energy intends to continue operational improvements to improve their financial results.

UNCERTAINTIES: The results of operations and financial position of CMS Energy's diversified energy businesses may be affected by a number of trends or uncertainties that have, or CMS Energy reasonably expects could have, a material impact on income from continuing operations and cash flows. Such trends and uncertainties include: 1) the ability to sell assets and achieve balance sheet and credit improvement in accordance with our financial plan; 2) the international monetary fluctuations, particularly in Argentina, Brazil and Australia, 3) changes in foreign governmental and regulatory policies that may significantly reduce the tariffs charged and revenues recognized by certain foreign projects; 4) the imposition of stamp taxes on certain South American contracts that may significantly increase project expenses; 5) the increased competition in the market for transmission of natural gas to the Midwest causing pressure on prices charged by Panhandle, and 6) the expected increase in competition for LNG terminalling services, and the volatility in natural gas prices, creating volatility in LNG terminalling revenues.

CONSUMERS' ELECTRIC UTILITY BUSINESS OUTLOOK

GROWTH: Over the next five years, Consumers expects electric system deliveries to grow an average of approximately two percent per year based primarily 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 all customers to choose their electricity supplier beginning January 1, 2002, or of 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: The Customer Choice Act, passed by the Michigan Legislature, as a result of repeated efforts to enact electric utility restructuring legislation, became effective June 2000.

The intent of the Customer Choice Act is to move the retail electric businesses in Michigan to competition. Several years prior to the enactment of the Customer Choice Act, in response to industry restructuring efforts, Consumers entered into multi-year electric supply contracts with some of its largest industrial customers to provide power to some of their facilities. The MPSC approved those contracts as part of its phased introduction to competition. During the period from 2001 through 2005, either Consumers or these industrial customers can terminate or restructure some of these contracts. These contracts involve approximately 600 MW of customer power supply requirements. CMS Energy cannot predict the ultimate financial impact of changes related to these power supply contracts.

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.

In part because of certain policy pronouncements by the FERC, Consumers joined the Alliance RTO. In

January 2001, the FERC granted Consumers' application to transfer ownership and control of its transmission facilities to a wholly owned subsidiary, Michigan Transco. Consumers transferred the transmission facilities to Michigan Transco on April 1, 2001. This represents a major step in Consumers' plan to transfer control of or to divest itself of ownership, operation and control of its transmission assets.

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 the enactment of the Customer Choice Act, there were several pending rate issues that could have affected Consumers' electric business. As a result of the passage of this legislation, the MPSC dismissed certain rate proceedings and a complaint filed by ABATE seeking a reduction in rates. ABATE filed a petition for rehearing with the MPSC.

For further information and material changes relating to the rate matters and restructuring of the electric utility industry, see Note 1, Corporate Structure and Basis of Presentation - Utility Matters, and Note 2, Uncertainties - Consumers' Electric Utility Rate Matters, incorporated by reference herein.

NUCLEAR MATTERS: There are a number of issues related to nuclear matters that may affect Consumers' business. For further information and material changes relating to nuclear matters, see Note 2, Uncertainties - Nuclear Matters, incorporated by reference herein.

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 and increased operating expenses for compliance with the Clean Air Act; 2) environmental liabilities arising from various federal, state and local environmental laws and regulations, including potential liability or expenses relating to the Michigan Natural Resources and Environmental Protection Acts and Superfund; 3) uncertainties relating to the storage and ultimate disposal of spent nuclear fuel and the successful operation of NMC; and 4) electric industry restructuring, including: a) 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; b) the ability to recover fully the cost of doing business under the rate caps; c) obtaining a resolution of the pending appeal by the Attorney General that allows a successful sale of Securitization bonds on a timely basis; d) the ability to meet peak electric demand requirements at a reasonable cost and without market disruption and initiatives undertaken to reduce exposure to energy price increases; e) the restructuring of the MEPCC and the termination of joint merchant operations with Detroit Edison; and f) the effect of the transfer of Consumers transmission facilities to Michigan Transco and its successful disposition or integration into an RTO. For detailed information about these trends or uncertainties, see Note 2, Uncertainties, incorporated by reference herein.

CONSUMERS' GAS UTILITY BUSINESS OUTLOOK

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

During the spring and summer months of 2001, Consumers will purchase natural gas for inventory to meet anticipated future customer needs during the winter heating season. Consumers anticipates that it will incur financing costs on these natural gas purchases that are higher than are being recovered in current rates.

UNCERTAINTIES: Several gas business trends or uncertainties may affect CMS Energy's financial results and conditions. These trends or uncertainties have, or CMS Energy reasonably expects could have, a material impact on net sales, 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) future gas industry restructuring initiatives; 3) implementation of the permanent gas customer choice program; 4) reintroduction of the GCR clause and any initiatives undertaken to protect against gas price increases; and 5) market and regulation responses to increases in gas costs. For detailed information about these uncertainties, see Note 2, Uncertainties, incorporated by reference herein.

CONSUMERS' OTHER OUTLOOK

Consumers offers a variety of energy-related services to electric and gas customers that focus on 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

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. During the first quarter of 2001, the change in the foreign currency translation adjustment decreased equity by $30 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 $824 million at March 31, 2001, which includes $21 million, $25 million and $778 million for Australian, Brazilian and Argentine foreign exchange contracts, respectively. The estimated fair value of the foreign exchange and option contracts at March 31, 2001 was $4 million, representing the amount CMS Energy would receive upon settlement.

CMS ENERGY CORPORATION
CONSOLIDATED STATEMENTS OF INCOME
(UNAUDITED)

MARCH 31	THREE MONTHS ENDED 2001	2000
	In Millions, Except Per Share Amounts	
OPERATING REVENUE		
Electric utility	$ 665	$ 640
Gas utility	540	475
Natural gas transmission	386	178
Independent power production	108	81
Oil and gas exploration and production	41	33
Marketing, services and trading	2,344	351
International energy distribution	37	62
Other	5	8
	4,126	1,828
OPERATING EXPENSES		
Operation		
Fuel for electric generation	83	78
Purchased and interchange power - Marketing, services and trading	1,444	40
Purchased and interchange power	134	128
Purchased power - related parties	118	146
Cost of gas sold - Marketing, services and trading	782	291
Cost of gas sold	580	300
Other operating expenses	359	230
	3,500	1,213
Maintenance	66	76
Depreciation, depletion and amortization	153	176
General taxes	76	71
	3,795	1,536
PRETAX OPERATING INCOME (LOSS)		
Electric utility	135	115
Gas utility	65	64
Natural gas transmission	93	78
Independent power production	24	17
Oil and gas exploration and production	13	4
Marketing, services and trading	7	3
International energy distribution	2	6
Other	(8)	5
	331	292
OTHER INCOME (DEDUCTIONS)		
Accretion income	-	1
Accretion expense	(9)	(9)
Gain on asset sales, net of foreign currency translation losses of $25 in 2000	-	8
Other, net	13	2
	4	2
FIXED CHARGES		
Interest on long-term debt	145	148
Other interest	12	-
Capitalized interest	(14)	(10)
Preferred securities distributions	23	23
	166	161
INCOME BEFORE INCOME TAXES AND MINORITY INTERESTS	169	133
INCOME TAXES	59	52
MINORITY INTERESTS	1	1
CONSOLIDATED NET INCOME BEFORE CUMULATIVE EFFECT OF CHANGE IN ACCOUNTING PRINCIPLE	109	80
CUMULATIVE EFFECT OF CHANGE IN ACCOUNTING FOR TREATMENT OF INVENTORY, NET OF TAX BENEFIT OF $(2)	-	(5)
CONSOLIDATED NET INCOME	$ 109	$ 75
AVERAGE COMMON SHARES OUTSTANDING	125	113
BASIC EARNINGS PER AVERAGE COMMON SHARE	$ .87	$ .66
DILUTED EARNINGS PER AVERAGE COMMON SHARE	$ .85	$ .65
DIVIDENDS DECLARED PER COMMON SHARE	$ .365	$ .365

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

CMS ENERGY CORPORATION
CONSOLIDATED STATEMENTS OF CASH FLOWS
(UNAUDITED)

MARCH 31	THREE MONTHS ENDED 2001	2000
	In millions	
CASH FLOWS FROM OPERATING ACTIVITIES		
Consolidated net income	$ 109	$ 75
Adjustments to reconcile net income to net cash provided by operating activities		
Depreciation, depletion and amortization (includes nuclear decommissioning of $10 and $10, respectively)	153	176
Deferred income taxes and investment tax credit	31	(68)
Capital lease and debt discount amortization	9	7
Accretion expense	9	9
Accretion income - abandoned Midland project	-	(1)
MCV power purchases	(3)	(14)
Undistributed earnings of related parties	(32)	(28)
Cumulative effect of accounting change	-	7
Gain on the sale od assets, net of foreign currency translation losses	-	(8)
Changes in other assets and liabilities:		
Decrease (increase) in accounts receivable	(678)	34
Decrease in inventories	125	154
Increase (decrease) in accounts payable and accrued expenses	687	(175)
Regulatory obligation - gas choice	(16)	-
Changes in other assets and liabilities	(33)	(54)
Net cash provided by operating activities	361	114
CASH FLOWS FROM INVESTING ACTIVITIES		
Capital expenditures (excludes assets placed under capital lease)	(273)	(209)
Acquisition of companies, net of cash acquired	-	(74)
Investments in partnerships and unconsolidated subsidiaries	(31)	(31)
Cost to retire property, net	(26)	(21)
Proceeds from sale of property	-	305
Other	(2)	4
Net cash (used in) investing activities	(332)	(26)
CASH FLOWS FROM FINANCING ACTIVITIES		
Proceeds from notes, bonds, and other long-term debt	373	343
Issuance of common stock	316	3
Retirement of bonds and other long-term debt	(389)	(166)
Repurchase of common stock	-	(102)
Decrease in notes payable, net	(233)	(42)
Payment of common stock dividends	(45)	(42)
Payment of capital lease obligations	(8)	(6)
Other financing	(3)	-
Net cash provided by (used in) financing activities	11	(12)
NET INCREASE IN CASH AND TEMPORARY CASH INVESTMENTS	40	76
CASH AND TEMPORARY CASH INVESTMENTS, BEGINNING OF PERIOD	182	132
CASH AND TEMPORARY CASH INVESTMENTS, END OF PERIOD	$ 222	$ 208

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

CASH TRANSACTIONS		
Interest paid (net of amounts capitalized)	$ 166	$ 162
Income taxes paid (net of refunds)	(6)	-
NON-CASH TRANSACTIONS		
Nuclear fuel placed under capital lease	$ 2	$ 2
Other assets placed under capital leases	7	3

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	MARCH 31 2001 (UNAUDITED)	DECEMBER 31 2000	MARCH 31 2000 (UNAUDITED)
PLANT AND PROPERTY (AT COST)			
Electric utility	$ 7,298	$ 7,241	$ 7,026
Gas utility	2,524	2,503	2,478
Natural gas transmission	2,193	2,191	2,066
Oil and gas properties (successful efforts method)	660	630	606
Independent power production	395	398	976
International energy distribution	229	258	481
Other	105	105	77
	13,404	13,326	13,710
Less accumulated depreciation, depletion and amortization	6,317	6,252	6,246
	7,087	7,074	7,464
Construction work-in-progress	905	761	717
	7,992	7,835	8,181
INVESTMENTS			
Independent power production	1,002	924	965
Natural gas transmission	457	436	357
International energy distribution	29	63	40
Midland Cogeneration Venture Limited Partnership	302	290	253
First Midland Limited Partnership	248	245	243
Other	46	58	52
	2,084	2,016	1,910
CURRENT ASSETS			
Cash and temporary cash investments at cost, which approximates market	222	182	208
Accounts receivable, notes receivable and accrued revenue, less allowances of $20, $18 and $19, respectively	2,109	1,440	937
Inventories at average cost			
Gas in underground storage	150	297	78
Materials and supplies	142	124	141
Generating plant fuel stock	50	46	47
Deferred income taxes	41	39	25
Prepayments and other	290	321	220
	3,004	2,449	1,656
NON-CURRENT ASSETS			
Regulatory Assets			
Securitization costs	709	709	-
Postretirement benefits	226	232	333
Abandoned Midland project	15	22	41
Unamortized nuclear costs	-	6	504
Other	84	87	123
Goodwill, net	880	891	913
Nuclear decommissioning trust funds	585	611	615
Notes receivable - related parties	161	155	254
Notes receivable	151	150	41
Other	733	688	696
	3,544	3,551	3,520
TOTAL ASSETS	$ 16,624	$15,851	$ 15,267

STOCKHOLDERS' INVESTMENT AND LIABILITIES	MARCH 31 2001 (UNAUDITED)	DECEMBER 31 2000	MARCH 31 2000 (UNAUDITED)
CAPITALIZATION			
Common stockholders' equity	$ 2,703	$ 2,361	$ 2,369
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	175
Company-obligated convertible Trust Preferred Securities of:			
CMS Energy Trust I (a)	173	173	173
CMS Energy Trust II (a)	301	301	301
CMS Energy Trust III (a)	220	220	-
Company-obligated Trust Preferred Securities of CMS RHINOS Trust (a)	-	-	250
Long-term debt	7,150	6,770	6,533
Non-current portion of capital leases	58	54	88
	11,044	10,318	10,153
MINORITY INTERESTS	86	88	222
CURRENT LIABILITIES			
Current portion of long-term debt and capital leases	302	707	1,182
Notes payable	170	403	188
Accounts payable	1,747	1,024	673
Accrued taxes	288	309	337
Accrued interest	133	159	119
Accounts payable - related parties	69	70	68
Other	560	530	370
	3,269	3,202	2,937
NON-CURRENT LIABILITIES			
Deferred income taxes	758	749	615
Postretirement benefits	404	437	476
Deferred investment tax credit	108	110	123
Regulatory liabilities for income taxes, net	260	246	75
Other	695	701	666
	2,225	2,243	1,955
COMMITMENTS AND CONTINGENCIES (Notes 1 and 2)			
TOTAL STOCKHOLDERS' INVESTMENT AND LIABILITIES	$ 16,624	$ 15,851	$ 15,267

(a) For further discussion, see Note 3 of the Condensed Notes to Consolidated Financial Statements.

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

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

MARCH 31	THREE MONTHS ENDED 2001	2000
	In Millions	
COMMON STOCK		
At beginning and end of period	$ 1	$ 1
OTHER PAID-IN CAPITAL		
At beginning of period	2,936	2,749
Common stock repurchased	-	(102)
Common stock reissued	-	3
Common stock issued	316	3
At end of period	3,252	2,653
REVALUATION CAPITAL		
Investments		
At beginning of period	(2)	3
Unrealized gain (loss) on investments (a)	(1)	-
At end of period	(3)	3
Derivative Instruments		
At beginning of period (b)	13	-
Unrealized gain (loss) on derivative instruments (a)	(14)	-
Reclassification adjustments included in consolidated net income (a)	(6)	-
At end of period	(7)	-
FOREIGN CURRENCY TRANSLATION		
At beginning of period	(254)	(108)
Change in foreign currency translation realized from asset sale (a)	-	25
Change in foreign currency translation (a)	(30)	(49)
At end of period	(284)	(132)
RETAINED EARNINGS (DEFICIT)		
At beginning of period	(320)	(189)
Consolidated net income (a)	109	75
Common stock dividends declared	(45)	(42)
At end of period	(256)	(156)
TOTAL COMMON STOCKHOLDERS' EQUITY	$ 2,703	$ 2,369

(a) Disclosure of Consolidated Comprehensive Income:		
Revaluation capital		
Investments		
Unrealized gain (loss) on investments, net of tax of $- and $-, respectively	$ (1)	$ -
Derivative Instruments		
Unrealized gain (loss) on derivative instruments, net of tax of $10 and $-, respectively	(14)	-
Reclassification adjustments included in consolidated net income, net of tax of $4 and $-, respectively	(6)	-
Foreign currency translation, net	(30)	(24)
Consolidated net income	109	75
Total Consolidated Comprehensive Income	$ 58	$ 51

(b) Cumulative effect of change in accounting principle, net of $(11) tax (Note 5)

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

CMS ENERGY CORPORATION
CONDENSED NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

These interim Consolidated Financial Statements have been prepared by CMS Energy and reviewed by the independent public accountant in accordance with SEC rules and regulations. As such, certain information and footnote disclosures normally included in financial statements prepared in accordance with generally accepted accounting principles have been condensed or omitted. Certain prior year amounts have been reclassified to conform to the presentation in the current year. In management's opinion, the unaudited information contained in this report reflects all adjustments necessary to assure the fair presentation of financial position, results of operations and cash flows for the periods presented. The Condensed Notes to Consolidated Financial Statements and the related Consolidated Financial Statements should be read in conjunction with the Consolidated Financial Statements and Notes to Consolidated Financial Statements contained in CMS Energy's Form 10-K for the year ended December 31, 2000, which includes the Reports of Independent Public Accountants. Due to the seasonal nature of CMS Energy's operations, the results as presented for this interim period are not necessarily indicative of results to be achieved for the fiscal year.

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 the accounts of CMS Energy, Consumers and Enterprises and their majority-owned subsidiaries. Investments in affiliated companies where CMS Energy has the ability to exercise significant influence, but not control, are accounted for using the equity method. For the three months ended March 31, 2001 and March 31, 2000, undistributed equity earnings were $32 million and $28 million, respectively. Intercompany transactions and balances have been eliminated. The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

CMS Energy's subsidiaries and affiliates whose functional currency is other than the U.S. dollar translate their assets and liabilities into U.S. dollars at the current exchange rates in effect at the end of the fiscal period. The revenue and expense accounts of such subsidiaries and affiliates are translated into U.S. dollars at the average exchange rates that prevailed during the period. The gains or losses that result from this process, and gains and losses on intercompany foreign currency transactions that are long-term in nature, and which CMS Energy does not intend to settle in the foreseeable future, are shown in the stockholders' equity section of the balance sheet. For subsidiaries operating in highly inflationary economies, the U.S. dollar is considered to be the functional currency, and transaction gains and losses are included in determining net income. Gains and losses that arise from exchange rate fluctuations on transactions denominated in a currency other than the functional currency, except those that are hedged, are included in determining net income. During the first quarter of 2001, the

change in the foreign currency translation adjustment decreased equity by $30 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 No. 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 No. 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 No. 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 March 31, 2001, Consumers had a net investment in energy supply facilities of $1.218 billion included in electric plant and property. See Note 2, Uncertainties.

2: UNCERTAINTIES

CONSUMERS' ELECTRIC UTILITY CONTINGENCIES

ELECTRIC ENVIRONMENTAL MATTERS: The Clean Air Act limits emissions of sulfur dioxide and NOx 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 NOx and small particulate-related emissions. The United States Supreme Court recently found that the EPA has power to revise the standards but found that the EPA's implementation plan was not lawful. While this case has been pending in federal courts, and while continuing through the lower federal courts as ordered by the Supreme Court, the EPA suspended the 1997 standards and reinstated the pre-1997 standards.

1998 EPA Plan for NOx Emissions - In 1998, based in part upon the 1997 standards, the EPA issued final regulations requiring the State of Michigan to further limit NOx emissions. Consumers anticipates a reduction in NOx emissions by 2004 to only 32 percent of levels allowed for the year 2000.

Section 126 Petitions - In December 1999, the EPA issued 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 1998 plan for NOx 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 - To meet the EPA's 1998 rule and/or the Section 126 NOx emission rules, the estimated cost to Consumers will be between $450 million and $500 million. Consumers anticipates that it will incur these capital expenditures between 2000 and either 2003 or 2004 depending upon whether the EPA prevails in the Section 126 litigation. 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 additional amount of between $290 million and $500 million of capital expenditures to comply with the new small particulate standards sometime after 2004.

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 2001, 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 March 31, 2001, 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 has proposed a plan to deal with the remaining materials and is awaiting a response from the EPA.

CONSUMERS' ELECTRIC UTILITY RATE MATTERS

ELECTRIC RESTRUCTURING: In June 2000, the Michigan Legislature passed electric utility restructuring legislation

known as the Customer Choice Act. This 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 requirements (a requirement with which Consumers is in compliance); 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; 8) allows for the deferred recovery of an annual return of and on capital expenditures in excess of depreciation levels incurred during and before the rate cap period; and 9) 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. As of December 2000, Consumers spent $13 million on the required expansion of transmission capabilities. Consumers anticipates it will spend an additional $24 million in 2001 and 2002, unless Consumers transfers its transmission facilities to a FERC-approved RTO or to an independent transmission owner.

In July 2000, in accordance with the Customer Choice Act, Consumers filed an application with the MPSC to begin the Securitization process. Securitization typically involves the issuance of asset backed bonds with a higher credit rating than conventional utility corporate financing. In October 2000 and January 2001, the MPSC issued a financing order and a final order, respectively, authorizing Securitization of approximately $470 million in qualified costs, which were primarily regulatory assets plus recovery of the expenses of the Securitization. Cost savings from Securitization depend upon the level of debt or equity securities ultimately retired, the amortization schedule for the securitized qualified costs and the interest rates of the retired debt securities and the Securitization bonds. These savings will only be determined once the Securitization bonds are issued and will offset substantially all of the revenue impact of the five percent residential rate reduction, $51 million on an annual basis, that Consumers was required to implement by the Customer Choice Act. The order directs Consumers to apply any 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. In a subsequent order, the MPSC confirmed that Consumers could 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 reduced its operating earnings by $22 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.

In January 2001, Consumers accepted the MPSC's final financing order. The final financing order has been appealed by the Attorney General of Michigan. Consumers cannot predict the outcome of the appeal or its effect on the schedule for issuance of Securitization bonds. Beginning January 1, 2001, and continuing during the appeal period, the amortization of the approved regulatory assets being securitized as qualified costs is being deferred which effectively offsets the loss in revenue resulting from the five percent residential rate reduction. The amortization will be reestablished later, after the Securitization 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 to offset substantially all of the revenue impact of the rate reduction 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 in March 1999 the MPSC issued orders 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. In September 2000, as required by the MPSC, 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 a pending case before the Court of Appeals, 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.

POWER COSTS: 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. For the summers 2001, 2002, and 2003, Consumers is planning for a reserve margin of 15 percent. The actual reserve margin needed will depend primarily on summer weather conditions, the level of retail open access requirements 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 requirements. As of April 2001, alternative electric service providers are providing service to 73 MW of retail open access requirements.

To reduce the risk of high energy prices during peak demand periods and to achieve its reserve margin target, Consumers employs a strategy of purchasing future electricity call option contracts for the physical delivery of electricity during the months of June through September. As of March 31, 2001, 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 through 2005, at a recognized cost of $104 million, of which $60 million pertains to 2001.

In 1996, as a result of efforts to move the electric industry in Michigan to competition, Detroit Edison gave Consumers the required four-year contractual notice of its intent to terminate the agreements under which the companies jointly operate the MEPCC. Detroit Edison and Consumers negotiated to restructure and continue certain parts of the MEPCC control area and joint transmission operations, but expressly excluded any merchant operations (electricity purchasing, sales, and dispatch operations). The former joint merchant operations began operating independently on April 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 cannot predict the financial impact of terminating these joint merchant operations.

Prior to 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, including 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. Therefore, changes in power supply costs as a result of fluctuating energy prices will not be reflected in rates during the rate freeze period.

TRANSMISSION ASSETS: 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. As the FERC has not made a final disposition of the Alliance RTO, Consumers is uncertain about the outcome of the Alliance matter before the FERC and its continued participation in the Alliance RTO.

In January 2001, the FERC granted Consumers' application to transfer ownership and control of its transmission facilities to a wholly owned subsidiary, Michigan Transco. Consumers transferred the transmission facilities to Michigan Transco on April 1, 2001. This represents a major step in Consumers' plan to either divest its transmission business to a third party or to transfer control of or to sell it to an RTO. In either event, Consumers' current plan is to remain in the business of generating and distributing electric power to retail customers. In addition, in response to an application that Consumers filed with the MPSC, the MPSC issued an order that stated in part that, if Consumers sells its transmission facilities in the manner described in its application, it would be in compliance with applicable requirements of the Customer Choice Act.

ELECTRIC PROCEEDINGS: 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.

In March 2000 and 2001, Consumers filed applications with the MPSC for the recovery of electric utility restructuring implementation costs of $31 million and $25 million, incurred in 1999 and 2000, respectively. Consumers expects a final order for the 1999 costs in the first half of 2001 and for the 2000 cost in early 2002. Consumers believes these costs are fully recoverable in accordance with the Customer Choice Act; however, Consumers cannot predict the amounts the MPSC will approve as recoverable costs.

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

In Millions		
	Three Months Ended	
March 31	2001	2000
Pretax operating income	$13	$9
Income taxes and other	4	3
Net income	$9	$6

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 the Customer Choice Act requires, the capacity charge for the 325 MW is now frozen at 3.17 cents per kWh. After September 2007, the PPA's terms require Consumers 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 March 31, 2001 and March 31, 2000, the remaining after-tax present value of the estimated future PPA liability associated with the 1992 loss totaled $43 million and $71 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					
	2001	2002	2003	2004	2005
Estimated cash underrecoveries at 98.5%, net of tax	$38	$38	$37	$36	$35

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 differ from management's assessments, Consumers may have to make additional charges for a given year of up to $33 million, after tax. Management believes that the PPA liability is adequate at this time. For further discussion on the impact of the frozen PSCR, see "Electric Utility Rate Matters" in this Note.

NUCLEAR FUEL COST: Consumers amortizes nuclear fuel cost to fuel expense based on the quantity of heat produced for electric generation. Consumers expenses interest on leased nuclear fuel as it is incurred. Under current federal law, as a federal court decision confirmed, 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 these costs 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 March 31, 2001, Consumers has a recorded liability to the DOE of $132 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 1997, the DOE declared that it would not begin to accept spent nuclear fuel deliveries in 1998. Also in 1997, a federal court affirmed the DOE's duty to take delivery of spent fuel. Subsequent litigation in which Consumers and certain other utilities participated has not been successful in producing more specific relief for the DOE's failure to comply.

In July 2000, the DOE reached a settlement agreement with another utility to address the DOE's delay in accepting spent fuel. The DOE may use that settlement agreement as a framework that it could apply to other nuclear power plants; however, certain other utilities are challenging the validity of such settlement. Consumers is evaluating this matter further. Additionally, there are two court decisions that support the right of utilities to pursue damage claims in the United States Court of Claims against the DOE for failure to take delivery of spent fuel. Consumers is evaluating those rulings and their applicability to its contracts with the DOE.

NUCLEAR MATTERS: In March 2000, Palisades received its annual performance review 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. In November 2000, Palisades received its mid-refueling cycle performance review and inspection plan in which the NRC noted that plant performance for the third quarter of 2000 included one performance criteria requiring regulatory response. At the end of 2000, this one performance criteria returned to a condition requiring no regulatory response. Except for one supplemental inspection, the NRC plans to conduct only routine baseline inspections at Palisades.

The amount of spent nuclear fuel discharged from the reactor to date exceeds Palisades' temporary on-site storage pool capacity. Consequently, Consumers is using NRC-approved steel and concrete vaults, commonly known as "dry casks", for temporary on-site storage. As of March 31, 2001, Consumers had loaded 18 dry storage casks with spent nuclear fuel at Palisades. Palisades will need to load additional casks by 2004 in order to continue operation. Palisades currently has three additional empty storage-only casks on-site, with storage pad capacity for up to seven additional loaded casks. Consumers anticipates, however, that licensed transportable casks, for additional storage, 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 $12.8 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.

In February 2000, Consumers submitted an analysis to the NRC that shows that the NRC's screening criteria for reactor vessel embrittlement at Palisades will not be reached until 2014. On December 14, 2000, the NRC issued an amendment revising the operating license for Palisades extending the expiration date to March 2011, with no restrictions related to reactor vessel embrittlement.

In April 2001, Consumers received approval from the NRC to amend the license of the Palisades nuclear plant to transfer plant operating authority to NMC. The formal operating authority transfer from Consumers to NMC is expected by July 2001. Consumers will retain ownership of Palisades, its 789 MW output, the spent fuel on site, and ultimate responsibility for the safe operation, maintenance and decommissioning of the plant. Under this agreement, salaried Palisades' employees will become NMC employees by mid-year 2001. Union employees will work under the supervision of NMC pursuant to their existing labor contract as Consumers employees. Consumers will benefit by consolidating expertise and controlling costs and resources among all of the nuclear plants being operated on behalf of the five NMC member companies. With Consumers as a partner, NMC will have responsibility for operating eight units with 4,500 MW of generating capacity in Wisconsin, Minnesota, Iowa and Michigan. The ultimate financial impact is uncertain.

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 March 31, 2001, Consumers has an accrued liability of $55 million, (net of expenditures incurred to date and net of any insurance recoveries), and a regulatory asset of $62 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 cleanup 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. The MPSC allows Consumers to recover $1 million annually.

CONSUMERS' GAS UTILITY RATE MATTERS

GAS RESTRUCTURING: On April 1, 1998, Consumers began an experimental gas customer choice pilot program that ended March 31, 2001. Under this program, gas distribution rates were frozen through March 31, 2001. On April 1, 2001 a permanent gas customer choice program commenced and under this program Consumers returned to a GCR mechanism that allows it to recover from its customers all prudently incurred costs to purchase the natural gas commodity and transport it to Consumers' facilities.

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 29, 2001, Trunkline filed a settlement that included the remaining issues in this proceeding. On April 12, 2001, the FERC approved Trunkline's uncontested settlement, without modification. As part of the settlement, Trunkline will reduce its maximum rates and make 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.

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 March 31, 2001 and December 31, 2000, Panhandle's Accounts Receivable included $60 million and $59 million, respectively, due from natural gas producers, and Other Current Liabilities included $60 million and $59 million, respectively, for related obligations.

On March 28, 2001, Trunkline received FERC approval 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 Centennnial Pipeline to convert the line from natural gas transmission service to a refined products pipeline by January 2002. Panhandle owns a one-third interest in the venture along with TEPPCO Partners L.P. and Marathon Ashland Petroleum L.L.C. As of March 31, 2001, Panhandle had made a $8 million cash investment in the Centennial project, which was reimbursed by Centennial on May 4, 2001 upon the closing of Centennial's construction financing.

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 cleanup 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. Panhandle communicated with the EPA and appropriate state regulatory agencies on these matters. 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. Panhandle expects these cleanup programs to continue through 2001. The Illinois EPA included Panhandle Eastern Pipe Line 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 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'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-OXFORD TIRE RECYCLING: In a 1999 administrative order, the California Regional Water Control Board of the State of California named CMS Generation as a potentially responsible party for the

cleanup of the waste from a fire that occurred in September 1999 at the Filbin tire pile. The tire pile was maintained as fuel for an adjacent power plant owned by Modesto Energy Limited Partnership. Oxford Tire Recycling of Northern California, Inc., a subsidiary of CMS Generation until 1995, owned the Filbin tire pile. CMS Generation has not owned an interest in Oxford Tire Recycling of Northern California, Inc. or Modesto Energy Limited Partnership since 1995. In April 2000, the California Attorney General filed a complaint against the potentially responsible parties for cleanup of the site and assessed penalties for violation of the California Regional Water Control Board order. The complaint alleges $20 million of cleanup costs to be shared among all the potentially responsible parties. CMS Generation and all relevant State agencies have reached a settlement.

Also in connection with this same fire, several class action lawsuits were filed claiming that the fire resulted in damage to the class and that management of the site caused the fire. CMS Generation believes these cases are without merit and intends to vigorously defend against them. CMS Generation's primary insurance carrier has agreed to pay a portion of the cleanup costs and legal fees under an existing policy.

DEARBORN INDUSTRIAL GENERATION: Duke/Fluor Daniel (DFD) has asserted change order claims against Dearborn Industrial Generation, L.L.C. (DIG), a wholly-owned subsidiary of CMS Generation, in excess of $65 million for additional time and cost relating to the construction by DFD of the DIG electrical generation facility in Dearborn, Michigan. DIG rejected the change orders, tendered change orders indicating cost deductions to DFD relating to work that DIG was required to take over from DFD, and assessed DFD schedule liquidated damages. Neither DFD nor DIG have initiated a formal dispute resolution regarding this matter yet, and construction of the electrical generation facility continues.

CMS OIL AND GAS: In 1999, a former subsidiary of CMS Oil and Gas, Terra Energy Ltd., was sued by Star Energy, Inc. and White Pines Enterprises LLC in the 13th Judicial Circuit Court in Antrim County, Michigan, on grounds, among others, that Terra violated oil and gas lease and other agreements by failing to drill wells it had committed to drill. Among the defenses asserted by Terra were that the wells were not required to be drilled and the claimant's sole remedy was termination of the oil and gas lease. During the trial, the judge declared the lease terminated in favor of White Pines. The jury then awarded Star Energy and White Pines $7.6 million in damages. Terra has filed an appeal. CMS Energy believes Terra has meritorious grounds for either reversal of the judgment or reduction of damages. CMS Energy has an indemnification obligation in favor of the purchaser of its Michigan properties with respect to this litigation.

OTHER: CMS Energy and Enterprises have guaranteed repayment of debt, through letters of credit and surety bonds, of unconsolidated affiliates and related parties approximating $418 million as of March 31, 2001.

Additionally, Enterprises, in the ordinary course of business, has guarantees in place for contracts of CMS MST in the maximum amount of $741 million at March 31, 2001, which contain certain schedule and performance requirements. As of March 31, 2001, the actual amount of financial exposure covered by these guarantees was $452 million. These amounts exclude the guarantees associated with CMS MST's natural gas sales arrangements totaling $339 million, which are recorded as liabilities on the Consolidated Balance Sheet at March 31, 2001. Management monitors and approves these obligations and believes it is unlikely that CMS Energy or Enterprises would be required to perform or otherwise incur any material losses associated with the above obligations.

Certain CMS Gas Transmission and CMS Generation affiliates in Argentina received notice from various Argentine provinces claiming stamp taxes and associated penalties and interest arising from various gas

transportation transactions. Although these claims total approximately $75 million, the affiliates and CMS Energy believe the claims are without merit and will vigorously contest them.

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 the claims against it are without merit and will vigorously defend against them, but cannot predict the outcome of this matter.

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

In addition to the matters disclosed in this Note, Consumers, Panhandle 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.

CAPITAL EXPENDITURES: CMS Energy estimates capital expenditures, including investments in unconsolidated subsidiaries and new lease commitments, of $1.285 billion for 2001, $1.335 billion for 2002 and $1.270 billion for 2003. For further information, see Capital Resources and Liquidity-Capital Expenditures in the MD&A.

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 $38 million. As of March 31, 2001, no amounts were outstanding under the Senior Credit Facility or the unsecured lines of credit.

At March 31, 2001, CMS Energy had $110 million of Series A GTNs, $106 million of Series B GTNs, $127 million of Series C GTNs, $183 million Series D GTNs, $397 million Series E GTNs and $72 million of Series F GTNs issued and outstanding with weighted average interest rates of 7.9 percent, 8.1 percent, 7.9 percent, 7.0 percent, 7.8 percent and 8.5 percent, respectively.

In February 2001, CMS Energy sold 10 million shares of CMS Energy Common Stock. CMS Energy used the net proceeds of approximately $296 million to repay borrowings under the Senior Credit Facility.

In March 2001, CMS Energy sold $350 million aggregate principal amount of 8.50 percent senior notes due 2011. Net proceeds from the sale were approximately $337 million. CMS Energy used the net proceeds to reduce borrowings under the Senior Credit Facility and for general corporate purposes.

MANDATORILY REDEEMABLE PREFERRED SECURITIES: CMS Energy and Consumers each have wholly-owned statutory business trusts that are consolidated with the respective parent company. CMS Energy and Consumers created their respective trusts for the sole purpose of issuing Trust Preferred Securities. In each case, the primary asset of the trust is a note or debenture of the parent company. The terms of the Trust Preferred Security parallel the terms of the related parent company note or debenture. The terms, rights and obligations of the Trust Preferred Security and related note or debenture are also defined in the related indenture through which the note or debenture was issued, the parent guarantee of the related Trust Preferred Security and the declaration of trust for the particular trust. All of these documents together with their related note or debenture and Trust Preferred Security constitute a full and unconditional guarantee by the parent company of the trust's obligations under the Trust Preferred Security. In addition to the similar provisions previously discussed, specific terms of the securities follow:

CMS Energy Trust and Securities — In Millions

March 31	Rate	Amount Outstanding 2001	2000	Maturity	Earliest Redemption
CMS Energy Trust I, Convertible, Quarterly Income Preferred Securities (a)	7.75%	$173	$173	2027	2001
CMS Energy Trust II, Adjustable Convertible Preferred Securities	8.75%(b)	301	301	2004	-
CMS Energy Trust III, Premium Equity Participating Security Units (c)	7.25%	220	-	2004	-
CMS RHINOS Trust	LIBOR + 1.75%	-	250	-	(d)

(a) Convertible into 1.2255 shares of CMS Energy Common Stock (equivalent to a conversion price of $40.80). CMS Energy may cause conversion rights to expire on or after July 2001.

(b) Includes 0.125% annual contract payments for the stock purchase contract that obligates the holder to purchase not more than 1.2121 and not less than .7830 shares of CMS Energy Common Stock in July 2002.

(c) Holders are obligated to purchase a variable number of shares of CMS Energy Common Stock by August 2003.

(d) Redeemed in August 2000.

Consumers Energy Trust and Securities — In Millions

March 31	Rate	Amount Outstanding 2001	2000	Maturity	Earliest Redemption
Consumers Power Company Financing I, Trust Originated Preferred Securities	8.36%	$100	$100	2015	2000
Consumers Energy Company Financing II, Trust Originated Preferred Securities	8.20%	120	120	2027	2002
Consumers Energy Company Financing III, Trust Originated Preferred Securities	9.25%	175	175	2029	2004

CONSUMERS: At March 31, 2001, 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 $25 million and $800 million of long-term securities for refinancing or refunding purposes and for general corporate purposes, respectively. Additionally, Consumers

had remaining FERC authorization to issue $275 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 maturing in July 2002 and unsecured lines of credit aggregating $170 million. These facilities are available to finance seasonal working capital requirements and to pay for capital expenditures between long-term financings. At March 31, 2001, a total of $170 million was outstanding at a weighted average interest rate of 6.0 percent, compared with $151 million outstanding at March 31, 2000, at a weighted average interest rate of 7.1 percent.

Consumers currently has in place a $500 million trade receivables sale program, up from $325 million at March 31, 2000. At March 31, 2001 and 2000, receivables sold under the program totaled $432 million and $325 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 $405 million of unrestricted retained earnings available to pay common dividends at March 31, 2001. In January 2001, Consumers declared a $66 million common dividend that was paid in February 2001 and in April 2001, Consumers declared a $30 million common dividend payable in May 2001.

CMS OIL AND GAS: CMS Oil and Gas has a $225 million floating rate revolving credit facility that matures in May 2002. At March 31, 2001, the amount utilized under the credit facility was $95 million.

4: EARNINGS PER SHARE AND DIVIDENDS

Basic and diluted earnings per share are based on the weighted average number of shares of common stock and potential common stock outstanding during the period. Potential common stock, for purposes of determining diluted earnings per share, includes the effects of dilutive stock options and convertible securities. The effect of such potential common stock is computed using the treasury stock method or the if-converted method, as applicable.

The following table presents a reconciliation of the numerators and denominators of the basic and diluted earnings per share computations.

COMPUTATION OF EARNINGS PER SHARE:

	In Millions, Except Per Share Amounts	
Three Months Ended March 31	2001	2000(a)
NET INCOME APPLICABLE TO BASIC AND DILUTED EPS		
Consolidated Net Income	$ 109	$ 75
Net Income Attributable to Common Stock:		
CMS Energy - Basic	$ 109	$ 75
Add conversion of 7.75% Trust Preferred Securities (net of tax)	2	2
CMS Energy - Diluted	$ 111	$ 77

AVERAGE COMMON SHARES OUTSTANDING APPLICABLE TO BASIC AND DILUTED EPS		
CMS Energy:		
Average Shares - Basic	125.4	113.5
Add conversion of 7.75% Trust Preferred Securities	4.2	4.2
Options-Treasury Shares	.3	.2
Average Shares - Diluted	129.9	117.9
EARNINGS PER AVERAGE COMMON SHARE		
Basic	$ .87	$ .66
Diluted	$ .85	$ .65

(a) Includes the cumulative effect of an accounting change for inventories, which decreased net income by $5 million, or $.04 per basic and diluted share.

In February 2001, CMS Energy paid dividends of $.365 per share on CMS Energy Common Stock. In April 2001, the Board of Directors declared a quarterly dividend of $.365 per share on CMS Energy Common Stock, payable in May 2001.

5: RISK MANAGEMENT ACTIVITIES AND FINANCIAL INSTRUMENTS

The overall goal of the CMS Energy risk management policy is to analyze and manage individual business unit commodity exposures to take advantage of the presence of internal hedge opportunities within its diversified business units. CMS Energy and its subsidiaries, primarily through CMS MST, utilize a variety of derivative instruments (derivatives) for both trading and non-trading purposes. These derivatives include futures contracts, swaps, options and forward contracts with external parties 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. No material nonperformance is expected.

IMPLEMENTATION OF SFAS NO. 133: Effective January 1, 2001, CMS Energy adopted SFAS No. 133. CMS Energy reflected the difference between the fair market value of the derivative instruments and the recorded book value of the derivative instruments as a cumulative effect type adjustment to accumulated other comprehensive income. CMS Energy will reclassify the gains and losses on the derivative instruments that are reported in accumulated other comprehensive income as earnings in the periods in which earnings are impacted by the variability of the cash flows of the hedged item. The ineffective portion, if any, of all hedges will be recognized in current period earnings. CMS Energy determines fair market value based upon mathematical models using current and historical pricing data.

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 SFAS No. 133 and therefore would not be recognized at fair value on the balance sheet. CMS Energy does, however, use certain derivative instruments to limit its exposures to commodity price risk, interest rate risk, and currency exchange risk. The interest rate and foreign exchange contracts meet the requirements for hedge accounting under SFAS No. 133 and CMS Energy recorded the changes in the fair value of these contracts in accumulated other comprehensive income on the balance sheet.

The financial statement impact of recording the SFAS No. 133 transition adjustment on January 1, 2001 is as follows:

	In Millions
Fair value of derivative assets	$35
Fair value of derivative liabilities	14
Increase in accumulated other comprehensive income, net of tax	13

Upon initial adoption of the standard, CMS Energy recorded a $13 million, net of tax, cumulative effect adjustment to accumulated other comprehensive income. This adjustment relates to the difference between the fair value and recorded book value of contracts related to gas options, gas fuel swap contracts, and interest rate swap contracts that qualified for cash flow hedge accounting prior to the initial adoption of SFAS No. 133 and Consumers' proportionate share of the effects of adopting SFAS No. 133 related to its equity investment in the MCV Partnership. This amount will reduce, or be charged to cost of gas, cost of power, interest expense, or other operating revenue respectively, when the related hedged transaction occurs. Based on the pretax amount recorded in accumulated other comprehensive income on the January 1, 2001 transition date, Consumers recorded $11 million as a reduction to cost of gas and CMS Energy recorded $1 million as additional interest expense during the first quarter of 2001. Consumers expects to record $2 million as a reduction to cost of power, if the fair value of the related derivative asset is sustained. The ultimate fair value of these derivative assets is dependent upon market conditions related to the derivative instruments.

Derivative and hedge accounting, however, for certain utility industry contracts, particularly electric call option contracts and option-like contracts and contracts subject to bookouts remains uncertain. Consumers is currently accounting for these types of contracts as derivatives that qualify for the normal purchase exception of SFAS No. 133, and has, therefore, not recorded these contracts on the balance sheet at fair value. The ultimate initial financial statement impact of adopting SFAS No. 133 depends upon resolution of these industry-specific issues with the FASB and could be materially different than stated above. Additionally, if Consumers is required to record such contracts at fair value on the balance sheet, any changes in fair value could potentially be required to be reported directly in earnings, and could cause earnings volatility.

COMMODITY DERIVATIVES (NON-TRADING): CMS Energy accounts for its non-trading activities as cash flow 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, the open commodity price contracts would be marked-to-market and gains and losses would be recognized in the income statement currently. At March 31, 2001, these commodity derivatives extended for periods up to 5 years.

CMS Energy had unrealized net losses of $7 million at March 31, 2001, related to non-trading activities. The determination of unrealized net gains and losses represents management's best estimate of prices including the use of exchange and other third party quotes, time value and volatility factors in estimating fair

value. Accordingly, the unrealized net gains (losses) at March 31, 2001 are not necessarily indicative of the amounts CMS Energy could realize in the current market.

Consumers uses purchased call option contracts to purchase electric power and gas fuel for generation, and uses commodity price swap agreements, to protect against risk due to fluctuations in the market price of these commodities and to ensure a reliable source of capacity to meet its customers' electric needs.

Consumers' electric business purchases electric call option contracts to meet its regulatory obligation to serve, which requires providing a physical supply of energy to customers, and to manage energy cost and to ensure a reliable source of capacity during periods of peak demand. While management intends to take delivery of the commodity, if Consumers' daily capacity exceeds its needs, in rare instances, the options, if marketable, are sold. Consumers believes that these contracts currently qualify for the normal purchase and sales exception of SFAS No. 133; therefore, Consumers has not recorded the fair value of these contracts on the balance sheet. At January 1, 2001 and March 31, 2001, Consumers had a deferred asset of $86 million and $104 million, respectively, associated with premiums for these contracts. As of January 1, 2001 and March 31, 2001, these contracts had a fair value of $123 million and $95 million, respectively, and expire between 2001 and 2005.

Consumers' electric business also purchases gas call option contracts and uses gas swap contracts to hedge against price risk due to the fluctuations in the market price of gas used as fuel for generation of electricity. These contracts are financial contracts that will be used to offset increases in the price of probable forecasted gas purchases. These contracts are designated as cash flow hedges, and therefore, Consumers will record any change in the fair value of these contracts in other comprehensive income until the forecasted transaction occurs. Once the forecasted gas purchases occurs, the net gain or loss on these contracts will be reclassified to earnings and recorded as part of the cost of power. These contracts have been highly effective in achieving offsetting cash flows of future gas purchases, and no component of the gain or loss was excluded from the assessment of the hedge's effectiveness. As a result, no net gain or loss has been recognized in earnings as a result of hedge ineffectiveness as of March 31, 2001. At March 31, 2001, Consumers had a derivative asset with a fair value of $2 million, which includes $1 million of premiums paid for these contracts. These contracts expire in 2001, and Consumers expects to reclassify the $1 million increase in fair value to earnings as a reduction of power costs in 2001, if this fair value is sustained. The ultimate fair value of these derivative assets is dependent upon market conditions related to the derivative instruments.

COMMODITY DERIVATIVES (TRADING): CMS Energy, through its subsidiary CMS MST, engages in trading activities. CMS MST manages any open positions within certain guidelines which limit its exposure to market risk and requires timely reporting to management of potential financial exposure. These guidelines include statistical risk tolerance limits using historical price movements to calculate daily value at risk measurements.

CMS MST's trading activities are accounted for in accordance with EITF 98-10 that calls for energy trading contracts to be marked-to-market. Under the mark-to-market method of accounting, transactions are recorded at market value, net of estimated future transactional reserves, and changes in these positions are recognized as gains and losses in the Consolidated Statement of Income. Changes result from cash settlement of existing positions, new positions and the change in value of the outstanding positions.

INTEREST RATE DERIVATIVES: CMS Energy and its subsidiaries enter into interest rate swap agreements to exchange variable rate interest payments to fixed rate interest payments without exchanging the underlying notional amounts. These agreements convert variable rate debt to fixed rate debt to reduce the impact of interest rate fluctuations. Notional amounts reflect the volume of transactions but do not represent the amount

exchanged by the parties to the financial instruments. Accordingly, notional amounts do not necessarily reflect CMS Energy's exposure to credit or market risks. 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. As of March 31, 2001, the weighted average interest rate associated with outstanding swaps was approximately 6.4 percent.

In Millions

Interest Rate Swaps	Notional Amount	Maturity Date	Fair Value	Unrealized Gain (Loss)
March 31, 2001	$1,069	2001 - 06	$ (15)	$ (7)
March 31, 2000	$2,143	2000 - 08	$ (5)	$ (5)

FOREIGN EXCHANGE DERIVATIVES: 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 estimated fair value of the foreign exchange and option contracts at March 31, 2001 and 2000 was $4 million and $(30) million, respectively; representing the amount CMS Energy would receive or (pay) upon settlement. The impacts of the hedges of the net investments in foreign operations are reflected in other comprehensive income as a component of the foreign currency translation adjustment. For the first quarter of 2001, the adjustment for hedging was immaterial even though the net foreign currency translation adjustment was $(30) million. Due to favorable exchange rates, CMS Energy recognized approximately $4 million in earnings as a result of hedges for US dollar denominated debt that do not qualify as net investment hedges, and consequently, are marked-to-market through earnings currently. This gain appears on the Consolidated Statements of Income in Other Income (Deductions).

Foreign exchange contracts outstanding as of March 31, 2001 had a total notional amount of $824 million. Of this amount, $778 million was related to CMS Energy's investment in Argentina. The Argentine contracts have a weighted average rate of 1.042 and mature at various times during 2001 and 2002. In addition, $25 million of the foreign exchange contracts are related to investments in Brazil. The Brazilian contracts mature in June 2001 with a transaction rate of 1.995. The contracts for the Australian investments have a notional amount of $21 million, maturing in July 2001, and have transaction rates that range from .520 to .538.

The notional amount of the outstanding foreign exchange contracts at March 31, 2000 was $1.714 billion consisting of $369 million, $200 million and $1.145 billion for Australian, Brazilian and Argentine, respectively.

FINANCIAL INSTRUMENTS: The carrying amounts of cash, short-term investments and current liabilities approximate their fair values due to their short-term nature. The estimated fair values of long-term investments are based on quoted market prices or, in the absence of specific market prices, on quoted market prices of similar investments or other valuation techniques. Judgment may also be required to interpret market data to develop certain estimates of fair value. Accordingly, the estimates determined as of March 31, 2001 and 2000 are not necessarily indicative of the amounts that may be realized in current market exchanges. The carrying amounts of all long-term investments in financial instruments, except as shown below, approximate fair value.

In Millions						
As of March 31	2001			2000		
	Carrying Cost	Fair Value	Unrealized Gain(Loss)	Carrying Cost	Fair Value	Unrealized Gain (Loss)
Long-Term Debt (a)	$7,150	$7,016	$(134)	$7,118	$6,831	$(287)
Preferred Stock and Trust Preferred Securities	$1,133	$1,075	$(58)	$1,163	$1,051	$(112)

(a) Settlement of long-term debt is generally not expected until maturity.

6: REPORTABLE SEGMENTS

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

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 a land development business fall below the quantitative thresholds for reporting, and has never 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 March 31, 2001 and 2000, and the related consolidated statements of income, cash flows, and common stockholders' equity for the three-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, 2000, and, in our report dated February 2, 2001, 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, 2000, 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,
April 27, 2001.

CONSUMERS ENERGY COMPANY
MANAGEMENT'S DISCUSSION AND ANALYSIS

Consumers, a subsidiary of CMS Energy, a holding company, is an electric and gas utility company that provides service to customers in Michigan's Lower Peninsula. Consumers' customer base includes a mix of residential, commercial and diversified industrial customers, the largest segment of which is the automotive industry.

This MD&A 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 Consolidated Financial Statements and Notes. This Form 10-Q and other written and oral statements that Consumers may make contain forward-looking statements as defined by the Private Securities Litigation Reform Act of 1995. Consumers' intentions with the use of the words, "anticipates," "believes," "estimates," "expects," "intends," and "plans," and variations of such words and similar expressions, are solely 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 the results anticipated in such statements. Consumers has no obligation to update or revise forward-looking statements regardless of whether new information, future events or any other factors affect the information contained in such statements. Consumers does, however discuss certain risk factors, uncertainties and assumptions in this Management's Discussion and Analysis in the section entitled "CMS Energy, Consumers and Panhandle Forward-Looking Statements Cautionary Factors" in Consumers' 2000 Form 10-K Item 1 and in various public filings it periodically makes with the SEC. Consumers designed this discussion of potential risks and uncertainties, which is by no means comprehensive, to highlight important factors that may impact Consumers' outlook. This Form 10-Q also describes material contingencies in Consumers Notes to Consolidated Financial Statements, and Consumers encourages its readers to review these Notes.

RESULTS OF OPERATIONS

Consumers Consolidated Earnings

			In Millions
March 31	2001	2000	Change
Three months ended	$ 98	$ 85	$ 13

For the three months ended March 31, 2001, net income available to the common stockholder increased by $13 million over the 2000 level. The earnings increase primarily reflects increased revenue from higher gas deliveries to ultimate customers due to colder temperatures during the first quarter of 2001 and lower electric power costs compared to the first quarter of 2000. 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			
March 31	2001	2000	Change
Three months ended	$ 135	$ 115	$ 20

For the three months ended March 31, 2001, electric utility pretax operating income increased $20 million from the comparable period in 2000. The earnings increase primarily reflects reduced power costs in part from increased internal generation that reduced the need for higher cost purchased power and increased sales to Consumers' higher-margin customers. Partially offsetting the increased operating income benefit was higher operations and maintenance costs. The following table quantifies these impacts on pretax operating income:

	In Millions
Change Compared to Prior Year	Three Months Ended March 31 2001 vs 2000
Electric deliveries	$ 3
Power supply costs and related revenue	3
Intersystem sales	26
Rate decrease	(13)
Non-commodity revenue	5
Operation and maintenance expense	(26)
General taxes and depreciation expense	22
Total change	$ 20

ELECTRIC DELIVERIES: For the three months ended March 31, 2001, electric deliveries were 10.0 billion kWh, an increase of 0.3 billion kWh or 3.1 percent compared to the first quarter of 2000. Total electric deliveries increased to residential and commercial customers and intersystem sales, partially offset by reduced industrial usage reflecting the economic slowdown impacting the automotive business.

POWER SUPPLY COSTS:

In Millions			
March 31	2001	2000	Change
Three months ended	$ 301	$ 301	$ -

For the three months ended March 31, 2001, power supply costs remained unchanged compared to the first quarter of 2000. Increased internal generation reduced the need for higher cost purchased power.

GAS UTILITY RESULTS OF OPERATIONS

GAS PRETAX OPERATING INCOME:

March 31	2001	2000	Change
			In Millions
Three months ended	$ 65	$ 64	$ 1

For the three months ended March 31, 2001, gas pretax operating income increased $1 million from the comparable period in 2000. The earnings increase primarily reflects increased revenue from higher deliveries to residential and commercial customers due to colder temperatures in 2001. See Note 2, Uncertainties, "Gas Rate Matters - Gas Restructuring", for more detailed information on this matter. The following table quantifies these impacts on Pretax Operating Income.

CHANGE COMPARED TO PRIOR YEAR	In Millions Three Months Ended March 31 2001 VS 2000
Gas deliveries	$ 10
Gas commodity costs and related revenue	(3)
Gas wholesale and retail services	3
Operation and maintenance expense	(5)
General taxes and depreciation expense	(4)
Total change	$ 1

GAS DELIVERIES: For the three months ended March 31, 2001, gas system deliveries to ultimate customers were 114 bcf, an increase of 9 bcf compared to the first quarter of 2000. Total deliveries including miscellaneous transportation, totaled 160 bcf, a decrease of 1 bcf or 1 percent compared to the first quarter of 2000.

COST OF GAS SOLD:

March 31	2001	2000	Change
			In Millions
Three months ended	$ 349	$ 295	$ 54

For the three months ended March 31, 2001, the cost of gas sold increased by $54 million from the comparable period in 2000 due to higher gas prices and increased gas sales to our ultimate customers due to colder temperatures during the first quarter of 2001 compared to 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 $479 million and $293 million for the first three months of 2001 and 2000, respectively. The $186 million increase resulted primarily from a $200 million increase in cash collected from customer sales offset by $21 million of additional expenditures for inventories. 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 $204 million and $138 million for the first three months of 2001 and 2000, respectively. The change of $66 million is primarily the result of a $74 million increase in capital expenditures offset by an $8 million decrease in the investment in nuclear decommissioning trust fund.

FINANCING ACTIVITIES: Cash used in financing activities totaled $286 million and $158 million for the first three months of 2001 and 2000, respectively. The change of $128 million is primarily the result of a $139 million net decrease in notes payable and the reduction of $13 million 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 source 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. Consumers prepares these estimates for planning purposes and may revise them.

In Millions			
Years Ended December 31	2001	2002	2003
Construction	$653	$650	$466
Nuclear fuel lease	16	26	-
Capital leases other than nuclear fuel	31	24	24
	$700	$700	$490
Electric utility operations (a)(b)	$555	$555	$355
Gas utility operations (a)	145	145	135
	$700	$700	490

(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 that may be required by recent revisions to the Clean Air Act's national air quality standards. For further information see Note 2, Uncertainties.

ELECTRIC BUSINESS OUTLOOK

GROWTH: Over the next five years, Consumers expects electric system deliveries to grow an average of approximately two percent per year based primarily 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 all customers to choose their electricity supplier beginning January 1, 2002, or of 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: The Customer Choice Act, passed by the Michigan Legislature, as a result of repeated efforts to enact electric utility restructuring legislation, became effective June 2000.

The intent of the Customer Choice Act is to move the retail electric businesses in Michigan to competition. Several years prior to the enactment of the Customer Choice Act, in response to industry restructuring efforts, Consumers entered into multi-year electric supply contracts with some of its largest industrial customers to provide power to some of their facilities. The MPSC approved those contracts as part of its phased introduction to competition. During the period from 2001 through 2005, either Consumers or these industrial customers can terminate or restructure some of these contracts. These contracts involve approximately 600 MW of customer power supply requirements. Consumers cannot predict the ultimate financial impact of changes related to these power supply contracts.

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.

In part because of certain policy pronouncements by the FERC, Consumers joined the Alliance RTO. In January 2001, the FERC granted Consumers' application to transfer ownership and control of its transmission facilities to a wholly owned subsidiary, Michigan Transco. Consumers transferred the transmission facilities to Michigan Transco on April 1, 2001. This represents a major step in Consumers' plan to transfer control of or to divest itself of ownership, operation and control of its transmission assets.

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

RATE MATTERS: Prior to the enactment of the Customer Choice Act, there were several pending rate issues that could have affected Consumers' electric business. As a result of the passage of this legislation, the MPSC dismissed certain rate proceedings and a complaint filed by ABATE seeking a reduction in rates. ABATE filed a petition for rehearing with the MPSC.

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: There are a number of issues related to nuclear matters that may affect Consumers' business. For further information and material changes relating to nuclear matters, see Note 2, Uncertainties, "Other Electric Uncertainties - Nuclear Matters."

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 and increased operating expenses for compliance with the Clean Air Act; 2) environmental liabilities arising from various federal, state and local environmental laws and regulations, including potential liability or expenses relating to the Michigan Natural Resources and Environmental Protection Acts and Superfund; 3) uncertainties relating to the storage and ultimate disposal of spent nuclear fuel and the successful operation of NMC; and 4) electric industry restructuring, including: a) 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; b) the ability to recover fully the cost of doing business under the rate caps; c) obtaining a resolution of the pending appeal by the Attorney General that allows a successful sale of Securitization bonds on a timely basis; d) the ability to meet peak electric demand requirements at a reasonable cost and without market disruption and initiatives undertaken to reduce exposure to energy price increases; e) the restructuring of the MEPCC and the termination of joint merchant operations with Detroit Edison; and f) the effect of the transfer of Consumers transmission facilities to Michigan Transco and its successful disposition or integration into an RTO. For detailed information about these trends or uncertainties, see Note 2, Uncertainties, incorporated by reference herein.

GAS BUSINESS OUTLOOK

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

During the spring and summer months of 2001, Consumers will purchase natural gas for inventory to meet anticipated future customer needs during the winter heating season. Consumers anticipates that it will incur financing costs on these natural gas purchases that are higher than are being recovered in current rates.

UNCERTAINTIES: Several gas business trends or uncertainties may affect Consumers' financial results and conditions. These trends or uncertainties have, or Consumers reasonably expects could have, a material impact on net sales, 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) future gas industry restructuring initiatives; 3) implementation of the permanent gas customer choice program; 4) reintroduction of the GCR clause and any initiatives undertaken to protect against gas price increases; and 5) market and regulation responses to increases in gas costs. For detailed information about these uncertainties, see Note 2, Uncertainties, incorporated by reference herein.

OTHER OUTLOOK

Consumers offers a variety of energy-related services to electric and gas customers that focus on 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

DERIVATIVES AND HEDGES

MARKET RISK INFORMATION: Consumers is exposed to market risks including, but not limited to, changes in interest rates, commodity prices, and equity security prices in which Consumers holds less than a 20 percent interest. Consumers' derivative activities are subject to the direction of an executive oversight committee consisting of designated members of senior management and a risk committee, consisting of business unit managers. The goal of the risk management policy is to measure and limit overall energy commodity risk by implementing an enterprise-wide policy across all business units. This allows the use of hedges between business units before utilizing derivatives with external third parties. The role of the risk committee is to review the corporate commodity position and ensure that net corporate exposures are within the economic risk tolerance levels established by the Board of Directors. Management employs established policies and procedures to manage its risks associated with market fluctuations, including the use of various derivative instruments such as futures, swaps, options and forward contracts. Management believes that an opposite movement of the value of the hedged risk would offset any losses incurred on derivative instruments used to hedge that risk. Consumers enters into all derivative financial instruments for purposes other than trading.

In accordance with SEC disclosure requirements, Consumers performs sensitivity analyses to assess the potential loss in fair value, cash flows and earnings based upon a hypothetical 10 percent adverse change in market rates or prices. Consumers determines fair value based upon mathematical models using current and historical pricing data. Management does not believe that sensitivity analyses alone provides an accurate or reliable method for monitoring and controlling risks. Therefore, Consumers relies 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 sensitivity analyses could occur if market rates or prices exceed the ten percent shift used for the analyses.

EQUITY SECURITY PRICE RISK: Consumers has a less than 20 percent equity investment in CMS Energy. At March 31, 2001 and 2000 a hypothetical 10 percent adverse change in market price would have resulted in a $10 million and $8 million change in its equity investment, respectively. This 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.

INTEREST RATE RISK: Consumers is exposed to interest rate risk resulting from the issuance of fixed-rate debt and variable-rate debt, and from interest rate swap and rate lock agreements. Consumers 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. These strategies attempt to provide and maintain the lowest cost of capital. As of March 31, 2001 and 2000 Consumers had outstanding $719 million and $891 million of variable-rate debt, respectively. Assuming a hypothetical 10 percent adverse change in market interest rates, Consumers exposure to earnings, before tax, would be $4 million and $6 million at March 31, 2001 and 2000, respectively. As of March 31, 2001 Consumers had entered into floating-to-fixed interest rate swap agreements for a total notional amount of $300 million. These swaps exchange variable-rate interest payment obligations to fixed-rate obligations to minimize the impact of potential adverse interest rate changes. As of March 31, 2001 and 2000, Consumers had outstanding long-term fixed-rate debt including fixed-rate swaps of $2.583 billion and $2.062 billion, respectively, with a fair value of $2.531 billion and $1.928 billion, respectively. As of March 31, 2001 and 2000, assuming a hypothetical 10 percent adverse change in market rates, Consumers would have an exposure of $131 million to the fair value of these instruments, each year, respectively, if it had to refinance all of its long-term fixed-rate debt. Consumers does not intend to refinance its fixed-rate debt in the near term and believes that any adverse change in debt price and interest rates would not have a material effect on either its consolidated financial position, results of

operation or, cash flows. For further discussion Note 3, Short-Term Financings and Capitalization, "Derivative Activities"

COMMODITY MARKET RISK: Consumers enters into, for purposes other than trading, electricity and gas call options and swap contracts to protect against risk due to fluctuations in the market price of these commodities and to ensure a reliable source of capacity to meet its customers' electric needs.

At March 31, 2001 the fair value based on quoted future market prices of electricity-related option and swap contracts was $97 million. Assuming a hypothetical 10 percent adverse change in market prices, the potential reduction in fair value associated with these contracts would be $14 million. As of March 31, 2001, Consumers had an asset of $104 million as a result of premiums incurred for electricity call option contracts. Consumers' maximum exposure associated with the call option contracts is limited to the premiums paid. For further discussion on commodity derivatives see "Derivative Activities" under Note 2, Uncertainties, Other Electric Uncertainties and Other Gas Uncertainties.

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CONSUMERS ENERGY COMPANY
CONSOLIDATED STATEMENTS OF INCOME
(UNAUDITED)

MARCH 31	THREE MONTHS ENDED 2001	2000
	In Millions	
OPERATING REVENUE		
Electric	$ 665	$ 640
Gas	540	475
Other	14	11
	1,219	1,126
OPERATING EXPENSES		
Operation		
Fuel for electric generation	71	62
Purchased power - related parties	118	146
Purchased and interchange power	112	93
Cost of gas sold	349	295
Other	141	117
	791	713
Maintenance	55	48
Depreciation, depletion and amortization	105	123
General taxes	55	55
	1,006	939
PRETAX OPERATING INCOME		
Electric	135	115
Gas	65	64
Other	13	8
	213	187
OTHER INCOME (DEDUCTIONS)		
Dividends and interest from affiliates	2	2
Accretion income	-	1
Accretion expense	(2)	(2)
Other, net	2	1
	2	2
INTEREST CHARGES		
Interest on long-term debt	38	34
Other interest	10	8
Capitalized interest	(1)	-
	47	42
NET INCOME BEFORE INCOME TAXES	168	147
INCOME TAXES	61	53
NET INCOME	107	94
PREFERRED STOCK DIVIDENDS	-	-
PREFERRED SECURITIES DISTRIBUTIONS	9	9
NET INCOME AVAILABLE TO COMMON STOCKHOLDER	$ 98	$ 85

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

CONSUMERS ENERGY COMPANY
CONSOLIDATED STATEMENTS OF CASH FLOWS
(UNAUDITED)

MARCH 31	THREE MONTHS ENDED 2001	2000
	In Millions	
CASH FLOWS FROM OPERATING ACTIVITIES		
Net income	$ 107	$ 94
Adjustments to reconcile net income to net cash provided by operating activities		
Depreciation, depletion and amortization (includes nuclear decommissioning of $2 and $10 respectively)	105	123
Accounts receivable	223	23
Inventories	123	144
Deferred income taxes and investment tax credit	13	(7)
Capital Lease and other amortization	8	7
Accretion expense	2	2
Accretion income - abandoned Midland project	-	(1)
MCV power purchases	(3)	(14)
Undistributed earnings of related parties	(13)	(9)
Regulatory liability - gas choice	(16)	-
Changes in other assets and liabilities	(70)	(69)
Net cash provided by operating activities	479	293
CASH FLOWS FROM INVESTING ACTIVITIES		
Capital expenditures (excludes assets placed under capital lease)	(183)	(109)
Cost to retire property, net	(26)	(21)
Investment in Electric Restructuring Implementation Plan	(3)	(6)
Investments in nuclear decommissioning trust funds	(2)	(10)
Proceeds from nuclear decommissioning trust funds	10	8
Net cash used in investing activities	(204)	(138)
CASH FLOWS FROM FINANCING ACTIVITIES		
Increase (decrease) in notes payable, net	(203)	(64)
Payment of common stock dividends	(66)	(79)
Preferred securities distributions	(9)	(9)
Payment of capital lease obligations	(8)	(6)
Net cash provided by (used in) financing activities	(286)	(158)
NET INCREASE (DECREASE) IN CASH AND TEMPORARY CASH INVESTMENTS	(11)	(3)
CASH AND TEMPORARY CASH INVESTMENTS, BEGINNING OF PERIOD	21	18
CASH AND TEMPORARY CASH INVESTMENTS, END OF PERIOD	$ 10	$ 15

Other cash flow activities and non-cash investing and financing activities were:		
Cash transactions		
Interest paid (net of amounts capitalized)	$ 47	$ 45
Income taxes paid (net of refunds)	-	-
Non-cash transactions		
Nuclear fuel placed under capital lease	$ 2	$ 2
Other assets placed under capital leases	7	3

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	MARCH 31 2001 (UNAUDITED)	DECEMBER 31 2000	MARCH 31 2000 (UNAUDITED)
			In Millions
PLANT (AT ORIGINAL COST)			
Electric	$7,298	$7,241	$7,026
Gas	2,524	2,503	2,478
Other	21	23	24
	9,843	9,767	9,528
Less accumulated depreciation, depletion and amortization	5,802	5,768	5,733
	4,041	3,999	3,795
Construction work-in-progress	391	279	245
	4,432	4,278	4,040
INVESTMENTS			
Stock of affiliates	80	86	100
First Midland Limited Partnership	248	245	243
Midland Cogeneration Venture Limited Partnership	302	290	253
	630	621	596
CURRENT ASSETS			
Cash and temporary cash investments at cost, which approximates market	10	21	15
Accounts receivable and accrued revenue, less allowances of $3, $3 and $4, respectively	46	225	77
Accounts receivable - related parties	66	111	65
Inventories at average cost			
Gas in underground storage	143	271	71
Materials and supplies	67	66	61
Generating plant fuel stock	50	46	47
Prepaid property taxes	113	136	99
Regulatory assets	19	19	30
Deferred income taxes	-	2	4
Other	24	13	11
	538	910	480
NON-CURRENT ASSETS			
Regulatory assets			
Securitization costs	709	709	-
Postretirement benefits	226	232	333
Abandoned Midland Project	15	22	41
Unamortized nuclear costs	-	6	504
Other	84	87	123
Nuclear decommissioning trust funds	585	611	615
Other	297	297	205
	1,916	1,964	1,821
TOTAL ASSETS	$7,516	$7,773	$6,937

STOCKHOLDERS' INVESTMENT AND LIABILITIES	MARCH 31 2001 (UNAUDITED)	DECEMBER 31 2000	MARCH 31 2000 (UNAUDITED)
			In Millions
CAPITALIZATION			
Common stockholder's equity			
Common stock	$ 841	$ 841	$ 841
Paid-in capital	646	646	645
Revaluation capital	29	33	12
Retained earnings since December 31, 1992	538	506	491
	2,054	2,026	1,989
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	175
Long-term debt	2,097	2,110	2,007
Non-current portion of capital leases	51	49	86
	4,641	4,624	4,521
CURRENT LIABILITIES			
Current portion of long-term debt and capital leases	243	231	88
Notes payable	200	403	151
Accounts payable	242	254	160
Accrued taxes	216	247	207
Accounts payable - related parties	69	67	83
Other	235	253	210
	1,205	1,455	899
NON-CURRENT LIABILITIES			
Deferred income taxes	713	716	667
Postretirement benefits	354	366	411
Regulatory liabilities for income taxes, net	260	246	75
Deferred investment tax credit	107	109	123
Other	236	257	241
	1,670	1,694	1,517
COMMITMENTS AND CONTINGENCIES (Notes 1 and 2)			
TOTAL STOCKHOLDERS' INVESTMENT AND LIABILITIES	$ 7,516	$ 7,773	$ 6,937

(a) See Note 3, Short-Term Financings and Capitalization.

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

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

MARCH 31	THREE MONTHS ENDED 2001	2000
	In Millions	
COMMON STOCK		
At beginning and end of period (a)	$ 841	$ 841
OTHER PAID-IN CAPITAL		
At beginning and end of period	646	645
REVALUATION CAPITAL		
Investments		
At beginning of period	33	37
Unrealized gain (loss) on investments (b)	(5)	(25)
At end of period	28	12
Derivative Instruments		
At beginning of period (c)	21	-
Unrealized gain (loss) on derivative instruments (b)	(13)	-
Reclassification adjustments included in net income (b)	(7)	-
At end of period	1	-
RETAINED EARNINGS		
At beginning of period	506	485
Net income (b)	107	94
Cash dividends declared- Common Stock	(66)	(79)
Cash dividends declared- Preferred Stock	-	-
Preferred securities distributions	(9)	(9)
At end of period	538	491
TOTAL COMMON STOCKHOLDER'S EQUITY	$ 2,054	$ 1,989

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

(b) Disclosure of Comprehensive Income:

	2001	2000
Revaluation capital		
Investments		
Unrealized gain (loss) on investments, net of tax of $3 and $13, respectively	$ (5)	$ (25)
Derivative Instruments		
Unrealized gain (loss) on derivative instruments, net of tax of $7 and $- , respectively	(13)	-
Reclassification adjustments included in net income, net of tax of $4 and $- , respectively	(7)	-
Net income	107	94
Total Comprehensive Income	$ 82	$ 69

(c) Cumulative effect of change in accounting principle, net of $(11) tax (Note 1)

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

CONSUMERS ENERGY COMPANY
CONDENSED NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
(UNAUDITED)

These interim Consolidated Financial Statements have been prepared by Consumers and reviewed by the independent public accountant in accordance with SEC rules and regulations. As such, certain information and footnote disclosures normally included in financial statements prepared in accordance with generally accepted accounting principles have been condensed or omitted. Certain prior year amounts have been reclassified to conform to the presentation in the current year. In management's opinion, the unaudited information contained in this report reflects all adjustments necessary to assure the fair presentation of financial position, results of operations and cash flows for the periods presented. The Condensed Notes to Consolidated Financial Statements and the related Consolidated Financial Statements should be read in conjunction with the Consolidated Financial Statements and Notes to Consolidated Financial Statements contained in the Consumers Form 10-K for the year ended December 31, 2000, which includes the Reports of Independent Public Accountants. Due to the seasonal nature of Consumers operations, the results as presented for this interim period are not necessarily indicative of results to be achieved for the fiscal year.

1: CORPORATE STRUCTURE AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

CORPORATE STRUCTURE: Consumers, a subsidiary of CMS Energy, a holding company, is an electric and gas utility company that provides service to customers in Michigan's Lower Peninsula. 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 No. 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 No. 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 No. 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 March 31, 2001, Consumers had a net investment in energy supply facilities of $1.218 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 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' 2000 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. To qualify for hedge accounting, derivatives must meet the following criteria: 1) the hedged item must expose the enterprise to price and interest rate risk; and 2) the derivative must reduce that exposure and must be 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. Consumers considers the risk of nonperformance by the counterparties 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. For further discussion see Note 3, Short-Term Financing and Capitalization, "Derivative Activities".

Consumers uses purchased call option contracts to purchase electric power and gas fuel for generation, and uses commodity price swap agreements, to protect against risk due to fluctuations in the market price of these commodities and to ensure a reliable source of capacity to meet its customers' electric needs. For further discussion on commodity derivatives see "Derivative Activities" under Note 2, Uncertainties, Other Electric Uncertainties and Other Gas Uncertainties.

IMPLEMENTATION OF NEW ACCOUNTING STANDARDS: Effective January 1, 2001, Consumers adopted SFAS No. 133, Accounting for Derivative Instruments and Hedging Activities as amended and interpreted. SFAS No. 133 requires Consumers to recognize at fair value, all contracts that meet the definition of a derivative instrument, on the balance sheet as either assets or liabilities. This standard also requires Consumers to record all changes in fair value directly in earnings, or other comprehensive income if the derivative meets certain qualifying hedge criteria. Consumers determines fair value based upon mathematical models using current and historical pricing data.

Consumers believes that the majority of its contracts qualify for the normal purchases and sales exception under the standard and are, therefore, not subject to derivative accounting. Consumers does, however, use certain contracts that qualify as derivative instruments to limit its exposure to gas commodity price risk and interest rate risk.

Upon initial adoption of the standard, Consumers recorded a $21 million, net of tax, cumulative effect adjustment to accumulated other comprehensive income. This adjustment relates to the difference between the current fair value and recorded book value of contracts related to gas options, gas fuel swap contracts, and interest rate swap contracts that qualified for cash flow hedge accounting prior to the initial adoption of SFAS No. 133 and Consumers' proportionate share of the effects of adopting SFAS No. 133 related to its equity investment in the MCV Partnership. This amount will reduce, or be charged to cost of gas, cost of power, interest expense, or other operating revenue respectively, when the related hedged transaction occurs. Based on the pretax amount recorded in accumulated other comprehensive income on the January 1, 2001 transition date, Consumers recorded $11 million as a reduction to cost of gas during the first quarter of 2001, and expects to record $2 million as a reduction to cost of power, if the fair value of the related derivative asset is sustained. The ultimate fair value of these derivative assets is dependent upon market conditions related to the derivative instruments.

Derivative and hedge accounting, however, for certain utility industry contracts, particularly electric call option

contracts and option-like contracts, and contracts subject to bookouts remains uncertain. Consumers is currently accounting for these types of contracts as derivatives that qualify for the normal purchase exception of SFAS No. 133, and has, therefore, not recorded these contracts on the balance sheet at fair value. The ultimate initial financial statement impact of adopting SFAS No. 133 depends upon resolution of these industry-specific issues with the FASB and could be materially different than stated above. Additionally, if Consumers is required to record such contracts at fair value on the balance sheet, any changes in fair value could potentially be required to be reported directly in earnings, and could cause earnings volatility.

For further discussion of derivative activities, see "Derivative Activities" under Note 2, Uncertainties, Other Electric Uncertainties and Other Gas Uncertainties and Note 3, Short-Term Financings and Capitalization.

2: UNCERTAINTIES

ELECTRIC CONTINGENCIES

ELECTRIC ENVIRONMENTAL MATTERS: The Clean Air Act limits emissions of sulfur dioxide and NOx 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 NOx and small particulate-related emissions. The United States Supreme Court recently found that the EPA has power to revise the standards but found that the EPA's implementation plan was not lawful. While this case has been pending in federal courts, and while continuing through the lower federal courts as ordered by the Supreme Court, the EPA suspended the 1997 standards and reinstated the pre-1997 standards.

1998 EPA Plan for NOx Emissions - In 1998, based in part upon the 1997 standards, the EPA issued final regulations requiring the State of Michigan to further limit NOx emissions. Consumers anticipates a reduction in NOx emissions by 2004 to only 32 percent of levels allowed for the year 2000.

Section 126 Petitions - In December 1999, the EPA issued 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 1998 plan for NOx 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 - To meet the EPA's 1998 rule and/or the Section 126 NOx emission rules, the estimated cost to Consumers will be between $450 million and $500 million. Consumers anticipates that it will incur these capital expenditures between 2000 and either 2003 or 2004 depending upon whether the EPA prevails in the Section 126 litigation. 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 additional amount of between $290 million and $500 million of capital expenditures to comply with the new small particulate standards sometime after 2004.

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 2001, 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 March 31, 2001, 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 has proposed a plan to deal with the remaining materials and is awaiting a response from the EPA.

ELECTRIC RATE MATTERS

ELECTRIC RESTRUCTURING: In June 2000, the Michigan Legislature passed electric utility restructuring legislation known as the Customer Choice Act. This 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 requirements (a requirement with which Consumers is in compliance); 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; 8)allows for the deferred recovery of an annual return of and on capital expenditures in excess of depreciation levels incurred during and before the rate cap period; and 9) 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. As of December 2000, Consumers spent $13 million on the required expansion of transmission capabilities. Consumers anticipates it will spend an additional $24 million in 2001 and 2002, unless Consumers transfers its transmission facilities to a FERC-approved RTO or to an independent transmission owner.

In July 2000, in accordance with the Customer Choice Act, Consumers filed an application with the MPSC to begin the Securitization process. Securitization typically involves the issuance of asset backed bonds with a higher credit rating than conventional utility corporate financing. In October 2000 and January 2001, the MPSC issued a financing order and a final order, respectively, authorizing Securitization of approximately $470 million in qualified costs, which were primarily regulatory assets plus recovery of the expenses of the Securitization. Cost savings from Securitization depend upon the level of debt or equity securities ultimately retired, the amortization schedule for the securitized qualified costs and the interest rates of the retired debt

securities and the Securitization bonds. These savings will only be determined once the Securitization bonds are issued and will offset the majority of the revenue impact of the five percent residential rate reduction, $51 million on an annual basis, that Consumers was required to implement by the Customer Choice Act. The order directs Consumers to apply any 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. In a subsequent order, the MPSC confirmed that Consumers could 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 reduced its operating earnings by $22 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.

In January 2001, Consumers accepted the MPSC's final financing order. The final financing order has been appealed by the Attorney General of Michigan. Consumers cannot predict the outcome of the appeal or its effect on the schedule for issuance of Securitization bonds. Beginning January 1, 2001, and continuing during the appeal period, the amortization of the approved regulatory assets being securitized as qualified costs is being deferred which effectively offsets the loss in revenue resulting from the five percent residential rate reduction. The amortization will be reestablished later, after the Securitization 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 to offset the majority of the revenue impact of the rate reduction 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 in March 1999 the MPSC issued orders 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. In September 2000, as required by the MPSC, 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 a pending case before the Court of Appeals, 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.

POWER COSTS: 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. For the summers 2001, 2002, and 2003, Consumers is planning for a reserve margin of 15 percent. The actual reserve margin needed will depend primarily on summer weather conditions, the level of retail open access requirements 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 requirements. As of April

2001, alternative electric service providers are providing service to 73 MW of retail open access requirements.

To reduce the risk of high energy prices during peak demand periods and to achieve its reserve margin target, Consumers employs a strategy of purchasing future electricity call option contracts for the physical delivery of electricity during the months of June through September. As of March 31, 2001, 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 through 2005, at a recognized cost of $104 million, of which $60 million pertains to 2001.

In 1996, as a result of efforts to move the electric industry in Michigan to competition, Detroit Edison gave Consumers the required four-year contractual notice of its intent to terminate the agreements under which the companies jointly operate the MEPCC. Detroit Edison and Consumers negotiated to restructure and continue certain parts of the MEPCC control area and joint transmission operations, but expressly excluded any merchant operations (electricity purchasing, sales, and dispatch operations). The former joint merchant operations began operating independently on April 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 cannot predict the financial impact of terminating these joint merchant operations.

Prior to 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, including 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. Therefore, changes in power supply costs as a result of fluctuating energy prices will not be reflected in rates during the rate freeze period.

TRANSMISSION ASSETS: 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. As the FERC has not made a final disposition of the Alliance RTO, Consumers is uncertain about the outcome of the Alliance matter before the FERC and its continued participation in the Alliance RTO.

In January 2001, the FERC granted Consumers' application to transfer ownership and control of its transmission facilities to a wholly owned subsidiary, Michigan Transco. Consumers transferred the transmission facilities to Michigan Transco on April 1, 2001. This represents a major step in Consumers' plan to either divest its transmission business to a third party or to transfer control of or to sell it to an RTO. In either event, Consumers' current plan is to remain in the business of generating and distributing electric power to retail customers. In addition, in response to an application that Consumers filed with the MPSC, the MPSC issued an order that stated in part that, if Consumers sells its transmission facilities in the manner described in its application, it would be in compliance with applicable requirements of the Customer Choice Act.

ELECTRIC PROCEEDINGS: 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.

In March 2000 and 2001, Consumers filed applications with the MPSC for the recovery of electric utility restructuring implementation costs of $31 million and $25 million, incurred in 1999 and 2000, respectively. Consumers expects a final order for the 1999 costs in the first half of 2001 and for the 2000 cost in early 2002. Consumers believes these costs are fully recoverable in accordance with the Customer Choice Act; however, Consumers cannot predict the amounts the MPSC will approve as recoverable costs.

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

In Millions		
March 31	Three Months Ended 2001	2000
Pretax operating income	$13	$9
Income taxes and other	4	3
Net income	$9	$6

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 the Customer Choice Act requires, the capacity charge for the 325 MW is now frozen at 3.17 cents per kWh. After September 2007, the PPA's terms require Consumers 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 March 31, 2001 and March 31, 2000, the remaining after-tax present value of the estimated future PPA liability associated with the 1992 loss totaled $43 million and $71 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					
	2001	2002	2003	2004	2005
Estimated cash underrecoveries at 98.5%, net of tax	$38	$38	$37	$36	$35

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 differ from management's assessments, Consumers may have to make additional charges for a given year of up to $33 million, after tax. 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.

NUCLEAR FUEL COST: Consumers amortizes nuclear fuel cost to fuel expense based on the quantity of heat produced for electric generation. Consumers expenses interest on leased nuclear fuel as it is incurred. Under current federal law, as a federal court decision confirmed, 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 these costs 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 March 31, 2001, Consumers has a recorded liability to the DOE of $132 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 1997, the DOE declared that it would not begin to accept spent nuclear fuel deliveries in 1998. Also in 1997, a federal court affirmed the DOE's duty to take delivery of spent fuel. Subsequent litigation in which Consumers and certain other utilities participated has not been successful in producing more specific relief for the DOE's failure to comply.

In July 2000, the DOE reached a settlement agreement with another utility to address the DOE's delay in accepting spent fuel. The DOE may use that settlement agreement as a framework that it could apply to other nuclear power plants; however, certain other utilities are challenging the validity of such settlement. Consumers is evaluating this matter further. Additionally, there are two court decisions that support the right of utilities to pursue damage claims in the United States Court of Claims against the DOE for failure to take delivery of spent fuel. Consumers is evaluating those rulings and their applicability to its contracts with the DOE.

NUCLEAR MATTERS: In March 2000, Palisades received its annual performance review 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. In November 2000, Palisades received its mid-refueling cycle performance review and inspection plan in which the NRC noted that plant performance for the third quarter of 2000 included one performance criteria requiring regulatory response. At the end of 2000, this one performance criteria returned to a condition requiring no regulatory response. Except for one supplemental inspection, the NRC plans to conduct only routine baseline inspections at Palisades.

The amount of spent nuclear fuel discharged from the reactor to date exceeds Palisades' temporary on-site storage pool capacity. Consequently, Consumers is using NRC-approved steel and concrete vaults, commonly known as "dry casks", for temporary on-site storage. As of March 31, 2001, Consumers had loaded 18 dry storage casks with spent nuclear fuel at Palisades. Palisades will need to load additional casks by 2004 in order to continue operation. Palisades currently has three additional empty storage-only casks on-site, with storage pad capacity for up to seven additional loaded casks. Consumers anticipates, however, that licensed transportable casks, for additional storage, 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 $12.8 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.

In February 2000, Consumers submitted an analysis to the NRC that shows that the NRC's screening criteria for reactor vessel embrittlement at Palisades will not be reached until 2014. On December 14, 2000, the NRC issued an amendment revising the operating license for Palisades extending the expiration date to March 2011, with no restrictions related to reactor vessel embrittlement.

In April 2001, Consumers received approval from the NRC to amend the license of the Palisades nuclear plant to transfer plant operating authority to NMC. The formal operating authority transfer from Consumers to NMC is expected by July 2001. Consumers will retain ownership of Palisades, its 789 MW output, the spent fuel on site, and ultimate responsibility for the safe operation, maintenance and decommissioning of the plant. Under this agreement, salaried Palisades' employees will become NMC employees by mid-year 2001. Union employees will work under the supervision of NMC pursuant to their existing labor contract as Consumers employees. Consumers will benefit by consolidating expertise and controlling costs and resources among all of the nuclear plants being operated on behalf of the five NMC member companies. With Consumers as a partner, NMC will have responsibility for operating eight units with 4,500 MW of generating capacity in Wisconsin, Minnesota, Iowa and Michigan. The ultimate financial impact is uncertain.

CAPITAL EXPENDITURES: Consumers estimates electric capital expenditures, including new lease commitments and environmental costs under the Clean Air Act, of $555 million for 2001, $555 million for 2002, and $355 million for 2003. For further information, see the Capital Expenditures Outlook section in the MD&A.

DERIVATIVE ACTIVITIES: Consumers' electric business uses purchased electric call option contracts to meet its regulatory obligation to serve, which requires providing a physical supply of energy to customers, and to manage energy cost and to ensure a reliable source of capacity during periods of peak demand. While management intends to take delivery of the commodity, if Consumers' daily capacity exceeds its needs, in rare instances, the options, if marketable, are sold. Consumers believes that these contracts currently qualify for the normal purchase and sales exception of SFAS No. 133; therefore, Consumers has not recorded the fair value of these contracts on the balance sheet. At January 1, 2001 and March 31, 2001, Consumers had a deferred asset of $86 million and $104 million, respectively, associated with premiums for these contracts. As of January 1, 2001 and March 31, 2001, these contracts had a fair value of $123 million and $95 million, respectively, and expire between 2001 and 2005.

Consumers' electric business also uses purchased gas call option and gas swap contracts to hedge against price risk due to the fluctuations in the market price of gas used as fuel for generation of electricity. These contracts are financial contracts that will be used to offset increases in the price of probable forecasted gas purchases. These contracts are designated as cash flow hedges, and therefore, Consumers will record any change in the fair value of these contracts in other comprehensive income until the forecasted transaction occurs. Once the forecasted gas purchases occurs, the net gain or loss on these contracts will be reclassified to earnings and recorded as part of the cost of power. These contracts have been highly effective in achieving offsetting cash flows of future gas purchases, and no component of the gain or loss was excluded from the assessment of the

hedge's effectiveness. As a result, no net gain or loss has been recognized in earnings as a result of hedge ineffectiveness as of March 31, 2001. At March 31, 2001, Consumers had a derivative asset with a fair value of $2 million, which includes $1 million of premiums paid for these contracts. These contracts expire in 2001, and Consumers expects to reclassify the $1 million increase in fair value to earnings as a reduction of power costs in 2001, if this fair value is sustained. The ultimate fair value of these derivative assets is dependent upon market conditions related to the derivative instruments.

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 March 31, 2001, Consumers has an accrued liability of $55 million, (net of expenditures incurred to date and net of any insurance recoveries), and a regulatory asset of $62 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. The MPSC allows Consumers to recover $1 million annually.

GAS RATE MATTERS

GAS RESTRUCTURING: On April 1, 1998, Consumers began an experimental gas customer choice pilot program that ended March 31, 2001. Under this program, gas distribution rates were frozen through March 31, 2001. On April 1, 2001 a permanent gas customer choice program commenced and under this program Consumers returned to a GCR mechanism that allows it to recover from its customers all prudently incurred costs to purchase the natural gas commodity and transport it to Consumers' facilities.

OTHER GAS UNCERTAINTIES

CAPITAL EXPENDITURES: Consumers estimates gas capital expenditures, including new lease commitments, of $145 million for 2001, $145 million for 2002, and $135 million for 2003. For further information, see the Capital Expenditures Outlook section in the MD&A.

COMMITMENTS FOR GAS SUPPLIES: Consumers contracts to purchase gas and transportation from various suppliers for its natural gas business. These contracts have expiration dates that range from 2001 to 2004. Consumers' 2000 gas requirements totaled 210 bcf at a cost of $608 million, 40 percent of which was under long-term contracts for one year or more. As of the end of 2000, Consumers had 27 percent of its 2001 gas requirements under such long-term contracts, and will supplement them with additional long-term and short-term contracts and spot-market purchases.

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 FINANCINGS AND CAPITALIZATION

AUTHORIZATION: At March 31, 2001, 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 $25 million and $800 million of long-term securities for refinancing or refunding purposes and for general corporate purposes, respectively. Additionally, Consumers had remaining FERC authorization to issue $275 million of first mortgage bonds to be issued solely as security for the long-term securities mentioned above.

SHORT-TERM FINANCINGS: Consumers has an unsecured $300 million credit facility maturing in July 2002 and unsecured lines of credit aggregating $170 million. These facilities are available to finance seasonal working capital requirements and to pay for capital expenditures between long-term financings. At March 31, 2001, a total of $170 million was outstanding at a weighted average interest rate of 6.0 percent, compared with $151 million outstanding at March 31, 2000, at a weighted average interest rate of 7.1 percent.

Consumers currently has in place a $500 million trade receivables sale program, up from $325 million at March 31, 2000. At March 31, 2001 and 2000, receivables sold under the program totaled $432 million and $325 million, respectively. Accounts receivable and accrued revenue in the Consolidated Balance Sheets have been reduced to reflect receivables sold.

MANDATORILY REDEEMABLE PREFERRED SECURITIES: Consumers has wholly-owned statutory business trusts that are consolidated within its financial statements. Consumers created these trusts for the sole purpose of issuing Trust Preferred Securities. The primary asset of the trusts is a note or debenture of Consumers. The terms of the Trust Preferred Security parallel the terms of the related Consumers' note or debenture. The term, rights and obligations of the Trust Preferred Security and related note or debenture are also defined in the related indenture through which the note or debenture was issued, Consumers' guarantee of the related Trust Preferred Security and the declaration of trust for the particular trust. All of these documents together with their related note or debenture and Trust Preferred Security constitute a full and unconditional guarantee by Consumers of the trust's obligations under the Trust Preferred Security. In addition to the similar provisions previously discussed, specific terms of the securities follow:

In Millions

Trust and Securities	Rate	Amount Outstanding		Maturity	Earliest Redemption
		2000	1999		
Consumers Power Company Financing I, Trust Originated Preferred Securities	8.36%	$100	$100	2015	2000
Consumers Energy Company Financing II, Trust Originated Preferred Securities	8.20%	$120	$120	2027	2002
Consumers Energy Company Financing III, Trust Originated Preferred Securities	9.25%	$175	$175	2029	2004

OTHER: Under the provisions of its Articles of Incorporation, Consumers had $405 million of unrestricted retained earnings available to pay common dividends at March 31, 2001. In January 2001, Consumers declared

a $66 million common dividend that was paid in February 2001 and in April 2001, Consumers declared a $30 million common dividend payable in May 2001.

DERIVATIVE ACTIVITIES: Consumers uses interest-rate swaps to hedge the risk associated with forecasted interest payments on variable rate debt. These interest rate swaps are designated as a cash flow hedges. As such, Consumers will record any change in the fair value of these contracts in other comprehensive income unless the swap is sold. These swaps fix the interest rate on $300 million of variable rate debt, and expire at varying times from June through December 2001. As of March 31, 2001, these interest rate swaps had a negative fair value of $4 million.

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 March 31, 2001 and 2000, and the related consolidated statements of income, cash flows, and common stockholder's equity for the three-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, 2000, and, in our report dated February 2, 2001, 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, 2000, 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,
April 27, 2001.

PANHANDLE EASTERN PIPE LINE COMPANY
MANAGEMENT'S DISCUSSION AND ANALYSIS

Panhandle is primarily engaged in the interstate transportation and storage of natural gas. Panhandle also owns a LNG regasification plant and related 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 2000 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 has no obligation to update or revise forward-looking statements regardless of whether new information, future events or any other factor affects the information contained in such statements. Panhandle does, however discuss 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 2000 Form 10-K, Item 1 and periodically in various public filings it makes with the SEC. Panhandle designed this discussion of potential risks and uncertainties which is by no means comprehensive, 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.

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 Eastern Pipe Line 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
March 31	2001	2000	Change
Three Months Ended	$37	$32	$5

For the three months ended March 31, 2001, net income was $37 million, up $5 million from the same period in 2000. Total natural gas transportation volumes delivered for the three months ended March 31, 2001 increased 8 percent from 2000 primarily due to the addition of Sea Robin.

Revenues for the three months ended March 31, 2001 increased $19 million from the corresponding period in 2000 due primarily to increased LNG terminalling revenues and commodity revenues, partially offset by lower reservation revenues in 2001.

Operating expenses for the three months ended March 31, 2001 increased $9 million from the corresponding period in 2000 due primarily to increased expenses for a full quarter in 2001 for Sea Robin versus one month in 2000 and higher fuel costs and general taxes.

Interest on long-term debt for the three months ended March 31, 2001 increased $2 million from the corresponding period in 2000 primarily due to interest on the additional debt incurred by Panhandle at the end of the first quarter of 2000.

PRETAX OPERATING INCOME:

	In Millions
Change Compared to Prior Year	Three Months Ended March 31 2001 vs 2000
Reservation revenue	$(11)
LNG terminalling revenue	25
Commodity revenue	6
Other revenue	(1)
Operation and maintenance	(6)
Depreciation and amortization	(1)
General taxes	(2)
Total Change	$ 10

OUTLOOK

CMS Energy intends to build on Panhandle's position as a leading United States interstate gas pipeline system and the nation's largest operating LNG receiving terminal through expansion and better utilization of its existing facilities and construction of new facilities. 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 to permit the throughput of liquid products. For further information, see Note 2, Regulatory Matters, incorporated by reference herein. Panhandle 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.

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 owns a one-third interest in the Centennial Pipeline venture. FERC approved the abandonment of the 26-inch pipeline in March 2001. In April 2001, Trunkline removed the 26-inch

pipeline from service representing approximately 255,000 mcf per day of natural gas transmission capacity which had been generating revenue, but at the most heavily discounted rates for Trunkline's capacity. The Centennial Pipeline is planned to go into service in January 2002 at which time Panhandle expects to begin realizing earnings from the joint venture. For further information, see Note 2, Regulatory Matters, incorporated by reference herein.

In February 2001, Trunkline LNG received responses to an open season for long-term LNG terminalling capacity which reflected significant customer interest.

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; 2) the current market conditions causing more contracts to be shorter duration, which may increase revenue volatility; 3) the expected increase in competition for LNG terminalling services, and the volatility in natural gas prices, creating volatility for LNG terminalling revenues; 4) the impact of future rate cases, if any, for any of Panhandle's regulated operations; 5) current initiatives for additional federal rules and legislation regarding pipeline safety; 6) capital spending requirements for safety, environmental or regulatory requirements that could result in depreciation expense increases not covered by additional revenues; and 7) construction and market risks associated with Panhandle's investment in the liquids pipeline business via the Centennial Pipeline venture.

OTHER MATTERS

ENVIRONMENTAL MATTERS

PCB (POLYCHLORINATED BIPHENYL) ASSESSMENT AND CLEAN-UP PROGRAMS: Panhandle previously identified environmental contamination at certain sites on its systems and undertook clean-up programs at these sites. For further information, see Note 4, Commitments and Contingencies - Environmental Matters, incorporated by reference herein.

AIR QUALITY CONTROL: In 1998, the EPA issued a final rule on regional ozone control that requires revised SIPS for 22 states, including five states in which Panhandle operates. For further information, see Note 4, Commitments and Contingencies - Air Quality Control, incorporated by reference herein.

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

	Three Months Ended March 31	
	2001	2000
OPERATING REVENUE		
Transportation and storage of natural gas	$120	$125
LNG terminalling revenue	28	3
Other	7	8
Total operating revenue	155	136
OPERATING EXPENSES		
Operation and maintenance	50	44
Depreciation and amortization	17	16
General taxes	8	6
Total operating expenses	75	66
PRETAX OPERATING INCOME	80	70
OTHER INCOME, NET	2	1
INTEREST CHARGES		
Interest on Long-term debt	21	19
NET INCOME BEFORE INCOME TAXES	61	52
INCOME TAXES	24	20
CONSOLIDATED NET INCOME	$ 37	$ 32

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

PANHANDLE EASTERN PIPE LINE COMPANY
CONSOLIDATED STATEMENTS OF CASH FLOWS
(UNAUDITED)
(IN MILLIONS)

	Three Months Ended March 31	
	2001	2000
CASH FLOWS FROM OPERATING ACTIVITIES		
Net income	$ 37	$ 32
Adjustments to reconcile net income to net cash provided by operating activities:		
Depreciation and amortization	17	16
Deferred income taxes	15	13
Changes in current assets and liabilities	(43)	(29)
Other, net	(3)	-
Net cash provided by operating activities	23	32
CASH FLOWS FROM INVESTING ACTIVITIES		
Capital and investment expenditures	(18)	(77)
Net cash used in investing activities	(18)	(77)
CASH FLOWS FROM FINANCING ACTIVITIES		
Proceeds from senior notes	-	99
Net (increase)/decrease in note receivable - CMS Capital	24	(24)
Dividends paid	(29)	(30)
Net cash provided by/(used by) financing activities	(5)	45
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)	$ 38	$ 38
Income taxes paid (net of refunds)	-	-

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

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

	March 31, 2001 (Unaudited)	December 31, 2000
ASSETS		
PROPERTY, PLANT AND EQUIPMENT		
Cost	$1,680	$1,679
Less accumulated depreciation and amortization	111	99
Sub-total	1,569	1,580
Construction work-in-progress	18	20
Net property, plant and equipment	1,587	1,600
INVESTMENTS	10	7
CURRENT ASSETS		
Accounts Receivable, less allowances of $2 as of March 31, 2001 and $1 as of Dec. 31, 2000	155	140
Gas Imbalances - Receivable	63	71
Inventory and supplies	32	21
Deferred income taxes	16	12
Note receivable - CMS Capital	138	162
Other	18	21
Total current assets	422	427
NON-CURRENT ASSETS		
Goodwill, net	749	753
Debt issuance cost	11	11
Other	10	8
Total non-current assets	770	772
TOTAL ASSETS	$2,789	$2,806

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

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

	March 31, 2001 (Unaudited)	December 31, 2000
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	2	(6)
Total common stockholder's equity	1,130	1,122
Long-term debt	1,193	1,193
Total capitalization	2,323	2,315
CURRENT LIABILITIES		
Accounts payable	40	32
Gas Imbalances - Payable	44	56
Accrued taxes	9	3
Accrued interest	15	31
Accrued liabilities	23	45
Other	98	104
Total current liabilities	229	271
NON-CURRENT LIABILITIES		
Deferred income taxes	152	134
Other	85	86
Total non-current liabilities	237	220
TOTAL COMMON STOCKHOLDER'S EQUITY AND LIABILITIES	$ 2,789	$ 2,806

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

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

	March 31, 2001	March 31, 2000
COMMON STOCK		
At beginning and end of period	$ 1	$ 1
ADDITIONAL PAID-IN CAPITAL		
At beginning and end of period	1,127	1,127
RETAINED EARNINGS		
At beginning of period	(6)	-
Net income	37	32
Common stock dividends	(29)	(30)
At end of period	2	2
TOTAL COMMON STOCKHOLDER'S EQUITY	$ 1,130	$ 1,130

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

PANHANDLE EASTERN PIPE LINE COMPANY
CONDENSED NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

These interim Consolidated Financial Statements have been prepared by Panhandle and reviewed by the independent public accountant in accordance with SEC rules and regulations. As such, certain information and footnote disclosures normally included in financial statements prepared in accordance with generally accepted accounting principles have been condensed or omitted. Certain prior year amounts have been reclassified to conform to the presentation in the current year. In management's opinion, the unaudited information contained in this report reflects all adjustments necessary to assure the fair presentation of financial position, results of operations and cash flows for the periods presented. The Condensed Notes to Consolidated Financial Statements and the related Consolidated Financial Statements contained within should be read in conjunction with the Consolidated Financial Statements and Notes to Consolidated Financial Statements contained in Panhandle's Form 10-K for the year ended December 31, 2000, which includes the Reports of Independent Public Accountants. Due to the seasonal nature of Panhandle's operations, the results as presented for this interim period are not necessarily indicative of results to be achieved for the fiscal year.

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.

In March 2000, Trunkline, a subsidiary of Panhandle Eastern Pipe Line, acquired the Sea Robin pipeline from El Paso Energy Corporation for cash of approximately $74 million and certain other consideration. 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 29, 2001, Trunkline filed a settlement that included the remaining issues in this proceeding. On April 12, 2001, the FERC approved Trunkline's uncontested settlement, without modification. As part of the settlement, Trunkline will reduce its maximum rates and make 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.

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 March 31, 2001 and December 31, 2000, Panhandle's Accounts Receivable included $60 million and $59 million, respectively, due from natural gas producers, and Other Current Liabilities included $60 million and $59 million, respectively, for related obligations.

On March 28, 2001, Trunkline received FERC approval 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 Centennnial Pipeline to convert the line from natural gas transmission service to a refined products pipeline by January 2002. Panhandle owns a one-third interest in the venture along with TEPPCO Partners L.P. and Marathon Ashland Petroleum L.L.C. As of March 31, 2001, Panhandle had made a $8 million cash investment in the Centennial project, which was reimbursed by Centennial on May 4, 2001 upon the closing of Centennial's construction financing.

3. RELATED PARTY TRANSACTIONS

Other income includes $2 million for the three months ended March 31, 2001 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	
	March 31, 2001	December 31, 2000
Receivables	$53	$ 48
Accounts payable	26	27

4. COMMITMENTS AND CONTINGENCIES

CAPITAL EXPENDITURES: Panhandle currently estimates capital expenditures and investments, including allowance for funds used during construction, to be $83 million in 2001 and $70 million in both 2002 and 2003. 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, 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 prior PanEnergy Corp 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 that 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; Panhandle was not a first seller of gas. 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. Panhandle communicated with the EPA and appropriate state regulatory agencies on these matters. 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. Panhandle expects these clean-up programs to continue through 2001. The Illinois EPA included Panhandle Eastern Pipe Line 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 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'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.

AIR QUALITY CONTROL: In 1998, the EPA issued a final rule on regional ozone control that requires revised SIPS for 22 states, including five states in which Panhandle operates. This EPA ruling was challenged in court by various states, industry and other interests, including the INGAA, an industry group to which Panhandle belongs. In March 2000, the court upheld most aspects of the EPA's rule, but agreed with INGAA's position and remanded to the EPA the sections of the rule that affected Panhandle. Based on the court's decision, most of the states subject to the rule submitted their SIP revisions in October 2000. However, the EPA must revise the section of the rule that affected Panhandle's facilities. Panhandle expects the EPA to make this section of the rule effective in 2001 and expects the future costs to range from $13 million to $29 million for capital improvements to comply.

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 that 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 $10 million through October 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 has provided 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).

5. IMPLEMENTATION OF SFAS NO. 133

Panhandle adopted SFAS No. 133, Accounting for Derivative Instruments and Hedging Activities as amended, effective January 1, 2001. SFAS No. 133 requires companies to recognize all derivative instruments as assets or liabilities on the Balance Sheet and to measure those instruments at fair value.

As of March 31, 2001 Panhandle believes its contracts qualify for the normal purchase and sales exception of SFAS No. 133, and therefore no impact has been reflected in the financial statements.

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 March 31, 2001, and the related consolidated statements of income, common stockholder's equity and cash flows for the three-month periods ended March 31, 2001 and 2000. 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, 2000, and, in our report dated March 6, 2001, 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, 2000, 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
May 3, 2001

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, 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.

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

(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

(b) REPORTS ON FORM 8-K

CMS ENERGY

Current Report filed February 23, 2001 covering matters pursuant to ITEM 5. OTHER EVENTS.

CONSUMERS

Current Report filed February 23, 2001 covering matters pursuant to ITEM 5. OTHER EVENTS.

PANHANDLE

No Current Reports on Form 8-K filed during the second 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: May 11, 2001 By: /s/ A.M. Wright
Alan M. Wright
Executive Vice President
Chief Financial Officer and
Chief Administrative Officer

CONSUMERS ENERGY COMPANY
(Registrant)

Dated: May 11, 2001 By: /s/ A.M. Wright
Alan M. Wright
Executive Vice President
Chief Financial Officer and
Chief Administrative Officer

PANHANDLE EASTERN PIPE LINE COMPANY
(Registrant)

Dated: May 11, 2001 By: /s/ A.M. Wright
Alan M. Wright
Senior Vice President,
Chief Financial Officer and Treasurer

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UNITED STATES

SECURITIES AND EXCHANGE COMMISSION

WASHINGTON, D.C. 20549

CMS ENERGY CORPORATION,

CONSUMERS ENERGY COMPANY

AND

PANHANDLE EASTERN PIPE LINE COMPANY

FORM 10-Q

EXHIBITS

FOR QUARTER ENDED MARCH 31, 2001

Exhibit Number			Description
(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

EXHIBIT (12)

Exhibit (12)

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

	Three Months Ended March 31, 2001	Years Ended December 31 - 2000	1999	1998	1997	1996
		(b)		(c)		
Earnings as defined (a)						
Consolidated net income	$ 109	$ 36	$ 277	$ 242	$ 244	$ 224
Income taxes	59	60	64	100	108	137
Exclude equity basis subsidiaries	(32)	(171)	(84)	(92)	(80)	(85)
Fixed charges as defined, adjusted to exclude capitalized interest of $14, $49, $41, $29, $13, and $5 million for the three months ended March 31, 2001, and the years ended December 31, 2000, 1999, 1998, 1997, and 1996, respectively	173	744	588	395	360	313
Earnings as defined	$ 309	$ 669	$ 845	$ 645	$ 632	$ 589
Fixed charges as defined (a)						
Interest on long-term debt	$ 145	$ 591	$ 502	$ 319	$ 273	$ 230
Estimated interest portion of lease rental	2	7	7	8	8	10
Other interest charges	12	48	57	48	49	43
Preferred securities dividends and distributions	28	147	96	77	67	54
Fixed charges as defined	$ 187	$ 793	$ 662	$ 452	$ 397	$ 337
Ratio of earnings to fixed charges and preferred securities dividends and distributions	1.65	-	1.28	1.43	1.59	1.75

NOTES:

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

(b) For the year ended December 31, 2000, fixed charges exceeded earnings by $124 million. Earnings as defined include a $329 million pretax impairment loss on the Loy Yang investment. The ratio of earnings to fixed charges and preferred securities dividends and distributions would have been 1.26 excluding this amount.

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

EXHIBIT (15)(a)

Exhibit (15)(a)

April 27, 2001

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. 333-27849, No. 333-32229, No. 333-37241, No. 333-45556, No. 333-47464, No. 333-51932, No. 333-52560, No. 333-58686, and No. 333-76347 in its Form 10-Q for the quarter ended March 31, 2001, which includes our report dated April 27, 2001 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)

Exhibit (15)(b)

April 27, 2001

Consumers Energy Company:

We are aware that Consumers Energy Company has incorporated by reference in its Registration Statements No. 333-89363 its Form 10-Q for the quarter ended March 31, 2001, which includes our report dated April 27, 2001 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