UNITED STATES SECURITIES AND EXCHANGE COMMISSION
WASHINGTON, DC 20549

FORM 10-Q

[X] QUARTERLY REPORT PURSUANT TO SECTION 13 OR 15(D)
OF THE SECURITIES EXCHANGE ACT OF 1934
FOR THE QUARTERLY PERIOD ENDED SEPTEMBER 30, 1999

OR

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

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

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

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

Number of shares outstanding of each of the issuer's classes of common stock at October 31, 1999:

CMS ENERGY CORPORATION:	
CMS Energy Common Stock, $.01 par value	115,800,521
CMS Energy Class G Common Stock, no par value	0
CONSUMERS ENERGY COMPANY, $10 par value, privately held by CMS Energy	84,108,789
PANHANDLE EASTERN PIPE LINE COMPANY, no par value, indirectly privately held by CMS Energy	1,000

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

QUARTERLY REPORTS ON FORM 10-Q TO THE SECURITIES AND EXCHANGE COMMISSION FOR THE QUARTER ENDED SEPTEMBER 30, 1999

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

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GLOSSARY

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

ABATE	Association of Businesses Advocating Tariff Equity
ALJ	Administrative Law Judge
Anadarko	Anadarko Petroleum Corporation, a non-affiliated company
Articles	Articles of Incorporation
Attorney General	Michigan Attorney General
Aux Sable	Aux Sable Liquids Products, L.P., a non-affiliated company
bcf	Billion cubic feet
Big Rock	Big Rock Point nuclear power plant, owned by Consumers
Board of Directors	Board of Directors of CMS Energy
Btu	British thermal unit
Class G Common Stock	One of two classes of common stock of CMS Energy, no par value, which reflects the separate performance of the Consumers Gas Group
Clean Air Act	Federal Clean Air Act, as amended
CMS Energy	CMS Energy Corporation, the parent of Consumers and Enterprises
CMS Energy Common Stock	One of two classes of common stock of CMS Energy, par value $.01 per share
CMS Gas Transmission	CMS Gas Transmission and Storage Company, a subsidiary of Enterprises
CMS Generation	CMS Generation Co., a subsidiary of Enterprises
CMS Holdings	CMS Midland Holdings Company, a subsidiary of Consumers
CMS Midland	CMS Midland Inc., a subsidiary of Consumers
CMS MST	CMS Marketing, Services and Trading Company, a subsidiary of Enterprises
CMS Oil and Gas	CMS Oil and Gas Company, a subsidiary of Enterprises
CMS Panhandle Holding	CMS Panhandle Holding Company, a subsidiary of CMS Gas Transmission
Common Stock	CMS Energy Common Stock and Class G Common Stock
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
Detroit Edison	The Detroit Edison Company, a non-affiliated company
Dow	The Dow Chemical Company, a non-affiliated company
Duke Energy	Duke Energy Corporation, a non-affiliated company
EITF	Emerging Issues Task Force
Enterprises	CMS Enterprises Company, a subsidiary of CMS Energy
EPA	Environmental Protection Agency
EPS	Earning per share
Exchange Notes	$300 million 6.125% senior notes due 2004, $200 million 6.5% senior notes due 2009 and $300 million 7% senior notes due 2029 issued by Panhandle Eastern Pipeline Company for outstanding notes issued by CMS Panhandle Holding Company

FASB...................................... Financial Accounting Standards Board
FERC...................................... Federal Energy Regulatory Commission
FMLP...................................... First Midland Limited Partnership, a partnership which operates a marketing center for natural gas

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

IT..Information technology

Jorf Lasfar...............................The 1,356 MW (660 MW in operation and 696 MW under construction) 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

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
Mdth/d.................................... Million dekatherms per day
MichCon................................... Michigan Consolidated Gas Company, a non-affiliated company
Michigan Gas Storage...................... Michigan Gas Storage Company, a subsidiary of Consumers
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
NOI....................................... Notice of inquiry
NOPR...................................... Notice of proposed rulemaking
Northern Border........................... Northern Border Pipeline Company
NRC....................................... Nuclear Regulatory Commission

Order 888 and Order 889...................FERC final rules issued on April 24, 1996
Outstanding Shares........................ Outstanding shares of Class G Common Stock

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 Storage.........................	CMS Panhandle Storage Company, a subsidiary of Panhandle Eastern Pipe Line Company
PCBs......................................	Poly chlorinated biphenyls
PECO......................................	PECO Energy Company, a non-affiliated company
PPA.......................................	The Power Purchase Agreement between Consumers and the MCV Partnership with a 35-year term commencing in March 1990
PSCR......................................	Power supply cost recovery
SEC.......................................	Securities and Exchange Commission
Senior Credit Facilities..................	$725 million senior credit facilities consisting of a $600 million three-year revolving credit facility and a five-year $125 million term loan facility
SFAS......................................	Statement of Financial Accounting Standards
SOP.......................................	Statement of position
Superfund.................................	Comprehensive Environmental Response, Compensation and Liability Act
Transition 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, regulatory assets, and 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

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

The MD&A of this Form 10-Q should be read along with the MD&A and other parts of CMS Energy's 1998 Form 10-K. This MD&A also refers to, and in some sections specifically incorporates by reference, CMS Energy's Condensed Notes to Consolidated Financial Statements and should be read in conjunction with such Statements and Notes. This report contains forward-looking statements, as defined by the Private Securities Litigation Reform Act of 1995. While forward-looking statements are based on assumptions and such assumptions are believed to be reasonable and are made in good faith, CMS Energy cautions that assumed results almost always vary from actual results and differences between assumed and actual results can be material. The type of assumptions that could materially affect the actual results are discussed in the Forward-Looking Statements section in this MD&A. More specific risk factors are contained in various public filings made by CMS Energy with the SEC. This report also describes material contingencies in the Notes to Consolidated Financial Statements and the readers are encouraged to read such Notes.

RESULTS OF OPERATIONS

CMS ENERGY CONSOLIDATED EARNINGS

	Millions, Except Per Share Amounts		
September 30	1999	1998	Change
THREE MONTHS ENDED			
Consolidated Net Income	$ 83	$ 81	$ 2
Net Income Attributable to Common Stocks:			
CMS Energy	86	83	3
Class G	(3)	(2)	
			(1)
Earnings Per Average Common Share:			
CMS Energy			
Basic	.79	.81	(.02)
Diluted	.78	.80	(.02)
Class G			
Basic and Diluted	(.38)	(.16)	(.22)
NINE MONTHS ENDED		(a)	
Consolidated Net Income	$ 256	$ 234	$ 22
Net Income Attributable to Common Stocks:			
CMS Energy	248	226	22
Class G	8	8	-
Earnings Per Average Common Share:			
CMS Energy			

Basic	2.29	2.23	.06
Diluted	2.25	2.19	.06
Class G			
Basic and Diluted	.90	1.04	(.14)
TWELVE MONTHS ENDED		(a)	
Consolidated Net Income	$ 307	$ 293	$ 14
Net Income Attributable to Common Stocks:			
CMS Energy	294	279	15
Class G	13	14	(1)
Earnings Per Average Common Share:			
CMS Energy			
Basic	2.73	2.77	(.04)
Diluted	2.70	2.73	(.03)
Class G			
Basic and Diluted	1.41	1.73	(.32)

(a) Includes the cumulative effect of an accounting change for property taxes which increased net income by $43 million or $.40 per share - basic and diluted - - for CMS Energy Common Stock and $12 million or $.36 per share basic and diluted - for Class G Common Stock.

The increase in consolidated net income for the third quarter of 1999 over the comparable period in 1998 resulted from increased earnings from the electric utility; the natural gas transmission, storage and processing business as a result of the Panhandle acquisition; and the oil and gas exploration and production business; and lower losses from the international energy distribution business. Partially offsetting these increases were lower earnings from the gas utility, independent power production, marketing services and trading businesses, and higher interest expense.

The increase in consolidated net income for the nine months ended September 30, 1999 over the comparable period in 1998 resulted from increased earnings in the electric and gas utilities and natural gas transmission, storage and processing business as a result of the Panhandle acquisition; lower losses from the international energy distribution business; and the recognition in 1998 of a $37 million loss ($24 million after-tax) for the underrecovery of power costs under the PPA. Partially offsetting these increases were lower earnings from the independent power production business, the 1998 cumulative effect of the accounting change for property taxes and higher interest expense in the current period.

The increase in consolidated net income for the twelve months ended September 30, 1999 over the comparable 1998 period reflects increased earnings from the electric utility; natural gas transmission, storage and processing as a result of the Panhandle acquisition; and marketing, services and trading businesses. Partially offsetting these increases were lower earnings from the independent power production and oil and gas exploration and production businesses coupled with higher interest expense.

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:

In Millions			
Change Compared to Prior Year	Three Months Ended Sept. 30 1999 vs 1998	Nine Months Ended Sept. 30 1999 vs 1998	Twelve Months Ended Sept. 30 1999 vs 1998
Electric deliveries	$ 6	$ 32	$ 25
Power supply costs and related revenue recovery	6	24	41
Other non-commodity revenue	(5)	(10)	(11)
Operations and maintenance	9	6	3
General taxes and depreciation	(1)	(5)	(4)
Total change	$ 15	$ 47	$ 54

ELECTRIC DELIVERIES: Total electric deliveries for the three months, nine months and twelve months ended September 30, 1999, increased in all customer classes due primarily to sales growth. Electric deliveries were 10.9 billion kWh for the three months ended September 30, 1999, an increase of 1.7 percent. Electric deliveries were 31.3 billion kWh for the nine months ended September 30, 1999, an increase of 3.8 percent. Electric deliveries were 41.2 billion kWh for the twelve months ended September 30, 1999, an increase of 2.5 percent.

POWER COSTS:

In Millions			
September 30	1999	1998	Change
Three months ended	$ 335	$ 315	$ 20
Nine months ended	906	899	7
Twelve months ended	1,182	1,190	(8)

Power costs increased for the three and nine month periods ended September 30, 1999 compared to the same 1998 period as a result of higher sales. Power costs decreased for the twelve month period ended September 30, 1999 compared to the same 1998 period due to lower purchased power costs which more than offset the increased power cost as a result of higher sales.

UNCERTAINTIES: Several trends or uncertainties may affect CMS Energy's financial 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 uncertainties include: 1) capital expenditures for compliance with the Clean Air Act; 2) environmental liabilities arising from compliance with various federal, state and local environmental laws and regulations, including potential liability or expenses relating to the Michigan Natural Resources and Environmental Protection Act and Superfund; 3) cost recovery relating to the MCV Partnership; 4) electric industry restructuring; 5) implementation of a frozen PSCR and initiatives to be undertaken to reduce exposure to high energy prices; 6) nuclear decommissioning issues and ongoing issues relating to the storage of spent fuel and the operating life of Palisades. For detailed information about these trends or uncertainties, see Note 2, Uncertainties, incorporated by reference herein.

CONSUMERS GAS GROUP RESULTS OF OPERATIONS

GAS PRETAX OPERATING INCOME:

In Millions

Change Compared to Prior Year	Three Months Ended Sept. 30 1999 vs 1998	Nine Months Ended Sept.30 1999 vs 1998	Twelve Months Ended Sept. 30 1999 vs 1998
Gas deliveries	$ 1	$ 21	$ 8
Gas commodity and related revenue	(11)	-	10
Gas wholesale and retail services activities	-	2	3
Operation and maintenance	(4)	(8)	(1)
General taxes, depreciation and other	2	(9)	(22)
Total increase (decrease) in pretax operating income	$ (12)	$ 6	$ (2)

GAS DELIVERIES: System deliveries for the three month period ended September 30, 1999, including miscellaneous transportation, were 43.6 bcf compared to 42 bcf for the same 1998 period. This increase of 3.8 percent was primarily due to weather during the period. System deliveries for the nine months period ended September 30, 1999, including miscellaneous transportation, were 272.3 bcf compared to 249.8 bcf for the same 1998 period. This increase of 9.0 percent was primarily due to colder temperatures during the 1999 heating season. System deliveries for the twelve month period ended September 30, 1999, including miscellaneous transportation, were 382.3 bcf compared to 376.7 bcf for the same 1998 period. This increase of 1.5 percent was again primarily the result of colder temperatures during the 1999 heating season.

COST OF GAS SOLD:

In Millions

September 30	1999	1998	Change
Three months ended	$ 44	$ 39	$ 5
Nine months ended	428	377	51
Twelve months ended	614	600	14

The cost increases for the three month period ended September 30, 1999 resulted from higher gas cost during this period. The cost increases for the nine month period and the twelve month period ended September 30, 1999 was the result of increased sales due to colder overall temperatures during the winter heating season partially offset by lower gas prices.

UNCERTAINTIES: CMS Energy's financial position may be affected by a number of trends or uncertainties that have, or CMS Energy reasonably expects could have, a material impact on net sales or revenues or income from continuing gas operations. Such uncertainties include: 1) potential environmental costs at a number of sites, including sites formerly housing manufactured gas plant facilities; 2) a statewide experimental gas restructuring program; and 3) implementation of a suspended GCR and initiatives undertaken to protect against gas price increases. For detailed information about these uncertainties see Note 2, Uncertainties, incorporated by reference herein.

INDEPENDENT POWER PRODUCTION RESULTS OF OPERATIONS

PRETAX OPERATING INCOME: Pretax operating income for the three months ended September 30, 1999 decreased $6 million (11 percent) from the comparable period in 1998. This decrease primarily reflects the 1998 gains on the sales of a biomass power purchase agreement and two biomass plants, partially offset by increased operating income from international and domestic plant earnings and fees. Pretax operating income for the nine months ended September 30, 1999 decreased $3 million (2 percent) from the comparable period in 1998. This decrease primarily reflects 1998 gains on the sale of two power purchase agreements and two biomass plants, the scheduled reduction of the industry expertise service fee income earned in connection with the purchase of Loy Yang, and the settlement of a lawsuit, partially offset by increased operating income from international and domestic plant earnings and fees, a gain on the sale of two hydro plants in 1999, and increased earnings from the MCV Partnership. Pretax operating income for the twelve months ended September 30, 1999 decreased $11 million (7 percent) from the comparable period in 1998, primarily reflecting the 1998 gains on the sale of plant assets and power purchase agreements, higher operating expenses, the settlement of a lawsuit and the scheduled reduction of the industry expertise service fee income earned in connection with the purchase of Loy Yang, partially offset by increased international and domestic earnings.

OIL AND GAS EXPLORATION AND PRODUCTION RESULTS OF OPERATIONS

PRETAX OPERATING INCOME: Pretax operating income for the three months ended September 30, 1999 increased $3 million (150 percent) from the comparable period in 1998 as a result of higher realized commodity prices and lower exploration expenses, partially offset by lower oil and gas production and higher operating expenses. Pretax operating income for the nine months ended September 30, 1999 increased $1 million (8 percent) from the comparable period in 1998 due to higher oil prices and lower exploration expenses, partially offset by lower natural gas production, lower gas and natural gas liquid prices, and increased operating expenses. Pretax operating income for the twelve months ended September 30, 1999 decreased $15 million (68 percent) from the comparable period in 1998 as a result of lower oil and gas prices, a gain in the prior period from the sale of CMS Oil and Gas' entire interest in oil and gas properties in Yemen and higher operating expenses, partially offset by an increase in oil production.

NATURAL GAS TRANSMISSION, STORAGE AND PROCESSING RESULTS OF OPERATIONS

PRETAX OPERATING INCOME: Pretax operating income for the three months ended September 30, 1999 increased $45 million (750 percent) from the comparable period in 1998. The increase reflects earnings from Panhandle, which was acquired in March 1999, and from other recently acquired international and domestic operations. Pretax operating income for the nine months ended September 30, 1999 increased $74 million (264 percent) from the comparable period in 1998 primarily due to earnings from Panhandle and an Australian pipeline acquired in December 1998, partially offset by gains in the prior period on the sale of Petal Gas Storage Company and Australian gas reserves, and increased net operating expenses primarily relating to the Panhandle acquisition. Pretax operating income for the twelve months ended September 30, 1999 increased $74 million (224 percent) from the comparable period in 1998. The increase primarily reflects earnings from Panhandle and an Australian pipeline acquired in December 1998, partially offset by a gain in the prior period on the sale of Petal Gas Storage Company and Australian gas reserves.

UNCERTAINTIES: CMS Energy's financial position may be affected by a number of trends or uncertainties that have, or CMS Energy reasonably expects could have, a material impact on net sales or revenues or income from continuing gas operations. For detailed information about Panhandle's regulatory uncertainties see Note 2, Uncertainties - Panhandle Regulatory Matters, incorporated by reference herein.

MARKETING, SERVICES AND TRADING RESULTS OF OPERATIONS

PRETAX OPERATING INCOME: Pretax operating income for the three months ended September 30, 1999 decreased $2 million from the comparable period in 1998. The decrease results from increased gas price volatility and higher third quarter 1998 wholesale power sales, partially offset by additional gas sales. Pretax operating income for the nine months ended September 30, 1999 decreased $1 million from the comparable period in 1998. The decrease results from higher gas price volatility, partially offset by higher gas sales. Pretax operating income for the twelve months ended September 30, 1999 increased $7 million from the comparable period in 1998. The increase is a result of favorable gas margins and additional gas sales. Gas managed and marketed for end users totaled 284 bcf and 223 bcf for the nine months ended September 30, 1999 and 1998, respectively.

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 prices. Management employs established policies and procedures to manage its risks associated with these market fluctuations including the use of various derivative instruments such as futures, swaps, options and forward contracts. Management believes that any losses incurred on derivative instruments used to hedge risk would be offset by an opposite movement of the value of the hedged item.

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

COMMODITY PRICE RISK: Management uses commodity futures contracts, options and swaps (which require a net cash payment for the difference between a fixed and variable price) to manage commodity price risk. The prices of energy commodities fluctuate due to changes in the supply of and demand for those commodities. To reduce price risk caused by these market fluctuations, CMS Energy hedges certain inventory and purchases and sales contracts. A hypothetical 10 percent adverse shift in quoted commodity prices in the near term would not have had a material impact on CMS Energy's consolidated financial position, results of operations or cash flows as of September 30, 1999. The analysis assumes that the maximum exposure associated with purchased options is limited to premiums paid. The analysis also does not quantify short-term exposure to hypothetically adverse price fluctuations in inventories.

INTEREST RATE RISK: Management uses a combination of fixed-rate and variable-rate debt to reduce interest rate exposure. Interest rate swaps and rate locks may be used to adjust exposure when deemed appropriate, based upon market conditions. These strategies attempt to provide and maintain the lowest cost of capital. The carrying amount of long-term debt was $6.3 billion at September 30, 1999 with a fair value of $6.1 billion. The fair value of CMS Energy's interest rate swaps at September 30, 1999, with a notional amount of $3.1 billion, was $2 million, representing the amount CMS Energy would receive upon settlement. A hypothetical 10 percent adverse shift in interest rates in the near term would not have a material effect on CMS Energy's consolidated financial position, results of operations or cash flows as of September 30, 1999.

CURRENCY EXCHANGE RISK: Management uses forward exchange and option contracts to hedge certain net investments in foreign operations. A hypothetical 10 percent adverse shift in currency exchange rates would not have a material effect on CMS Energy's consolidated financial position or results of operations as of September 30, 1999, but would result in a net cash settlement of approximately $47 million. The estimated fair value of the foreign exchange and option contracts at September 30, 1999 was $24 million, representing the amount CMS Energy would pay upon settlement.

EQUITY SECURITY PRICE RISK: CMS Energy and certain of its subsidiaries have equity investments in companies in which they hold less than a 20 percent interest. A hypothetical 10 percent adverse shift in equity security prices would not have a material effect on CMS Energy's consolidated financial position, results of operations or cash flows as of September 30, 1999.

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

CAPITAL RESOURCES AND LIQUIDITY

CASH POSITION, INVESTING AND FINANCING

CMS Energy's primary ongoing source of cash is dividends and distributions from subsidiaries. During the nine months ended September 30, 1999, Consumers paid $207 million in common dividends and Enterprises paid $55 million in common dividends to CMS Energy. In September 1999, Consumers declared a $55 million dividend payable in November 1999 to CMS Energy. In June 1999, CMS Energy contributed $150 million of paid-in capital to Consumers. CMS Energy's consolidated cash requirements are met by its operating and financing activities.

OPERATING ACTIVITIES: CMS Energy's consolidated net cash provided by operating activities is derived mainly from the processing, storage, transportation and sale of natural gas; the generation, transmission, distribution and sale of electricity; and the sale of oil. Consolidated cash from operations totaled $440 million and $386 million for the first nine months of 1999 and 1998, respectively. The $54 million increase resulted from increased cash earnings, partially offset by an increase in undistributed equity earnings of unconsolidated subsidiaries. CMS Energy uses cash derived from operating activities primarily to expand its international and domestic businesses, to maintain and expand electric and gas systems of Consumers, to pay interest on and retire portions of its long-term debt, and to pay dividends.

INVESTING ACTIVITIES: CMS Energy's consolidated net cash used in investing activities totaled $2.7 billion and $690 million for the first nine months of 1999 and 1998, respectively. The increase of $2.0 billion primarily reflects the acquisition of Panhandle in March 1999. CMS Energy's expenditures during the first nine months of 1999 for its utility and international businesses were $304 million and $2.4 billion, respectively, compared to $290 million and $424 million, respectively, during the comparable period in 1998.

FINANCING ACTIVITIES: CMS Energy's net cash provided by financing activities totaled $2.4 billion and $336 million for the first nine months of 1999 and 1998, respectively. The increase of $2.1 billion in net cash provided by financing activities resulted from an increase of $1.716 billion in the issuance of new securities (see table below) and a decrease in the retirement of bonds and other long-term debt ($574 million), partially offset by an increase in the retirement of existing securities ($194 million).

	Month Issued	Maturity	Distribution/ Interest Rate	Principal Amount (In Millions)	Use of Proceeds
CMS ENERGY					
GTNs Series E	(1)	(1)	7.2%(1)	$ 181	General corporate purposes
Senior Notes	January	2009	7.5%	$ 480	Repay debt and general corporate purposes
Senior Notes	February	2004	6.75%	$ 300	Repay debt and general corporate purposes
Trust Preferred Securities	June	2001	(2)	$ 250	To refinance acquisition of Panhandle
Senior Notes	June	2011	8.0%(4)	$ 250	To refinance acquisition of Panhandle
Senior Notes	June	2013	8.375%(5)	$ 150	To refinance acquisition of Panhandle
Adjustable Convertible Trust Preferred Securities	July	2004	8.75%	$ 300	Repay debt and general corporate purposes
Subtotal				$1,911	
PANHANDLE					
Senior Notes (3)	March	2004	6.125%	$ 300	To fund acquisition of Panhandle
Senior Notes (3)	March	2009	6.5%	$ 200	To fund acquisition of Panhandle
Senior Notes (3)	March	2029	7.0%	$ 300	To fund acquisition of Panhandle
Subtotal				$ 800	
Total				$2,711	

(1) GTNs are issued from time to time with varying maturity dates. The rate shown herein is a weighted average interest rate.
(2) The Trust Preferred Securities pay quarterly distributions at a floating rate of LIBOR plus 1.75 percent. For detailed information, see Note 3, incorporated by reference herein.

(3) These notes were privately placed by CMS Panhandle Holding on March 29, 1999, with an irrevocable and unconditional guarantee by Panhandle. On June 15, 1999, CMS Panhandle Holding merged into Panhandle, at which point the notes became direct obligations of Panhandle. In September 1999, Panhandle exchanged the $800 million of notes originally issued by CMS Panhandle Holding with substantially identical SEC-registered notes.
(4) The interest rate may be reset in July 2001. For detailed information, see Note 3, incorporated by reference herein.
(5) The interest rate may be reset in July 2003. For detailed information, see Note 3, incorporated by reference herein.

During the nine months ended September 30, 1999, CMS Energy declared and paid $153 million in cash dividends to holders of CMS Energy Common Stock and $9 million in cash dividends to holders of Class G Common Stock. In September 1999, the Board of Directors declared a quarterly dividend of $.365 per share on CMS Energy Common Stock, payable in November 1999.

OTHER INVESTING AND FINANCING MATTERS: At September 30, 1999, the book value per share of CMS Energy Common Stock and Class G Common Stock was $20.49 and $12.28, respectively.

At September 30, 1999, CMS Energy had an aggregate $1.7 billion in securities registered for future issuance, which may include the issuance of CMS Energy Common Stock during the next twelve months.

CMS Energy has Senior Credit Facilities, unsecured lines of credit and letters of credit as anticipated sources of funds to finance working capital requirements and to pay for capital expenditures between long-term financings. At September 30, 1999, the total amount available under the Senior Credit Facilities was $8 million, and under the unsecured lines of credit and letters of credit was $163 million. For detailed information, see Note 3, incorporated by reference herein.

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

In March 1999, CMS Energy acquired Panhandle from Duke Energy for a cash payment of $1.9 billion and existing Panhandle debt of $300 million. The acquisition of Panhandle initially was financed with a $600 million bridge loan negotiated with domestic banks, proceeds from CMS Energy long-term debt, and approximately $800 million of notes privately placed by CMS Panhandle Holding. As of June 30, 1999, the entire bridge loan had been repaid from proceeds of the sale of $250 million of Trust Preferred Securities and $400 million of senior notes discussed below.

In April 1999, Consumers redeemed all eight million outstanding shares of its $2.08 preferred stock at $25.00 per share for a total of $200 million.

In July 1999, 7.25 million units of 8.75 percent Adjustable Convertible Trust Securities were sold by CMS Energy and CMS Energy Trust II, a Delaware statutory business trust established by CMS Energy. Each security consists of a Trust Preferred Security of CMS Energy Trust II maturing in five years and a contract for the purchase of CMS Energy Common Stock in three years at a conversion premium up to 28 percent or an effective price of $53 per common share. Net proceeds from the sale totaled $291 million and were used to repay portions of various lines of credit and the revolving credit facility.

On October 25, 1999, CMS Energy exchanged approximately 6.1 million shares of CMS Energy Common Stock for all of the approximately 8.7 million issued and outstanding shares of Class G Common Stock in a tax-free exchange for United States federal income tax purposes. For detailed information, see Note 7, incorporated by reference herein.

On November 10, 1999, CMS Energy privately placed 125,000 shares of its Mandatorily Convertible Preferred Stock with CMS Share Trust, a Delaware statutory business trust established by CMS Energy, in connection with a $125 million secured debt issuance by an unconsolidated subsidiary. The Mandatorily Convertible Preferred Stock has a liquidation preference of $1,000 per share and does not pay dividends while held by the CMS Share Trust. Under certain circumstances involving the unconsolidated subsidiary's and CMS Energy's inability to pay principal and/or interest on the subsidiary's debt, the Mandatorily Convertible Preferred Stock may be remarketed to third parties with the proceeds applied to payment of the subsidiary's debt. At the time of remarketing, if any, a market-based dividend rate and the terms of the conversion into CMS Energy Common Stock would be established.

On October 18, 1999, CMS Energy announced that because of the low market price of CMS Energy Common Stock at that time, it identified an alternative way to improve its balance sheet through the sale of non-strategic assets. CMS Energy has identified for possible sale $1 billion of assets which are expected to contribute little or no earnings benefit in the short to medium term. CMS Energy plans to sell $500 to $700 million of such assets by the end of the first quarter of 2000. While there are no assurances that agreements to sell such assets, or to sell that amount of assets, will be achieved, the cash raised in this manner is expected to make further issuance of equity securities unnecessary in the near future.

CAPITAL EXPENDITURES

CMS Energy estimates that capital expenditures, including new lease commitments and investments in partnerships and unconsolidated subsidiaries, will total $7.1 billion during 1999 through 2001. These estimates are prepared for planning purposes and are subject to revision. This total includes approximately $2.2 billion for the acquisition of Panhandle as described above. A substantial portion of the remaining capital expenditures is expected to be satisfied by cash from operations. CMS Energy will continue to evaluate capital markets in 1999 as a potential source of financing its subsidiaries' investing activities. CMS Energy estimates capital expenditures by business segment over the next three years as follows:

In Millions

Years Ended December 31	1999	2000	2001
Consumers electric operations (a)	$ 400	$ 435	$ 520
Consumers gas operations (a)	125	130	130
Independent power production	520	591	293
Oil and gas exploration and production	155	160	210
Natural gas transmission and storage	2,525(b)	247	200
International energy distribution	115	150	150
Marketing, services and trading	45	12	12
Other	10	-	-
	$3,895	$1,725	$1,515

(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) This amount includes approximately $2.2 billion for the acquisition of Panhandle.

CMS Energy currently plans investments from 1999 to 2001: i) in oil and gas exploration and production operations, primarily in North and South America, offshore West Africa and North Africa; ii) in acquisitions and development of electric generating plants in the United States, Latin America, North Africa, the Middle East, and select areas of Asia, including India; iii) to continue development of nonutility natural gas storage, gathering and pipeline operations of CMS Gas Transmission in North and South America, Australia and Africa; iv) to acquire, develop and expand international energy distribution businesses; and v) to provide gas, electric, oil and coal marketing, risk management and energy management services throughout the United States and eventually worldwide.

OUTLOOK

As the deregulation and privatization of the energy industry takes place in the United States and in foreign countries, CMS Energy has positioned itself to be a leading international diversified energy company acquiring, developing and operating energy facilities and providing energy services in major world growth markets. CMS Energy provides a complete range of international energy expertise from energy production to consumption.

INTERNATIONAL OPERATIONS OUTLOOK

CMS Energy will continue to grow internationally by investing in multiple projects in several countries as well as by developing synergistic projects across its lines of business. CMS Energy believes these integrated projects will create more opportunities and greater value than individual investments. Also, CMS Energy will achieve this growth through strategic partnering where appropriate.

CMS Energy seeks to minimize operational and financial risks when operating internationally by working with local partners, utilizing multilateral financing institutions, procuring political risk insurance and hedging foreign currency exposure where appropriate.

CONSUMERS' ELECTRIC UTILITY OUTLOOK

GROWTH: Consumers expects average annual growth of 2.6 percent per year in electric system deliveries for the years 2000 to 2004. This growth rate does not take into account the possible impact of restructuring or changed regulation on the industry. Abnormal weather, changing economic conditions, or the developing competitive market for electricity may affect actual electric sales by Consumers in future periods.

RESTRUCTURING: Competition affects Consumers' retail electric business. To meet its challenges, Consumers has multi-year contracts with some of its largest industrial customers to serve certain facilities. The MPSC approved these contracts as part of its phased introduction to competition. Some of these contracts have termination and restructuring options available to customers depending on business and regulatory circumstances that may occur in the future.

FERC Orders 888 and 889, as amended, require utilities to provide direct access to the interstate transmission grid for wholesale transactions. Consumers and Detroit Edison disagree on the effect of the orders on the Michigan Electric Power Coordination Center pool. Consumers proposes to maintain the benefits of the pool through at least December 2000. Detroit Edison, however, had previously proposed that the parties terminate the pool agreement immediately. If the pool agreement is terminated, Consumers could, among other alternatives, join a regional transmission organization. FERC has indicated this preference for structuring the operations of the electric transmission grid.

For material changes relating to the restructuring of the electric utility industry, see Note 1, Corporate

Structure and Basis of Presentation, "Utility Regulation" and Note 2, Uncertainties, "Consumers' Electric Utility Rate Matters - Electric Restructuring", incorporated by reference herein.

RATE MATTERS: In November 1997, ABATE filed a complaint with the MPSC alleging that Consumers' electric earnings are more than its authorized rate of return and sought an immediate reduction in Consumers' electric rates. The MPSC staff investigated the complaint and concluded in an April 1998 report that no formal rate proceeding was warranted at that time. The MPSC has now scheduled this matter for further proceedings that should lead to more definitive MPSC resolution in the first quarter of 2000, absent prior agreement among the parties. In those proceedings, ABATE and intervenors bear the burden of convincing the MPSC to reduce electric rates, which will otherwise remain unchanged. In its testimony filed in this case, ABATE claimed that Consumers' received approximately $189 million in excess revenues for 1998. In its testimony MPSC staff stated that 1998 financial results show excess revenues of $118 million when actual results were compared to the previously authorized electric return on equity, but recognized that no definitive conclusion could be reached from such a simplistic computation about the proper level of future retail electric rates. The MPSC staff presentation anticipated Consumers would file testimony and exhibits using traditional ratemaking adjustments and normalizations which would negate ABATE's claim of excessive earnings. Consumers has filed such testimony showing that after such normalizations, there is a revenue deficiency of approximately $3 million. The MPSC staff offered several alternatives for the MPSC to consider. They involved several different refunds or reductions which the MPSC could consider separately or in combination, but which, if made would not result in a permanent future reduction in electric rates in the amount being sought by ABATE. Consumers believes that ABATE has not met its burden of proving that a reduction in rates is required. Consumers also believes that ABATE's request for refunds from 1995 to present is inappropriate and unlawful; no such retroactive rate adjustment has ever been granted by the MPSC. CMS Energy is unable to predict the outcome of this matter.

CONSUMERS GAS GROUP OUTLOOK

GROWTH: Consumers currently anticipates gas deliveries, including gas customer choice deliveries excluding transportation to the MCV Facility and off-system deliveries, to grow at an average annual rate of between one and two percent over the next five years based primarily on a steadily growing customer base. Actual gas deliveries in future periods may be affected by abnormal weather, alternative energy prices, changes in competitive conditions, particularly as a result of industry restructuring, and the level of natural gas consumption. Consumers also offers a variety of energy-related services to its customers focused upon appliance maintenance, home safety, commodity choice and assistance to customers purchasing heating, ventilation and air conditioning equipment.

RESTRUCTURING: In December 1997, the MPSC approved Consumers' application to implement a statewide three-year experimental gas transportation program, eventually allowing 300,000 residential, commercial and industrial retail gas sales customers to choose their gas supplier. For further information regarding restructuring of the Gas Business, see Note 2, Uncertainties, "Consumers Gas Group Matters-Gas Restructuring," incorporated by reference herein.

PANHANDLE OUTLOOK

The market for transmission of natural gas to the Midwest is increasingly competitive and may become more so in light of projects in progress to increase Midwest transmission capacity for gas originating in Canada and the Rocky Mountain region. As a result, there continues to be pressure on prices charged by

Panhandle and an increasing necessity to discount the prices charged from the legal maximum. Panhandle continues to be selective in offering discounts to maximize revenues from existing capacity and to advance projects that provide expanded services to meet the specific needs of customers. As a result of Panhandle's new cost basis resulting from the merger with CMS Panhandle Holding, which includes costs not likely to be considered for regulatory recovery, in addition to the level of discounting being experienced by Panhandle, it no longer meets the criteria of SFAS 71 and has discontinued application of SFAS 71. The discontinuance is not expected to materially affect CMS Energy's financial position, liquidity, or results of operations.

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

OTHER MATTERS

NEW ACCOUNTING RULES

Effective January 1, 1999, CMS Energy adopted EITF Issue 98-10, Accounting for Energy Trading and Risk Management Activities, which requires mark-to-market accounting for energy contracts entered into for trading purposes. Under mark-to-market accounting, gains and losses resulting from changes in market prices on contracts entered into for trading purposes are reflected in current earnings. The after-tax mark-to-market adjustment resulting from the adoption of EITF 98-10 has had an immaterial effect on CMS Energy's consolidated financial position, results of operations and cash flows as of September 30, 1999. For energy contracts that are hedges of non-trading activities, CMS Energy will continue to use accrual accounting until it adopts SFAS 133, Accounting for Derivative Instruments and Hedging Activities, which will be effective January 1, 2001. CMS Energy is currently studying SFAS 133 and has not yet quantified the effects of adoption on its financial statements and has not determined the timing of or method of adoption.

YEAR 2000 COMPUTER MODIFICATIONS

CMS Energy uses software and related technologies throughout its domestic and international businesses that the year 2000 date change could affect and, if uncorrected, could cause CMS Energy to, among other things, delay issuance of bills or reports, issue inaccurate bills, report inaccurate data, incur generating plant outages, or create energy delivery uncertainties. In 1995, CMS Energy established a Year 2000 Program to ensure the continued operation of its businesses at the turn of the century. CMS Energy's efforts included dividing the programs requiring modification between critical and noncritical programs. A formal methodology was established to identify critical business functions and risk scenarios, to correct problems identified, to develop test plans and expected results, and to test the corrections made. CMS Energy's Year 2000 Program involves an aggressive, comprehensive four-phase approach, including impact analysis, remediation, compliance review, and monitoring/contingency planning.

The impact analysis phase includes the analysis, inventory, prioritization and remediation plan development for all technology essential to core business processes. The remediation phase involves testing and implementation of remediated technology. A mainframe test environment was established in 1997 and a test environment for network servers and stand-alone personal computers was established in mid-1998. All essential corporate business systems have been, or will be, tested in these test environments. The compliance review phase includes the assembling of compliance documentation for each technology component as remediation efforts are completed, and additional verification testing of essential technology where necessary. The monitoring/contingency planning phase includes compliance monitoring to ensure that year 2000 problems are not reintroduced into remediated technology, as well as the development of contingency plans to address reasonably likely risk scenarios.

On March 29, 1999, CMS Energy acquired Panhandle. As part of CMS Energy's acquisition due diligence, CMS Energy evaluated Panhandle's year 2000 compliance program, which had been initiated in 1996. Management believes Panhandle is devoting the necessary resources to achieve year 2000 readiness in a timely manner. The status of Panhandle's Year 2000 Program by phase as of September 30, 1999, with target dates for completion and current percentage complete, are included within the data presented for natural gas transmission.

STATE OF READINESS: CMS Energy is managing traditional Information Technology (IT), which consists of essential business systems such as payroll, billing and purchasing; and infrastructure, including mainframe, wide area network, local area networks, personal computers, radios and telephone systems. CMS Energy is also managing process control computers and embedded systems contained in buildings, equipment and energy supply and delivery systems.

Essential goods and services for CMS Energy are electric fuel supply, gas fuel supply, independent electric power supplies, facilities, electronic commerce, telecommunications network carriers, financial institutions, purchasing vendors, and software and hardware technology vendors. CMS Energy is addressing the preparedness of these businesses and their risk through readiness assessment questionnaires.

The status of CMS Energy's Year 2000 Program by phase, with target dates for completion and current percentage complete based upon software and hardware inventory counts as of September 30, 1999, is as follows:

	Impact Analysis		Remediation		Compliance Review		Monitoring/ Contingency Planning	
	(a)	(b)	(a)	(b)	(a)	(b)	(a)	(b)
Electric utility	3/98	100%	6/99	100%	6/99	100%	6/99	100%
Gas utility	3/98	100%	6/99	100%	6/99	100%	6/99	100%
Independent power production	10/99	99%	10/99	97%	10/99	99%	9/99	100%
Oil and gas	9/99	100%	10/99	94%	10/99	96%	9/99	100%
Natural gas transmission	6/99	100%	10/99	99%	10/99	99%	9/99	100%
Marketing, services and trading	6/99	100%	10/99	99%	10/99	98%	10/99	90%
Essential goods and services	7/99	100%		N/A		N/A		(c)

(a) Target date for completion.
(b) Current percentage complete.
(c) Contingency planning for essential goods and services is incorporated into contingency planning for each segment presented.

COST OF REMEDIATION: CMS Energy expenses the cost of software modifications as incurred, and capitalizes and amortizes the cost of new software and equipment over its useful life. The total estimated cost of the Year 2000 Program is approximately $30 million. Costs incurred through September 30, 1999 were approximately $26 million. CMS Energy's annual Year 2000 Program costs have represented approximately 2 percent to 10 percent of CMS Energy's annual IT budget through 1998 and are expected to represent approximately 25 percent of CMS Energy's annual IT budget in 1999. Year 2000 compliance work is being funded primarily from operations. To date, the commitment of CMS Energy resources to the year 2000 issue has not deferred any material IT projects which could have a material adverse affect on CMS Energy's financial position, liquidity or results of operations.

RISK ASSESSMENT: CMS Energy considers the most reasonably likely worst-case scenarios to be: i) a lack of communications to dispatch crews to electric or gas emergencies; ii) a lack of communications to generating units to balance electrical load; iii) power shortages due to the lack of stability of the electric grid; and iv) a failure of fuel suppliers to deliver fuel to generating facilities. These scenarios could result in CMS Energy not being able to generate or distribute enough energy to meet customer demand for a period of time, which could result in lost sales and profits, as well as legal liability. Year 2000 remediation and testing efforts are concentrating on these risk areas and will continue through the end of 1999. Contingency plans are substantially in place and will be executed, if necessary, to further mitigate the risks associated with these scenarios.

CONTINGENCY PLANS: Contingency planning efforts are currently underway for all business systems and providers of essential goods and services. Extensive contingency plans are already in place in many locations and are currently being revised for reasonably likely worst-case scenarios related to year 2000 issues. In many cases, Consumers already has arrangements with multiple vendors of similar goods and services in anticipation that if one cannot meet its commitments, others may be able to. Current contingency plans provide for manual dispatching of crews and manual coordination of electrical load balancing and have been revised to provide for radio or satellite communications. Coordinated contingency planning efforts are in progress with third parties to minimize risk to electric generation, transmission and distribution systems.

EXPECTATIONS: CMS Energy does not expect that the cost of these modifications will materially affect its financial position, liquidity, or results of operations. There can be no guarantee, however, that these costs, plans or time estimates will be achieved, and actual results could differ materially.

Because of the integrated nature of CMS Energy's business with other energy companies, utilities, jointly owned facilities operated by other entities, and business conducted with suppliers and large customers, CMS Energy may be indirectly affected by year 2000 compliance complications.

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 U.S. dollar and each of the Australian dollar, Brazilian real and Argentine peso. From January 1, 1999 through September 30, 1999, the change in the foreign currency translation adjustment totaled $1 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 contracts and collared options 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 $1.7 billion at September 30, 1999, which includes $330 million, $350 million and $880 million for Australian, Brazilian and Argentine foreign exchange contracts, respectively. The estimated fair value of the foreign exchange and option contracts at September 30, 1999 was $24 million, representing the amount CMS Energy would pay upon settlement.

FORWARD-LOOKING STATEMENTS

This report contains forward-looking statements as defined by the Private Securities Litigation Reform Act of 1995. The words "anticipates," "believes," "estimates," "expects," "intends," and "plans," as well as variations of such words and similar expressions, are intended to identify forward-looking statements that involve risk and uncertainty. CMS Energy bases these statements upon various assumptions involving judgements with respect to the future including, among others, the ability to achieve operating synergies and revenue enhancements; international, national, regional and local economic, political, competitive and regulatory conditions and developments; capital and financial market conditions, including currency exchange controls and interest rates; weather conditions and other natural phenomena; adverse regulatory or legal decisions, including environmental and tax laws and regulations; the pace of deregulation of the natural gas and electric industries; energy markets, including the timing and extent of changes in commodity prices for oil, coal, natural gas, natural gas liquids, electricity and certain related products; the timing and success of business development efforts; potential disruption, expropriation or interruption of facilities or operations due to accidents or political events; nuclear power performance and regulation; technological developments in energy production, delivery, and usage; the effect of changes in accounting policies; year 2000 readiness; and other uncertainties, all of which are difficult to predict and many of which are beyond the control of CMS Energy. Accordingly, while CMS Energy believes that the assumed results are reasonable, there can be no assurance that they will approximate actual results. CMS Energy disclaims any obligation to update or revise forward-looking statements, whether as a result of new information, future events or otherwise. Certain risk factors are detailed from time to time in various public filings made by CMS Energy with the SEC.

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CMS ENERGY CORPORATION
CONSOLIDATED STATEMENTS OF INCOME
(UNAUDITED)

	THREE MONTHS ENDED		NINE MONTHS ENDED		TWELVE MONTHS ENDED	
September 30	1999	1998	1999	1998	1999	1998
				In Millions, Except Per Share Amounts		
OPERATING REVENUE						
Electric utility	$ 753	$ 729	$ 2,052	$ 1,990	$ 2,667	$ 2,617
Gas utility	112	117	792	716	1,128	1,092
Natural gas transmission, storage and processing	233	20	546	69	637	94
Independent power production	103	95	261	214	324	266
Oil and gas exploration and production	25	15	69	46	86	72
Marketing, services and trading	216	305	520	748	711	1,074
Other	46	5	139	9	176	11
	1,488	1,286	4,379	3,792	5,729	5,226
OPERATING EXPENSES						
Operation						
Fuel for electric generation	116	109	315	273	401	359
Purchased power - related parties	140	143	418	433	559	585
Purchased and interchange power	151	248	357	492	449	569
Cost of gas sold	306	154	1,078	799	1,491	1,325
Other	250	200	707	558	912	744
	963	854	2,875	2,555	3,812	3,582
Maintenance	53	49	141	128	189	180
Depreciation, depletion and amortization	141	112	429	347	566	472
General taxes	60	49	186	155	246	209
	1,217	1,064	3,631	3,185	4,813	4,443
PRETAX OPERATING INCOME (LOSS)						
Electric utility	168	153	425	378	522	468
Gas utility	(7)	6	87	81	132	134
Independent power production	51	57	120	123	141	152
Natural gas transmission, storage and processing	51	6	102	28	107	33
Oil and gas exploration and production	5	2	13	12	7	22
Marketing, services and trading	-	2	1	2	3	(4)
Other	3	(4)	-	(17)	4	(22)
	271	222	748	607	916	783
OTHER INCOME (DEDUCTIONS)						
Accretion income	1	1	3	5	5	7
Accretion expense	(4)	(4)	(11)	(12)	(15)	(16)
Loss on MCV power purchases	-	-	-	(37)	-	(37)
Other, net	(1)	(3)	17	2	15	(6)
	(4)	(6)	9	(42)	5	(52)
FIXED CHARGES						
Interest on long-term debt	135	79	365	234	449	309
Other interest	17	8	37	33	52	48
Capitalized interest	(11)	(6)	(34)	(17)	(46)	(21)
Preferred dividends	-	5	6	14	10	19
Preferred securities distributions	18	8	35	24	43	31
	159	94	409	288	508	386
INCOME BEFORE INCOME TAXES	108	122	348	277	413	345
INCOME TAXES	25	41	92	86	106	95
CONSOLIDATED NET INCOME BEFORE CUMULATIVE EFFECT OF CHANGE IN ACCOUNTING PRINCIPLE	83	81	256	191	307	250
CUMULATIVE EFFECT OF CHANGE IN ACCOUNTING FOR PROPERTY TAXES, NET OF $23 TAX	-	-	-	43	-	43
CONSOLIDATED NET INCOME	$ 83	$ 81	$ 256	$ 234	$ 307	$ 293

September 30		THREE MONTHS ENDED 1999	1998	NINE MONTHS ENDED 1999	1998	TWELVE MONTHS ENDED 1999	1998
						In Millions, Except Per Share Amounts	
NET INCOME (LOSS) ATTRIBUTABLE TO COMMON STOCKS	CMS ENERGY	$ 86	$ 83	$ 248	$ 226	$ 294	$ 279
	CLASS G	$ (3)	$ (2)	$ 8	$ 8	$ 13	$ 14
AVERAGE COMMON SHARES OUTSTANDING	CMS ENERGY	109	102	109	101	108	101
	CLASS G	9	8	9	8	9	8
BASIC EARNINGS (LOSS) PER AVERAGE COMMON SHARE BEFORE CHANGE IN ACCOUNTING PRINCIPLE	CMS ENERGY	$ .79	$ .81	$ 2.29	$ 1.83	$ 2.73	$ 2.37
	CLASS G	$ (.38)	$ (.16)	$ .90	$ .68	$ 1.41	$ 1.37
CUMULATIVE EFFECT OF CHANGE IN ACCOUNTING PRINCIPLE, NET OF TAX, PER AVERAGE COMMON SHARE	CMS ENERGY	$ -	$ -	$ -	$ .40	$ -	$ .40
	CLASS G	$ -	$ -	$ -	$ .36	$ -	$ .36
BASIC EARNINGS (LOSS) PER AVERAGE COMMON SHARE	CMS ENERGY	$ .79	$ .81	$ 2.29	$ 2.23	$ 2.73	$ 2.77
	CLASS G	$ (.38)	$ (.16)	$ .90	$ 1.04	$ 1.41	$ 1.73
DILUTED EARNINGS (LOSS) PER AVERAGE COMMON SHARE	CMS ENERGY	$ .78	$ .80	$ 2.25	$ 2.19	$ 2.70	$ 2.73
	CLASS G	$ (.38)	$ (.16)	$ .90	$ 1.04	$ 1.41	$ 1.73
DIVIDENDS DECLARED PER COMMON SHARE	CMS ENERGY	$ .365	$ .33	$ 1.025	$ .93	$ 1.355	$ 1.23
	CLASS G	$ .34	$ .325	$ .99	$ .945	$ 1.315	$ 1.255

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

CMS ENERGY CORPORATION
CONSOLIDATED STATEMENTS OF CASH FLOWS
(UNAUDITED)

SEPTEMBER 30	NINE MONTHS ENDED 1999	1998	TWELVE MONTHS ENDED 1999	1998
				In Millions
CASH FLOWS FROM OPERATING ACTIVITIES				
Consolidated net income	$ 256	$ 234	$ 307	$ 293
Adjustments to reconcile net income to net cash provided by operating activities				
Depreciation, depletion and amortization (includes nuclear decommissioning of $38, $38, $50 and $51, respectively)	429	347	566	472
Loss on MCV power purchases	-	37	-	37
Capital lease and debt discount amortization	36	29	58	37
Accretion expense	11	12	15	16
Accretion income - abandoned Midland project	(3)	(5)	(4)	(7)
Cumulative effect of accounting change	-	(66)	-	(66)
MCV power purchases	(45)	(48)	(61)	(63)
Undistributed earnings of related parties	(70)	(36)	(129)	(54)
Deferred income taxes and investment tax credit	16	61	9	74
Other	3	(8)	17	(7)
Changes in other assets and liabilities	(193)	(171)	(208)	(56)
Net cash provided by operating activities	440	386	570	676
CASH FLOWS FROM INVESTING ACTIVITIES				
Aquisition of companies net of cash acquired	(1,899)	-	(1,899)	-
Capital expenditures (excludes assets placed under capital lease)	(479)	(448)	(1,326)	(617)
Investments in partnerships and unconsolidated subsidiaries	(291)	(234)	(402)	(476)
Cost to retire property, net	(62)	(65)	(80)	(68)
Other	11	1	42	2
Proceeds from sale of property	2	56	3	59
Net cash used in investing activities	(2,718)	(690)	(3,662)	(1,100)
CASH FLOWS FROM FINANCING ACTIVITIES				
Proceeds from notes, bonds and other long-term debt	2,415	1,273	2,845	1,725
Issuance of common stock	72	49	292	213
Retirement of bonds and other long-term debt	(47)	(621)	(87)	(1,069)
Borrowings (repayments) of lines of credit, net	(185)	(157)	43	(219)
Increase (decrease) in notes payable, net	(11)	(80)	16	(92)
Payment of common stock dividends	(162)	(102)	(200)	(134)
Payment of capital lease obligations	(28)	(26)	(38)	(35)
Retirement of preferred stock	(194)	-	(194)	-
Retirement of common stock	-	-	(3)	-
Proceeds from trust preferred securities	551	-	551	-
Net cash provided by financing activities	2,411	336	3,225	389
NET INCREASE (DECREASE) IN CASH AND TEMPORARY CASH INVESTMENTS	133	32	133	(35)
CASH AND TEMPORARY CASH INVESTMENTS, BEGINNING OF PERIOD	101	69	101	136
CASH AND TEMPORARY CASH INVESTMENTS, END OF PERIOD	$ 234	$ 101	$ 234	$ 101

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

CASH TRANSACTIONS				
Interest paid (net of amounts capitalized)	$ 311	$ 229	$ 395	$ 321
Income taxes paid (net of refunds)	54	51	54	61
NON-CASH TRANSACTIONS				
Nuclear fuel placed under capital lease	$ 2	$ 21	$ 27	$ 21
Other assets placed under capital leases	11	11	14	12
Common stock issued to acquire companies	-	-	61	-
Assumption of debt	305	-	393	-

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

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

CMS ENERGY CORPORATION
CONSOLIDATED BALANCE SHEETS

ASSETS	SEPTEMBER 30 1999 (UNAUDITED)	DECEMBER 31 1998	SEPTEMBER 30 1998 (UNAUDITED)
			In Millions
PLANT AND PROPERTY (AT COST)			
Electric utility	$ 6,920	$ 6,720	$ 6,641
Gas utility	2,427	2,360	2,328
Natural gas transmission, storage and processing	1,912	341	170
Oil and gas properties (successful efforts method)	725	670	637
Independent power production	593	518	271
Other	422	373	49
	12,999	10,982	10,096
Less accumulated depreciation, depletion and amortization	6,018	5,213	5,052
	6,981	5,769	5,044
Construction work-in-progress	413	271	226
	7,394	6,040	5,270
INVESTMENTS			
Independent power production	1,019	888	868
Natural gas transmission, storage and processing	564	494	341
International energy distribution	133	209	272
Midland Cogeneration Venture Limited Partnership	240	209	199
First Midland Limited Partnership	238	240	237
Other	34	33	35
	2,228	2,073	1,952
CURRENT ASSETS			
Cash and temporary cash investments at cost, which approximates market	234	101	101
Accounts receivable, notes receivable and accrued revenue, less allowances of $12, $13 and $8, respectively	1,023	720	457
Inventories at average cost			
Gas in underground storage	288	219	276
Materials and supplies	144	99	91
Generating plant fuel stock	37	43	29
Deferred income taxes	13	-	14
Prepayments and other	222	225	170
	1,961	1,407	1,138
NON-CURRENT ASSETS			
Nuclear decommissioning trust funds	572	557	510
Unamortized nuclear costs	506	-	-
Postretirement benefits	351	373	381
Abandoned Midland Project	53	71	77
Other	1,529	789	602
	3,011	1,790	1,570
TOTAL ASSETS	$ 14,594	$ 11,310	$ 9,930

STOCKHOLDERS' INVESTMENT AND LIABILITIES	SEPTEMBER 30 1999 (UNAUDITED)	DECEMBER 31 1998	SEPTEMBER 30 1998 (UNAUDITED)
			In Millions
CAPITALIZATION			
Common stockholders' equity	$ 2,353	$ 2,216	$ 1,922
Preferred stock of subsidiary	44	238	238
Company-obligated mandatorily redeemable Trust Preferred Securities of:			
Consumers Power Company Financing I (a)	100	100	100
Consumers Energy Company Financing II (a)	120	120	120
Company-obligated convertible Trust Preferred Securities of:			
CMS Energy Trust I (b)	173	173	173
CMS Energy Trust II (b)	301	-	-
Company-obligated Trust Preferred Securities of CMS RHINOS Trust (c)	250	-	-
Long-term debt	7,092	4,726	4,248
Non-current portion of capital leases	89	105	77
	10,522	7,678	6,878
CURRENT LIABILITIES			
Current portion of long-term debt and capital leases	308	293	171
Notes payable	317	328	302
Accounts payable	466	501	309
Accrued taxes	215	272	144
Accrued interest	114	65	64
Accounts payable - related parties	58	79	90
Power purchases	47	47	47
Accrued refunds	19	11	12
Other	447	211	189
	1,991	1,807	1,328
NON-CURRENT LIABILITIES			
Deferred income taxes	646	652	654
Postretirement benefits	479	489	499
Deferred investment tax credit	129	135	144
Regulatory liabilities for income taxes, net	121	87	83
Power purchases	87	121	134
Other	619	341	210
	2,081	1,825	1,724
COMMITMENTS AND CONTINGENCIES (Notes 1 and 2)			
TOTAL STOCKHOLDERS' INVESTMENT AND LIABILITIES	$ 14,594	$ 11,310	$ 9,930

(a) The primary asset of Consumers Power Company Financing I is $103 million principal amount of 8.36 percent subordinated deferrable interest notes due 2015 from Consumers. The primary asset of Consumers Energy Company Financing II is $124 million principal amount of 8.20 percent subordinated deferrable interest notes due 2027 from Consumers. For further discussion, see Note 3 to the Consolidated Financial Statements.
(b) The primary asset of CMS Energy Trust I is $178 million principal amount of 7.75 percent convertible subordinated debentures due 2027 from CMS Energy. The primary asset of CMS Energy Trust II is $310 million principal amount of 8.625 percent convertible junior subordinated debentures due July 2004 from CMS Energy. For further discussion, see Note 3 to the Consolidated Financial Statements.
(c) As described in Note 3, the primary asset of CMS RHINOS Trust is $258 million principal amount of LIBOR plus 1.75 percent subordinated debentures due September 2001 from CMS Energy.

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

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

SEPTEMBER 30	THREE MONTHS ENDED 1999	1998	NINE MONTHS ENDED 1999	1998	TWELVE MONTHS ENDED 1999	1998
						In Millions
COMMON STOCK						
At beginning and end of period	$ 1	$ 1	$ 1	$ 1	$ 1	$ 1
OTHER PAID-IN CAPITAL						
At beginning of period	2,643	2,297	2,594	2,267	2,316	2,103
Redemption of affiliate's preferred stock	-	-	(2)	-	(2)	-
Common stock reacquired	-	-	-	-	(3)	-
Common stock reissued	2	-	2	-	2	-
Common stock issued:						
CMS Energy	20	18	67	45	346	206
Class G	1	1	5	4	7	7
At end of period	2,666	2,316	2,666	2,316	2,666	2,316
REVALUATION CAPITAL						
At beginning of period	10	(6)	(9)	(6)	(16)	(4)
Change in unrealized investment-gain (loss) (a)	(7)	(10)	12	(10)	19	(12)
At end of period	3	(16)	3	(16)	3	(16)
FOREIGN CURRENCY TRANSLATION						
At beginning of period	(126)	(123)	(136)	(96)	(132)	(45)
Change in foreign currency translation (a)	(11)	(9)	(1)	(36)	(5)	(87)
At end of period	(137)	(132)	(137)	(132)	(137)	(132)
RETAINED EARNINGS (DEFICIT)						
At beginning of period	(138)	(292)	(234)	(379)	(247)	(406)
Consolidated net income (a)	83	81	256	234	307	293
Common stock dividends declared:						
CMS Energy	(122)	(33)	(193)	(94)	(228)	(123)
Class G	(3)	(3)	(9)	(8)	(12)	(11)
At end of period	(180)	(247)	(180)	(247)	(180)	(247)
TOTAL COMMON STOCKHOLDERS' EQUITY	$ 2,353	$ 1,922	$ 2,353	$ 1,922	$ 2,353	$ 1,922
(A) DISCLOSURE OF COMPREHENSIVE INCOME:						
Revaluation capital						
Unrealized investment-gain (loss), net of tax of $4, $5, $(6), $5, $(9) and $6, respectively	$ (7)	$ (10)	$ 12	$ (10)	$ 19	$ (12)
Foreign currency translation	(11)	(9)	(1)	(36)	(5)	(87)
Consolidated net income	83	81	256	234	307	293
Total Consolidated Comprehensive Income	$ 65	$ 62	$ 267	$ 188	$ 321	$ 194

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

CMS ENERGY CORPORATION
CONDENSED NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

These Condensed Notes and their related Consolidated Financial Statements should be read along with the Consolidated Financial Statements and Notes contained in the 1998 Form 10-K of CMS Energy, which includes the Reports of Independent Public Accountants. Certain prior year amounts have been reclassified to conform with the presentation in the current year. In the opinion of management, the unaudited information herein reflects all adjustments necessary to assure the fair presentation of financial position, results of operations and cash flows for the periods presented.

1: CORPORATE STRUCTURE AND BASIS OF PRESENTATION

CORPORATE STRUCTURE AND BASIS OF PRESENTATION

CMS Energy Corporation 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 energy-related 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. In March 1999, CMS Energy completed the acquisition of Panhandle, as discussed further below. Panhandle is primarily engaged in the interstate transportation, storage and processing of natural gas.

The consolidated financial statements include CMS Energy, Consumers and Enterprises and their majority owned subsidiaries. The financial statements are prepared in conformity with generally accepted accounting principles and use management's estimates where appropriate. Affiliated companies (where CMS Energy has more than 20 percent but less than a majority ownership interest) are accounted for by the equity method. For the three, nine and twelve-month periods ended September 30, 1999, undistributed equity earnings were $24 million, $70 million and $129 million, respectively, compared to $2 million, $36 million and $54 million for the three, nine and twelve-month periods ended September 30, 1998.

Foreign currency translation adjustments relating to the operation of CMS Energy's long-term investments in foreign countries are included in common stockholders' equity. From January 1, 1999 through September 30, 1999, the change in the foreign currency translation adjustment totaled $1 million, net of after-tax hedging proceeds.

NEW ACCOUNTING RULES

In 1999, CMS Energy implemented SOP 98-1, Accounting for the Costs of Computer Software Developed for Internal Use, and SOP 98-5, Reporting on the Costs of Start-Up Activities. Application of these standards has not had a material effect on CMS Energy's financial position, liquidity, or results of operations. Effective January 1, 1999, CMS Energy adopted EITF Issue 98-10, Accounting for Energy Trading and Risk Management Activities, which requires mark-to-market accounting for energy contracts entered into for trading purposes. Under mark-to-market accounting, gains and losses resulting from changes in market prices on contracts entered into for trading purposes are reflected in current earnings. The after-tax mark-to-market adjustment resulting from the adoption of EITF 98-10 had an immaterial effect on CMS Energy's consolidated financial position, results of operations and cash flows as of September 30, 1999. For energy contracts that are hedges of non-trading activities, CMS Energy will continue to use accrual accounting until it adopts SFAS 133, Accounting for Derivative Instruments and Hedging Activities, which will be effective January 1, 2001.

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 the costs of property acquisitions, successful exploratory wells, all development costs, and support equipment and facilities when incurred. It expenses unsuccessful exploratory wells when they are determined to be non-productive. CMS Oil and Gas also charges to expense production costs, overhead, and all exploration costs other than exploratory drilling as incurred. Depreciation, depletion and amortization of proved oil and gas properties is determined 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 a regulated utility accounting standard (SFAS 71). 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 which, among other things, identified the terms and timing for implementing electric restructuring in Michigan. Consistent with these orders, Consumers expected to implement retail open access for its electric customers in September 1999, and therefore, Consumers discontinued application of SFAS 71 for the energy supply portion of its business in the first quarter of 1999. Discontinuation of SFAS 71 for the energy supply portion of Consumers' business resulted in Consumers reducing the carrying value of its Palisades plant-related assets by approximately $535 million and established a regulatory asset for a corresponding amount. The regulatory asset is collectible as part of the Transition Costs which are recoverable through the regulated transmission and distribution portion of Consumers' business as approved by an MPSC order in 1998. This order also allowed Consumers to recover any energy supply-related regulatory assets, plus a return on any unamortized balance of those assets, from its transmission and distribution customers. According to current accounting standards, Consumers can continue to carry its energy supply-related regulatory assets or liabilities for the part of the business subject to regulatory change if legislation or an MPSC rate order allows the collection of cash flows, to recover specific costs or to settle obligations, from its regulated transmission and distribution customers. At September 30, 1999, Consumers had a net investment in energy supply facilities of $934 million included in electric plant and property.

ACQUISITION

In March 1999, CMS Energy completed the acquisition of Panhandle from Duke Energy for a cash payment of $1.9 billion and existing Panhandle debt of $300 million. The acquisition has been accounted for using the purchase method of accounting. Accordingly, the purchase price has been preliminarily allocated to the assets purchased and the liabilities assumed based upon their fair values at the date of acquisition, with the tentative excess purchase price of approximately $700 million classified as goodwill to be amortized on a straight-line basis over a period of forty years.

The following unaudited pro forma amounts for operating revenue, consolidated net income, basic earnings per share, diluted earnings per share and total assets, as if the acquisition had occurred on January 1, 1998, illustrate the effects of: (1) various restructuring, realignment, and elimination of activities between Panhandle and Duke Energy prior to the closing of the acquisition by CMS Energy; (2) the adjustments resulting from the acquisition by CMS Energy; and (3) financing transactions which include the public issuance of $800 million of senior notes by Panhandle, $850 million of senior notes by CMS Energy, and the private sale of $250 million of Trust Preferred Securities by CMS Energy.

In Millions, except per share amounts

	Three Months Ended September 30, 1999	Three Months Ended September 30, 1998	Nine Months Ended September 30, 1999	Nine Months Ended September 30, 1998	Year ended December 31, 1998
Operating revenue	$ 1,488	$ 1,376	$4,492	$4,096	$ 5,566
Consolidated net income	83	72	267	237	289
Basic earnings per share	.79	.72	2.38	2.26	2.70
Diluted earnings per share	.78	.71	2.35	2.22	2.67

	September 30, 1999	September 30, 1998	December 31, 1998
Total assets	$14,594	$12,367	$13,784

2: UNCERTAINTIES

CONSUMERS' ELECTRIC UTILITY CONTINGENCIES

ELECTRIC ENVIRONMENTAL MATTERS: The Clean Air Act limits emissions of sulfur dioxide and nitrogen oxides and requires emissions and air quality monitoring. Consumers currently operates within these limits and meets current emission requirements. The Clean Air Act requires the EPA to periodically review the effectiveness of the national air quality standards in preventing adverse health effects. In 1997 the EPA revised these standards to impose further limitations on nitrogen oxide and small particulate-related emissions. In May 1999 a United States Court of Appeals ruled that the grant of authority to the EPA to revise the standards as the EPA did, would amount to an unconstitutional delegation of legislative power. As a result, the standards will not be implemented under the 1997 rule. The EPA has requested a rehearing of the court's decision.

In September 1998, based in part upon the 1997 standards, the EPA Administrator issued final regulations requiring the State of Michigan to further limit nitrogen oxide emissions. Fossil-fueled emitters, such as Consumers' generating units, anticipated a reduction in nitrogen oxide emissions by 2003 to only 32 percent of levels allowed for the year 2000. The State of Michigan had one year to submit an implementation plan. The State of Michigan filed a lawsuit objecting to the extent of the required emission reductions and requesting an extension of the submission date. In May 1999 the United States Court of Appeals granted an indefinite stay of the submission date for the State of Michigan's implementation plan. Based upon the recent court rulings, it is unlikely that the State of Michigan will establish Consumers' nitrogen oxide emissions reduction target until late 1999. Until this target is established, the estimated cost of compliance discussed below is subject to revision.

The preliminary estimate of capital expenditures to reduce nitrogen oxide-related emissions to the level proposed by the State of Michigan for Consumers' fossil-fueled generating units ranges from $150 million to $290 million, in 1999 dollars. If Consumers had to meet the EPA's 1997 proposed requirements it is estimated that the cost to Consumers would be between $290 million and $500 million, in 1999 dollars. In both these cases the lower estimate represents the capital expenditure level that would satisfactorily meet the proposed emissions limits but would result in higher operating expense. The higher estimate in the range includes expenditures that result in lower operating costs while complying with the proposed emissions limit. Consumers anticipates that these capital expenditures will be incurred between 1999 and 2004, or between 1999 and 2003 if the EPA's limits are imposed.

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

Consumers' coal-fueled electric generating units burn low-sulfur coal and are currently operating at or near the sulfur dioxide emission limits that will be effective in the year 2000. During the past few years, in order to comply with the Clean Air Act, Consumers incurred capital expenditures totaling $55 million to install equipment at certain generating units. Consumers estimates an additional $16 million of capital expenditures for ongoing and proposed modifications at the remaining coal-fueled units to meet year 2000 requirements. Management believes that these expenditures will not materially affect Consumers' annual operating costs.

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 properly recoverable in rates under current ratemaking policies.

Consumers is a so-called 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. At September 30, 1999, Consumers has accrued the minimum amount of the range for its estimated Superfund liability.

While decommissioning Big Rock, Consumers found that some areas of the plant have coatings that contain both metals and PCBs. The cost of removal and disposal of these materials is currently unknown. There may be some radioactive portion of these materials, which no facility in the United States will currently accept. The cost of removal and disposal will constitute part of the cost to decommission the plant and will be paid from the decommissioning fund. Consumers is studying the extent of the contamination and reviewing options.

ANTITRUST: In October 1997, two independent power producers sued Consumers in a federal court. The suit alleged antitrust violations relating to contracts, which Consumers entered into with some of its customers and claims relating to power facilities. On March 31, 1999, the court issued an opinion and order granting Consumers' motion for summary judgment, resulting in the dismissal of the case. The plaintiffs have appealed this decision.

CONSUMERS' ELECTRIC UTILITY RATE MATTERS

ELECTRIC PROCEEDINGS: In 1996, the MPSC issued a final order that authorized Consumers to recover costs associated with the purchase of the additional 325 MW of MCV Facility capacity (see "Power Purchases from the MCV Partnership" in this Note) and to recover its nuclear plant investment by increasing prospective annual nuclear plant depreciation expense by $18 million, with a corresponding decrease in fossil-fueled generating plant depreciation expense. It also established an experimental direct-access program. Customers having a maximum demand of 2 MW or greater are eligible to purchase generation services directly from any eligible third-party power supplier and Consumers will transmit the power for a fee. The direct-access program is limited to 134 MW of load. In accordance with the MPSC order, Consumers held a lottery in April 1997 to select the customers to participate in the direct-access program. Subsequently, direct access for a portion of this 134 MW began in late 1997. The program was substantially filled by the end of March 1999. The Attorney General, ABATE, the MCV Partnership and other parties filed appeals with the Court of Appeals challenging the MPSC's 1996 order. In August 1999, the Court of Appeals affirmed the MPSC's 1996 order in all respects. In October 1999, the Attorney General filed an application for leave to appeal this decision to the Michigan Supreme Court.

In January 1998, the Court of Appeals affirmed an MPSC conclusion that the MPSC has statutory authority to authorize an experimental electric retail wheeling program. In June 1999, the Michigan Supreme Court reversed the Court of Appeals and vacated the 1995 MPSC retail wheeling orders. The Court found that the MPSC does not have the statutory authority to order a mandatory retail wheeling program.

ELECTRIC RESTRUCTURING: As part of ongoing proceedings relating to the restructuring of the electric utility industry in Michigan, the MPSC in June 1997 issued an order proposing that beginning January 1, 1998 Consumers transmit and distribute energy on behalf of competing power suppliers to retail customers. Further restructuring orders issued in late 1997 and early 1998 provide for: 1) recovery of estimated Transition Costs of $1.755 billion through a charge to all customers purchasing their power from other sources until the end of the transition period in 2007, subject to an adjustment through a true-up mechanism; 2) commencement of the phase-in of retail open access in 1998 (subsequently extended to September 1999); 3) suspension of the PSCR process as discussed below; and 4) the right of all customers to choose their power suppliers on January 1, 2002. The recovery of costs of implementing a retail open access program, preliminarily estimated at an additional $200 million, would be reviewed for prudence and recovered via a charge approved by the MPSC. Nuclear decommissioning costs would also continue to be collected through a separate surcharge to all customers.

In June 1998, Consumers submitted its plan for implementing retail open access to the MPSC. The primary issues addressed in the plan are: 1) the implementation schedule; 2) the retail open access service options available to customers and suppliers; 3) the process and requirements for customers and others to obtain retail open access service; and 4) the roles and responsibilities for Consumers, customers and suppliers. In March 1999, Consumers received MPSC electric restructuring orders, which generally supported Consumers' implementation plan. Consumers began implementing electric retail customer open access in September 1999, and will extend open access to 750 MW of Consumers' retail market by 2001. On January 1, 2002, all of Consumers' electric customers will have the right to choose generation suppliers.

There are numerous appeals pending at the Court of Appeals relating to the MPSC's restructuring orders. Because of the June 1999 Michigan Supreme Court decision described above in "Electric Proceedings", Consumers believes that the MPSC lacks statutory authority to mandate industry restructuring. Although

Consumers filed an appeal of the restructuring orders which asked the court to rule that the MPSC could not mandate industry restructuring, Consumers has subsequently requested to have that appeal dismissed. Subsequent to the June 1999 Michigan Supreme Court decision, the MPSC requested comments from any interested party concerning the effect of the Supreme Court's decision on these matters. Following receipt of comments, the MPSC issued an order on August 17, 1999 finding that it has jurisdiction to approve rates, terms, and conditions for electricity retail wheeling (also known as electric customer choice) if a utility voluntarily chooses to offer that service. The August 17th order also requested that Consumers file a statement if it intended to continue with its electric customer choice program. On September 1, 1999 Consumers filed a statement reaffirming its decision to continue carrying out the customer choice program as previously approved by the MPSC. ABATE and the Attorney General have each appealed the August 17th order to the Court of Appeals. Both ABATE and the Attorney General subsequently filed applications with the Michigan Supreme Court asking that Court to bypass the Court of Appeals and immediately review the lawfulness of the August 17th order. It is uncertain how the issues raised by the MPSC's August 17th order will be resolved by the regulatory process, the appellate courts or by legislation codifying the retail wheeling and related Transition Cost recovery issues.

Several bills relative to electric restructuring have been introduced in the Michigan legislature for consideration in the 1999-2000 legislative session. Although Consumers has not specifically supported any of these bills, Consumers believes legislation is desirable to provide statutory support for the MPSC orders. Consumers is uncertain as to whether legislation will be enacted and what effect any enacted legislation will have on Consumers. Similar uncertainty exists with respect to the possibility that federal legislation restructuring the electric power industry will be enacted. A variety of bills changing existing federal regulation of the industry and potentially affecting state regulation have been introduced in Congress in recent years. None has been enacted.

Consumers believes progress is being made in discussions with its major commercial and industrial customers, which, if successful, would result in agreement on the need for, and substance of, electric restructuring legislation in Michigan and have the effect of resolving Consumers' rate proceedings pending before the MPSC. While there are no assurances that an agreement or legislation will result, Consumers is optimistic that a positive outcome of the discussions can be achieved. CMS Energy cannot predict the outcome of electric restructuring on it's financial position, liquidity, or results of operations.

As a result of a 1998 MPSC order in connection with the electric restructuring program, the PSCR process was suspended. Under this suspension, customers previously subject to the PSCR mechanism will not have their rates adjusted to reflect the actual costs of fuel and purchased and interchanged power during the 1998-2001 period. In prior years, when the PSCR process was employed, any change in power supply costs was passed through to customers. In order to reduce the risk of high energy prices during peak demand periods, Consumers purchased daily call options, at a cost of approximately $19 million, to insure a reliable source of energy during the months of June through September 1999, and expects to use a similar strategy in the future. Consumers is planning to have sufficient generation and purchased capacity for approximately a 15 percent reserve margin in order to provide reliable service to its electric service customers and to protect itself against unscheduled plant outages. Under certain circumstances, the cost of purchasing energy on the spot market could be substantial.

In June 1999, Consumers and four other electric utility companies sought approval from the FERC to form the Alliance Regional Transmission Organization. The proposed structure will provide for the creation of a transmission entity that would control, operate and own transmission facilities of one or more of the member companies, and would control and operate, but not necessarily own, the transmission facilities of other companies. The proposal is structured to give the member companies the flexibility to maintain or divest ownership of their transmission facilities while ensuring independent operation of the regional transmission system. The member companies have requested the FERC to approve the proposed request by December 31, 1999. Consumers is uncertain of the outcome of this matter.

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		Nine Months Ended		Twelve Months Ended	
September 30	1999	1998	1999	1998	1999	1998
Pretax operating income	$13	$13	$39	$36	$52	$46
Income taxes and other	4	4	12	11	16	14
Net income	$9	$9	$27	$25	$36	$32

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, Consumers has been permitted by the MPSC 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, Consumers also has been permitted 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. Because the MPSC has already approved recovery of these capacity costs, Consumers will recover these increases through an adjustment to the currently frozen PSCR factor that will be effective through 2001. Consumers expects to recover the remaining increases through the Transition Cost true-up process and through further adjustments to the PSCR factor. After September 2007, under the terms of the PPA, Consumers will only be required to pay the MCV Partnership capacity and energy charges that the MPSC has authorized for recovery from electric customers.

In March 1999, Consumers signed a long-term power sales agreement to resell to PECO its capacity and energy purchases under the PPA until September 2007. After a three-year transition period during which 100 to 150 MW will be sold to PECO, beginning in 2002 Consumers will sell all 1,240 MW of PPA capacity and associated energy to PECO. In March 1999, Consumers also filed an application with the MPSC for accounting and ratemaking approvals related to the PECO agreement. If used as an offset to electric customers Transition Cost responsibility, Consumers estimates that there could be a reduction of as much as $58 million (on a net present value basis) of Transition Cost related to the MCV PPA. In an order issued in April 1999, the MPSC conditionally approved the requests for accounting and rate-making treatment to the extent that customer rates are not increased from their level absent the agreement and as modified by the order. In response to Consumers' and other parties' requests for clarification and rehearing, in an August 1999 opinion, the MPSC partially granted the relief Consumers requested on rehearing and attached certain additional conditions to its approval. Those conditions relate to Consumers continued decision to carry out the electricity customer choice program (which Consumers has affirmed as discussed above) and a determination to revise its capacity solicitation process (which Consumers has filed but is awaiting an MPSC decision). The August opinion is a companion order to a power supply cost reconciliation order issued on the same date in another case. This order affects the level of frozen power supply costs recoverable in rates during future years when the transaction with PECO would be taking place. Consumers filed a motion for clarification of the order relating to the PECO agreement.

Consumers recognized a loss in 1992 for the present value of the estimated future underrecoveries of power costs under the PPA based on MPSC recovery orders. At September 30, 1999 and September 30, 1998, the remaining after-tax present value of the estimated future PPA liability associated with the 1992 loss totaled $87 million and $118 million, respectively. At September 30, 1999, the undiscounted after-tax amount associated with this liability totaled $148 million. These after-tax cash underrecoveries are based on the assumption that the MCV Facility would be available to generate electricity 91.5 percent of the time over its expected life. Historically the MCV Facility has operated above the 91.5 percent level. Accordingly, in 1998, Consumers increased its PPA liability by $37 million. Because the MCV Facility operated above the 91.5 percent level in 1998 and thus far in 1999, Consumers has an accumulated unrecovered after-tax shortfall of $24 million as of September 30, 1999. Consumers believes that this shortfall will be resolved as part of the electric restructuring effort. If the MCV Facility generates electricity at the 91.5 percent level during the next five years, Consumers' after-tax cash underrecoveries associated with the PPA would be as follows.

In Millions	1999	2000	2001	2002	2003
Estimated cash underrecoveries, net of tax	$35	$21	$20	$19	$18

If the MCV Facility operates at availability levels above management's 91.5 percent estimate made in 1992 for the remainder of the PPA, Consumers will need to recognize additional losses for future underrecoveries. In March 1999, Consumers and the MCV Partnership reached an agreement effective January 1, 1999 that will cap availability payments to the MCV Partnership at 98.5 percent. For further discussion on the impact of the frozen PSCR, see "Electric Restructuring" in this Note. Management is evaluating the adequacy of the contract loss liability considering actual MCV Facility operations and any other relevant circumstances.

In February 1998, the MCV Partnership filed a claim of appeal from the January 1998 and February 1998 MPSC orders in the electric utility industry restructuring. At the same time, the MCV Partnership filed suit in the U.S. District Court seeking a declaration that the MPSC's failure to provide Consumers and the MCV Partnership a certain source of recovery of capacity payments after 2007 deprived the MCV Partnership of its rights under the Public Utilities Regulatory Policies Act of 1978. In July 1999, the U.S. District Court issued an order granting the MCV Partnership's motion for summary judgment. The order permanently prohibits two of the incumbent commissioners from enforcing the restructuring orders in any manner which denies any utility the ability to recover amounts paid to qualifying facilities such as the MCV Facility or which precludes the MCV Partnership from recovering the avoided cost rate.

NUCLEAR MATTERS: In January 1997, the NRC issued its Systematic Assessment of Licensee Performance report for Palisades. The report rated all areas as good. The NRC suspended this same assessment process for all licensees in 1998. Until such time as the NRC completes its review of processes for assessing performance at nuclear power plants, the Plant Performance Review is being used to provide an assessment of licensee performance. Palisades received its annual performance review dated March 26, 1999 in which the NRC stated that the overall performance at Palisades was acceptable.

Palisades' temporary on-site storage pool for spent nuclear fuel is at capacity. Consequently, Consumers is using NRC-approved steel and concrete vaults, commonly known as "dry casks", for temporary on-site storage. As of September 30, 1999 Consumers had loaded 18 dry storage casks with spent nuclear fuel at Palisades. In June 1997, the NRC approved Consumers' process for unloading spent fuel from a cask previously discovered to have minor weld flaws. Consumers intends to transfer the spent fuel to a new transportable cask when one is available.

On October 15, 1999 a planned forty-day refueling and maintenance outage began at Palisades. Consumers will replace certain nuclear fuel assemblies and 2 low-pressure steam turbines during the outage.

Consumers maintains insurance against property damage, debris removal, personal injury liability and other risks that are present at its nuclear generating facilities. Consumers also maintains coverage for replacement power costs during prolonged accidental outages at Palisades. Insurance would not cover such costs during the first 12 weeks of any outage, but would cover most of such costs during the next 52 weeks of the outage, followed by reduced coverage to 80 percent for 110 additional weeks. If certain covered losses occur at its own or other nuclear plants similarly insured, Consumers could be required to pay maximum assessments of $15 million in any one year to NEIL; $88 million per occurrence under the nuclear liability secondary financial protection program, limited to $10 million per occurrence in any year; and $6 million if nuclear workers claim bodily injury from radiation exposure. Consumers considers the possibility of these assessments to be remote.

The NRC requires Consumers to make certain calculations and report on the continuing ability of the Palisades reactor vessel to withstand postulated pressurized thermal shock events during its remaining license life, considering the embrittlement of reactor materials. In December 1996, Consumers received an interim Safety Evaluation Report from the NRC indicating that the reactor vessel can be safely operated through 2003 before reaching the NRC's screening criteria for reactor embrittlement. Consumers believes that with fuel management designed to minimize embrittlement, it can operate Palisades to the end of its license life in the year 2007 without annealing the reactor vessel. Nevertheless, Consumers will continue to monitor the matter.

NUCLEAR PLANT DECOMMISSIONING: Consumers collected $51 million in 1998 from its electric customers for decommissioning of its two nuclear plants. Amounts collected from electric retail customers and deposited in trusts (including trust earnings) are credited to accumulated depreciation. On March 22, 1999, Consumers received a decommissioning order from the MPSC that approved estimated decommissioning costs for Big Rock and Palisades of $304 million and $541 million (in 1998 dollars), respectively. Consumers' site-specific decommissioning cost estimates for Big Rock and Palisades assume that each plant site will eventually be restored to conform to the adjacent landscape, and all contaminated equipment will be disassembled and disposed of in a licensed burial facility. The MPSC order also reduced annual decommissioning surcharges by $4 million a year and required Consumers to file revised decommissioning surcharges for Palisades that incorporate a gradual reduction in the decommissioning trust's equity investments following the plant's retirement. On April 21, 1999, Consumers filed with the MPSC a revised decommissioning surcharge for Palisades and anticipates a revised MPSC order in early 2000. If approved, the annual decommissioning surcharges for Palisades would be reduced by an additional $4 million a year. Settlement discussions are underway which could further reduce the annual recovery. After retirement of Palisades, Consumers plans to maintain the facility in protective storage if radioactive waste disposal facilities are not available. Consumers will incur most of the Palisades decommissioning costs after the plant's NRC operating license expires. When the Palisades' NRC license expires in 2007, the trust funds are currently estimated to have accumulated $677 million, assuming current surcharge levels. Consumers estimates that at the time Palisades is fully decommissioned in the year 2046, the trust funds will have provided $1.9 billion, including trust earnings, over this decommissioning period. As of September 30, 1999, Consumers had an investment in nuclear decommissioning trust funds of $392 million for Palisades and $180 million for Big Rock.

Big Rock was closed permanently in 1997 because management determined that it would be uneconomical to operate in an increasingly competitive environment. The plant was originally scheduled to close on May 31, 2000, at the end of the plant's operating license. The MPSC has allowed Consumers to continue collecting decommissioning surcharges through December 31, 2000. Plant decommissioning began in 1997 and it may take five to ten years to return the site to its original condition. For the first nine months of 1999, Consumers spent $37 million for the decommissioning and withdrew $29 million from the Big Rock nuclear decommissioning trust fund. In total, Consumers has spent $112 million for the decommissioning and withdrew $103 million from the Big Rock nuclear decommissioning trust fund. These activities had no impact on net income.

CONSUMERS GAS GROUP 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, including some 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 the costs are estimated to be between $66 million and $118 million. These estimates are based on undiscounted 1999 costs. Using the low end of the range, Consumers estimates its remaining expenditures at $63 million as of September 30, 1999 and has accrued a liability for the same amount and also established a corresponding regulatory asset. 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 will not begin until after a prudence review in a general rate case. Consumers is allowed current recovery of $1 million annually. Consumers has initiated lawsuits against certain insurance companies regarding coverage for some or all of the costs that it may incur for these sites.

CONSUMERS GAS GROUP MATTERS

GAS RESTRUCTURING: In December 1997, the MPSC approved Consumers' application to implement an experimental gas transportation program, which will extend over a three-year period, and allow up to 300,000 residential, commercial and industrial retail gas sales customers to choose their gas commodity supplier. The program is voluntary and participating natural gas customers are selected on a first-come, first-served basis, up to a limit of 100,000 per year. As of September 30, 1999, more than 181,000 customers chose alternative gas suppliers, representing approximately 42 bcf of gas load. The program allows Consumers to earn a margin on the gas commodity provided it can continue to purchase gas at prices below the $2.84/mcf cost allowed in its rate. Customers choosing to remain as sales customers of Consumers will not see a rate change in their natural gas rates. This three-year program: 1) suspends Consumers' GCR clause, effective April 1, 1998, establishing a gas commodity cost at a fixed rate of $2.84 per mcf, allowing Consumers the opportunity to benefit by reducing its cost of the commodity; 2) establishes an earnings sharing mechanism with customers if Consumers' earnings exceed certain pre-determined levels; and 3) establishes a gas transportation code of conduct that addresses the relationship between Consumers and marketers, including its affiliated marketers. In January 1998, the Attorney General, ABATE and other parties filed claims of appeal regarding the program with the Court of Appeals.

Consumers uses gas purchase contracts to limit its risk associated with increases in its gas price above the $2.84 per mcf during the three-year experimental gas program. It is management's intent to take physical delivery of the commodity and failure could result in a significant penalty for nonperformance. At September 30, 1999, Consumers had an exposure to gas price increases if the ultimate cost of gas was to exceed $2.84 per mcf for the following volumes: 3 percent of its 1999 requirements; 55 percent of its 2000 requirements; and 55 percent of its first quarter 2001 requirements. Additional contract coverage is currently under review. The gas purchase contracts currently in place were consummated at an average price of less than $2.84 per mcf. The gas purchase contracts are being used to protect against gas price increases in the three-year experimental gas program where Consumers is recovering from its customers $2.84 per mcf for gas.

PANHANDLE REGULATORY MATTERS

Effective August 1996, Trunkline placed into effect a general rate increase, subject to refund. Hearings were completed in October 1997 and initial decisions by a FERC ALJ were issued on certain matters in May 1998 and on the remainder of the rate proceedings in November 1998. Responses to the initial decisions were provided by Trunkline to FERC following the issuance of the initial decisions. In May 1999, FERC issued an order remanding certain matters back to the ALJ for further proceedings. On September 16, 1999, Trunkline filed with FERC a settlement agreement which would resolve certain issues in this proceeding and would require Trunkline to refund approximately $2 million. The ALJ has certified the settlement; it is currently pending review by FERC.

In conjunction with a FERC order issued in September 1997, certain natural gas producers were required to refund previously collected Kansas ad-valorem taxes to interstate natural gas pipelines. These pipelines were ordered to refund these amounts to their customers. All payments are to be made in compliance with prescribed FERC requirements. At September 30, 1999 and December 31, 1998, accounts receivable included $53 million and $50 million, respectively, due from natural gas producers, and other current liabilities included $53 million and $50 million, respectively, for related obligations.

In June 1998, Trunkline filed a petition with the FERC to abandon 720 miles of its 26-inch diameter pipeline that extends from Longville, Louisiana to Bourbon, Illinois. Trunkline requested permission to transfer the pipeline to an affiliate, which had entered into an option agreement with Aux Sable for potential conversion of the line to allow transportation of hydrocarbon vapors. Trunkline requested FERC to grant the abandonment authorization in time to separate the pipeline from existing facilities and allow Aux Sable to convert the pipeline to hydrocarbon vapor service by October 1, 2000, if the option was exercised. The option expired on July 1, 1999 and was not renewed by Aux Sable. On November 8, 1999, the FERC issued a letter order dismissing Trunkline's filing without prejudice to refiling the abandonment to reflect changed circumstances. Trunkline continues to evaluate alternatives regarding the 26-inch pipeline.

On May 19, 1999, Trunkline and Trunkline LNG submitted a compliance filing advising the FERC that the acquisition by CMS Energy of Trunkline LNG triggered certain provisions of a 1992 settlement. The settlement resolved issues related to minimum bill provisions of the Trunkline LNG Rate Schedule PLNG-1, as well as pending rate matters for Trunkline and refund matters for Trunkline LNG. Specifically, the settlement provisions require Trunkline LNG, and Trunkline in turn, to make refunds to customers, including Panhandle Eastern Pipe Line Company and Consumers, who were parties to the settlement, if the ownership of all or portion of the LNG terminal is transferred to an unaffiliated entity. Therefore, the total refund due customers of approximately $17 million will be paid within 30 days of final FERC approval of the compliance filing. In conjunction with the acquisition of Panhandle by CMS Energy, Duke Energy indemnified Panhandle for this refund obligation. In conjunction with the settlement, Panhandle Eastern Pipe Line Company and its customers entered into an agreement, whereby upon FERC approval of the compliance filing described above, Panhandle Eastern Pipe Line Company will file to flow through its portion of the settlement amounts to its customers. The May 19, 1999 compliance filing is pending FERC approval.

OTHER UNCERTAINTIES

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

CAPITAL EXPENDITURES: CMS Energy estimates capital expenditures, including investments in unconsolidated subsidiaries and new lease commitments, of $3.895 billion for 1999, which includes approximately $2.2 billion for the acquisition of Panhandle, $1.725 billion for 2000, and $1.515 billion for 2001. For further information, see Capital Resources and Liquidity-Capital Expenditures in the MD&A.

OTHER: As of September 30, 1999, CMS Energy and Enterprises have guaranteed up to $447 million in contingent obligations of unconsolidated affiliates and related parties.

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

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

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

CMS ENERGY: CMS Energy's Senior Credit Facilities consist of a $600 million three-year revolving credit facility and a five-year $125 million term loan facility. Additionally, CMS Energy has unsecured lines of credit and letters of credit in an aggregate amount of $379 million. At September 30, 1999, the total amount utilized under the Senior Credit Facilities was $592 million, including $41 million of contingent obligations, and under the unsecured lines of credit and letters of credit was $216 million.

In January 1999, CMS Energy received net proceeds of approximately $473 million from the sale of $480 million of senior notes. In February 1999, CMS Energy received net proceeds of approximately $296 million from the sale of $300 million of senior notes. Proceeds from these offerings were used to repay debt and for general corporate purposes.

CMS Energy had utilized $600 million of a bridge loan facility to partially fund the acquisition of Panhandle. As of September 30, 1999, this entire bridge loan facility had been repaid.

At September 30, 1999, CMS Energy had $114 million of Series A GTNs, $112 million of Series B GTNs, $150 million of Series C GTNs, $199 million of Series D GTNs, and $215 million of Series E GTNs issued and outstanding with weighted average interest rates of 7.9 percent, 8.0 percent, 7.7 percent, 7.0 percent, and 7.2 percent, respectively.

In June 1999, a Delaware statutory business trust established by CMS Energy privately sold $250 million of Trust Preferred Securities to an entity organized by Banc of America Securities LLC. The Trust Preferred Securities pay quarterly distributions at a floating rate. Net proceeds of approximately $244 million were used to pay down a portion of the bridge loan obtained for the acquisition of Panhandle. In exchange for these proceeds, CMS Energy sold subordinated notes to the trust. In connection with this financing, CMS Energy also agreed to sell $250 million of CMS Energy Common Stock at prevailing market prices through Banc of America Securities LLC within twenty-four months.

In June 1999, CMS Energy sold $250 million of senior notes, 8 percent Reset Put Securities, due July 1, 2011 and $150 million of senior notes, 8.375 percent Reset Put Securities, due July 1, 2013. The $250 million senior notes and the $150 million senior notes are subject to a call option and mandatory put on July 1, 2001 and July 1, 2003, respectively. The call option allows the callholder to purchase the notes, at which point the coupon rate will be reset for the remaining term of the notes. If the call option is not exercised by the callholder, the notes will be mandatorily put to CMS Energy at a price equal to 100 percent of the principal amount. Net proceeds of approximately $404 million, which includes approximately $9 million for the sale of the call options, were also used to pay down the remaining portion of the bridge loan obtained for the acquisition of Panhandle.

In July 1999, 7.25 million units of 8.75 percent Adjustable Convertible Trust Securities were sold by CMS Energy and CMS Energy Trust II, a Delaware statutory business trust established by CMS Energy. Each security consists of a Trust Preferred Security of CMS Energy Trust II maturing in five years and a contract for the purchase of CMS Energy Common Stock in three years at a conversion premium up to 28 percent or an effective price of $53 per common share. Net proceeds from the sale totaled $291 million and were used to repay portions of various lines of credit and the revolving credit facility.

CONSUMERS: At September 30, 1999, Consumers had FERC authorization to issue or guarantee, through June 2000, up to $900 million of short-term securities outstanding at any one time and to guarantee, through 1999, up to $25 million in loans made by others to residents of Michigan for making energy-related home improvements. Consumers also had remaining FERC authorization to issue, through June 2000, up to $275 million and $390 million of long-term securities with maturities up to 30 years for refinancing purposes and for general corporate purposes, respectively.

Consumers has an unsecured $300 million credit facility and unsecured lines of credit aggregating $135 million. These facilities are available to finance seasonal working capital requirements and to pay for capital expenditures between long-term financings. At September 30, 1999, a total of $317 million was outstanding at a weighted average interest rate of 6.1 percent, compared with $302 million outstanding at September 30, 1998, at a weighted average interest rate of 6.3 percent. In January 1999, Consumers renegotiated a variable-to-fixed interest rate swap totaling $175 million. In September 1999, Consumers entered into two variable-to-fixed interest rate swaps totaling $740 million.

Consumers also has in place a $325 million trade receivables sale program. At September 30, 1999 and 1998, receivables sold under the program totaled $314 million and $307 million, respectively. Accounts receivable and accrued revenue in the Consolidated Balance Sheets have been reduced to reflect receivables sold.

Consumers issued long-term bank debt of $15 million in February 1999, maturing in February 2002, at an initial interest rate of 5.3 percent. Proceeds from this issuance were used for general corporate purposes.

On April 1, 1999, Consumers redeemed all eight million outstanding shares of its $2.08 preferred stock at $25.00 per share for a total of $200 million.

Subsequent to quarter end, 7 million shares of 9.25 percent Trust Preferred Securities were issued and sold through Consumers Energy Company Financing III, a wholly owned business trust consolidated with Consumers. Net proceeds from the sale totaled approximately $170 million. Consumers formed the trust for the sole purpose of issuing the Trust Preferred Securities. Consumers' obligations with respect to the Trust Preferred Securities under the related tax-deductible notes, under the indenture through which Consumers issued the notes, under Consumers' guarantee of the Trust Preferred Securities, and under the declaration by the trust, taken together, constitute a full and unconditional guarantee by Consumers of the trust's obligations under the Trust Preferred Securities.

Under the provisions of its Articles of Incorporation, Consumers had $318 million of unrestricted retained earnings available to pay common dividends at September 30, 1999. In May 1999, Consumers declared and paid a $76 million common dividend. In July 1999, Consumers declared a $35 million common dividend which was paid in August 1999. In September 1999, Consumers declared a $55 million common dividend payable in November 1999.

PANHANDLE: In March 1999, CMS Energy, through its subsidiary CMS Panhandle Holding, received net proceeds of approximately $789 million from the sale of $800 million of senior notes issued by CMS Panhandle Holding. Proceeds from this offering were used to initially fund the acquisition of Panhandle. On June 15, 1999 CMS Panhandle Holding merged into Panhandle, at which point the notes became direct obligations of Panhandle. In September 1999, Panhandle exchanged the $800 million of notes originally issued by CMS Panhandle Holding with substantially identical SEC-registered notes.

CMS OIL AND GAS: In May 1999, CMS Oil and Gas executed a $225 million credit facility. Borrowings under the credit facility are revolving credit loans for three years, ending in May 2002. The credit facility provides various options to CMS Oil and Gas relative to interest rates and also requires a facility fee.

4: EARNINGS PER SHARE AND DIVIDENDS

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

Earnings attributable to the Outstanding Shares are equal to Consumers Gas Group net income multiplied by a fraction; the numerator is the weighted average number of Outstanding Shares during the period and the denominator is the weighted average number of Outstanding Shares and authorized but unissued shares of Class G Common Stock not held by holders of the Outstanding Shares during the period. The earnings attributable to Class G Common Stock on a per share basis for the three months ended September 30, 1999 and 1998 are based on 26.06 percent and 25.38 percent, respectively, of the income of Consumers Gas Group.

In October 1999, all of the issued and outstanding shares of Class G Common Stock were exchanged for shares of CMS Energy Common Stock (see Note 7).

COMPUTATION OF EARNINGS PER SHARE:

In Millions, Except Per Share Amounts

	Three Months Ended September 30 1999	1998	Nine Months Ended September 30 1999	1998	Twelve Months Ended September 30 1999	1998
				(a)		(a)
NET INCOME APPLICABLE TO BASIC AND DILUTED EPS						
Consolidated Net Income	$ 83	$ 81	$256	$ 234	$307	$293
Net Income Attributable to Common Stocks:						
CMS Energy - Basic EPS	$ 86	$ 83	$248	$ 226	$294	$279
Add conversion of 7.75% Trust Preferred Securities (net of tax)	2	2	6	6	9	9
CMS Energy - Diluted EPS	$ 88	$ 85	$254	$ 232	$303	$288
Class G:						
Basic and Diluted EPS	$ (3)	$ (2)	$ 8	$ 8	$ 13	$ 14
AVERAGE COMMON SHARES OUTSTANDING APPLICABLE TO BASIC AND DILUTED EPS						
CMS Energy:						
Average Shares - Basic	109	102	109	101	108	101
Add conversion of 7.75% Trust Preferred Securities	4	4	4	4	4	4
Options-Treasury Shares	1	1	1	1	1	1
Average Shares - Diluted	114	107	114	106	113	106
Class G:						
Average Shares Basic and Diluted	9	8	9	8	9	8
EARNINGS PER AVERAGE COMMON SHARE						
CMS Energy:						
Basic	$ .79	$ .81	$2.29	$2.23	$2.73	$2.77
Diluted	$ .78	$ .80	$2.25	$2.19	$2.70	$2.73
Class G:						
Basic and Diluted	$ (.38)	$ (.16)	$ .90	$1.04	$1.41	$1.73

(a) Includes the cumulative effect of an accounting change in the first quarter of 1998 which increased net income attributable to CMS Energy Common Stock $43 million ($.40 per share - basic and diluted) and Class G Common Stock $12 million ($.36 per share - basic and diluted).

In February and May 1999, CMS Energy paid dividends of $.33 per share on CMS Energy Common Stock and $.325 per share on Class G Common Stock. In August 1999, CMS Energy paid dividends of $.365 per share on CMS Energy Common Stock and $.34 per share on Class G Common Stock. In September

1999, the Board of Directors declared a quarterly dividend of $.365 per share on CMS Energy Common Stock, payable in November 1999. As a result of the exchange of Class G Common Stock for CMS Energy Common Stock, no Class G Common Stock dividend was declared in September. Class G Common Stock shareholders prior to the exchange will receive the CMS Energy Common Stock dividend that is payable in November 1999.

5: RISK MANAGEMENT ACTIVITIES AND DERIVATIVES TRANSACTIONS

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

Derivative instruments contain credit risk if the counter parties, 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 counter parties. Nonperformance by counter parties is not expected to have a material adverse impact on CMS Energy's financial position, liquidity, or results of operations.

COMMODITY PRICE HEDGES: CMS Energy engages in both energy trading and non-trading activities as defined by EITF 98-10, Accounting for Energy Trading and Risk Management Activities. CMS Energy accounts for its non-trading commodity price derivatives as hedges and, as such, defers any changes in market value and gains and losses resulting from settlements until the hedged transaction is complete. If there was a loss of correlation between the changes in the market value of the commodity price contracts and the market price ultimately received for the hedged item, and the impact was material, the open commodity price contracts would be marked-to-market and gains and losses would be recognized in the income statement currently. Effective January 1, 1999, CMS Energy adopted mark-to-market accounting for energy trading contracts in accordance with EITF 98-10. Mark-to-market accounting requires gains and losses resulting from changes in market prices on contracts entered into for trading purposes to be reflected in earnings currently. The after-tax mark-to-market adjustment resulting from the adoption of EITF 98-10 had an immaterial effect on CMS Energy's financial position, results of operations and cash flows as of September 30, 1999.

Consumers enters into electric option contracts to ensure a reliable source of capacity to meet its customers' electricity requirements and to limit its risk associated with electricity price increases. It is management's intent to take physical delivery of the commodity. Consumers continuously evaluates its daily capacity needs and sells the option contracts, if marketable, when it has excess daily capacity. Consumers' maximum exposure associated with these options is limited to premiums paid.

CMS Oil and Gas has one arrangement which is used to fix the prices that CMS Oil and Gas will pay for gas supplied to the MCV Facility for the years 2001 through 2006 by purchasing the economic equivalent of 10,000 MMBtu per day at a fixed price, escalating at 8 percent per year thereafter, starting at $2.82 per MMBtu in 2001. The settlement periods are each a one-year period ending December 31, 2001 through 2006 on 3.65 million MMBtu. If the floating price, essentially the then-current Gulf Coast spot price, for a period is higher than the fixed price, the seller pays CMS Oil and Gas the difference, and vice versa.

The contract with the seller provides a calculation of exposure for the purpose of requiring an exposed party to post a standby letter of credit. Under this calculation, if a party's exposure at any time exceeds $5 million, that party is required to obtain a letter of credit in favor of the other party for the excess over $5 million and up to $10 million. At September 30, 1999, the fair value of this contract reflected payment due to CMS Oil and Gas of $3 million. As of September 30, 1999, the fair value of this contract is $17 million.

A subsidiary of CMS Gas Transmission uses natural gas futures contracts and CMS Marketing, Services and Trading Company uses natural gas and oil futures contracts, options and swaps (which require a net cash payment for the difference between a fixed and variable price).

INTEREST RATE HEDGES: CMS Energy and some of its subsidiaries enter into interest rate swap agreements to exchange variable rate interest payment obligations to fixed rate obligations without exchanging the underlying notional amounts. These agreements convert variable rate debt to fixed rate debt to reduce the impact of interest rate fluctuations. The notional amounts parallel the underlying debt levels and are used to measure interest to be paid or received and do not represent the exposure to credit loss. The notional amount of CMS Energy's and its subsidiaries' interest rate swaps was $3.1 billion at September 30, 1999. The difference between the amounts paid and received under the swaps is accrued and recorded as an adjustment to interest expense over the life of the hedged agreement.

FOREIGN EXCHANGE HEDGES: CMS Energy uses forward exchange contracts and collared options to hedge certain receivables, payables, long-term debt and equity value relating to foreign investments. The purpose of CMS Energy's foreign currency hedging activities is to protect the company from the risk that U.S. dollar net cash flows resulting from sales to foreign customers and purchases from foreign suppliers and the repayment of non-U.S. dollar borrowings as well as equity reported on the company's balance sheet, may be adversely affected by changes in exchange rates. These contracts do not subject CMS Energy to risk from exchange rate movements because gains and losses on such contracts offset losses and gains, respectively, on assets and liabilities being hedged. The notional amount of the outstanding foreign exchange contracts was $1.7 billion at September 30, 1999, which includes $330 million, $350 million and $880 million for Australian, Brazilian and Argentine foreign exchange contracts, respectively. The estimated fair value of the foreign exchange and option contracts at September 30, 1999 was $24 million, representing the amount CMS Energy would pay upon settlement.

6: REPORTABLE SEGMENTS

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

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

The Consolidated Statements of Income show operating revenue and pretax operating income by reportable segment. Revenues from an international energy distribution business and a land development business fall below the quantitative thresholds for reporting. Neither of these segments has ever met any of the quantitative thresholds for determining reportable segments. Amounts shown for the natural gas transmission, storage and processing segment include Panhandle, which was acquired in March 1999. Other financial data for reportable segments are as follows:

Reportable Segments

		In Millions
	September 30, 1999	December 31, 1998
Identifiable Assets		
Electric utility (a)	$ 4,540	$ 4,640
Gas utility (a)	1,760	1,726
Independent power production	2,688	2,252
Oil and gas exploration and production	590	547
Natural gas transmission, storage and processing	3,512	971
Marketing, services and trading	227	152
Other	1,277	1,022
	$14,594	$11,310

(a) Amounts include an attributed portion of Consumers' other common assets to both the electric and gas utility businesses.

7: EXCHANGE OF CLASS G COMMON STOCK

On October 25, 1999, CMS Energy exchanged approximately 6.1 million shares of CMS Energy Common Stock for all of the approximately 8.7 million issued and outstanding shares of Class G Common Stock in a tax-free exchange for United States federal income tax purposes. The exchange ratio of .7041 share of CMS Energy Common Stock for each share of Class G Common Stock represents the fair market value of CMS Energy Common Stock equal to 115 percent of the fair market value of one share of Class G Common Stock. Fair market values of CMS Energy Common Stock and Class G Common Stock were determined by calculating the average of the daily closing prices on the New York Stock Exchange from July 28, 1999 to August 24, 1999. Unaudited pro forma earnings per share of CMS Energy for the three, nine and twelve months ended September 30, 1999 and 1998, as if the exchange had occurred as of the beginning of each respective period, are as follows:

	Three Months Ended		Nine Months Ended		Twelve Months Ended	
September 30,	1999	1998	1999	1998	1999	1998
Basic earnings per share	$ .72	$ .76	$2.23	$2.19	$2.69	$2.75
Diluted earnings per share	$ .71	$ .74	$2.20	$2.15	$2.66	$2.72

Report of Independent Public Accountants

To CMS Energy Corporation:

We have reviewed the accompanying consolidated balance sheets of CMS ENERGY CORPORATION (a Michigan corporation) and subsidiaries as of September 30, 1999 and 1998, the related consolidated statements of income and common stockholders' equity for the three-month, nine-month, and twelve-month periods then ended, and the related consolidated statements of cash flows for the nine-month and twelve-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 generally accepted auditing standards, 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 generally accepted accounting principles.

We have previously audited, in accordance with generally accepted auditing standards, the consolidated balance sheet and consolidated statement of preferred stock of CMS Energy Corporation and subsidiaries as of December 31, 1999, and the related consolidated statements of income, common stockholders' equity and cash flows for the year then ended (not presented herein), and, in our report dated January 26, 1999 (except with respect to the matters disclosed in Note 3, "Consumers' Electric Utility Rate Matters", and Note 19, as to which the date is March 29, 1999), we expressed an unqualified opinion on those statements. In our opinion, the information set forth in the accompanying consolidated balance sheet as of December 31, 1998, is fairly stated, in all material respects, in relation to the consolidated balance sheet from which it has been derived.

Detroit, Michigan,
November 10, 1999.

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CONSUMERS ENERGY COMPANY
MANAGEMENT'S DISCUSSION AND ANALYSIS

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

The MD&A of this Form 10-Q should be read along with the MD&A and other parts of Consumers' 1998 Form 10-K. This MD&A also refers to, and in some sections specifically incorporates by reference, Consumers' Condensed Notes to Consolidated Financial Statements and should be read in conjunction with such Statements and Notes.

This report contains forward-looking statements, as defined by the Private Securities Litigation Reform Act of 1995. While forward-looking statements are based upon assumptions and such assumptions are believed to be reasonable and are made in good faith, Consumers cautions that assumed results almost always vary from actual results and the difference between assumed and actual results can be material. The type of assumptions that could materially affect the actual results are discussed in the Forward-Looking Statements section in this MD&A. More specific risk factors are contained in various public filings made by Consumers with the SEC. This report also describes material contingencies in Consumers' Condensed Notes to Consolidated Financial Statements and the readers are encouraged to read such Notes.

RESULTS OF OPERATIONS

CONSUMERS CONSOLIDATED EARNINGS

			In Millions
September 30	1999	1998	Change
Three months ended	$ 88	$ 77	$ 11
Nine months ended	265	239	26
Twelve months ended	338	311	27

Net income available to the common stockholder was $88 million for the three months ended September 30, 1999 compared to $77 million for the same 1998 period. The $11 million earnings increase was primarily due to increased electric deliveries and lower operating costs including reduced power supply costs and related revenue recovery. This increase was partially offset by a regulatory disallowance of certain gas costs totaling $8 million for the 1997 and 1998 years. Net income for the nine months ended September 30, 1999 was $265 million compared to $239 million for the same period in 1998. The $26 million earnings increase was due to increased electric deliveries, higher gas deliveries as a result of colder temperatures during the heating season compared to 1998, and changes in regulation which allow Consumers to benefit from reduced electric and gas costs. These increases were partially offset by the regulatory disallowance for the 1997 and 1998 years discussed above and the absence of an accounting change for property taxes, which occurred in 1998. The accounting change in 1998 resulted in a benefit of $66 million ($43 million after-tax) that was partially offset by the recognition of a $37 million dollar loss ($24 million after tax) for the underrecovery of power costs under the PPA. Net income for the twelve months ended September 30, 1999 was $338 million compared to $311 million for the same period in 1998. The $27 million earnings increase was due to higher electric and gas deliveries and from lower electric power costs and reduced gas costs. Partially offsetting these benefits were additional operating expenses, the regulatory disallowance for the 1997 and 1998 years, the absence of the 1998 change in accounting for property taxes and the loss from the PPA as discussed above. For further information, see the Electric and Gas Utility Results of Operations sections and Note 2, Uncertainties.

ELECTRIC UTILITY RESULTS OF OPERATIONS

ELECTRIC PRETAX OPERATING INCOME:

			In Millions
September 30	1999	1998	Change
Three months ended	$ 168	$ 153	$ 15
Nine months ended	425	378	47
Twelve months ended	522	468	54

Electric pretax operating income was $168 million for the three months ended September 30, 1999 compared to $153 million for the same period in 1998. The $15 million earnings increase was the result of higher electric deliveries and lower operating costs including reduced power supply costs and related revenue recovery. Electric pretax operating income was $425 million for the nine months ended September 30, 1999 compared to $378 million for the same period in 1998. The $47 million earnings increase was again due to higher electric deliveries and lower operating costs including reduced power supply costs. This earnings increase was partially offset by reduced non-commodity revenues, and by higher depreciation costs for new property and equipment. Electric pretax operating income was $522 million for the twelve months ended September 30, 1999 compared to $468 million for the same period in 1998. The $54 million earnings increase was primarily due to higher electric deliveries and changes in regulation, which after 1997 provided Consumers the opportunity to benefit from reduced power supply costs. The following table quantifies these impacts on Pretax Operating Income:

			In Millions
Change Compared to Prior Year	Three Months Ended Sept. 30 1999 vs 1998	Nine Months Ended Sept. 30 1999 vs 1998	Twelve Months Ended Sept. 30 1999 vs 1998
Electric deliveries	$ 6	$ 32	$ 25
Power supply costs and related revenue recovery	6	24	41
Other non-commodity revenue	(5)	(10)	(11)
Operations and maintenance	9	6	3
General taxes and depreciation	(1)	(5)	(4)
Total change	$ 15	$ 47	$ 54

ELECTRIC DELIVERIES: Total electric deliveries for the three months, nine months and twelve months ended September 30, 1999, increased in all customer classes due primarily to sales growth. Electric deliveries were 10.9 billion kWh for the three months ended September 30, 1999, an increase of 1.7 percent. Electric deliveries were 31.3 billion kWh for the nine months ended September 30, 1999, an increase of 3.8 percent. Electric deliveries were 41.2 billion kWh for the twelve months ended September 30, 1999, an increase of 2.5 percent.

POWER COSTS:

			In Millions
September 30	1999	1998	Change
Three months ended	$ 335	$ 315	$ 20
Nine months ended	906	899	7
Twelve months ended	1,182	1,190	(8)

Power costs increased for the three and nine month periods ended September 30, 1999 compared to the same 1998 period as a result of higher sales. Power costs decreased for the twelve month period ended September 30, 1999 compared to the same 1998 period due to lower purchased power costs which more than offset the increased power cost as a result of higher sales.

UNCERTAINTIES: Several trends or uncertainties may affect Consumers' financial 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 uncertainties include: 1) capital expenditures for compliance with the Clean Air Act; 2) environmental liabilities arising from compliance with various federal, state and local environmental laws and regulations, including potential liability or expenses relating to the Michigan Natural Resources and Environmental Protection Act and Superfund; 3) cost recovery relating to the MCV Partnership; 4) electric industry restructuring; 5) implementation of a frozen PSCR and initiatives to be undertaken to reduce exposure to high energy prices; 6) nuclear decommissioning issues and ongoing issues relating to the storage of spent fuel and the operating life of Palisades. For detailed information about these trends or uncertainties, see Note 2, Uncertainties, incorporated by reference herein.

GAS UTILITY RESULTS OF OPERATIONS

GAS PRETAX OPERATING INCOME:

			In Millions
September 30	1999	1998	Change
Three months ended	$ (6)	$ 6	$ (12)
Nine months ended	87	81	6
Twelve months ended	132	134	(2)

Gas pretax operating income resulted in a loss of $6 million for the three months ended September 30, 1999 compared to income of $6 million for the same period in 1998. The decrease of $12 million was primarily the result of a regulatory disallowance of $7 million and increased operating costs. For the nine months ended September 30, 1999, gas pretax operating income was $87 million compared to $81 million for the same period in 1998. The increase of $6 million was the result of increased gas deliveries due to colder temperatures during the 1999 heating season and a regulatory change, which suspended Consumers' GCR clause in April 1998. This suspension provided Consumers the opportunity to benefit from lower gas prices. In the past, reductions or increases in gas costs would have had no impact on gas pretax operating income because any changes in gas costs were passed on to

Consumers' gas customers. These increases were partially offset again by the regulatory disallowance, as discussed above, higher operation and maintenance costs, and higher depreciation due to new property and equipment. Gas pretax operating income was $132 million for the twelve month period ended September 30, 1999 compared to $134 million for the same period in 1998. This decrease reflects higher depreciation costs and general tax expense associated with new property and equipment partially offset by higher gas deliveries and lower gas costs. The following table quantifies these impacts on Pretax Operating Income:

			In Millions
Change Compared to Prior Year	Three Months Ended Sept. 30 1999 vs 1998	Nine months Ended Sept.30 1999 vs 1998	Twelve Months Ended Sept. 30 1999 vs 1998
Gas deliveries	$ 1	$ 21	$ 8
Gas commodity and related revenue	(11)	-	10
Gas wholesale and retail services activities	-	2	3
Operation and maintenance	(4)	(8)	(1)
General taxes, depreciation and other	2	(9)	(22)
Total increase (decrease) in pretax operating income	$ (12)	$ 6	$ (2)

GAS DELIVERIES: System deliveries for the three month period ended September 30, 1999, including miscellaneous transportation, were 43.6 bcf compared to 42 bcf for the same 1998 period. This increase of 3.8 percent was primarily due to weather during the period. System deliveries for the nine months period ended September 30, 1999, including miscellaneous transportation, were 272.3 bcf compared to 249.8 bcf for the same 1998 period. This increase of 9.0 percent was primarily due to colder temperatures during the 1999 heating season. System deliveries for the twelve month period ended September 30, 1999, including miscellaneous transportation, were 382.3 bcf compared to 376.7 bcf for the same 1998 period. This increase of 1.5 percent was again primarily the result of colder temperatures during the 1999 heating season.

COST OF GAS SOLD:

			In Millions
September 30	1999	1998	Change
Three months ended	$ 44	$ 39	$ 5
Nine months ended	428	377	51
Twelve months ended	614	600	14

The cost increases for the three month period ended September 30, 1999 resulted from higher gas cost during this period. The cost increases for the nine month period and the twelve month period ended September 30, 1999 was the result of increased sales due to colder overall temperatures during the winter heating season partially offset by lower gas prices.

UNCERTAINTIES: Consumers' financial position may be affected by a number of trends or uncertainties that have, or Consumers reasonably expects could have, a material impact on net sales or revenues or income from continuing gas operations. Such uncertainties include: 1) potential environmental costs at a number of sites, including sites formerly housing manufactured gas plant facilities; 2) a statewide experimental gas restructuring program; and 3) implementation of a suspended GCR and initiatives undertaken to protect against gas price increases. For detailed information about these uncertainties see Note 2, Uncertainties, incorporated by reference herein.

CAPITAL RESOURCES AND LIQUIDITY

CASH POSITION, INVESTING AND FINANCING

OPERATING ACTIVITIES: Consumers derives cash from operating activities from the sale and transportation of natural gas and from the generation, transmission and sale of electricity. Cash from operations totaled $534 million and $452 million for the first nine months of 1999 and 1998, respectively. The $82 million change was primarily due to higher electric and gas sales and a $93 million decrease in accounts receivable partially offset by a $55 million increase in gas and coal 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 $(325) million and $(235) million for the first nine months of 1999 and 1998, respectively. The $90 million change was primarily the result of a $33 million increase in capital expenditures, a $15 million increase in electric restructuring implementation plan costs and the absence of $27 million proceeds from the 1998 sale of two non-utility partnerships.

FINANCING ACTIVITIES: Cash used in financing activities totaled $(215) million and $(196) million for the first nine months of 1999 and 1998, respectively. This $19 million increase in the use of cash was primarily the result of a $200 million retirement of preferred stock and a $35 million increase in the payment of common stock dividends. Offsetting this use of cash was a $14 million increase in net proceeds from debt refinancing and a $200 million contribution in capital by Consumers' common stockholder.

OTHER INVESTING AND FINANCING MATTERS: On April 1, 1999, Consumers redeemed all eight million outstanding shares of its $2.08 preferred stock at $25.00 per share for a total of $200 million. Consumers has credit facilities, lines of credit and a trade receivable sale program in place as anticipated sources of funds to fulfill its currently expected capital expenditures. For detailed information about these sources of funds, see Note 3, Short-Term Financings and Capitalization, incorporated by reference herein.

OUTLOOK

CAPITAL EXPENDITURES OUTLOOK

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

In Millions			
Years Ended December 31	1999	2000	2001
Construction	$493	$539	$609
Nuclear fuel lease	11	-	19
Capital leases other than nuclear fuel	21	26	22
	$525	$565	$650
Electric utility operations (a)	$400	$435	$520
Gas utility operations (a)	125	130	130
	$525	$565	$650

(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.

ELECTRIC BUSINESS OUTLOOK

GROWTH: Consumers expects average annual growth of 2.6 percent per year in electric system deliveries for the years 2000 to 2004. This growth rate does not take into account the possible impact of restructuring or changed regulation on the industry. Abnormal weather, changing economic conditions, or the developing competitive market for electricity may affect actual electric sales by Consumers in future periods.

RESTRUCTURING: Competition affects Consumers' retail electric business. To meet its challenges, Consumers has multi-year contracts with some of its largest industrial customers to serve certain facilities. The MPSC approved these contracts as part of its phased introduction to competition. Some of these contracts have termination and restructuring options available to customers depending on business and regulatory circumstances that may occur in the future.

FERC Orders 888 and 889, as amended, require utilities to provide direct access to the interstate transmission grid for wholesale transactions. Consumers and Detroit Edison disagree on the effect of the orders on the Michigan Electric Power Coordination Center pool. Consumers proposes to maintain the benefits of the pool through at least December 2000. Detroit Edison, however, had previously proposed that the parties terminate the pool agreement immediately. If the pool agreement is terminated, Consumers could, among other alternatives, join a regional transmission organization. FERC has indicated this preference for structuring the operations of the electric transmission grid.

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

RATE MATTERS: In November 1997, ABATE filed a complaint with the MPSC alleging that Consumers' electric earnings are more than its authorized rate of return and sought an immediate reduction in Consumers' electric rates. The MPSC staff investigated the complaint and concluded in an April 1998 report that no formal rate proceeding was warranted at that time. The MPSC has now scheduled this matter for further proceedings that should lead to more definitive MPSC resolution in the first quarter of 2000, absent prior agreement among the parties. In those proceedings, ABATE and intervenors bear the burden of convincing the MPSC to reduce electric rates, which will otherwise remain unchanged. In its testimony filed in this case, ABATE claimed that Consumers' received approximately $189 million in excess revenues for 1998. In its testimony MPSC staff stated that 1998 financial results show excess revenues of $118 million when actual results were compared to the previously authorized electric return on equity, but recognized that no definitive conclusion could be reached from such a simplistic computation about the proper level of future retail electric rates. The MPSC staff presentation anticipated Consumers would file testimony and exhibits using traditional ratemaking adjustments and normalizations which would negate ABATE's claim of excessive earnings. Consumers has filed such testimony showing that after such normalizations, there is a revenue deficiency of approximately $3 million. The MPSC staff offered several alternatives for the MPSC to consider. They involved several different refunds or reductions which the MPSC could consider separately or in combination, but which, if made would not result in a permanent future reduction in electric rates in the amount being sought by ABATE. Consumers believes that ABATE has not met its burden of proving that a reduction in rates is required. Consumers also believes that ABATE's request for refunds from 1995 to present is inappropriate and unlawful; no such retroactive rate adjustment has ever been granted by the MPSC. Consumers is unable to predict the outcome of this matter.

GAS BUSINESS OUTLOOK

GROWTH: Consumers currently anticipates gas deliveries, including gas customer choice deliveries excluding transportation to the MCV Facility and off-system deliveries, to grow at an average annual rate of between one and two percent over the next five years based primarily on a steadily growing customer base. Actual gas deliveries in future periods may be affected by abnormal weather, alternative energy prices, changes in competitive conditions, particularly as a result of industry restructuring, and the level of natural gas consumption. Consumers also offers a variety of energy-related services to its customers focused upon appliance maintenance, home safety, commodity choice and assistance to customers purchasing heating, ventilation and air conditioning equipment.

RESTRUCTURING: In December 1997, the MPSC approved Consumers' application to implement a statewide three-year experimental gas transportation program, eventually allowing 300,000 residential, commercial and industrial retail gas sales customers to choose their gas supplier. For further information regarding restructuring of the Gas Business, see Note 2, Uncertainties, "Gas Rate Matters-Gas Restructuring," incorporated by reference herein.

OTHER MATTERS

YEAR 2000 COMPUTER MODIFICATIONS

Consumers uses software and related technologies throughout its businesses that the year 2000 date change could affect. If uncorrected, this event could cause Consumers to, among other things, delay the issuance of bills or reports, issue inaccurate bills, report inaccurate data, incur generating plant outages, or create energy delivery uncertainties. In 1995, Consumers established a Year 2000 Program to ensure the continued operation of its businesses at the turn of the century. Consumers' efforts included dividing the programs requiring modification between critical and noncritical programs.

Consumers established a formal methodology to identify critical business functions and risk scenarios, to correct problems identified, to develop test plans and expected results, and to test the corrections made. Consumers' Year 2000 Program involves an aggressive, comprehensive four-phase approach, including impact analysis, remediation, compliance review, and monitoring/contingency planning.

The impact analysis phase includes the analysis, inventory, prioritization and remediation plan development for all technology essential to core business processes. The remediation phase involves testing and implementation of remediated technology. Consumers established a mainframe test environment in 1997 and established a test environment for network servers and stand-alone personal computers in mid-1998. Essential corporate business systems have been tested in these test environments. The compliance review phase includes the assembling of compliance documentation for each technology component, as remediation efforts are completed, and additional verification testing of essential technology where necessary. The monitoring/contingency planning phase includes compliance monitoring to ensure that nothing reintroduces year 2000 problems into remediated technology. This phase also includes the development of contingency plans to address reasonably likely risk scenarios.

STATE OF READINESS: Consumers is managing traditional information technology, which consists of essential business systems (such as payroll, billing and purchasing) and infrastructure (including mainframe, wide area network, local area networks, personal computers, radios and telephone systems). Consumers is also managing process control computers and embedded systems contained in buildings, equipment and energy supply and delivery systems, in addition to essential goods and services. Essential goods and services include electric fuel supply, gas fuel supply, independent electric power supplies, buildings and other facilities, electronic commerce, telecommunications network carriers, financial institutions, purchasing vendors, and software and hardware technology vendors. Consumers is addressing the preparedness and risk of these external businesses through readiness assessment questionnaires.

The following table shows the status of Consumers' Year 2000 Program by phase, with target dates for completion and percentage complete based upon software and hardware inventory counts as of September 30, 1999:

	Impact Analysis		Remediation		Compliance Review		Monitoring/ Contingency Planning	
Systems	(a)	(b)	(a)	(b)	(a)	(b)	(a)	(b)
Electric	3/98	100%	6/99	100%	6/99	100%	6/99	100%
Gas	3/98	100%	6/99	100%	6/99	100%	6/99	100%
Corporate	3/98	100%	9/99	100%	9/99	100%	6/99	100%
Operating Services	3/98	100%	6/99	100%	9/99	100%	6/99	100%
Information Technology	3/98	100%	9/99	100%	9/99	100%	6/99	100%
Essential Goods & Services	7/99	100%		N/A		N/A		(c)

(a) Target date for completion.
(b) Current percentage complete.
(c) Contingency planning for essential goods and services is incorporated into contingency planning for each major system presented.

COST OF REMEDIATION: Consumers expenses the cost of software modifications as incurred, and capitalizes and amortizes the cost of new software and equipment over its useful life. The total estimated cost of the Year 2000 Program is $22 million. Costs incurred through September 30, 1999 were $20 million. Consumers' annual Year 2000 Program costs represent approximately 1% to 10% of a typical Consumers' annual information technology budget. Consumers funds Year 2000 compliance work primarily from operations. To date, the commitment of Consumers resources to the year 2000 issue has not deferred any information technology projects that could have a material adverse effect on Consumers' financial position, liquidity or results of operations.

RISK ASSESSMENT: Consumers considers the most reasonably likely worst-case scenarios to be: (1) a lack of communications to dispatch crews to electric or gas emergencies; (2) a lack of communications to generating units to balance electrical load; and (3) power shortages due to the lack of stability of the regional or national electric grid. These scenarios could result in Consumers not being able to generate or distribute enough energy to meet customer demand for a period of time. This type of outcome could result in lost sales and profits and legal liability. Year 2000 remediation and testing efforts are concentrating on these risk areas and will continue through the end of 1999. Contingency plans are in place and will be executed, if necessary, to mitigate the risks associated with these scenarios further.

CONTINGENCY PLANS: Contingency plans are in place for all systems and providers of essential goods and services and for reasonably likely worst-case scenarios related to year 2000 issues. In many cases, Consumers has arrangements with multiple vendors of similar goods and services in anticipation that if one cannot meet its commitments, others may be able to. Contingency plans provided for manual dispatching of crews and manual coordination of electrical load balancing. Consumers revised these plans to provide for radio or satellite communications. Coordinated contingency planning efforts are in progress with national electric and gas industry associations, other Michigan utilities and state government agencies. These plans address external factors that could affect energy delivery and minimize risk to energy generation, transmission and distribution systems.

EXPECTATIONS: Consumers does not expect that the cost of modifications will materially affect its financial position, liquidity, or results of operations. It cannot guarantee, however, that these costs, plans or time estimates will be achieved. Actual results could differ materially.

Because of the integrated nature of Consumers' business with other energy companies, utilities, jointly owned facilities operated by other entities, and business conducted with suppliers and large customers, Consumers may be indirectly affected by year 2000 compliance complications.

DERIVATIVES AND HEDGES

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

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

EQUITY SECURITY PRICE RISK: Consumers has an equity investment in companies in which it holds less than a 20 percent interest in the entity. A hypothetical 10 percent adverse change in market price would result in a $12 million change in its investment and equity since this equity instrument is currently marked-to-market through equity. Consumers believes that such an adverse change would not have a material effect on its consolidated financial position, results of operation or cash flows.

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

As of September 30, 1999, Consumers had outstanding $127 million of variable-rate debt net of any interest rate swaps. To minimize adverse interest-rate changes, Consumers entered into fixed interest-rate swaps for a notional amount of $915 million. Assuming a hypothetical 10 percent adverse change in market interest rates, Consumers' exposure to earnings is limited to $1 million. As of September 30, 1999, Consumers has outstanding fixed-rate debt including fixed-rate swaps of $2.867 billion with a fair value of $2.835 billion. Assuming a hypothetical 10 percent adverse change in market rates, Consumers would have an exposure of $120 million to its fair value. Consumers believes that any adverse change in debt price and interest rates would not have a material effect on its consolidated financial position, results of operation or cash flows.

FORWARD-LOOKING STATEMENTS

This report contains 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. Consumers bases these statements upon various assumptions involving judgments about the future including, among others: the ability to achieve revenue enhancements; national, regional, and local economic competitive and regulatory conditions and developments; capital and financial market conditions including interest rates; weather conditions and other natural phenomena; adverse regulatory or legal decisions, including environmental laws and regulations; the pace of deregulation of the natural gas and electric industries; energy markets, including the timing and extent of changes in commodity prices for oil, coal, natural gas, natural gas liquids, electricity and certain related products; the timing and success of business development efforts; potential disruption or interruption of facilities or operations due to accidents or political events; nuclear power performance and regulation; technological developments in energy production, delivery, and usage; the effect of changes in accounting policies; and year 2000 readiness. All of these uncertainties are difficult to predict and many are beyond the control of Consumers. Accordingly, while Consumers believes that the assumed results are reasonable, there can be no assurance that they will approximate actual results. Consumers disclaims any obligation to update or revise forward-looking statements, whether from new information, future events or otherwise. Consumers details certain risk factors periodically in various public filings it makes with the SEC.

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CONSUMERS ENERGY COMPANY
CONSOLIDATED STATEMENTS OF INCOME
(UNAUDITED)

SEPTEMBER 30	THREE MONTHS ENDED 1999	1998	NINE MONTHS ENDED 1999	1998	TWELVE MONTHS ENDED 1999	1998
						In Millions
OPERATING REVENUE						
Electric	$ 753	$ 729	$ 2,052	$ 1,990	$ 2,667	$ 2,617
Gas	112	117	792	716	1,128	1,092
Other	13	14	41	37	55	48
	878	860	2,885	2,743	3,850	3,757
OPERATING EXPENSES						
Operation						
Fuel for electric generation	98	95	262	246	332	323
Purchased power - related parties	140	143	418	433	559	585
Purchased and interchange power	97	77	226	220	291	282
Cost of gas sold	44	39	428	377	614	600
Other	143	147	423	409	559	548
	522	501	1,757	1,685	2,355	2,338
Maintenance	43	48	122	126	169	177
Depreciation, depletion and amortization	94	93	307	291	418	395
General taxes	44	47	148	146	202	199
	703	689	2,334	2,248	3,144	3,109
PRETAX OPERATING INCOME						
Electric	168	153	425	378	522	468
Gas	(6)	6	87	81	132	134
Other	13	12	39	36	52	46
	175	171	551	495	706	648
OTHER INCOME (DEDUCTIONS)						
Loss on MCV power purchases	-	-	-	(37)	-	(37)
Dividends and interest from affiliates	4	4	10	11	13	15
Accretion income	1	1	3	5	5	7
Accretion expense	(4)	(4)	(11)	(12)	(15)	(16)
Other, net	1	1	10	3	4	-
	2	2	12	(30)	7	(31)
INTEREST CHARGES						
Interest on long-term debt	35	35	105	103	140	137
Other interest	12	9	29	28	39	39
Capitalized interest	-	-	-	-	-	(1)
	47	44	134	131	179	175
NET INCOME BEFORE INCOME TAXES	130	129	429	334	534	442
INCOME TAXES	37	43	144	111	168	137
NET INCOME BEFORE CUMULATIVE EFFECT OF CHANGE IN ACCOUNTING PRINCIPLE	93	86	285	223	366	305
CUMULATIVE EFFECT OF CHANGE IN ACCOUNTING FOR PROPERTY TAXES, NET OF $23 TAX	-	-	-	43	-	43
NET INCOME	93	86	285	266	366	348
PREFERRED STOCK DIVIDENDS	-	5	6	14	10	19
PREFERRED SECURITIES DISTRIBUTIONS	5	4	14	13	18	18
NET INCOME AVAILABLE TO COMMON STOCKHOLDER	$ 88	$ 77	$ 265	$ 239	$ 338	$ 311

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

CONSUMERS ENERGY COMPANY
CONSOLIDATED STATEMENTS OF CASH FLOWS
(UNAUDITED)

SEPTEMBER 30	NINE MONTHS ENDED 1999	NINE MONTHS ENDED 1998	TWELVE MONTHS ENDED 1999	TWELVE MONTHS ENDED 1998
				In Millions
CASH FLOWS FROM OPERATING ACTIVITIES				
Net income	$ 285	$ 266	$ 366	$ 348
Adjustments to reconcile net income to net cash provided by operating activities				
Depreciation, depletion and amortization (includes nuclear decommissioning of $38, $38, $50 and $51, respectively)	307	291	418	395
Loss on MCV power purchases	-	37	-	37
Capital lease and other amortization	28	27	39	36
Accretion expense	11	12	15	16
Accretion income - abandoned Midland project	(3)	(5)	(5)	(7)
Deferred income taxes and investment tax credit	(7)	21	(8)	24
Undistributed earnings of related parties	(40)	(37)	(53)	(48)
MCV power purchases	(45)	(48)	(61)	(63)
Cumulative effect of accounting change	-	(66)	-	(66)
Changes in other assets and liabilities	(2)	(46)	(4)	81
Net cash provided by operating activities	534	452	707	753
CASH FLOWS FROM INVESTING ACTIVITIES				
Capital expenditures (excludes assets placed under capital lease)	(291)	(258)	(402)	(358)
Cost to retire property, net	(62)	(65)	(79)	(68)
Investments in nuclear decommissioning trust funds	(38)	(38)	(50)	(51)
Investment in Electric Restructuring Implementation Plan	(24)	(9)	(31)	(10)
Proceeds from FMLP	10	12	10	12
Proceeds from nuclear decommissioning trust funds	29	43	38	43
Proceeds from the sale of two non-utility partnerships	-	27	-	27
Associated company preferred stock redemption	50	50	50	50
Other	1	3	-	4
Net cash used in investing activities	(325)	(235)	(464)	(351)
CASH FLOWS FROM FINANCING ACTIVITIES				
Payment of common stock dividends	(208)	(173)	(276)	(278)
Retirement of preferred stock	(200)	-	(200)	-
Payment of capital lease obligations	(28)	(26)	(35)	(36)
Retirement of bonds and other long-term debt	(23)	(759)	(119)	(759)
Preferred securities distributions	(14)	(13)	(18)	(18)
Payment of preferred stock dividends	(9)	(14)	(14)	(19)
Proceeds from bank loans	15	-	15	-
Increase (decrease) in notes payable, net	102	(75)	15	(87)
Proceeds from senior notes	-	914	130	914
Contribution from (return of equity to) stockholder	150	(50)	250	(100)
Net cash provided by (used in) financing activities	(215)	(196)	(252)	(383)
NET INCREASE (DECREASE) IN CASH AND TEMPORARY CASH INVESTMENTS	(6)	21	(9)	19
CASH AND TEMPORARY CASH INVESTMENTS, BEGINNING OF PERIOD	25	7	28	9
CASH AND TEMPORARY CASH INVESTMENTS, END OF PERIOD	$ 19	$ 28	$ 19	$ 28

SEPTEMBER 30	NINE MONTHS ENDED 1999	1998	TWELVE MONTHS ENDED 1999	1998
				In Millions
OTHER CASH FLOW ACTIVITIES AND NON-CASH INVESTING AND FINANCING ACTIVITIES WERE:				
CASH TRANSACTIONS				
Interest paid (net of amounts capitalized)	$ 131	$ 128	$ 163	$ 165
Income taxes paid (net of refunds)	155	113	194	108
NON-CASH TRANSACTIONS				
Nuclear fuel placed under capital lease	$ 2	$ 21	$ 27	$ 21
Other assets placed under capital leases	11	11	14	12

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

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

CONSUMERS ENERGY COMPANY
CONSOLIDATED BALANCE SHEETS

ASSETS	SEPTEMBER 30 1999 (UNAUDITED)	DECEMBER 31 1998	SEPTEMBER 30 1998 (UNAUDITED)
			In Millions
PLANT (AT ORIGINAL COST)			
Electric	$ 6,920	$ 6,720	$ 6,641
Gas	2,427	2,360	2,328
Other	25	25	26
	9,372	9,105	8,995
Less accumulated depreciation, depletion and amortization	5,558	4,862	4,748
	3,814	4,243	4,247
Construction work-in-progress	179	165	165
	3,993	4,408	4,412
INVESTMENTS			
Stock of affiliates	147	241	227
First Midland Limited Partnership	238	240	237
Midland Cogeneration Venture Limited Partnership	240	209	199
	625	690	663
CURRENT ASSETS			
Cash and temporary cash investments at cost, which approximates market	19	25	28
Accounts receivable and accrued revenue, less allowances of $4, $5 and $5, respectively	22	114	-
Accounts receivable - related parties	62	63	77
Inventories at average cost			
Gas in underground storage	288	219	276
Materials and supplies	58	67	65
Generating plant fuel stock	37	43	29
Postretirement benefits	25	25	25
Prepaid property taxes and other	85	162	124
	596	718	624
NON-CURRENT ASSETS			
Regulatory assets			
Unamortized nuclear costs	506	-	-
Postretirement benefits	349	372	380
Abandoned Midland Project	53	71	77
Other	128	133	137
Nuclear decommissioning trust funds	572	557	510
Other	167	214	113
	1,775	1,347	1,217
TOTAL ASSETS	$ 6,989	$ 7,163	$ 6,916

STOCKHOLDERS' INVESTMENT AND LIABILITIES	SEPTEMBER 30 1999 (UNAUDITED)	DECEMBER 31 1998	SEPTEMBER 30 1998 (UNAUDITED)
			In Millions
CAPITALIZATION			
Common stockholder's equity			
Common stock	$ 841	$ 841	$ 841
Paid-in capital	645	502	402
Revaluation capital	41	68	57
Retained earnings since December 31, 1992	437	434	429
	1,964	1,845	1,729
Preferred stock	44	238	238
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
Long-term debt	2,009	2,007	1,977
Non-current portion of capital leases	84	100	77
	4,321	4,410	4,241
CURRENT LIABILITIES			
Current portion of long-term debt and capital leases	148	152	146
Notes payable	317	215	302
Accounts payable	156	190	160
Accrued taxes	89	238	109
Accounts payable - related parties	81	79	72
Power purchases	47	47	47
Accrued interest	31	36	26
Deferred income taxes	5	9	4
Accrued refunds	19	11	12
Other	206	138	143
	1,099	1,115	1,021
NON-CURRENT LIABILITIES			
Deferred income taxes	620	666	661
Post-retirement benefits	425	456	467
Deferred investment tax credit	127	134	142
Regulatory liabilities for income taxes, net	121	87	83
Power purchases	87	121	134
Other	189	174	167
	1,569	1,638	1,654
COMMITMENTS AND CONTINGENCIES (Notes 1 and 2)			
TOTAL STOCKHOLDERS' INVESTMENT AND LIABILITIES	$6,989	$7,163	$6,916

(a) The primary asset of Consumers Power Company Financing I is $103 million principal amount of 8.36% subordinated deferrable interest notes due 2015 from Consumers. The primary asset of Consumers Energy Company Financing II is $124 million principal amount of 8.20% subordinated deferrable interest notes due 2027 from Consumers.

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

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

SEPTEMBER 30	THREE MONTHS ENDED 1999	1998	NINE MONTHS ENDED 1999	1998	TWELVE MONTHS ENDED 1999	1998
						In Millions
COMMON STOCK						
At beginning and end of period	$ 841	$ 841	$ 841	$ 841	$ 841	$ 841
OTHER PAID-IN CAPITAL						
At beginning of period	645	452	502	452	402	502
Stockholder's contribution	-	-	150	-	250	-
Return of stockholder's contribution	-	(50)	-	(50)	-	(100)
Capital stock reacquired	-	-	(7)	-	(7)	-
At end of period	645	402	645	402	645	402
REVALUATION CAPITAL						
At beginning of period	57	59	68	58	57	45
Change in unrealized investment - gain (loss) (a)	(16)	(2)	(27)	(1)	(16)	12
At end of period	41	57	41	57	41	57
RETAINED EARNINGS						
At beginning of period	438	396	434	363	429	396
Net income (a)	93	86	285	266	366	348
Common stock dividends declared	(89)	(44)	(262)	(173)	(330)	(278)
Preferred stock dividends declared	-	(5)	(6)	(14)	(10)	(19)
Preferred securities distributions	(5)	(4)	(14)	(13)	(18)	(18)
At end of period	437	429	437	429	437	429
TOTAL COMMON STOCKHOLDER'S EQUITY	$1,964	$1,729	$1,964	$1,729	$1,964	$1,729
(a) DISCLOSURE OF COMPREHENSIVE INCOME:						
Revaluation capital						
Unrealized investment - gain (loss), net of tax of $(9), $(1), $(15), $-$(9) and $7, respectively	$ (16)	$ (2)	$ (27)	$ (1)	$ (16)	$ 12
Net income	93	86	285	266	366	348
Total Comprehensive Income	$ 77	$ 84	$ 258	$ 265	$ 350	$ 360

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

CONSUMERS ENERGY COMPANY
CONDENSED NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

These Condensed Notes and their related Consolidated Financial Statements should be read along with the Consolidated Financial Statements and Notes contained in the Consumers 1998 Form 10-K that includes the Report of Independent Public Accountants. In the opinion of management, the unaudited information herein reflects all adjustments necessary to assure the fair presentation of financial position, results of operations and cash flows for the periods presented.

1: CORPORATE STRUCTURE AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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

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

Derivative instruments contain credit risk if the counter parties, 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 counter parties. The risk of nonperformance by the counter parties is considered remote.

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

Consumers enters into electric option contracts to ensure a reliable source of capacity to meet its customers' electricity requirements and to limit its risk associated with electricity price increases. It is management's intent to take physical delivery of the commodity. Consumers continuously evaluates its daily capacity needs and sells the option contracts, if marketable, when it has excess daily capacity. Consumers' maximum exposure associated with these options is limited to premiums paid.

UTILITY REGULATION: Consumers accounts for the effects of regulation based on a regulated utility accounting standard (SFAS 71). 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 which, among other things, identified the terms and timing for implementing electric restructuring in Michigan. Consistent with these orders, Consumers expected to implement retail open access for its electric customers in September 1999, and therefore, Consumers discontinued application of SFAS 71 for the energy supply portion of its business in the first quarter of 1999. Discontinuation of SFAS 71 for the energy supply portion of Consumers' business resulted in Consumers reducing the carrying value of its Palisades plant-related assets by approximately $535 million and established a regulatory asset for a corresponding amount. The regulatory asset is collectible as part of the Transition Costs which are recoverable through the regulated transmission and distribution portion of Consumers' business as approved by an MPSC order in 1998. This order also allowed Consumers to recover any energy supply-related regulatory assets, plus a return on any unamortized balance of those assets, from its transmission and distribution customers. According to current accounting standards, Consumers can continue to carry its energy supply-related regulatory assets or liabilities for the part of the business subject to regulatory change if legislation or an MPSC rate order allows the collection of cash flows, to recover specific costs or to settle obligations, from its regulated transmission and distribution customers. At September 30, 1999, Consumers had a net investment in energy supply facilities of $934 million included in electric plant and property.

REPORTABLE SEGMENTS: Consumers has two reportable segments: electric and gas. The electric segment consists of activities associated with the generation, transmission and distribution of electricity. The gas segment consists of activities associated with the production, transportation, storage and distribution of natural gas. Consumers' reportable segments are domestic strategic business units organized and managed by the nature of the product and service each provides. The accounting policies of the segments are the same as those described in Consumers' 1998 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.

IMPLEMENTATION OF NEW ACCOUNTING STANDARDS: In 1998, the American Institute of Certified Public Accountants issued Statement of Position 98-1, Accounting for the Costs of Computer Software Developed or Obtained for Internal Use, and Statement of Position 98-5, Reporting on the Costs of Start-Up Activities. Also in 1998, the Emerging Issues Task Force published Issue 98-10, Accounting for Energy Trading and Risk Management Activities. Each of these statements is effective for 1999. Application of these standards has not had a material affect on Consumers' financial position, liquidity or results of operations.

2: UNCERTAINTIES

ELECTRIC CONTINGENCIES

ELECTRIC ENVIRONMENTAL MATTERS: The Clean Air Act limits emissions of sulfur dioxide and nitrogen oxides and requires emissions and air quality monitoring. Consumers currently operates within these limits and meets current emission requirements. The Clean Air Act requires the EPA to periodically review the effectiveness of the national air quality standards in preventing adverse health effects. In 1997 the EPA revised these standards to impose further limitations on nitrogen oxide and small particulate-related emissions. In May 1999 a United States Court of Appeals ruled that the grant of authority to the EPA to revise the standards as the EPA did, would amount to an unconstitutional delegation of legislative power. As a result, the standards will not be implemented under the 1997 rule. The EPA has requested a rehearing of the court's decision.

In September 1998, based in part upon the 1997 standards, the EPA Administrator issued final regulations requiring the State of Michigan to further limit nitrogen oxide emissions. Fossil-fueled emitters, such as Consumers' generating units, anticipated a reduction in nitrogen oxide emissions by 2003 to only 32 percent of levels allowed for the year 2000. The State of Michigan had one year to submit an implementation plan. The State of Michigan filed a lawsuit objecting to the extent of the required emission reductions and requesting an extension of the submission date. In May 1999 the United States Court of Appeals granted an indefinite stay of the submission date for the State of Michigan's implementation plan. Based upon the recent court rulings, it is unlikely that the State of Michigan will establish Consumers' nitrogen oxide emissions reduction target until late 1999. Until this target is established, the estimated cost of compliance discussed below is subject to revision.

The preliminary estimate of capital expenditures to reduce nitrogen oxide-related emissions to the level proposed by the State of Michigan for Consumers' fossil-fueled generating units ranges from $150 million to $290 million, in 1999 dollars. If Consumers had to meet the EPA's 1997 proposed requirements it is estimated that the cost to Consumers would be between $290 million and $500 million, in 1999 dollars. In both these cases the lower estimate represents the capital expenditure level that would satisfactorily meet the proposed emissions limits but would result in higher operating expense. The higher estimate in the range includes expenditures that result in lower operating costs while complying with the proposed emissions limit. Consumers anticipates that these capital expenditures will be incurred between 1999 and 2004, or between 1999 and 2003 if the EPA's limits are imposed.

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

Consumers' coal-fueled electric generating units burn low-sulfur coal and are currently operating at or near the sulfur dioxide emission limits that will be effective in the year 2000. During the past few years, in order to comply with the Clean Air Act, Consumers incurred capital expenditures totaling $55 million to install equipment at certain generating units. Consumers estimates an additional $16 million of capital expenditures for ongoing and proposed modifications at the remaining coal-fueled units to meet year 2000 requirements. Management believes that these expenditures will not materially affect Consumers' annual operating costs.

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 properly recoverable in rates under current ratemaking policies.

Consumers is a so-called 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.

At September 30, 1999, Consumers has accrued the minimum amount of the range for its estimated Superfund liability.

While decommissioning Big Rock, Consumers found that some areas of the plant have coatings that contain both metals and PCBs. The cost of removal and disposal of these materials is currently unknown. There may be some radioactive portion of these materials, which no facility in the United States will currently accept. The cost of removal and disposal will constitute part of the cost to decommission the plant and will be paid from the decommissioning fund. Consumers is studying the extent of the contamination and reviewing options.

ANTITRUST: In October 1997, two independent power producers sued Consumers in a federal court. The suit alleged antitrust violations relating to contracts, which Consumers entered into with some of its customers and claims relating to power facilities. On March 31, 1999, the court issued an opinion and order granting Consumers' motion for summary judgment, resulting in the dismissal of the case. The plaintiffs have appealed this decision.

ELECTRIC RATE MATTERS

ELECTRIC PROCEEDINGS: In 1996, the MPSC issued a final order that authorized Consumers to recover costs associated with the purchase of the additional 325 MW of MCV Facility capacity (see "Power Purchases from the MCV Partnership" in this Note) and to recover its nuclear plant investment by increasing prospective annual nuclear plant depreciation expense by $18 million, with a corresponding decrease in fossil-fueled generating plant depreciation expense. It also established an experimental direct-access program. Customers having a maximum demand of 2 MW or greater are eligible to purchase generation services directly from any eligible third-party power supplier and Consumers will transmit the power for a fee. The direct-access program is limited to 134 MW of load. In accordance with the MPSC order, Consumers held a lottery in April 1997 to select the customers to participate in the direct-access program. Subsequently, direct access for a portion of this 134 MW began in late 1997. The program was substantially filled by the end of March 1999. The Attorney General, ABATE, the MCV Partnership and other parties filed appeals with the Court of Appeals challenging the MPSC's 1996 order. In August 1999, the Court of Appeals affirmed the MPSC's 1996 order in all respects. In October 1999, the Attorney General filed an application for leave to appeal this decision to the Michigan Supreme Court.

In January 1998, the Court of Appeals affirmed an MPSC conclusion that the MPSC has statutory authority to authorize an experimental electric retail wheeling program. In June 1999, the Michigan Supreme Court reversed the Court of Appeals and vacated the 1995 MPSC retail wheeling orders. The Court found that the MPSC does not have the statutory authority to order a mandatory retail wheeling program.

ELECTRIC RESTRUCTURING: As part of ongoing proceedings relating to the restructuring of the electric utility industry in Michigan, the MPSC in June 1997 issued an order proposing that beginning January 1, 1998 Consumers transmit and distribute energy on behalf of competing power suppliers to retail customers. Further restructuring orders issued in late 1997 and early 1998 provide for: 1) recovery of estimated Transition Costs of $1.755 billion through a charge to all customers purchasing their power from other sources until the end of the transition period in 2007, subject to an adjustment through a true-up mechanism; 2) commencement of the phase-in of retail open access in 1998 (subsequently extended to September 1999); 3) suspension of the PSCR process as discussed below; and 4) the right of all customers to choose their power suppliers on January 1, 2002. The recovery of costs of implementing a retail open access program, preliminarily estimated at an additional $200 million, would be reviewed for prudence and recovered via a charge approved by the MPSC. Nuclear decommissioning costs would also continue to be collected through a separate surcharge to all customers.

In June 1998, Consumers submitted its plan for implementing retail open access to the MPSC. The primary issues addressed in the plan are: 1) the implementation schedule; 2) the retail open access service options available to customers and suppliers; 3) the process and requirements for customers and others to obtain retail open access service; and 4) the roles and responsibilities for Consumers, customers and suppliers. In March 1999, Consumers received MPSC electric restructuring orders, which generally supported Consumers' implementation plan. Consumers began implementing electric retail customer open access in September 1999, and will extend open access to 750 MW of Consumers' retail market by 2001. On January 1, 2002, all of Consumers' electric customers will have the right to choose generation suppliers.

There are numerous appeals pending at the Court of Appeals relating to the MPSC's restructuring orders. Because of the June 1999 Michigan Supreme Court decision described above in "Electric Proceedings", Consumers believes that the MPSC lacks statutory authority to mandate industry restructuring. Although Consumers filed an appeal of the restructuring orders which asked the court to rule that the MPSC could not mandate industry restructuring, Consumers has subsequently requested to have that appeal dismissed. Subsequent to the June 1999 Michigan Supreme Court decision, the MPSC requested comments from any interested party concerning the effect of the Supreme Court's decision on these matters. Following receipt of comments, the MPSC issued an order on August 17, 1999 finding that it has jurisdiction to approve rates, terms, and conditions for electricity retail wheeling (also known as electric customer choice) if a utility voluntarily chooses to offer that service. The August 17th order also requested that Consumers file a statement if it intended to continue with its electric customer choice program. On September 1, 1999 Consumers filed a statement reaffirming its decision to continue carrying out the customer choice program as previously approved by the MPSC. ABATE and the Attorney General have each appealed the August 17th order to the Court of Appeals. Both ABATE and the Attorney General subsequently filed applications with the Michigan Supreme Court asking that Court to bypass the Court of Appeals and immediately review the lawfulness of the August 17th order. It is uncertain how the issues raised by the MPSC's August 17th order will be resolved by the regulatory process, the appellate courts or by legislation codifying the retail wheeling and related Transition Cost recovery issues.

Several bills relative to electric restructuring have been introduced in the Michigan legislature for consideration in the 1999-2000 legislative session. Although Consumers has not specifically supported any of these bills, Consumers believes legislation is desirable to provide statutory support for the MPSC orders. Consumers is uncertain as to whether legislation will be enacted and what effect any enacted legislation will have on Consumers. Similar uncertainty exists with respect to the possibility that federal legislation restructuring the electric power industry will be enacted. A variety of bills changing existing federal regulation of the industry and potentially affecting state regulation have been introduced in Congress in recent years. None has been enacted.

Consumers believes progress is being made in discussions with its major commercial and industrial customers, which, if successful, would result in agreement on the need for, and substance of, electric restructuring legislation in Michigan and have the effect of resolving

Consumers' rate proceedings pending before the MPSC. While there are no assurances that an agreement or legislation will result, Consumers is optimistic that a positive outcome of the discussions can be achieved. Consumers cannot predict the outcome of electric restructuring on it's financial position, liquidity, or results of operations.

As a result of a 1998 MPSC order in connection with the electric restructuring program, the PSCR process was suspended. Under this suspension, customers previously subject to the PSCR mechanism will not have their rates adjusted to reflect the actual costs of fuel and purchased and interchanged power during the 1998-2001 period. In prior years, when the PSCR process was employed, any change in power supply costs was passed through to customers. In order to reduce the risk of high energy prices during peak demand periods, Consumers purchased daily call options, at a cost of approximately $19 million, to insure a reliable source of energy during the months of June through September 1999, and expects to use a similar strategy in the future. Consumers is planning to have sufficient generation and purchased capacity for approximately a 15 percent reserve margin in order to provide reliable service to its electric service customers and to protect itself against unscheduled plant outages. Under certain circumstances, the cost of purchasing energy on the spot market could be substantial.

In June 1999, Consumers and four other electric utility companies sought approval from the FERC to form the Alliance Regional Transmission Organization. The proposed structure will provide for the creation of a transmission entity that would control, operate and own transmission facilities of one or more of the member companies, and would control and operate, but not necessarily own, the transmission facilities of other companies. The proposal is structured to give the member companies the flexibility to maintain or divest ownership of their transmission facilities while ensuring independent operation of the regional transmission system. The member companies have requested the FERC to approve the proposed request by December 31, 1999.
Consumers is uncertain of the outcome of this matter.

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
	Three Months Ended		Nine Months Ended		Twelve Months Ended	
September 30	1999	1998	1999	1998	1999	1998
Pretax operating income	$13	$13	$39	$36	$52	$46
Income taxes and other	4	4	12	11	16	14
Net income	$9	$9	$27	$25	$36	$32

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, Consumers has been permitted by the MPSC 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, Consumers also has been permitted 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. Because the MPSC has already approved recovery of these capacity costs, Consumers will recover these increases through an adjustment to the currently frozen PSCR factor that will be effective through 2001. Consumers expects to recover the remaining increases through the Transition Cost true-up process and through further adjustments to the PSCR factor. After September 2007, under the terms of the PPA, Consumers will only be required to pay the MCV Partnership capacity and energy charges that the MPSC has authorized for recovery from electric customers.

In March 1999, Consumers signed a long-term power sales agreement to resell to PECO its capacity and energy purchases under the PPA until September 2007. After a three-year transition period during which 100 to 150 MW will be sold to PECO, beginning in 2002 Consumers will sell all 1,240 MW of PPA capacity and associated energy to PECO. In March 1999, Consumers also filed an application with the MPSC for accounting and ratemaking approvals related to the PECO agreement. If used as an offset to electric customers Transition Cost responsibility, Consumers estimates that there could be a reduction of as much as $58 million (on a net present value basis) of Transition Cost related to the MCV PPA. In an order issued in April 1999, the MPSC conditionally approved the requests for accounting and rate-making treatment to the extent that customer rates are not increased from their level absent the agreement and as modified by the order. In response to Consumers' and other parties' requests for clarification and rehearing, in an August 1999 opinion, the MPSC partially granted the relief Consumers requested on rehearing and attached certain additional conditions to its approval. Those conditions relate to Consumers continued decision to carry out the electricity customer choice program (which Consumers has affirmed as discussed above) and a determination to revise its capacity solicitation process (which Consumers has filed but is awaiting an MPSC decision). The August opinion is a companion order to a power supply cost reconciliation order issued on the same date in another case. This order affects the level of frozen power supply costs recoverable in rates during future years when the transaction with PECO would be taking place. Consumers filed a motion for clarification of the order relating to the PECO agreement.

Consumers recognized a loss in 1992 for the present value of the estimated future underrecoveries of power costs under the PPA based on MPSC recovery orders. At September 30, 1999 and September 30, 1998, the remaining after-tax present value of the estimated future PPA liability associated with the 1992 loss totaled $87 million and $118 million, respectively. At September 30, 1999, the undiscounted after-tax amount associated with this liability totaled $148 million. These after-tax cash underrecoveries are based on the assumption that the MCV Facility would be available to generate electricity 91.5 percent of the time over its expected life. Historically the MCV Facility has operated above the 91.5 percent level. Accordingly, in 1998, Consumers increased its PPA liability by $37 million. Because the MCV Facility operated above the 91.5 percent level in 1998 and thus far in 1999, Consumers has an accumulated unrecovered after-tax shortfall of $24 million as of September 30, 1999. Consumers believes that this shortfall will be resolved as part of the electric restructuring effort. If the MCV Facility generates electricity at the 91.5 percent level during the next five years, Consumers' after-tax cash underrecoveries associated with the PPA would be as follows.

In Millions					
	1999	2000	2001	2002	2003
Estimated cash underrecoveries, net of tax	$35	$21	$20	$19	$18

If the MCV Facility operates at availability levels above management's 91.5 percent estimate made in 1992 for the remainder of the PPA, Consumers will need to recognize additional losses for future underrecoveries. In March 1999, Consumers and the MCV Partnership reached an agreement effective January 1, 1999 that will cap availability payments to the MCV Partnership at 98.5 percent. For further discussion on the impact of the frozen PSCR, see "Electric Restructuring" in this Note. Management is evaluating the adequacy of the contract loss liability considering actual MCV Facility operations and any other relevant circumstances.

In February 1998, the MCV Partnership filed a claim of appeal from the January 1998 and February 1998 MPSC orders in the electric utility industry restructuring. At the same time, the MCV Partnership filed suit in the U.S. District Court seeking a declaration that the MPSC's failure to provide Consumers and the MCV Partnership a certain source of recovery of capacity payments after 2007 deprived the MCV Partnership of its rights under the Public Utilities Regulatory Policies Act of 1978. In July 1999, the U.S. District Court issued an order granting the MCV Partnership's motion for summary judgment. The order permanently prohibits two of the incumbent commissioners from enforcing the restructuring orders in any manner which denies any utility the ability to recover amounts paid to qualifying facilities such as the MCV Facility or which precludes the MCV Partnership from recovering the avoided cost rate.

NUCLEAR MATTERS: In January 1997, the NRC issued its Systematic Assessment of Licensee Performance report for Palisades. The report rated all areas as good. The NRC suspended this same assessment process for all licensees in 1998. Until such time as the NRC completes its review of processes for assessing performance at nuclear power plants, the Plant Performance Review is being used to provide an assessment of licensee performance. Palisades received its annual performance review dated March 26, 1999 in which the NRC stated that the overall performance at Palisades was acceptable.

Palisades' temporary on-site storage pool for spent nuclear fuel is at capacity. Consequently, Consumers is using NRC-approved steel and concrete vaults, commonly known as "dry casks", for temporary on-site storage. As of September 30, 1999 Consumers had loaded 18 dry storage casks with spent nuclear fuel at Palisades. In June 1997, the NRC approved Consumers' process for unloading spent fuel from a cask previously discovered to have minor weld flaws. Consumers intends to transfer the spent fuel to a new transportable cask when one is available.

On October 15, 1999 a planned forty-day refueling and maintenance outage began at Palisades. Consumers will replace certain nuclear fuel assemblies and 2 low-pressure steam turbines during the outage.

Consumers maintains insurance against property damage, debris removal, personal injury liability and other risks that are present at its nuclear generating facilities. Consumers also maintains coverage for replacement power costs during prolonged accidental outages at Palisades. Insurance would not cover such costs during the first 12 weeks of any outage, but would cover most of such costs during the next 52 weeks of the outage, followed by reduced coverage to 80 percent for 110 additional weeks. If certain covered losses occur at its own or other nuclear plants similarly insured, Consumers could be required to pay maximum assessments of $15 million in any one year to NEIL; $88 million per occurrence under the nuclear liability secondary financial protection program, limited to $10 million per occurrence in any year; and $6 million if nuclear workers claim bodily injury from radiation exposure. Consumers considers the possibility of these assessments to be remote.

The NRC requires Consumers to make certain calculations and report on the continuing ability of the Palisades reactor vessel to withstand postulated pressurized thermal shock events during its remaining license life, considering the embrittlement of reactor materials. In December 1996, Consumers received an interim Safety Evaluation Report from the NRC indicating that the reactor vessel can be safely operated through 2003 before reaching the NRC's screening criteria for reactor embrittlement. Consumers believes that with fuel management designed to minimize embrittlement, it can operate Palisades to the end of its license life in the year 2007 without annealing the reactor vessel. Nevertheless, Consumers will continue to monitor the matter.

NUCLEAR PLANT DECOMMISSIONING: Consumers collected $51 million in 1998 from its electric customers for decommissioning of its two nuclear plants. Amounts collected from electric retail customers and deposited in trusts (including trust earnings) are credited to accumulated depreciation. On March 22, 1999, Consumers received a decommissioning order from the MPSC that approved estimated decommissioning costs for Big Rock and Palisades of $304 million and $541 million (in 1998 dollars), respectively. Consumers' site-specific decommissioning cost estimates for Big Rock and Palisades assume that each plant site will eventually be restored to conform to the adjacent landscape, and all contaminated equipment will be disassembled and disposed of in a licensed burial facility. The MPSC order also reduced annual decommissioning surcharges by $4 million a year and required Consumers to file revised decommissioning surcharges for Palisades that incorporate a gradual reduction in the decommissioning trust's equity investments following the plant's retirement. On April 21, 1999, Consumers filed with the MPSC a revised decommissioning surcharge for Palisades and anticipates a revised MPSC order in early 2000. If approved, the annual decommissioning surcharges for Palisades would be reduced by an additional $4 million a year. Settlement discussions are underway which could further reduce the annual recovery. After retirement of Palisades, Consumers plans to maintain the facility in protective storage if radioactive waste disposal facilities are not available. Consumers will incur most of the Palisades decommissioning costs after the plant's NRC operating license expires. When the Palisades' NRC license expires in 2007, the trust funds are currently estimated to have accumulated $677 million, assuming current surcharge levels. Consumers estimates that at the time Palisades is fully decommissioned in the year 2046, the trust funds will have provided $1.9 billion, including trust earnings, over this decommissioning period. As of September 30, 1999, Consumers had an investment in nuclear decommissioning trust funds of $392 million for Palisades and $180 million for Big Rock.

Big Rock was closed permanently in 1997 because management determined that it would be uneconomical to operate in an increasingly competitive environment. The plant was originally scheduled to close on May 31, 2000, at the end of the plant's operating license. The MPSC has allowed Consumers to continue collecting decommissioning surcharges through December 31, 2000. Plant decommissioning began in 1997 and it may take five to ten years to return the site to its original condition. For the first nine months of 1999, Consumers spent $37 million for the decommissioning and withdrew $29 million from the Big Rock nuclear decommissioning trust fund. In total, Consumers has spent $112 million for the decommissioning and withdrew $103 million from the Big Rock nuclear decommissioning trust fund. These activities had no impact on net income.

CAPITAL EXPENDITURES: Consumers estimates electric capital expenditures, including new lease commitments, of $400 million for 1999, $435 million for 2000, and $520 million for 2001. For further information, see the Capital Expenditures Outlook section in the MD&A.

GAS CONTINGENCIES

GAS ENVIRONMENTAL MATTERS: Under the Michigan Natural Resources and Environmental Protection Act, Consumers expects that it will ultimately incur investigation and remedial action costs at a number of sites, including some 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 the costs are estimated to be between $66 million and $118 million. These estimates are based on undiscounted 1999 costs. Using the low end of the range, Consumers estimates its remaining expenditures at $63 million as of September 30, 1999 and has accrued a liability for the same amount and also established a corresponding regulatory asset. 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 will not begin until after a prudence review in a general rate case. Consumers is allowed current recovery of $1 million annually. Consumers has initiated lawsuits against certain insurance companies regarding coverage for some or all of the costs that it may incur for these sites.

GAS RATE MATTERS

GAS RESTRUCTURING: In December 1997, the MPSC approved Consumers' application to implement an experimental gas transportation program, which will extend over a three-year period, and allow up to 300,000 residential, commercial and industrial retail gas sales customers to choose their gas commodity supplier. The program is voluntary and participating natural gas customers are selected on a first-come, first-served basis, up to a limit of 100,000 per year. As of September 30, 1999, more than 181,000 customers chose alternative gas suppliers, representing approximately 42 bcf of gas load. The program allows Consumers to earn a margin on the gas commodity provided it can continue to purchase gas at prices below the $2.84/mcf cost allowed in its rate. Customers choosing to remain as sales customers of Consumers will not see a rate change in their natural gas rates. This three-year program: 1) suspends Consumers' GCR clause, effective April 1, 1998, establishing a gas commodity cost at a fixed rate of $2.84 per mcf, allowing Consumers the opportunity to benefit by reducing its cost of the commodity; 2) establishes an earnings sharing mechanism with customers if Consumers' earnings exceed certain pre-determined levels; and 3) establishes a gas transportation code of conduct that addresses the relationship between Consumers and marketers, including its affiliated marketers. In January 1998, the Attorney General, ABATE and other parties filed claims of appeal regarding the program with the Court of Appeals.

Consumers uses gas purchase contracts to limit its risk associated with increases in its gas price above the $2.84 per mcf during the three-year experimental gas program. It is management's intent to take physical delivery of the commodity and failure could result in a significant penalty for nonperformance. At September 30, 1999, Consumers had an exposure to gas price increases if the ultimate cost of gas was to exceed $2.84 per mcf for the following volumes: 3 percent of its 1999 requirements; 55 percent of its 2000 requirements; and 55 percent of its first quarter 2001 requirements. Additional contract coverage is currently under review. The gas purchase contracts currently in place were consummated at an average price of less than $2.84 per mcf. The gas purchase contracts are being used to protect against gas price increases in the three-year experimental gas program where Consumers is recovering from its customers $2.84 per mcf for gas.

OTHER GAS UNCERTAINTIES

CAPITAL EXPENDITURES: Consumers estimates gas capital expenditures, including new lease commitments, of $125 million for 1999, and $130 million for each of 2000 and 2001. For further information, see the Capital Expenditures Outlook section in the MD&A.

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 September 30, 1999, Consumers had FERC authorization to issue or guarantee, through June 2000, up to $900 million of short-term securities outstanding at any one time and to guarantee, through 1999, up to $25 million in loans made by others to residents of Michigan for making energy-related home improvements. Consumers also had remaining FERC authorization to issue, through June 2000, up to $275 million and $390 million of long-term securities with maturities up to 30 years for refinancing purposes and for general corporate purposes, respectively.

SHORT-TERM FINANCING: Consumers has an unsecured $300 million credit facility and unsecured lines of credit aggregating $135 million. These facilities are available to finance seasonal working capital requirements and to pay for capital expenditures between long-term financings. At September 30, 1999, a total of $317 million was outstanding at a weighted average interest rate of 6.1 percent, compared with $302 million outstanding at September 30, 1998, at a weighted average interest rate of 6.3 percent. In January 1999, Consumers renegotiated a variable-to-fixed interest rate swap totaling $175 million. In September 1999, Consumers entered into two variable-to-fixed interest rate swaps totaling $740 million.

Consumers also has in place a $325 million trade receivables sale program. At September 30, 1999 and 1998, receivables sold under the program totaled $314 million and $307 million, respectively. Accounts receivable and accrued revenue in the Consolidated Balance Sheets have been reduced to reflect receivables sold.

LONG-TERM FINANCINGS: Consumers issued long-term bank debt of $15 million in February 1999, maturing in February 2002, at an initial interest rate of 5.3 percent. Proceeds from this issuance were used for general corporate purposes.

On April 1, 1999, Consumers redeemed all eight million outstanding shares of its $2.08 preferred stock at $25.00 per share for a total of $200 million.

Subsequent to quarter end, 7 million shares of 9.25 percent Trust Preferred Securities were issued and sold through Consumers Energy Company Financing III, a wholly owned business trust consolidated with Consumers. Net proceeds from the sale totaled approximately $170 million. Consumers formed the trust for the sole purpose of issuing the Trust Preferred Securities. Consumers' obligations with respect to the Trust Preferred Securities under the related tax-deductible notes, under the indenture through which Consumers issued the notes, under Consumers' guarantee of the Trust Preferred Securities, and under the declaration by the trust, taken together, constitute a full and unconditional guarantee by Consumers of the trust's obligations under the Trust Preferred Securities.

Under the provisions of its Articles of Incorporation, Consumers had $318 million of unrestricted retained earnings available to pay common dividends at September 30, 1999. In May 1999, Consumers declared and paid a $76 million common dividend. In July 1999, Consumers declared a $35 million common dividend which was paid in August 1999. In September 1999, Consumers declared a $55 million common dividend payable in November 1999.

Report of Independent Public Accountants

To Consumers Energy Company:

We have reviewed the accompanying consolidated balance sheets of CONSUMERS ENERGY COMPANY (a Michigan corporation and wholly owned subsidiary of CMS Energy Corporation) and subsidiaries as of September 30, 1999 and 1998, the related consolidated statements of income and common stockholder's equity for the three-month, nine-month, and twelve-month periods then ended, and the related consolidated statements of cash flows for the nine-month and twelve-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 generally accepted auditing standards, 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 generally accepted accounting principles.

We have previously audited, in accordance with generally accepted auditing standards, the consolidated balance sheet and consolidated statements of long-term debt and preferred stock of Consumers Energy Company and subsidiaries as of December 31, 1998, and the related consolidated statements of income, common stockholder's equity and cash flows for the year then ended (not presented herein), and, in our report dated January 26, 1999 (except with respect to the matter disclosed in Note 2, "Electric Rate Matters", as to which the date is March 29, 1999), we expressed an unqualified opinion on those statements. In our opinion, the information set forth in the accompanying consolidated balance sheet as of December 31, 1998, is fairly stated, in all material respects, in relation to the consolidated balance sheet from which it has been derived.

Detroit, Michigan,
November 10, 1999.

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PANHANDLE EASTERN PIPE LINE COMPANY
MANAGEMENT'S DISCUSSION AND ANALYSIS

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

The MD&A of this Form 10-Q should be read along with the MD&A and other parts of Panhandle's 1998 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 contains forward-looking statements, as defined by the Private Securities Litigation Reform Act of 1995. While forward-looking statements are based on assumptions and such assumptions are believed to be reasonable and are made in good faith, Panhandle cautions that assumed results almost always vary from actual results and differences between assumed and actual results can be material. The type of assumptions that could materially affect the actual results are discussed in the Forward-Looking Information section in this MD&A. More specific risk factors are contained in various public filings made by Panhandle with the SEC. This report also describes material contingencies in the Notes to Consolidated Financial Statements and the readers are encouraged to read such Notes.

On March 29, 1999, Panhandle Eastern Pipe Line Company and its principal consolidated subsidiaries, Trunkline and Pan Gas Storage, as well as Panhandle Eastern Pipe Line Company's affiliates, Trunkline LNG and Panhandle Storage, were acquired from subsidiaries of Duke Energy by CMS Panhandle Holding, which was an indirect wholly owned subsidiary of CMS Energy. Immediately following the acquisition, Trunkline LNG and Panhandle Storage became direct wholly owned subsidiaries of Panhandle Eastern Pipe Line Company.

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

CMS Panhandle Holding privately placed $800 million of senior unsecured notes and received a $1.1 billion initial capital contribution from CMS Energy to fund the acquisition of Panhandle. On June 15, 1999, CMS Panhandle Holding was merged into Panhandle, at which point the CMS Panhandle Holding notes became direct obligations of Panhandle. In August 1999, Panhandle initiated an exchange offer which replaced the $800 million of notes originally issued by CMS Panhandle Holding with substantially identical SEC-registered notes issued by Panhandle. Panhandle completed the exchange offer in September 1999. The acquisition by CMS Panhandle Holding was accounted for using the purchase method of accounting, with Panhandle preliminarily allocating the purchase price paid by CMS Panhandle Holding to Panhandle's net assets as of the acquisition date. Accordingly, the post-acquisition financial statements reflect a new basis of accounting, and pre-acquisition period and post-acquisition period financial results are presented but are not comparable (See Note 1).

The final determination of the fair market value of Panhandle's net assets acquired and the associated estimated remaining useful lives of the property, plant and equipment are pending the results of ongoing studies. Accordingly, the amounts presented are subject to change, but any differences in the final purchase price allocation are not expected to have a material effect on Panhandle's financial statements.

RESULTS OF OPERATIONS

NET INCOME:

			In Millions
September 30	1999	1998	Change
Nine Months Ended	$ 62	$ 64	$ (2)

For the three months ended September 30, 1999, net income was $14 million, up $3 million from the corresponding period in 1998. Total natural gas transportation volumes for the three months ended September 30, 1999 increased 7 percent from the same period in 1998. For the nine months ended September 30, 1999, net income was $62 million, down $2 million from the corresponding period in 1998. Total natural gas transportation volumes for the nine months ended September 30, 1999 decreased 2 percent from the same period in 1998.

Revenues for the three months and the nine months ended September 30, 1999 decreased $2 million and $19 million, respectively, from the corresponding periods in 1998 due primarily to declining reservation rates and revenues and the transfer of Panhandle Field Services to Duke Energy in March 1999, partially offset by Trunkline LNG terminalling revenues in 1999.

Operating expenses for the three months and the nine months ended September 30, 1999 decreased $7 million and $18 million, respectively, from the corresponding periods in 1998, primarily as a result of the transfer of Panhandle Field Services to Duke Energy and lower administrative costs.

Interest on long-term debt for the three months and nine months ended September 30, 1999 increased $12 million and $26 million from the corresponding periods in 1998 primarily due to interest on the new debt assumed by Panhandle (See Note 11). Other interest decreased $14 million and $27 million for the three months and nine months ended September 30, 1999 from the corresponding periods in 1998 primarily due to interest on the intercompany note with PanEnergy, which was eliminated with the sale of Panhandle to CMS Panhandle Holding (See Note 1 and Note 3).

OPERATING INCOME:

Change Compared to Prior Year	In Millions Nine Months Ended September 30 1999 vs. 1998
Commodity revenue	$ (1)
Reservation and other revenues	(18)
Operations and maintenance	19
General taxes	(1)
Total Change	$ (1)

CASH POSITION AND INVESTING

OPERATING ACTIVITIES: Panhandle's consolidated net cash provided by operating activities is derived mainly from the transportation and storage of natural gas. Consolidated cash from operations totaled $122 million and $119 million for the first nine months of 1999 and 1998, respectively. Panhandle uses operating cash primarily to maintain and expand its gas systems and pay dividends.

INVESTING ACTIVITIES: Panhandle's consolidated net cash used in investing activities totaled $1.9 billion and $119 million for the first nine months of 1999 and 1998, respectively. The increase of $1.8 billion primarily reflects proceeds paid for the acquisition of Panhandle from subsidiaries of Duke Energy, partially offset by decreased capital expenditures due to the 1998 expenditures related to the Terrebonne expansion project in the Gulf of Mexico and the transfer of Panhandle Field Services to Duke Energy.

FINANCING ACTIVITIES: Panhandle's consolidated net cash provided by financing activities totaled $1.8 billion for the first nine months of 1999. The $1.8 billion increase in cash sources primarily reflects the proceeds from capital contributions and senior notes utilized to acquire Panhandle, offset by loans to parent and dividends paid.

CAPITAL EXPENDITURES

Panhandle estimates capital expenditures and investments, including allowance for funds used during construction, for the next three years to be approximately $60 million for each year. These estimates are prepared for planning purposes and are subject to revision. Capital expenditures for 1999 are being satisfied by cash from operations.

OUTLOOK

The market for transmission of natural gas to the Midwest is increasingly competitive and may become more so in light of projects in progress to increase Midwest transmission capacity for gas originating in Canada and the Rocky Mountain region. As a result, there continues to be pressure on prices charged by Panhandle and an increasing necessity to discount the prices charged from the legal maximum. Panhandle continues to be selective in offering discounts to maximize revenues from existing capacity and to advance projects that provide expanded services to meet the specific needs of customers. As a result of Panhandle's new cost basis resulting from the merger with CMS Panhandle Holding, which includes costs not likely to be considered for regulatory recovery, in addition to the level of discounting being experienced by Panhandle, it no longer meets the criteria of SFAS 71 and has discontinued application of SFAS 71 (See Note 10). The discontinuance is not expected to materially affect Panhandle's financial position, liquidity, or results of operations.

OTHER MATTERS

REGULATORY MATTERS

The interstate natural gas transmission industry currently is regulated on a basis designed to recover the costs (including depreciation and return on investment) of providing services to customers. In July 1998, the FERC issued a NOPR on short-term interstate natural gas transportation services, which proposed an integrated package of revisions to its regulations governing such services. "Short term" has been defined in the NOPR as all transactions of less than one year. Under the proposed approach, cost-based regulation would be eliminated for short-term transportation and replaced by regulatory policies intended to maximize competition in the short-term transportation market, mitigate the ability of companies to exercise residual monopoly power and provide opportunities for greater flexibility providing pipeline services. The proposed changes include initiatives to revise pipeline scheduling procedures, receipt and delivery point policies and penalty policies, and require pipelines to auction short-term capacity. Other proposed changes would improve the FERC's reporting requirements, permit pipelines to negotiate rates and terms of services, and revise certain rate and certificate policies that affect competition.

In conjunction with the NOPR, the FERC also issued a NOI on its pricing policies for the long-term markets. The NOI sought comments on whether FERC's policies are biased toward either short-term or long-term service, provide accurate price signals and the right incentives for pipelines to provide optimal transportation services and construct facilities that meet future demand, and do not result in over-building and excess capacity.

Comments on the NOPR and NOI were filed by Panhandle in April 1999. Because these notices are at a very early stage and ultimate resolution is unknown, management cannot estimate the effects of these matters on future consolidated results of operations or financial position.

For detailed information about other uncertainties, see Note 2, Regulatory Matters, incorporated by reference herein.

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NEW ACCOUNTING RULES

In 1998, SFAS 133, Accounting for Derivative Instruments and Hedging Activities, was issued. Panhandle is required to adopt this standard by January 1, 2001. SFAS 133 requires that all derivatives be recognized as either assets or liabilities and measured at fair value, and it defines the accounting for changes in the fair value of the derivatives depending on the intended use of the derivative. Panhandle is currently reviewing the expected impact of SFAS 133 on its financial statements and has not yet determined the timing of or method of adoption.

YEAR 2000 COMPUTER MODIFICATIONS

STATE OF READINESS: In 1996, Panhandle initiated its Year 2000 Readiness Program and began a formal review of computer-based systems and devices that are used in its business operations. These systems and devices include customer information, financial, materials management and personnel systems, as well as components of natural gas production, gathering, processing and transmission.

Panhandle is using a three-phase approach to address year 2000 issues: 1) inventory and preliminary assessment of computer systems, equipment and devices; 2) detailed assessment and remediation planning; and 3) conversion, testing and contingency planning. Panhandle is employing a combination of systems repair and planned systems replacement activities to achieve year 2000 readiness for its business and process control systems, equipment and devices. As of June 30, 1999, Panhandle had achieved Year 2000 readiness of its critical systems, equipment and devices. Business acquisitions routinely involve an analysis of year 2000 readiness and are incorporated into Panhandle's overall program as necessary.

Panhandle is actively evaluating and tracking year 2000 readiness of third parties with which it has a significant relationship. Such third parties include vendors, customers, governmental agencies and other business associates. While the year 2000 readiness of third parties cannot be controlled, Panhandle is attempting to assess the readiness of third parties and any potential implications to its operations. Alternative suppliers of critical products, goods and services are being identified, where necessary.

COSTS: Management believes it is devoting the resources necessary to achieve year 2000 readiness in a timely manner. Current estimates for total costs of the program, including internal labor as well as consulting and contract costs, are approximately $500,000 of which the majority of the costs have already been incurred as of September 30, 1999. The costs exclude replacement systems that, in addition to being year 2000 ready, provide significantly enhanced capabilities which will benefit operations in future periods.

RISKS: Management believes it has an effective program in place to manage the risks associated with the year 2000 issue in a timely manner. Nevertheless, since it is not possible to anticipate all future outcomes, especially when third parties are involved, there could be circumstances in which Panhandle would temporarily be unable to deliver services to its customers. Management believes that the most reasonably likely worst case scenario would be minor, localized interruptions of service, which likely would be rapidly restored. In addition, there could be a temporary reduction in the service needs of customers due to their own year 2000 problems. In the event that such a scenario occurs, it is not expected to have a material adverse impact on results of operations or financial position.

CONTINGENCY PLANS: Year 2000 contingency planning addresses continuity of business operations for all periods during which year 2000 impacts may occur. Panhandle is participating in multiple industry efforts to facilitate effective year 2000 contingency plans, and has completed its own year 2000 contingency plans. These plans address various year 2000 risk scenarios that cross departmental, business unit and industry lines as well as specific risks from various internal and external sources, including supplier readiness. The plans will be updated throughout the remainder of the year to address new or changing information.

Based on assessments completed to date and compliance plans in process, management believes that year 2000 issues, including the cost of making critical systems, equipment and devices ready, will not have a material adverse effect on Panhandle's business operation, results of operations or financial position. Nevertheless, achieving year 2000 readiness is subject to risks and uncertainties, including those described above. While management believes the possibility is remote, if Panhandle's internal systems, or the internal systems of third parties with which it has a significant relationship, fail to achieve year 2000 readiness in a timely manner, Panhandle's business operation, results of operations or financial position could be adversely affected.

FORWARD-LOOKING INFORMATION

From time to time, Panhandle may make statements regarding its assumptions, projections, expectations, intentions or beliefs about future events. These statements are intended as "forward-looking statements" under the Private Securities Litigation Reform Act of 1995. Panhandle cautions that assumptions, projections, expectations, intentions or beliefs about future events may and often do vary from actual results and the differences between assumptions, projections, expectations, intentions or beliefs and actual results can be material. Accordingly, there can be no assurance that actual results will not differ materially from those expressed or implied by the forward-looking statements. The following are some of the factors that could cause actual achievements and events to differ materially from those expressed or implied in such forward-looking statements: entry of competing pipelines into Panhandle's markets and competitive strategies of competing pipelines, including rate and other pricing practices; state and federal legislative and regulatory initiatives that affect cost and investment recovery, have an impact on rate structures, and affect the speed and degree to which competition enters the natural gas industry; the weather and other natural phenomena; the timing and extent of changes in prices of commodities (primarily natural gas and competing fuels) and interest rates; changes in environmental and other laws and regulations to which Panhandle is subject or other external factors over which Panhandle has no control; the results of financing efforts; expansion and other growth opportunities; year 2000 readiness; and the effect of accounting policies issued periodically by accounting standard-setting bodies.

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

	THREE MONTHS ENDED SEPTEMBER 30				Nine Months Ended
	1999	1998	Mar. 29- Sep. 30, 1999	Jan. 1- Mar. 28 1999	Sep. 30, 1998
OPERATING REVENUE					
Transportation and storage of natural gas	$ 98	$ 109	$ 199	$ 123	$ 346
Other	9	-	17	5	17
Total operating revenue	107	109	216	128	363
OPERATING EXPENSES					
Operation and maintenance	44	51	85	40	144
Depreciation and amortization	15	15	30	14	44
General taxes	7	7	14	7	20
Total operating expenses	66	73	129	61	208
PRETAX OPERATING INCOME	41	36	87	67	155
OTHER INCOME (DEDUCTIONS), NET	-	1	-	4	6
INTEREST CHARGES					
Interest on long-term debt	18	6	39	5	18
Other interest	-	14	-	13	40
Total Fixed Charges	18	20	39	18	58
NET INCOME BEFORE INCOME TAXES	23	17	48	53	103
INCOME TAXES	9	6	19	20	39
CONSOLIDATED NET INCOME	$ 14	$ 11	$ 29	$ 33	$ 64

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

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

	March 29- September 30, 1999	January 1- March 28, 1999	Nine Months Ended September 30 ,1998
CASH FLOWS FROM OPERATING ACTIVITIES			
Net income	$ 29	$ 33	$ 64
Adjustments to reconcile net income to net cash provided by operating activities:			
Depreciation and amortization	31	14	46
Deferred income taxes	14	-	(7)
Changes in current assets and liabilities	35	(29)	2
Other, net	(8)	3	14
Net cash provided by operating activities	101	21	119
CASH FLOWS FROM INVESTING ACTIVITIES			
Acquisition of Panhandle	(1,900)	-	-
Capital and investment expenditures	(27)	(4)	(66)
Net decrease (increase) in advances receivable - parent	-	(17)	(53)
Retirements and other	-	-	-
Net cash used in investing activities	(1,927)	(21)	(119)
CASH FLOWS FROM FINANCING ACTIVITIES			
Contribution from parent	1,116	-	-
Proceeds from senior notes	785	-	-
Net decrease (increase) in note receivable - parent	(46)	-	-
Dividends paid	(29)	-	-
Net cash provided by financing activities	1,826	-	-
Net Increase (Decrease) in Cash and Temporary Cash Investments	-	-	-
CASH AND TEMPORARY CASH INVESTMENTS, BEGINNING OF PERIOD	-	-	-
CASH AND TEMPORARY CASH INVESTMENTS, END OF PERIOD	$ -	$ -	$ -
OTHER CASH FLOW ACTIVITIES WERE:			
Interest paid (net of amounts capitalized)	$ 30	$ 12	$ 64
Income taxes paid (net of refunds)	5	37	56

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

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

	September 30, 1999 (Unaudited)	December 31, 1998
ASSETS		
PROPERTY, PLANT AND EQUIPMENT		
Cost	$1,500	$2,760
Less accumulated depreciation and amortization	31	1,798
Sub-total	1,469	962
Construction work-in-progress	28	17
Net property, plant and equipment	1,497	979
INVESTMENTS		
Advances receivable - related parties	-	738
Investment in affiliates	2	44
Other	-	6
Total investments and other assets	2	788
CURRENT ASSETS		
Receivables	89	94
Inventory and supplies	45	55
Deferred income taxes	11	2
Current portion of regulatory assets	-	6
Note receivable - related parties	46	-
Other	28	23
Total current assets	219	180
NON-CURRENT ASSETS		
Goodwill, net	702	-
Deferred income taxes	-	-
Debt expense	12	11
Other	3	15
Total non-current assets	717	26
TOTAL ASSETS	$2,435	$1,973

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

	September 30, 1999 (Unaudited)	December 31, 1998
STOCKHOLDER'S INVESTMENT 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	466
Retained earnings	-	91
Total common stockholder's equity	1,128	558
Long-term debt	1,094	299
Total capitalization	2,222	857
CURRENT LIABILITIES		
Note payable - PanEnergy	-	675
Accounts payable	5	56
Accrued taxes	11	58
Accrued interest	10	8
Other	121	117
Total current liabilities	147	914
NON-CURRENT LIABILITIES		
Deferred income taxes	-	99
Other	66	103
Total non-current liabilities	66	202
COMMITMENTS AND CONTINGENCIES (NOTES 6 AND 7)		
TOTAL STOCKHOLDER'S INVESTMENT AND LIABILITIES	$2,435	$1,973

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 29- September 30, 1999	January 1- March 28, 1999	Nine Months Ended September 30, 1998
COMMON STOCK			
At beginning and end of period	$ 1	$ 1	$ 1
OTHER PAID-IN CAPITAL			
At beginning of period	466	466	466
Acquisition adjustment to eliminate original paid-in capital	(466)	-	-
Capital contribution of acquisition costs by parent	11	-	-
Cash capital contribution by parent	1,116	-	-
At end of period	1,127	466	466
RETAINED EARNINGS			
At beginning of period	101	92	34
Acquisition adjustment to eliminate original retained earnings	(101)	-	-
Net Income	29	33	64
Assumption of net liability by PanEnergy	-	57	-
Common stock dividends	(29)	(81)	(2)
At end of period	-	101	96
TOTAL COMMON STOCKHOLDER'S EQUITY	$ 1,128	$ 568	$ 563

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

PANHANDLE EASTERN PIPE LINE COMPANY
CONDENSED NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

These Condensed Notes and their related Consolidated Financial Statements should be read along with the Consolidated Financial Statements and Notes contained in the 1998 Form 10-K of Panhandle Eastern Pipe Line Company, which include the Reports of Independent Public Accountants. Certain prior year amounts have been reclassified to conform with the presentation in the current year. In the opinion of management, the unaudited information herein reflects all adjustments necessary to assure the fair presentation of financial position, results of operations and cash flows for the periods presented.

1. CORPORATE STRUCTURE

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

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

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

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

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

The final determination of the fair market value of Panhandle's net assets acquired and the associated estimated remaining useful lives of the property, plant and equipment are pending the results of ongoing studies. Upon completion of these studies, certain components of the financial statements may be adjusted to reflect the final purchase price allocations and estimated remaining useful lives.

The excess purchase price over the prior carrying amount of Panhandle's net assets as of March 29, 1999 totaled $1.3 billion, and was preliminarily allocated as follows:

	In Millions
Property, Plant and Equipment	$ 650
Accounts Receivable	3
Inventory	(8)
Goodwill	711
Regulatory Assets, Net	(15)
Liabilities	(39)
Debt Valuation	(6)
Other	10
Total	$ 1,306

Goodwill of approximately $711 million was recognized by Panhandle and will be amortized on a straight-line basis over 40 years. This amount represents the excess of the purchase price over Panhandle's net assets after fair value adjustments, and may be adjusted after the completion of the ongoing studies over the twelve months following the acquisition. The estimated average remaining useful life of transmission and underground storage facilities, the major components of Property, Plant and Equipment, has been revised to 40 years based on preliminary internal studies.

Pro forma results of operations for 1999 and 1998 as though Panhandle had been acquired and purchase accounting applied at the beginning of 1999 and 1998, respectively, are as follows:

In Millions	Nine Months Ended September 30, 1999	Nine Months Ended September 30, 1998	Year Ended December 31, 1998
Revenues	$ 340	$ 339	$ 470
Net Income	56	44	60
Total Assets	2,435	2,437	2,477

2. REGULATORY MATTERS

Effective August 1996, Trunkline placed into effect a general rate increase, subject to refund. Hearings were completed in October 1997 and initial decisions by a FERC ALJ were issued on certain matters in May 1998 and on the remainder of the rate proceedings in November 1998. Responses to the initial decisions were provided by Trunkline to FERC following the issuance of the initial decisions. In May 1999, FERC issued an order remanding certain matters back to the ALJ for further proceedings. On September 16, 1999, Trunkline filed with FERC a settlement agreement which would resolve certain issues in this proceeding and would require Trunkline to refund approximately $2 million. The ALJ has certified the settlement; it is currently pending review by FERC.

In conjunction with a FERC order issued in September 1997, certain natural gas producers were required to refund previously collected Kansas ad-valorem taxes to interstate natural gas pipelines. These pipelines were ordered to refund these amounts to their customers. All payments are to be made in compliance with prescribed FERC requirements. At September 30, 1999 and December 31, 1998, accounts receivable included $53 million and $50 million, respectively, due from natural gas producers, and other current liabilities included $53 million and $50 million, respectively, for related obligations.

In June 1998, Trunkline filed a petition with the FERC to abandon 720 miles of its 26-inch diameter pipeline that extends from Longville, Louisiana to Bourbon, Illinois. Trunkline requested permission to transfer the pipeline to an affiliate, which had entered into an option agreement with Aux Sable for potential conversion of the line to allow transportation of hydrocarbon vapors. Trunkline requested FERC to grant the abandonment authorization in time to separate the pipeline from existing facilities and allow Aux Sable to convert the pipeline to hydrocarbon vapor service by October 1, 2000, if the option was exercised. The option expired on July 1, 1999 and was not renewed by Aux Sable. On November 8, 1999, the FERC issued a letter order dismissing Trunkline's filing without prejudice to refiling the abandonment to reflect changed circumstances. Trunkline continues to evaluate alternatives regarding the 26-inch pipeline.

On May 19, 1999, Trunkline and Trunkline LNG submitted a compliance filing advising the FERC that the acquisition by CMS Energy of Trunkline LNG triggered certain provisions of a 1992 settlement. The settlement resolved issues related to minimum bill provisions of the Trunkline LNG Rate Schedule PLNG-1, as well as pending rate matters for Trunkline and refund matters for Trunkline LNG. Specifically, the settlement provisions require Trunkline LNG, and Trunkline in turn, to make refunds to customers, including Panhandle Eastern Pipe Line Company and Consumers, who were parties to the settlement, if the ownership of all or portion of the LNG terminal is transferred to an unaffiliated entity. Therefore, the total refund due customers of approximately $17 million will be paid within 30 days of final FERC approval of the compliance filing. In conjunction with the acquisition of Panhandle by CMS Energy, Duke Energy indemnified Panhandle for this refund obligation. In conjunction with the settlement, Panhandle Eastern Pipe Line Company and its customers entered into an agreement, whereby upon FERC approval of the compliance filing described above, Panhandle Eastern Pipe Line Company will file to flow through its portion of the settlement amounts to its customers. The May 19, 1999 compliance filing is pending FERC approval.

3. RELATED PARTY TRANSACTIONS

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

	In Millions	
	September 30, 1999	December 31, 1998
Receivables	$ 9	$ 2
Accounts payable	-	46
Taxes accrued	-	35

Interest charges included $14 million for the three months ended September 30, 1998; $13 million and $42 million for the nine months ended September 30, 1999 and 1998, respectively, for interest associated with notes payable to a subsidiary of Duke Energy. Other income includes $1 million for the nine months ended September 30, 1999 for interest on notes receivable from CMS Capital.

In conjunction with the acquisition of Panhandle by a subsidiary of CMS Energy, all intercompany advance and note balances between Panhandle and subsidiaries of Duke Energy were eliminated. Transactions with prior affiliates before the acquisition are now reflected as receivables on the Consolidated Balance Sheets.

4. GAS IMBALANCES

The Consolidated Balance Sheets include in-kind balances as a result of differences in gas volumes received and delivered. At September 30, 1999 and December 31, 1998, other current assets included $21 million and $20 million, respectively, and other current liabilities included $25 million and $22 million, respectively, related to gas imbalances.

5. INVESTMENT IN AFFILIATES

NORTHERN BORDER PARTNERS, L.P. Northern Border Partners, L.P. is a master limited partnership that owns 70 percent of Northern Border Pipeline Company, a partnership operating a pipeline transporting natural gas from Canada to the Midwest area of the United States. At December 31, 1998, Panhandle held a 7.0 percent limited partnership interest in Northern Border Partners, L.P., and thus, an indirect 4.9 percent ownership interest in Northern Border Pipeline Company. In conjunction with the acquisition of Panhandle by CMS Energy, Panhandle transferred its interest in Northern Border to a subsidiary of Duke Energy in the first quarter of 1999.

LEE 8 STORAGE. Panhandle, through its subsidiary Panhandle Storage, owns a 40 percent interest in the Lee 8 partnership, which operates a 1.4 bcf natural gas storage facility in Michigan. This interest results from the contribution of the stock of Panhandle Storage to Panhandle Eastern Pipe Line Company by CMS Panhandle Holding on March 29, 1999.

6. COMMITMENTS AND CONTINGENCIES

CAPITAL EXPENDITURES: Panhandle estimates capital expenditures and investments, including allowance for funds used during construction, for the next three years to be approximately $60 million for each year. These estimates are prepared for planning purposes and are subject to revision. Capital expenditures for 1999 are expected to be satisfied by cash from operations.

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

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

Panhandle is also involved in other legal, tax and regulatory proceedings before various courts, regulatory commissions and governmental agencies regarding matters arising in the ordinary course of business, some of which involve substantial amounts. Where appropriate, Panhandle has made accruals in accordance with SFAS 5, Accounting for Contingencies, in order to provide for such matters. Management believes the final disposition of these proceedings will not have a material adverse effect on consolidated results of operations or financial position.

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

Under the terms of a settlement related to a transportation agreement between Panhandle and Northern Border Pipeline Company, Panhandle guarantees payment to Northern Border Pipeline Company under a transportation agreement held by a third party. The transportation agreement requires estimated total payments of $38 million for the remainder of 1999 through 2001. Management believes the probability that Panhandle will be required to perform under this guarantee is remote.

7. 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. Soil and sediment testing to date has detected no significant off-site contamination. Panhandle has communicated with the EPA and appropriate state regulatory agencies on these matters. Under the terms of the sale of Panhandle to CMS Energy, as discussed in Note 1 to the Consolidated Financial Statements, a subsidiary of Duke Energy is obligated to complete the Panhandle clean-up programs at certain agreed-upon sites and to defend and indemnify Panhandle against certain future environmental litigation and claims. These clean-up programs are expected to continue until 2001.

8. BENEFIT PLANS

RETIREMENT PLAN: Following the acquisition of Panhandle by CMS Energy described in Note 1, Panhandle now participates in CMS Energy's non-contributory defined benefit retirement plan covering most employees with a minimum of one year vesting service.

Under the terms of the acquisition of Panhandle by CMS Energy, benefit obligations related to active employees and certain plan assets were transferred to CMS Energy. Benefit obligations related to existing retired employees and remaining plan assets were retained by a subsidiary of Duke Energy.

OTHER POSTRETIREMENT BENEFITS: Panhandle, in conjunction with CMS Energy, provides certain health care and life insurance benefits for retired employees on a contributory and noncontributory basis. Substantially all employees may become eligible for these benefits if they have met certain age and service requirements as defined in the plans.

Under the terms of the acquisition of Panhandle by CMS Energy as discussed in Note 1 to the Consolidated Financial Statements, benefit obligations related to active employees were transferred to CMS Energy and are reflected in the financial statements of Panhandle, and benefit obligations related to existing retired employees and plan assets were retained by a subsidiary of Duke Energy.

9. TAXES

As described in Note 1, the stock of Panhandle was acquired from subsidiaries of Duke Energy by CMS Panhandle Holding for a total of $2.2 billion in cash and acquired debt. The acquisition was treated as an asset acquisition for tax purposes, which eliminated Panhandle's deferred tax liability and gave rise to a new tax basis in Panhandle's assets equal to the purchase price. This tax basis in excess of Panhandle's current book basis created deferred tax assets and associated paid-in-capital of approximately $477 million. When CMS Panhandle Holding was merged with Panhandle, approximately $462 million of Panhandle's deferred tax assets were eliminated.

10. SFAS 71

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

11. LONG TERM DEBT

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

In conjunction with the purchase accounting, Panhandle's existing notes totaling $300 million were revalued resulting in a net premium recorded of approximately $5 million.

REPORT OF INDEPENDENT PUBLIC ACCOUNTANTS

To Panhandle Eastern Pipe Line Company:

We have reviewed the accompanying consolidated balance sheet of Panhandle Eastern Pipe Line Company (a Delaware corporation) and subsidiaries as of September 30, 1999, and the related consolidated statements of income, common stockholder's equity and cash flows for the three-month and nine-month periods then ended. These financial statements are the responsibility of the Company's management. The consolidated financial statements of Panhandle Eastern Pipe Line Company as of December 31, 1998, were audited by other auditors whose report dated February 12, 1999, expressed an unqualified opinion on those statements.

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 generally accepted auditing standards, 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 generally accepted accounting principles.

Houston, Texas
November 5, 1999

QUANTITATIVE AND QUALITATIVE DISCLOSURES ABOUT MARKET RISK

CMS ENERGY

Quantitative and Qualitative Disclosures About Market Risk is contained in PART I: CMS ENERGY CORPORATION 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 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 Eastern Pipe Line Company's Form 10-K for the year ended December 31, 1998, and in their Form 10-Q for the quarters ended March 31, 1999 and June 30, 1999. Reference is made to the Notes to the Consolidated Financial Statements included herein for additional information regarding various pending administrative and judicial proceedings involving rate, operating, regulatory and environmental matters.

CONSUMERS

ANTITRUST LITIGATION

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

PANHANDLE

REGULATORY MATTERS
For a discussion of certain Panhandle regulatory matters see Note 2 "Regulatory Matters" of the Condensed Notes to the Consolidated Financial Statements in Part I of this Report, incorporated by reference herein.

OTHER MATTERS
For a discussion of Panhandle's other litigation matters see Note 6 subsection "Litigation" of the Condensed Notes to the Consolidated Financial Statements in Part I of this Report, incorporated by reference herein.

ITEM 2. CHANGES IN SECURITIES AND USE OF PROCEEDS

RECENT SALES OF UNREGISTERED EQUITY SECURITIES

On November 10, 1999, CMS Energy issued in a private placement pursuant to Section 4(2) of the Securities Act 125,000 shares of its Mandatorily Convertible Preferred Stock to CMS Share Trust, a Delaware statutory business trust, in exchange for all of the beneficial interest in such trust.

ITEM 6. EXHIBITS AND REPORTS ON FORM 8-K

(A) LIST OF EXHIBITS

(3)(a)	- Restated Articles of Incorporation of CMS Energy.
(4)(a)	- Third Supplemental Indenture dated as of November 4, 1999, between Consumers and The Bank of New York, as Trustee.
(12)	- CMS Energy: Statements regarding computation of Ratio of Earnings to Fixed Charges
(15)(a)	- CMS Energy: Letter of Independent Public Accountant
(15)(b)	- Consumers: Letter of Independent Public Accountant
(27)(a)	- CMS Energy: Financial Data Schedule
(27)(b)	- Consumers: Financial Data Schedule
(27)(c)	- Panhandle: Financial Data Schedule
(99)	- CMS Energy: Consumers Gas Group Financials

(B) REPORTS ON FORM 8-K

CMS Energy filed Current Reports on Form 8-K on July 1, 1999 covering matters pursuant to "Item 5. Other Events" and "Item 7. Exhibits", on July 13, 1999 covering matters pursuant to "Item 7. Exhibits", and on September 9, 1999, September 24, 1999, October 18, 1999 and October 26, 1999 each covering matters pursuant to "Item 5. Other Events".

Consumers filed a Current Report on Form 8-K on July 1, 1999 covering matters pursuant to "Item 5. Other Events" and "Item 7. Exhibits", and on September 9, 1999, September 24, 1999, October 18, 1999 and October 26, 1999 each covering matters pursuant to "Item 5. Other Events".

Panhandle Eastern Pipe Line Company filed a Current Report on Form 8-K on July 19, 1999 covering matters pursuant to "Item 1. Acquisition of Assets," "Item 4. Changes in Registrant's Certifying Accountant," and "Item 7. Exhibits."

SIGNATURES

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

CMS ENERGY CORPORATION

(Registrant)

Dated: November 12, 1999 By: /s/ A.M. Wright

Alan M. Wright
Senior Vice President and
Chief Financial Officer

CONSUMERS ENERGY COMPANY

(Registrant)

Dated: November 12, 1999 By: /s/ A.M. Wright

Alan M. Wright
Senior Vice President and
Chief Financial Officer

PANHANDLE EASTERN PIPE LINE COMPANY

(Registrant)

Dated: November 12, 1999 By: /s/ A.M. Wright

Alan M. Wright
Senior Vice President and
Chief Financial Officer

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EXHIBIT INDEX

EXHIBIT NO.	DESCRIPTION
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(27)(a)	CMS Energy: Financial Data Schedule
(27)(b)	Consumers: Financial Data Schedule
(27)(c)	Panhandle: Financial Data Schedule
(99)	CMS Energy: Consumers Gas Group Financials

EXHIBIT (3)(a)

STATE OF MICHIGAN
MICHIGAN DEPARTMENT OF CONSUMER AND INDUSTRY SERVICES
CORPORATION, SECURITIES AND LAND DEVELOPMENT BUREAU
LANSING, MICHIGAN

RESTATED ARTICLES OF INCORPORATION
(Profit Corporation)
Corporation Identification Number 485-283

These Restated Articles of Incorporation of CMS Energy Corporation (the "Corporation") are executed pursuant to the provisions of Sections 641 through 651, Act 284, Public Acts of 1972, as amended, (the "Act"). An amendment to these Restated Articles of Incorporation was authorized by the Board of Directors at its meeting held on September 24, 1999 and by a Special Committee of the Board of Directors held on November 2, 1999, pursuant to the provisions of Section 642 of the Act in order to restate and integrate and do not further amend the Articles.

The present name of the Corporation is CMS Energy Corporation. There are no former names.

The date of filing the original Articles of Incorporation in Michigan was February 26, 1987.

RESTATED ARTICLES OF INCORPORATION

The following Restated Articles of Incorporation supersede the original Articles as amended and shall be the Articles of Incorporation of CMS Energy Corporation.

ARTICLE I

The name of the corporation is CMS Energy Corporation (hereinafter called the "Corporation").

ARTICLE II

The purpose or purposes for which the Corporation is organized is to engage in any activity within the purposes for which corporations may be organized under the Business Corporation Act of Michigan.

ARTICLE III

The total number of shares of all classes of stock which the Corporation shall have authority to issue is 320,000,000, of which 10,000,000 shares, par value $.01 per share, are of a class designated Preferred Stock ("Preferred Stock"), 250,000,000 shares, par value $.01 per share, are of a class designated Common Stock ("CMS Energy Common Stock"), and 60,000,000 shares, no par value, are of a class designated Class G Common Stock ("Class G Common Stock"). The CMS Energy Common Stock and the Class G Common Stock are hereinafter collectively referred to as the "Common Stock".

The statement of the designations and the voting and other powers, preferences and rights, and the qualifications, limitations or restrictions thereof, of the Common Stock and of the Preferred Stock is as follows:

PREEMPTIVE RIGHTS

The holders of shares of Preferred Stock or of Common Stock shall have no preemptive rights to subscribe for or purchase any additional issues of shares of the capital stock of the Corporation of any class now or hereafter authorized or any Preferred Stock, bonds, debentures, or other obligations or rights or options convertible into or exchangeable for or entitling the holder or owner to subscribe for or purchase any shares of capital stock, or any rights to exchange shares issued for shares to be issued.

PREFERRED STOCK

The shares of Preferred Stock may be issued from time to time in one or more series with such relative rights and preferences of the shares of any such series as may be determined by the Board of Directors. The Board of Directors is authorized to fix by resolution or resolutions adopted prior to the issuance of any shares of each particular series of Preferred Stock, the designation, powers, preferences and relative, participating, optional and other rights, and the qualifications, limitations and restrictions thereof, if any, of such series, including, but without limiting the generality of the foregoing, the following:

(a) The rate of dividend, if any;

(b) The price at and the terms and conditions upon which shares may be redeemed;

(c) The rights, if any, of the holders of shares of the series upon voluntary or involuntary liquidation, merger, consolidation, distribution or sale of assets, dissolution or winding up of the Corporation;

(d) Sinking fund or redemption or purchase provisions, if any, to be provided for shares of the series;

(e) The terms and conditions upon which shares may be converted into shares of other series or other capital stock, if issued with the privilege of conversion; and

(f) The voting rights in the event of default in the payment of dividends or under such other circumstances and upon such conditions as the Board of Directors may determine.

No holder of any shares of any series of Preferred Stock shall be entitled to vote in the election of directors or in respect of any other matter except as may be required by the Michigan Business Corporation Act, as amended, or as is permitted by the resolution or resolutions adopted by the Board of Directors authorizing the issue of such series of Preferred Stock.

Series Established By Articles

There is hereby established one series of Preferred Stock designated as Series A Mandatorily Convertible Preferred Stock.

Series A Mandatorily Convertible Preferred Stock

Section 1. Dividends.

(a) The holders of the Mandatorily Convertible Preferred Stock shall not be entitled to receive any dividends prior to, or with respect to any period ending prior to, the Rate Reset Date. The holders of the Mandatorily Convertible

Preferred Stock, in preference to the rights of holders of any junior stock but subject to the rights of holders of any senior stock, shall be entitled to receive, when, as and if declared by the Board of Directors out of any funds legally available therefor, cumulative cash dividends from the Rate Reset Date at the Reset Dividend Rate, and no more, payable on the dates as set forth in this Section 3. Dividends shall accrue on any given share of Mandatorily Convertible Preferred Stock from the Rate Reset Date. Dividends shall be payable quarterly in arrears on each January 1, April 1, July 1, and October 1 commencing on the first such date following the Rate Reset Date (each such date being hereinafter referred to as a "Dividend Payment Date"), or, if any Dividend Payment Date is not a Business Day, then the Dividend Payment Date shall be the next succeeding Business Day. Each such dividend shall be payable to holders of record as they appear on the books of the Corporation or any transfer agent for the Mandatorily Convertible Preferred Stock on such record dates as shall be fixed by the Board of Directors subject to applicable law (which record date shall be no more than 60 days prior to the date fixed for the payment thereof). Dividends on the Mandatorily Convertible Preferred Stock shall accrue on a daily basis commencing on and including the Rate Reset Date, and accrued dividends for each dividend period or portion thereof shall cumulate, to the extent not paid, as of the date on which they were to have been paid. A dividend period shall commence on a Dividend Payment Date or the Rate Reset Date, as the case may be, and continue to the day next preceding the next succeeding Dividend Payment Date. Accumulated unpaid dividends shall not accrue interest. Dividends (or cash amounts equal to accrued and unpaid dividends) payable on the Mandatorily Convertible Preferred Stock for any period less than or more than a full quarterly period shall be computed on the basis of a 360-day year of twelve 30-day months and the actual number of days elapsed in any period less than one month. Dividends on the Mandatorily Convertible Preferred Stock shall accrue whether or not the Corporation has earnings, whether or not there are funds legally available for the payment of such dividends and whether or not such dividends are declared. Dividends in arrears for any past dividend periods or portions thereof may be declared and paid at any time without reference to any regular Dividend Payment Date to holders of record on such date as shall be fixed by the Board of Directors subject to applicable law. Dividends on the Mandatorily Convertible Preferred Stock shall cease to accrue on the earlier of (i) the day immediately preceding the CMS Mandatory Conversion Date, or (ii) the day immediately prior to their earlier conversion.

(b) As long as any shares of Mandatorily Convertible Preferred Stock are outstanding, no dividends or other distributions for any dividend period (other than dividends or other distributions payable in shares of, or warrants, rights or options exercisable for or convertible into, junior stock, and cash in lieu of fractional shares of such junior stock in connection with any such dividend or distribution) will be paid on any junior stock unless: (i) full dividends, if any, on all outstanding shares of senior stock, parity stock and Mandatorily Convertible Preferred Stock have been paid, or declared and set aside for payment, for all dividend periods terminating on or prior to the payment date of such junior stock dividend or distribution, to the extent such dividends on senior stock, parity stock or Mandatorily Convertible Preferred Stock are cumulative; (ii) the Corporation has paid or set aside all amounts, if any, then or theretofore required to be paid or set aside for all purchase, retirement, and sinking funds, if any, for any outstanding shares of senior stock, parity stock and Mandatorily Convertible Preferred Stock; and (iii) the Corporation is not in default on any of its obligations to redeem any outstanding shares of senior stock, parity stock or Mandatorily Convertible Preferred Stock.

In addition, as long as any Mandatorily Convertible Preferred Stock is outstanding, no shares of any junior stock may be purchased, redeemed, or otherwise acquired by the Corporation or any Subsidiary (except in connection with a reclassification or exchange of any junior stock through the issuance of other junior stock (and cash in lieu of fractional shares of such junior stock in connection therewith) and except for the acquisition of shares of any junior stock pursuant to contractual obligations binding against the Corporation or any Subsidiary that were entered into prior to the date of the first issuance of shares of Mandatorily Convertible Preferred Stock or pursuant to contractual obligations that are entered into at a time subsequent thereto when such acquisitions of shares could be made pursuant to this Subsection 3(b)) nor may any funds be set aside or made available for any sinking fund for the purchase or redemption of any junior stock unless: (i) full dividends, if any, on all outstanding shares of senior stock, parity stock and Mandatorily Convertible Preferred Stock have been paid, or declared and set aside for payment, for all dividend periods terminating on or prior to the date of such purchase, redemption or acquisition, to the extent dividends on such senior stock, parity stock or Mandatorily Convertible Preferred Stock dividends are cumulative; (ii) the Corporation has paid or set aside all amounts, if any, then or theretofore required to be paid or set aside for all purchase, retirement, and sinking funds, if any, for any outstanding shares of senior stock, parity stock and Mandatorily Convertible Preferred Stock; and (iii) the Corporation is not in default on any of its obligations to redeem any outstanding shares of senior stock, parity stock or Mandatorily Convertible Preferred Stock. Subject to the provisions described above, such dividends or other distributions (payable in cash, property, or junior stock) as may be determined from time to time by the Board of Directors may be declared and paid on the shares of any junior stock and from time to time junior stock may be purchased, redeemed or otherwise acquired by the Corporation or any Subsidiary. In the event of the declaration and payment of any such dividends or other distributions, the holders of such junior stock will be entitled, to the exclusion of holders of any outstanding senior stock or parity stock, to share therein according to their respective interests.

(c) As long as any Mandatorily Convertible Preferred Stock is outstanding, dividends or other distributions for any dividend period may not be paid on any outstanding shares of parity stock (other than dividends or other distributions payable in shares of, or warrants, rights or options exercisable for or convertible into, parity stock or junior stock and cash in lieu of fractional shares of such parity stock or junior stock in connection with any such dividend), unless either: (a) (i) full dividends, if any, on all outstanding shares of senior stock, parity stock and Mandatorily Convertible Preferred Stock have been paid, or declared and set aside for payment, for all dividend periods terminating on or prior to the payment date of such senior stock, parity stock or Mandatorily Convertible Preferred Stock dividend or distribution, to the extent dividends on such senior stock, parity stock or Mandatorily Convertible Preferred Stock are cumulative; (ii) the Corporation has paid or set aside all amounts, if any, then or theretofore required to be paid or set aside for all purchase, retirement and sinking funds, if any, for any outstanding shares of senior stock, parity stock and Mandatorily Convertible Preferred Stock; and (iii) the Corporation is not in default on any of its obligations to redeem any outstanding shares of senior stock, parity stock or Mandatorily Convertible Preferred Stock; or (b) any such dividends are declared and paid pro rata so that the amounts of any dividends declared and paid per share on outstanding Mandatorily Convertible Preferred Stock and each share of such parity stock will in all cases bear to each other the same ratio that accrued and unpaid dividends (including any accumulation with respect to unpaid dividends for prior dividend periods, if such dividends are cumulative) per share of outstanding Mandatorily Convertible Preferred Stock and such outstanding shares of parity stock bear to each other.

In addition, as long as any Mandatorily Convertible Preferred Stock is outstanding, no shares of any parity stock may be purchased, redeemed or otherwise acquired by the Corporation or any Subsidiary (except with any junior stock and cash in lieu of fractional shares of such junior stock in connection therewith and except for the acquisition of shares of any parity stock pursuant to contractual obligations binding against the Corporation or any Subsidiary that were entered into prior to the date of the first issuance of shares of Mandatorily Convertible Preferred Stock or pursuant to contractual obligations that are entered into at a time subsequent thereto when such acquisitions of shares could be made pursuant to this Subsection 3(c)) unless: (i) full dividends, if any, on all outstanding shares of senior stock, parity stock and Mandatorily Convertible Preferred Stock have been paid, or declared and set aside for payment, for all dividend periods terminating on or prior to the date of such purchase, redemption or other acquisition, to the extent dividends on such senior stock, parity stock or Mandatorily Convertible Preferred Stock are cumulative; (ii) the Corporation has paid or set aside all amounts, if any, then or theretofore required to be paid or set aside for all purchase, retirement, and sinking funds, if any, for any outstanding shares of senior stock, parity stock and Mandatorily Convertible Preferred Stock; and (iii) the Corporation is not in default of any of its obligations to redeem any outstanding shares of senior stock, parity stock or Mandatorily Convertible Preferred Stock, unless all parity stock and Mandatorily Convertible Preferred Stock as to which such a default exists is purchased or redeemed on a pro rata basis.

(d) Any dividend payment made on the Mandatorily Convertible Preferred Stock shall first be credited against the earliest accrued but unpaid dividend due with respect to the Mandatorily Convertible Preferred Stock.

(e) All dividends paid with respect to the Mandatorily Convertible Preferred Stock shall be paid pro rata to the holders entitled thereto.

(f) Holders of the Mandatorily Convertible Preferred Stock shall be entitled to receive dividends in preference to and in priority over any dividends upon any shares of the Corporation ranking junior to the Mandatorily Convertible Preferred Stock as to dividends, but subject to the rights of holders of shares of the Corporation having a preference and a priority over the payment of dividends on the Mandatorily Convertible Preferred Stock.

Section 2. Liquidation Preference. In the event of any voluntary or involuntary liquidation, dissolution or winding up of the affairs of the Corporation, then, before any distribution or payments shall be made to the holders of any junior stock, but subject to the rights of any senior stock or parity stock, the holders of the Mandatorily Convertible Preferred Stock shall be entitled to be paid in full in cash the amount of $1,000 per share, together with accrued dividends to the date of such distribution or payment, whether or not earned or declared. If such payment shall have been made in full to the holders of the Mandatorily Convertible Preferred Stock and all preferential payments or distributions to be made with respect to senior stock and parity stock have been made in full, the remaining assets and funds of the Corporation shall be distributed among the holders of the junior stock, according to their respective rights and preferences and in each case according to their respective shares. If, upon any liquidation, dissolution or winding up of the affairs of the Corporation, the amounts so payable are not paid in full to the holders of all shares of the Mandatorily Convertible Preferred Stock and parity stock, the holders of the Mandatorily Convertible Preferred Stock, together with holders of parity stock, shall share ratably in any distribution of assets in proportion to the full amounts to which they would otherwise be respectively entitled. Neither the consolidation or merger of the Corporation or the statutory exchange of securities with another entity, nor the sale, lease, transfer, exchange or conveyance of all or a part of its assets, shall be deemed a liquidation, dissolution or winding up of the affairs of the Corporation within the meaning of the foregoing provisions of this Section 4.

Section 3. Redemption. The Corporation shall have the right to redeem all, but not part, of the outstanding Mandatorily Convertible Preferred Stock at any time following a Redemption Event and prior to a Rate Reset Date at the redemption price of $1,000 per share, together with accrued but unpaid dividends to the date of payment, whether or not earned or declared (the "Redemption Price"). The Corporation shall not have the right to redeem any or all of the Mandatorily Convertible Preferred Stock at any other time. Notice of a redemption of the Mandatorily Convertible Preferred Stock shall be mailed, addressed to the holder or holders of record of such shares at their respective addresses as they shall appear on the books of the Corporation, such mailing to be at least two Business Days and not more than sixty days prior to the date fixed for redemption. Each such notice of redemption shall specify the date fixed for redemption and the Redemption Price. On or after the date fixed for redemption as stated in such notice, each holder of the shares called for redemption shall surrender the certificate evidencing such shares to the Corporation and shall thereupon be entitled to receive payment of the Redemption Price. If, on the date fixed for redemption, funds necessary for the redemption shall be available therefor and shall have been irrevocably deposited or set aside, then, notwithstanding that the certificates evidencing any shares so called for redemption shall not have been surrendered, the dividends with respect to the shares so called shall cease to accrue after the date fixed for redemption, the shares shall no longer be deemed outstanding, and all rights whatsoever with respect to the shares so called for redemption (except the right of the holders to receive the Redemption Price without interest upon surrender of their certificates therefor) shall terminate.

Section 4. Conversion.

(a) Unless previously converted at the option of the holder in accordance with the provisions hereof, on the CMS Mandatory Conversion Date each outstanding share of Mandatorily Convertible Preferred Stock shall, without additional notice to holders thereof, convert automatically (the "CMS Mandatory Conversion") into (i) a number of fully paid and non-assessable shares of CMS Common Stock at the CMS Mandatory Conversion Rate (as defined herein) in effect on the CMS Mandatory Conversion Date; and (ii) the right to receive an amount in cash equal to all accrued and unpaid dividends on such share of Mandatorily Convertible Preferred Stock (other than previously declared dividends payable to a holder of record as of a prior date) to and including the day immediately prior to the CMS Mandatory Conversion Date, whether or not earned or declared, out of funds legally available therefor (and if sufficient funds are not then legally available therefor, the Corporation shall pay such amount, if any, pro rata (based on the amounts so owing) to the holders of the Mandatorily Convertible Preferred Stock and any parity stock then entitled to similar payment as is then legally available therefor and shall pay any deficiency thereafter as soon as funds are legally available therefor). The "CMS Mandatory Conversion Rate" is equal to the following number of shares of CMS Common Stock per share of Mandatorily Convertible Preferred Stock: (a) if the CMS Mandatory Conversion Date Market Price is greater than or equal to the CMS Threshold Appreciation Price, the quotient of (i) $1,000 divided by (ii) the CMS Threshold Appreciation Price; (b) if the CMS Mandatory Conversion Date Market Price is less than the CMS Threshold Appreciation Price but is greater than the Reset Price, the quotient of $1,000 divided by the CMS Mandatory Conversion Date Market Price; and (c) if the CMS Mandatory Conversion Date Market Price is less than or equal to the Reset Price, the quotient of $1,000 divided by the Reset Price, subject to adjustment as provided in this Section 6. "CMS Mandatory Conversion Date Market Price" shall mean the Average Trading Price per share of CMS Common Stock for the 20 consecutive Trading Days immediately prior to, but not including, the CMS Mandatory Conversion Date; provided, however, that if an event occurs during such 20 consecutive Trading Days that would require an adjustment to the CMS Mandatory Conversion Rate pursuant to Section 6(c) or 6(e), the Board of Directors may make such adjustments to the Average Trading Price for shares of CMS Common Stock for such 20 Trading Day period as it reasonably deems appropriate to effectuate the intent of the adjustments in Sections 6(c) and 6(e), in which case any such determination by the Board of Directors shall be set forth in a resolution of the Board of Directors and shall be conclusive absent manifest error.

Dividends on the Mandatorily Convertible Preferred Stock shall cease to accrue, and Mandatorily Convertible Preferred Stock shall cease to be outstanding, on the CMS Mandatory Conversion Date. The Corporation shall make such arrangements as it deems appropriate for the issuance of certificates representing CMS Common Stock and for the payment of cash in respect of such accrued and unpaid dividends, if any, or cash in lieu of fractional shares, if any, in exchange for and contingent upon surrender of certificates representing the Mandatorily Convertible Preferred Stock, and the Corporation may defer the payment of dividends on such CMS Common Stock and the voting thereof until, and make such payment and voting contingent upon, the surrender of such certificates representing the Mandatorily Convertible Preferred Stock, provided that the Corporation shall give the holders of the Mandatorily Convertible Preferred Stock such notice of any such actions as the Corporation deems appropriate and upon such surrender such holders shall be entitled to receive such dividends declared and paid on such CMS Common Stock subsequent to the CMS Mandatory Conversion Date. Amounts payable in cash in respect of the Mandatorily Convertible Preferred Stock or in respect of such CMS Common Stock shall not bear interest.

(b) Shares of Mandatorily Convertible Preferred Stock are convertible, at the option of the holders thereof ("CMS Optional Conversion") at any time after the date hereof and before the CMS Mandatory Conversion Date, into CMS Common Stock at a rate equal to 24.779 shares of CMS Common Stock per share of Mandatorily Convertible Preferred Stock (the "CMS Optional Conversion Rate"), subject to adjustment as set forth in this Section 6; provided, however, that the CMS Optional Conversion Rate shall adjust as of the Rate Reset Date (regardless of the adjustments made to the CMS Optional Conversion Rate after the issuance of the shares of Mandatorily Convertible Preferred Stock and prior to the Rate Reset Date) to the following number of shares of CMS Common Stock per share of Mandatorily Convertible Preferred Stock: the quotient of (i) $1,000 divided by (ii) the CMS Threshold Appreciation Price, subject to further adjustment as set forth in this Section 6. CMS Optional Conversion of shares of Mandatorily Convertible Preferred Stock may be effected by delivering certificates evidencing such shares of Mandatorily Convertible Preferred Stock, together with written notice of conversion and, if required by the Corporation, a proper assignment of such certificates to the Corporation or in blank (and, if applicable as provided in the following paragraph, cash payment of an amount equal to the dividends attributable to the current dividend period payable on such shares), to the office of the transfer agent for the shares of Mandatorily Convertible Preferred Stock or to any other office or agency maintained by the Corporation for that purpose and otherwise in accordance with CMS Optional Conversion procedures established by the Corporation. Each CMS Optional Conversion shall be deemed to have been effected immediately before the close of business on the date on which the foregoing requirements shall have been satisfied. The CMS Optional Conversion shall be at the CMS Optional Conversion Rate in effect at such time and on such date.

Holders of shares of Mandatorily Convertible Preferred Stock at the close of business on a record date for any payment of declared dividends shall be entitled to receive the dividend payable on such shares on the corresponding Dividend Payment Date notwithstanding the CMS Optional Conversion of such shares following such record date and on or prior to such Dividend Payment Date. However, shares of Mandatorily Convertible Preferred Stock surrendered for CMS Optional Conversion after the close of business on a record date for any payment of declared dividends and before the opening of business on the next succeeding

Dividend Payment Date must be accompanied by payment in cash of an amount equal to the dividends attributable to the current dividend period payable on such shares on such next succeeding Dividend Payment Date. Except as provided above, upon any CMS Optional Conversion, the Corporation shall make no payment of or allowance for unpaid dividends, whether or not in arrears, on such converted shares of Mandatorily Convertible Preferred Stock as to which CMS Optional Conversion has been effected or for previously declared dividends or distributions on the shares of CMS Common Stock issued upon such CMS Optional Conversion.

(c) The CMS Optional Conversion Rate shall be adjusted from time to time, and the CMS Mandatory Conversion Rate shall be adjusted from time to time after the Rate Reset Date, as follows:

(1) In case the Corporation shall (i) pay a dividend on its CMS Common Stock in other CMS Common Stock, (ii) subdivide or split its outstanding CMS Common Stock into a greater number of shares, (iii) combine its outstanding CMS Common Stock into a smaller number of CMS Common Stock, or (iv) issue by reclassification of its CMS Common Stock any other CMS Common Stock (including in connection with a merger in which the Corporation is a surviving corporation), then, in any such event, (1) the CMS Mandatory Conversion Rate in effect immediately prior to such event shall be adjusted such that the Reset Price shall be adjusted by multiplying it by a fraction (which fraction and all other fractions referred to herein may be improper fractions), the numerator of which is one and the denominator of which is the number of shares of CMS Common Stock that a holder of one share of CMS Common Stock prior to any event described above would hold after such event (assuming the issuance of fractional shares) (the "Recapitalization Adjustment Ratio"), and (2) the CMS Optional Conversion Rate in effect immediately prior to such event shall be adjusted by multiplying it by a fraction, the numerator of which is one and the denominator of which is the Recapitalization Adjustment Ratio. Such adjustment shall become effective immediately after the effective date of any such event (or the earlier record date in the case of any such dividend) whenever any of the events listed above shall occur.

(2) In case the Corporation shall issue rights or warrants to all holders of its CMS Common Stock entitling them (for a period, except in the case of Rights, expiring within 45 days after the record date for determination of the shareholders entitled to receive such rights or warrants) to subscribe for or purchase CMS Common Stock at a price per share of CMS Common Stock less than the current market price per share of CMS Common Stock (as defined in Section 6(d) below) on such record date, then in each such case the CMS Mandatory Conversion Rate on the date of such issuance shall be adjusted such that the Reset Price shall be adjusted by multiplying it by a fraction the numerator of which shall be the sum of (x) the number of shares of CMS Common Stock outstanding immediately prior to such issuance, plus (y) the number of additional shares of CMS Common Stock which the aggregate offering price of the total number of shares of CMS Common Stock so offered for subscription or purchase would purchase at the Average Trading Price for a share of CMS Common Stock for the record date for such issuance, and the denominator of which shall be the sum of (x) the number of shares of CMS Common Stock outstanding immediately prior to such issuance, plus (y) the number of additional shares of CMS Common Stock offered for subscription or purchase pursuant to such rights or warrants (the "Anti Dilution Adjustment Ratio") and (B) the CMS Optional Conversion Rate in effect on the record date described below shall be adjusted by multiplying it by a fraction, the numerator of which is one and the denominator of which is the Anti Dilution Adjustment Ratio. For the purposes of this Subsection (2): the issuance of rights or warrants to subscribe for or purchase securities exercisable for, convertible into, or exchangeable for, shares of CMS Common Stock shall be deemed to be the issuance of rights or warrants to purchase the shares of CMS Common

Stock into which such securities are exercisable, convertible or exchangeable at an aggregate offering price equal to the aggregate offering price of such securities plus the minimum aggregate amount (if any) payable upon the exercise, conversion or exchange of such securities. Such adjustment shall become effective at the opening of business on the Business Day next following the record date for such rights or warrants. To the extent that any shares of CMS Common Stock, or securities exercisable for, convertible into, or exchangeable for, shares of CMS Common Stock so offered for subscription or purchase are not so subscribed or purchased by the expiration of such rights or warrants, the CMS Mandatory Conversion Rate, the CMS Threshold Appreciation Price, the Reset Price and the CMS Optional Conversion Rate shall each be readjusted to the rates or amounts, respectively, which would then be in effect, had the adjustment made upon the issuance of such rights or warrants been made upon the basis of the issuance of rights or warrants in respect of only the number of shares of CMS Common Stock and securities exercisable for, convertible into, or exchangeable for, shares of CMS Common Stock actually issued upon exercise of such rights or warrants.

(3) If the Corporation shall pay a dividend or make a distribution to all holders of its CMS Common Stock consisting of evidences of its indebtedness or other assets (including capital shares of the Corporation other than CMS Common Stock but excluding any Ordinary Cash Dividends (as defined below)), or shall issue to all holders of its CMS Common Stock rights or warrants to subscribe for or purchase any of its securities (other than those referred to in Subsection (2) above), then in each such case the CMS Mandatory Conversion Rate in effect immediately prior to such event shall be adjusted such that the Reset Price shall be adjusted by multiplying it by a fraction, the numerator of which shall be the Average Trading Price for a share of CMS Common Stock on such record date, minus the fair market value as of such record date of the portion of evidences of indebtedness or other assets so distributed, or of such subscription rights or warrants, applicable to one share of CMS Common Stock (provided that such numerator shall never be less than $1.00) and the denominator of which shall be the Average Trading Price for a share of CMS Common Stock on such record date, (the "Distribution Adjustment Ratio") and (B) the Optional Conversation Rate in effect immediately prior to such event shall be adjusted by multiplying it by a fraction, the numerator of which is one and the denominator of which is the Distribution Adjustment Ratio. Such adjustment shall become effective on the opening of business on the Business Day next following the record date for such dividend or distribution or the determination of shareholders entitled to receive such dividend or distribution or rights or warrants, as the case may be. "Ordinary Cash Dividends" shall mean (i) any regular cash dividend on the CMS Common Stock that does not exceed the per share amount of the immediately preceding regular cash dividend on the CMS Common Stock (as adjusted to appropriately reflect any of the events referred to in Section 6(c)(1)) and (ii) any other cash dividend or distribution which, when combined on a per share basis with the per share amount of all other cash dividends and distributions paid on the CMS Common Stock during the 365 day period ending on the date of declaration of such dividend or distribution (as adjusted to appropriately reflect any of the events referred to in Section 6(c)(1) and excluding cash dividends or distributions that resulted in an adjustment to the CMS Mandatory Conversion Rate or the CMS Optional Conversion Rate), does not exceed 10% of the current market price per CMS Common Stock (determined pursuant to Section 6(d)) on the Trading Day immediately preceding the date of declaration of such dividend or distribution.

(d) For the purpose of any computation under Section 6(c) above, the "current market price per share of CMS Common Stock" on any date in question shall mean the Average Trading Price for shares of CMS Common Stock for the 15 consecutive Trading Days ending on the earlier of the day in question and, if applicable, the day before the "ex" date with respect to the issuance or distribution requiring such computation; provided, however, that if another event occurs that would require an adjustment pursuant to Section 6(c), the Board of Directors of the Corporation may make such adjustments to the Average Trading Price for shares of CMS Common Stock during such 15 Trading Day period as it reasonably deems appropriate to effectuate the intent of the adjustments in Section 6(c), in which case any such determination by the Board of Directors of the Corporation shall be set forth in a Board resolution and shall be conclusive absent manifest error. For purposes of this paragraph, the term "'ex' date", when used with respect to any issuance or distribution, means the first date on which the shares of CMS Common Stock trade regular way on the relevant exchange or in the relevant market from which the Average Trading Price was obtained without the right to receive such issuance or distribution. For the purpose of any computation under Section 6(c) above, the "fair market value" of any assets, evidences of indebtedness, subscription rights or warrants on any date in question: (i) in the event any such item is a publicly traded security ("Publicly Traded Security"), shall be determined for such date pursuant to the provisions of this Section 6(d) for determination of the "current market price per share of CMS Common Stock", except that (x) each reference therein to "CMS Common Stock" shall be deemed to mean such Publicly Traded Security, and (y) if such Publicly Traded Security does not trade on a "when issued" basis for the 15 consecutive Trading Days preceding the "ex" date, such determination shall be made for the period of 15 consecutive Trading Days commencing on the "ex" date; and (ii) in the event any such item is not a Publicly Traded Security, shall be reasonably determined in good faith for such date by the Board of Directors of the Corporation, as evidenced by a resolution of the Board, whose determination shall be conclusive absent manifest error.

(e) In any case of any reclassification of CMS Common Stock (other than a reclassification of the CMS Common Stock referred to in Section 6(c)(1)); any consolidation or merger of the Corporation with or into another corporation or other entity (other than a merger resulting in a reclassification of the CMS Common Stock referred to in Section 6(c)(1); any sale or conveyance to another entity (other than a Subsidiary) of all or substantially all of the assets of the Corporation; or the statutory exchange of securities with another corporation or entity (other than in connection with a merger or acquisition) (any such event referred to herein as a "Transaction"), then the CMS Optional Conversion Rate and CMS Mandatory Conversion Rate shall be adjusted so that after consummation of such a Transaction the holders of shares of Mandatory Convertible Preferred Stock will receive, in lieu of the number of shares of CMS Common Stock which such holder would have received upon conversion but for such Transaction, the kind and amount of securities, cash or other property receivable upon consummation of such Transaction by a holder of such number of shares of CMS Common Stock, subject to further adjustment as provided in this Section 6, including without limitation, an adjustment to the CMS Optional Conversion Rate on the Rate Reset Date if such Transaction occurs prior to the Rate Reset Date. On and after the consummation of any such Transaction, the CMS Mandatory Conversion Date Market Price, which shall be used for purposes of the determination as to which of clauses (a), (b) or (c) of the definition of CMS Mandatory Conversion Rate applies, shall mean the sum of (i) the product of the Average Trading Price of any Publicly Traded Security received upon consummation of such Transaction for the 20 consecutive Trading Days immediately prior to, but not including, the CMS Mandatory Conversion Date multiplied by the fraction of such security received in such Transaction per share of CMS Common Stock (assuming the issuance of fractional shares) plus (ii) the fair market value of the cash and other property received upon consummation of such Transaction per share of CMS Common Stock as of the day preceding the CMS Mandatory Conversion Date as determined in accordance with Subsection 6(d). In determining the kind and amount of securities, cash or other property receivable upon consummation of such Transaction by a holder of shares of CMS Common Stock, it shall be assumed that such holder is not a person or entity with which the Corporation consolidated or into which the Corporation was merged or which merged into the Corporation or with which such statutory exchange occurred, as the case may be, or an affiliate of any such Person and that such holder of CMS Common Stock failed to exercise rights of election, if any, as to the kind or amount of securities, cash, or other property receivable upon consummation of such transaction (provided that, if the kind or amount of securities, cash, or other property receivable upon consummation of such Transaction is not the same for each non electing share, then the kind and amount of securities, cash or other property receivable upon consummation of such transaction for each non electing share shall be deemed to be the kind and amount so receivable per share by a plurality of the non electing shares). In the event of such a reclassification, consolidation, merger, sale, conveyance or exchange, effective provision shall be made in the Restated Articles of Incorporation, as amended and restated, or similar document of the resulting or surviving corporation or entity so that the conversion rate applicable to any securities or property into which the shares of the Mandatorily Convertible Preferred Stock shall then be convertible shall be subject to adjustment from time to time in a manner and on terms as nearly equivalent as practicable to the provisions with respect to the CMS Common Stock contained in Subsections (1) to (3) of Section 6(c) inclusive, above, and the other provisions of this Section 6 with respect to the CMS Common Stock shall apply on terms as nearly equivalent as practicable to any such other securities and property deliverable upon conversion of shares of Mandatorily Convertible Preferred Stock.

(f) Whenever any adjustments are required in the shares of CMS Common Stock into which each share of Mandatorily Convertible Preferred Stock is convertible, the Corporation shall forthwith (a) compute the adjusted Mandatory Conversation Rate and CMS Optional Conversion Rate in accordance herewith and prepare a certificate signed by an officer of the Corporation setting forth the adjusted CMS Mandatory Conversion Rate and the CMS Optional Conversion Rate, describing in reasonable detail the method of calculation used and the facts requiring such adjustment and upon which such adjustment is based, which certificate shall be conclusive, final and binding evidence of the correctness of the adjustment and file with the transfer agent of the Mandatorily Convertible Preferred Stock such certificate and (b) cause a copy of such certificate to be mailed to each holder of record of the Mandatorily Convertible Preferred Stock as of or promptly after the effective date of such adjustment and, with respect to adjustments applicable after the Rate Reset Date, make a prompt public announcement of such adjustment.

(g) The Corporation shall at all times reserve and keep available, free from preemptive rights, out of its authorized but unissued shares of CMS Common Stock for the purpose of issuance upon conversion of the Mandatorily Convertible Preferred Stock a number of shares of CMS Common Stock equal to the product of (i) the number of shares of CMS Common Stock then deliverable at such time upon an CMS Optional Conversion of all shares of the Mandatorily Convertible Preferred Stock multiplied by (ii) 2.0.

(h) The Corporation will pay any and all documentary stamp or similar issue or transfer taxes that may be payable in respect of the issuance or delivery of shares of CMS Common Stock on conversion of shares of the Mandatorily Convertible Preferred Stock pursuant to Section 6. The Corporation shall not, however, be required to pay any tax which may be payable in respect of any transfer involving the issue and delivery of shares of CMS Common Stock in the name other than in that which the shares of Mandatorily Convertible Preferred Stock so converted were registered and no such issue and delivery shall be made unless and until the person requesting such issue has paid to the Corporation the amount of any such tax, or has established, to the satisfaction of the Corporation, that such tax has been paid.

(i) For the purpose of this Section 6, the term "CMS Common Stock" shall include any shares of the Corporation of any class or series which has no preference or priority in the payment of dividends or in the distribution of assets upon any voluntary or involuntary liquidation, dissolution or winding up of the Corporation and which is not subject to redemption by the Corporation. However, CMS Common Stock issuable upon conversion of the Mandatorily Convertible Preferred Stock shall include only shares of the class designated as CMS Common Stock as of the original date of issuance of the Mandatorily Convertible Preferred Stock, or shares of the Corporation of any classes or series resulting from any reclassification or reclassifications thereof (including reclassifications referred to in clause (iv) of Subsection 6(c)(1)) and which have no preference or priority in the payment of dividends or in the distribution of assets upon any voluntary or involuntary liquidation, dissolution or winding up of the Corporation and which are not subject to redemption by the Corporation, provided that, if at any time, there shall be more than one such resulting class or series, the shares of such class and series then so issuable shall be in the same proportion, if possible, or if not possible, in substantially the same proportion which the total number of shares of such class and series resulting from all such reclassifications bears to the total number of shares of all classes and series resulting from all such reclassifications.

(j) No fractional shares or scrip representing fractional shares shall be issued upon the conversion of the Mandatorily Convertible Preferred Stock. If any such conversion would otherwise require the issuance of a fractional share, an amount equal to such fraction multiplied by the current market price per share of CMS Common Stock (determined as provided in Section 6(d)) of the CMS Common Stock on the date of conversion shall be paid to the holder in cash by the Corporation. If on such date there is no current market price per share of CMS Common Stock, the fair market value of a share of CMS Common Stock (determined as provided in Section 6(d)) on such date, shall be used. If more than one share of Mandatorily Convertible Preferred Stock shall be surrendered for conversion at one time by or for the same holder, the number of full shares of CMS Common Stock issuable upon conversion thereof shall be computed on the basis of the aggregate number of shares of Mandatorily Convertible Preferred Stock so surrendered.

(k) All shares of the Mandatorily Convertible Preferred Stock purchased or otherwise acquired by the Corporation (including shares surrendered for conversion) shall be canceled and thereupon restored to the status of authorized but unissued shares of Preferred Stock undesignated as to series.

(l) No adjustment in the CMS Mandatory Conversion Rate and the CMS Optional Conversion Rate shall be required unless such adjustment (plus any adjustments not previously made by reason of this Section 6(l)) would require an increase or decrease of at least 1% in the number of shares of CMS Common Stock into which each share of the Mandatorily Convertible Preferred Stock is then convertible; provided, however, that any adjustments which by reason of this Section 6(l) are not required to be made shall be carried forward and taken into account in any subsequent adjustment and provided further that any adjustment shall be required and made in accordance with the provisions of Section 6(c) not later than such time as may be required in order to preserve the tax free nature of a distribution to the holders of shares of CMS Common Stock. If any action or transaction would require adjustment to the CMS Mandatory Conversion Rate or the CMS Optional Conversion Rate pursuant to this Section 6, only one adjustment shall be made and such adjustment shall be the amount of the adjustment that has the highest absolute value. All calculations under this Section 6 shall be made to the nearest one thousandth of a share of CMS Common Stock.

(m) The Board of Directors may make such upward adjustments in the CMS Mandatory Conversion Rate and the CMS Optional Conversion Rate, in addition to those required by this Section 6, as shall be determined by the Board of Directors, as evidenced by a resolution of the Board of Directors, to be advisable in order that any stock dividends, subdivisions of shares, distribution of rights to purchase stock or securities, or distribution of securities convertible into or exchangeable for stock (or any transaction that could be treated as any of the foregoing transactions pursuant to Section 305 of the Internal Revenue Code of 1986, as amended) made by the Corporation to its stockholders after the Rate Reset Date shall not be taxable. The determination of the Board of Directors as to whether an adjustment should be made pursuant to the provisions of this Subsection (m), and if so, as to what adjustment should be made and when, shall be conclusive, final and binding on the Corporation and all stockholders of the Corporation.

(n) In any case in which Section 6 shall require that an adjustment as a result of any event become effective at the opening of business on the Business Day next following a record date and the date fixed for conversion occurs after such record date, but before the occurrence of such event, the Corporation may, in its sole discretion, elect to defer the following until after the occurrence of such event: (A) issuing to the holder of any converted Mandatorily Convertible Preferred Stock the additional shares of CMS Common Stock issuable upon such conversion over the shares of CMS Common Stock issuable before giving effect to such adjustments and (B) paying to such holder any amount in cash in lieu of a fractional share of CMS Common Stock pursuant to Section 6(j).

(o) Notwithstanding the foregoing provisions of this Section 6, no adjustment of the CMS Optional Conversion Rate or the CMS Mandatory Conversion Rate shall be required to be made upon the issuance of any shares of CMS Common Stock pursuant to any present or future plan providing for the reinvestment of dividends or interest payable on securities of the Corporation and the investment of additional optional amounts in shares of CMS Common Stock under any such plan.

(p) Notwithstanding any other provision of this Section 6, the issuance or distribution of Rights shall not be deemed to constitute an issuance or a distribution or dividend of rights, warrants, or other securities to which any of the adjustment provisions described above applies until the occurrence of the earliest Rights Event.

(q) For purposes of this Section 6, shares of CMS Common Stock owned by, or held for the account of, the Corporation, a Subsidiary or another entity of which a majority of the common stock or common equity interests are owned, directly or indirectly, by the Corporation shall be deemed to be not outstanding.

Section 5. Voting Rights. The holders of Mandatorily Convertible Preferred Stock shall have no right to vote except as otherwise specifically provided herein, in the Restated Articles of Incorporation, as amended and restated, or as required by statute.

(a) So long as any shares of Mandatorily Convertible Preferred Stock are outstanding, in addition to any other vote or consent of shareholders required in the Restated Articles of Incorporation, as amended and restated, or by law, the consent of the holders of at least a majority of the Mandatorily Convertible Preferred Stock, given in person or by proxy, either in writing without a meeting (if permitted by law) or by vote at any meeting called for the purpose, shall be necessary for effecting or validating:

(1) any amendment, alteration or repeal of any of the provisions of the Restated Articles of Incorporation, as amended and restated,, which affects adversely the powers, rights or preferences of the holders of the Mandatorily Convertible Preferred Stock or reduces the minimum time required for any notice to which holders of Mandatorily Convertible Preferred Stock then outstanding may be entitled; provided, that the amendment of the provisions of the Restated Articles of Incorporation, as amended and restated, so as to authorize or create, or to increase the authorized amount of, any junior stock or parity stock shall not be

deemed to affect adversely the powers, rights or preferences of the holders of the Mandatorily Convertible Preferred Stock and shall not be subject to approval by the holders of the Mandatorily Convertible Preferred Stock and such holders shall not be entitled to vote thereon to the fullest extent permitted by law;

(2) the authorization, creation or issuance of, or the increase in the authorized amount of, any stock of any class or series, or any security convertible into stock of any class or series, ranking senior to the Mandatorily Convertible Preferred Stock; or

(3) the merger or consolidation of the Corporation with or into any other corporation or other entity or a statutory share exchange with another corporation or entity, unless in connection with such merger, consolidation or statutory share exchange each holder of shares of Mandatorily Convertible Preferred Stock immediately preceding such merger, consolidation or share exchange shall either (I) with respect to a merger, consolidation or statutory share exchange consummated prior to, on or after the Rate Reset Date, receive or continue to hold in the surviving or resulting corporation or other corporation or entity the same number of shares, with substantially the same rights and preferences (except as contemplated by Subsection 6(e) and except for those rights and preferences that could be affected without the vote of the holders of the Mandatorily Convertible Preferred Stock, such as the authorization and issuance of junior stock), as correspond to the shares of Mandatorily Convertible Preferred Stock held immediately prior to such merger or consolidation or (II) with respect to a merger, consolidation or statutory share exchange consummated after the Rate Reset Date, receive the kind and amount of securities, cash and other property that would have been receivable upon consummation of such merger, consolidation or share exchange by such holder (subject to the assumptions set forth in Section 6(e)) if the CMS Mandatory Conversion had occurred immediately prior to the consummation of such merger, consolidation or share exchange and the CMS Mandatory Conversion Rate was determined as of such time (and if clause (I) or (II) are applicable, then such merger, consolidation or statutory share exchange shall not be subject to approval by the holders of the Mandatorily Convertible Preferred Stock and such holders shall not be entitled to vote thereon).

(b) Holders of Mandatorily Convertible Preferred Stock shall not be entitled to receive notice of any meeting of shareholders at which they are not entitled to vote or consent except as otherwise provided by applicable law.

Section 6. Other Rights. Shares of Mandatorily Convertible Preferred Stock shall not have any relative, participating, optional or other special rights or powers other than as set forth herein, in the Restated Articles of Incorporation, as amended and restated, or as required by law.

Section 7. Notices. In case, at any time while any shares of Mandatorily Convertible Preferred Stock are outstanding, (i) the Corporation shall declare a dividend (or any other distribution) on its CMS Common Stock, excluding any cash dividends, (ii) the Corporation shall authorize the issuance to all holders of its CMS Common Stock of rights or warrants to subscribe for or purchase shares of CMS Common Stock or of securities exercisable for, convertible into, or exchangeable for, shares of CMS Common Stock, (iii) the Corporation shall authorize any reclassification of its CMS Common Stock (other than a subdivision or combination thereof) or any consolidation or merger or statutory share exchange to which the Corporation is a party and for which approval of any stockholders of the Corporation is required (except for a merger of the Corporation into one of its Subsidiaries solely for the purpose of changing the corporate name or corporate domicile of the Corporation to another state of the United States and in connection with which there is no substantive change in the rights or privileges of any securities of the Corporation other than changes resulting from differences in the corporate statutes of the then existing and the new state of domicile), or the sale or transfer to another corporation of the property of the Corporation as an entirety or substantially as an entirety, (iv) the Corporation shall authorize the voluntary or involuntary dissolution, liquidation or winding up of the Corporation, or (v) there shall occur any Pro Rata Repurchase, then the Corporation shall cause to be filed at each office or agency maintained for the purpose of conversion of the Mandatorily Convertible Preferred Stock, and shall cause to be mailed to the holders of Mandatorily Convertible Preferred Stock at their last addresses as they shall appear on the stock register, at least 10 days before the date hereinafter specified (or the earlier of the dates hereinafter specified, in the event that more than one date is specified), a notice stating (A) the date on which a record is to be taken for the purpose of such dividend, distribution, rights or warrants, or, if a record is not to be taken, the date as of which the holders of CMS Common Stock of record to be entitled to such dividend, distribution, rights or warrants are to be determined, or (B) the date on which any such reclassification, consolidation, merger, sale, transfer, dissolution, liquidation, winding up or Pro Rata Repurchase is expected to become effective, and the date as of which it is expected that holders of CMS Common Stock of record shall be entitled to exchange their CMS Common Stock for securities or other property (including cash), if any, deliverable upon such reclassification, consolidation, merger, sale, transfer, dissolution, liquidation or winding up or Pro Rata Repurchase; provided, however, that if any such action requiring such notice is to occur prior to the Rate Reset Date, then such notice need only be given on or before the date of such action. The failure to give or receive the notice required hereby or any defect therein shall not affect the legality or validity of such dividend, distribution, right or warrant or other action.

SERIES A MANDATORILY CONVERTIBLE PREFERRED STOCK

Section 8. Definitions. Capitalized terms used but not defined herein shall have the meaning ascribed thereto in the Restated Articles of Incorporation, as amended and restated. In addition, the following terms shall have the following meanings when used herein:

"Average Trading Price" for any given period, including a single day, means, for a security, an amount equal to (i) the sum of the Closing Price for such security on each Trading Day in such period divided by (ii) the total number of Trading Days in such period.

"Board of Directors" shall mean the Board of Directors of the Corporation.

"Business Day" shall mean any day other than a Saturday, Sunday, or a day on which commercial banking institutions in New York, New York, Wilmington, Delaware or the State of Michigan are authorized or obligated by law or executive order to close.

"Closing Price" means, for a security, the closing price for such security on the Trading Day in question (or if such day is not a Trading Day then as of the Trading Day next preceding such day) as reported by Bloomberg L.P., or if not so reported by Bloomberg L.P., as reported by another recognized source selected by the Board of Directors of the Corporation.

"CMS Common Stock" shall have the meaning specified in Section 6(i) hereof.

"CMS Mandatory Conversion" shall have the meaning specified in Section 6(a) hereof.

"CMS Mandatory Conversion Date" means the date on which the Mandatorily Convertible Preferred Stock will be converted automatically into CMS Common Stock on the third anniversary of the Rate Reset Date in accordance with and as defined in the CMS Remarketing Agreement.

"CMS Mandatory Conversion Date Market Price" shall have the meaning specified in Section 6(a).

"CMS Mandatory Conversion Rate" shall have the meaning specified in Section 6(a) hereof.

"CMS Optional Conversion" shall have the meaning specified in Section 6(b).

"CMS Optional Conversion Rate" shall have the meaning specified in Section 6(b).

"CMS Remarketing Agent" shall have the meaning ascribed to such term in the CMS Remarketing Agreement.

"CMS Remarketing Agreement" shall mean the CMS Preferred Stock Remarketing and Registration Rights Agreement dated as of November 10, 1999 among the Corporation, the CMS Share Trust, Bank One Trust Company, N.A. as Series A-1 Indenture Trustee, and Donaldson, Lufkin & Jenrette Securities Corporation, as CMS Remarketing Agent. The Corporation will furnish any shareholder of the Corporation with a copy of the CMS Remarketing Agreement without charge upon request in writing to the Secretary of the Corporation.

"CMS Threshold Appreciation Price" means the product of (i) the Reset Price and (ii) 1.10.

"Dividend Payment Date" shall have the meaning specified in Section 3(a) hereof.

"Failed Remarketing" shall have the meaning ascribed to such term in the CMS Remarketing Agreement.

"Final Sale Date" shall have the meaning ascribed to such term in the CMS Remarketing Agreement.

"junior stock" shall mean (and references to shares ranking "junior to" the Mandatorily Convertible Preferred Stock shall refer to), with respect to Sections 3 and 7, CMS Common Stock and any other class or series of stock of the Corporation which by its terms is not entitled to receive any dividends unless all dividends required to have been paid or declared and set apart for payment on the Mandatorily Convertible Preferred Stock shall have been so paid or declared and, with respect to Sections 4 and 7, CMS Common Stock and any other class or series of stock of the Corporation which by its terms is not entitled to receive any assets upon the liquidation, dissolution or winding up of the affairs of the Corporation until the Mandatorily Convertible Preferred Stock shall have received the entire amount to which such stock is entitled upon liquidation, dissolution or winding up.

"parity stock" shall mean (and references to shares ranking "on a parity with" the Mandatorily Convertible Preferred Stock shall refer to), with respect to Sections 3 and 7, any class or series of stock of the Corporation which by its terms is entitled to receive payment of dividends on a parity with the Mandatorily Convertible Preferred Stock and, with respect to Sections 4 and 7, any class or series of stock of the Corporation which by its terms is entitled to receive assets upon the liquidation, dissolution or winding up of the affairs of the Corporation on a parity with the Mandatorily Convertible Preferred Stock.

"Principal Market" means the principal exchange on which the security in question is traded or the principal market on which such security is quoted, as determined by the Board of Directors of the Corporation.

"Pro Rata Repurchase" means any purchase of shares of CMS Common Stock by the Corporation or any affiliate thereof (as defined in Rule 12b-2 under the Securities Exchange Act of 1934 (the "Exchange Act")) pursuant to any tender offer or exchange offer subject to Section 13(e) of the Exchange Act, or pursuant to any other offer available to substantially all holders of CMS Common Stock, whether for cash, shares of capital stock of the Corporation, other securities of the Corporation, evidences of indebtedness of the Corporation or any other person or any other property (including, without limitation, shares of capital stock, other securities or evidences of indebtedness of a Subsidiary), or any combination thereof, effected while any of the shares of Mandatorily Convertible Preferred Stock are outstanding; provided, however, that "Pro Rata Repurchase" shall not include any purchase of shares by the Corporation or any affiliate thereof made in open market transactions substantially in accordance with the requirements of Rule 10b-18 as in effect under the Exchange Act or on such other terms and conditions as the Board of Directors shall have determined are reasonably designed to prevent such purchases from having a material effect on the trading market for the CMS Common Stock. A Pro Rata Repurchase shall be deemed to be effective on the date of acceptance of shares for purchase or exchange under any tender or exchange offer which is a Pro Rata Repurchase or the date of purchase with respect to any Pro Rate Repurchase that is not a tender or exchange offer.

"Rate Reset Date" shall have the meaning ascribed to such term in the CMS Remarketing Agreement.

"Redemption Event" means the occurrence of any of the following: (i) any consolidation or merger of the Corporation with or into another corporation or entity or the statutory exchange of securities with another corporation or entity, unless in connection with such consolidation, merger or exchange the outstanding shares of CMS Common Stock immediately preceding the consummation of such consolidation, merger or exchange are converted into, exchanged for or otherwise represent at least a majority of the outstanding shares of common stock of the surviving or resulting corporation or entity immediately succeeding the consummation of such consolidation, merger or exchange; or (ii) the Corporation sells or conveys to another entity (other than a Subsidiary) all or substantially all of the assets of the Corporation.

"Reset Common Yield" shall mean the quotient of (i) the product of (x) 4 and (y) the highest amount of the ordinary quarterly cash dividend on one share of CMS Common Stock most recently declared prior to the Series A-1 Note Trigger Date (as appropriately adjusted for the events referred to in Section 6(c)(1)), unless subsequent to such declaration and prior to the Series A-1 Note Trigger Date, the Corporation has publicly announced a change to, or elimination of, its ordinary quarterly cash dividend and filed with the Securities and Exchange Commission a document including such change or elimination, in which case the amount of such proposed ordinary quarterly cash dividend or $0.00 if such dividend is to be eliminated, divided by (ii) the Reset Price (provided, however, that if as of the Series A-1 Note Trigger Date there is more than one class of CMS Common Stock, then the Reset Common Yield shall be calculated with respect to each then outstanding class of CMS Common Stock, and the Reset Common Yield as used herein shall be the amount calculated with respect to the class of CMS Common Stock resulting in the greatest Reset Common Yield).

"Reset Dividend Rate" shall mean an amount per share per annum equal to the product of (i) the sum of (x) the Reset Common Yield (expressed as a percentage), plus (y) 7.0% and (ii) $1,000 (rounded to the nearest cent).

"Reset Price" shall mean the higher of (i) the Closing Price of a share of CMS Common Stock on the Series A-1 Note Trigger Date or (ii) the quotient (rounded up to the nearest cent) of $125,000,000 divided by the number, as of the Series A-1 Note Trigger Date, of the authorized but unissued shares of CMS Common Stock that have not been reserved as of the Series A-1 Note Trigger Date by the Board of Directors for other purposes subject to adjustment as provided in Section 6.

"Rights" means rights or warrants distributed by the Corporation under a shareholder rights plan or agreement to all holders of CMS Common Stock entitling the holders thereof to subscribe for or purchase shares of the Corporation's capital stock (either initially or under certain circumstances), which rights or warrants, until the occurrence of a specified event or events ("Rights Events"):

(i) are deemed to be transferred with such shares of CMS Common Stock,

(ii) are not exercisable, and

(iii) are also issued in respect of future issuances of CMS Common Stock.

"Rights Events" shall have the meaning ascribed to such term in the definition of Rights.

"senior stock" shall mean (and references to shares ranking "senior to" or "prior to" the Mandatorily Convertible Preferred Stock shall refer to), with respect to Sections 3 and 7, any class or series of stock of the Corporation ranking senior to the Mandatorily Convertible Preferred Stock in respect of the right to receive dividends and, with respect to Sections 4 and 7, any class or series of stock of the Corporation ranking senior to the Mandatorily Convertible Preferred Stock with respect to the right to receive assets upon the liquidation, dissolution or winding up of the affairs of the Corporation. All classes or series of stock of the Corporation other than junior stock or parity stock shall be senior stock with respect to the Mandatorily Convertible Preferred Stock, except to the extent expressly provided otherwise in the Restated Articles of Incorporation, as amended and restated.

"Series A-1 Notes" shall have the meaning ascribed to such term in the CMS Remarketing Agreement.

"Series A-1 Note Trigger Date" shall mean the earlier of (A) the Successful Repricing Date or (B) the date of a Failed Remarketing.

"Subsidiary" means any corporation or other entity of which securities or other ownership interests having ordinary voting power to elect a majority of the board of directors or other individuals performing similar functions, are at the time directly or indirectly owned by the Corporation.

"Successful Repricing Date" shall have the meaning ascribed to such term in the CMS Remarketing Agreement.

"Trading Day" means a day on which the Principal Market with respect to the security in question is regularly scheduled to be open for trading. For purposes of this definition, a day on which any such exchange is scheduled to close (as opposed to unexpectedly closing) prior to its regular closing time shall not constitute a Trading Day.

Section 2. Designation and Amount. The distinctive designation of the series of Preferred Stock created by this amendment to the Restated Articles of Incorporation shall be the "Series A Mandatorily Convertible Preferred Stock." The number of shares that shall constitute such series shall be 125,000 shares.

COMMON STOCK

The shares of Common Stock may be issued from time to time as the Board of Directors shall determine for such consideration as shall be fixed by the Board of Directors. Each share of Common Stock of the Corporation shall be equal to every other share of said stock in every respect, except as otherwise provided in this Common Stock Division of Article III. Capitalized terms in this Common Stock Division of Article III have the respective meanings set forth in Section 6 of this Common Stock Division of Article III. The relative voting, distribution, dividend, liquidation and other rights and limitations of the CMS Energy Common Stock and Class G Common Stock are as follows:

(1) Dividend Rights. Subject to the express terms of any outstanding series of Preferred Stock, dividends or distributions may be paid in cash or otherwise upon the CMS Energy Common Stock and the Class G Common Stock out of the assets of the Corporation in the relationship and upon the terms provided for below with respect to each such class:

(a) Dividends on CMS Energy Common Stock. Dividends and distributions on the CMS Energy Common Stock may be declared and paid only out of the assets of the Corporation legally available therefor.

(b) Dividends on Class G Common Stock. Dividends and distributions on the Class G Common Stock may be declared and paid only out of the lesser of (i) the assets of the Corporation legally available therefor and (ii) the Available Class G Dividend Amount.

(c) Discrimination between CMS Energy Common Stock and Class G Common Stock. The Board of Directors, subject to Sections 1(a) and 1(b), may, in its sole discretion, declare dividends or distributions payable exclusively to the holders of CMS Energy Common Stock, exclusively to the holders of Class G Common Stock or to the holders of both of such classes in equal or unequal amounts, notwithstanding the amounts of assets available for dividends or distributions on each class, the respective voting rights of each class, the amounts of prior dividends declared on each class or any other factor.

(2) Exchange or Redemption. Shares of Class G Common Stock are subject to exchange or redemption upon the terms provided below:

(a) Exchange or Redemption of Class G Common Stock.

(i) In the event of the Disposition, in one transaction or a series of related transactions, by the Corporation of all or substantially all of the properties and assets attributed to the Consumers Gas Group (other than in connection with the Disposition by the Corporation of all of its properties and assets in one transaction or a series of related transactions which results in the dissolution, liquidation or winding up of the Corporation referred to in Section 4) to any person, entity or group (other than (A) the holders of all outstanding shares of Class G Common Stock on a pro rata basis or (B) any person, entity or group in which the Corporation, directly or indirectly, owns a majority equity interest), the Corporation shall, on or prior to the first Business Day following the 90th day following the consummation of such Disposition, exchange each outstanding share of Class G Common Stock for a number of fully paid and nonassessable shares of CMS Energy Common Stock having a Fair Market Value equal to 110% of the Fair Market Value of one share of Class G Common Stock as of the date of the first public announcement by the Corporation of such Disposition.

For purposes of this Section 2(a)(i):

(x) as of any date, "substantially all of the properties and assets attributed to the Consumers Gas Group" shall mean a portion of such properties and assets (A) that represents at least 80% of the then-current market value (as determined by the Board of Directors) of the properties and assets attributed to the Consumers Gas Group as of such date or (B) from which were derived at least 80% of the aggregate revenues for the immediately preceding twelve fiscal quarterly periods of the Corporation (calculated on a pro forma basis to include revenues derived from any of such properties and assets acquired during such period) derived from properties and assets attributed to the Consumers Gas Group during such periods;

(y) if immediately after any event, the Corporation, directly or indirectly, owns less than a majority equity interest in any person, entity or group in which the Corporation, directly or indirectly, owned a majority equity interest immediately prior to the occurrence of such event, a Disposition of all of the properties and assets attributed to the Consumers Gas Group owned by such person, entity or group shall be deemed to have occurred; and

(z) in the case of a Disposition of properties and assets in a series of related transactions, such Disposition shall not be deemed to have been consummated until the consummation of the last of such transactions.

(ii) The Board of Directors may, by a majority vote of the directors then in office, at any time declare that each of the outstanding shares of Class G Common Stock shall be exchanged, on an Exchange Date set forth in a notice to holders of Class G Common Stock pursuant to Section 2(b)(i), for a number of fully paid and nonassessable shares of CMS Energy Common Stock having a Fair Market Value equal to 115% of the Fair Market Value of one share of Class G Common Stock as of the date of the first public announcement by the Corporation of such exchange.

(iii) At any time on or after the date on which all of the consolidated assets and liabilities attributed to the Consumers Gas Group (and no other assets or liabilities) become the consolidated assets and liabilities of a single corporation, all of the common stock of which is owned by the Corporation ("Gas Group Subsidiary"), the Board of Directors may, in its sole discretion and by a majority vote of the directors then in office, provided that there are assets of the Corporation legally available therefor, declare that all of the outstanding shares of Class G Common Stock shall be exchanged on an Exchange Date set forth in a notice to holders of Class G Common Stock pursuant to Section 2(b)(i), for a number of the outstanding shares of common stock of the Gas Group Subsidiary equal to the product of the Gas Group Fraction and the number of all outstanding shares of common stock of the Gas Group Subsidiary, on a pro rata basis, each of which shall, upon such issuance, be fully paid and nonassessable.

(iv) After any Exchange Date on which all outstanding shares of Class G Common Stock were exchanged, any share of Class G Common Stock that is issued on conversion or exercise of any Convertible Securities shall, immediately upon issuance pursuant to such conversion or exercise and without any notice or any other action on the part of the Corporation or its Board of Directors or the holder of such share of Class G Common Stock:

(A) in the event the then-outstanding shares of Class G Common Stock were exchanged for CMS Energy Common Stock on such Exchange Date pursuant to Section 2(a)(i) or 2(a)(ii), be exchanged for the kind and amount of shares of capital stock and other securities and property that a holder of such Convertible Security would have been entitled to receive pursuant to the terms of such Convertible Security had such terms provided that the conversion or exercise privilege in effect immediately prior to any exchange by the Corporation of any of its capital stock for shares of any other capital stock of the Corporation would be adjusted so that the holder of any such Convertible Security thereafter surrendered for conversion or exercise would be entitled to receive the number of shares of capital stock of the Corporation and other securities and property such holder would have owned immediately following such action had such Convertible Security been converted or exercised immediately prior thereto; or

(B) in the event the then-outstanding shares of Class G Common Stock were exchanged for common stock of the Gas Group Subsidiary pursuant to Section 2(a)(iii), be redeemed, to the extent of the assets of the Corporation legally available therefor, for $.01 in cash.

The provisions of clause (A) of this Section 2(a)(iv) shall not apply to the extent that equivalent adjustments are otherwise made pursuant to the provisions of such Convertible Securities.

(b) General Exchange Provisions.

(i) In the event of any exchange pursuant to this Section 2, the Corporation shall cause to be given to each holder of Class G Common Stock to be so exchanged a notice stating (A) that shares of such class of Common Stock shall be exchanged, (B) the Exchange Date, (C) the kind and amount of shares of capital stock or cash and/or securities or other property to be received by such holder with respect to each share of such class of Common Stock held by such holder, including details as to the calculation thereof, (D) the place or places where certificates for shares of such class of Common Stock, properly endorsed or assigned for transfer (unless the Corporation shall waive such requirement), are to be surrendered for delivery of certificates for shares of such capital stock or cash and/or securities or other property and (E) that, subject to Section 2(b)(iii) hereof, dividends or other distributions on such shares of Common Stock will cease to be paid as of such Exchange Date. Such notice shall be sent by first class mail, postage prepaid, not less than 30 nor more than 60 days prior to the Exchange Date, and in any case to each holder of shares of such class of Common Stock to be exchanged at such holder's address as the same appears on the stock transfer books of the Corporation. Neither the failure to mail such notice to any particular holder of such class of Common Stock nor any defect therein shall affect the sufficiency thereof with respect to any other holder of such class of Common Stock.

(ii) The Corporation shall not be required to issue or deliver fractional shares of any class of capital stock or any fractional securities to any holder of Class G Common Stock upon any exchange, dividend or other distribution pursuant to this Section 2. If more than one share of Class G Common Stock shall be held at the same time by the same holder, the Corporation may aggregate the number of shares of any class of capital stock that shall be issuable or the amount of securities that shall be deliverable to such holder upon any exchange, dividend or other distribution (including any fractions of shares or securities). If the number of shares of any class of capital stock or the amount of securities remaining to be issued or delivered to any holder of Class G Common Stock is a fraction, the Corporation shall, if such fraction is not issued or delivered to such holder, pay a cash adjustment in respect of such fraction in an amount equal to the fair market value of such fraction on the fifth Business Day prior to the date such payment is to be made. For purposes of the preceding sentence, "fair market value" of any fraction shall be (A) in the case of any fraction of a share of any class of Common Stock, the product of such fraction and the Fair Market Value of such share and (B) in the case of any other fractional security, such value as is determined by the Board of Directors.

(iii) No adjustments in respect of dividends or other distributions shall be made upon the exchange of any shares of Class G Common Stock; provided, however, that if the Exchange Date with respect to such class of Common Stock shall be subsequent to the record date for the payment of a dividend or other distribution thereon or with respect thereto, the holders of shares of such class of Common Stock at the close of business on such record date shall be entitled to receive the dividend or other distribution payable on or with respect to such shares on the date set for payment of such dividend or other distribution, notwithstanding the exchange of such shares or the Corporation's default in payment of the dividend or distribution due on such date.

(iv) Before any holder of shares of Class G Common Stock shall be entitled to receive certificates representing shares of any capital stock or cash and/or securities or other property to be received by such holder with respect to such shares of such class of Common Stock pursuant to this Section 2, such holder shall surrender at such office as the Corporation shall specify certificates for such shares of Common Stock, properly endorsed or assigned for transfer (unless the Corporation shall waive such requirement). The Corporation will as soon as practicable after such surrender of certificates representing such shares of such class of Common Stock deliver to the person for whose account such shares of such class of Common Stock were so surrendered, or to the nominee or nominees of such person, certificates representing the number of whole shares of the kind of capital stock or cash and/or securities or other property to which such person shall be entitled as aforesaid, together with any fractional payment contemplated by Section 2(b)(ii).

(v) From and after any applicable Exchange Date, all rights of a holder of shares of Class G Common Stock that were exchanged shall cease except for the right, upon surrender of the certificates representing such shares, to receive certificates representing shares of the kind and amount of capital stock or cash and/or securities or other property for which such shares were exchanged, together with any fractional payment contemplated by Section 2(b)(ii) and rights to dividends or other distributions as provided in Section 2(b)(iii). No holder of a certificate that immediately prior to the applicable Exchange Date for Class G Common Stock represented shares of such class of Common Stock shall be entitled to receive any dividend or other distribution with respect to shares of any kind of capital stock into which such shares were exchanged until surrender of such holder's certificate for a certificate or certificates representing shares of such kind of capital stock. Upon such surrender, there shall be paid to the holder the amount of any dividends or other distributions (without interest) which theretofore became payable with respect to a record date after the Exchange Date, but that were not paid by reason of the foregoing, with respect to the number of whole shares of the kind of capital stock represented by the certificate or certificates issued upon such surrender. From and after an Exchange Date for Class G Common Stock, the Corporation shall, however, be entitled to treat the certificates for shares of Class G Common Stock that have not yet been surrendered for exchange as evidencing the ownership of the number of whole shares of the kind or kinds of capital stock for which the shares of Class G Common Stock represented by such certificates shall have been exchanged, notwithstanding the failure to surrender such certificates.

(vi) The Corporation will pay any and all documentary, stamp or similar issue or transfer taxes that may be payable in respect of the issue or delivery of any shares of capital stock on exchange of shares of Class G Common Stock pursuant hereto. The Corporation shall not, however, be required to pay any tax that may be payable in respect of any transfer involved in the issue and delivery of any shares of capital stock in a name other than that in which the shares of Class G Common Stock so exchanged were registered, and no such issue or delivery shall be made unless and until the person requesting such issue has paid to the Corporation the amount of any such tax, or has established to the satisfaction of the Corporation that such tax has been paid.

(c) Increase in Authorized Shares in Connection with Exchange. In order to give effect to any exchange of Class G Common Stock for CMS Energy Common Stock as contemplated by Sections 2(a)(i) and 2(a)(ii), the Board of Directors shall have the authority pursuant to Section 303(3) of the Michigan Business Corporation Act, or any successor provision, to amend these Articles of Incorporation to increase the number of authorized shares of CMS Energy Common Stock to the number that will be sufficient, when added to the previously authorized but unissued shares of CMS Energy Common Stock, to give effect to the exchange of Class G Common Stock. The foregoing exchange provisions shall be deemed to be a "conversion privilege" of the shares of Class G Common Stock within the meaning of Section 303(3) of the Michigan Business Corporation Act, or any successor provision.

(3) Voting Rights. (a) Except as provided in Section 3(b) and except as otherwise provided by law, the holders of CMS Energy Common Stock and Class G Common Stock shall vote together as a single class on all matters as to which holders of Common Stock are entitled to vote. Subject to Section 5, on all matters to be voted on by the holders of CMS Energy Common Stock and Class G Common Stock together as a single class, (i) each share of outstanding CMS Energy Common Stock shall have one vote and (ii) each share of outstanding Class G Common Stock shall have one vote. If shares of only one class of Common Stock are outstanding, each share of that class shall have one vote. If any class of Common Stock of the Corporation is entitled to vote separately as a class, with respect to any matter, each share of that class shall be entitled to one vote in the separate vote on such matter.

(b) Unless the vote or consent of the holders of a greater number of shares shall then be required by law, the vote or consent of the holders of a majority of all of the shares of either class of Common Stock then outstanding, voting as a separate class, shall be necessary for authorizing, effecting or validating the merger or consolidation of the Corporation into or with any other entity if such merger or consolidation would adversely affect the powers or special rights of such class of Common Stock either directly by amendment of these Articles of Incorporation or indirectly by requiring the holders of such class to accept or retain, in such merger or consolidation, anything other than (i) shares of such class or (ii) shares of the surviving or resulting corporation having, in either case, powers and special rights identical to those of such class prior to such merger or consolidation.

(4) Liquidation Rights. Subject to Section 5, in the event of the dissolution, liquidation or winding up of the Corporation, whether voluntary or involuntary, after payment or provision for payment of the debts and other liabilities of the Corporation and after there shall have been paid or set apart for the holders of Preferred Stock the full preferential amounts (including any accumulated and unpaid dividends) to which they are entitled, the holders of Class G Common Stock and CMS Energy Common Stock shall be entitled to receive, on a per share basis, the same portion of all of the assets of the Corporation remaining for distribution to the holders of Common Stock, regardless of whether or not any of such assets were attributed to the Consumers Gas Group. Neither the merger or consolidation of the Corporation into or with any other corporation, nor the merger or consolidation of any other corporation into or with the Corporation nor any sale, transfer or lease of all or any part of the assets of the Corporation, shall be deemed to be a dissolution, liquidation or winding up for purposes of this Section 4.

(5) Subdivision or Combination. If the Corporation shall in any manner subdivide (by stock split, stock dividend or otherwise) or combine (by reverse stock split or otherwise) the outstanding shares of either Class G Common Stock or CMS Energy Common Stock, the voting and liquidation rights of CMS Energy Common Stock relative to Class G Common Stock shall be appropriately adjusted so as to avoid any dilution in the aggregate voting or liquidation rights of either class of Common Stock.

(6) Definitions. As used in this Common Stock Division of Article III, the following terms shall have the following meanings (with terms defined in the singular having comparable meaning when used in the plural and vice versa), unless another definition is provided or the context otherwise requires.

See Attached

ARTICLE IV

The address of the registered office is Fairlane Plaza South, Suite 1100, 330 Town Center Drive, Dearborn, Michigan 48126. The name of the resident agent at the registered office is Thomas A. McNish. The mailing address of the registered office is: 212 W. Michigan Ave., M440, Jackson, MI 49201-2277.

ARTICLE V

Special meetings of the shareholders may be called only by the Board of Directors or by the Chairman of the Board.

ARTICLE VI

The number of directors of the Corporation shall be as specified in, or determined in the manner provided in, the bylaws of the Corporation.

Any vacancies occurring on the Corporation's Board of Directors (whether by reason of the death, resignation or removal of a director) may be filled by a majority vote of the directors then in office although less than a quorum. An increase in the number of members of the Board of Directors shall be construed as creating a vacancy.

ARTICLE VII

A director may be removed by the affirmative vote of a majority of the members of the Board of Directors then in office. A director also may be removed by shareholders, but only for cause, at an annual meeting of shareholders and by the affirmative vote of a majority of the shares then entitled to vote for the election of directors. For purposes of this section, cause for removal shall be construed to exist only if a director whose removal is proposed has been convicted of a felony by a court of competent jurisdiction and such conviction is no longer subject to appeal or has been adjudged by a court of competent jurisdiction to be liable for willful misconduct in the performance of his or her duty to the Corporation in a matter of substantial importance to the Corporation and such adjudication is no longer subject to appeal.

ARTICLE VIII

A director shall not be personally liable to the Corporation or its shareholders for monetary damages for breach of duty as a director except (i) for a breach of the director's duty of loyalty to the Corporation or its shareholders, (ii) for acts or omissions not in good faith or that involve intentional misconduct or a knowing violation of law, (iii) for a violation of Section 551(1) of the Michigan Business Corporation Act, and (iv) for any transaction from which the director derived an improper personal benefit. No amendment to or repeal of this Article VIII, and no modification to its provisions by law, shall apply to, or have any effect upon, the liability or alleged liability of any director of the Corporation for or with respect to any acts or omissions of such director occurring prior to such amendment, repeal or modification.

ARTICLE IX

Each director and each officer of the Corporation shall be indemnified by the Corporation to the fullest extent permitted by law against expenses (including attorneys' fees), judgments, penalties, fines and amounts paid in settlement actually and reasonably incurred by him or her in connection with the defense of any proceeding in which he or she was or is a party or is threatened to be made a party by reason of being or having been a director or an officer of the Corporation. Such right of indemnification is not exclusive of any other rights to which such director or officer may be entitled under any now or hereafter existing statute, any other provision of these Articles, bylaw, agreement, vote of shareholders or otherwise. If the Business Corporation Act of the State of Michigan is amended after approval by the shareholders of this Article IX to authorize corporate action further eliminating or limiting the personal liability of directors, then the liability of a director of the Corporation shall be eliminated or limited to the fullest extent permitted by the Business Corporation Act of the State of Michigan, as so amended. Any repeal or modification of this Article IX by the shareholders of the Corporation shall not adversely affect any right or protection of a director of the Corporation existing at the time of such repeal or modification.

ARTICLE X

Each director shall be a shareholder of the Corporation and any director ceasing to be a shareholder shall thereupon immediately cease to be a director.

ARTICLE XI

The Corporation reserves the right to amend, alter, change or repeal any provision in these Articles of Incorporation as permitted by law, and all rights conferred on shareholders herein are granted subject to this reservation. Notwithstanding the foregoing, the provisions of Articles V, VI, VII, VIII, IX and this Article XI may not be amended, altered, changed or repealed unless such amendment, alteration, change or repeal is approved by the affirmative vote of the holders of not less than 75% of the outstanding shares entitled to vote thereon.

Signed on November 8, 1999

CMS ENERGY CORPORATION

(S E A L)

By: /s/ Thomas A. McNish

Thomas A. McNish
Vice President and Secretary

STATE OF MICHIGAN)
) ss.
COUNTY OF JACKSON)

On this 8th day of November, 1999, before me appeared Thomas A. McNish, to me personally known, who, being by me duly sworn, did say that he is Vice President and Secretary of CMS Energy Corporation, which executed the foregoing instrument, and that the seal affixed to said instrument is the corporate seal of said corporation, and that said instrument was signed and sealed in behalf of said corporation by authority of its Board of Directors and shareholders, and said officer acknowledged said instrument to be the free act and deed of said corporation.

/s/ Renne E. Stephens

(S E A L)

Renne E. Stephens
Notary Public for Jackson County
State of Michigan
My Commission Expires March 5, 2003

ATTACHMENT TO PAGE 25

"Available Class G Dividend Amount" on any date ("calculation date") shall mean the excess of:

(i) the product of (a) the Gas Group Fraction as of such calculation date and (b) an amount equal to the total assets attributed to the Consumers Gas Group less the total liabilities attributed to the Consumers Gas Group as of such calculation date determined in accordance with generally accepted accounting principles as in effect at such time applied on a basis consistent with that applied in determining Consumers Gas Group Income; over

(ii) the product of (a) the Gas Group Fraction as of such calculation date and (b) the amount that would be needed to satisfy any preferential rights to which holders of any preferred stock attributed to the Consumers Gas Group are entitled as of such calculation date;

provided that such excess shall be reduced by an amount, if any, sufficient to ensure that the businesses attributed to the Consumers Gas Group shall be able to pay their debts as they become due in the usual course of business.

"Business Day" shall mean each weekday other than any day on which any relevant class of Common Stock is not traded on any national securities exchange or the National Association of Securities Dealers Automated Quotations National Market or in the over-the-counter market.

"Consumers Gas Group" shall mean, at any time, (i) all of the gas storage business of Michigan Gas Storage Company, (ii) all of the gas utility business of Consumers Power Company, (iii) all assets and liabilities of the Corporation to the extent attributed to either of such businesses, whether or not such assets or liabilities are or were assets and liabilities of such companies, (iv) all assets and properties of the Corporation which when attributed to the Consumers Gas Group increase the Retained Interest Shares, and (v) such businesses, assets, and liabilities acquired directly or indirectly by the Corporation after the Effective Date and determined by the Board of Directors to be attributed to the Consumers Gas Group; provided that, from and after any dividend or distribution with respect to any shares of Class G Common Stock (other than a dividend or distribution payable in shares of Class G Common Stock or Convertible Securities convertible into Class G Common Stock or exercisable for Class G Common Stock), or any repurchase of shares of Class G Common Stock from holders of Class G Common Stock generally, there shall no longer be attributed to the Consumers Gas Group an amount of assets or properties of the Consumers Gas Group equal to the aggregate amount of such kind of assets or properties so paid in respect of shares of Class G Common Stock multiplied by a fraction, the numerator of which is equal to the Retained Interest Shares and the denominator of which is equal to the number of outstanding shares of Class G Common Stock at such time.

"Consumers Gas Group Income" shall mean the consolidated net income or loss attributed to the Consumers Gas Group determined in accordance with generally accepted accounting principles, including consolidated income and expenses of Consumers Power Company attributed to the operations of the Consumers Gas Group on a substantially consistent basis, including, without limitation, corporate administrative costs, net interest and other financial costs and income taxes.

"Convertible Securities" shall mean any securities of the Corporation that are convertible into or exercisable for or evidence the right to acquire any shares of CMS Energy Common Stock or Class G Common Stock, whether at such time or upon the occurrence of certain events, pursuant to antidilution provisions of such securities or otherwise.

"Disposition" shall mean a sale, transfer, assignment or other disposition (whether by merger, consolidation, sale or contribution of assets, properties or stock or otherwise), but shall not include (1) an attribution of assets or properties of the Corporation to the Consumers Gas Group if such attribution increases the Retained Interest Shares, or (2) assets or properties of the Corporation ceasing to be attributed to the Consumers Gas Group if the result is a decrease in the Retained Interest Shares.

"Effective Date" shall mean May 22, 1995.

"Exchange Date" shall mean any date fixed for an exchange of shares of CMS Energy Common Stock for Class G Common Stock, as set forth in a notice to holders of Class G Common Stock pursuant to Section 2(b)(i) or of Convertible Securities convertible into or exercisable for shares of Class G Common Stock.

"Fair Market Value" of shares of either class of Common Stock on any date means the average of the daily closing prices thereof for the period of 20 consecutive Business Days commencing on the 30th Business Day prior to such date. The closing price of shares of a class of Common Stock for each Business Day shall be (i) if such shares are listed or admitted to trading on a national securities exchange, the closing price on the New York Stock Exchange Composite Tape (or any successor composite tape reporting transactions on national securities exchanges) or, if such New York Stock Exchange Composite Tape shall not be in use or shall not report transactions in such shares, the last reported sales price regular way on the principal national securities exchange on which such shares are listed or admitted to trading (which shall be the national securities exchange on which the greatest number of such shares of stock has been traded during such 20 consecutive Business Days), or, if there is no transaction on any such Business Day in any such situation, the mean of the bid and asked prices on such Business Day, or (ii) if such shares are not listed or admitted to trading on any such exchange, the closing price, if reported, or, if the closing price is not reported, the average of the closing bid and asked prices as reported by the National Association of Securities Dealers Automated Quotations or a similar source selected from time to time by the Corporation for this purpose, and (iii) reduced, if such Business Day is prior to any "ex" date or any similar date occurring during such period for any dividend or distribution paid or to be (other than as contemplated in (iv) below) paid with respect to such shares, by the fair market value (as determined by the Board of Directors) of the per share amount of such dividend or distribution, and (iv) appropriately adjusted, if such Business Day is prior to (A) the effective date of any subdivision (by stock split, stock dividend, or otherwise) or combination (by reverse stock split or otherwise) of such shares, or (B) the "ex" date or any similar date for any dividend or distribution of shares of such class of Common Stock on the outstanding shares of such class of Common Stock, occurring during such period, to reflect such subdivision, combination, dividend or distribution. In the event such closing or bid and asked prices are unavailable, the Fair Market Value of such shares shall be determined by the Board of Directors.

"Gas Group Fraction" as of any date is a fraction the numerator of which shall be the number of shares of Class G Common Stock outstanding on such date and the denominator of which shall be the sum of the number of shares of Class G Common Stock outstanding on such date plus the Retained Interest Shares on such date, provided that such fraction shall in no event be greater than one.

"Gas Group Subsidiary" shall have the meaning set forth in Section 2(a)(iii).

"Retained Interest Shares" shall initially be 32,000,000 shares; provided, however, that such number from time to time shall be:

(i) adjusted as appropriate to reflect subdivisions (by stock split or otherwise) and combinations (by reverse stock split or otherwise) of Class G Common Stock and dividends or distributions of shares of Class G Common Stock to holders thereof and other reclassifications of Class G Common Stock;

(ii) decreased by (A) the number of Retained Interest Shares issued or sold by the Corporation, (B) the number of Retained Interest Shares issued upon conversion or exercise of Convertible Securities which are not attributed to the Consumers Gas Group, (C) the number of Retained Interest Shares issued by the Corporation as a dividend or distribution or by reclassification or exchange to holders of CMS Energy Common Stock and (D) the number (rounded, if necessary, to the nearest whole number) equal to the aggregate fair value (as determined by the Board of Directors) of assets or properties of the Corporation which cease to be attributable to the Consumers Gas Group in consideration for a decrease in the Retained Interest Shares divided by the Fair Market Value of one share of Class G Common Stock as of the date such assets or properties cease to be attributable to the Consumers Gas Group; and

(iii) increased by (A) the number of outstanding shares of Class G Common Stock repurchased by the Corporation with assets which are not attributed to the Consumers Gas Group, and (B) the number (rounded, if necessary, to the nearest whole number) equal to the fair value (as determined by the Board of Directors) of assets or properties of the Corporation that are attributed to the Consumers Gas Group in consideration for an increase in the Retained Interest Shares divided by the Fair Market Value of one share of Class G Common Stock as of the date of such attribution.

(7) Determinations by the Board of Directors. Any determinations made in compliance with applicable law by the Board of Directors of the Corporation under any provision in this Article III shall be final and binding on all shareholders of the Corporation.

EXHIBIT (4)(a)

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THIRD SUPPLEMENTAL INDENTURE

between

CONSUMERS ENERGY COMPANY

and

THE BANK OF NEW YORK

Dated as of November 4, 1999

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THIRD SUPPLEMENTAL INDENTURE, dated as of November 4, 1999, (the "Third Supplemental Indenture"), between Consumers Energy Company, a Michigan Corporation (the "Issuer"), and The Bank of New York, as trustee (the "Trustee") under the Indenture dated as of January 1, 1996 between the Issuer and the Trustee (the "Indenture").

WHEREAS, the Issuer executed and delivered the Indenture to the Trustee to provide for the future issuance of the Issuer's Securities to be issued from time to time in one or more series as might be determined by the Issuer under the Indenture, in an unlimited aggregate principal amount which may be authenticated and delivered as provided in the Indenture; and

WHEREAS, Section 2.3 of the Indenture permits the terms of any series of Securities to be established in an indenture supplemental to the Indenture; and

WHEREAS, Section 8.1(d) of the Indenture provided that a supplemental indenture may be entered into without the consent of any Holders of Securities to supplement certain provisions of the Indenture; and

WHEREAS, Section 8.1(e) of the Indenture provides that a supplemental indenture may be entered into by the Issuer and the Trustee without the consent of any Holders of the Securities to establish the form and terms of the Securities of any series; and

WHEREAS, pursuant to the terms of the Indenture, the Issuer desires to provide for the establishment of a new series of its Securities to be known as its 9 1/4% Subordinated Debentures due December 31, 2029 (the "Notes"), the form and substance of such Notes and the terms, provisions and conditions thereof to be set forth as provided in the Indenture and this Third Supplemental Indenture; and

WHEREAS, Consumers Energy Company Financing III, a Delaware statutory business trust (the "Trust"), has offered to the public $175 million aggregate liquidation amount of its 9 1/4% Trust Originated Preferred Securities (the "Preferred Securities"), representing undivided beneficial interests in the assets of the Trust and proposes to invest the proceeds from such offering, together with the proceeds of the issuance and sale by the Trust to the Issuer of $5,412,375 aggregate liquidation amount of its 9 1/4% Trust Originated Common Securities (together the "Trust Securities"), in $180,412,375 aggregate principal amount of the Notes; and

WHEREAS, the Issuer wishes to supplement Section 13.2 of the Indenture with respect to the Notes and the Preferred Securities; and

WHEREAS, the Issuer has requested that the Trustee execute and deliver this Third Supplemental Indenture and all requirements necessary to make this Third Supplemental Indenture a valid instrument in accordance with its terms, and to make the Notes, when executed by the Issuer and authenticated and delivered by the Trustee, the valid obligations of the Issuer, have been performed, and the execution and delivery of this Third Supplemental Indenture has been duly authorized in all respects.

NOW THEREFORE, in consideration of the purchase and acceptance of the Notes by the Holders thereof, and for the purpose of setting forth, as provided in the Indenture, the form and substance of the Notes and the terms, provisions and conditions thereof, the Issuer covenants and agrees with the Trustee as follows:

ARTICLE I.
DEFINITIONS

SECTION 1.1. Definition of Terms.

Unless the context otherwise requires:

(a) a term defined in the Indenture has the same meaning when used in this Third Supplemental Indenture;

(b) a term defined anywhere in this Third Supplemental Indenture has the same meaning throughout;

(c) the singular includes the plural and vice versa;

(d) a reference to a Section or Article is to a Section or Article of this Third Supplemental Indenture;

(e) headings are for convenience of reference only and do not affect interpretation;

(f) the following terms have the meanings given to them in the Declaration: (i) Clearing Agency; (ii) Delaware Trustee; (iii) Redemption Tax Opinion; (iv) No Recognition Opinion; (v) Preferred Security Certificate; (vi) Property Trustee; (vii) Regular Trustees; (viii) Special Event; (ix) Tax Event; (x) Underwriting Agreement; (xi) Investment Company Event; and (xii) Distribution;

(g) the following terms have the meanings given to them in this Section 1.1(g):

"Additional Interest" shall have the meaning set forth in Section 2.5.

"Compounded Interest" shall have the meaning set forth in Section 4.1.

"Coupon Rate" shall have the meaning set forth in Section 2.5.

"Declaration" means the Amended and Restated Declaration of Trust of Consumers Energy Company Financing III, a Delaware statutory business trust, dated as of November 4, 1999.

"Deferred Interest" shall have the meaning set forth in Section 4.1.

"Dissolution Event" means that, as a result of the occurrence and continuation of a Special Event, the Trust is to be dissolved in accordance with the Declaration, and the Notes held by the Property Trustee are to be distributed to the holders of the Trust Securities issued by the Trust pro rata in accordance with the Declaration.

"Extended Interest Payment Period" shall have the meaning set forth in Section 4.1.

"Global Note" shall have the meaning set forth in Section 2.4.

"Non Book-Entry Preferred Securities" shall have the meaning set forth in Section 2.4.

"Optional Redemption Price" shall have the meaning set forth in Section 3.2.

ARTICLE II.
GENERAL TERMS AND CONDITIONS OF THE NOTES

SECTION 2.1. Designation and Principal Amount.

There is hereby authorized and established a series of unsecured Securities designated the "9 1/4% Subordinated Debentures due December 31, 2029", limited in aggregate principal amount to $175,000,000 (except as contemplated in Section 2(f)(2) of the Indenture).

SECTION 2.2. Maturity.

The Maturity Date of the Notes is December 31, 2029.

SECTION 2.3. Form and Payment.

The Notes shall be issued in fully registered form without interest coupons. Principal and interest on the Notes issued in certificated form will be payable, the transfer of such Notes will be registrable and such Notes will be exchangeable for Notes bearing identical terms and provisions, at the office or agency of the Trustee in the Borough of Manhattan, the City of New York; provided, however, that payment of interest may be made at the option of the Issuer by check mailed to the Holder at such address as shall appear in the Security Register or by wire transfer to an account maintained by the Holder. Notwithstanding the foregoing, so long as the Holder of any Notes is the Property Trustee, the payment of the principal of and interest (including Compounded Interest and Additional Interest, if any) on such Notes held by the Property Trustee will be made at such place and to such account as may be designated by the Property Trustee.

SECTION 2.4. Global Note.

(a) In connection with a Dissolution Event,

(i) the Notes may be presented to the Trustee by the Property Trustee in exchange for a global Note in an aggregate principal amount equal to the aggregate principal amount of all outstanding Notes (a "Global Note"), to be registered in the name of the Clearing Agency, or its nominee, and delivered by the Trustee to the Clearing Agency for crediting to the accounts of its participants pursuant to the instructions of the Regular Trustees and the Clearing Agency will act as Depository for the Notes. The Issuer upon any such presentation, shall execute a Global Note in such aggregate principal amount and deliver the same to the Trustee for authentication and delivery in accordance with the Indenture and this Third Supplemental Indenture. Payments on the Notes issued as a Global Note will be made to the Depositary; and

(ii) if any Preferred Securities are held in non book-entry certificated form, the Notes may be presented to the Trustee by the Property Trustee and any Preferred Security Certificate which represents Preferred Securities other than Preferred Securities held by the Clearing Agency or its nominee ("Non Book-Entry Preferred Securities") will be deemed to represent beneficial interests in Notes presented to the Trustee by the Property Trustee having an aggregate principal amount equal to the aggregate liquidation amount of the Non Book-Entry Preferred Securities until such Preferred Security Certificates are presented to the Security Registrar for transfer or reissuance at which time such Preferred Security Certificates will be canceled and a Note, registered in the name of the holder of the Preferred Security Certificate or the transferee of the holder of such Preferred Security Certificate, as the case may be, with an aggregate principal amount equal to the aggregate liquidation amount of the Preferred Security Certificate canceled, will be executed by the Issuer and delivered to the Trustee for authentication and delivery in accordance with the Indenture and this Third Supplemental Indenture.

(b) Except as provided in (c) below, a Global Note may be transferred, in whole but not in part, only to another nominee of the Depositary, or to a successor Depositary selected or approved by the Issuer or to a nominee of such successor Depositary.

(c) If at any time the Depositary notifies the Issuer that it is unwilling or unable to continue as Depositary or if at any time the Depositary for such series shall no longer be registered or in good standing under the Securities Exchange Act of 1934, as amended, or other applicable statute or regulation, and a successor Depositary for such series is not appointed by the Issuer within 90 days after the Issuer receives such notice or becomes aware of such condition, as the case may be, the Issuer will execute, and, subject to Section 2.8 of the Indenture, the Trustee, upon written notice from the Issuer, will authenticate and deliver the Notes in definitive registered form, in authorized denominations, and in an aggregate principal amount equal to the principal amount of the Global Note in exchange for such Global Note. In addition, the Issuer may at any time determine that the Notes shall no longer be represented by a Global Note. In such event the Issuer will execute, and subject to Section 2.8 of the Indenture, the Trustee, upon receipt of an Officers' Certificate evidencing such determination by the Issuer, will authenticate and deliver the Notes in definitive registered form, in authorized denominations, and in an aggregate principal amount equal to the principal amount of the Global Note in exchange for such Global Note. Upon the exchange of the Global Note for such Notes in definitive registered form, in authorized denominations, the Global Note shall be canceled by the Trustee. Such Notes in definitive registered form issued in exchange for the Global Note shall be registered in such names and in such authorized denominations as the Depositary, pursuant to instructions from its direct or indirect participants or otherwise, shall instruct the Trustee. The Trustee shall deliver such Notes to the Depositary for delivery to the Persons in whose names such Notes are so registered.

SECTION 2.5. Interest.

(a) Each Note will bear interest at the rate of 9.25% per annum (the "Coupon Rate") from the original date of issuance until the principal thereof becomes due and payable, and on any overdue principal and (to the extent that payment of such interest is enforceable under applicable law) on any overdue installment of interest, at the Coupon Rate, compounded quarterly, payable (subject to the provisions of Article IV) quarterly in arrears on March 31, June 30, September 30 and December 31 of each year (each, an "Interest Payment Date," commencing on December 31, 1999), to the Person in whose name such Note or any predecessor Note is registered, at the close of business on the regular record date for such interest installment, which, in respect of any Notes of which the Property Trustee is the Holder or a Global Note, shall be the close of business on the Business Day next preceding that Interest Payment Date. Notwithstanding the foregoing sentence, if the Preferred Securities are no longer in book-entry only form or, except if the Notes are held by the Property Trustee, the Notes are not represented by a Global Note, the regular record date for such interest installment shall be the fifteenth day of the month in which the applicable Interest Payment Date occurs.

(b) The amount of interest payable for any period will be computed on the basis of a 360-day year of twelve 30-day months. Except as provided in the following sentence, the amount of interest payable for any period shorter than a full quarterly period for which interest is computed, will be computed on the basis of the actual number of days elapsed in such a 90-day period. In the event that any date on which interest is payable on the Notes is not a Business Day, then payment of interest payable on such date will be made on the next succeeding day which is a Business Day (and without any interest or other payment in respect of any such delay), except that, if such Business Day is in the next succeeding calendar year, such payment shall be made on the immediately preceding Business Day, in each case with the same force and effect as if made on such date.

(c) If, at any time while the Property Trustee is the Holder of any Notes, the Trust or the Property Trustee is required to pay any taxes, duties, assessments or governmental charges of whatever nature (other than withholding taxes) imposed by the United States, or any other taxing authority, then, in any case, the Issuer will pay as additional interest ("Additional Interest") on the Notes held by the Property Trustee, such additional amounts as shall be required so that the net amounts received and retained by the Trust and the Property Trustee after paying such taxes, duties, assessments or other governmental charges will be equal to the amounts the Trust and the Property Trustee would have received had no such taxes, duties, assessments or other governmental charges been imposed.

ARTICLE III.
REDEMPTION OF THE NOTES

SECTION 3.1. Special Event Redemption.

If (a) a Tax Event has occurred and is continuing and (i) the Issuer has received a Redemption Tax Opinion, or (ii) The Regular Trustees shall have been informed by tax counsel that a No Recognition Opinion cannot be delivered to the Trust, or (b) an Investment Company Event has occurred and is continuing, then, notwithstanding Section 3.2(a) but subject to Section 3.2(b) and Article Eleven of the Indenture, the Issuer shall have the right upon not less than 30 days' nor more than 60 days' notice to the Holders of the Notes to redeem the Notes, in whole or in part, for cash within 90 days' following the occurrence of such Special Event (the "90 Day Period") at a redemption price equal to 100% of the principal amount to be redeemed plus any accrued and unpaid interest thereon to the date of such redemption (the "Redemption Price"), provided that, if at the time there is available to the Issuer or the Trust the opportunity to eliminate, within the 90 Day Period, the Special Event by taking some ministerial action ("Ministerial Action"), such as filing a form or making an election, or pursuing some other similar reasonable measure which has no adverse effect on the Issuer, the Trust or the Holders of the Trust Securities issued by the Trust, the Issuer shall pursue such Ministerial Action in lieu of redemption, and, provided, further, that the Issuer shall have no right to redeem the Notes while the Trust is pursuing any Ministerial Action pursuant to its obligations under the Declaration. The Redemption Price shall be paid prior to 12:00 noon, New

York time, on the date of such redemption or such earlier time as the Issuer determines, and the Issuer shall deposit with the Trustee an amount sufficient to pay the Redemption Price by 10:00 a.m., New York time, on the date such Redemption Price is to be paid.

SECTION 3.2. Optional Redemption by Issuer.

(a) Subject to the provisions of Section 3.2(b) and to the provisions of Article Eleven of the Indenture, the Issuer shall have the right to redeem the Notes, in whole or in part, from time to time, on or after November 4, 2004, at a redemption price equal to 100% of the principal amount to be redeemed plus any accrued and unpaid interest thereon to the date of such redemption (the "Optional Redemption Price"). Any redemption pursuant to this paragraph will be made upon not less than 30 days' nor more than 60 days' notice to the Holder of the Notes, at the Optional Redemption Price. If the Notes are only partially redeemed pursuant to this Section 3.2, the Notes will be redeemed on a pro rata basis; provided that, if at the time of redemption the Notes are registered as a Global Note, the Depository shall determine, in accordance with its procedures, the principal amount of such Notes held by each Holder of Notes to be redeemed. The Optional Redemption Price shall be paid prior to 12:00 noon, New York time, on the date of such redemption or at such earlier time as the Issuer determines and the Issuer shall deposit with the Trustee an amount sufficient to pay the Optional Redemption Price by 10:00 a.m., New York time, on the date such Optional Redemption Price is to be paid.

(b) If a partial redemption of the Notes would result in the delisting of the Preferred Securities from any national securities exchange or other organization on which the Preferred Securities are then listed, the Issuer shall not be permitted to effect such partial redemption and may only redeem the Notes in whole.

SECTION 3.3. No Sinking Fund.

The Notes are not entitled to the benefit of any sinking fund.

ARTICLE IV.
EXTENSION OF INTEREST PAYMENT PERIOD

SECTION 4.1. Extension of Interest Payment Period.

The Issuer shall have the right, at any time and from time to time during the term of the Notes, to defer payments of interest by extending the interest payment period of such Notes for a period not exceeding 20 consecutive quarters (the "Extended Interest Payment Period"), during which Extended Interest Payment Period no interest shall be due and payable; provided that, no Extended Interest Payment Period may extend beyond the Maturity Date. To the extent permitted by applicable law, interest, the payment of which has been deferred because of the extension of the interest payment period pursuant to this Section 4.1, will bear interest thereon at the Coupon Rate compounded quarterly for each quarter of the Extended Interest Payment Period ("Compounded Interest"). At the end of the Extended Interest Payment Period, the Issuer shall pay all interest accrued and unpaid on the Notes, including any Additional Interest and Compounded Interest (together, "Deferred Interest") that shall be payable to the Holders of the Notes in whose names the Notes are registered in the Security Register on the First record date after the end of the Extended Interest Payment Period. Prior to the termination of any Extended Interest Payment Period, the Issuer may further extend such period, provided that such period together with all such further extensions thereof shall not exceed 20 consecutive quarters. Upon the termination of any Extended Interest Payment Period and upon the payment of all Deferred Interest then due, the Issuer may commence a new Extended Interest Payment Period, subject to the foregoing requirements. No interest shall be due and payable during an Extended Interest Payment Period, except at the end thereof, but the Issuer may prepay at any time all or any portion of the interest accrued during an Extended Interest Payment Period.

The limitations set forth in Section 3.5 of the Indenture shall apply during any Extended Interest Payment Period.

SECTION 4.2. Notice of Extension.

(a) If the Property Trustee is the only registered Holder of the Notes at the time the Issuer elects an Extended Interest Payment Period, the Issuer shall give written notice to the Regular Trustees, the Property Trustee and the Trustee of its election of such Extended Interest Payment Period one Business Day before the earlier of (i) the next succeeding date on which Distributions on the Trust Securities issued by the Trust are payable, or (ii) the date the Trust is required to give notice of the record date, or the date such Distributions are payable, to the New York Stock Exchange or other applicable self-regulatory organization or to holders of the Preferred Securities, but in any event at least one Business Day before such record date.

(b) If the Property Trustee is not the only Holder of the Notes at the time the Issuer elects an Extended Interest Payment Period, the Issuer shall give the Holders of the Notes and the Trustee written notice of its election of such Extended Interest Payment Period one Business Days before the earlier of (i) the next succeeding Interest Payment Date, or (ii) the date the Issuer is required to give notice of the record or payment date of such interest payment to the New York Stock Exchange or other applicable self-regulatory organization or to Holders of the Notes.

(c) The quarter in which any notice is given pursuant to paragraphs (a) or (b) of this Section 4.2 shall be counted as one of the 20 quarters permitted in the maximum Extended Interest Payment Period permitted under Section 4.1.

ARTICLE V.
EXPENSES

SECTION 5.1. Payment of Expenses.

In connection with the offering, sale and issuance of the Notes to the Property Trustee and in connection with the sale of the Trust Securities by the Trust, the Issuer, in its capacity as borrower with respect to the Notes, shall:

(a) pay all costs and expenses relating to the offering, sale and issuance of the Notes, including commissions to the underwriters payable pursuant to the Underwriting Agreement and the Pricing Agreements, and compensation of the Trustee under the Indenture in accordance with the provisions of Section 6.6 of the Indenture;

(b) pay all costs and expenses of the Trust (including, but not limited to, costs and expenses relating to the organization of the Trust, the offering, sale and issuance of the Trust Securities (including commissions to the underwriters in connection therewith), the fees and expenses of the Property Trustee and the Delaware Trustee, the costs and expenses relating to the operation of the Trust, including without limitation, costs and expenses of accountants, attorneys, statistical or bookkeeping services, expenses for printing and engraving and computing or accounting equipment, paying agent(s), registrar(s), transfer agent(s), duplicating, travel and telephone and other telecommunications expenses and costs and expenses incurred in connection with the acquisition, financing, and disposition of Trust assets);

(c) be primarily liable for any indemnification obligations arising with respect to the Declaration; and

(d) pay any and all taxes (other than United States withholding taxes attributable to the Trust or its assets) and all liabilities, costs and expenses with respect to such taxes of the Trust.

SECTION 5.2. Payment Upon Resignation or Removal.

Upon termination of this Third Supplemental Indenture or the Indenture or the removal or resignation of the Trustee pursuant to Section 6.10 of the Indenture, the Issuer shall pay to the Trustee all amounts accrued to the date of such termination, removal or resignation. Upon termination of the Declaration or the removal or resignation of the Delaware Trustee or the Property Trustee, as the case may be, pursuant to Section 5.6 of the Declaration, the Issuer shall pay to the Delaware Trustee or the Property Trustee, as the case may be, all amounts accrued to the date of such termination, removal or resignation.

ARTICLE VI.
SUBORDINATION

SECTION 6.1. Agreement to Subordinate.

The Issuer covenants and agrees, and each Holder of Notes issued hereunder, by such Holder's acceptance thereof likewise covenants and agrees, that pursuant to Section 2.3(f)(9) of the Indenture all Notes shall be issued as Subordinated Securities subject to the provisions of Article Twelve of the Indenture and this Article VI; and each Holder of a Note by its acceptance thereof accepts and agrees to be bound by such provisions.

ARTICLE VII.
COVENANT TO LIST ON EXCHANGE

SECTION 7.1. Listing on an Exchange.

In connection with the distribution of the Notes to the holders of the Preferred Securities upon a Dissolution Event, the Issuer will use its best efforts to list such Notes on the New York Stock Exchange or on such other exchange as the Preferred Securities are then listed.

ARTICLE VIII.
FORM OF NOTES

SECTION 8.1. Form of Note.

The Notes and the Trustee's Certificate of Authentication to be endorsed thereon are to be substantially in the following forms and the Notes shall have such additional terms as may be set forth in such form:

(FORM OF FACE OF NOTE)

[IF THE NOTE IS TO BE A GLOBAL NOTES, INSERT - This Note is a Global Note within the meaning of the Indenture hereinafter referred to, and is registered in the name of, a Depositary or a nominee of a Depositary. This Note is exchangeable for Notes registered in the name of a person other than the Depositary or its nominee only in the limited circumstances described in the Indenture, and no transfer of this Note (other than a transfer of this Note as a whole by the Depositary to a nominee of the Depositary or by a nominee of the Depositary to the Depositary or another nominee of the Depositary) may be registered except in limited circumstances.

Unless this Note is presented by an authorized representative of The Depository Trust Company (55 Water Street, New York, New York) to the issuer or its agent for registration of transfer, exchange or payment, and any Note issued is registered in the name of Cede & Co. or such other name as requested by an authorized representative of The Depository Trust Company and any payment hereon is made to Cede & Co., ANY TRANSFER, PLEDGE OR OTHER USE HEREOF FOR VALUE OR OTHERWISE BY A PERSON IS WRONGFUL since the registered owner hereof, Cede & Co., has an interest herein.]

No.
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CUSIP NO. 210518BG0

CONSUMERS ENERGY COMPANY

9 1/4% SUBORDINATED DEBENTURES
DUE DECEMBER 31, 2029

Consumers Energy Company, a Michigan corporation (the "Issuer", which term includes any successor corporation under the Indenture hereinafter referred to), for value received, hereby promises to pay to ______________, or registered assigns, the principal sum of one hundred eighty million four hundred twelve thousand and three hundred seventy five Dollars ($180,412,375) on December 31, 2029, and to pay interest on said principal sum from November 4, 1999, or from the most recent interest payment date (each such date, an "Interest Payment Date") to which interest has been paid or duly provided for, quarterly (subject to deferral as set forth herein) in arrears on March 31, June 30, September 30 and December 31 of each year commencing December 31, 1999 at the rate of 9 1/4% per annum until the principal hereof shall have become due and payable, and on any overdue principal and premium, if any, and (without duplication and to the extent that payment of such interest is enforceable under applicable law) on any overdue installment of interest at the same rate per annum compounded quarterly. The amount of interest payable on any Interest Payment Date shall be computed on the basis of a 360-day year of twelve 30-day months. In the event that any date on which interest is payable on this Note is not a Business Day, then payment of interest payable on such date will be made on the next succeeding day that is a Business Day (and without any interest or other payment in respect of any such delay), except that, if such Business Day is in the next succeeding calendar year, such payment shall be made on the immediately preceding Business Day, in each case with the same force and effect as if made on such date. The interest installment so payable, and punctually paid or duly provided for, on any Interest Payment Date will, as provided in the Indenture, be paid to the person in whose name this Note (or one or more Predecessor Securities, as defined in said Indenture) is registered at the close of business on the regular record date for such interest installment, which shall be the close of business on the Business Day next preceding such Interest Payment Date. [IF PURSUANT TO THE PROVISIONS OF THE INDENTURE THE DEBENTURES ARE NO LONGER REPRESENTED BY A GLOBAL NOTE -- which shall be the close of business on the 15th day of the month in which such Interest Payment Date occurs.] If and to the extent the Issuer shall default in the payment of the interest due on such Interest Payment Date, interest shall be paid to the person in whose name this Note is registered at the close of business on a subsequent record date (which shall not be less than five Business Days prior to the date of payment of such defaulted interest) established by notice given by mail by or on behalf of the Issuer to the Holder of this Note not less than 15 days preceding such subsequent Record Date. The principal of (and premium, if any) and the interest on this Note shall be payable at the office or agency of the Trustee in the Borough of Manhattan, the City of New York maintained for that purpose in any coin or currency of the United States of America that at the time is legal tender for payment of public and private debts; provided, however, that payment of interest may be made at the option of the Issuer by check mailed to the registered Holder at such address as shall appear in the Security Register or by wire transfer to an account maintained by the Holder. Notwithstanding the foregoing, so long as the Holder of this Note is the Property Trustee, the payment of the principal of (and premium, if any) and interest on this Note will be made at such place and to such account as may be designated by the Property Trustee.

The indebtedness evidenced by this Note is, to the extent provided in the Indenture, subordinate and junior in right of payment to the prior payment in full of all Senior Indebtedness, and this Note is issued subject to the provisions of the Indenture with respect thereto. Each Holder of this Note, by accepting the same, (a) agrees to and shall be bound by such provisions, (b) authorizes and directs the Trustee on his or her behalf to take such action as may be necessary or appropriate to acknowledge or effectuate the subordination so provided and (c) appoints the Trustee his or her attorney-in-fact for any and all such purposes. Each Holder hereof, by his or her acceptance hereof, hereby waives all notice of the acceptance of the subordination provisions contained herein and in the Indenture by each holder of Senior Indebtedness, whether now outstanding or hereafter incurred, and waives reliance by each such holder upon said provisions.

This Note shall not be entitled to any benefit under the Indenture hereinafter referred to, be valid or become obligatory for any purpose until the Certificate of Authentication hereon shall have been signed by or on behalf of the Trustee.

The provisions of this Note are continued on the reverse side hereof and such continued provisions shall for all purposes have the same effect as though fully set forth at this place.

IN WITNESS WHEREOF, the Issuer has caused this instrument to be executed.

Dated

Consumers Energy Company

[Seal]

By:
Name:
Title

Attest:

By:
Name:
Title:

(FORM OF CERTIFICATE OF AUTHENTICATION)

CERTIFICATE OF AUTHENTICATION

This is one of the Securities of the series of Securities described in the within-mentioned Indenture.

[ ]

----
as Trustee

By
Authorized Signatory

(FORM OF REVERSE OF NOTE)

This Note is one of a duly authorized series of Securities of the Issuer (herein sometimes referred to as the "Notes"), specified in the Indenture, all issued or to be issued in one or more series under and pursuant to an Indenture dated as of January 1, 1996, duly executed and delivered between the Issuer and The Bank of New York, a New York banking corporation, as Trustee (the "Trustee"), as supplemented by certain supplemental indentures, including the Third Supplemental Indenture dated as of November 4, 1999, between the Issuer and the Trustee (the Indenture as so supplemented, the "Indenture"), to which Indenture and all indentures supplemental thereto reference is hereby made for a description of the rights, limitations of rights, obligations, duties and immunities thereunder of the Trustee, the Issuer and the Holders of the Notes. By the terms of the Indenture, the Notes are issuable in series that may vary as to amount, date of maturity, rate of interest and in other respects as provided in the Indenture. This series of Notes is limited in aggregate principal amount as specified in said Third Supplemental Indenture.

The Issuer shall have the right to redeem this Note at the option of the Issuer, without premium or penalty, in whole or in part at any time on or after November 4, 2004, or at any time in certain circumstances upon the occurrence of a Special Event, at a redemption price equal to 100% of the principal amount plus any accrued but unpaid interest, to the date of such redemption. Any redemption pursuant to this paragraph will be made upon not less than 30 days nor more than 60 days' notice. If the Notes are only partially redeemed by the Issuer pursuant to an Optional Redemption, the Notes will be redeemed pro rata.

In the event of redemption of this Note in part only, a new Note or Notes of this series for the unredeemed portion hereof will be issued in the name of the Holder hereof upon the cancellation hereof.

In case an Event of Default, as defined in the Indenture, shall have occurred and be continuing, the principal of all of the Notes may be declared, and upon such declaration shall become, due and payable, in the manner, with the effect and subject to the conditions provided in the Indenture.

The Indenture contains provisions permitting the Issuer and the Trustee, with the consent of the Holders of not less than a majority in aggregate principal amount of the Notes and other Indenture securities of each series affected at the time Outstanding and affected (voting as one class), as defined in the Indenture, to execute supplemental indentures for the purpose of adding any provisions to or changing in any manner or eliminating any of the provisions of the Indenture or of any supplemental indenture or of modifying in any manner the rights of the Holders of the Notes; provided, however, that the Company and the Trustee may not, without the consent of the Holder of each Note then Outstanding and affected thereby: (a) change the time of payment of the principal (or any installment) of any Note, or reduce the principal amount thereof, or reduce the rate or change the time of payment of interest thereon, or impair the right to institute suit for the enforcement of any payment on any Note when due or (b) reduce the percentage in principal amount of the Notes, the consent of whose Holders is required for any such modification or for any waiver provided for in the Indenture. The Indenture also contains provisions providing that prior to the acceleration of the maturity of any Note or other securities outstanding under the Indenture, the Holders of a majority in aggregate principal amount of Notes of and other Securities Outstanding under the Indenture with respect to which a default or/an Event of Default shall have occurred and be continuing (voting as one class) may on behalf of the Holders of all such affected Securities (including the Notes) waive any past default and its consequences, except a default or an Event of Default in respect of a covenant or provision of the Indenture or of any Note or other Security which cannot be modified or amended without the consent of the Holder of each Note or other Security affected. Any such consent or waiver by the registered Holder of this Note (unless revoked as provided in the Indenture) shall be conclusive and binding upon such Holder and upon all future Holders and owners of this Note and of any Note issued in exchange herefor or in place hereof (whether by registration of transfer or otherwise), irrespective of whether or not any notation of such consent or waiver is made upon this Note.

No reference herein to the Indenture and no provision of this Note or of the Indenture shall alter or impair the obligation of the Issuer, which is absolute and unconditional, to pay the principal of and premium, if any, and interest on this Note at the time and place and at the rate and in the money herein prescribed.

The Issuer shall have the right at any time during the term of the Notes and from time to time to extend the interest payment period of such Notes for up to 20 consecutive quarters (an "Extended Interest Payment Period"), at the end of which period the Issuer shall pay all interest then accrued and unpaid (together with interest thereon at the rate specified for the Notes to the extent that payment of such interest is enforceable under applicable law). Before the termination of any such Extended Interest Payment Period, the Issuer may further extend such Extended Interest Payment Period, provided that such Extended Interest Payment Period together with all such further extensions thereof shall not exceed 20 consecutive quarters. At the termination of any such Extended Interest Payment Period and upon the payment of all accrued and unpaid interest and any additional amounts then due, the Issuer may commence a new Extended Interest Payment Period.

As provided in the Indenture and subject to certain limitations therein set forth, this Note is transferable by the registered Holder hereof on the Security Register of the Issuer, upon surrender of this Note for registration of transfer at the office or agency of the Trustee in the City and State of New York accompanied by a written instrument or instruments of transfer in form satisfactory to the Issuer or the Trustee duly executed by the registered Holder hereof or his attorney duly authorized in writing, and thereupon one or more new Notes of authorized denominations and for the same aggregate principal amount and series will be issued to the designated transferee or transferees. No service charge will be made for any such transfer, but the Issuer may require payment of a sum sufficient to cover any tax or other governmental charge payable in relation thereto.

Prior to due presentment for registration of transfer of this Note, the Issuer, the Trustee, any paying agent and the Security Registrar may deem and treat the registered holder hereof as the absolute owner hereof (whether or not this Note shall be overdue and notwithstanding any notice of ownership or writing hereon made by anyone other than the Security Registrar) for the purpose of receiving payment of or on account of the principal hereof and premium, if any, and interest due hereon and for all other purposes, and neither the Issuer nor the Trustee nor any paying agent nor any Security Registrar shall be affected by any notice to the contrary.

No recourse shall be had for the payment of the principal of or the interest on this Note, or for any claim based hereon, or otherwise in respect hereof, or based on or in respect of the

Indenture, against any incorporator, stockholder, officer or director, past, present or future, as such, of the Issuer or of any predecessor or successor corporation, whether by virtue of any constitution, statute or rule of law, or by the enforcement of any assessment or penalty or otherwise, all such liability being, by the acceptance hereof and as part of the consideration for the issuance hereof, expressly waived and released.

Notes of this series so issued are issuable only in registered form without coupons in denominations of $25 and any integral multiple thereof. As provided in the Indenture and subject to certain limitations herein and therein set forth, Notes of this series so issued are exchangeable for a like aggregate principal amount of Notes of this series in authorized denominations, as requested by the Holder surrendering the same.

All terms used in this Note that are defined in the Indenture shall have the meanings assigned to them in the Indenture.

[END OF FORM OF NOTE]

ARTICLE IX.
ORIGINAL ISSUE OF NOTES

SECTION 9.1. Original Issue of Notes.

Notes in the aggregate principal amount of $____________ may, upon execution of this Third Supplemental Indenture, be executed by the Issuer and delivered to the Trustee for authentication, and the Trustee shall thereupon authenticate and deliver said Notes to or upon the written order of the Issuer, in accordance with Section 2.4 of the Indenture.

ARTICLE X.
MISCELLANEOUS

SECTION 10.1 Provisions of Indenture for the Sole Benefit of Parties and Holders of Trust Securities.

Notwithstanding Section 13.2 of the Indenture, for so long as any Trust Securities remain outstanding, the Issuer's obligations under the Indenture and this Third Supplemental Indenture will also be for the benefit of the holders of the Trust Securities, and the Issuer acknowledges and agrees that such holders will be entitled to enforce certain payment obligations under the Notes directly against the Issuer to the extent provided in the Declaration.

SECTION 10.2 Ratification of Indenture.

The Indenture, as supplemented by this Third Supplemental Indenture, is in all respects ratified and confirmed, and this Third Supplemental Indenture shall be deemed part of the Indenture in the manner and to the extent herein and therein provided.

SECTION 10.3. Trustee Not Responsible for Recitals.

The recitals herein contained are made by the Issuer and not by the Trustee, and the Trustee assumes no responsibility for the correctness thereof. The Trustee makes no representation as to the validity or sufficiency of this Third Supplemental Indenture.

SECTION 10.4. Governing Law.

This Third Supplemental Indenture and each Note shall be deemed to be a contract made under the internal laws of the State of Michigan, and for all purposes shall be construed in accordance with the laws of said State; provided, however, that the rights, duties and obligations of the Trustee are governed and construed in accordance with the laws of the State of New York.

SECTION 10.5. Separability.

In case any one or more of the provisions contained in this Third Supplemental Indenture or in the Notes shall for any reason be held to be invalid, illegal or unenforceable in any respect, such invalidity, illegality or unenforceability shall not affect any other provisions of this Third Supplemental Indenture or of the Notes, but this Third Supplemental Indenture and the Notes shall be construed as if such invalid or illegal or unenforceable provision had never been contained herein or therein.

SECTION 10.6. Counterparts.

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

IN WITNESS WHEREOF, the parties hereto have caused this Third Supplemental Indenture to be duly executed on the date or dates indicated in the acknowledgments and as of the day and year first above written.

Consumers Energy Company

By: /s/ Alan M. Wright

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

[Seal]
Attest:

By: /s/ Thomas A. McNish

Thomas A. McNish
Vice President
and Secretary

The Bank of New York, as Trustee

By: /s/ Michael Culhane

Name: Michael Culhane
Title: Vice President

Exhibit (12)

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

	Nine Months Ended September 30, 1999	Years Ended December 31 1998	1997	1996	1995	1994
		(b)				
Earnings as defined (a)						
Consolidated net income	$ 256	$ 242	$ 244	$ 224	$ 195	$ 177
Income taxes	91	100	108	137	113	91
Exclude equity basis subsidiaries	(53)	(92)	(80)	(85)	(57)	(18)
Fixed charges as defined, adjusted to exclude capitalized interest of $34, $28, $13, $5, $4 and $2 million for the nine months ended September 30, 1999 and for the years ended December 31, 1998, 1997, 1996, 1995 and 1994, respectively	413	395	360	313	299	253
Earnings as defined	$ 707	$ 645	$ 632	$ 589	$ 550	$ 503
Fixed charges as defined (a)						
Interest on long-term debt	$ 365	$ 319	$ 273	$ 230	$ 224	$ 193
Estimated interest portion of lease rental	4	8	8	10	9	9
Other interest charges	38	48	49	43	42	30
Preferred securities dividends and distributions	62	77	67	54	42	36
Fixed charges as defined	$ 469	$ 452	$ 397	$ 337	$ 317	$ 268
Ratio of earnings to fixed charges and preferred securities dividends and distributions	1.51	1.43	1.59	1.75	1.74	1.88

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

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

Exhibit (15)(a)

To CMS Energy Corporation:

We are aware that CMS Energy Corporation has incorporated by reference in its Registration Statements No. 33-47629, No. 33-60007, No. 33-61595, No. 333-60795, No. 33-62573, No. 333-32229, No. 333-63229, No. 333-68937 and No. 333-76347 its Form 10-Q for the quarter ended September 30, 1999, which includes our report dated November 10, 1999 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.

Detroit, Michigan,
November 10, 1999.

Exhibit (15)(b)

To Consumers Energy Company:

We are aware that Consumers Energy Company has incorporated by reference in its Registration Statement No. 333-89363 its Form 10-Q for the quarter ended September 30, 1999, which includes our report dated November 10, 1999 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.

Detroit, Michigan,
November 10, 1999.

UT

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

0000811156
CMS ENERGY CORPORATION
1,000,000

9-MOS
DEC-31-1999
JAN-01-1999
SEP-30-1999
PER-BOOK
3,974
5,648
1,961
3,011
0
14,594
1
2,666
(180)
2,353
944
44
2,086
317
5,006
0
273
0
89
35
3,313
14,594
4,379
92
3,631
3,723
656
9
665
368
297
41
256
202
0
440
2.29
2.25

EPS for CMS Energy Common Stock $2.29
EPS for Class G Common Stock $ .90

UT

This schedule contains summary financial information extracted from the statement of income, statement of cash flows, balance sheet, and statement of common stockholder's equity, and is qualified in its entirety by reference to such financial statements.

0000201533
CONSUMERS ENERGY COMPANY
1,000,000

9-MOS
DEC-31-1999
JAN-01-1999
SEP-30-1999
PER-BOOK
3,974
644
596
1,775
0
6,989
841
645
437
1,923
220
44
808
317
1,201
0
115
0
84
33
2,244
6,989
2,885
144
2,334
2,478
407
12
419
134
285
20
265
262
0
534
0
0

This schedule contains summary financial information extracted from the Panhandle Eastern Pipe Line Company Quarterly Report on Form 10-Q for the quarter ended September 30, 1999 and is qualified in its entirety by reference to such financial statements.

0000076063
PANHANDLE EASTERN PIPE LINE COMPANY
1,000

9-MOS
DEC-31-1999
SEP-30-1999
0
0
89,000
0
45,000
219,000
1,520,000
23,000
2,435,000
147,000
1,094,000
0
0
1,000
1,127,000
2,435,000
0
344,000
0
125,000
65,000
0
57,000
154,000
39,000
62,000
0
0
0
62,000
0
0

Not meaningful since Panhandle Eastern Pipe Line Company is a wholly-owned subsidiary.

EXHIBIT 99

CONSUMERS GAS GROUP
MANAGEMENT'S DISCUSSION AND ANALYSIS

In 1995, CMS Energy issued a total of 7.62 million shares of Class G Common Stock. This class of Common Stock reflects the separate performance of the gas distribution, storage and transportation businesses conducted by Consumers and Michigan Gas Storage Company, a subsidiary of Consumers (collectively, Consumers Gas Group). Accordingly, this MD&A should be read along with the MD&A in the 1998 Annual Report of CMS Energy included and incorporated by reference herein.

CMS Energy is the parent holding company of Consumers and CMS Enterprises Company. Consumers, a combination electric and gas utility company serving the Lower Peninsula of Michigan, is a subsidiary of CMS Energy. For further information regarding the businesses of CMS Energy, including the nature and issuance of Class G Common Stock, see the MD&A of CMS Energy.

As a result of CMS Energy's acquisition of Panhandle in March 1999, management determined that having a separate tracking stock for Consumers Gas Group was no longer in CMS Energy's best interests. Therefore, on October 25, 1999, CMS Energy exchanged approximately 6.1 million shares of CMS Energy Common Stock for all of the approximately 8.7 million issued and outstanding shares of Class G Common Stock in a tax-free exchange for federal income tax purposes, as more fully discussed in Note 5.

RESULTS OF OPERATIONS

			In Millions
September 30	1999	1998	Change
Three Months Ended	$(13)	$ (5)	$ (8)
Nine Months Ended	30	35	(5)
Twelve Months Ended	47	58	(12)

Net income for the three month period ended September 30, 1999 decreased compared with the same period ending September 30, 1998, primarily as a result of a one-time regulatory disallowance of certain gas costs. The decrease in net income for the nine months ended September 30, 1999 compared to the same 1998 period reflects the benefit resulting from a one-time accounting change for property taxes in the first quarter of 1998 (which changed the recognition of property tax expense from expensing on a calendar year basis to a fiscal year basis, resulting in a benefit of $18 million, or $12 million after-tax), a one-time regulatory disallowance of certain gas costs in 1999, and increased depreciation, partially offset by increased gas deliveries due to colder temperatures during the 1999 heating season and a regulatory change which suspended the GCR clause, allowing the opportunity to benefit from lower gas prices. The decrease in earnings for the twelve months ended September 30, 1999 compared to the same 1998 period reflects the change in accounting for property taxes implemented in March 1998 as discussed above and an increase in depreciation, partially offset by a decrease in the cost of gas.

GAS ISSUES

For a discussion of Consumers Gas Group operating issues, see Consumers Gas Group Results of Operations_Uncertainties in CMS Energy's MD&A.

CASH POSITION, INVESTING AND FINANCING

OPERATING ACTIVITIES: Consumers Gas Group's cash requirements are met by its operating and financing activities. Consumers Gas Group's cash from operations is derived mainly from Consumers' sale and transportation of natural gas. Cash from operations for the first nine months of 1999 and 1998 totaled $134 million and $66 million, respectively. The $68 million increase primarily reflects increased depreciation, the absence of the 1998 cumulative effect of the property tax accounting change, and increased accounts payable amounts due to the timing of cash payments. Consumers Gas Group uses its operating cash primarily to maintain and expand its gas utility transmission and distribution systems, to retire portions of its long-term debt, and to pay dividends.

INVESTING ACTIVITIES: Cash used in investing activities for the first nine months of 1999 and 1998 totaled $80 million and $84 million, respectively. The $4 million decrease in cash used primarily reflects decreased capital expenditures.

FINANCING ACTIVITIES: Cash used in financing activities during the first nine months of 1999 totaled $56 million while cash provided by financing activities during the first nine months of 1998 totaled $20 million. The $76 million increase in cash used primarily reflects a decrease in the proceeds from senior notes and an increase in the retirement of preferred stock, partially offset by a decrease in the retirement of bonds and other long-term debt.

OTHER INVESTING AND FINANCING MATTERS: Consumers has an agreement permitting the sale of certain accounts receivable for up to $325 million. At September 30, 1999, receivables sold totaled $314 million. Consumers Gas Group's attributed portion of these receivables sold totaled $42 million. Accounts receivable and accrued revenue in the Balance Sheets have been reduced to reflect receivables sold. For further information, see CMS Energy's Note 3.

CAPITAL EXPENDITURES

CMS Energy estimates the following capital expenditures for Consumers Gas Group, including new lease commitments, over the next three years. These estimates are prepared for planning purposes and are subject to revision.

			In Millions
Years Ended December 31	1999	2000	2001
Gas utility (a)	$122	$127	$127
Michigan Gas Storage	3	3	3
	$125	$130	$130

(a) Includes a portion of anticipated capital expenditures common to Consumers' gas and electric utility businesses.

Consumers Gas Group expects that cash from operations and the ability to access debt markets will provide necessary working capital and liquidity to fund future capital expenditures, required debt payments, and other cash needs in the foreseeable future. For further information regarding forward-looking information, see the Consumers Gas Group Outlook discussion in CMS Energy's MD&A.

YEAR 2000 COMPUTER MODIFICATIONS

For a discussion of Consumers Gas Group's year 2000 computer modification efforts, see Year 2000 Computer Modifications in CMS Energy's MD&A.

FORWARD-LOOKING STATEMENTS

For cautionary statements relating to Consumers Gas Group's forward-looking information, see Forward-Looking Statements in CMS Energy's MD&A.

CONSUMERS GAS GROUP
STATEMENTS OF INCOME
(UNAUDITED)

SEPTEMBER 30	THREE MONTHS ENDED 1999	1998	NINE MONTHS ENDED 1999	1998	TWELVE MONTHS ENDED 1999	1998
				In Millions, Except Per Share Amounts		
OPERATING REVENUE	$ 112	$ 117	$ 792	$ 716	$ 1,128	$ 1,092
OPERATING EXPENSES						
Operation						
Cost of gas sold	44	39	428	377	614	600
Other	49	46	143	136	184	183
	93	85	571	513	798	783
Maintenance	9	8	26	25	34	34
Depreciation, depletion and amortization	10	10	70	60	107	89
General taxes	7	8	38	37	57	52
	119	111	705	635	996	958
PRETAX OPERATING INCOME (LOSS)	(7)	6	87	81	132	134
OTHER INCOME (DEDUCTIONS)	-	-	4	-	-	(2)
FIXED CHARGES						
Interest on long-term debt	7	7	22	21	29	28
Other interest	6	3	13	11	17	15
Preferred dividends	-	1	1	3	2	4
	13	11	36	35	48	47
INCOME (LOSS) BEFORE INCOME TAXES	(20)	(5)	55	46	84	85
INCOME TAXES	(7)	-	25	23	37	39
NET INCOME (LOSS) BEFORE CUMULATIVE EFFECT OF CHANGE IN ACCOUNTING PRINCIPLE	(13)	(5)	30	23	47	46
CUMULATIVE EFFECT OF CHANGE IN ACCOUNTING FOR PROPERTY TAXES, NET OF $6 TAX	-	-	-	12	-	12
NET INCOME (LOSS)	$ (13)	$ (5)	$ 30	$ 35	$ 47	$ 58
NET INCOME (LOSS) ATTRIBUTABLE TO CMS ENERGY SHAREHOLDERS THROUGH RETAINED INTEREST	$ (10)	$ (3)	$ 22	$ 27	$ 34	$ 44
NET INCOME (LOSS) ATTRIBUTABLE TO CLASS G SHAREHOLDERS	$ (3)	$ (2)	$ 8	$ 8	$ 13	$ 14
AVERAGE CLASS G COMMON SHARES OUTSTANDING	9	8	9	8	9	8
BASIC AND DILUTED EARNINGS (LOSS) PER AVERAGE CLASS G COMMON SHARE BEFORE CHANGE IN ACCOUNTING PRINCIPLE	$ (.38)	$ (.16)	$ .90	$ .68	$ 1.41	$ 1.37
CUMULATIVE EFFECT OF CHANGE IN ACCOUNTING PRINCIPLE, NET OF TAX, PER AVERAGE CLASS G COMMON SHARE	$ -	$ -	$ -	$ .36	$ -	$ .36
BASIC AND DILUTED EARNINGS (LOSS) PER AVERAGE CLASS G COMMON SHARE	$ (.38)	$ (.16)	$ .90	$ 1.04	$ 1.41	$ 1.73
DIVIDEND DECLARED PER CLASS G COMMON SHARE	$ .34	$ .325	$ .99	$ .945	$ 1.315	$ 1.255

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

CONSUMERS GAS GROUP
STATEMENTS OF CASH FLOWS
(UNAUDITED)

SEPTEMBER 30	NINE MONTHS ENDED 1999	1998
CASH FLOWS FROM OPERATING ACTIVITIES		
Net income	$ 30	$ 35
Adjustments to reconcile net income to net cash provided by operating activities		
Depreciation, depletion and amortization	70	60
Capital lease and other amortization	3	5
Deferred income taxes and investment tax credit	(4)	11
Cumulative effect of accounting change	-	(18)
Changes in other assets and liabilities	35	(27)
Net cash provided by operating activities	134	66
CASH FLOWS FROM INVESTING ACTIVITIES		
Capital expenditures (excludes assets placed under capital lease)	(73)	(81)
Cost to retire property, net	(7)	(7)
Proceeds from the sale of property	1	3
Other	(1)	1
Net cash used in investing activities	(80)	(84)
CASH FLOWS FROM FINANCING ACTIVITIES		
Retirement of preferred stock	(43)	-
Return of CMS Energy stockholders' contribution	(35)	(32)
Payment of common stock dividends	(33)	(31)
Retirement of bonds and other long-term debt	(22)	(150)
Payment of capital lease obligations	(3)	(5)
Contribution from CMS Energy stockholders	63	15
Increase (decrease) in notes payable, net	8	37
Issuance of common stock	5	4
Proceeds from bank loans	4	-
Proceeds from senior notes	-	182
Net cash provided by (used in) financing activities	(56)	20
NET INCREASE (DECREASE) IN CASH AND TEMPORARY CASH INVESTMENTS	(2)	2
CASH AND TEMPORARY CASH INVESTMENTS, BEGINNING OF PERIOD	2	2
CASH AND TEMPORARY CASH INVESTMENTS, END OF PERIOD	$ -	$ 4
OTHER CASH FLOW ACTIVITIES AND NON-CASH INVESTING AND FINANCING ACTIVITIES WERE:		
CASH TRANSACTIONS		
Interest paid (net of amounts capitalized)	$ 32	$ 29
Income taxes paid (net of refunds)	38	35
NON-CASH TRANSACTIONS		
Assets placed under capital lease	$ 4	$ 5

SEPTEMBER 30	TWELVE MONTHS ENDED 1999	1998
		In Millions
CASH FLOWS FROM OPERATING ACTIVITIES		
Net income	$ 47	$ 58
Adjustments to reconcile net income to net cash provided by operating activities		
Depreciation, depletion and amortization	107	89
Capital lease and other amortization	-	6
Deferred income taxes and investment tax credit	1	9
Cumulative effect of accounting change	-	(18)
Changes in other assets and liabilities	23	23
Net cash provided by operating activities	178	167
CASH FLOWS FROM INVESTING ACTIVITIES		
Capital expenditures (excludes assets placed under capital lease)	(103)	(115)
Cost to retire property, net	(9)	(10)
Proceeds from the sale of property	2	3
Other	-	3
Net cash used in investing activities	(110)	(119)
CASH FLOWS FROM FINANCING ACTIVITIES		
Retirement of preferred stock	(43)	-
Return of CMS Energy stockholders' contribution	(35)	(71)
Payment of common stock dividends	(44)	(42)
Retirement of bonds and other long-term debt	(42)	(150)
Payment of capital lease obligations	(4)	(6)

Contribution from CMS Energy stockholders	85	15
Increase (decrease) in notes payable, net	(30)	2
Issuance of common stock	7	7
Proceeds from bank loans	4	-
Proceeds from senior notes	30	182
Net cash provided by (used in) financing activities	(72)	(63)
NET INCREASE (DECREASE) IN CASH AND TEMPORARY CASH INVESTMENTS	(4)	(15)
CASH AND TEMPORARY CASH INVESTMENTS, BEGINNING OF PERIOD	4	19
CASH AND TEMPORARY CASH INVESTMENTS, END OF PERIOD	$ -	$ 4
OTHER CASH FLOW ACTIVITIES AND NON-CASH INVESTING AND FINANCING ACTIVITIES WERE:		
CASH TRANSACTIONS		
Interest paid (net of amounts capitalized)	$ 40	$ 39
Income taxes paid (net of refunds)	37	38
NON-CASH TRANSACTIONS		
Assets placed under capital lease	$ 4	$ 6

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 GAS GROUP
BALANCE SHEETS

ASSETS	SEPTEMBER 30 1999 (UNAUDITED)	DECEMBER 31 1998	SEPTEMBER 30 1998 (UNAUDITED)
			In Millions
PLANT AND PROPERTY (AT COST)			
Plant and property	$ 2,427	$ 2,360	$ 2,328
Less accumulated depreciation, depletion and amortization	1,315	1,252	1,213
	1,112	1,108	1,115
Construction work-in-progress	36	31	31
	1,148	1,139	1,146
CURRENT ASSETS			
Cash and temporary cash investments at cost, which approximates market	-	2	4
Accounts receivable and accrued revenue, less allowances of $2, $3, and $3, respectively	24	75	5
Inventories at average cost			
Gas in underground storage	288	219	276
Materials and supplies	5	6	6
Prepayments and other	32	51	40
	349	353	331
NON-CURRENT ASSETS			
Postretirement benefits	123	131	134
Deferred income taxes	45	16	14
Other	95	87	62
	263	234	210
TOTAL ASSETS	$ 1,760	$ 1,726	$ 1,687

STOCKHOLDERS' INVESTMENT AND LIABILITIES	SEPTEMBER 30 1999 (UNAUDITED)	DECEMBER 31 1998	SEPTEMBER 30 1998 (UNAUDITED)
			In Millions
CAPITALIZATION			
Common stockholders' equity	$ 409	$ 379	$ 349
Preferred stock	10	52	52
Long-term debt	449	454	449
Non-current portion of capital leases	15	14	16
	883	899	866
CURRENT LIABILITIES			
Current portion of long-term debt and capital leases	33	37	39
Notes payable	126	118	156
Accounts payable	110	92	86
Accrued taxes	33	61	34
Accrued refunds	19	9	10
Accrued interest	9	8	6
Deferred income taxes	4	4	4
Other	62	47	43
	396	376	378
NON-CURRENT LIABILITIES			
Regulatory liabilities for income taxes, net	214	189	183
Postretirement benefits	149	159	162
Deferred investment tax credit	24	25	24
Other	94	78	74
	481	451	443
COMMITMENTS AND CONTINGENCIES (NOTE 4)			
TOTAL STOCKHOLDERS' INVESTMENT AND LIABILITIES	$ 1,760	$ 1,726	$ 1,687

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

CONSUMERS GAS GROUP
STATEMENTS OF COMMON STOCKHOLDERS' EQUITY
(UNAUDITED)

	THREE MONTHS ENDED		NINE MONTHS ENDED		TWELVE MONTHS ENDED	
SEPTEMBER 30	1999	1998	1999	1998	1999	1998
						In Millions
COMMON STOCK						
At beginning and end of period	$ 184	$ 184	$ 184	$ 184	$ 184	$ 184
OTHER PAID-IN CAPITAL						
At beginning of period	112	84	113	102	89	138
Common stock issued	1	1	5	4	7	7
CMS Energy stockholders' contribution	33	15	63	15	85	15
Return of CMS Energy stockholders' contribution	-	(11)	(35)	(32)	(35)	(71)
At end of period	146	89	146	89	146	89
RETAINED EARNINGS						
At beginning of period	103	92	82	72	76	60
Net income (loss)	(13)	(5)	30	35	47	58
Common stock dividends declared	(11)	(11)	(33)	(31)	(44)	(42)
At end of period	79	76	79	76	79	76
TOTAL COMMON STOCKHOLDERS' EQUITY	$ 409	$ 349	$ 409	$ 349	$ 409	$ 349

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

CONSUMERS GAS GROUP
CONDENSED NOTES TO FINANCIAL STATEMENTS

1: CORPORATE STRUCTURE

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. For further information regarding the businesses of CMS Energy, see the Notes to Consolidated Financial Statements of CMS Energy included and incorporated by reference herein.

CMS Energy has issued shares of Class G Common Stock. This class of Common Stock reflects the separate performance of the gas distribution, storage and transportation businesses conducted by Consumers and Michigan Gas Storage Company, a subsidiary of Consumers (collectively, Consumers Gas Group). For further information regarding the nature and issuance of the Class G Common Stock, see Note 4 to the Consolidated Financial Statements of CMS Energy included and incorporated by reference herein.

These Financial Statements and their related Notes should be read along with the Financial Statements and Notes contained in the 1998 Annual Report of CMS Energy that includes the Report of Independent Public Accountants, included and incorporated by reference herein.

2: EARNINGS PER SHARE AND DIVIDENDS

EARNINGS PER SHARE AND DIVIDENDS: Basic and diluted earnings per share for the three month period ended September 30, 1999 and September 30, 1998, reflect the performance of Consumers Gas Group. The earnings attributable to Class G Common Stock and the related amounts per share are computed by considering the weighted average number of shares of Class G Common Stock outstanding.

Earnings attributable to outstanding Class G Common Stock are equal to Consumers Gas Group's net income multiplied by a fraction; the numerator is the weighted average number of Outstanding Shares during the period, and the denominator is the weighted average number of Outstanding Shares and Retained Interest Shares during the period. The earnings attributable to Class G Common Stock on a per share basis, for the nine months ended September 30, 1999 and 1998, are based on 26.06 percent, 25.38 percent of the income of Consumers Gas Group, respectively.

In February and May 1999, CMS Energy paid dividends of $.325 per share on Class G Common Stock. In August 1999, CMS Energy paid a dividend of $.34 per share on Class G Common Stock.

In October 1999, the Class G Common Stock was exchanged for CMS Energy Common Stock, and therefore, no Class G dividend was declared (see Note 5). Class G shareholders prior to the exchange will receive the CMS Energy dividend that is payable in November 1999.

3: SHORT-TERM FINANCINGS AND CAPITALIZATION

SHORT-TERM FINANCINGS: Consumers' short-term financings are discussed in the Consolidated Financial Statements of CMS Energy Note 3 included and incorporated by reference herein.

Consumers generally manages its short-term financings on a centralized consolidated basis. The portion of receivables sold attributable to Consumers Gas Group at September 30, 1999 and 1998, is estimated by management to be $42 million and $52 million, respectively. Accounts receivable and accrued revenue in the balance sheets have been reduced to reflect receivables sold. The portions of short-term debt and receivables sold attributable to Consumers Gas Group reflect the high utilization of short-term borrowing to finance the purchase of gas for storage in the summer and fall periods. The allocation of short-term financings and related interest charges to Consumers Gas Group generally follows the ratio of gas utility assets to total Consumers' assets. Additionally, the carrying costs for Consumers' sales of certain of its accounts receivable under its trade receivable purchase and sale agreement generally are allocated to Consumers Gas Group based on the ratio of customer revenues contributed by Consumers' gas customers to total Consumers' revenue. As a result of the centralized management of short-term financing, the amounts allocated to Consumers Gas Group are further adjusted in both the seasonal gas inventory build-up period (second and third quarters) and the high seasonal gas sales period (first and fourth quarters) to more closely reflect the higher short-term financing requirements of the inventory build-up period and conversely the lower financing requirements during the higher sales periods. Management believes these allocations to be reasonable.

CAPITAL STOCK AND LONG-TERM DEBT: Consumers Gas Group's capital stock and long-term debt, including debt resulting from the sale of Trust Preferred Securities, have been allocated based on the ratio of gas utility assets (including common assets attributed to the gas utility segment) to total Consumers' assets. Management believes these measurements are reasonable. For information regarding the long-term debt and capital stock of CMS Energy and Consumers, see Note 3 to the Consolidated Financial Statements of CMS Energy included and incorporated by reference herein.

4: COMMITMENTS AND CONTINGENCIES

CAPITAL EXPENDITURES: Consumers Gas Group estimates capital expenditures, including new lease commitments, of $125 million for 1999, $130 million for 2000, and $130 million for 2001. These estimates include an attributed portion of Consumers' anticipated capital expenditures for common plant and equipment.

For further information regarding commitments and contingencies directly affecting Consumers Gas Group (including those involving former manufactured gas plant sites), see the Consumers Gas Group Contingencies and Consumers Gas Group Matters in CMS Energy's Note 2 included and incorporated by reference herein.

5: EXCHANGE OF CLASS G COMMON STOCK

On October 25, 1999, CMS Energy exchanged approximately 6.1 million shares of CMS Energy Common Stock for all of the 8.7 million issued and outstanding shares of Class G Common Stock in a tax-free exchange for United States Federal Income tax purposes. The exchange ratio of .7041 share of CMS Energy Common Stock for each share of Class G Common Stock represents the fair market value of CMS Energy Common Stock equal to 115 percent of the fair market value of one share of Class G Common Stock. Fair market values of CMS Energy Common Stock and Class G Common Stock were determined by calculating the average of the daily closing prices on the New York Stock Exchange from July 28, 1999 to August 24, 1999.

Report of Independent Public Accountants

To CMS Energy Corporation:

We have reviewed the accompanying balance sheets of CONSUMERS GAS GROUP (representing a business unit of Consumers Energy Company and its wholly-owned subsidiary, Michigan Gas Storage Company) as of September 30, 1999 and 1998, the related statements of income and common stockholders' equity for the three-month, nine-month, and twelve-month periods then ended, and the related consolidated statements of cash flows for the nine-month and twelve-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 generally accepted auditing standards, 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 generally accepted accounting principles.

We have previously audited, in accordance with generally accepted auditing standards, the balance sheet of Consumers Gas Group as of December 31, 1998, and the related statements of income, common stockholders' equity and cash flows for the year then ended (not presented herein), and, in our report dated January 26, 1999, we expressed an unqualified opinion on those statements. In our opinion, the information set forth in the accompanying balance sheet as of December 31, 1998, is fairly stated, in all material respects, in relation to the balance sheet from which it has been derived.

Detroit, Michigan,
November 10, 1999.